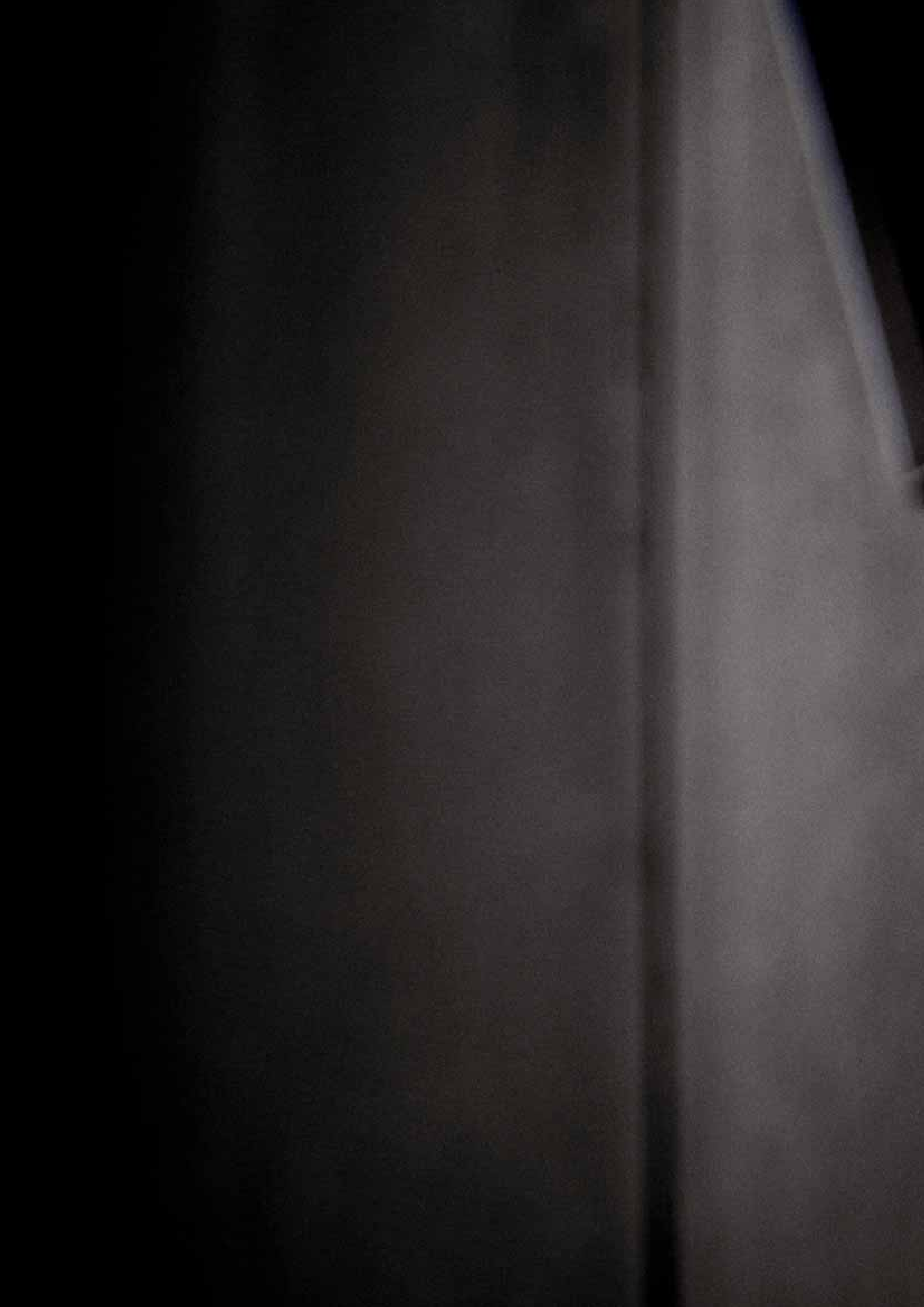
Seven in 2008

This has been a strong year for Seven.
We are building on our strengths in broadcast television, magazines publishing and online, and creating the architecture for our future as one of Australia's leading media companies.
We are well-placed to further enhance our business and build shareholder value over the coming twelve months.

2008 Annual Report
Seven Network Limited
ABN 21 052 816 789



Seven in 2008

From the Executive Chairman

By any measure, your company continues to deliver.

This has been another positive year for Seven.

Our strong financial performance, the dominance of our television business, our successful and expanding publishing business, our positive developments in online and new content delivery technologies, our leadership in digital television and our Seven Media Group joint venture with Kohlberg Kravis Roberts & Co are establishing the framework for Seven Network Limited's future.

These are uncertain economic times but we are very well-placed to further strengthen our leadership. Our businesses are strong. Our balance sheet is strong.

We are positive about the coming twelve months as we expand your company's presence in media in Australia.

We are proud of our success.

Seven Network Limited has more than $1.2 billion in cash. Our investment in Seven Media Group, encompassing the Seven Network, Pacific Magazines and Yahoo!7, is performing and with fellow director, Peter Gammell, I look forward to making a positive contribution to the future performance of West Australian Newspapers, in which your company has a significant shareholding.

Our broadcast television business is strong. More Australians watch the Seven Network than any other television network.

We are the leading source of news and information for Australians with Sunrise's leadership in breakfast television and the dominance of Seven News and Today Tonight. Our strength in primetime provides us with the confidence to continue to commit to new Australian programmes, building on our success.

In sports, we have undertaken the biggest event: the Games of the XXIX Olympiad in Beijing. The results were outstanding for Seven Media Group: in television audiences and online.

The Olympic Games in Beijing were the most-watched event on television in history – a remarkable achievement in surpassing our total audiences for Seven's coverage of the Games of the XXVII Olympiad in Sydney.

Significantly for us, our involvement in the Olympic Games extended beyond our own coverage. In Beijing, a team of more than 100 from Seven and our specialised camera technologies produced the global television coverage of all swimming and aquatic events in the Olympic Games – confirming the international recognition of our approach to sports television.

While we acknowledge our leadership in breakfast television, news and public affairs, primetime, and sports television, we know we have more to do; more to achieve.

The coming twelve months will see us expand further into multiple channels on our digital television platform.

Our development of multiple channels and our focus on Australian television programmes – programmes that Australians want to watch and can see only on Seven – will drive our leadership in digital television.

This commitment to delivery of our programming content beyond single channel broadcast television underpins our partnership with TiVo and our acquisition of Unwired.

TiVo allows Seven to participate in the active development of new communications platforms delivering interactive television and broadband content.

Unwired allows your company to strengthen its digital platform through a new wireless delivery system for our programming content and new consumer services.

Our magazines publishing business is strong.

Today, your company publishes many of the biggest-selling and most-read magazines in Australia. The performance of our portfolio, including New Idea, Better Homes and Gardens, marie claire, Men's Health and Who Weekly, delivers us market leadership across many of the key publishing categories.

We are committed to further building and expanding our portfolio of titles as we leverage our success in publishing.

Twelve months ago, I observed in our annual report that we had enjoyed a remarkable year. We have continued to build on that remarkable year, strengthening our media presence, enhancing the performance of our core media businesses and actively developing the architecture that will allow your company to continue to thrive and build on its leadership.

With Kohlberg Kravis Roberts & Co we have a strong partnership for Seven Media Group. It secures for our shareholders and our people a joint venture that has the financial strength to actively pursue new opportunities in media.

Seven Media Group's strengths, Seven Network Limited's investment in companies including West Australian Newspapers, our significant cash and our strong balance sheet are positives for your company's future.

We will continue to invest in our business. And while we acknowledge our development and our success over the past few years, we are not pausing to reflect. We have a long way to go. We will do more. We set out every day to be better at what we do.

We are where we are today because of our people. And our success in the future will be determined by the talent, creativity and energy of our people. On behalf of all shareholders I thank them for their commitment to your company: Seven Network Limited.

Kerry Stokes AC

Executive Chairman

Year in review

Seven Network Limited delivered a net profit of $141.6 million. Our Seven Media Group joint venture is strong. Our underlying performance and ongoing on-market share buyback programme provides us with flexibility to deliver strong returns to shareholders.

Seven Network Limited reported profit before significant items and taxation of $208.6 million for the 2007-08 financial year

17%

Our total dividend to shareholders this financial year is 34 cents per share, up 5 cents per share on the previous financial year

17.2 million

More Australians watched the Olympic Games in Beijing on Seven than our coverage of the Olympic Games in Sydney

$336 million

Seven is number 1 in television audiences and delivers 5 per cent growth in EBITDA over the past twelve months, building our leadership in audience and revenue share

30%

Pacific Magazines delivers a market-leading performance across key publishing categories and now has a 30 per cent share of overall magazine readership – up from a 24 per cent share of readership

Seven Network Limited reported profit before significant items and taxation of $208.6 million for the 2007-08 financial year.

Profit after taxation, excluding significant items was $170.7 million.

The company achieved a net profit after taxation of $141.6 million This result was delivered on total revenues of $272.0 million – encompassing dividend, interest income and share of equity accounted profits, and excluding unusual items.

Seven delivered earnings per share of 49 cents (62 cents per share excluding significant items in 2008 vs 66 cents per share excluding significant items in 2007).

Corresponding comparisons on earnings are difficult due to changes in the company's structure following the formation of the Seven Media Group joint venture with Kohlberg Kravis Roberts & Co. The venture includes Seven's television, magazines and online businesses.

Dividend

Directors have declared a final dividend of 17.0 cents per share, taking to 34 cents per share the total dividend for the 2008 financial year. This total dividend is up 5 cents per share, or 17 per cent, on the dividend for the 2007 financial year.

Buyback

Recently, Seven established an on-market buyback programme for up to 19.4 per cent of the issued capital in the company. This new buyback programme forms part of the company's ongoing capital management programme. Under a previous buyback programme to 28 June 2008, Seven bought back 21,158,424 shares in the company, representing 10 per cent of the issued capital in Seven Network Limited.

Year in review continued

Significant items

Seven Network Limited's results include a net significant loss of $41.0 million ($29.1 million after taxation).

The significant items relate to the impairments of GRD ($41.6 million), Engin ($18.3 million) and other investments ($5.7 million) offset by the release of a deferred gain arising from a change in ownership interest of a joint venture ($19.2 million) and a gain on the sale of investments ($5.4 million). These items should not involve any future cash outflows.

Seven Media Group

For the entire current year, Seven Network Limited treated Seven Media Group as a joint venture and equity accounted Seven Media Group's results into the Seven Network Limited consolidated group.

In the corresponding financial year, Seven Network Limited controlled and consolidated the earnings of its media companies which now form Seven Media Group up until 4 April 2007, after which date Seven Media Group's results were equity accounted.

Seven Media Group delivered a strong performance across the twelve months to June, with earnings before interest, taxation, depreciation and amortisation (EBITDA) of $398 million – up 5 per cent on the prior year's $380 million.

Seven Network Limited's share of joint venture profit in Seven Media Group in the twelve months to June 2008 is $54 million.

Broadcast television

Seven Media Group's broadcast television business delivered an EBITDA of $336 million and an operating margin of 28 per cent – reflecting Seven's leadership in breakfast television, news and public affairs and primetime across the 2007 calendar year and strong performance in the current television year.

