

TEN NETWORK HOLDINGS LIMITED ANNUAL REVIEW 2001

24 : 7





The Directors Report, Concise Financial Report and Auditor's Statement contained within this document represent a Concise Report. The Concise Financial Report within this document has been derived from the Full Financial Report of Ten Network Holdings Limited (Ten Holdings) for the financial year ended 31 August 2001 and cannot be expected to provide as full an understanding of the financial performance, financial position and investing activities of the economic entity as the Full Financial Report. Copies of the Full Financial Report are available through the office of the Company Secretary on (02) 9650 1260.

The annual general meeting of Ten Holdings will be held on Wednesday 5 December at the Sofitel, 25 Collins St Melbourne, commencing at 10.00am.

Shareholders of Ten Holdings are also entitled to attend the annual general meeting of The Ten Group Pty Limited (TEN) which will be held at the conclusion of the annual general meeting of Ten Holdings.

## CONTENTS

About this report	1
Programming highlights	2
Highlights 2001	13
Financial calendar	13
Chairman's message	14
CEO's review	
of TEN's operations	17
Digital	21
Eye Corp	23
Community activities	27
Board of directors	29
Corporate governance	31
Concise financial report	33
Shareholder information	46

Network Ten - 24 hours a day 7 days a week 

NETWORK TEN IS A 24 HOUR A DAY, 7 DAY A WEEK ENTERTAINMENT AND MARKETING BUSINESS. IN 2001 WE HAVE ENHANCED AND EXPANDED OUR PRODUCT OFFERING TO VIEWERS WITH IMPROVED PROGRAMMING, AND BETTER SERVED OUR ADVERTISING CLIENTS THROUGH HIGHER TELEVISION RATINGS AND THE ACQUISITION OF EYE CORP, ONE OF AUSTRALIA'S LARGEST OUT-OF-HOME ADVERTISING COMPANIES. FOR SHAREHOLDERS, 2001 HAS SHOWN TEN'S RESILIENCE IN TOUGH ECONOMIC TIMES WITH A SOLID REVENUE AND EARNINGS PERFORMANCE AND THE CONTINUATION OF HIGH DIVIDENDS.

TEN'S TELEVISION RATINGS ACHIEVEMENTS IN 2001 HAVE BEEN OUTSTANDING: NUMBER ONE IN PRIME TIME IN THE 16-39 DEMOGRAPHIC. THE NETWORK CAN BOAST THIS YEAR'S RATINGS WINNERS IN FACTUAL TV - BIG BROTHER, AUSTRALIAN COMEDY - ALL AUSSIE ADVENTURES AND LIGHT ENTERTAINMENT - THE PANEL AND ROVE LIVE. AMONG YOUNGER VIEWERS TEN ALSO HAD THE MOST WATCHED NEWS SERVICE - FIRST AT FIVE, AUSTRALIAN DRAMA SERIES - THE SECRET LIFE OF US AND MOVIE - SAVING PRIVATE RYAN.

THESE ARE RESULTS THAT ATTRACTED A GREATER SHARE OF ADVERTISING TO THE NETWORK AND POSITION US WELL FOR 2002. BUT WITH MARKETERS INCREASINGLY WANTING TO SURROUND CUSTOMERS, ONE ADVERTISING MEDIUM IS NO LONGER ENOUGH. TELEVISION CAN REACH THEM IN THE HOME, PARTICULARLY IN THE EVENINGS. BUT WHEN COMMUTING, TRAVELLING OR SHOPPING ANOTHER PLATFORM IS NEEDED. THIS IS THE STRATEGY BEHIND TEN'S MOVE INTO OUT-OF-HOME ADVERTISING THROUGH EYE CORP. LIKE TELEVISION, OUT-OF-HOME IS A GREAT BRANDING MEDIUM, AND EYE HAS A 24-HOUR A DAY PRESENCE ALONG MAJOR TRANSIT ROUTES, IN AND AROUND AIRPORTS AND INSIDE AUSTRALIA'S MOST POPULAR SHOPPING CENTRES.

IN-HOME ENTERTAINMENT AND ADVERTISING THROUGH NETWORK TEN, OUT-OF-HOME ADVERTISING THROUGH EYE CORP - 24 BY 7. IT IS THE WAY AHEAD.



# programming highlights >>



SARA-MARIE ON BB



BLAIR & BEN ON BB



SEARCH FOR A SUPERMODEL



TIM CLUCAS - HEAD OF FACTUAL TV

BIG BROTHER - "FOR THOSE OF US WHO GET THE GUILTS OVER OUR PASSION FOR SHARING THE INTIMACIES OF OTHER PEOPLE'S LIVES, IT DOESN'T GET MUCH BETTER THAN THIS." HERALD SUN



BEN WINS BIG BROTHER

## ► factual tv

No show better illustrates TEN's commitment to round-the-clock entertainment than Big Brother.

24 hours a day, seven days a week for three months, 25 cameras focused on the lives of the housemates. Fourteen unknown Australians became household names as record numbers of viewers tuned in to watch their every move and mood, every night.

Promoted through radio, newspapers, the internet and out-of-home advertising, Big Brother generated unprecedented publicity, becoming the biggest television story of 2001.

The marketing campaign ensured the Big Brother brand was well known before the programme even launched, and from the very first show ratings were outstanding.

After 1.6 million viewers tuned on night one, Big Brother quickly became a phenomenon, the excitement and ratings building with each weekly eviction.

The climax came as 2.8 million people watched Ben Williams be declared the winner. The finale was the most popular programme in 2001, with the exception of the Wimbledon final. In the 16-39 demographic, the show achieved the highest ratings of the year.

Sponsors and other advertisers reported unprecedented responses to their Big Brother campaigns. With Series 2 coming to Network Ten, and the Big Brother brand already firmly established in viewers' and advertisers' minds, we are expecting even greater success in 2002.

Our factual programming is not limited to Big Brother. Search For A Supermodel built a big following in the younger demographics, as thousands of hopefuls vied for a career on the catwalk. With all the emotion and conflict captured on camera, Search For A Supermodel regularly won its timeslot.

Shipwrecked was back in 2001, and this battle for survival again proved popular. We will see another batch of castaways on TEN in 2002.

With these successful shows and a number of other exciting formats under consideration, Network Ten has the most innovative and appealing schedule of factual programming.



HUGH JACKMAN & JOHN TRAVOLTA ON ROVE



THE PANEL

## ► light entertainment

Day and night, Network Ten has firmly established itself as the leader in light entertainment. The two most watched programmes in the category, Rove Live and The Panel, were both on TEN in 2001.

Rove Live had an outstanding year not just in terms of ratings but also the quality of the comedy, music, interviews and guests. Rove McManus has become one of Australia's hottest young stars, and his show is attracting the biggest names. A who's who of Hollywood including John Travolta, Russell Crowe, Billy Bob Thornton, Hugh Jackman, Jennifer Lopez and Mariah Carey joined Rove in the lounge chairs. The show also proved an important gig for top local and touring music acts with Wheatus, Spiderbait, the Corrs and Mandy Moore among those performing live.

Rove was rewarded with strong viewer support, dominating his timeslot in the key 16-39 demographic.

The Panel has become a television institution, its unique brand of irreverent humour making it a must-watch programme. Movie and rock stars, politicians and sporting legends all volunteered to be scrutinised, criticised and praised by some of the sharpest and funniest minds in the entertainment business. The Panel had another great year in the ratings, not only winning with younger viewers but also regularly in "all people".

When it comes to television institutions, there is none bigger than Bert Newton. The consummate professional, Bert has an avid following on Good Morning Australia, which had one of its most successful years both in ratings and the celebrities attracted onto the show.

Rove Live, The Panel and GMA will all be back on Network Ten in 2002 and at their entertaining best.



DAME EDNA & BERT NEWTON



EVERYBODY LOVES RAYMOND

## ► comedy

Network Ten kept Australians laughing in 2001. From breakfast time with the children's show Cheez TV, through the mornings with Bert Newton and into prime time with the best of Australian and international comedy.

TEN has its best line-up of American sitcoms since the heyday of Seinfeld. The Tuesday night combination of Everybody Loves Raymond and Becker proved unbeatable not only in the 16-39 demographic, but also regularly among all people. These shows also gained large audiences when they appeared in the Sunday evening schedule.

Already ranked as the best ever television comedy, The Simpsons proved a double winner for the Network in 2001. The new series was a clear victor on its weekly outing, and also dominated the younger demographics when shown nightly at 6pm.

Back in 2001 for another successful run was Just Shoot Me, while the new sitcom The Weber Show was a solid performer.

All of TEN's top rating US comedies have been renewed for at least another season in America, and will return to Australian television in 2002.

However, it was on Australian territory that we uncovered TEN's highest rated comedy. Half an hour with intrepid outback icon Russell Coight was enough to knock some of commercial television's biggest programmes out of their saddles. In All Aussie Adventures, Russell matched his wits and survival skills with those other "action men", and there was no doubt who came out on top, at least when it came to laughs and ratings. With Russell's unique affinity with the bush and its people, more All Aussie Adventures are just over the horizon, as is another great year of comedy on TEN in 2002.



ALL AUSSIE ADVENTURES



BECKER



## ▶ australian drama

There has been a secret to Network Ten's success in Australia drama in 2001.

The Secret Life Of Us has met all the high expectations with its edgy portrayal of the lives of twentysomethings living in inner city Melbourne. Clever, relevant and sometimes controversial scripts, great acting and strong characters have earned the series critical acclaim in Australia and Britain, and a huge following with younger audiences. In fact, The Secret Life Of Us was the number one Australian drama in 2001 in 16-39 demographic, while viewers in the UK also loved the programme. The Secret Life Of Us will be back on TEN next year.

Also back in 2002, for its 17th season, will be Neighbours, which has just enjoyed one of its most successful years. Compelling storylines and well-developed characters delivered Australia's longest running serial drama a big ratings victory in 16-39.

TEN's reputation as the home of local drama was enhanced by other major programming events in 2001. My Brother Jack, starring Matt Day and Jack Thompson, was hailed as the best mini-series in years, while the telemovies My Husband My Killer and Finding Hope also delivered outstanding ratings.

TEN's drama slate for 2002 promises to be even more exciting.

In addition to the return of The Secret Life Of Us and Neighbours, the Network has a number of major projects in production under the guidance of Sue Masters including mini-series and drama pilots. Among the pilots are Life, from the producers of Stingers, Crash burn, from the production team behind SeaChange and Steve Knapman's (Wildside) White Collar Blue.

Heroes' Mountain is a telemovie based on the book by landslide survivor Stuart Diver. The disaster scene is eerily re-created to allow the full story of the tragedy, its victims, the extraordinary bravery of the rescue teams and the remarkable survival of Stuart Diver to be told.

Australia's best actors and production teams will be involved in these and other projects on TEN in 2002. It will be the best year yet on the Australian drama Network.





HEROE'S MOUNTAIN



MY BROTHER JACK



NEIGHBOURS



SUE MASTERS - HEAD OF DRAMA

THE SECRET LIFE OF US - "SEDUCTIVE, SEXY AND FULL OF SURPRISES. SURELY IT CAN'T GET BETTER THAN THIS." SUNDAY AGE

## ▶ children's tv

Australia's youngest viewers know what they like, and they like what Network Ten has to offer. The Brisbane-based Children's Television Unit is renowned for its range of quality programmes, and its 2001 productions only enhanced that reputation.

Totally Wild appeals to children of all ages with its informative and entertaining format. The show was rewarded with ratings victories throughout the year and the list of countries which broadcast it internationally has expanded. The documentary series Totally Australia is capturing viewers both here and overseas, and is now seen in eight different countries.

For pre-schoolers In The Box is proving popular and attracting positive feedback from early childhood institutions across Australia. The programme is also generating considerable international interest.

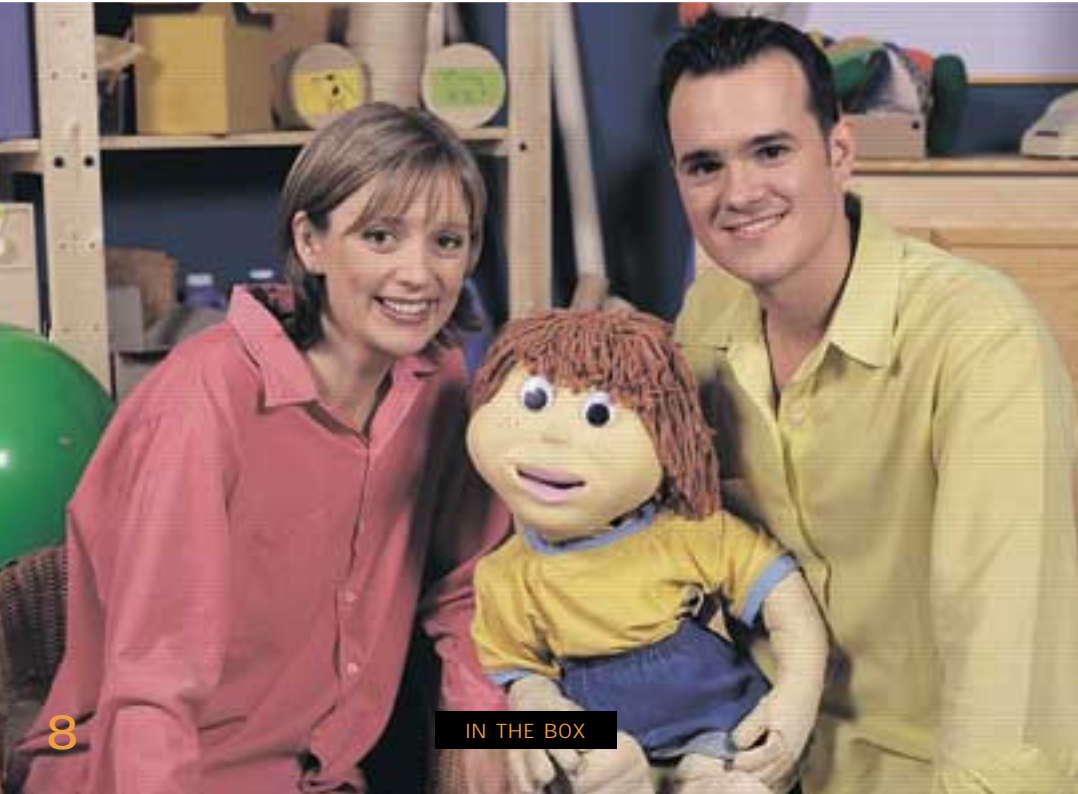
Cheez TV has become a must-watch for younger viewers who enjoy the team's unique style and exciting content including Pokemon, Digimon and Dragonball Z.

It has also been a big year in Children's drama, with Horace & Tina winning two awards in the past twelve months. And there could be more as the programme is a contender for the Australian Broadcasting Union Prize. Our other drama, Cybergirl, produced in association with French and German partners, found itself in prime time and has received positive reviews worldwide.

