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THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FINANCIAL REPORT

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The Directors of The Ten Group Pty Limited present their report on the consolidated entity, consisting of The Ten Group Pty Limited ("The Company") and its controlled entities, for the year ended 31 August 2000.

Directors

The Directors that have been in office during the year and since year end are:

Mr JB Studdy (Chairman)

Mr LJ Asper (Alternate Mr PD Viner)

Mr GE Chapman * (Alternate Mr PV Gleeson)

Mr JJ Cowin

Mr LS Freedman (Alternate Mr BG Sechos)

Mr PV Gleeson

Mr PPA Harris (Alternate Mr PV Gleeson)

Mr GH Levy

Mr JH McAlpine

Mr R Magid

Mr GR Noble + (Alternate Mr PD Viner)

Mr BM Sherman (Alternate Mr BG Sechos)

Mr TC Strike ^ (Alternate Mr LJ Asper)

Mr PD Viner (Alternate Mr TC Strike)

* Mr GE Chapman resigned on 10 September 1999.

+ Mr GR Noble resigned on 30 June 2000.

^ Mr TC Strike was appointed on 4 July 2000.

Principal Activities

The principal activity of The Ten Group Pty Limited and controlled entities is the operation of commercial television licences TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (Perth). This activity was enhanced by the addition of a new activity in October 1999 involving investments in the internet sector.

Profit

The consolidated profit after income tax for the year ended 31 August comprises:

	2000 \$'000	1999 \$'000
Earnings before interest and taxes	191,500	179,799
Subordinated debenture interest expense	81,998	74,849
Net interest expense	2,146	1,497
Operating profit before income tax	107,356	103,453
Income tax expense	33,559	36,083
Operating profit after income tax	73,797	67,370

Dividends

Since the end of the previous financial year:

- A fully franked ordinary dividend of 14.807 cents per share and in total \$67,370,000 was paid on 20 December 1999 in respect of results for the year ended 31 August 1999.
- A fully franked ordinary dividend of 16.219 cents per share and in total \$73,797,000 was declared by the Directors on 12 October 2000 in respect of the results for the year ended 31 August 2000. This dividend will be payable on 20 December 2000.

Review of Operations

The Directors were satisfied with the results of the consolidated entity for the year.

Significant Changes in the State Of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) Village Ten Online Joint Venture

On 6 October 1999 a joint venture with a controlled entity of Village Roadshow Limited was established to develop Scape, an online entertainment and leisure-based business.

(b) AMP Share Exchange

During the year AMP Life Limited exchanged 5,931,610 shares it held in The Ten Group Pty Limited for an equivalent number of shares in Ten Network Holdings Limited pursuant to the exchange deeds put in place at the time of the restructure and public listing of Ten Network Holdings Limited in April 1998. This exchange increased Ten Network Holdings Limited beneficial interest in The Ten Group Pty Limited to 83.70% (1999 – 82.39%) and its economic interest to 41.85% (1999 – 41.20%).

Except for the matters noted above or otherwise disclosed in the financial report, there were no other significant changes in the state of affairs of the consolidated entity during the year.

Events Subsequent to Balance Date

At the date of this report, no matter or circumstance has arisen since balance date that has significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2000 of the consolidated entity and the entities it controls from time to time; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2000 of the consolidated entity.

Likely Developments

Information as to likely developments in the operations of the consolidated entity and the expected result of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

Insurance of Officers

During the financial year, a controlled entity arranged for Directors and Officers Liability Insurance Cover for officers of the Company and related bodies corporate. An insurance premium was paid in relation thereto.

The officers of the Company covered by this insurance include all Directors and all employees in positions of responsibility.

Indemnification of Officers

During the financial year, the Company entered into deeds to indemnify certain officers of the Company and related bodies corporate.

The officers, including the Directors and alternate Directors, of The Ten Group Pty Limited and its controlled entities are covered by a deed of indemnity.

The principal provisions of the deed of indemnity are:

- (a) a grant of certain indemnities in favour of the officers of the Company and its controlled entities in respect of proceedings which may be instituted by or against these officers relating to the performance of their duties;
- (b) the provision of access to the Board papers of the Company and its controlled entities for Directors and alternate Directors; and
- (c) an undertaking that a policy of Directors and officers liability insurance is maintained by the Company in respect of the officer for a period of 10 years after the officer ceases to be an officer of the Company and its controlled entities.

Additionally separate deeds of indemnity cover Messrs Peter Myers and Gerry Thorley.

No liability has arisen under these indemnities at the date of this report.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/0100 and accordingly the financial report has been rounded to the nearest thousand dollars.

Signed at Sydney on 12 October 2000 in accordance with a resolution of the Directors.



JB Studdy
Director



PV Gleeson
Director

FOR THE YEAR ENDED 31 AUGUST 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Total revenue	2	608,212	568,175	521,873	479,125
Operating profit before debenture interest		189,354	178,302	191,836	172,513
Subordinated debenture interest	2	81,998	74,849	81,998	74,849
Operating profit before income tax	2	107,356	103,453	109,838	97,664
Income tax expense attributable to operating profit	3	33,559	36,083	33,513	30,194
Operating profit after income tax		73,797	67,370	76,325	67,470
Retained earnings at the beginning of the financial year		134,976	134,976	117,148	117,048
Available for appropriation		208,773	202,346	193,473	184,518
Dividend proposed	35	73,797	67,370	73,797	67,370
Retained earnings at the end of the financial year		134,976	134,976	119,676	117,148

The above profit and loss statements should be read in conjunction with the accompanying notes.