Television advertising revenue was up 5 per cent across the financial year, outpacing the overall market growth of 4.8 per cent.

Seven is number 1 in the current television year in breakfast television, morning television, news and public affairs, 6:00pm-midnight, the advertiser-focused 6:00pm-10:30pm primetime zone, and across the broadcast day: 6:00am-10:30pm.

Across 6:00pm-midnight, Seven has won more weeks and more primetime nights than any other network in 2008.

With the Games of the XXIX Olympiad and the launch of new series including *Packed to the Rafters*, *Make Me a Supermodel*, *Jamie Durie's The Outdoor Room*, continuing new episodes for *Border Security*, *The Force*, *All Saints*, *City Homicide* and *Dancing with the Stars* and a number of other new projects along with a strong portfolio of sports events and a strong international portfolio, including *Desperate Housewives*, *Grey's Anatomy* and *My Name is Earl*, the Seven Network moves into the final months of the current television year well-placed to continue to build on its competitive performance in audience delivery and advertising revenue. Planning is well-advanced for the network's programming over the coming twelve months.

Costs were in line with previously disclosed forecasts with this year's results including a first full year appearance for Seven's coverage of the Australian Football League and V8 Supercars.

Magazine publishing

Seven Media Group's magazine publishing business, Pacific Magazines, delivered an EBITDA of $61 million and an operating margin of 19 per cent – with Pacific Magazines' acquisition of key titles from Time Inc, including *Who Weekly* and *InStyle*, and the launch of *Women's Health* complementing and strengthening the business's portfolio of market-leading titles, including *New Idea*, *That's Life!*, *Better Homes and Gardens*, *marie claire* and *Men's Health*.

Pacific Magazines delivered a market-leading performance across key publishing categories over the past twelve months, with the company approaching a 30 per cent share of overall readership in the magazine market, up from just under 24 per cent twelve months ago, following the acquisition and integration of new titles and the successful launch of *Women's Health*.

Pacific Magazines' overall gross readership is up 21.0 per cent over the past twelve months, against an overall market decline of 2.5 per cent.

The company publishes three of the top five highest-reaching magazines in Australia (*New Idea*, *That's Life* and *Better Homes and Gardens*) and is the leading publisher in the women's weeklies, fashion, home and lifestyle, men's lifestyle, parenting and bridal categories.

Yahoo!7

Seven Media Group's Yahoo!7 joint venture with Yahoo! Inc, which brings together the online assets of Yahoo! Inc. and the television and magazine content of the Seven Network and Pacific Magazines, continues to perform strongly with consolidated revenues up 50 per cent year-on-year.

Yahoo!7 is the fastest-growing 'tier one' online publisher for the six months to June 2008*.

The company – which combines Yahoo!'s search and communications capabilities and its global internet network with Seven's rich media and entertainment content and marketing capabilities – is focusing its development on four key areas: front page, mail, news and search.

Yahoo!7 is seeing significant growth in traffic – with audiences up across all key areas (front page up 79 per cent, mail up 13 per cent, news up 67 per cent and search up 60 per cent)**.

Sources: * NNR. ** DYC Actual increase Dec '07 – June '08

Cash and listed equity securities

During the period in review, Seven Network Limited undertook investments in listed securities. While the current focus remains on liquid, dividend paying securities, the company is also focusing on capital growth opportunities.

The company also has more than $1.2 billion in cash deposits as at 28 June 2008.

West Australian Newspapers

Seven Network Limited currently has a 22.3 per cent shareholding in the company after building its stake over the period. The holding forms part of Seven's strategy for development, encompassing the acquisition and creation of value creating investments.

GRD Limited

In May 2007, Seven Network Limited acquired a 10.4 per cent shareholding in GRD Limited, an engineering and development company. Seven currently owns 23.5 million shares representing 12.2 per cent shareholding in the company. Included in Seven's results as a significant item is a $41.6 million impairment loss relating to GRD.

Unwired

Seven undertook an off-market acquisition of 100 per cent of the shares in Unwired Group with a net investment of approximately $136 million. The acquisition of Unwired allows Seven to further strengthen its digital platform and access the largest allocation of WiMAX spectrum in metropolitan Australia, providing Seven with a new platform for the delivery of content solutions in multicast and broadcast formats.

Partnership with TiVo Inc

The partnership between Seven Media Group and TiVo Inc, the creator of, and leader in, digital video recorders, enters its next phase in the coming months following the successful launch of TiVo's digital video recorder and services, including the market-leading TiVo user interface in Australia.

Investment in Engin

In April 2008, Seven gained control of Engin, with an ownership interest of 58.35 per cent. Previously, Seven held a 34.27 per cent shareholding in the company.

The increase in shareholding is the result of the recent rights issue, underwritten by a Seven Network Limited subsidiary Network Investment Holdings Pty Limited.

Television drives and defines our business

Broadcast television is our primary focus.

While we are creating a major presence in magazines publishing, building our presence online and in new content distribution technologies, and planning our future in the creation of multiple channels in digital broadcast television, we know that the fundamental strengths of broadcast television will continue to underpin our company's development over the coming decade.

More Australians watch Seven than any other television network. Building on our significant growth in audiences over the past three years and leadership in television in 2007, Seven is continuing to dominate in the current television year, leading in breakfast television, morning television, news and public affairs, primetime and across the broadcast day, 6.00am-midnight.

In addition to leading across 6.00pm-midnight, Seven also is number 1 in the primetime that matters for advertisers, 6.00-10.30pm. This is our second consecutive year of leadership in primetime.

This leadership sees Seven securing a market-leading 38.35 per cent share of the television advertising market across July-December 2007 and building on that performance to secure its leadership with 39.13 per cent of the television advertising market across January-June 2008.

Seven is the leader in news and public affairs. This is the fourth consecutive year of leadership for *Seven News* and *Today Tonight*. *Seven News* is the most-watched nightly news bulletin in Australia, up 24 per cent in audience on *National Nine News*. *Today Tonight* is up 18 per cent in audience on *A Current Affair*. *Sunrise* continues to dominate breakfast television. Now in its fifth consecutive year of leadership, *Sunrise* is up 37 per cent in audience on *Today*.

Across 2007, Seven was the number one network in total viewers, 18-49s and 25-54s, delivering significant audience growth for the third consecutive television year and dominating the most-watched series. *Kath & Kim* was the number one series on television in 2007 – with Seven scoring nine of the top ten series.

Building on this performance and in a competitive television landscape in 2008, Seven has won more weeks and more primetime nights than any other network and dominates the most-watched series on television. Seven's audience share this year ranks only behind 2007 as our best primetime performance in the past six television seasons.

Underpinning our success is our depth in Australian programming, with Seven's new drama series, *Packed to the Rafters*, ranking as the most-watched series on television.

With *City Homicide*, *All Saints*, *Home and Away* and *Packed to the Rafters* we are acknowledged as the leader in Australian drama series, our track record of success reflecting a long-term commitment to reflecting the lives of Australians.

This leadership in Australian television extends to factual programming, with *Border Security*, *The Force*, *Medical Emergency*, *Surf Patrol* and *RSPCA Animal Rescue*. Seven is planning further new series that confirm this leadership led by new hits including *Find My Family* and *Crash Investigation Unit*.

Seven is also scoring strong audiences for *Dancing with the Stars*, *It Takes Two*, *Australia's Got Talent* and *Battle of the Choirs*, Jennifer Hawkins in *Make Me a Supermodel*, Jamie Durie's new series *The Outdoor Room* and Jack Thompson's new series *Find My Family*.

We have the programming in place in our primetime. We have continuing momentum. We are well-placed to deliver a competitive performance across the coming twelve months.

Planning for the 2009 television year is well-advanced with a number of new Australian series in development, the forthcoming launch of the new Steven Spielberg–Tom Hanks series, *The Pacific*, and confirmation that the network's key successful international series, including *Grey's Anatomy*, *Desperate Housewives*, *Brothers & Sisters*, *Criminal Minds* and *My Name is Earl* will be back in new series.

Our biggest year in sports television

Sports have played a defining role in our development.

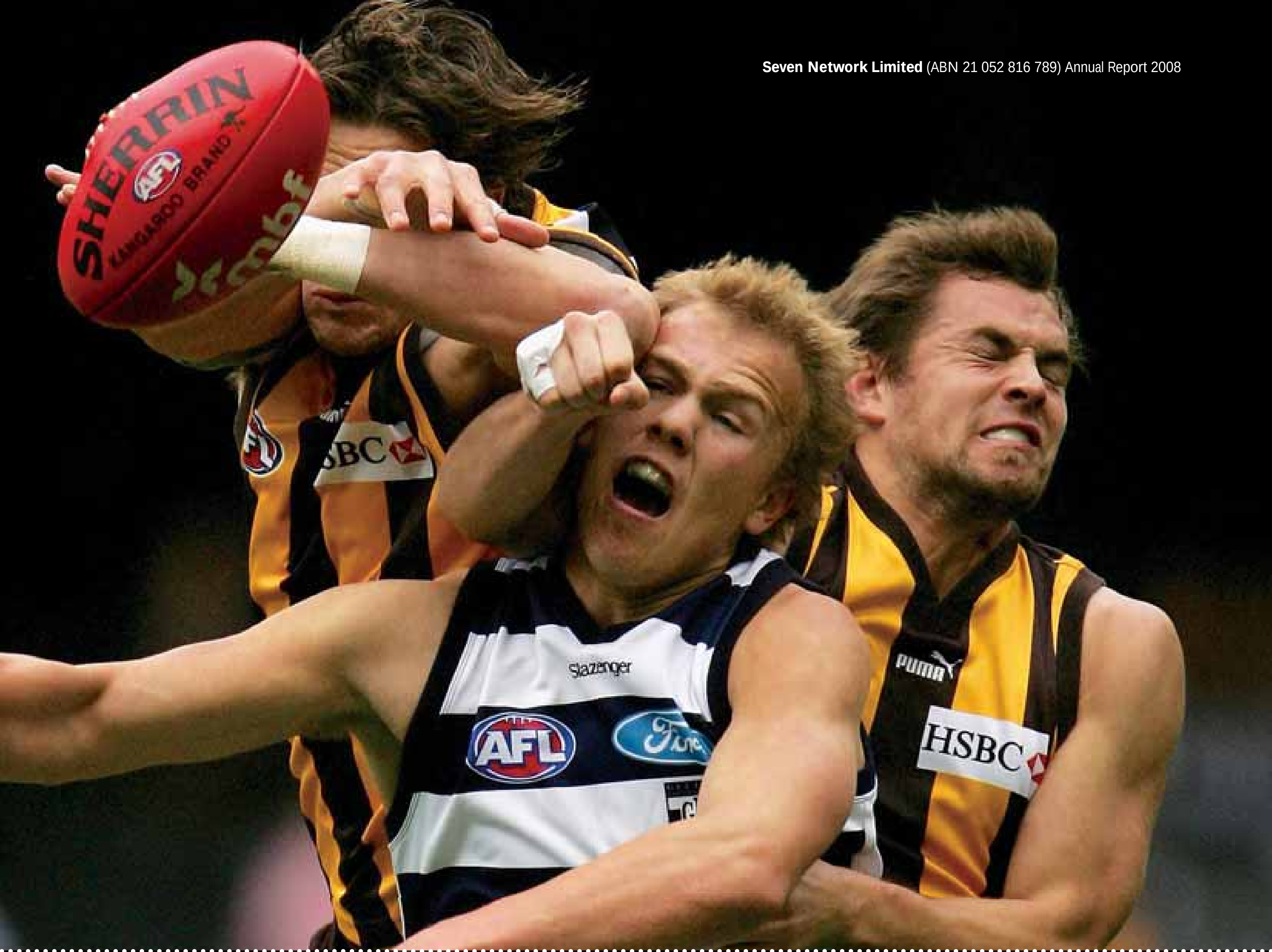
Over the coming decade, sports will continue to play a key role in the development of our business as we build on our leadership as a television-based entertainment and communications company, delivering broad sports coverage across an array of platforms.