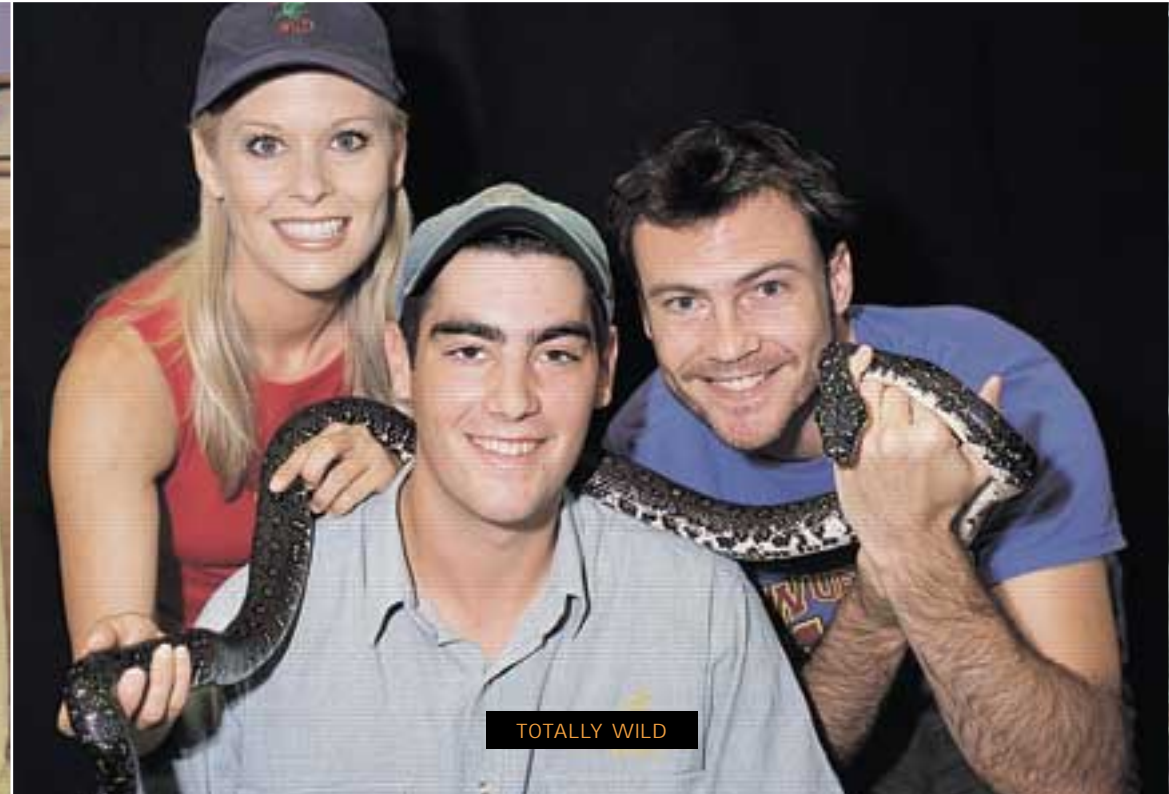
Another very productive year for the Children's Television Unit, with the established favourites ready to return in 2002 and plenty of fresh ideas already flowing.



CYBERGIRL



IN THE BOX



TOTALLY WILD



CHARMED



LAW AND ORDER



SAVING PRIVATE RYAN

## ▶ international programmes

TEN's 24:7 commitment to entertainment included a line-up of international series and movies which were among the Network's top performing programmes in 2001.

Charmed and Dawson's Creek were again major drawcards for younger viewers, while The X-Files, Mysterious Ways and NYPD Blue maintained strong followings.

Ed premiered on TEN in 2001, and proved a big hit with its quirky look at small town life in the United States.

Law & Order and Law & Order:SVU reinforced their reputation as being among television's best dramas, and rated well across all demographics.

TEN will be adding to its Law & Order stable next year with the new production Criminal Intent, which has made a strong debut in the US along with the Network's other series fresh out of the American studios, The Guardian, with Australia's Simon Baker.

Along with these new international shows, all the ratings winners from 2001 will be back next year.

Also in the schedule is a host of blockbuster movies likely to repeat the success this year's features which included Saving Private Ryan, Sliding Doors, The Truman Show and The Mask Of Zorro.

Among the films on TEN in 2002 are The Mummy, American Pie, Stuart Little, Big Daddy, Girl Interrupted, End Of The Affair and Bicentennial Man.

2001 represented a significant turnaround, and the great selection of series and movies available in 2002 indicates that trend will continue.



## ▶ sport

Network Ten again set pulses racing in 2001 with the sport of kings at the Melbourne Cup Carnival, and the kings of speed in the V8 Supercars.

But this was just a taste of the big sporting events on TEN. Motorsport has surged in popularity through the Network's coverage of the World Motorcycle Championships, the Indy Cars, the World and Australian Rally Championships and, of course, the V8s. The Bathurst 1000 was the highlight on the motorsport calendar attracting an average 1.2 million viewers during the 10 hour broadcast and peaking at 1.9 million. RPM is the TEN programme purely devoted to motorsport news and personalities, and has become essential viewing for racing fans.

Off the track and on the course, TEN expanded its commitment to golf in 2001. Already the broadcaster of the Australasian PGA Tour and the Australian Ladies' Masters, the Network teed off its coverage of the US Open.

For the 23rd year in succession, TEN brought viewers all the colour and action of Melbourne's Spring Racing Carnival. While there was plenty of expert analysis of the Cup contenders, with 28 hours of broadcast there was ample time to cover the fashion and personalities around the track.

TEN also focused on runners of the two-legged variety in Australia's biggest community sporting event, The City To Surf.

Viewers who prefer to watch the wind do the work were able to catch the yachts heading south on Network Ten's broadcast of the Sydney To Hobart.

For those who missed the live action or simply wanted a re-cap, there was again no better place to catch up on all the results than Sports Tonight, commercial television's only nightly sports programme.

So another big year for TEN Sport, but it is about to get a whole lot bigger.

### AFL

TEN is a key partner in the media consortium which won the rights to Australia's top football code, the AFL, from 2002. TEN will be the major broadcaster, hosting exclusive free-to-air coverage of the finals series, including the Grand Final.

## programming highlights >>

During the “home and away” season, TEN will cover Saturday afternoon and evening games. We will have the choice of matches in both timeslots, but should the alternative match involve Sydney, Brisbane, or either of the South Australian or West Australian teams, TEN will televise that game into its home market.

TEN will also broadcast a third of the pre-season matches, and alternate state-of-origin games. The 2002 Brownlow Medal broadcast will also be on TEN.

Our preparations for AFL Season 2002 are well advanced, with TEN recently unveiling its commentary team headed by Stephen Quartermain and including such legendary names as Robert Walls, Stephen Silvagni, Anthony Hudson, Peter Daicos and Michael Christain.

Brisbane's victory in 2001 emphasised that AFL is truly a national code with Western Australian, South Australian and Queensland teams having joined Victorian clubs in achieving premiership glory.

The broadcasting partnership that comes into force in 2002 will strengthen the supporter base for AFL across the country, making it more appealing to sponsors.

AFL is the start of a bold new era for TEN, and combined with our coverage of motor racing and other major sports, we will have a compelling product for viewers and advertisers alike.

Our experience in sports production is extensive, and TEN will be applying the same innovative and creative techniques that have earned the network national and international recognition.

AFL is already a great game, but it is about to get even better as a result of TEN's involvement.



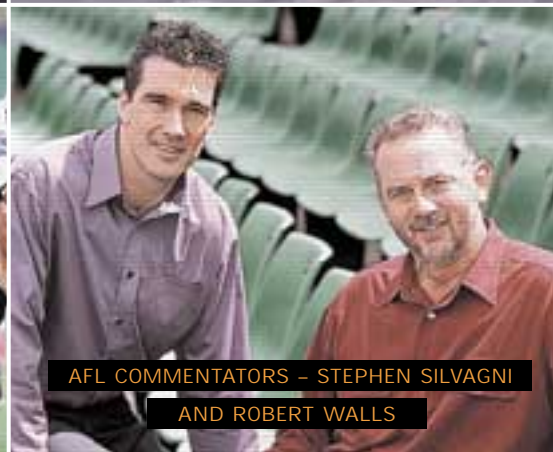
AFL FANS



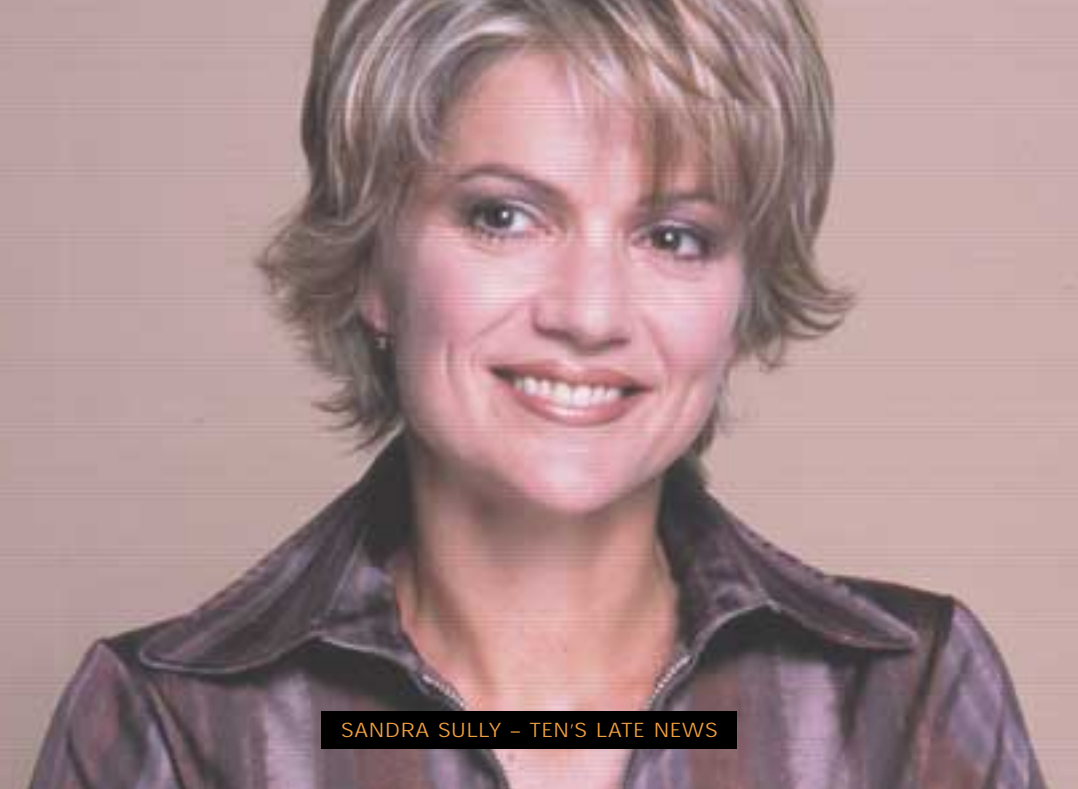
BATHURST 1000



MELBOURNE CUP



AFL COMMENTATORS – STEPHEN SILVAGNI  
AND ROBERT WALLS



SANDRA SULLY – TEN'S LATE NEWS



TEN NEWS CREW

## ► news

News is a 24 hour a day business, and the TEN team offers comprehensive coverage of the major domestic and international stories.

From issues affecting small communities to the most significant world events, TEN News has built a reputation for detailed and balanced analysis.

A prime example of the team's responsiveness came with the terrorist strikes in New York and Washington, when TEN was on air with the news of this tragic attack well before other Australian networks.

The hour long format of TEN's First At Five News, with each network station producing its own bulletin, means there are more stories of interest to a wider range of viewers. Australians clearly recognise the quality and consistency of TEN's First at Five News as it dominates the ratings in its timeslot, and the audience continues to grow. In the past year alone, viewer numbers have increased by nearly 3%.

As the late night news services on the other networks are shifted towards midnight, and in some cases beyond, TEN's Late News and Sports Tonight are there consistently seven nights a week providing a comprehensive news and sports round-up.

In addition, TEN has the early part of the day covered with its national bulletin at 11.30am, while Meet The Press continues to set the political agenda with its probing questioning of Australia's leaders.

Around the clock, around the nation and around the world, TEN News keeps its viewers in touch.



MEET THE PRESS

## 2001 KEY FEATURES

### FINANCIAL

Ten Network Holdings (Ten Holdings)

- Ten Holdings dividend – 14.35 cents per share (fully franked)

The Ten Group Pty Limited (TEN)

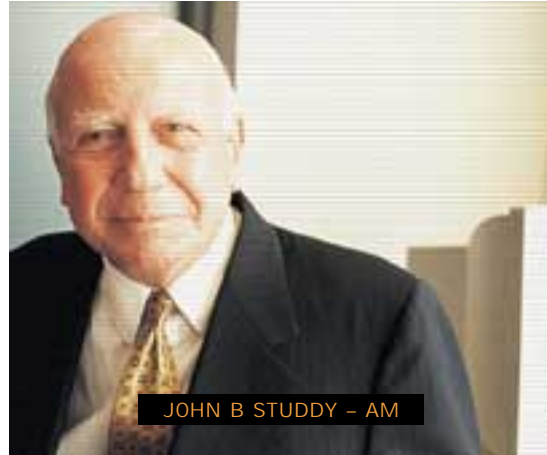
- Earnings Before Interest and Tax (EBIT) – \$163.3m
- Net Profit After Tax and debenture interest – \$55.3m
- TV EBIT margin (excluding non-recurring items) – 28.5% (in line with industry best)
- Increase in overall operating costs (excluding digital) – 0.3%
- Acquisition of 60% of Eye Corp, one of Australia's largest out-of-home advertising companies
- Eye Corp's first revenue contribution – \$49.4m
- TEN's bank facility re-negotiated and expanded to \$700m

### OPERATIONAL

- Most popular network in 16-39 demographic for first time – 13.5% increase on 2000
- A record 14 prime time programmes winning timeslot in demographic. All returning in 2002
- Focus on Australian production reaps benefits with strong ratings for domestic drama, factual, comedy and light entertainment
- Big Brother Final becomes highest rating programme (non-sporting) of 2001. Big Brother back on TEN in 2002
- Sales and production preparations for AFL in 2002 well advanced
- Successful launch of digital broadcasting

## FINANCIAL CALENDAR

Beginning of new financial year	1 September 2001
Release of preliminary final results to the Australian Stock Exchange	17 October 2001
Annual general meeting	5 December 2001
Record date for payment of annual dividend	20 December 2001
Payment of annual dividend to members of Ten Holdings	2 January 2002
Close of first half of financial year	28 February 2002
Release of half yearly results	April 2002
End of financial year	31 August 2002



JOHN B. STUDDY – AM

As foreshadowed in last year's Annual Review, and subsequently at the Annual General Meeting, the 2001 financial year has been impacted by several events, including the Olympics and the costs associated with digital broadcasting. These along with the soft advertising market, presented challenging conditions for our core television business. The generally weaker advertising climate also affected our recently acquired out-of-home advertising company, Eye Corp.

In regard to our television operations, our programming strategy to lift audiences in the key 16-39 and 25-39 demographics was successful, and TEN was rewarded with an increased share of advertising revenue in the 2001 calendar year. We expect this positive revenue trend to continue in 2002 as a result of our ratings growth over the past 12 months, and the strength of next year's programming schedule which includes all TEN's current ratings winners along with Big Brother 2 and the AFL.

The past year has also seen your company expand its revenue base with the acquisition of 60% of leading out-of-home advertising business, Eye Corp. This is a key strategic move for your company, as it positions us to take advantage of the growing demand from advertisers and agencies for cross platform marketing

solutions. Integration and timing difficulties, along with the general deterioration of the advertising market, have made the transitional process more strenuous than expected, and the results for the initial period of operation have fallen well short of expectations. But we believe Eye Corp will make a substantial positive impact in the sector and across the media industry generally.