AS AT 31 AUGUST 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Current Assets					
Cash	4	38,309	21,562	1,114	7
Receivables	5	91,067	69,310	102,233	78,201
Program rights	6	89,636	87,703	–	–
Other	7	3,643	1,140	–	–
Total Current Assets		222,655	179,715	103,347	78,208
Non-Current Assets					
Receivables	8	7,483	4,350	280,800	280,800
Investments	9	56,421	42,595	75,118	73,330
Program rights	10	548	4,960	–	–
Property, plant and equipment	11	47,751	36,186	–	–
Television licences	12	326,422	326,422	–	–
Other	13	19,756	7,738	29,059	27,747
Total Non-Current Assets		458,381	422,251	384,977	381,877
Total Assets		681,036	601,966	488,324	460,085
Current Liabilities					
Accounts payable	14	230,458	229,068	86,613	77,370
Provisions	15	151,732	118,904	101,430	86,434
Total Current Liabilities		382,190	347,972	188,043	163,804
Non-Current Liabilities					
Accounts payable	16	20,231	25,110	82,975	81,503
Borrowings	17	95,545	45,545	45,545	45,545
Provisions	18	1,665	1,934	–	–
Total Non-Current Liabilities		117,441	72,589	128,520	127,048
Total Liabilities		499,631	420,561	316,563	290,852
Net Assets		181,405	181,405	171,761	169,233
Equity					
Share capital	19,28	45,500	45,500	45,500	45,500
Reserves	20	929	929	6,585	6,585
Retained earnings		134,976	134,976	119,676	117,148
Total Equity		181,405	181,405	171,761	169,233

The above balance sheets should be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 31 AUGUST 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Cash and its Equivalents	4				
Cash at hand		59	57	–	–
Cash at bank		38,250	21,505	1,114	7
At end of the financial year		38,309	21,562	1,114	7
At commencement of the financial year		21,562	14,463	7	7
Net Cash Inflow for the year		16,747	7,099	1,107	–
Represented by:					
Cash Flows from Operating Activities					
Receipts from customers		579,485	568,247	457,304	447,121
Payments to suppliers and employees		(418,870)	(378,278)	–	(1,241)
Dividends received		1,849	1,573	12,374	1,115
Network fee		–	–	(328,688)	(304,474)
Interest received		1,240	819	–	–
Interest paid		(3,094)	(1,753)	–	–
Income tax (paid)/refunds received		(22,277)	(51,463)	(26,255)	(32,089)
Net cash flow from operating activities	33	138,333	139,145	114,735	110,432
Cash Flows from Financing Activities					
Dividend paid		(67,370)	(28,518)	(67,370)	(28,518)
Debenture interest paid		(67,370)	(59,820)	(67,370)	(59,820)
Debenture interest – withholding tax		(6,737)	(6,647)	(6,737)	(6,647)
Bank loan					
Drawdown		120,000	100,000	–	–
Repayment		(70,000)	(130,000)	–	–
Net cash flow financing activities		(91,477)	(124,985)	(141,477)	(94,985)
Cash Flows from Investment Activities					
Acquisition of property, plant and equipment		(20,027)	(4,435)	–	–
Proceeds on disposal of property, plant and equipment		1,313	175	–	–
Purchases of equity investments		(8,601)	–	–	–
Sale of equity investments		134	–	–	–
Interest received					
Controlled entities		–	–	26,376	24,277
Advances/(repayments)					
Controlled entities		–	–	1,473	(39,724)
Associated companies		–	41	–	–
Other		(2,928)	(2,842)	–	–
Net cash flow from investment activities		(30,109)	(7,061)	27,849	(15,447)
Net Cash Inflow for the financial year		16,747	7,099	1,107	–

The above statements of cash flows should be read in conjunction with the accompanying notes.

FOR THE YEAR ENDED 31 AUGUST 2000

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Law.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. The accounting policies adopted are consistent with those of the previous year. Comparative information has been reclassified where appropriate to enhance comparability.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by The Ten Group Pty Limited (the "Company") as detailed in Note 21 to the financial statements and the results of all controlled entities. The Ten Group Pty Limited and its controlled entities together are referred to in this financial report as the consolidated entity. All inter-company transactions are eliminated in full.

(b) Income Tax

Tax effect accounting has been adopted, whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent taxation differences. The tax effect of timing differences which occur where items are assessed or deducted for income tax purposes in a period different to that for accounting, is shown in the Provision for Deferred Income Tax and Future Income Tax Benefit, as applicable, at taxation rates applicable when such timing differences are expected to reverse, to the extent that realisation of the Future Income Tax Benefit is considered beyond reasonable doubt.