From the first days of television, Australians have turned to Seven for coverage of sports. The gold medal winning performances of Shane Gould, Dawn Fraser, Kieren Perkins, Ian Thorpe and Grant Hackett at the Olympic Games, the world-breaking performances of Lionel Rose and Johnny Famechon, Pat Rafter's and Lleyton Hewitt's epic battles in the Australian Open, Greg Norman in the Masters, Dick Johnson, Craig Lowndes, Allan Moffat and Peter Brock at the Bathurst 1000, and the Collingwood-North Melbourne draw in the first live broadcast of an Australian Football League Grand Final.

We recognise and acknowledge our partnership with the Australian Football League. Our success with Friday Night Football and Sunday Afternoon Football over the past twelve months and our coverage of the 2008 AFL Grand Final confirms our deep connection with football. Our coverage of this year's Grand Final represented a homecoming of sorts for Seven, our first Grand Final in seven years and producing the coverage of one of the great days in Australian sport. It is much the same feeling we have with our coverage of the Bathurst 1000 and V8 Supercar Championship. These are significant franchises. They are sports which have defined Seven through its history and will play a key role in our performance over the coming twelve months.

Sports continues to be a core part of our commitment to be Australian; to reflect the lives of all Australians.

The past twelve months graphically confirm Seven's leadership in event sports television.



The biggest sports event since those 17 remarkable days of the Games of the XXVII Olympiad in Sydney, the Games of the XXIX Olympiad in Beijing, have dominated television audiences over the past twelve months along with our coverage of the AFL Grand Final, The Melbourne Cup, the Bathurst 1000 and The Australian Open.

The Olympic Games in Beijing rank as Seven's most significant undertaking in television production and the most-watched event on television since Seven's coverage of the Olympic Games in Sydney.

The Olympic Games in Beijing were the first to be completely broadcast in high definition – with Seven accessing more than 1,200 broadcast cameras, 60 outside broadcast production trucks, 375 separate vision feeds and 15 dedicated satellite links to create the most extraordinary coverage of a major television event. In total, Seven produced more than 630 hours of television for Seven and SBS. More than 500 Australians were involved in the television coverage for Australia. In addition more than 100 of our specialist production crew played a critical role in the global television coverage of all swimming, diving, water polo and synchronised swimming events in Beijing.

The Games of the XXIX Olympiad delivered AFL Grand Final size audiences of more than two million Australians across primetime and achieved peak audiences of more than three million during more than 300 hours of coverage.

More than 17.2 million Australians watched all or part of Seven's coverage of the Olympic Games in Beijing – a remarkable figure placing those Games as the single most-watched event in Australian television history, outpacing the overall television audiences reached by Seven for the Games of the XXVII Olympiad in Sydney in 2000.

But, we are not resting on our laurels. We are building on the success of our all-encompassing coverage of the Olympic Games over the coming twelve months. Our leadership in the coverage of sports will be underpinned by five of the biggest sports franchises: the Australian Football League, the Australian Open Tennis Championships, the Melbourne Cup, the Wallabies' rugby test campaign and the fastest-growing sport in Australia, V8 Supercars.

Seven Media Group

Seven's presence in magazines publishing forms a key component in our plans for further development, as we leverage our strengths in broadcast television and publishing to drive an increasing media presence that touches the lives of all Australians

Today, through our magazines business, Pacific Magazines, we publish many of the biggest brands in Australia: *New Idea*, *Better Homes and Gardens*, *Home Beautiful*, *Who Weekly*, *marie claire*, *Men's Health* and *Girlfriend*.

Our portfolio delivers two of Australia's three biggest selling weekly magazines and market leadership in the home and lifestyle, women's fashion, men's lifestyle and youth publishing.

Pacific Magazines is now approaching a 30 per cent share of overall readership in the Australian magazine market, up from just under 24 per cent twelve months ago.

The company now dominates readership in each of its key publishing categories.

We publish nearly one in four magazines sold in Australia, reaching 40 per cent of all Australians – with total readership across Pacific Magazines' portfolio of titles up 18 per cent over the past twelve months.

Seven's magazine business now has a 49 per cent share of the women's weeklies category which accounts for more than one in two magazines sold in Australia, a market-leading 49 per cent share of the fashion category, a dominant 60 per cent share of the home and lifestyle category, leadership in the men's lifestyle category with a 69 per cent share,

increasing dominance in the fast-growing health category with a 43 per cent share and leadership in the youth and kids demographic – with a 44 per cent share and the two top-selling magazines in the category.

New Idea is one of the two highest-read weekly magazines in Australia – with one in five Australian women reading the magazine every week. *New Idea* combines with *Who Weekly*, *That's Life!* and *FAMOUS* to deliver Pacific Magazines a commanding share of readership in the weeklies category.

Better Homes and Gardens dominates the home and lifestyle category. *Better Homes and Gardens* combines with *Home Beautiful* to give the company leadership in readership and circulation in the category.

The biggest-selling fashion magazine in Australia, *marie claire*, and *InStyle* continue to drive Pacific Magazines' market-leading share of overall readership and circulation in the increasingly competitive fashion category. *Men's Health* and *Women's Health* are thriving, with *Men's Health* delivering its strongest-ever readership figures and underpinning the company's ownership of readership and circulation in men's lifestyle, and *Women's Health*, launched this year, already commanding a nearly 20 per cent share of readership in the women's lifestyle category.

We are committed to the future growth of our presence in publishing. Magazines add a further dimension to our media presence – allowing us to reach all Australians through television and publishing and creating opportunities to build our own company's brands and build deeper partnerships with major advertisers. We will continue to create and acquire titles and invest in our cornerstone brands as part of a considered strategy to strengthen, broaden and enhance the performance of our publishing business.

Seven is taking the lead in digital television

Our strengths in broadcast television are well-documented and will continue to underpin our future.

Our objective is to build on our strengths in programming content and our leading edge digital broadcast television technology to further develop our leadership in a converging communications landscape.

With digital and interactive television, much of our content will have multiple applications across an array of delivery platforms, allowing our audiences to move seamlessly between the television, the PC and other forms of fixed and wireless technology to experience our content.

Both online and multiple channel television represent important cornerstones in our future – each leveraging the strength of our brand and the marketing platform of our broadcast television business.

We were the first commercial television network to move into multiple channel television with the launch of 7HD and we are well-advanced to expand our presence in digital television – with the forthcoming launch of a second new channel in the coming months.

The development of our multiple channel presence forms a key element in our strategy to create and develop a vibrant digital platform building on Seven's partnership with TiVo, the creator of, and leader in digital video recorders. This partnership has seen us create the digital platform to enable TiVo's digital video recorder and service, including TiVo's award-winning Tivo user interface, and launch TiVo in Australia.

TiVo will play a key role in the future of free-to-air television in Australia. Coupled with the forthcoming launch of Freeview, an initiative of all major broadcast television networks to promote digital television, our partnership with TiVo in creating

a new digital service for consumers confirms that our future will be built on creating and delivering programming across multiple channels on digital free-to-air television.

This commitment to driving our content across a number of delivery platforms underscores our Yahoo!7 partnership with Yahoo! Inc.

Yahoo!7 brings together the online assets of Yahoo! Inc. and the television and magazine content of the Seven Network and Pacific Magazines. The company also combines Yahoo!'s search and communications capabilities and its global internet network, with Seven's rich media and entertainment content and marketing capabilities.

Today, Yahoo!7 reaches one in two Australians online – with more than one in four Australians visiting Yahoo!7 every month. Yahoo!7 is the fastest growing online publisher for the six months to 30 June 2008, according to Neilsen/NetRatings Net View.

The focus for the partnership over the coming twelve months is on dramatically expanding Seven's online video presence and the portal's core strengths: front page, mail, news and search. This builds on significant growth in online audiences for Yahoo!7 over the past six months, with growth ranging from 13 per cent for mail to 60 per cent for search and 67 per cent for news, leveraging Seven's leadership in breakfast television and news and public affairs on broadcast television.

The creation of new partnerships, including one with the Walt Disney Internet Group for Disney Zone on Yahoo!7 and the launch of our new video platform, Yahoo!7 Video, provides a strong foundation for our further development online.

Yahoo!7 Video brings together all video content, including an easy-to-navigate homepage, video collections from around the globe, integration of a new flash video player and presentation of all videos in a 16:9 widescreen aspect ratio. We know our audiences are seeking our content online and we are planning a series of developments in the delivery of our content beyond television over the coming twelve months, building on Yahoo!7's video coverage of the Games of the XXIX Olympiad.

Board of Directors

KERRY MATTHEW STOKES AC
EXECUTIVE CHAIRMAN SINCE JULY 1999

Prior to that Non Executive Chairman since June 1995. Appointed a Companion in the General Division of the Order of Australia in the Queen's Birthday honours announced on 9 June 2008.

Chairman of Seven Media Group Pty. Limited since December 2006.

Chairman of Australian Capital Equity Pty Limited Group which has significant interests in activities which include media and entertainment, research and technology development, property and industrial activities.

Director of West Australian Newspapers Holdings Limited since 25 September 2008.

PETER DAVID RITCHIE AO
DEPUTY CHAIRMAN SINCE AUGUST 1991

Officer in the General Division of the Order of Australia. Chairman of the Remuneration Committee and Member of the Audit Committee and Chairman of the Risk and Compliance Committee. Bachelor of Commerce (University of New South Wales). Fellow of CPA Australia.

Former Chairman of McDonalds Australia Limited and former Director of Westpac Banking Corporation, Solution 6 Holdings Limited and the University of New South Wales Foundation Limited.

Current Chairman of Mortgage Choice Limited and a Director since 5 April 2004.

Current Chairman of Reverse Corporation Limited and a Director since 1 October 2002.

DAVID JOHN LECKIE
DIRECTOR SINCE APRIL 2003

Chief Executive Officer of the Seven Media Group since December 2006. Director of Seven Media Group Pty. Limited since December 2006.

Bachelor of Arts, (Macquarie University), majoring in Economic and Financial Studies.

Former Chief Executive Officer, Broadcast Television, Seven Network Limited.

Former Chairman of Pacific Magazines. Former Chief Executive Officer of the Nine Network. Former Director of Australian News Channel Pty. Limited.

Director of Free TV Australia Limited. Former Director of Yahoo!7.