#### FINANCIAL RESULTS

The Ten Group Pty. Limited (TEN) has delivered Earnings Before Interest and Tax (EBIT) of \$163.3m for 2001, a decrease of 14.7% compared to last year. Net Profit After Tax and debenture interest was \$55.3m. These results include a net non-recurring gain of \$29.9m.

In accordance with our policy of maximising returns to shareholders, this result has allowed directors of Ten Holdings to declare a dividend of 14.35 cents per share, payable on 2 January, 2002, representing a strong yield of 7% based on the share price of \$1.93 on the day of the results announcement.

Earnings came from group revenue of \$558.7m, which is 0.4% higher than last year, the figure including Eye Corp's first revenue contribution of \$49.4m.

Operating profit after income tax of Ten Network Holdings Limited (Ten Holdings), which owns 83.7% of the voting shares in TEN, representing a 41.85% economic interest, was \$17.8m.

Shareholders should be aware of the difficulties which confronted your company in 2001.

TEN's television business encountered the negative revenue impact of the Olympics, expenditure on digital broadcasting, and the downturn in the advertising market, which lost much of the double digit gain seen in the previous year. These factors led television revenue to decline 8.5% to \$ 508.8m. On the television costs side, TEN also had to absorb increased expenditure associated with the introduction of digital broadcasting.

However, the profits from the sale of our shareholding in Southern Cross Broadcasting and property at Nunawading in Victoria have allowed your company to offset, at least partially, both the external factors that

affected television revenue and the performance of out-of-home and online operations.

Eye Corp's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the stub period from 18 December 2000 until 31 August 2001 were \$3.5m. Eye Corp's negative EBIT of \$15.7m includes expenditure of \$6.5m on non-recurring items, and a substantial charge of \$9.8m covering the amortisation of goodwill and licences.

TEN's online activities resulted in a non-recurring loss of \$26.9m. These were principally in the joint venture with Village Roadshow, Scape Entertainment Pty Limited (SCAPE), which has since been closed.

#### TELEVISION PERFORMANCE

The success of both TEN's domestic and international programmes is a positive sign for the company as our sales team enters advertising negotiations for 2002.

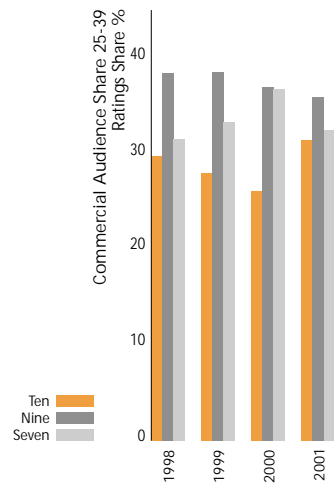
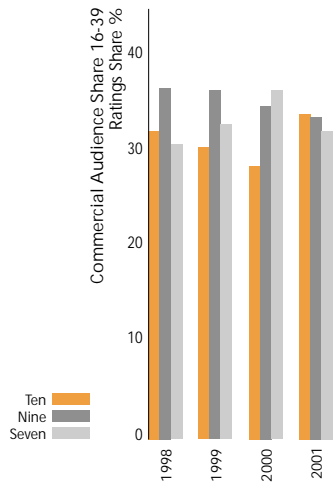
TEN became the number one network in the 16-39 demographic for the first time since the introduction of people-meters in 1991, gaining a 34.0% national commercial share. This was a 13.5% increase over 2000, while the lift in 25-39 demographic was an even more significant 14.8%. TEN retained its leading position with viewers aged 16-24.

Our improved ratings performance was recognised with a larger slice of a diminished total market in 2001, and we expect to further increase our share in 2002.

The audience growth for our Australian content was pleasing in view of the considerable financial, production and promotional commitment we have made to programming such as Big Brother, Rove Live, The Panel and The Secret Life Of Us. The deliberate shift of resources from international to locally-produced shows gives us greater control over our own destiny.

The ratings results also augur well for our AFL broadcasts. The arrival of the AFL and the





growing popularity of motor racing strengthen our programming schedule on weekends, when it has been more difficult to build audience in our core demographics.

Combined with the success of locally produced content, the Network's international programmes have delivered their best ratings in a number of years. As all key shows are being renewed, the outlook for 2002 is positive.

#### DIGITAL LAUNCH

Television entered a new era on 1 January 2001 with the launch of digital broadcasting in Australia.

TEN's extensive preparations resulted in a smooth transition operationally, and while the penetration of digital receivers and set top boxes has been moderate, there has been widespread recognition of digital television's advantages.

The government's move to introduce digital television has come at a significant cost to your company, and the financial burden will be ongoing. Capital expenditure is expected to be in the range of \$100m, a considerable proportion of which has already been spent. In addition, there are substantial annual operating costs, including depreciation.

Your company continues to examine potential revenue opportunities presented by digital technology, whether they be in multiview, datacasting or interactive applications. However, it is important that we do not move ahead of what currently available technology makes practical or the likely level of consumer demand.

#### CORPORATE DEVELOPMENT

Your board has also been pursuing a growth strategy beyond the core television business. With the international trend towards cross platform advertising, TEN has spent considerable time assessing the compatibility of other mediums.

New media and particularly the online sector generated widespread interest and investment through 1999 and 2000. TEN took a strategically defensive move to become involved, predominantly through SCAPE.

We reduced the risk exposure through the joint venture arrangement with Village Roadshow. However, the online environment changed dramatically and the timetable to achieve viable revenue streams became unacceptably long. There is, however, no barrier to re-entering the sector in the future should more promising opportunities arise.

TEN continues to believe in cross platform marketing, and this is evident in our acquisition of 60% of Eye Corp, one of Australia's largest out-of-home advertising companies. The \$189m purchase price, along with the provision of debt funding, allowed Eye Corp, formerly known as NLD to acquire the premium Australian outdoor assets of SOMI and Manboom.

TEN initially foreshadowed prospective pro forma annualised earnings of \$40m EBITDA on revenues of \$130m for Eye Corp. This was not only dependent of market conditions remaining stable, but also SOMI and Manboom's delivery of various inventories and concessions. Unfortunately, the market softened significantly and the size of the deal was reduced slightly as some inventory was not developed.

The late December completion also meant Eye Corp was unable to benefit from the seasonally lucrative run up to Christmas and failed to gain sales traction until well into calendar year 2001. The integration of the three businesses also proved more onerous than anticipated, while the continuing state of the advertising market through to the end of fiscal year 2001 compounded the problems.

The result for the stub period from completion to the end of TEN's financial year on 31 August 2001 has therefore been disappointing.

Eye Corp's recurring EBITDA for the stub period was \$3.5m on revenues of \$49.4m. There was a loss at the EBIT line of \$15.7m, but this includes amortisation of goodwill and non-recurring items of \$6.5m relating to restructuring, relocation and provision for costs associated with non-performing contracts.

While this result is below expectations, we retain confidence in the out-of-home sector. The industry has achieved 75% growth over the past four years, and overseas experience indicates that further substantial expansion is not only possible, but likely.

The most vital ingredient in our ability to meet investment targets is advertising demand. Our current expectations, given the uncertainty of the market, are that Eye Corp will build significantly in 2002 and begin to achieve the revised earnings forecasts during the course of 2003.

#### NON-RECURRING GAINS

The board took a decision this year to sell our 14.4% shareholding in regional affiliate, Southern Cross Broadcasting (SBC). This followed SBC's acquisition of Telecasters Australia Limited, another regional affiliate in which TEN also held a stake.

The sale of SBC stock at \$11.90 per share resulted in a pre-tax gain of \$58.6m. At the Ten Network Holdings level, the pre tax gain represents only that part of the gain, being \$39.3m which accrued post the listing of Ten Holdings in April 1998.

Notwithstanding the sale of the shareholding, we look forward to a continuing relationship with a larger and stronger Southern Cross Broadcasting as the supplier of programmes to its expanded regional network.

The company also booked another non-recurring profit of \$7m in 2001 with the sale of its former studios at Nunawading in Victoria.

#### TAX RULING

The board has continued to keep shareholders informed about the review by the Australian Tax Office (ATO) into the tax deductibility of interest paid on the subordinated debentures issued by The Ten Group Pty. Limited to CGS Debenture Holdings (Netherlands) BV.

Over the past 12 months the ATO has issued amended assessments following its decision to disallow claims for subordinated debenture interest.



\*RATINGS MOMENTUM SHOULD LEAD TO AN INCREASE IN TEN'S SHARE OF THE COMMERCIAL ADVERTISING PIE.\* BNP PARIBAS (SEPTEMBER 2001)

The ATO determined that the primary tax payable on the debenture interest paid by the Company in the relevant period is \$106.1m. Additional interest charges of \$32.6m resulted in an amended assessment total charge of \$138.7m. No culpability charges were included in the amended assessments. The amount actually due on receipt of the amended assessments was then reduced by \$5.3m in accordance with the company tax deferral concession for the 2000 income year. Therefore the amount currently due on the amended assessments is \$133.4m.

Objections to the amended assessments have subsequently been lodged with the ATO.

By law TEN is required to pay within 30 days the full amount of the amended assessments. However, TEN has negotiated an arrangement with the ATO allowing TEN to pay 50% of the assessed amount less a credit of 50% of the amount of withholding tax already paid. As a result TEN paid \$52m to the ATO on 4 October. This amount will become repayable to TEN in the event of a successful appeal against the amended assessments.

The ATO has acknowledged that "there is a genuine dispute over questions of law" and that TEN "has a reasonably arguable position". TEN remains confident that its current tax treatment is correct, and will vigorously pursue all avenues of appeal. In these circumstances the dispute constitutes a contingent liability and accordingly the \$52m payment to the ATO will be treated as an asset.

TEN has continued and will continue to claim deductions on the debenture interest paid since the relevant period covered by the amended assessments. The amount of debenture interest paid or payable to date pursuant to the subordinated debentures in respect of which deductions have been or will be claimed since the relevant period is \$154.0m (tax effect of \$49.5m).

The total debenture interest paid or payable since inception is \$451.1m (tax effect of \$155.5m). Withholding tax paid or payable to date pursuant to the subordinated debenture interest since inception is \$42.7m.

Shareholders will be kept informed on further developments on this issue.

#### LEGISLATIVE ISSUES

There has been considerable speculation in recent months regarding possible changes to legislation affecting the media.

The board continues to hold the view that restrictions on investment in our industry by Australians whose superannuation and portfolio funds are managed by domestically operated, but foreign owned institutions, are unfair. A change on this issue would be welcomed, particularly as the Productivity Commission has endorsed the industry's position.

In regard to cross media laws, while your board would warn against Australian media companies being controlled by a significantly reduced number of players, reforms could open the way for appropriate investments across the sector.

Strong bonds already exist between many media organisations without any negative impact on the independence or individuality of those businesses. The opening up of investment opportunities in other mediums for companies such as TEN could bring substantial benefits.

Our involvement in Eye Corp highlights our belief in the synergies provided in cross media partnerships. If the potential for conflicts over independence can be removed, then a less regulated media environment would provide a major boost for the industry.

The government may see a review of its plans for the datacasting licences as a suitable time to discuss broader legislative issues.

#### LOOKING AHEAD

I will be stepping down from the board in coming months and would like to take this opportunity to thank my fellow directors for helping make my chairmanship such a productive and rewarding experience.

I have had an association with TEN since 1993, and have proudly seen the company progress to the highly respected, efficient and profitable organisation that it is today.

TEN's core television business has been deservedly rewarded for its focus on the younger demographics and determination to control costs.

The programming success of the past 12 months indicates that the right balance is being achieved between domestic and international content, and further refinement will be possible with the re-negotiation of existing contracts with US studios.

TEN's expansion into the out-of-home sector will shake off the early problems and provide an expanded revenue base and cross platform opportunities into the future.

While in the current economic environment the board believes it is important that we concentrate TEN's efforts on our existing activities, we will continue to pursue additional corporate development initiatives.

I would also like to pass on my appreciation to the management and staff, and particularly Chief Executive, John McAlpine, and his predecessor, Peter Viner.

The dedication and expertise of TEN's people have been integral to the company's achievements over the past decade.

Also vital has been the strength of the relationship with CanWest.

Finally, I would like thank you, our shareholders, for your continued support. ■

John B Studdy AM  
Chairman  
Ten Network Holdings Limited.



2001 has been another year of significant milestones for Network Ten, despite the difficult period in the advertising market confronting all media sectors.

TEN has achieved several important turnarounds, including a rise in our share of advertising revenue.

This can be attributed to the Network achieving increases in television ratings across all age groups, with a particularly strong lift in our targeted 16-39 and 25-39 demographics.

In fact, TEN was the only television network to gain share in all demographics in 2001.

Unfortunately a number of factors came into play some unique to the commercial television sector, and others that impacted industry-wide, which meant TEN was unable to continue its proud record of profit growth.

These factors included:

- A significant slowdown in advertising activity in calendar 2001 due to a softening economy.

- The impact of the Sydney Olympics, which was responsible for a \$12m decline in first quarter EBIT and \$15m in revenue.

- The cost of introducing digital broadcasting from 1 January 2001 which added \$10m (the majority being depreciation) to operating costs.

However, TEN again maintained its stringent discipline on expenditure, and the increase in operating costs (apart from digital) has been contained to less than 0.3%.

As a consequence, we have been able to maintain an EBIT margin of 28.5%, which remains in line with international best practice.

Other positive developments in 2001 were the profitable sales of TEN's shareholding in Southern Cross Broadcasting and our former premises at Nunawading in Victoria.

Our corporate development activities have seen us venture beyond our core television business.

While we are excited about the opportunities they present, there have been some disappointments.

We are presently reviewing our online involvement in the wake of TEN and Village Roadshow's decision to close SCAPE.

TEN's acquisition of Eye Corp, one of Australia's largest out-of-home advertising companies, led to a complex integration process.

But all the inventory is now on board and we have resolved the management and operational issues.

We remain convinced about the potential of the out-of-home industry and Eye Corp's ability to build earnings to predicted levels when reasonable market conditions return.

In essence, 2001 has been a year in which our core television business has re-asserted itself in the younger demographics, and shown its financial resilience in challenging economic times.

Our ratings gains coupled with the shift to more local production and the inclusion of AFL next year, give TEN a competitive edge and greater control over our future.

TEN has high hopes for 2002 with the expectation that we will be rewarded for our programming success and the initiatives we have scheduled for the coming twelve months.

The positive outlook for TEN's core business along with an increasing contribution from Eye Corp, both financially and as a cross platform advertising partner, certainly give us every reason for confidence.

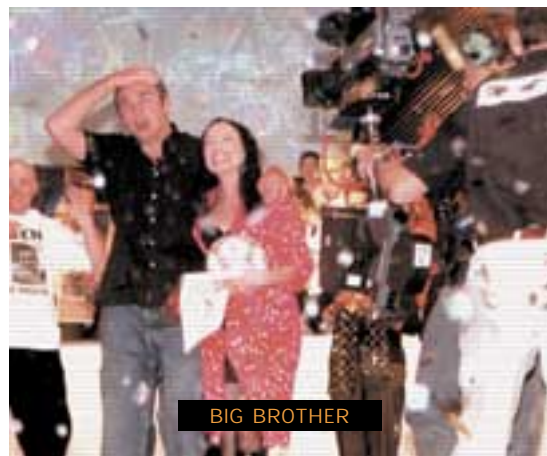
#### PROGRAMMING

Big Brother was the biggest hit on Australian television in 2001 and deservedly captured most of the headlines.