(c) Receivables and Revenue Recognition

Advertising revenue is measured prior to any allowance for commissions paid to advertising agencies and is recognised when the advertisements are aired.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

(d) Property, Plant and Equipment

Depreciation or amortisation is provided on fixed assets other than freehold land so as to write off the cost of the assets progressively over their estimated remaining useful lives. The straight line method of calculating depreciation is applied. The cost of the freehold land and buildings is supported by independent valuations conducted at least once every three years. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2000	1999
Buildings	40 years	40 years
Plant and Equipment	3 to 10 years	3 to 10 years

The cost of leasehold improvements is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

(e) Television Licences

Television licences are stated at cost and are supported by independent advice from Grant Samuel & Associates Pty Limited. The television licences continue to be subject to Government legislation and regulation by the Australian Broadcasting Authority ("ABA"). The Directors have no reason to believe that the licences will not be renewed in due course.

The Directors regularly assess the carrying value of licences so as to ensure that they are not carried at a value greater than their recoverable amount. No amortisation is provided against these assets as the Directors believe that the television licences do not have a limited useful life.

Television licences have been included as a separate category under non-current assets. These assets are the principal assets of the consolidated entity and it is considered separate disclosure in the balance sheet is necessary for the consolidated financial statements to show a true and fair view of the state of affairs of the consolidated entity at balance date.

FOR THE YEAR ENDED 31 AUGUST 2000

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Investments**

Investments are stated at the lower of cost, equity accounted amount (where applicable) and recoverable amount. Income from investments in controlled entities is brought to account when dividends are declared. Income from other investments is brought to account when received. The investments in associated companies are detailed in Note 22 to the financial statements and comprise those investments where the consolidated entity exercises significant influence but not control. Information determined in accordance with the equity method of accounting is detailed in Note 22 to the financial statements in respect of material investments in associated companies. The investments in joint venture entities are detailed in Note 23 to the financial statements and comprise those investments where the consolidated entity has a contractual arrangement to undertake an economic activity with one or more parties which is subject to joint control. In the consolidated financial statements investments in joint venture entities are accounted for using the equity method of accounting.

(g) Leases

Operating leases are those leases under which the lessor effectively retains substantially all the risks and benefits incident to ownership of leased non-current assets. Operating lease payments are charged to the profit and loss statement in the periods to which they relate. The consolidated entity has no finance leases.

(h) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee Entitlements

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

A liability for long service leave is recognised, and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(j) Television Program Rights

Television programs which are available for broadcast are recognised as an asset and stated at residual cost. Series programs are written off in full upon initial airing. Features are amortised over their estimated useful lives. Furthermore, the carrying values of television program rights are reviewed on a periodic basis and, where required, written down to their recoverable value.

The residual cost of television programs at balance date for which the telecast licence period has commenced or will commence in the succeeding year has been classified as a current asset.

(k) Intercompany Loans

Loans between members of the consolidated entity have no specified terms of repayment but where it is unlikely that such amounts will be repayable within 12 months the advances have been included, as appropriate, in non-current assets or liabilities.

(l) Cash

For purposes of the Statement of Cash Flows, cash includes cash management deposits at call net of outstanding overdrafts.

(m) Interest Bearing Securities

Interest bearing deposits and borrowings are stated at cost with interest income or expense brought to account in the periods to which they relate.

(n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdraft and short-term and long-term borrowings.

So as to hedge some or all of the financial exposure of the long-term borrowings at variable market determined interest rates, the consolidated entity enters into interest swap contracts. The costs of such contracts are brought to account in the periods to which they relate and are included in interest expense.

(o) Program Development

The consolidated entity's long term commitment to program planning and development requires significant expenditure on an infrequent basis. Accordingly, where appropriate, amounts are set aside as a charge against revenue to reflect more properly the ongoing nature of these expenses in the periods in which they accrue.

(p) Revaluation of Non-Current Assets

The consolidated entity revalues its assets from time to time or as detailed elsewhere in this report to amounts supported by independent valuations. The carrying value is expected not to exceed the recoverable amount in net cash flow arising from its continued use and subsequent disposal and have been discounted to their present value.

Potential capital gains tax is not taken into account unless there is an intention to sell the assets concerned.

(q) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. Where the net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of, the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the profit and loss statement.

(r) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets, regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

(s) Currency Conversion

Foreign currency transactions are translated at the rate applicable at the date of the transaction. At balance date amounts payable and receivable are translated at rates of exchange current at that date. All realised and unrealised currency translation gains and losses are brought to account in the profit and loss statement.

(t) Capitalised Costs

Material items of expenditure are capitalised to the extent that management consider that it is probable that future economic benefits embodied in the expenditure will eventuate and can be reliably measured, do not relate solely to revenue that has already been brought to account and will contribute to the future earning capacity of the entity.

FOR THE YEAR ENDED 31 AUGUST 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
2 OPERATING REVENUE AND OPERATING PROFIT					
Revenue from Operating Activities					
Network fees – other		24,184	21,480	–	–
Television related activities		578,382	542,149	475,533	441,058
		602,566	563,629	475,533	441,058
Revenue from Outside the Operating Activities					
Dividend received					
Controlled entity	30	–	–	16,940	11,137
Other		4,239	3,634	3,024	2,653
Interest received					
Controlled entity	30	–	–	26,376	24,277
Other		1,240	819	–	–
Foreign currency gain realised		90	23	–	–
Net profit on sale of property, plant and equipment		77	70	–	–
Total Revenue		608,212	568,175	521,873	479,125
Expenses					
Auditors' remuneration	25	698	539	–	–
Directors' remuneration		1,247	1,132	272	308
Foreign currency losses realised		50	163	–	–
Network fee paid to controlled entity	30	–	–	328,688	304,474
Interest					
Subordinated debentures	30	81,998	74,849	81,998	74,849
Related entity	30	–	495	–	495
Other		3,386	1,823	–	–
Operating lease rentals		16,441	20,016	–	–
Amortisation and depreciation					
Plant and equipment		5,132	5,462	–	–
Leasehold improvements		43	42	–	–
Building		261	263	–	–
Program rights		132,033	122,731	–	–
Amounts provided					
Doubtful debts		(469)	600	–	–
Program rights		3,794	1,520	–	–
Employee entitlements		5,805	5,491	–	–
Program development		1,309	1,097	–	–