ELIZABETH DULCIE BOLING
DIRECTOR SINCE AUGUST 1993

Member of the Remuneration Committee and the Risk and Compliance Committee.

Former Chairman and Chief Executive of Southdown Press, former Chief Executive Magazines, PMP Limited, former Director of News Limited, ING Australia Limited and Tourism Victoria.

Former Member of the board of the Australian Cancer Research Foundation, the Mental Health Research Institute of Victoria and former Trustee of the National Gallery of Victoria.

PETER JOSHUA THOMAS GAMMELL
DIRECTOR SINCE NOVEMBER 1997

Chairman of the Finance Committee. Member of the Audit Committee and the Internal Audit Committee. Member of the Institute of Chartered Accountants of Scotland.

Director of Seven Media Group Pty. Limited since December 2006.

Managing Director of Australian Capital Equity Pty Limited and Group companies.

Director of National Hire Group Limited from 10 December 2004 to 12 May 2008.

Alternate Director of National Hire Group Limited since 12 May 2008.

Director of West Australian Newspapers Holdings Limited since 25 September 2008.

BRUCE IAN McWILLIAM
DIRECTOR SINCE SEPTEMBER 2003

Appointed Commercial Director for the Seven Network in May 2003. Member of the Risk and Compliance Committee.

Director of Seven Media Group Pty. Limited since December 2006.

Former partner of law firms Gilbert & Tobin, Turnbull McWilliam and Allen Allen & Hemsley specialising in media and commercial law. Former Director BSkyB, Executive Director News International Television and General Counsel, News International plc.

Director of Australian News Channel Pty. Limited. Former Director of Yahoo!7.

Director of Engin Limited since 31 October 2006.

Director of Unwired Group Limited since 14 January 2008 (company delisted on 7 May 2008).

Chairman, Sydney University Law School Advisory Committee, Council Member, St Pauls College.

RYAN KERRY STOKES
DIRECTOR SINCE DECEMBER 2005

Bachelor of Commerce (Curtin University). President of Seven Network Asia, Director of Yahoo!7.

Director of Seven Media Group Pty. Limited since December 2006.

Executive and Director of Australian Capital Equity Pty. Limited and associated companies including WesTrac Pty Limited.

Former Chairman of Pacific Magazines.

Member of the International Olympic Committee Radio and Television Commission.

Chairman of Headspace, the Federal Government's National Youth Mental Health Foundation. Previous experience in international investment banking.

Director of Engin Limited since 31 October 2006.

Alternate Director of Seven Network Limited from 31 October 2001 to 25 August 2006. Alternate Director of Nylex Limited from 27 January 2005 to 20 June 2006.

Director of Unwired Group Limited since 8 January 2008 (company delisted on 7 May 2008).

PROFESSOR MURRAY CHARLES WELLS
DIRECTOR SINCE JULY 1995

Chairman of the Audit Committee and the Internal Audit Committee. Member of the Risk and Compliance Committee and the Finance Committee. PhD, University of Sydney. M.Com, University of Canterbury. Fellow of CPA Australia, Fellow of the Academy of Social Sciences of Australia.

Emeritus Professor of Accounting, former Director of the Graduate School of Business and the Foundation of the Graduate School of Business at the University of Sydney. Former Chairman and Director of Australian National Business School Limited. Chief Executive Officer of AusSchol Inc.

COMPANY SECRETARY

WARREN WALTER COATSWORTH
COMPANY SECRETARY SINCE JULY 2005

Solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. Legal Counsel with the Company for the past eight years, advising broadly across the Network, and formerly a solicitor at Clayton Utz.

He has completed a Graduate Diploma in Applied Corporate Governance and is a qualified Chartered Company Secretary and a member and associate of Chartered Secretaries Australia.

Corporate Governance

YEAR ENDED 28 JUNE 2008

This statement outlines the Company's main corporate governance practices and its compliance with the ASX Corporate Governance Council Recommendations 2nd Edition ("ASX Recommendations").

Corporate governance policies are available on the Company's website (www.sevencorporate.com.au).

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is empowered to manage the business of the Company subject to the Corporations Act and the Company's Constitution. The Board is responsible for the overall corporate governance of the economic entity and the management of the Company including strategic direction, overseeing the financial performance of the Consolidated Entity, capital and risk management, monitoring the business and affairs of the Consolidated Entity and its investments, including its investment in the Seven Media Group, and setting goals for management and monitoring the performance and achievement of management. The Board monitors management performance within the Seven Media Group. To this end, five Directors of the Company are also Directors of Seven Media Group Pty Limited, the holding entity of the Seven Media Group.

Following the internal restructure of the Company in December 2006, the majority of the Senior Executives of the Company became employees and Senior Executives of the Seven Media Group. The management of the Company now comprises those Seven Media Group Executives for whom a portion of their management time is charged back to the Company for management services provided and those Executives of subsidiaries within the Consolidated Entity, such as Unwired Group Limited and Engin Limited.

It is the role of management to manage the Company in accordance with the direction determined by the Board and the Board's delegations to management under the Company's Delegated Authority Policy. Formal delegations from the Board to management and functions reserved to the Board are set out in the Company's Delegated Authority Policy. The policy details procedures for the authorisation and signing of Company contracts (subject to the Company's Contracting Policy which includes a system of legal review) and authorisations to relevant Executives in relation to expenditure. The Policy also provides that the powers retained by the Board include but are not limited to: appointment and removal of the Chief Executive Officer; approval of Company investment policy; approval of administrative policies that significantly affect the overall management of the Company; and capital expenditure, sponsorships and donations, corporate finance loans, treasury dealings and property transactions above levels that are delegated to Executives.

The functions exercised by the Board and those delegated to management are subject to ongoing review to ensure that the division of functions remains appropriate.

The performance of Senior Executives of the Company (under the "charge-back" arrangements described above) is reviewed on an annual basis in a formal and documented interview process with either the Chief Executive Officer of the Seven Media Group or the particular Executive's immediate superior. Under a Performance Management Plan, performance-based incentives are available for Seven Media Group Senior Executives tied to performance reviews and the achievement of agreed performance objectives. Assessments for these particular Executives have been undertaken during the financial year in accordance with this process. For further information about performance management, please see the discussion at Principle 8 below.

For those Executives of subsidiaries, performance assessments are undertaken by either the Chairman of the respective Board for a Chief Executive Officer, or Chief Executive Officer for other Senior Executives.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

As at the date of this statement, the Board currently comprises eight (8) Directors and an alternate Director. The Directors in office are:

- Mr Kerry Stokes AC — Executive Chairman
- Mr Peter Ritchie AO — Deputy Chairman and Lead Independent Director
- Mr David Leckie — Director and Chief Executive Officer, Seven Media Group
- Professor Murray Wells — Director
- Mrs Dulcie Boling — Director
- Mr Peter Gammell — Director
- Mr Bruce McWilliam — Commercial Director
- Mr Ryan Stokes — Director
- Mr Robin Waters — Alternate Director to Mr P Gammell

The skills, experience, expertise and period in office of each Director at the date of the Annual Report are disclosed in the Board of Directors section of this Annual Report.

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Mr Kerry Stokes AC, Mr David Leckie, Mr Peter Gammell, Mr Bruce McWilliam and Mr Ryan Stokes are both Directors of the Company and of Seven Media Group Pty Limited. Mr Peter Lewis, the Chief Financial Officer of the Company, is also the Chief Financial Officer and Chief Operating Officer of the Seven Media Group.

The Independent Directors are:

- Mr Peter Ritchie AO — Deputy Chairman and Lead Independent Director
- Professor Murray Wells — Director
- Mrs Dulcie Boling — Director

In determining whether a Director is independent, the Board conducts regular assessments and has regard to whether a Director is considered to be one who:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or another group member other than as a Director.

The Board has previously determined that a material relationship is to be determined on the basis of fees paid or moneys received or paid to either a Director or a Director-related entity, which may impact the EBITDA of the Company in the previous financial year by more than 5%.

In the Board's view the Independent Directors (identified above) are free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Directors' ability to act with a view to the best interests of the Company. In terms of longevity of time in office, the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time. The Company has diverse operations that have grown considerably over time and in the Board's view derives the benefits from having long serving Directors with detailed knowledge of the history and experience of the operations. The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors, however the Directors believe they are able to objectively analyse the issues before them in the best interests of all shareholders and in accordance with their duties as Directors. The Board considers that the individual Directors make highly-skilled decisions in the best interests of the Company, despite the majority of the Board not being Independent Directors.

The Independent Directors meet regularly without management or Non-Independent Directors present.

Mr Kerry Stokes AC is Executive Chairman of the Board of the Consolidated Entity. The Board acknowledges the ASX Recommendation that the Chairman be an Independent Director, however, the Board views as an advantage the Chairman's history of leadership in television management and related media and his grasp of new technologies driving television production and transmission, not to mention his clear incentive to maximise the interests of the Company. Mr Stokes has been involved in investing in and managing diverse businesses for more than four decades and currently has broad business interests and investments in a range of major business sectors in Australia and overseas, including property, construction, mining, oil and gas exploration. His experience and insights continue to be invaluable to the Consolidated Entity.

Directors are able to obtain independent professional advice to assist them in carrying out their duties, at the Company's expense.

The function of a Nomination Committee is performed by an informal committee of Independent Directors as required, with the full Board retaining the power to nominate and appoint Directors to fill casual vacancies. Directors appointed as casual vacancies hold office until the next General Meeting and are then eligible for re-election. There was no meeting of the committee of Independent Directors having the function of the Nomination Committee during the year because there were no appointments to the Board under active consideration. During the year, members of the Board considered succession planning for the Board, the development of a process for evaluation of the performance of the Board, its committees and Directors, and the appointment and re-election of Directors.

The Notice of Meeting for the Annual General Meeting discloses other key current directorships of Director candidates, as well as other appropriate biographical details and qualifications. Details of Directors, including their time in office, qualifications, experience and special responsibilities are set out in the Board of Directors section of this Annual Report.

The Chairman closely monitors the performance and actions of the Board and met regularly with individual Board members during the year to ensure that the Board operates effectively and efficiently. The Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for

Corporate Governance

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enhancing future performance. Matters which may be taken into account include the expertise and responsibilities of the Board member and their contribution to the Board and its functions.

Board appointees are inducted through a briefing with the Chairman, discussions of the Company's corporate governance (including its policies and procedures) with the Company Secretary, visits to key business sites and meetings with Company Executives.

The Board, under the terms of appointment of Directors and by virtue of their position, is entitled to access, and is provided with, information concerning the Company needed to discharge its duties efficiently. Directors are entitled, and encouraged, to request additional information if they believe that is necessary to support informed decision making.

Directors variously attend external education seminars and peer group meetings regarding regulatory and compliance developments. The Company arranges presentations to the Board by Executives to update the Directors on the Company's business activities and industry developments.

The Company Secretary is charged by the Board to support the Board's effectiveness by monitoring that Company policies and procedures are followed, and coordinating the timely distribution of Board and Committee agendas and briefing materials.