The ratings were outstanding with the weeknight programme delivering more than 50% of the 16-39 demographic and also dominating the 7pm timeslot among all viewers.

The numbers for the Sunday night eviction programmes were even more dominant, culminating in the finale which gained 2.8 million viewers, including 73.2% of the 16-39 demographic.

Big Brother took on a life of its own, creating a new genre on Australian television, and turning 14 unknowns into celebrities.



THE COMING YEAR HOLDS EVEN MORE PROMISE FOR TEN, WITH BIG BROTHER RETURNING TO UNDERPIN OUR ALREADY EXCITING SCHEDULE OF LOCAL AND INTERNATIONAL PROGRAMMES.

This was achieved through the innovative promotional and marketing structure we applied. The ratings benefits for TEN stretched beyond Big Brother's own timeslots, with many new viewers also being introduced to our other programmes.

Neighbours, The Panel, All Aussie Adventures, Rove Live, Search for a Supermodel, Becker, Everybody Loves Raymond, The Simpsons, Dawson's Creek, Ed and Charmed were all able to dominate their timeslots.

We were also well served by traditional favourites including Law & Order, Law & Order: SVU, NYPD Blue, Mysterious Ways and Just Shoot Me.

Another pleasing aspect of this year's success has been strong audience support for the Network's quality Australian drama projects including the series,

The Secret Life Of Us, the mini-series, My Brother Jack, and telemovies, My Husband My Killer, Ihaka and Finding Hope.

Once again our First At Five News built on its reputation as a story-breaking quality service, and was rewarded with increased ratings around the country.

This was also a great year for TEN sport, with motor racing growing in popularity, our golf coverage extending overseas to the US Open, and the Melbourne Cup again stopping the nation.

The Brisbane based Children's Unit had another very active twelve months with Totally Wild, Cheez TV and In The Box, while the dramas Horace & Tina and Cybergirl, earned widespread acclaim.

The coming year holds even more promise for TEN, with Big Brother returning to underpin our already exciting schedule of local and international programmes.

While series two is a costlier proposition, in view of the brand we were able to create this year, and the huge public enthusiasm for the show, we expect Big Brother to be even bigger in 2002.

All our key programmes from the United States studios have been renewed, and we will also premiere exciting new series including Law & Order: Criminal Intent, The Guardian and Philly. There will also be a wide range of major movies in 2002 such as The Mummy, American Pie, EDTV, Bicentennial Man, Girl Interrupted, Big Daddy, Stuart Little and End Of The Affair.

Those locally produced programmes which proved so popular will be back in 2002.

In local drama, we have a dynamic slate with four pilots in production under the guidance of Sue Masters. Involving high calibre producers such as Deb Cox and Andrew Knight (Seachange), Roger Le Mesurier and Roger Simpson (Halifax f.p), and Steve Knapman

(Wildside), we are confident that several of these projects will go to series.

Also under Sue's direction TEN has taken the unprecedented step of pre-purchasing and taking an equity position in several Australian feature films. Along with The Dish, these will bolster our line-up of features in coming years.

#### AFL 2002

2002 will also be a landmark year for TEN sport as the network takes over as an AFL broadcaster.

TEN will televise Australia's most popular football code on Saturday afternoons and evenings during the home-and-away season, and has exclusive free-to-air rights for the Finals Series, including the Grand Final.

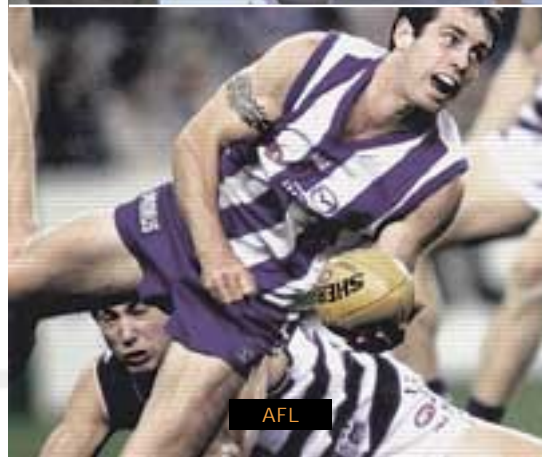
In addition, TEN will cover one third of the pre-season matches, while coverage of state-of-origin games will alternate between the TEN and Nine Networks. The Brownlow Medal will be broadcast on TEN in 2002, and every second year after that.

TEN has proven its ability to broadcast major sporting events with our award winning coverage of the Melbourne Cup, motor-sport and golf. AFL presents new challenges, but they are ones we look forward to and are fully equipped to handle.

In regard to AFL sponsorship and advertising opportunities, our sales team is already presenting the market place with what we believe are the most creative and innovative promotional strategies.

#### DIGITAL BROADCASTING

Since Australia's official launch on 1 January, 2001, Network Ten has continued to set the pace in digital broadcasting.



Nearly 100% of TEN's new Australian programmes are broadcast in wide screen, while the Network is working with overseas producers to maximise the delivery of wide screen content.

TEN has also been active in enhancing the digital viewing experience with multiview broadcasts of major sporting events including golf, motorsports and the The City To Surf.

In regard to interactivity, we continue to pursue a range of exciting developments, and are pleased that Pepsi shares our enthusiasm by supporting TEN's enhanced service application for the music programme, Video Hits.

Consumer enthusiasm for digital television increased significantly in 2001, driven predominantly by the benefits of wide screen presentation, and superior quality picture, audio and reception. This has prompted local electronics manufacturers and importers to provide an evergrowing range of digital receivers and set top boxes at increasingly competitive prices.

This trend will continue, and the next television set Australians are likely to buy will be wide screen and with digital capacity.

#### EYE CORP

The Chairman has detailed the results of Eye Corp, the out-of-home advertising business in which TEN acquired a 60% shareholding in December 2000.

We are disappointed that Eye Corp has been unable to achieve the level of earnings foreshadowed at the time the deal was announced. However, we remain convinced that this is essentially a timing issue, and the company can achieve the expected revenue performance when reasonable market conditions return.

We have worked tirelessly with the Eye Corp team to assist with issues resulting from the integration of the SOMI and Manboom inventory, and the new management and sales teams are in place.

The appointment of Gerry Thorley as Chief Executive brings a wealth of media experience and skills to Eye Corp.

Over the past 12 years Gerry has been integral to Network Ten's development into the highly efficient and profitable business that it is today. His intricate understanding of all aspects of TEN's operations, and the high level co-operation that has already been established with Eye Corp, will ensure that the synergies between the companies are maximised.

We remain confident about the quality of the inventory. The location and scale of the large format signage is unsurpassed, while our domination of airport terminals and shopping centres through Eye Fly and Eye Shop give Eye Corp a distinct strategic advantage over its out-of-home rivals.

Of all the advantages, the relationship between TEN and Eye Corp remains at the forefront. Both businesses present advertising mediums that are ideal vehicles for brand building.

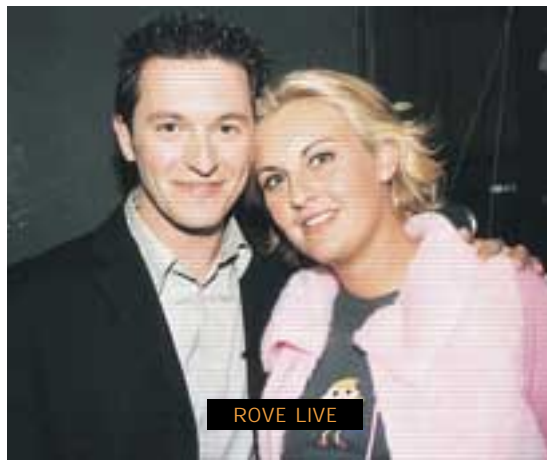
With increasing demand from agencies and advertisers for cross platform campaigns TEN and Eye Corp are strongly positioned to reap the benefits when demand returns.

However, it is vital that we boost the credibility and appeal of the medium through improved research into the impact of out-of-home advertising. On the creative side, further effort is also needed to persuade advertisers how out-of-home can work more effectively for them.

Eye Corp continues to look overseas for opportunities. The company already has a substantial presence in south east Asian markets, and we see encouraging prospects for ongoing growth.

In the second half of fiscal 2001, Eye Corp won new internal and external airport concessions in Bali and renewed its deal in Jakarta.

ROVE - "ARGUABLY THE MOST PROMISING NEW TV TALENT TO EMERGE IN THE BEST PART OF A DECADE." SYDNEY MORNING HERALD



WHETHER IT BE A CROSS PLATFORM SCHEDULE INVOLVING TEN AND EYE CORP, AN ALL-ENCOMPASSING "MAJOR EVENT" CAMPAIGN LIKE BIG BROTHER OR THE AFL, OR THE CONVENIENCE OF THE BUYTEN SERVICE, OUR SALES TEAM IS DELIVERING THE QUALITY RESULTS.

These developments reinforce our optimism over the future of Eyecorp both internationally and domestically.

ONLINE

The decision by TEN and Village Roadshow to close Scape Entertainment Pty. Ltd. (SCAPE) was taken when the online company failed to meet the strict financial and performance criteria that had been established.

At the time of the SCAPE launch there was certainly an enthusiasm across all industry sectors for online investments, and TEN saw the need to become involved, partly for strategic defensive reasons. TEN also believed there were considerable synergies to be gained through a youth targeted website.

However, the sector has failed to develop as expected, and it seems more marketable online services cannot be delivered in the most desirable form by the current technology. This situation appears unlikely to change in the foreseeable future, so in the interests of our

shareholders we took a difficult but prompt decision in regard to SCAPE.

TEN is continuing to investigate online opportunities, and we are certainly understand its potential as a promotional, marketing and corporate tool.

Under TEN's stewardship the Big Brother website became the largest single purpose site in Australia.

ten.com is currently being re-built to maximise its effectiveness and will be re-launched in 2002.

SALES STRATEGIES

We are developing our on-line relationship with advertisers and agencies through www.buyten.com.au.

This site streamlines the bookings process, allowing clients to submit briefs, view programming options, check availabilities and research a wide range of media related information and issues.

This year buyten.com.au achieved a significant milestone, recording \$1m in electronic bookings.

This is just one of many sales and marketing initiatives which we believe places TEN ahead of other media companies. TEN offers an innovative and targeted approach.

Whether it be a cross platform schedule involving TEN and Eye Corp, an all-encompassing "major event" campaign like Big Brother or the AFL, or the convenience of the buyten service, our sales team is delivering quality results.

2002 AND BEYOND

Network Ten faced many challenges this year, both internally and industry-wide. Operationally, the smooth introduction of digital broadcasting was just reward for our extensive preparations and planning.

Our television ratings targets were surpassed, and we re-inforced TEN's ability to promote, market and broadcast programming events on an enormous scale. Big Brother was a prime example of the Network's outstanding execution capability, and the same expertise will be applied in 2002 with Big Brother 2 and our AFL coverage.

These core franchises together with the strong line-up of programme renewals and new shows we have next year, position TEN well for negotiations with agencies and advertisers.

On the corporate development side, we remain confident in Eye Corp's potential to make significant inroads in the out-of-home sector, particularly in the way the relationship with TEN can be built to meet the advertising market's growing demand for cross platform strategies.

However, while our sales and programming initiatives have lifted our revenue share in calendar 2001, the soft advertising market, the Olympics and the cost of digital have led to the disappointing overall earnings result.

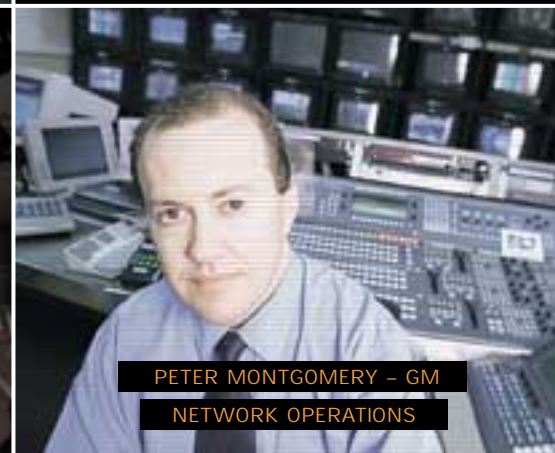
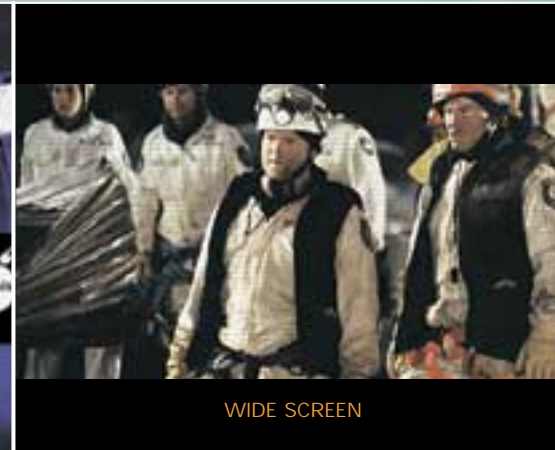
But this decline should be seen in the context of special factors which expanded the revenue pool in 2000, such as government advertising on the GST and health insurance campaigns.

These gains have not reappeared in 2001, and any market contraction should be viewed in the context of the strong recurring growth in television advertising enjoyed in recent years.

Network Ten has come through a difficult year in good shape and is well positioned to take advantage of a return to a more robust advertising environment.

We are excited about the company's prospects for 2002 and beyond. ■

John McAlpine  
Chief Executive Officer, TEN.





Throughout its history, Network Ten has been at the cutting edge of television.

Nowhere is that more evident than in technology, where rapid developments have critical implications for the way TEN reaches viewers and serves clients.

With the official launch of digital broadcasting in Australia on 1 January 2001, Network Ten actively embraced and promoted the new technology, committing up to \$100m in capital expenditure to ensure technical and viewer expectations are met.

TEN's smooth introduction of digital broadcasting has been achieved through a carefully managed, well-timed process. TEN began planning its digital migration six years ago and introduced wide screen product internally on 31 January 2000 – 11 months before the



official launch. TEN was also the first Australian television network to commence digital transmission trials.

Viewers are recognising the benefits of digital with its wide screen images, superior picture and sound quality; multiview (where multiple camera angles of the same event are offered simultaneously on different channels); and the potential for interactive services.

TEN is working with advertisers to develop new revenue opportunities, particularly with respect to multiview and interactivity.

#### WIDE SCREEN

The viewing experience is dramatically enhanced by the cinema-style wide screen presentation, particularly for sport and movies.

All new TEN-produced or commissioned Australian programmes are made and broadcast in this format. These include sport, most news broadcasts, daytime programming such as Good Morning Australia, Cheez TV, Totally Wild, Beauty and the Beast, Horace and Tina, Cybergirl, and in prime time, The Panel, Rove [live], Big Brother, local comedy specials and debates, and Australian drama such as Neighbours and The Secret Life of Us.

In addition, TEN is sourcing an increasing amount of overseas product in wide screen, including Dawson's Creek, The X-Files, Becker, Family Law, NYPD Blue, Everybody Loves Raymond and the majority of feature films.