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
3 INCOME TAX					
The prima facie tax payable (36% 10 months to June 2000; 34% 2 months to August 2000) (1999:36%) on the operating profit is reconciled to income tax expense as follows:					
Operating profit before tax		107,356	103,453	109,838	97,664
Prima facie tax payable		38,323	37,243	38,928	35,159
Tax effect of permanent differences:					
Non deductible expenditure/ (non-assessable income)		(829)	298	–	–
Tax rate change		279	–	1,434	–
Prior year adjustments		(2,688)	(150)	–	–
Dividend rebate		(1,526)	(1,308)	(6,849)	(4,965)
		33,559	36,083	33,513	30,194
Income tax expense comprises:					
Provision for tax		42,004	36,998	34,825	33,493
Future income tax benefit		(8,445)	(915)	(1,312)	(3,299)
		33,559	36,083	33,513	30,194
Future income tax benefit comprises:					
Timing differences		29,392	47,576	29,059	27,747
Items with common maturity offset against provision for deferred income tax		(13,209)	(39,838)	–	–
	13	16,183	7,738	29,059	27,747
Provision for deferred income tax comprises:					
Timing differences		13,209	39,838	–	–
Items with common maturity offset against future income tax benefit		(13,209)	(39,838)	–	–
		–	–	–	–
No part of the future income tax benefit shown in Note 13 is attributable to tax losses. There are no tax losses not brought to account.					
4 CASH					
Cash on hand		59	57	–	–
Cash at bank	28	38,250	21,505	1,114	7
		38,309	21,562	1,114	7

FOR THE YEAR ENDED 31 AUGUST 2000

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
5 RECEIVABLES (CURRENT)					
Trade debtors		99,345	77,928	85,907	67,599
Provision for doubtful debts		(7,640)	(8,280)	–	–
Provision for advertising credits		(656)	(561)	(614)	(535)
		91,049	69,087	85,293	67,064
Dividend Receivable		–	–	16,940	11,137
Loans and advances					
Associated companies	30	2	209	–	–
Other		16	14	–	–
		18	223	–	–
		91,067	69,310	102,233	78,201
6 PROGRAM RIGHTS (CURRENT)					
Program rights	1(j)	89,636	87,703	–	–
7 OTHER ASSETS (CURRENT)					
Prepayments and sundry debtors		2,928	1,140	–	–
Capitalised costs	1(t)	715	–	–	–
		3,643	1,140	–	–
8 RECEIVABLES (NON-CURRENT)					
Loans and advances					
Associated companies	30	746	558	–	–
Joint venture entities	30	4,085	–	–	–
Directors of controlled entities	30	350	350	–	–
Other		2,302	3,442	–	–
		7,483	4,350	–	–
Controlled entities					
Debentures	30	–	–	80,800	80,800
Other	30	–	–	200,000	200,000
		7,483	4,350	280,800	280,800

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
9 INVESTMENTS					
Listed securities					
Other – cost	22	48,201	41,275	30,782	28,994
Unlisted securities					
Controlled entities – directors valuation		–	–	44,336	44,336
Associated companies – cost	22	2,119	1,320	–	–
Joint venture entities	23	5,692	–	–	–
Other – cost		409	–	–	–
		56,421	42,595	75,118	73,330
The market value at 31 August 2000 of Listed Securities was \$106,226,000 (31 August 1999 \$93,527,000).					
10 PROGRAM RIGHTS (NON-CURRENT)					
Program rights	1(j)	548	4,960	–	–
11 PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At independent valuation as at 30 June 1995		6,160	6,160	–	–
At cost		3,975	4,400	–	–
		10,135	10,560	–	–
Freehold buildings					
At independent valuation as at 30 June 1995		3,715	3,715	–	–
At cost		5,786	6,114	–	–
Accumulated depreciation		(1,290)	(1,037)	–	–
		8,211	8,792	–	–
Leasehold improvements					
At cost		582	481	–	–
Accumulated amortisation		(317)	(275)	–	–
		265	206	–	–
Plant and equipment					
At cost		97,534	81,344	–	–
Accumulated depreciation		(68,394)	(64,716)	–	–
		29,140	16,628	–	–
Total property, plant and equipment					
Net book value	1(d)	47,751	36,186	–	–

FOR THE YEAR ENDED 31 AUGUST 2000

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The basis of valuation of land and buildings is fair market value on existing use. Valuations were carried out in 1998 by Mr FL Julier (AVLE (Val)), MG Pyman (B. Bus (Val)), MB Env (Proj. Mgt) AVLE (Val)), Mr M Klenke (AVLE (Val) STA (Aff) B. Bus Prop (Val), Grand Cert Prop (Man) Grand Cert Prop (P&E)) and Mr D Harris (AVLE (Val & Econ)) of Edward Rushton Australia Pty Limited. These valuations which totalled \$20.9m support the carrying value of land and buildings.