The Company Secretary's appointment and removal is a matter for the Board. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters. Each of the Directors has access to the Company Secretary.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Company's policy is that Directors and employees maintain the highest ethical standards of conduct. Seven Network Limited, as the holding company of investments in public broadcasters, and as a publicly listed company, upholds and maintains the following ethical standards:

- The Commercial Television Industry Code of Practice;
- General statutory requirements and regulations of the Corporations Act, ASX Listing Rules and Income Tax Assessment Act;
- Equal employment opportunity and affirmative action;
- Seven Network encourages a high standard of safe work practices and has implemented Occupational Health & Safety Compliance Procedures;
- Policy of community service through charitable organisations; and
- Policy of responding to and using Seven Network's resources during national disasters and tragedies.

Formal Employee Behaviour Standards have been developed and promulgated to employees and are available on the Company's website. The Company has also implemented a Code of Conduct for employees. Both Employee Behaviour Standards and the Code of Conduct continue to be applicable to the employees of the Seven Media Group.

The Company has adopted Share Trading Policies for Group Directors and Executives and Staff and summaries of these policies are available on the Company's website.

The Company has adopted a formal Issue Escalation Guideline providing for the reporting of unethical practices and matters of concern which cannot otherwise be adequately dealt with under Company policies. The Guideline, including employee contacts, is available on the Company's website and continues to be applicable to the employees of the Seven Media Group.

The Company requires compliance with Company policies by Staff under the terms of their employment and carries out training of employees in relation to its policies and procedures.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board maintains an Audit Committee which comprises Professor Murray Wells as its Chairman, Mr Peter Ritchie AO and Mr Peter Gammell. Professor Wells and Mr Ritchie are Independent Directors and Mr Gammell is a Non-Executive Director. Professor Wells is an Emeritus Professor of Accounting, University of Sydney. Mr Ritchie is a Fellow of CPA Australia. Mr Gammell is a member of the Institute of Chartered Accountants of Scotland. The Board believes the ASX Recommendations are satisfied as regards the technical expertise of the Audit Committee members.

The Audit Committee has a formal Charter, a summary of which is available on the Company's website. The Committee's primary objective is to assist the Board in fulfilling its responsibilities concerning the accounting and reporting practices of the Company and its subsidiaries, the consideration of matters relating to the financial affairs of the Company and its subsidiaries and examination of any other matters referred to it by the Board.

The Audit Committee is also responsible for assessing whether non-audit services provided by the External Auditor are consistent with maintaining the External Auditor's independence. Each reporting period, the External Auditor provides an independence declaration in relation to the audit. Additionally, the Audit Committee provides advice to the Board in respect of whether the provision of non-audit services by the External Auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act.

The current practice, subject to amendment in the event of legislative change, is for the rotation of the audit partner to occur every five years, with the most recent rotation having occurred at 30 June 2006.

The Audit Committee meets regularly with the External Auditors without management being present.

The number of meetings attended by the Audit Committee members is disclosed in the Directors' Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company complies with the continuous disclosure obligations of the ASX Listing Rules and, in doing so, immediately notifies the market of any material price sensitive information. The Company has adopted and implemented a Continuous Disclosure Policy which sets out the procedure for the identification of material price sensitive information and reporting of such information to the Company Secretary for review. A summary of the Continuous Disclosure Policy is available on the Company's website.

The Company Secretary has been nominated as the person with primary responsibility for communication and liaison with the ASX in relation to ASX Listing Rules and continuous disclosure issues. The Company Secretary also has responsibility for ensuring internal compliance with those ASX Listing Rules and the oversight of information released to the ASX and shareholders.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

It is the Company's policy that the principal communication with shareholders apart from the Company website is the provision of the Annual Report, including the Financial Statements, and the Annual General Meeting (and any extraordinary meetings held by the Company). Information concerning resolutions for consideration at the Company's General Meetings is provided in the notice of meeting. Shareholders are encouraged to participate in General Meetings and are invited to put questions to the Chairman of the Board in that forum.

The Company's website provides additional information and greater detail about the Company, including ASX and media releases and access to statements regarding corporate governance-related matters.

The Directors ensure that the Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report thereon.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Company recognises that the management of business and economic risk is an integral part of its operations and has for many years integrated risk management processes into its operations to ensure continuity of the business and to minimise any impact on its performance.

The Board has established a sound system of risk oversight and management and internal control which includes the establishment of the Risk and Compliance Committee. The Risk and Compliance Committee comprises Mr Peter Ritchie AO as its Chairman, Professor Murray Wells, Mrs Dulcie Boling and Mr Bruce McWilliam. Through the Committee, and facilitated by an external consultant, management undertook a detailed Strategic Risk Assessment during the financial year (following similar risk assessments undertaken annually since 2004) which identified and ranked the key strategic risks facing the Company and provided an assessment of the management of those risks. This assessment assisted with the development of a formal risk profile. The Risk Committee also received confirmation from the Board of the Seven Media Group that following a risk review of the Seven Media Group, the Board of the Seven Media Group had approved a Risk Management Policy recommended by Ernst & Young.

During the 2007 year under the auspices of the Committee, the Company completed a Business Continuity Project facilitated by an external consultant in association with management. Through a series of workshops critical business processes were identified across the Company and business continuity plans developed for ongoing review by the Head of Internal Audit.

The Committee also monitors compliance with applicable laws and regulations. The Committee operates under a formal Charter. A summary of the Risk Management Policy is available on the Company's website.

The Company also has an Internal Audit Committee which reviews relevant controls in the areas of accounting, information and operations and proposes and monitors a program of work that will test and improve the controls implemented by management in these areas. The Internal Audit Committee comprises Professor Murray Wells as its Chairman (also Chairman of the Audit Committee), and Mr Peter Gammell. The Chief Executive Officer – Seven Media Group, the Chief Financial Officer and the Head of Internal Audit also attend meetings of the Internal Audit Committee. The Head of Internal Audit reports directly to the Chairman of the Internal Audit Committee. A statement on the Internal Audit Charter is available on the Company's website.

The risk assessment framework described above and the Internal Audit Charter are an integral part of the process underlying the statement made by the Executive Chairman and the Chief Financial Officer regarding the integrity of the Financial Statements. The statement is founded on a sound system of risk management and internal compliance and control which was operating effectively and efficiently in all material respects for the financial year ended 28 June 2008 and provides reasonable assurance that the policies prescribed by the Board, either directly or through delegation to Committees or Senior Executives, have been implemented.

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Pursuant to Section 295A of the Corporations Act, each person who performs the chief executive function and the chief financial officer function confirm in writing to the Board, who subsequently state in writing to the External Auditors, that the financial records of the Company have been properly maintained, the Financial Statements are prepared in accordance with relevant accounting standards, present a true and fair view, and that the integrity of the financial reports is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies prescribed by the Board.

In August 2007, the ASX Corporate Governance Council released its updated Corporate Governance Principles and in particular a revised Principle 7. In order to facilitate transition to the revised Principle 7 for the next reporting period, a review of Enterprise Risk Management processes was conducted in early 2008.

The Company is assessing the Group as part of its compliance with the National Greenhouse and Energy Reporting Act.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The remuneration of the Non-Executive Directors of the Board is restricted, in aggregate, by the Constitution of the Company and the requirements of the Corporations Act. As the Directors consider that the attraction, retention and motivation of its Directors and Senior Executives is of critical importance in securing the future growth of the Company, its profits, share price and shareholder returns, Executive Directors, Non-Executive Directors and Senior Executives may receive performance linked payments and other payments at the discretion of the Board in relation to special services that they perform for the Company. Professor Murray Wells has previously been engaged as an independent consultant to compensate him for the exceptional contribution in both time and experience in relation to his responsibilities as Chairman of the Audit and Internal Audit Committees, capital management and restructure, regulatory and compliance issues, review of investment opportunities and as Board Ombudsman. In order to ensure that his status as an Independent Director is not compromised, the Board has determined, under Article 11.17 of the Constitution that his compensation be paid out of the aggregate maximum payable to Directors.

The Board maintains a Remuneration Committee comprising Mr Peter Ritchie AO as its Chairman and Mrs Dulcie Boling. The primary functions of the Committee are to review and advise the Board on Directors' fees and the remuneration package of the Chief Executive and Senior Executives, and to provide advice and support and serve as a sounding-board for the Chief Executive Officer and Board in human resource matters. Members of the Remuneration Committee have informal discussions with the Chairman and provide advice to the Chairman on remuneration-related matters throughout the year, as requested. The Committee also reviews and makes recommendations to the Board of the grant of Options to Executives and is available to review and advise on succession planning and employee development policies. There was no separate meeting of the Remuneration Committee in the financial year as remuneration-related matters were considered in full Board meetings. Remuneration matters which arose in relation to Seven Media Group Executives and employees were determined within the Seven Media Group.

The objective of the remuneration process is to ensure that remuneration packages properly reflect the duties and responsibilities of the employees and that the remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the Chief Executive to consider the remuneration packages paid within the industry and the impact these people are expected to have on the operational and financial performance of the Company.

Other than for Non-Executive Directors, remuneration packages may include bonus, option or share elements and the Company has established Share and Option Plans for that purpose. The payment of bonuses shall be based on the achievement of specific goals which relate to the performance of the Company or as otherwise specified in the relevant employment contracts. Share Options are issued as a part of remuneration packages where they are considered appropriate, with exercise prices and hurdle rates which reflect the long-term objectives of the Company.

A Retirement Deed has previously been entered into with four qualifying Non-Executive Directors in relation to the benefit payable on retirement to Directors who have served more than five years. These Retirement Deeds have been in place for a number of years. The benefits payable upon retirement under the Deeds were frozen on 1 August 2003 at three times the average of the Director's emolument over the previous three years and no further increases will apply. From that date, retirement benefits have not been offered to newly appointed Non-Executive Directors. Three Non-Executive Director Retirement Deeds now remain current.

The Company also conducts annual employee performance reviews, involving a written questionnaire, discussion between employee and manager of employee competencies and the agreement of performance goals for the employee.

Performance based incentives of Executive Directors and Senior Employees and Executives of the Seven Media Group are now largely determined within the Seven Media Group. The Company did not agree to grant any options over shares in the Company during the year. Accordingly, it was not considered necessary to establish a policy in relation to entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under an equity based remuneration scheme.

Directors' Report

YEAR ENDED 28 JUNE 2008

The Directors are pleased to present their report together with the financial report of Seven Network Limited ("the Company") and the consolidated financial report of the consolidated entity (the consolidated entity being the Company, its subsidiaries and its interests in associates and jointly controlled entities) for the financial year ended 28 June 2008 and the auditor's report thereon.

DIRECTORS

The names of the persons who have been Directors of the Company during or since the end of the financial year are:

- Kerry Matthew Stokes AC (Executive Chairman)
- Peter David Ritchie AO (Deputy Chairman)
- David John Leckie (Chief Executive Officer, Seven Media Group)
- Elizabeth Dulcie Boling
- Peter Joshua Thomas Gammell
- Bruce Ian McWilliam
- Murray Charles Wells
- Ryan Kerry Stokes
- Robin Frederick Waters (Alternate Director for Mr PJT Gammell)

Particulars of their qualifications, experience, special responsibilities and any directorships of other listed companies are set out in the Annual Report under the headings "Board of Directors" and "Corporate Governance" and form part of this report.