#### MULTIVIEW

Multiview brings a new dimension to TEN's sports coverage, putting viewers firmly in the driving seat.

Viewers can choose their own camera angles and location, or call up facts and figures on a personality or event.

TEN's 2001 schedule featured a number of multiview events, including The Canon Golf Challenge, ANZ Championship Golf, the Clipsal 500, Sydney's City to Surf and the Bathurst 1000.

#### INTERACTIVE

TEN is developing interactive applications for its news services and Video Hits programming. These will allow viewers to source more detailed information and potentially conduct transactions.

TEN was the first Australian broadcaster to transmit digital interactive applications.

The Network's Video Hits application is among the most advanced in the world and has been demonstrated internationally.

#### HIGH DEFINITION

Digital offers both standard (SD) and high definition (HD) signals, and while SD presents outstanding quality, HD takes picture depth, colour and clarity to another level.

Early in 2001, TEN transmitted Australia's first native HD content (i.e. content shot on high definition camera), with the Young Australian of the Year Awards. TEN has also broadcast HD transmissions during the day to allow retailers to showcase the benefits of HD.

TEN is positioning itself to meet the legislative requirement to produce 20 hours of native high definition programming by 1 January 2003. ■

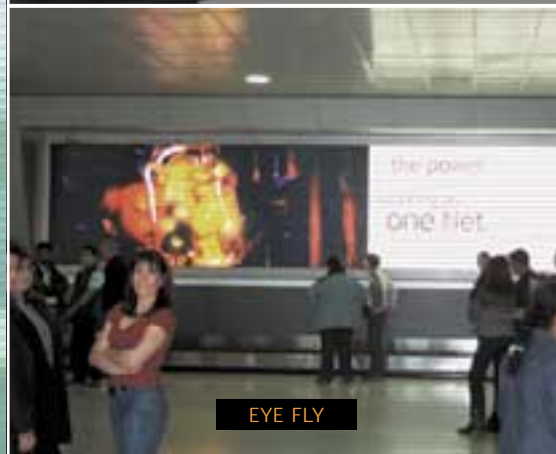




EYE DRIVE



EYE SHOP



EYE FLY



GERRY THORLEY - CEO

EYE CORP

"WE BELIEVE THAT THIS INVESTMENT (EYE CORP) DOES MAKE SENSE FOR TEN ON A LONGER TERM VIEW IN THAT IT HAS ENTERED AN INDUSTRY WITH ONLY ONE MAIN COMPETITOR." JB WERE (AUGUST 2001)



In December 2000, Network Ten acquired a 60% shareholding in Eye Corp, one of Australia's premier out-of-home advertising companies.

Eye Corp's extensive operations have been developed across five pillars.

Eye Drive has Australia's second largest stable of large format outdoor signage, and includes inventory formerly under the Boyer, Boyd, Manboom, Sportsworld, SOMI and NLD banners.

With nearly 400 sites, it is a dominant advertising presence around Australia's airports and along major roads and transit routes in capital cities and other large urban centres.

The second pillar is Eye Fly, with strategically located signs within all Australia's domestic and international air terminals, with the exception of Perth international.

This product enables advertisers to target an AB demographic and specifically business travellers and tourists when they are ready to spend.

With exclusive rights to Westfield, AMP, Gandel and Highpoint shopping centres, Eye Shop has the retail sector covered.

This business controls two and half thousand "eyelites" through more than 50 leading centres across Australia and New Zealand, providing a prime opportunity to impact shoppers when and where they are looking to buy. This is a rapidly developing medium internationally, and Eye Corp sees great opportunities domestically.

The fourth pillar is the fully owned Adval business, which is a visual merchandising and point-of-sale supplier to leading retailers.

Overseas, the fifth element of Eye Corp's activities has already made substantial inroads into south east Asian markets, including Indonesia, Malaysia, Vietnam and Myanmar, and there are exciting opportunities for significant expansion.

The international operation encompasses large format outdoor advertising, and internal airport signage.

TEN has full confidence in the quality of Eye Corp's domestic and international inventory. The location and scale of the large format signage is unsurpassed, while Eye's domination of airport terminals and shopping centres through Fly and Shop give the company a distinct strategic advantage over its out-of-home rivals.

#### WHY EYE

From TEN's point of view, it was not just a case of examining each site and determining the revenue they can generate.

There was a much broader strategy involving an assessment of how the out-of-home industry and the advertising market are developing, and the synergies that could be developed in a marriage between TEN and Eye Corp.

The industry has huge potential, with growth of 75% over the past four years.

Internationally, the trends are positive. In the US the sector commands more than \$10 billion in revenue, while the industry has doubled in size in Britain in the past 8 years.

Out-of-home's share of the domestic market peaked at 5.5% in 2000 with the influence of the Olympics, but averaged around 4% in previous years. Our view is that the industry can push above those numbers to the 7-8% share that exists in some international markets.

The Australian out-of-home sector was also one that needed, and was primed for consolidation.

Previously there was only one larger player, in APN. Eye Corp, by bringing together the assets of NLD, SOMI and Manboom, created a second powerful force.

As with any industry sector, the presence of more significant participants lends weight in terms of credibility and power in the political process.

By unifying the three components, TEN and Eye Corp are enhancing the out-of-home offering to clients with more comprehensive national campaigns, while rationalising operating costs and lifting the profile of the medium among agencies, advertisers and the community generally.

More over, the out-of-home sector isn't overburdened with regulations. It is a media business in which we could become actively involved, and as a marketing tool, like television, it is most effective as a brand builder.

Beyond these benefits, the one factor that dominated TEN's decision making process was the potential for the development of a true cross platform business.



TEN HAS FULL CONFIDENCE IN THE QUALITY OF EYE CORP'S DOMESTIC AND INTERNATIONAL INVENTORY. THE LOCATION AND SCALE OF THE LARGE FORMAT SIGNAGE IS UNSURPASSED, WHILE EYE'S DOMINATION OF AIRPORT TERMINALS AND SHOPPING CENTRES THROUGH FLY AND SHOP GIVE THE COMPANY A DISTINCT STRATEGIC ADVANTAGE OVER ITS OUT-OF-HOME RIVALS.

A recent US survey quoted three top advertising agencies, with nearly one thousand billion dollars in combined billings, predicting at least 40% of their business would involve cross platform campaigns within five years.

The *Advertising Age* found similar support with its studies showing that more than 80% of those in the industry believe cross platform packages are the way of the future.

The key reason is the appeal of delivering an integrated message across the platforms. By doing so, they can surround the consumer whether they be at home, on their way to work, or out shopping.

The mediums to do that already exist, it is only logical that we bring them together to make the delivery of the message more effective.

#### EYE TO EYE WITH TEN

TEN's sales team is renowned for its innovative and co-operative approach which has ensured success with such projects as Big Brother, and delivered growth in revenue share.

Big Brother is a prime example of what can be achieved through a cross platform approach. It involved television, radio through Austereo, out-of-home through Eye Corp, the internet and newspapers through News Limited.

Through these mediums there was greater than 70% recognition of the Big Brother brand before the programme even went to air.

The high level co-operation that has already been established with Eye Corp will ensure that the synergies between the companies are maximised, not only on the sales and marketing front but also in terms of technological developments.

TEN is the undisputed leader in regard to digital broadcasting and there may well be benefits which Eye Corp can derive from further advances in digital in the years ahead.

#### EARLY SETBACKS

The integration of the three businesses was a more complex and time-consuming task than was initially envisaged.

There was a need to upgrade the management, sales and finance teams and the operational systems each of them required.

New teams are in place, and the build-up on the sales side has been substantial to deal with the much-expanded inventory.

Eye Corp has drawn top executives from out-of-home, television, radio and print to cover each market, not just in sales but also business development.

The company was not helped on the revenue front by the timing of the acquisition. The late December completion meant Eye Corp was unable to benefit from the seasonally lucrative run up to Christmas.

This was compounded by the downturn in the advertising market from early in 2001.

However, TEN's belief in the Eye Corp team and the quality of the inventory give us confidence that the company will achieve the expected revenue performance when reasonable market conditions return.

#### EYE ON THE INDUSTRY

With a more consolidated sector, Eye Corp and the other major out-of-home companies are in a position to give the industry a stronger voice. While Eye Corp's presence, and in particular its association with TEN, brings credibility, the industry must do more, particularly in regard to appropriate research development and creative forums.

There are several audience measurement tools currently used in out-of-home, but one which presents greater in-depth analysis of all the out-of-home formats is needed. Eye Corp is working with its colleagues to reach agreement on an industry standard for such research, which is essential to further educate advertisers and agencies on the benefits of out-of-home.



On the creative side, more effort is being directed towards convincing clients that the medium can effectively and innovatively market their products.

#### EYE ON THE FUTURE

TEN likes the consolidation that has occurred in the out-of-home sector and the delineation of assets between the key players.

TEN welcomes the way the industry is getting together on critical issues such as research, which will ultimately benefit all the out-of-home players. Our objective is to ensure clients turn to Eye Corp for first tier advertising and marketing solutions.

It is a company determined to build a reputation for innovative media solutions and the size, diversity and quality of its inventory.

Eye Corp is focussed on unsurpassed service for clients and reliability, integrity and accountability.

This is an exciting and challenging time for Eye Corp and the out-of-home sector. We see great prospects for growth, particularly through the partnership between Eye and TEN.

TEN has its Eye firmly on the prize. ■

Every hour of every day many Australians are making selfless contributions to help others and to advance the image and reputation of this nation.

Network Ten is fully aware of the important role it can play in assisting these committed people achieve their goals whether they be in community service, charity work, the environment, the performing arts, sport or any other worthwhile activities.

TEN is proud to provide active and extensive support in a wide variety of forms including community service announcements, advertising, signage, printed materials, broadcast interviews, and the involvement of Network Ten personalities, who willingly donate their time.

It is not easy to determine which individuals, organisations or activities to help as so many are



deserving. However, each year TEN assesses those who it believes will most benefit, given the Network's predominantly younger focus and audience.

TEN not only makes a significant contribution at a national level, but also offers assistance locally through our five capital city television stations.

## COMMUNITY SERVICE

### Young Australian of the Year

Once again, a major highlight of TEN's community service programme was our sponsorship of the Young Australian of the Year Awards.

These prestigious awards recognise the contributions of young Australians (under 28 years of age) in a diverse range of fields.

The 2001 Young Australian of the Year is James Fitzpatrick. This remarkable young man is devoting his life to raising awareness of the need for greater commitment to rural medical practice, particularly for indigenous communities in remote regions.

He joins an illustrious list of previous winners including Olympic champions Ian Thorpe, Keiren Perkins and Cathy Freeman, astronomer Dr Bryan Gaensler and pianist Rebecca Chambers.

### Senior Australian of the Year

TEN was also proud to be involved in honouring the work of older citizens through the Senior Australian of the Year Awards.

This year's recipient is Professor Graeme Clark, who has helped so many hearing-impaired children through his invention of the bionic ear.

### Royal Shows

The annual Royal Shows provide an invaluable link between residents in the capital cities and those in rural Australia. TEN continues to have a heavy involvement in the Shows both as sponsor and exhibitor.

Some of TEN's other community service activities include contributions to the Australia Day Council and Celebrations, The Chinese New Year Festival, Neighbourhood Watch (SA), The Centenary of Federation Family Day (SA) Brisbane's New Year Breast Cancer Ball, and the Caboolture Airshow.

### YOUTH WELFARE

TEN is determined to play an important part in improving the health and welfare of young Australians.

### Winter Sleepout

A key event which the Network again supported in 2001 was The Winter Sleepout, organised by City Missions around Australia to highlight and assist the plight of the homeless.

Other health and welfare activities which received TEN's support were the Kids Helpline, National Youth Week, Young Endeavour, The Malcolm Sargent Cancer Fund, The Awesome Children's Festival (WA), Princess Margaret Hospital for Children (WA), The SIDS Ball (Vic), The Juvenile Diabetes Foundation (SA), Adelaide Central Mission's Youth Mental Health and 4KQ's Children's Christmas Party.



TEN IS PROUD TO PROVIDE ACTIVE AND EXTENSIVE SUPPORT IN A WIDE VARIETY OF FORMS INCLUDING COMMUNITY SERVICE ANNOUNCEMENTS, ADVERTISING, SIGNAGE, PRINTED MATERIALS, BROADCAST INTERVIEWS, AND THE INVOLVEMENT OF NETWORK TEN PERSONALITIES, WHO WILLINGLY SACRIFICE THEIR TIME.

#### SPORT

TEN is the proud broadcaster of some of Australia's great sporting events including the Melbourne Cup, V8 motor racing, and from 2002, the AFL. But beyond those key sports, TEN is also involved in a cross section of community sporting activities.

#### City To Surf

This run is Australia's largest community fitness event and TEN has a long history as the official television sponsor and broadcaster. TEN also provides a wide range of supporting services.

TEN is also associated with The Women's Classic Fun Run, The Victorian Institute of Sport, Volleyball SA, and The Australian Duathlon Championship.

#### PERFORMING AND CREATIVE ARTS

Australia has built an enviable reputation in the performing and creative arts, and TEN is proud of its continuing contribution to that development.

#### Rock Eisteddfod Challenge

TEN again played an integral part in the Rock Eisteddfod IN 2001. Australia's premier youth performing arts competition, it attracts the nation's top young talent with some 40,000 students from 400 schools involved. There is also a more serious message, with the Challenge providing an opportunity for students to examine their attitudes to drugs and alcohol.

TEN also supported for a range of festivals and organisations across Australia's creative community,

including the Sydney Film Festival, the Adelaide Festival and Fringe Festival, the St Kilda Film Festival, the Melbourne International Film Festival, the Melbourne Symphony Orchestra, the Perth Writers' and Fringe Festivals, and Queensland's Jazz and Blues Festival.

#### ENVIRONMENT

There is no greater issue of concern to younger Australians than the environment, so it is appropriate that TEN supports the important conservation and research work carried out by the Perth, Adelaide, Melbourne and Victoria's Open Range Zoos, along with the Dolphin Research Institute and the Healesville Sanctuary.

The Network also has a strong association with Planet Ark and The Save The Murray Project.

#### CHARITIES

Big Brother's housemates participated in TEN's The Best Panto Ever, raising more than half a million dollars for the Starlight Children's Foundation in aid of seriously ill children. There are many other charities throughout Australia doing outstanding work, and TEN provides assistance for a large number of them including The Salvation Army, Red Cross, The MS Society and World Vision. ■

# board of directors >>



GEOFF LEVY, JOHN McALPINE – CEO  
JOHN STUDDY



PAUL HARRIS, JACK COWIN, PETER VINER,  
PAUL GLEESON



JOHN PESCHAR, BRIAN SHERMAN,  
LAURENCE FREEDMAN



IRENE LEE, ROBERT MAGID,  
LEONARD ASPER – DIRECTOR, TEN



**John B Studdy AM, BEc, FCA**  
Chairman of Ten Network Holdings Limited since June 1998 and of The Ten Group Pty Limited since May 1993. Chairman of Bulmer Australia Limited and AEF Limited. Director of Angus & Coote (Holdings) Limited, Crane Group Limited, Goldfields Kalgoorlie Limited and Resource Finance Corporation Limited. Chairman of the compliance committee of Westfield Management Limited and Westfield America Management Limited and a member of the advisory board of Syntegra (Australia) Pty Limited. Mr Studdy is also an Honorary Vice President of The International Federation of MS Societies, Emeritus President of the MS Society of NSW and a member of the Board of The Centre for Anaesthesia and Pain Management Research.