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
12 TELEVISION LICENCES					
Cost	1(e)	326,422	326,422	–	–
13 OTHER ASSETS (NON-CURRENT)					
Future income tax benefit	3	16,183	7,738	29,059	27,747
Capitalised costs	1(t)	3,573	–	–	–
		19,756	7,738	29,059	27,747
14 ACCOUNTS PAYABLE (CURRENT)					
Trade creditors					
Other		147,606	154,108	3,872	2,520
Accrued interest					
Related entity	30	82,741	74,850	82,741	74,850
Accrued salaries and wages		111	110	–	–
		230,458	229,068	86,613	77,370
15 PROVISIONS (CURRENT)					
Dividend	35	73,797	67,370	73,796	67,370
Employee entitlements	1(i)	10,161	8,561	–	–
Income tax		39,921	20,194	27,634	19,064
Sundry		27,853	22,779	–	–
		151,732	118,904	101,430	86,434

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
16 ACCOUNTS PAYABLE (NON-CURRENT)					
Trade creditors					
Other		20,231	25,110	–	–
Other creditors					
Controlled entity	30	–	–	82,975	81,503
		20,231	25,110	82,975	81,503
17 BORROWINGS (NON-CURRENT)					
Bank loan	28	50,000	–	–	–
Debentures					
Subordinated	28,30	45,500	45,500	45,500	45,500
Convertible	28,30	45	45	45	45
		95,545	45,545	45,545	45,545
18 PROVISIONS (NON-CURRENT)					
Employee entitlements	1(i)	1,665	1,934	–	–
19 SHARE CAPITAL					
Paid up capital					
455,000,000 ordinary shares fully paid (1999: 455,000,000)		45,500	45,500	45,500	45,500
20 RESERVES					
Asset revaluation		929	929	6,585	6,585

FOR THE YEAR ENDED 31 AUGUST 2000

	Note	Amount of investment	
		2000 \$'000	1999 \$'000
21 INVESTMENTS IN CONTROLLED ENTITIES			
Name of entity			
The Ten Group Pty Limited			
Entities held by The Ten Group Pty Limited			
Ten Pay TV Limited (i)			
Network Ten Pty Limited (i)			
Ten Ventures Pty Limited			
At Directors valuation 30 June 1995		44,336	44,336
Entities held by Network Ten Pty Limited			
Network Ten (Sydney) Pty Limited (i)			
Network Ten (Melbourne) Pty Limited (i)			
Network Ten (Brisbane) Pty Limited (i)			
Television & Telecasters (Properties) Pty Limited (i)			
Caprice Pty Limited (i)			
Chartreuse Pty Limited (i)			
Entities held by Ten Ventures Pty Limited			
Ten Online Pty Limited			
Entities held by Caprice Pty Limited			
Network Ten (Adelaide) Pty Limited (i)			
Entities held by Chartreuse Pty Limited			
Network Ten (Perth) Pty Limited (i)			
	9	44,336	44,336

All of the above controlled entities are 100% owned and incorporated in Australia.

- (i) These controlled entities have been granted relief from the necessity to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. These companies represent a "Closed Group" for the purpose of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by The Ten Group Pty Limited, they also represent the "Extended Closed Group".

22 OTHER INVESTMENTS**Associated companies**

Investments in associated companies are stated at cost and comprise:

Name of company	Principal Activity/Note	Ownership Interest		Consolidated Amount of investment	
		2000 %	1999 %	2000 \$'000	1999 \$'000
Held by Network Ten Pty Limited					
TX Australia Pty Limited	(ii)	33.33	–	2,119	–
Oztam Pty Limited	(iii)	33.33	–	0	–
Held by Network Ten (Sydney) Pty Limited					
Australian Programme Services Pty Limited (in liquidation)	(i)	25.00	25.00	0	0
STF Pty Limited	(ii)	–	33.33	–	0
Transmitters Pty Limited	(ii)	–	50.00	–	0
Held by Network Ten (Melbourne) Pty Limited					
Australian Programme Services Pty Limited (in liquidation)	(i)	25.00	25.00	0	0
Melbourne Translator Facility Pty Limited	(ii)	–	33.33	–	0
Misty River Pty Limited	(ii)	–	50.00	–	1,320
Held by Network Ten (Brisbane) Pty Limited					
Gold Coast Translators Pty Limited	(ii)	–	25.00	–	0
		9		2,119	1,320

Where the cost of shares in associated companies is less than \$500 it is shown as \$0. The principal activities of the associated companies has been categorised as:

- (i) Television Program Storage and Distribution
- (ii) Television Transmitter and Translator Services
- (iii) Television Ratings Services

Other companies

Other investments in listed companies are stated at cost and comprise:

Name of company	Note	Ownership Interest		Amount of investment	
		2000 %	1999 %	2000 \$'000	1999 \$'000
Southern Cross Broadcasting (Australia) Limited		14.83	14.76	21,376	19,588
Telecasters Australia Limited		14.86	14.86	9,293	9,293
Television & Media Services Limited		11.60	11.97	15,166	12,394
Emitch Limited		2.82	–	2,366	–
	9			48,201	41,275