Warren Walter Coatsworth has been Company Secretary since 1 July 2005. Particulars of Mr Coatsworth's qualifications and experience are set out in the Annual Report under the heading "Company Secretary".

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were those of investment. There were no significant changes in the nature of these activities during the financial year.

NET CONSOLIDATED PROFIT

The net amount of the consolidated profit of the consolidated entity for the financial year after provision for income tax was $141,594,000 (2007: $1,621,951,000).

DIVIDENDS – ORDINARY SHARES

Since the start of the financial year, a final fully franked dividend for the 2007 financial year of 17.0 cents per share, amounting to $38,630,000, was paid on 26 October 2007.

Since the start of the financial year, an interim fully franked dividend for the 2008 financial year of 17.0 cents per share, amounting to $36,842,000, was paid on 9 April 2008.

A final fully franked dividend for the 2008 financial year of 17.0 cents per share, amounting to $34,510,000 will be paid on 24 October 2008, based on the number of issued shares at the date of this report.

DIVIDENDS – TELYS3

Since the start of the financial year, a fully franked dividend of $3.1446 per TELYS3 based on 4,963,640 TELYS3 on issue, amounting to $15,609,000 was paid on 30 November 2007.

A further fully franked dividend of $3.4675 per TELYS3 based on 4,963,640 TELYS3 on issue, amounting to $17,211,000, was paid on 2 June 2008.

Directors' Report

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REVIEW AND RESULTS OF OPERATIONS AND FINANCIAL POSITION OF THE CONSOLIDATED ENTITY AND BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS

A review of the operations during the financial year of the consolidated entity, and of the results of those operations, and of the financial position of the consolidated entity and its business strategies and prospects for future financial years is set out in the Annual Report under the heading "From the Executive Chairman" and "Year in Review".

CHANGES IN STATE OF AFFAIRS

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

- On 27 July 2007, before a single judge, Seven Network lost its Federal Court action against a number of parties involved in the granting of the AFL pay television rights in 2000 and has now appealed to the Full Court. Costs of the parties to the initial hearing have been paid.
- On 21 August 2007, the Company announced that it planned to establish an on-market buyback programme for up to 10.0% of the Company's ordinary shares. The buyback programme forms part of the Company's ongoing capital management strategy. The first shares were bought back on 23 January 2008. Since that date, to the end of the financial year, 21,158,424 shares have been bought back.
- On 27 September 2007, the Company announced that its subsidiary Network Investment Holdings Pty. Limited would make an off-market takeover offer for Unwired Group Limited. The takeover was finalised on 29 February 2008, at a price of 50 cents per share, this involving a commitment of $132 million.
- On 25 February 2008, Engin Limited announced a non-renounceable rights issue to raise approximately $8.4 million. The rights issue was fully underwritten by Network Investment Holdings Pty. Limited, a subsidiary of the Company and Engin Limited's largest shareholder. At the conclusion of the rights issue and as a result of the underwriting, on 3 April 2008, the Company's interest in Engin Limited rose from 34% to 58%.

In the opinion of the Directors there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year.

EVENTS AFTER END OF FINANCIAL YEAR

- On 24 July 2008, the Company's investment in WAN increased to 22.3%.
- On 4 September 2008, the on-market buyback programme for up to 10.0% of the Company's ordinary shares was concluded. Over the course of the programme, 22,334,221 shares were bought back.
- At an Extraordinary General Meeting on 10 September 2008, holders of shares and TELYS3 approved a new market buyback programme for up to 40.0 million ordinary shares.
- On 22 September 2008 the Company issued a Share Buyback and Trading Update which indicated that it is likely that the profit before tax (including significant items) for the first half of the 2009 financial year will be approximately 40%-50% below the prior corresponding period.
- On 25 September 2008, Mr K. Stokes AC and Mr Gammell were appointed to the Board of West Australian Newspapers Holdings Limited.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED FUTURE RESULTS

Except for matters otherwise disclosed in this report or the financial report, information as to likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because, in the opinion of the Directors, to do so would prejudice the interests of the consolidated entity.

Directors' Report

YEAR ENDED 28 JUNE 2008

DIRECTORS' INTERESTS IN SECURITIES

The relevant interest of each Director in the share capital or options issued by the companies within the consolidated entity, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act, at the date of this report is as follows:

DIRECTORS' HOLDINGS OF SEVEN NETWORK LIMITED SHARES AS AT 26 SEPTEMBER 2008

	Ordinary Shares	**Options over Ordinary Shares**	TELYS3
KM Stokes AC	92,814,349	Nil	Nil
PD Ritchie AO	46,072	Nil	Nil
DJ Leckie	3,056,908	1,500,000	Nil
ED Boling	Nil	Nil	Nil
PJT Gammell	Nil	Nil	Nil
BI McWilliam	3,157,015	1,000,000	16,063
RK Stokes	23,000	Nil	Nil
MC Wells	4,000	Nil	710
RF Waters	Nil	Nil	Nil

OPTIONS ISSUED OVER ORDINARY SHARES IN SEVEN NETWORK LIMITED

Details of options issued and exercised under individual Option Deeds, prior to the financial period to which this report relates, were stated in previous Directors' Reports. During the financial year and up to the date of this report, 200,000 options were exercised at an exercise price of $5.15 and 1,000,000 options were exercised at an exercise price of $10.00. No options lapsed. At the date of this report, the following options to acquire an equivalent number of ordinary shares in the Company under individual Option Deeds are outstanding:

Options on Issue	**Exercise Price**	Expiry Date
150,000	$7.11	21 March 2010
1,000,000	$9.75	17 November 2010
500,000	$11.00	17 November 2010
100,000	$9.00	1 January 2011
500,000	$11.00	30 June 2011
500,000	$12.00	30 June 2011
250,000	$10.00	30 June 2011
250,000	$11.00	30 June 2011
250,000	$12.00	30 June 2011
500,000	$9.00	30 June 2012
250,000	$10.00	30 June 2012
250,000	$11.00	30 June 2012
25,000	$7.00	1 June 2015
4,525,000		

The names of the Executives who currently hold options, granted at any time, are entered in the Register of Options kept by the Company pursuant to Section 170 of the Corporations Act. The Register may be inspected free of charge.

None of the options, referred to above issued by the Company or its controlled entities, entitle the holders to participate in any share issue of the Company or any other body corporate. There are no unissued shares under option as at the date of this report, other than those referred to above.

Directors' Report

YEAR ENDED 28 JUNE 2008

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors (including meetings of committees of Directors) held during the financial year, and the number of those meetings attended by each Director, was:

	BOARD		AUDIT COMMITTEE		INTERNAL AUDIT COMMITTEE		RISK & COMPLIANCE COMMITTEE	
	Held	**Attended**	Held	**Attended**	Held	**Attended**	Held	**Attended**
DIRECTOR								
KM Stokes AC	17	17	0	0	0	0	0	0
PD Ritchie AO	17	17	4	4	0	0	1	1
DJ Leckie	16	15	3	3	3	3	0	0
ED Boling	17	17	0	0	0	0	1	1
PJT Gammell	17	16	4	4	4	3	0	0
BI McWilliam	17	17	4	4	1	1	1	1
RK Stokes	17	17	0	0	0	0	0	0
MC Wells	17	17	4	4	4	4	1	1
ALTERNATE DIRECTOR								
RF Waters	0	0	0	0	0	0	0	0

The number of meetings held reflects the number of meetings held while the Director concerned held office during the year. A Director may also have been absent from a meeting if there was a conflict of interest or if the Director was not a member of the particular committee. Not all Directors are members of all committees.

INDEMNITIES

The Constitution of the Company provides an indemnity to any current and former Director, Secretary and Executive Officer of the Company against any liabilities incurred by that person in defending any proceedings relating to that person's position with the Company in specified circumstances. The Constitution also indemnifies the same persons in specified circumstances against liabilities incurred as officers from 15 April 1994 to persons other than the Company and its related bodies corporate.

INSURANCE PREMIUMS

Since the end of the previous financial year, the Company has paid insurance premiums in respect of a Directors' and Officers' liability insurance contract insuring against certain liabilities (subject to exclusions) all current and former officers of the Company and its subsidiaries, including all Directors named in this report, the Company Secretary and all persons concerned in, or taking part in the management of, the Company and its controlled entities, and former Directors and officers who have retired or relinquished their positions.

The insurance policies prohibit disclosure of the premiums paid in respect of those policies and the nature of the liabilities insured by the policies.

ENVIRONMENTAL DISCLOSURE

In respect of the environmental regulations under any laws of the States, Territories and Commonwealth of Australia, the significant regulations that apply to our current operations are those guidelines and standards issued by the Australian Communications and Media Authority. It is the Directors' understanding that the Company is fully compliant with the provisions of these guidelines and standards. Various State Environmental Protection Authorities have issued licenses to the Company under the laws of the respective States.

All requirements and conditions of these licenses have been complied with to the satisfaction of the issuing authority.

NON AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties. These other services are set out below.

The Board has considered the non audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit Committee, is satisfied that the provision of those non audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee in terms of its formal Auditor Independence Policy to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

	2008 **$**	2007 $
NON AUDIT SERVICES		
Auditors of the Company		
KPMG Australia		
– Other assurance services	111,000	100,000
– Due diligence services	Nil	225,000
Overseas KPMG firms		
– Other assurance services	15,000	5,000
Other auditors		
– Other assurance services	20,000	Nil
– Taxation services	119,000	Nil
Total	**265,000**	330,000

The lead auditor's independence declaration is set out on page 35 and forms part of the Directors' Report for the year ended 28 June 2008.

REMUNERATION REPORT

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations to the Board on remuneration and compensation policies and packages for all Staff, including Board members and Executives of the Company and the Group.

Role of the Committee

The Remuneration Committee operates under the delegated authority of the Board. Its responsibilities include:

- advising the Chief Executive Officer as requested on Executive remuneration and compensation, the appointment of new senior staff (including proposed remuneration and compensation packages) and the Corporate and Remuneration Structure;
- making recommendations to the Board on the remuneration and compensation of the Chief Executive Officer and the awarding of contracted bonuses;
- obtaining external advice on which to make recommendations to the Board on the remuneration and compensation of Non-Executive Directors;
- reviewing and making recommendations to the Board on all grants of Executive options and the overall functioning of these grants;
- providing an overview of the corporate remuneration and compensation strategy for all staff and giving input to Executives on remuneration competitiveness in the marketplace and industry; and
- reviewing and advising on Executive succession planning and employee development policies.

Remuneration matters which arose in relation to Seven Media Group Executives and employees were determined within the Seven Media Group.

Directors' Report

YEAR ENDED 28 JUNE 2008

Membership and Meetings

The current members of the Committee are:

Name	Position Held	Status
Peter David Ritchie AO	Chairman	Independent Director
Elizabeth Dulcie Boling	Member	Independent Director

Advisors

The Committee is able to obtain independent professional advice to assist them in carrying out their duties as required and at the Company's expense.

REMUNERATION PRINCIPLES AND POLICY

Both the Board and the Remuneration Committee recognise that the Company and Group operate in competitive industries and that Company and Group performance is dependent on the quality and enthusiasm of its staff.