**Jack C Cowin BA**  
Director of Ten Network Holdings Limited and The Ten Group Pty Limited since April 1998. Previously a Director of The Ten Group Pty Limited from December 1992 to January 1997. Founder and Chairman of Competitive Foods Australia Limited and is on the Board of CIBC World Markets (Australia) Ltd.

**Laurence S Freedman ASA, ASIA, MAUSIMM**  
Director of TEN Network Holdings Limited since February 1998 and of The TEN Group Pty Limited since March 1994. Founder of The EquitiLink Group. Director of a number of investment companies listed on the American, Canadian and Australian stock exchanges. Chairman of The Freedman Foundation.

**Paul V Gleeson BEcon, ACA**  
Director of Ten Network Holdings Limited since February 1998 and of The Ten Group Pty Limited since April 1998. Previously a Director of The Ten Group Pty Limited from December 1992 to March 1994. Director of Telecasters North Queensland Pty Limited since 1990 and is a member of the Institute of Chartered Accountants in Australia.

**Paul P A Harris MA, ASIA**  
Director of Ten Network Holdings Limited since February 1998 and of The Ten Group Pty Limited since December 1992. Director of a number of companies including Gresham CEA Management Limited and Gresham Technology Management Ltd, the Stadium Australia Club Limited, Wilson HTM Limited, the Centenary Institute for Cancer Research and Chairman of the Bundanon Trust.

**Irene Y L Lee BA, Barrister-at-Law**  
Director of Ten Network Holdings Limited and of The Ten Group Pty Limited since October 2000. Director of Australian Assets Corporation Limited, Beyond International Limited, Record Investments Limited and BioTech Capital Limited. Formerly Chief Executive Officer of SEALCORP Holdings Limited and held senior positions at Commonwealth Bank of Australia and Citibank in Sydney, London and New York.

**Geoffrey H Levy BComm, LLB, ASIA**  
Director of Ten Network Holdings Limited and The Ten Group Pty Limited since April 1998. Previously a Director of The Ten Group Pty Limited from February 1995 to December 1996. A Director of Wentworth Associates Pty Limited and a Director of a number of companies including Rebel Sport Limited, Freedom Furniture Limited, Singleton Group Limited, eSign Australia Limited, Investec Holdings Australia Limited and Mirvac Group Limited. He has also been appointed by the Federal Government as the Chairman of Australian Film Finance Corporation and was formerly a partner of the law firm, Freehills.

**Robert Magid BSc, BA(MATHS), MA(ECON)**  
Director of Ten Network Holdings Limited and The Ten Group Pty Limited since April 1998. Chairman and Managing Director of TMG Developments Pty Ltd. Director of Pier One Developments Pty Limited.

**John Peschar**  
Director of Ten Network Holdings Limited since February 1998. Director of Telecasters North Queensland Pty Limited since 1992 and previously Chairman of NBN Television (Newcastle) and a Director of RTQ Rockhampton.

**Brian M Sherman BComm, CTA, SIA(AFF)**  
Director of Channel 10 Ten Network Holdings Limited and The Ten Group Pty Limited. President of the Australian Museum Trust. Chairman of Sonic Communications Pty Limited and Pulse International Pty Limited. Chairman & Joint Managing Director of the EquitiLink Group (1981-2000). Director of a number of investment companies listed on the American, Canadian and Australian stock exchanges.

**Peter D Viner**  
Director of Ten Network Holdings Limited since April 1998 and of The Ten Group Pty Limited since July 1997. Served as Chief Executive Officer of The Ten Group Pty Limited from 1993 to 1997. Vice Chairman of CanWest Global Communications Group. ■





## INTRODUCTION

The Boards of Directors of Ten Holdings and Ten Group are committed to responsible corporate governance practices in accordance with community and shareholder expectations.

The principal operations of Ten Holdings are limited to the holdings of a significant interest in Ten Group which is the major operating entity within the Ten Holdings group of companies. Accordingly the corporate governance practices have been structured having regard to these operations.

The corporate governance practices adopted by Ten Holdings and Ten Group are as follows:

## THE BOARD

Size and composition of the Board of Ten Holdings  
Details of the current Directors of Ten Holdings are set out on page 30.

Size and composition of the Board of Ten Group  
Each of the Directors of Ten Holdings (other than John Peschar) is also a Director of the Ten Group. Additionally, the following persons are also directors of the Ten Group:

Leonard J Asper

Director of TEN since December 1998. Appointed Deputy Chairman of TEN in March 2000. Appointed as President and Chief Executive of CanWest Global Communications Corp. in August 1999. Director of a number of media and entertainment companies associated with the CanWest Group.

John H McAlpine

Director of TEN since April 1998. Chief Executive Officer of TEN since July 1997. Previously General Manager Network Sales for TEN and a senior executive of the Federal of Australian Commercial Television Stations.

Thomas C Strike

Director of TEN since July 2000. Director of a number of media and entertainment companies associated with the CanWest Group. Chief Operating Officer of CanWest Global Communications Corp.

## BOARD COMMITTEES

The Boards of Ten Holdings and Ten Group have each established an Audit Committee. The members of the Audit Committee of Ten Holdings are:

Paul V Gleeson (Chairman)

John B Studdy

Geoff H Levy

Barry J Sechos

The members of the Audit Committee of Ten Group include each of the members of the Audit Committee of Ten Holdings, together with Tom Strike.

The responsibilities of the Audit Committees include:

- reporting to the respective Boards on their activities;
- reviewing the effectiveness of management systems, in areas of greatest financial risk;
- recommending to the respective Boards on the appointment of the external auditor (which is subject to each Company's Articles) and on the auditor's remuneration;
- reviewing and assessing the auditor's report and the actions proposed by management in response;
- to be satisfied that the scope of the audit is adequate especially in relation to areas where the Audit Committee believes special attention is necessary;
- reviewing the accounting, policies and practices of each Company; and
- reviewing the half yearly and annual financial statements.

The Board of Ten Group, as the principal operating subsidiary, has established the following additional Committees:

### (a) Executive Committee

The Executive Committee has five (5) members, each of whom must be a Ten Group director.

The members are:

John B Studdy (Chairman)

Jack J Cowin

Laurence S Freedman

Thomas C Strike

Peter D Viner

The Executive Committee meets between the scheduled Board meetings of Ten Group. The Board has delegated extensive powers to the Executive Committee to facilitate the expeditious handling of matters which would otherwise be required to be dealt with by the Board.

### (b) Remuneration Committee

The Remuneration Committee is comprised of five (5) members, being:

John B Studdy (Chairman)

Laurence S Freedman

John H McAlpine

Thomas C Strike

Irene Y L Lee

The role of the Remuneration Committee is to:

- review remuneration policy for Ten Group;
- approve the remuneration of the Chief Executive Officer and the executives reporting to the Chief Executive Officer;
- review proposals for incentive plans (including share and option issues) prior to submission to the Board of Directors for approval; and

- review human resources planning with particular emphasis on succession planning for senior group executive positions.

#### DIRECTORS' SHAREHOLDINGS

Details of Ten Network shares held by Directors are set out on page 35.

#### NOMINATIONS

##### Board of Ten Holdings

Vacancies for the Board may be filled by Directors. Any person filling a casual vacancy or appointed as an additional director holds office until the next annual general meeting, where they must retire but are eligible for re-election. At each annual general meeting, one third of the Directors must retire but are eligible for re-election.

A person is only eligible for appointment as a director at an Annual General Meeting where a nomination of a person by a member and a consent signed by the person are received at least 30 business days before the relevant general meeting.

##### Board of Ten Group

The Board is not allowed to nominate any person for election as a director except for a casual vacancy. Any vacancies in the Board (except vacancies where one or more persons have a right to appoint the replacement under the Articles) are elected by members of Ten Group at a general meeting (and thus the members of Ten Holdings under the see through voting provisions).

Nominations to fill a casual vacancy are reviewed by the Executive Committee of the Board, with recommendations submitted to the Board of Directors for approval.

A person is only eligible to be so appointed as director (even if his or her re-election arises from retirement by rotation) where both the nomination of the person by a member and a consent to nomination signed by the

person, are received by Ten Group at least 28 business days before the relevant general meeting.

Members of Ten Holdings may nominate a person to be a Director of Ten Group by delivering a form of nomination together with the consent of the person nominated, to Ten Holdings at least 30 Business Days before the relevant general meeting of Ten Group.

#### INDEPENDENT PROFESSIONAL ADVICE

Each of the Boards of Ten Holdings and Ten Group retain advisers as considered necessary and has resolved that the Board Committees may retain advisers as necessary.

#### RISK MANAGEMENT

Each Company is committed to the identification and quantification of risk throughout its business units and controlled entities.

The above Audit Committees are responsible for reviewing the effectiveness of management systems in areas of greatest financial risk and to report to the respective Boards if they become aware of any matters that might have a significant impact on the financial condition or affairs of Ten Holdings, Ten Group or any of their subsidiaries.

#### GROUP POLICIES

Ten Group has developed policies in relation to equal employment opportunity and affirmative action, occupational health and safety, sexual harassment and trade practices.

#### COMPLIANCE WITH AUSTRALIAN STOCK

##### EXCHANGE LISTING RULES

Ten Holdings, as a listed company, is required to comply with the Listing Rules of the Australian Stock Exchange.

Ten Group has also undertaken to the Australian Stock Exchange that it will comply with certain Listing Rules, including to ensure that information is provided to Ten

Holdings in respect of any continuous disclosure requirements.

The Board of Ten Group has established a policy to ensure that any relevant information requiring disclosure is referred to the Secretary of, for review in conjunction with the Chairman of, Ten Group.

#### DEALINGS IN SECURITIES BY DIRECTORS & OFFICERS

A policy exists in relation to dealings in the securities of Ten Holdings by Directors and employees within the Group. This policy provides that such persons should be aware of the insider trading provisions contained in the Corporations Act when considering any dealings in shares of Ten Holdings. Directors are required to contact the Chairman of Ten Holdings when they wish to trade shares so as to inform him. Executives have been recommended to contact the Company Secretary in the event they have any queries or concerns that any insider trading restrictions may apply. ■

# concise financial report

## CONTENTS

Directors' Report	34
Statement of Financial Performance	38
Statement of Financial Position	39
Statement of Cash Flows	40
Notes to the Financial Statements	41
Directors' Declaration	44
Independent Auditors' Report	45

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# directors' report

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

The Directors of Ten Network Holdings Limited present their report on the consolidated entity, consisting of Ten Network Holdings Limited ("The Company") and its controlled entities, for the year ended 31 August 2001.

## Directors

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

Mr JB Studdy (Chairman)

Mr JJ Cowin (Alternate Mr JB Studdy)

Mr LS Freedman (Alternate Mr BG Sechos)

Mr PV Gleeson

Mr PPA Harris

Ms IYL Lee \*

Mr GH Levy

Mr R Magid

Mr AJ Peschar (Alternate Mr BG Sechos)

Mr BM Sherman (Alternate Mr BG Sechos)

Mr PD Viner (Alternates Mr L Asper and Mr T Strike)

\* Ms IYL Lee was appointed on 13 October 2000.

## Principal Activities

The principal activity of Ten Network Holdings Limited is the investment in The Ten Group Pty Limited and controlled entities, whose principal activities are the operation of commercial television licences TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (Perth), and out-of-home advertising. Out-of-home advertising is a new activity for the consolidated entity, which commenced in December 2000 when The Ten Group Pty Limited acquired a 60% shareholding in Eye Corp Pty Limited.

## Profit

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

	2001 \$'000	2000 \$'000
Earnings before interest and taxes	128,995	190,204
Subordinated debenture interest	71,271	81,998
Earnings after debenture interest before other interest and taxes	57,724	108,206
Net interest expense – other	18,006	2,137
Profit from ordinary activities before related income tax expense	39,718	106,069
Income tax expense relating to ordinary activities	23,761	33,555
Net profit from ordinary activities after related income tax expense	15,957	72,514
Net profit/(loss) attributable to outside equity interests	(1,829)	12,032
Net profit attributable to members of Ten Network Holdings Limited	17,786	60,482

## Dividends

Since the end of the previous financial year:

- A fully franked ordinary dividend of 15.88 cents per share and in total \$60,473,278 was paid on 2 January 2001 in respect of the results for the year ended 31 August 2000.
- A fully franked ordinary dividend of 14.35 cents per share and in total \$54,646,822 was declared by Directors on 17 October 2001 in respect of the results for the year ended 31 August 2001. The dividend will be payable on 2 January 2002.

## 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) Acquisition of Eye Corp Pty Limited

On 18 December 2000, The Ten Group Pty Limited acquired a 60% controlling shareholding in Eye Corp Pty Limited for cash consideration of \$189.9 million. Eye Corp operates an extensive out-of-home advertising network principally in Australia, but also in South East Asia. Eye Corp's results, from the date of acquisition, have been consolidated into this financial report for the year ended 31 August 2001.

### (b) Closure of SCAPE

On 20 March 2001 Network Ten and Village Roadshow announced their online company SCAPE Entertainment Pty Limited (SCAPE) had been placed in voluntary administration and ceased operations. Ten Network Holdings Limited holds a 41.85% interest in SCAPE through its investment in V10 Corporation Limited. A non-recurring loss of \$26.9 million has been recognised in this financial report in respect of the closure of SCAPE.

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

An amount of \$52.0 million was paid to the ATO on 4 October 2001 representing 50% of the amount due on the amended assessments of \$133.4 million offset by 50% of the \$29.4 million of withholding tax paid over the relevant period.

TEN remains confident that its current tax treatment is correct, and will vigorously pursue all avenues of appeal. In these circumstances the dispute constitutes a contingent liability and accordingly the \$52 million payment to the ATO will be treated as an asset. For further details of this matter refer to Note 8.

A number of events have occurred subsequent to balance date which have given rise to non-performing site contracts. A provision of \$3.7 million has been included in the financial report representing the estimated loss from these contracts.

Other than the matters discussed above, at the date of this report, no other matter or circumstance has arisen since balance date that has significantly affected or may significantly affect:

#### Events Subsequent to Balance Date (continued)

- the operations in financial years subsequent to 31 August 2001 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 2001 of the consolidated entity.

#### Likely Developments

Information as to likely developments in the operations of the consolidated entity and the expected results 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.