FOR THE YEAR ENDED 31 AUGUST 2000

Name	Principal Activities	Balance Date	Ownership Interest %	Investment Carrying Amount			
				Consolidated 2000 \$'000	1999 \$'000	The Company 2000 \$'000	1999 \$'000
23 INTERESTS IN JOINT VENTURE ENTITIES							
VIO Corporation Limited*	Investments	30 June	50	5,692	-	-	-
* Incorporated on 6 October 1999.							
Profit and loss							
The joint venture entity profit and loss for the period ended 30 June 2000 was nil.							
Balance Sheet							
The Company's and consolidated entity's share of the joint venture entity's assets and liabilities as at 30 June 2000 consist of:							
Current assets				504	-	-	-
Non-current assets				7,100	-	-	-
Total assets				7,604	-	-	-
Current liabilities				(1,912)	-	-	-
Non-current liabilities				-	-	-	-
Total liabilities				(1,912)	-	-	-
Share of net assets				5,692	-	-	-
Movements in carrying amount of joint venture entity							
			Note				
Carrying amount at the beginning of the financial year				-	-	-	-
Investment in joint venture entities acquired during the year				5,692	-	-	-
Carrying amount at the end of the financial year				9	5,692	-	-

There were no commitments or contingencies in respect of the joint venture at the end of the financial year.

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000

24 DIRECTORS' REMUNERATION

Income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties in connection with the management of affairs of the Company or its controlled entities.

1,246,785	1,131,926	271,712	307,889
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The number of Directors of the Company whose income was within the following bands:

	Consolidated			
	2000	1999		
\$'000				
0 – 10	6	5		
10 – 20	7	9		
150 – 160	1	–		
160 – 170	–	1		
820 – 830	–	1		
970 – 980	1	–		

25 AUDITORS' REMUNERATION

Aggregate amounts received or due and receivable by the auditors of the Company for:

Audit of the financial report	160,500	156,130	–	–
Other services	537,413	383,100	–	–
	2	697,913	539,230	–

The auditors' remuneration attributable to the Company is borne by a controlled entity.

26 COMMITMENTS**(a) Capital expenditure**

Amounts contracted but not provided:

No later than one year	4,074	4,737	–	–
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(b) Program expenditure

Amounts contracted but not provided:

No later than one year	49,912	80,060	–	–
Later than one year and not later than five years	88,840	133,775	–	–
	138,752	213,835	–	–

(c) Operating leases

Amounts contracted but not provided:

No later than one year	22,488	19,082	–	–
Later than one year and not later than five years	58,249	32,165	–	–
Later than five years	44,667	32,422	–	–
	125,404	83,669	–	–

FOR THE YEAR ENDED 31 AUGUST 2000

26 COMMITMENTS (CONTINUED)**(d) Superannuation**

The consolidated entity contributes superannuation benefits to numerous, but solely accumulation-type superannuation funds including personal, award based and the company administered fund at various percentages of salary pursuant to employee contracts and statutory obligations.

The assets of the company administered fund are at all times sufficient to satisfy all benefits that would have been payable in the event of the termination of the fund, and voluntary or compulsory termination of employment by each employee.

		Consolidated	
	Note	2000 \$'000	1999 \$'000

27 FOREIGN CURRENCY EXPOSURE

Amounts not effectively hedged

Receivables

Current – United States Dollars

– 81

28 FINANCIAL INSTRUMENTS

Variable interest rate exposure

Borrowings

Bank loan

17 50,000 –

50,000 –

Amounts effectively hedged at balance date

Natural hedge

Cash at bank

4 38,250 21,505

Hedging instruments

Swap contracts

25,000 15,000

63,250 36,505

Amounts not effectively hedged at balance date

– –

Average interest rate at balance date

5.9% 5.2%

Other Financial Instruments

Receivables

5,8 98,550 73,660

Trade and other creditors

14,16 250,689 254,178

28 FINANCIAL INSTRUMENTS (CONTINUED)

The terms and conditions of financial instruments at balance date are:

	Security	Facility \$000	Period to Maturity
Bank loan	Secured – Note (i)	500,000	5 years
Bank overdraft	Secured – Note (i)	19,300	On demand
Subordinated debentures	Unsecured	45,500	43 years – Note (ii)
Convertible debentures	Unsecured	45	38 years – Note (iii)
Swap contracts	Secured – Note (i)	25,000	Note (iv)

Notes:

- (i) The consolidated entity has granted a fixed and floating charge over all assets as security for the Bank Loan, Overdraft and Swap Contracts.
- (ii) The 45,500,000 subordinated debentures of \$1 each fully paid have a base interest rate of 15%. The rate of interest paid will be adjusted to the rate of dividend distribution (grossed up for Australian non-resident interest withholding tax to the extent such dividends are franked) should the dividend distribution amount exceed the base rate in any year. An equivalent amount of interest is also payable in the same proportion to any additional dividend distributions that may be paid from retained earnings. The notes cannot be redeemed until 30 December 2042, except to the extent that convertible debentures have to be converted.
- (iii) The 455,000 convertible debentures of \$1.01 each partly paid to 10 cents have a market linked interest rate and can each be converted to 1,000 ordinary shares at the option of the debenture holder in certain circumstances within 45 years from date of issue.
- (iv) The interest rate swap contract matures in January 2002 and is set at 6.99%. It is Company policy to protect a portion of the loan exposure during the year from increases in interest rates.