The key principles of the Company's Remuneration Policy are to remunerate and compensate fairly and responsibly; to remunerate competitively enabling the attraction, retention and motivation of staff of the highest quality and best skills from the industries in which the Company and Group operate; and to ensure that remuneration packages properly reflect the duties and responsibilities of the staff member, including the impact they are expected to have on operational and financial performance.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. For 2008, key management personnel comprise the Directors of the Company and the Chief Financial Officer. The Company Secretary is a Company Executive.

REMUNERATION STRUCTURE

Remuneration levels for the Key Management Personnel and Executives of the Company and the Group are competitively set to attract and retain appropriately qualified and experienced individuals. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages of both the Company and the Group given trends in comparative companies both locally and internationally and the objectives of the Company's Remuneration Policy.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Key Management Personnel or Executive;
- the key management personnel's or Executive's ability to control the relevant segment's performance;
- the Group's performance including the Group's earnings, the growth in share price and shareholder wealth; and
- the amount of incentives within each Key Management Person's and Executive's compensation.

Remuneration consists of two elements: fixed remuneration and performance linked remuneration.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any Fringe Benefit Tax (FBT) charges related to employee benefits), as well as employer contributions to superannuation funds and guaranteed bonus payments. Remuneration levels are reviewed by the Remuneration Committee through a process that considers individual, segment and overall performance of the consolidated entity. In addition, external consultants may provide analysis and advice to ensure the Directors' and Executives' remuneration is competitive in the market place. An Executive's remuneration is also reviewed on promotion.

Performance linked remuneration

Performance linked remuneration is designed to reward Executive Directors (excluding the Executive Chairman) and Company Executives for meeting or exceeding their financial and personal objectives.

At this time, performance linked remuneration forms part of the remuneration arrangements for Executive Directors, Mr McWilliam and Mr Leckie and the Chief Financial Officer, Mr Lewis and is in the form of Option grants under formal Option Deeds. Each Deed contains particular performance conditions.

The performance conditions are designed to ensure that the benefits received by Mr Leckie, Mr McWilliam and Mr Lewis are linked directly to the creation of wealth for all shareholders of the Company.

A review of the remuneration particulars of the Key Management Personnel and Executives of the Company follows.

Directors' Report

YEAR ENDED 28 JUNE 2008

Directors of the Company

At the date of this Report, there were eight Directors of the Company:

- Kerry Matthew Stokes AC
- Peter David Ritchie AO
- David John Leckie
- Elizabeth Dulcie Boling
- Peter Joshua Thomas Gammell
- Bruce Ian McWilliam
- Ryan Kerry Stokes
- Murray Charles Wells

Robin Frederick Waters is appointed as an Alternate Director for PJT Gammell. Mr Waters does not receive any remuneration for acting as an Alternate Director.

The remuneration of the Directors is determined by the Board, acting on recommendations made by the Remuneration Committee. The objective of the Committee in making its recommendations is to attract, retain and properly motivate Directors who will, through their contribution to the Board and the Seven Group, work towards creating sustainable value for shareholders and stakeholders.

In making recommendations to the Board, the Committee may take into account advice from independent consultants and advisors on local and international trends in Director remuneration and compensation.

- The remuneration of Directors comprises a base fee, non cash benefits and FBT and employer superannuation guarantee contributions.
- Options may also be granted to Executive Directors. Mr Leckie and Mr McWilliam are the only Executive Directors who hold options; for Mr Leckie and Mr McWilliam 100% of this particular element of remuneration is performance based.
- Performance linked remuneration does not currently form an element of the remuneration of the Non-Executive Directors.
- No options are currently held by any Non-Executive Director.

The remuneration of the Non-Executive Directors is restricted, in aggregate, by the Constitution of the Company, which may only be amended by the shareholders in General Meeting and the requirements of the Corporations Act. The aggregate pool available for payment of fees to Non-Executive Directors of the Company is currently a maximum of $1.5 million per annum.

Retirement Deeds have previously been entered into with four qualifying Non-Executive Directors in relation to the benefit payable on retirement to Directors who have served more than five years. These Retirement Deeds have been in place for a number of years. The benefits payable upon retirement under the Deeds were frozen on 1 August 2003 at three times the average of the Director's emolument over the previous three years and no further increases will apply. From that date, retirement benefits have not been offered to newly appointed Non-Executive Directors. Three Non-Executive Director Retirement Deeds now remain current.

No options were granted to Mr McWilliam during the financial year. Mr McWilliam exercised 1,000,000 options during the financial year under an Option Deed dated 2 November 2006. There remain 1,000,000 options outstanding under this particular Option Deed.

No options were granted to Mr Leckie during the financial year. No options were exercised by Mr Leckie during the financial year. There remain 1,500,000 options outstanding under this particular Option Deed.

The performance conditions in the Option Deeds link the exercise of these options to growth in the Company's Total Shareholder Return (TSR). TSR growth is defined as share price growth and dividends paid (including dividends reinvested on the ex dividend date, adjusted for rights, bonus issues and any capital reconstructions), measured for the relevant performance period. The performance conditions are comparative measures, under which the Company's TSR growth must be greater than or equal to the growth in the S&P/ASX 200 Accumulation Index.

Directors' Report

YEAR ENDED 28 JUNE 2008

The details of outstanding options under current Option Deeds are as follows:

Tranche	First Exercise Date	Last Exercise Date	Number of Options	Exercise Price
TERMS FOR MR LECKIE				
2	2 April 2008	17 Nov 2010	1,000,000	$ 9.75
3	2 April 2009	17 Nov 2010	500,000	$ 11.00
Total			**1,500,000**	
TERMS FOR MR MCWILLIAM				
2	30 June 2008	30 June 2011	500,000	$ 11.00
3	30 June 2009	30 June 2011	500,000	$ 12.00
Total			**1,000,000**	

Performance Conditions

Each tranche of options may only be exercised as follows:

- on or after the First Exercise Date for that tranche, if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index measured from the Director's date of appointment to the relevant First Exercise Date; or
- if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index for the period up to the relevant First Exercise Date, the options may be exercised up to the Last Exercise Date if the growth in the Company's TSR measured from the First Exercise Date up to the date of calculation exceeds the growth in the S&P/ASX 200 Accumulation Index for that period for 60 consecutive days during the period between the relevant First Exercise Date and the Last Exercise Date.

The TSR growth calculation is made by independent remuneration consultants and approved by the Chairman of the Remuneration Committee. This ensures consistency and certainty in the manner in which the performance hurdles for the Options are measured.

Mr McWilliam exercised 1,000,000 options at an exercise price of $10.00 on 21 September 2007. The value of these options on the exercise date was $2,500,000.

Company and Group Executives

The Executives discussed in this section are Mr Lewis, Chief Financial Officer and a member of the Company's Key Management Personnel and Mr Coatsworth, Company Secretary and Company Executive. Mr Lewis who is a Group and Company Executive and Mr Coatsworth who is a Company Executive received the highest remuneration for the year ended 28 June 2008 (excluding the Executive Directors). Remuneration for Mr Lewis and Mr Coatsworth relates to amounts recharged by Seven Media Group for the financial year.

In the opinion of the Board, there are no other Key Management Personnel (as defined in AASB 124) employed by the consolidated entity (which excludes the Seven Media Group).

As noted above, remuneration and compensation for Company and Group Executives is divided into two components, fixed and performance linked. The performance linked component is derived only in circumstances where the individual has met challenging personal objectives and corporate performance hurdles, (in respect to options), which contribute to the Seven Group's overall profitability and performance.

The Chief Executive Officer may be advised in relation to the Remuneration Structure of Company and Group Executives by the Remuneration Committee. Remuneration Policy provides for the Chief Executive Officer to consider remuneration packages paid within the industry and the impact the Executives are expected to have on the operational and financial performance within the Seven Group.

- Remuneration for these Executives comprises a base fee, non cash benefits and FBT and employer superannuation guarantee contributions. Options may also be granted to these Executives.
- Remuneration packages may include the payment of a performance bonus.
- Mr Lewis is the only named Company and Group Executive who holds options; for Mr Lewis, 100% of this particular element of remuneration is performance based. Mr Coatsworth holds no options.

Directors' Report

YEAR ENDED 28 JUNE 2008

Terms and Performance Conditions for Peter Lewis
Mr Lewis was issued 750,000 options on 21 February 2007, with exercise prices as follows: 250,000 options with an exercise price of $10.00, 250,000 options with an exercise price of $11.00 and 250,000 options with an exercise price of $12.00.

The exercise of Mr Lewis' options is directly linked to the Company's performance, namely the Company's TSR growth for the relevant performance period, compared to the growth in the S&P/ASX 200 Accumulation Index.

All options are subject to the TSR hurdle and vest in three annual tranches in June 2007, 2008 and 2009. The options may be exercised if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index measured over the period up to the vesting date. Options which do not meet the performance conditions in 2007 and 2008 roll over to the next vesting date (i.e. in 2008 and 2009, respectively).

The performance conditions were chosen for Mr Lewis as they are best linked to his responsibility as Chief Financial Officer. No options have been exercised and 750,000 options remain outstanding at the date of this report.

Employment Contracts
The services of the Executives below are provided to the Company pursuant to a charge-back arrangement with the Seven Media Group, which employs each of them. Details of the duration of contracts, the period of notice required to terminate the contract and the termination payments provided for under the contract are as follows:

Name	Duration of the Contract	Period of Notice Required to Terminate the Contract
DJ Leckie	4 years and 1 month	The contract term expires at the end of the fixed term or such later date of which no less than 6 months notice has been given by either party.
BI McWilliam	3 years	3 months notice given by either party after the fixed term.
PJ Lewis	3 years and 3 months	3 months notice given by either party after the fixed term.
WW Coatsworth	3 years and 7 months plus a 1 year option	On expiry of the contract term, either party may terminate by giving reasonable notice.

The employment contracts referred to above are currently on foot and variously part performed as to the duration of each of them. The contracts are terminable in the event of the employee's serious misconduct or a non-rectified material breach. Only remuneration which is due but unpaid up to the date of termination and normal statutory benefits will be paid to the employee in these circumstances. There are no formal employment contracts for the other Non-Executive Directors and Executive Directors.

Remuneration that consists of "Securities"
There was no element of remuneration for Directors or Company Executives for the financial year ended 28 June 2008 that consisted of securities of the Company that was not dependent on the satisfaction of a performance condition. Any options issued are subject to performance conditions and hurdles.

Remuneration and Compensation details of Directors and Company Executives for the Years Ended 28 June 2008 and 30 June 2007

The following tables provide the details of all Directors of the Company (Specified Directors) and the Executives of the consolidated entity with the authority to plan, direct and control the activities of the entity (Key Management Personnel) and the nature and amount of the elements of their compensation for the years ended 28 June 2008 and 30 June 2007.