#### Information on Directors

Director	Responsibility	Appointed/Resigned	Particulars of Directors' interests in shares of the company ordinary shares
JB Studdy <i>AM, BEc, FCA</i>	Non Executive Chairman of Board of Directors	Continuing	50,000
	Member of Audit Committee	Continuing	
JJ Cowin <i>BA</i>	Non Executive Director	Continuing	1,000,000
LS Freedman <i>AO, ASA, ASIA, MAusiMM</i>	Non Executive Director	Continuing	39,904,645
PV Gleeson <i>BEcon, ACA</i>	Non Executive Director	Continuing	14,607,804
	Chairman of Audit Committee	Continuing	
PPA Harris <i>MA, ASIA</i>	Non Executive Director	Continuing	15,428
IYL Lee <i>BA, Barrister at Law</i>	Non Executive Director	Appointed 13 October 2000	10,000
GH Levy <i>BComm, LLB ASIA</i>	Non Executive Director	Continuing	33,000
	Member of Audit Committee	Continuing	
R Magid <i>BSc, BA(Maths), MA(Econ)</i>	Non Executive Director	Continuing	150,000
AJ Peschar	Non Executive Director	Continuing	24,499,866
BM Sherman <i>BComm, CTA, SIA, (Aff)</i>	Non Executive Director	Continuing	39,904,645
PD Viner	Non Executive Director	Continuing	-

#### Directors' Meetings

Director's Name, Alternate name (if applicable)	Date appointed	Date resigned	No. of meetings of Directors held/attended		Number of meetings of committees held/attended	
JJ Cowin	03/04/98	Continuing	4	4	-	-
LS Freedman	16/02/98	Continuing	4	2	-	-
BG Sechos	16/02/98	Continuing	-	1	-	-
PV Gleeson	16/02/98	Continuing	4	4	4	4
PPA Harris	16/02/98	Continuing	4	4	-	-
IYL Lee	13/10/00	Continuing	3	3	-	-
GH Levy	03/04/98	Continuing	4	4	4	4
R Magid	03/04/98	Continuing	4	2	-	-
AJ Peschar	16/02/98	Continuing	4	4	-	-
BM Sherman	16/02/98	Continuing	4	3	-	-
JB Studdy	04/06/98	Continuing	4	4	4	4
PD Viner	03/04/98	Continuing	4	4	-	-

The number of meetings held refers to the period whilst a Director.

#### Director's Holdings of Shares

The relevant aggregate interests of Directors of the parent entity and their Director-related entities in shares of the ultimate parent entity within the consolidated entity at the year end are set out below:

	The Company	
	2001	2000
Ten Network Holdings Limited		
Ordinary shares	55,778,223	56,785,747

#### Directors' and Officers' Emoluments

The Remuneration Committee of The Ten Group Pty Limited, consisting of four non-executive directors and one executive director, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors of the consolidated entity.

Remuneration consists of annual fees and superannuation contributions made in accordance with the superannuation guarantee legislation for the Directors performing their duties on the board of Ten Network Holdings Limited and The Ten Group Pty Limited and on various committees. The non-executive Directors do not participate in any option plans.

## Directors' and Officers' Emoluments (continued)

Currently the maximum amount that may be paid to the Directors (in aggregate) in relation to the performance of their duties as non-executive directors of the Company is \$600,000. Directors' fees have been determined on the basis that it will be attractive to proposed board members and so ensure that the Company's board is comprised of skilled and well qualified directors.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to performance against goals set at the start of the year and relative comparative information. Remuneration packages are set at levels that are intended to attract and retain skilled and qualified executives.

Details of the nature and amount of each element of the emoluments of each Director of Ten Network Holdings Limited and each of the 5 officers of the consolidated entity receiving the highest emoluments are set out in the following tables. The only officers of Ten Network Holdings Limited are the Company Secretary and the Directors.

### Non-executive Directors of Ten Network Holdings Limited

Name	Directors' Base Fee/Salary \$	Non-cash Benefit \$	Committee Fees \$	Superannuation \$	Consolidated Total \$
JB Studdy, Chairman	190,755	26,013	–	–	216,768
JJ Cowin	62,000	–	4,500	1,320	67,820
LS Freedman	58,296	–	6,500	5,184	69,980
PV Gleeson	58,296	–	4,000	4,984	67,280
PPA Harris	62,000	–	–	960	62,960
IYL Lee	52,580	–	–	2,566	55,146
GH Levy	58,296	–	4,000	4,984	67,280
R Magid	62,000	–	–	960	62,960
AJ Peschar	50,000	–	–	–	50,000
BM Sherman	58,296	–	–	4,664	62,960
PD Viner	50,000	–	–	–	50,000
BG Sechos	–	–	4,000	320	4,320

Alternate for LS Freedman,  
AJ Peschar and BM Sherman

### Other Executives of the Consolidated Entity

Name	Base Salary \$	Motor Vehicle \$	Bonus/ Incentive (iii) \$	Super-annuation \$	Total \$
<b>J McAlpine</b> (i) <i>Chief Executive Officer</i>	754,917	–	400,000	8,416	1,163,333
<b>G Thorley</b> (ii) <i>Chief Executive Officer, Eye Corp Pty Limited</i>	510,873	63,687	198,000	8,416	780,976
<b>P Myers</b> (i) <i>General Manager Corporate Development</i>	429,666	49,305	232,305	8,416	719,692
<b>G Blackley</b> (i) <i>General Manager Network Sales</i>	365,705	16,044	123,750	14,896	520,395
<b>D Mott</b> (i) <i>General Manager Network Programming</i>	300,854	62,778	54,450	8,416	426,498

(i): These executives are all employees of Network Ten Pty Limited, a controlled entity.

(ii): Effective 1 September 2001, Mr G Thorley resigned as Network Ten's General Manager Network Operations to take up the role of Chief Executive Officer of Eye Corp Pty Limited, a controlled entity.

(iii): The bonus/incentive was paid in December 2000 and relates to performance in the 2000 financial year.

### Share Options Granted to Directors and Most Highly Remunerated Officers

No options over unissued ordinary shares of Ten Network Holdings Limited were granted during or since the end of the financial year to any of the 5 most highly remunerated officers of Ten Network Holdings Limited and consolidated entities as part of their remuneration.

### Shares under Option

Unissued ordinary shares of Ten Network Holdings Limited under option at the date of this report are as follows:

	Number	Issue Price of Shares	Expiry Date
<i>The Ten Executive Option Plan</i>	3,200,000	\$1.92	12 August 2003
	4,475,000	\$2.11	24 November 2003
	500,000	\$2.09	9 February 2005
	1,505,000	\$2.41	15 March 2005
	750,000	\$2.25	22 December 2005

#### Shares Issued on the Exercise of Options

No shares were issued during the year ended 31 August 2001 on the exercise of options granted under the Ten Executive Option Plan.

#### Contracts with Directors

During the financial year, Competitive Foods Australia Limited entered into agreements in respect of the purchase of television airtime (through an advertising agency) from a controlled entity on normal commercial terms and conditions. Mr JJ Cowin, a Director of the Company, is Chairman of, and has a substantial interest in, Competitive Foods Australia Limited.

Also during the financial year, Investec Wentworth Pty Limited provided the consolidated entity with corporate consultancy services on normal commercial terms and conditions. Mr GH Levy, a Director of the Company, is a director of Investec Wentworth Pty Limited.

#### 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.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' insurance contracts as such disclosure is prohibited under the terms of the contract.

#### Indemnification of Officers

During the 2000 financial year, the Company entered into deeds to indemnify each Director of the Company in accordance with the approval given at the Annual General Meeting of the Company held on 7 December 1999.

In broad terms, the deeds of indemnity entrench a Director's rights to:

- access the books and records of the Company which relate to the period the Director acted as a Director of the Company;
- be indemnified by the Company to the maximum extent permitted by law; and
- require the Company to take out an appropriate directors' and officers' insurance policy to protect the Director from liability (to the maximum extent permitted by law).

During the 2001 financial year, deeds of indemnity were entered into by the Company and The Ten Group Pty Limited at the time Ms IYL Lee joined the Boards of these companies.

Separately, a deed of indemnity has been provided by The Ten Group Pty Limited to Directors and officers of that company and its controlled entities.

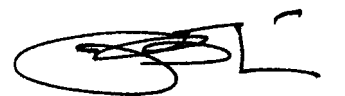
Additionally, separate deeds of indemnity cover other executives of controlled entities who have been requested to act as directors on the boards of controlled entities of the Company and also other companies in which the Group holds an interest.

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, unless otherwise stated.

Signed at Sydney on 17 October 2001 in accordance with a resolution of the Directors.



JB Studdy  
Director



PV Gleeson  
Director

# statement of financial performance

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2001

## DISCUSSION AND ANALYSIS OF THE STATEMENT OF FINANCIAL PERFORMANCE

On 18 December 2000 a controlled entity, The Ten Group Pty Limited, acquired a 60% shareholding in Eye Corp Pty Limited. The 2001 results therefore include the results of the Eye Corp group from the date of acquisition.

The consolidated entity's revenue from ordinary activities for the year ended 31 August 2001 increased by 19.4% to \$664.6 million. 2001 revenue from ordinary activities includes non-recurring revenue of \$92.6 million from the sale of listed investments and \$13.2 million from the sale of land and buildings.

The major factors contributing to the consolidated result were:

- inclusion of Eye Corp's results from the date of acquisition
- net loss from non-recurring items of \$3.2 million (refer Note 3 for details)
- decline in television advertising revenues due to adverse economic conditions and the impact of the 2000 Olympics
- reinvestment in Australian programming
- continued focus on operating cost control.

The consolidated effective tax rate for 2001 has been distorted by the crystallisation of certain fair value adjustments that arose at the time the Company was listed in April 1998.

	Note	Consolidated	
		2001 \$'000	2000 \$'000
Revenue from ordinary activities	2	664,551	556,664
Television costs		(435,376)	(358,396)
Out Of Home costs		(65,683)	-
Ventures costs		(31,099)	(4,413)
Borrowing costs		(93,263)	(87,786)
Share of net profit of associates and joint ventures accounted for using the equity method		588	-
Profit from ordinary activities before related income tax expense		39,718	106,069
Income tax expense relating to ordinary activities		(23,761)	(33,555)
Net profit from ordinary activities after related income tax expense		15,957	72,514
Net (profit)/loss attributable to outside equity interests		1,829	(12,032)
<b>Net profit attributable to members of the parent entity</b>	4	<b>17,786</b>	<b>60,482</b>
Net exchange difference on translation of financial report of foreign controlled entities		15	-
<b>Total changes in equity from non-owner related transactions attributable to the members of the parent entity</b>		<b>17,801</b>	<b>60,482</b>
		2001 Cents	2000 Cents
Shareholding earnings per share		4.67	16.08
Economic earnings per share		5.89	16.62
Diluted earnings per share		3.44	13.44

The above statement of financial performance should be read in conjunction with the discussion and analysis of the statement of financial performance and the accompanying notes.



# statement of financial position

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

AS AT 31 AUGUST 2001

## DISCUSSION AND ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

On 18 December 2000 a controlled entity, The Ten Group Pty Limited, acquired a 60% shareholding in Eye Corp Pty Limited. The 2001 balance sheet therefore includes balances relating to the Eye Corp group of companies.

The net assets of the consolidated entity of \$988.1 million have increased when compared to the previous year due mainly to the acquisition of Eye Corp.

Total assets of \$1,740.8 million are \$275.5 million higher than the previous year mainly due to:

- increased receivables due to the acquisition of Eye Corp
- increased inventory relating mainly to program stock on hand
- tax receivable from the Australian Taxation Office
- the acquisition of digital television plant and equipment
- increased intangible assets in the nature of licences and goodwill, arising from the Eye Corp acquisition
- decrease in Future Income Tax Benefits
- decrease in listed investments.

Total liabilities of \$752.7 million are \$252.9 million higher than the previous year mainly due to increased interest bearing liabilities, predominantly bank loans.

The reduction in retained earnings is due to the Company distributing 100% of its retained earnings, which exceed consolidated retained earnings.

	Note	2001 \$'000	Consolidated 2000 \$'000
<b>Current Assets</b>			
Cash		21,952	38,562
Receivables		103,251	91,067
Inventories		110,669	89,636
Current tax receivables		11,234	-
Other		7,562	3,728
<b>Total Current Assets</b>		<b>254,668</b>	<b>222,993</b>
<b>Non-Current Assets</b>			
Receivables		3,984	7,483
Inventories		1,590	548
Investments accounted for using the equity method		2,384	5,692
Other financial assets		19,050	82,254
Property, plant and equipment		75,314	48,782
Intangibles		1,376,055	1,077,822
Deferred tax assets		2,708	16,159
Other		5,009	3,573
<b>Total Non-Current Assets</b>		<b>1,486,094</b>	<b>1,242,313</b>
<b>Total Assets</b>		<b>1,740,762</b>	<b>1,465,306</b>
<b>Current Liabilities</b>			
Payables		225,724	230,521
Interest-bearing liabilities		28,292	-
Current tax liabilities		-	39,921
Provisions		122,162	110,519
<b>Total Current Liabilities</b>		<b>376,178</b>	<b>380,961</b>
<b>Non-Current Liabilities</b>			
Payables		20,649	21,644
Interest-bearing liabilities		344,256	95,545
Deferred tax liabilities		8,421	-
Provisions		3,165	1,665
<b>Total Non-Current Liabilities</b>		<b>376,491</b>	<b>118,854</b>
<b>Total Liabilities</b>		<b>752,669</b>	<b>499,815</b>
<b>Net Assets</b>		<b>988,093</b>	<b>965,491</b>
<b>Equity</b>			
Contributed equity		808,058	808,058
Reserves		15	-
Retained earnings	4	(36,829)	32
Total parent entity interest		771,244	808,090
Outside equity interests in controlled entities		216,849	157,401
<b>Total Equity</b>		<b>988,093</b>	<b>965,491</b>

The above statement of financial position should be read in conjunction with the discussion and analysis of the statement of financial position and the accompanying notes.

# statement of cash flows

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2001

## DISCUSSION AND ANALYSIS OF THE STATEMENT OF CASH FLOWS

Total cash and its equivalents of \$20.9 million as at 31 August 2001 was \$17.7 million lower than the previous year.

Cash flows from operating activities of \$17.3 million were \$119.8 million lower than the previous year. GST cash receipts and payments partially contributed to increased receipts from customers and payments to suppliers and employees. Additionally, decreased Television sales revenue and increased tax and interest payments contributed to the overall fall in cash flows from operating activities.

Cash flows from financing activities of \$90.0 million were \$179.9 million higher than the previous year, primarily due to an increase in the net inflow of bank loan funds of \$193.6 million compared to a net inflow of \$50.0 million in the previous year.

Cash outflows from investment activities of \$125.0 million were \$94.9 million higher than the previous year. The increase was due mainly to the acquisition of Eye Corp Pty Limited, however was partially offset by proceeds from the sale of listed investments, and land and buildings.

	Consolidated	
	2001 \$'000	2000 \$'000
<b>Cash and its equivalents</b>		
Cash at hand	69	59
Cash at bank	21,883	38,503
Bank overdraft	(1,084)	-
At end of period	20,868	38,562
At commencement of period	38,562	21,570
<b>Net cash (outflow)/inflow for the year</b>	<b>(17,694)</b>	<b>16,992</b>
Represented by:		
<b>Cash Flows from operating activities</b>		
Receipts from customers	610,974	584,691
Payments to suppliers and employees	(523,486)	(425,385)
Dividends received	1,959	1,868
Interest received	1,810	1,250
Interest paid	(18,897)	(3,094)
Income tax paid	(55,043)	(22,277)
Net cash flow from operating activities	17,317	137,053
<b>Cash Flows from financing activities</b>		
Dividend paid	(72,505)	(65,845)
Debenture interest paid	(73,797)	(67,370)
Debenture interest – withholding tax	(7,380)	(6,737)
Bank loan		
Drawdown	526,435	120,000
Repayment	(282,804)	(70,000)
Net cash flow financing activities	89,949	(89,952)
<b>Cash Flows from investment activities</b>		
Acquisition of property, plant and equipment	(23,120)	(20,027)
Proceeds on disposal of property, plant and equipment	13,282	1,313
Purchases of equity investments	-	(8,601)
Sale of equity investments	91,682	134
Purchases of controlled entities (net of cash acquired)	(184,711)	-
Purchases of intangible licence rights	(1,000)	-
Advances/(repayments) from/(to):		
Associated companies and joint ventures	(12,173)	-
Directors of controlled entities	1,017	-
Other related parties	(7,100)	-
Other	(2,837)	(2,928)
Net cash flow from investment activities	(124,960)	(30,109)
<b>Net cash (outflow)/inflow for the year</b>	<b>(17,694)</b>	<b>16,992</b>

The above statement of cash flows should be read in conjunction with the discussion and analysis of the statement of cash flows and the accompanying notes.