Off-balance sheet financial assets and liabilities

Except for the interest rate swap contract, the consolidated entity has no other off-balance sheet financial assets and liabilities.

Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised in the balance sheet is the carrying amount, net of any provisions for doubtful debts.

Net fair value of financial assets and liabilities

The net fair value of financial assets and liabilities of the consolidated entity is their carrying value. For equity investments, the net fair value is an assessment by the Directors based on any special circumstances pertaining to a particular investment.

FOR THE YEAR ENDED 31 AUGUST 2000

29 EMPLOYEE ENTITLEMENTS

At general meetings of the Company and its controlling entity, Ten Network Holdings Limited, held on 3 July 1998, the shareholders approved the establishment of a number of employee share plans. These are as follows:

The Ten Executive Option Plan

The Ten Executive Option Plan involves the issue of options in Ten Network Holdings Limited to executives and senior management of the Company and its controlled entities. The total number of options that may be issued have been limited to 5% of the issued capital of Ten Network Holdings Limited. A total of 500,000 of these options are exercisable subject to performance hurdles at a price of \$2.09 per share over the following five years. At balance date total options issued amounted to 10,005,000. A total of 3,275,000 of these options are exercisable subject to performance hurdles at a price of \$1.92 per share over the following three years. A total of 4,475,000 of these options are exercisable subject to performance hurdles at a price of \$2.09 per share over the following five years. A total of 1,755,000 of these options are exercisable subject to performance hurdles at a price of \$2.41 per share over the next five years. As of the date of this report no options have been converted into shares.

Directors have had regard to the particular capital structure of the Company and Ten Network Holdings Limited and have implemented arrangements to ensure that dilution arising from the issue of new shares in Ten Network Holdings Limited under the terms of the Plan are matched at the Company level.

The Ten Employee Award Plan

This plan was established as a reward and incentive plan for employees of The Ten Group Pty Limited and its controlled entities. A controlled entity contributed \$1,000 per employee in 1998 for the on-market purchase of shares of Ten Network Holdings Limited on behalf of each employee. Although the shares are registered in the name of each employee, these shares are restricted from being traded for a period of three years from the date of grant, except for the termination of the employee or hardship circumstances. The plan is also designed to accommodate further contributions by The Ten Group Pty Limited and its controlled entities, however there is no commitment by the Company to make future contributions.

The Ten Employee Savings Plan

The Ten Employee Savings Plan was established as a mechanism for employees of the Company and its controlled entities for the purchase of shares in Ten Network Holdings Limited. Employees may set aside amounts from their remuneration and reward arrangements for the on-market purchase of such shares.

	Note	Consolidated		The Company	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
30 RELATED PARTY INFORMATION					
Ownership interest in related entities					
Controlled entities	21	–	–	44,336	44,336
Associated companies	22	2,119	1,320	–	–
Joint venture entities	23	5,692	–	–	–
		7,811	1,320	44,336	44,336
Dividends					
Dividends received from controlled entities	2	–	–	16,940	11,137
Dividends payable to controlling entities		61,764	55,507	61,764	55,507
Amounts receivable from/(payable to) related entities					
Controlled entities					
Receivable	8	–	–	280,800	280,800
Payable	16	–	–	(82,975)	(81,503)
		–	197,825	199,297	–
Associated companies					
Receivable	5,8	748	767	–	–
Joint venture entities					
Receivable	8	4,085	–	–	–
Related entities					
Payable	14	(82,741)	(74,850)	(82,741)	(74,850)
Subordinated debentures	17	(45,500)	(45,500)	(45,500)	(45,500)
Convertible debentures	17	(45)	(45)	(45)	(45)
		(128,286)	(120,395)	(128,286)	(120,395)

The amount of interest ultimately payable is dependent on the amount of any dividend paid.

Financial transactions with related entities

Entity's name	Note	Nature of transaction at normal commercial terms
Between controlled entities:		
Network Ten Pty Limited	2	Interest on loans \$26.4m (1999–\$24.3m)
Network Ten Pty Limited		Management fees of \$293.2m (1999–\$267.7m)
Network Ten (Adelaide) Pty Limited		Management fees of \$16.2m (1999–\$16.9m)
Network Ten (Perth) Pty Limited		Management fees of \$19.3m (1999–\$19.9m)
With related entities:		
CanWest Global Communications Corp. (Group)	2	Interest on subordinated and convertible debentures

FOR THE YEAR ENDED 31 AUGUST 2000

30 RELATED PARTY INFORMATION (CONTINUED)**Loans to Directors**

Loans to Directors of controlled entities disclosed in Note 8 are secured and mature in two years or on the date of employment termination. No interest is payable on the loans and there have been no repayments in the current period.

Network Agreements

The Company has networking agreements with a number of its controlled entities whereby advertising revenues derived by those controlled entities are assigned to the Company. Revenues assigned by those controlled entities totalled \$475.5m (1999:\$441.1m). Management fees payable by the Company to controlled entities under the agreements totalled \$328.7m (1999:\$304.5m).

Controlling Entities

The ultimate parent entity in the wholly owned group is The Ten Group Pty Limited. The ultimate parent entity is Ten Network Holdings Limited, a company listed on the Australian Stock Exchange, which at 31 August 2000 had a beneficial interest of 83.70% (1999:82.39%) and an economic interest of 41.85% (1999:41.20%).

31 CONTINGENT LIABILITIES**Australian Taxation Office Review**

The Australian Tax Office's ("ATO") review of certain aspects of the affairs of the economic entity, which commenced in 1995, has not yet concluded. The economic entity continues to exchange information with the ATO in relation to the treatment of interest on the subordinated debentures with a view to obtaining a resolution in the near future. No assessment has been issued by the ATO in relation to this matter.

If a dispute were to arise in relation to the treatment of interest on the subordinated debentures, the tax deductibility of the interest in respect of the subordinated debentures or any penalties which may be imposed, The Ten Group Pty Limited, the relevant controlled entity, would vigorously defend its position. The Ten Group Pty Limited considers that its current tax treatment is appropriate and that the matter is therefore not likely to have a material effect on the financial position of the economic entity.

Interest paid or payable to date pursuant to the subordinated debentures in respect of which tax deductions have been or will be claimed since inception is \$384m. A change in the tax treatment of interest in respect of the subordinated debentures is likely to impact the amount available for distribution as dividends.

General

As part of its normal operations as a television broadcaster, the consolidated entity has received writs for defamation and various claims for damages. At balance date, the aggregate of all such claims will not give rise to any material liability.

Details and estimates of other maximum amounts of contingent liabilities are as follows:

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Unsecured guarantees by the Company and consolidated entity in respect of leases of controlled entities	54,186	56,097	54,186	56,097

No material losses are anticipated in respect of any of the above contingent liabilities.

	Consolidated	
	2000	1999
	\$'000	\$'000
32 SEGMENT INFORMATION		
Industry Segments		
Total Revenue – external parties		
Television	608,212	568,175
Ventures	–	–
	608,212	568,115
Segment Results		
Earnings before interest and tax		
Television	195,913	179,799
Ventures	(4,413)	–
	191,500	179,799
Consolidated operating profit before tax		
Television	111,769	103,453
Ventures	(4,413)	–
	107,356	103,453
Segment Assets		
Television	668,431	601,966
Ventures	12,605	–
	681,036	601,966

Geographic Segments

The economic entity operates principally within Australia.

FOR THE YEAR ENDED 31 AUGUST 2000

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
33 NOTES TO THE STATEMENTS OF CASH FLOWS				
Reconciliation of operating profit after income tax to net cash from operating activities				
Operating profit after income tax	73,797	67,370	76,325	67,470
Non-cash revenue	(4,560)	(5,285)	(7,591)	(12,675)
Non-cash expenses	12,368	13,355	–	–
Profit on sale of non-current assets	(77)	–	–	–
Debenture interest	81,998	74,850	81,998	74,850
Other interest expense	–	495	–	495
Interest income – controlled entity	–	–	(26,376)	(24,277)
Amount (paid)/refunded from provisions	1,778	(10,140)	–	–
Net increase/(decrease) in tax provisions	11,282	(15,380)	7,258	(1,895)
Net increase/(decrease) in accrued revenue and expense items in payables/(receivables)	(38,253)	13,880	(16,879)	6,464
	138,333	139,145	114,735	110,432

34 DEED OF CROSS GUARANTEE

The Ten Group Pty Limited and the controlled entities as detailed in Note 21 are parties to a Deed of Cross Guarantee which has been lodged with and approved by the Australian Securities and Investments Commission. Under the Deed of Cross Guarantee each of the companies guarantees the debts of the other named companies.

35 DIVIDENDS

Ordinary dividend proposed				
Franked @ 34% (1999:36%)			73,797	67,370
Ordinary dividend paid				
Franked @ 36% (1999:36%)			67,370	28,518
Franking credits available for the subsequent financial year	62,968	63,986	33,220	12,071

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as 30 June 2000;
- franking debits that will arise from the payment of dividends proposed or provided as at the end of the year; and
- franking credits that may be prevented from being distributed in the subsequent year.

36 SUBSEQUENT EVENTS

At the date of this report, no matter or circumstance has arisen since balance date that has significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2000 of the consolidated entity and the entities it controls from time to time; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2000 of the consolidated entity.

FOR THE YEAR ENDED 31 AUGUST 2000


The directors declare that the financial report set out on pages 4 to 26:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 August 2000 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial report is in accordance with the Corporations Law; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 21 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 34.

SIGNED at Sydney on 12 October 2000 in accordance with a resolution of the Directors.



JB Studdy
Director



PV Gleeson
Director

TO THE MEMBERS OF THE TEN GROUP PTY LIMITED

Scope

We have audited the financial report of The Ten Group Pty Limited (the Company) for the year ended 31 August 2000 as set out on pages 4 to 27. The Company's Directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

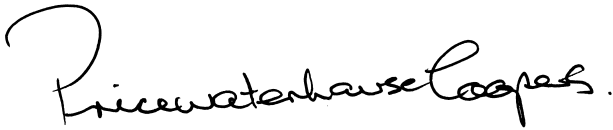
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Law so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 August 2000 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



EP Maltby
Partner

SYDNEY
12 October 2000