# notes to the financial statements

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2001

## 1 BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the requirements of the Corporations Law, Accounting Standard AASB 1039 *Concise Financial Reports* and applicable Urgent Issues Group Consensus Views.

The accounting policies adopted are consistent with those of the previous year.

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 September 2000 of the revised standards AASB 1018 *Statement of Financial Performance*, AASB 1034 *Financial Report Presentation and Disclosures* and the new AASB 1040 *Statement of Financial Position*.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

	2001 \$'000	Consolidated 2000 \$'000
<b>2 REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>Revenue from Operating Activities</b>		
Provision of services	551,182	549,844
<b>Revenue from Outside the Operating Activities</b>		
Dividends		
Controlled entity	-	-
Other	5,702	4,258
Interest		
Other	1,740	1,250
Gross proceeds on sale of listed investments	92,645	-
Gross proceeds on sale of property, plant and equipment	13,282	1,312
<b>Total Revenue from Ordinary Activities</b>	<b>664,551</b>	<b>556,664</b>
<b>3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		
<b>Individually significant items included in profit from ordinary activities before income tax expense</b>		
Profit on sale of listed investments	38,290	-
Profit on sale of land and buildings	5,444	-
Write down of unlisted online investments	(26,877)	-
Write down of listed investments	(13,555)	-
Restructure and relocation costs	(2,779)	-
Provision for non-performing site contracts	(3,711)	-
	(3,188)	-

# notes to the financial statements continued

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

	Note	Consolidated	
		2001 \$'000	2000 \$'000
<b>4 RETAINED EARNINGS</b>			
Retained earnings at beginning of year		32	23
Net profit attributable to members of Ten Network Holdings Limited		17,786	60,482
Dividends proposed	5	(54,647)	(60,473)
Retained earnings at end of year		(36,829)	32

## 5 DIVIDENDS

Dividends proposed or paid by the Company are:

	Cents per share	Total amount \$'000	Date of Payment	Tax rate for franking credit	Percentage franked
<b>2001</b>					
Final – ordinary dividend proposed	14.35	54,647	2 January 2002	30%	100%
Final – ordinary dividend paid	15.88	60,473	2 January 2001	34%	100%
<b>2000</b>					
Final – ordinary dividend proposed	15.88	60,473	2 January 2001	34%	100%
Final – ordinary dividend paid	14.40	53,983	4 January 2000	36%	100%

## 6 SEGMENT INFORMATION

	Consolidated	
	2001 \$'000	2000 \$'000
<b>Industry Segments</b>		
<i>Total Revenue – external parties</i>		
Television	615,143	556,664
Out Of Home	49,408	–
Ventures	–	–
	664,551	556,664
<i>Consolidated profit from ordinary activities before related income tax expense</i>		
Television	73,500	110,482
Out Of Home	(18,004)	–
Ventures	(15,778)	(4,413)
	39,718	106,069
<i>Segment Assets</i>		
Television	1,387,550	1,452,701
Out Of Home	352,755	–
Ventures	457	12,605
	1,740,762	1,465,306

### Geographical Segments

The economic entity operates principally within Australia.

## 7 SUBSEQUENT EVENTS

An amount of \$52.0 million was paid to the ATO on 4 October 2001 representing 50% of the amount due on the amended assessments of \$133.4 million offset by 50% of the \$29.4 million of withholding tax paid over the relevant period.

TEN remains confident that its current tax treatment is correct, and will vigorously pursue all avenues of appeal. In these circumstances the dispute constitutes a contingent liability and accordingly the \$52 million payment to the ATO will be treated as an asset. For further details of this matter refer to Note 8.

A number of events have occurred subsequent to balance date which have given rise to non-performing site contracts. A provision of \$3.7 million has been included in the financial report representing the estimated loss from these contracts.

Other than the matters discussed above, at the date of this report, no other 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 2001 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 2001 of the consolidated entity.

## 8 CONTINGENT LIABILITIES

### Australian Tax Office Review

#### *The Dispute*

A controlled entity, The Ten Group Pty Limited ("TEN"), is currently in dispute with the Australian Taxation Office ("ATO") regarding the deductibility of debenture interest. The ATO has been pursuing this issue through a review of its affairs since 1997.

As previously reported, TEN received amended assessments from the ATO (dated 24 May 2001) in relation to debenture interest claimed for the years 30 June 1994 to 30 June 2000 inclusive ("relevant period"). The ATO has determined that the primary tax payable on the debenture interest paid by TEN in the relevant period is \$106.1 million, plus interest charges of \$32.6 million (\$138.7 million in total). No culpability charges were included in the amended assessments. The amount actually due on receipt of the amended assessments was then reduced by \$5.3 million in accordance with the company tax deferral concession for the 2000 income year. Therefore the amount currently due on the amended assessments is \$133.4 million.

Objections to the amended assessments have subsequently been lodged with the ATO.

#### *Payment Arrangement*

By law TEN is required to pay within 30 days the full amount of the amended assessments. However, TEN has negotiated an arrangement with the ATO allowing TEN to pay 50% of the assessed amount less a credit of 50% of the amount of withholding tax already paid. As a result TEN has, subsequent to year end on 4 October, paid \$52 million to the ATO. This

amount will become repayable to TEN in the event it is successful in its appeal against the amended assessments. Interest will accrue on the outstanding 50% unpaid, in the event TEN is unsuccessful. That rate is currently 5.95% per annum.

#### *Accounting Treatment*

The ATO has acknowledged to TEN that "there is a genuine dispute over questions of law" and that TEN "has a reasonably arguable position". TEN remains confident that its current tax treatment is correct, and will vigorously pursue all avenues of appeal. In these circumstances the dispute constitutes a contingent liability and accordingly the \$52 million payment to the ATO will be treated as an asset.

TEN has continued and will continue to claim deductions on the debenture interest paid since the relevant period covered by the amended assessments. The amount of debenture interest paid or payable to date pursuant to the subordinated debentures in respect of which deductions have been or will be claimed since the relevant period is \$154.0 million (tax effect of \$49.5 million).

The total debenture interest paid or payable since inception is \$451.1 million (tax effect of \$155.5 million). Withholding tax paid or payable to date pursuant to the subordinated debenture interest since inception is \$42.7 million.

#### **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	
	2001	2000
	\$'000	\$'000
Unsecured guarantees by a controlled entity and consolidated entity in respect of leases of controlled entities in the group	46,419	54,186
Secured guarantees by a controlled entity, Eye Corp Pty Limited, in respect of leases of certain of its controlled entities. The guarantees are secured by a fixed and floating charge over all assets of the Eye Corp Pty Limited consolidated entity.	21,072	–
	67,491	54,186

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

# directors' declaration

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT


In the opinion of the Directors of Ten Network Holdings Limited the accompanying Concise Financial Report of the consolidated entity, comprising Ten Network Holdings Limited and its controlled entities, for the year ended 31 August 2001, set out on pages 38 to 43:

(a) has been derived from or is consistent with the Full Financial Report for the financial year; and

(b) complies with Accounting Standard AASB 1039: "Concise Financial Reports".

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

SIGNED at Sydney on 17 October 2001 in accordance with a resolution of the Directors.



**JB Studdy**  
Director



**PV Gleeson**  
Director

# independent auditors' report

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

## TO THE MEMBERS OF TEN NETWORK HOLDINGS LIMITED

### Scope

We have audited the Concise Financial Report of Ten Network Holdings Limited and its controlled entities for the year ended 31 August 2001 as set out on pages 38 to 44 in order to express an opinion on it to the members of the Company. The Company's Directors are responsible for the Concise Financial Report.

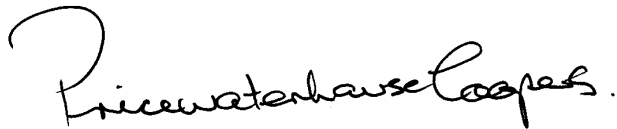
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement. We have also performed an independent audit of the Full Financial Report of the Company for the year ended 31 August 2001. Our audit report on the Full Financial Report was signed on 17 October 2001, and was not subject to any qualification.

Our procedures in respect of the Concise Financial Report included testing that the information included in it is consistent with the Full Financial Report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the Full Financial Report. These procedures have been undertaken to form an opinion as to whether the Concise Financial Report complies with Australian Accounting Standard AASB 1039: "Concise Financial Reports" in that, in all material respects, it is presented fairly in accordance with that standard.

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

### Audit Opinion

In our opinion, the Concise Financial Report of the Company is in accordance with Accounting Standard AASB 1039: "Concise Financial Reports".



PricewaterhouseCoopers  
Chartered Accountants



S McClintock  
Partner  
Sydney  
17 October 2001



SJ Bosiljevac  
Partner

# shareholder information

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CONCISE FINANCIAL REPORT

AS AT 17 OCTOBER 2001

## VOTING RIGHTS

On a show of hands, ordinary shareholders present or by proxy at a general meeting of the Company have one (1) vote each. On a poll, shareholders have one (1) vote for each share held.

At general meetings of The Ten Group Pty Limited ("TEN"), shareholders of the Company are entitled to attend or be represented by proxy as if they were shareholders of TEN.

Shareholders must complete a Notice of Appointment of See Through Representative (if attending in person) or a Notice of Appointment of See Through Proxy (where attending by proxy).

Shareholders of the Company will be entitled to one (1) vote on a show of hands and one (1) vote for each share held in the Company, on a poll in respect of most resolutions to be considered at general meetings of TEN.

## MAXIMUM SHAREHOLDER LIMITATIONS

There is no maximum limitation on shareholdings under the Company's Constitution but the Broadcasting Services Act ("BSA") limits any one foreign person to a shareholding interest of 15% of a company's ordinary shares. The BSA also restricts the total level of shareholding interests held by all foreign shareholders to 20% of the ordinary shares of a company.

## SHARE REGISTRY

Registries Limited	PO Box R67
Level 2	Royal Exchange
28 Margaret Street	SYDNEY NSW 1223
SYDNEY NSW 2000	Tel 02 9279 0677
	Fax 02 9279 0684

## SERVICES FOR SHAREHOLDERS

For services or any information on your shareholding including direct payment of dividends, please telephone the Share Registry.

## STOCK EXCHANGE LISTING

The Company's ordinary shares are listed on the Australian Stock Exchange under code TEN.

## DIVIDEND REINVESTMENT PLAN

The Company does not operate a dividend reinvestment plan as at the date of this report.

## DISTRIBUTION OF HOLDINGS

No. of Shares	No. of Shareholders	No. of Shares
1 – 1,000	3,503	2,648,392
1,001 – 5,000	12,253	35,844,658
5,001 – 10,000	3,346	26,992,461
10,001 – 100,000	1,942	45,465,234
100,001 –	167	269,863,347
<b>Total</b>	<b>21,211</b>	<b>380,814,092</b>

## TOP 20 SHAREHOLDERS

Holder Name	No. of Shares	%
PTA Nominees Limited	33,619,658	8.828
RBC Global Services Australia Nominees Pty Limited	33,510,505	8.800
Susprium Pty Limited	24,496,193	6.433
Chase Manhattan Nominees Limited	15,101,773	3.966
National Nominees Limited	13,413,011	3.522
Allard Services Pty Limited	12,184,563	3.200
EIML Australia Pty Limited	11,082,124	2.910
Westpac Custodian Nominees Limited	10,916,277	2.867
Westpac Financial Services Limited	6,155,287	1.616
Westpac Life Insurance Services Limited	5,883,896	1.545
GE Chapman Pty Limited	5,725,959	1.504
WIN Television NSW Pty Limited	5,675,965	1.490
ANZ Nominees Limited	5,384,502	1.414
RBC Global Services Australia Nominees Pty Limited	5,100,283	1.339
Queensland Investment Corporation	4,663,901	1.225
AMCIL Limited	3,913,068	1.028
Birketu Pty Ltd	3,443,109	0.904
AMP Life Limited	2,957,118	0.777
Commonwealth Custodial Services Limited	2,368,855	0.622
Citicorp Nominees Pty Limited	2,340,171	0.615
<b>Total</b>	<b>207,936,218</b>	<b>54.603</b>

<b>Total Issued Ordinary Fully Paid Shares</b>	380,814,092
<b>Number of Holders</b>	21,211

## LOCATION OF SHAREHOLDERS

	No. of Shareholders	No. of Shares
<b>Australia</b>		
New South Wales	6,257	225,003,503
A.C.T.	540	2,913,941
Victoria	6,092	67,661,381
Queensland	3,588	57,133,444
South Australia	1,817	12,813,903
Western Australia	2,313	11,071,257
Tasmania	375	1,699,232
Northern Territory	49	143,158
<b>New Zealand</b>	51	286,287
<b>Rest of the World</b>	129	2,087,986
<b>Total</b>	<b>21,211</b>	<b>380,814,092</b>

## SUBSTANTIAL SHAREHOLDERS

Name	Interest*	Extent of Holdings*	Date of Notification
Maple Brown Abbott Limited	9.16%	34,899,039	12 Oct 2001
Perpetual Trustees Australia Limited	12.12%	46,153,746	19 Sept 2001
Equitilink Australia Pty Limited	11.97%	42,574,047	11 Jun 1998

\* as at date of last notification



REGISTERED OFFICE

Network TEN  
1 Saunders Street  
PYRMONT NSW 2009  
Ph (02) 9650 1010  
Fax (02) 9950 1111

NEW-10 Perth  
Cottonwood Crescent  
DIANELLA HEIGHTS WA  
6062  
Ph (08) 9345 1010  
Fax (08) 9344 8076

COMPANY  
SECRETARY

Stephen Partington

Parliament House,  
Canberra  
Suite 65, Senate Side  
PARKES ACT 2602  
Ph (02) 6273 2210  
Fax (02) 6273 1402

NETWORK TEN  
OFFICES

TEN Sydney  
1 Saunders Street  
PYRMONT NSW 2009  
Ph (02) 9650 1010  
Fax (02)9650 1111

TEN'S LA Bureau  
3440 Motor Avenue  
Circular Building  
Culver City Los Angeles  
90034

ATV-10 Melbourne  
Como Centre  
620 Chapel Street  
SOUTH YARRA VIC 3141  
Ph (03) 9275 1010  
Fax (03) 9275 1011

Ph (1) 310 287 3800  
Fax (1) 310 287 3808

TVQ-10 Brisbane  
Sir Samuel Griffith Drive  
MT COOT-THA QLD  
4066  
Ph (07) 3214 1010  
Fax (07) 3369 3786

ADS-10 Adelaide  
125 Strangways Terrace  
NORTH ADELAIDE SA  
5006  
Ph (08) 8239 1010  
Fax (08) 8239 1011