Directors' Report

YEAR ENDED 28 JUNE 2008

2008	PRIMARY Salary & Fees $	PRIMARY Bonus $	PRIMARY Non Monetary $	POST-EMPLOYMENT Termination $	POST-EMPLOYMENT Super-annuation $	EQUITY COMPENSATION Value of Options $	TOTAL $
KEY MANAGEMENT PERSONNEL – DIRECTORS							
KM Stokes AC (Executive Chairman)	105,000	–	5,469	–	9,452	–	119,921
PD Ritchie AO (Deputy Chairman)	95,000	–	5,223	–	8,550	–	108,773
ED Boling	103,550	–	–	–	–	–	103,550
PJT Gammell	95,000	–	–	–	8,550	–	103,550
DJ Leckie (Chief Executive Officer, Seven Media Group)[b]	516,345	–	4,686	–	3,282	413,921	938,234
BI McWilliam (Commercial Director)[b]	221,718	–	2,024	–	3,282	717,991	945,015
RK Stokes	85,000	–	–	–	7,650	–	92,650
MC Wells	230,000	–	–	–	–	–	230,000
Total Directors	1,451,613	–	17,402	–	40,766	1,131,912	2,641,693
KEY MANAGEMENT PERSONNEL – EXECUTIVE AND COMPANY EXECUTIVE							
PJ Lewis (Chief Financial Officer)[c]	112,659	–	65,427	–	9,013	212,702	399,801
WW Coatsworth (Company Secretary)[c]	38,994	–	–	–	3,256	–	42,250
Total Executives	151,653	–	65,427	–	12,269	212,702	442,051
Total Key Management Personnel	1,603,266	–	82,829	–	53,035	1,344,614	**3,083,744**

(a) Seven Network Insurance premiums have not been included as in surance policies prohibit the disclosure of premiums paid in respect to those policies.

(b) Remuneration, other than equity compensation, for Mr Leckie and Mr McWilliam relates to amounts recharged by Seven Media Group for the financial year.

(c) Remuneration, other than equity compensation, for Mr Lewis and Mr Coatsworth relates to amounts recharged by Seven Media Group for the financial year.

(d) There were no options over ordinary shares in the Company granted to KMP during the period.

Directors' Report

YEAR ENDED 28 JUNE 2008

2007	PRIMARY Salary & Fees $	Bonus $	Non Monetary $	POST-EMPLOYMENT Termination $	Super-annuation $	EQUITY COMPENSATION Value of Options $	TOTAL $
KEY MANAGEMENT PERSONNEL – DIRECTORS							
KM Stokes AC (Executive Chairman)	105,000	–	–	–	9,456	–	114,456
PD Ritchie AO (Deputy Chairman)	95,000	–	5,045	–	8,550	–	108,595
ED Boling	95,000	–	–	–	8,550	–	103,550
GM Cairns (resigned 20 February 2007)	66,667	–	–	–	6,000	–	72,667
PJT Gammell	95,000	–	5,793	–	8,550	–	109,343
DJ Leckie (Chief Executive Officer, Seven Media Group)	1,545,057	533,508	8,034	–	85,404	1,225,030	3,397,033
BI McWilliam (Commercial Director)	734,531	143,000	–	–	10,308	1,428,571	2,316,410
WG Rayner (retired 30 March 2007)	99,750	–	–	291,000	–	–	390,750
RK Stokes	95,000	–	–	–	8,550	–	103,550
MC Wells	134,167	–	–	–	93,719	–	227,886
Total Directors	3,065,172	676,508	18,872	291,000	239,087	2,653,601	6,944,240
KEY MANAGEMENT PERSONNEL – EXECUTIVES							
N Chan (Chief Executive Officer – Pacific Magazines)	331,405	37,500	22,185	–	32,093	182,251	605,434
I Johnson (Group General Manager)	515,464	133,416	5,327	–	47,293	–	701,500
PJ Lewis (Chief Financial Officer)	430,600	124,008	191,548	–	33,533	297,807	1,077,496
P Meakin (Director of News & Public Affairs – Television)[f]	469,057	123,815	88,493	–	78,405	364,085	1,123,855
J Warburton (Director of Network Sales – Television)	535,768	225,000	8,440	–	30,831	18,413	818,452
T Worner (Director of Programming & Production – Television)	508,907	159,844	32,009	–	74,263	–	775,023
R Lund (Head of Digital Media)	350,806	81,250	–	–	10,308	44,133	486,497
Total Executives	3,142,007	884,833	348,002	–	306,726	906,689	5,588,257
Total Key Management Personnel	6,207,179	1,561,341	366,874	291,000	545,813	3,560,290	**12,532,497**

Directors' Report

YEAR ENDED 28 JUNE 2008

(e) Includes movements in provisions for leave entitlements.

(f) P Meakin's contract includes a guaranteed bonus payment of $150,000 per annum for each year of the contract term. An amount up to 4 April 2007 is included in salaries and fees above.

(g) Some of the individuals listed above may be eligible for a bonus payment based on their and the Company's performance in the year ending 30 June 2007. While a non-employee specific provision has been made for bonus payments, the process for determining individual eligibility has not been commenced at the date of this report and so individual amounts cannot be specified. Bonus includes amounts paid in regard to performance during the year ended 24 June 2006.

(h) Seven Network insurance premiums have not been included as insurance policies prohibit the disclosure of premiums paid in respect to those policies.

(i) All Directors' compensation details are for the financial year, with exception of those for Mr Cairns and Mr Rayner, are to their respective resignation and retirement dates. Included in Mr Leckie's and Mr McWilliam's are amounts recharged by Seven Media Group for the period from 4 April 2007 to 30 June 2007.

(j) All Executive compensation details are for the period 25 June 2006 to the deconsolidation date 4 April 2007, with the exception of that of Mr Lewis and Mr Lund which also include amounts recharged by Seven Media Group for the period from 4 April 2007 to 30 June 2007.

Analysis of Options granted as Remuneration

						VALUE YET TO VEST	
	Total Options Held – as at 28 June 2008	Date Granted	% Vested in Year	% Forfeited in Year	Financial Years in which Grant Vests	Minimum $	Maximum $
DIRECTORS							
DJ Leckie	1,500,000	17 Nov 2005	66.7	–	June 2007-09	–	405,000
BI McWilliam	1,000,000	2 Nov 2006	–	–	June 2007-09	–	1,440,000
COMPANY EXECUTIVES							
P Lewis	750,000	2 Oct 2006	–	–	June 2007-09	–	445,000

Analysis of Movements in Options

	VALUE OF OPTIONS			
	Granted in Year $	Exercised in Year $	Forfeited in Year $	Total Option Value in Year $
DIRECTORS				
DJ Leckie	N/A	N/A	N/A	N/A
BI McWilliam	N/A	2,500,000	N/A	2,500,000
COMPANY EXECUTIVES				
P Lewis	N/A	N/A	N/A	N/A

The total value of any options granted during the year will be recognised as remuneration proportionately over the vesting period.

Directors' Report

YEAR ENDED 28 JUNE 2008

REMUNERATION POLICY AND SEVEN GROUP PERFORMANCE

The chart below shows Seven Group performance in key areas over the last five years:

	2004	2005	2006	2007	**2008**
Net profit attributable to shareholders ($'000)	93,346*	83,710	107,677	1,621,951	141,594
Basic earnings per ordinary share (cents)	31.0	28.0	36.0	724.0	49.0
Dividends per ordinary share (cents)	23.5	23.5	27.5	29.0	34.0
Share price at financial year end	$5.29	$6.96	$8.17	$11.55	$7.15

*As reported in previous financial statements under AGAAP.

Seven operates in highly competitive industries, particularly those of broadcasting and publishing. The Board considers the attraction, retention and motivation of its Directors, Company Executives, and indeed all Group Staff, to be of critical importance in securing the future growth of the Group, its profits, share price and shareholder returns. The Remuneration Structure is monitored closely by the Board, the Remuneration Committee and the Chief Executive Officer.

The Company continues to provide existing participants of the Seven Employee Share Plan with the opportunity to salary sacrifice contributions to be allocated fully paid ordinary shares in the Company. Employees can elect to participate in the Plan under either the Tax-Exempt Offer or the Tax-Deferred Offer (but not both offers in the same year). Initial offers were made to eligible employees in May 2006.

As detailed in the sections above, the Remuneration Structure of the Seven Group is varied and is designed to offer appropriate rewards for those giving superior performance. It is also designed to even more closely align their interests to those of shareholders and other stakeholders. The remuneration structure is focused on achievement of the Group's financial and operating objectives. The incentive to achieve these objectives is an important contributing factor in the Group's financial performance and, ultimately, the value of the Company's shares and distributions to shareholders.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in this report and the accompanying financial report have been rounded off to the nearest one thousand dollars unless otherwise stated.

Signed for and on behalf of the Board of Directors and in accordance with a resolution of the Directors.

KM Stokes AC
Executive Chairman

MC Wells
Chairman of the Audit Committee

Sydney
26 September 2008

Auditor's Independence Declaration

YEAR ENDED 28 JUNE 2008

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: The Directors of Seven Network Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 28 June 2008 there have been:

i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kenneth Reid
Partner

Sydney
26 September 2008

Income Statements

YEAR ENDED 28 JUNE 2008

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Revenue and other income	3	**114,901**	2,605,198	**3,740**	2,279,458
Expenses	3	**(127,410)**	(823,933)	**–**	–
Share of net profits of equity accounted investees	15	**50,699**	2,556	**–**	–
Profit before net finance income/(costs) and tax		**38,190**	1,783,821	**3,740**	2,279,458
Finance income	4	**130,970**	94,267	**76,699**	38,560
Finance costs	4	**(1,648)**	(132,659)	**(129)**	–
Net finance income/(costs)	4	**129,322**	(38,392)	**76,570**	38,560
Profit before tax		**167,512**	1,745,429	**80,310**	2,318,018
Income tax (expense)/benefit	6	**(25,918)**	(123,478)	**20,903**	(540,308)
Profit after tax		**141,594**	1,621,951	**101,213**	1,777,710
Comprising:					
Continuing operations		**141,594**	1,560,611	**101,213**	1,777,710
Discontinued operations	7	**–**	61,340	**–**	–
		141,594	1,621,951	**101,213**	1,777,710

EARNINGS PER SECURITY (EPS)

	Note	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Ordinary shares					
Basic earnings per share ($)	9	**0.49**	7.24		
Diluted earnings per share ($)	9	**0.49**	7.22		
Basic earnings per share from continuing operations ($)	9	**0.49**	6.96		
Diluted earnings per share from continuing operations ($)	9	**0.49**	6.95		

The income statements are to be read in conjunction with the notes to the financial statements.

Balance Sheets

YEAR ENDED 28 JUNE 2008

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
CURRENT ASSETS					
Cash and cash equivalents	10	**1,235,911**	2,606,695	**50**	50
Trade and other receivables	11	**21,625**	28,697	**–**	–
Inventories	12	**1,154**	–	**–**	–
Assets classified as held for sale	13	**25,566**	25,566	**–**	–
Other	14	**1,918**	579	**–**	–
Total current assets		**1,286,174**	2,661,537	**50**	50
NON-CURRENT ASSETS					
Receivables	11	**16,800**	19,273	**2,322,599**	2,652,982
Investments accounted for using the equity method	15	**10,125**	25,697	**–**	–
Other investments	16	**1,236,207**	524,110	**808,259**	731,560
Property, plant and equipment	17	**47,826**	12,563	**–**	–
Spectrum licences and software development	18	**154,699**	–	**–**	–
Goodwill	19	**3,021**	–	**–**	–
Total non-current assets		**1,468,678**	581,643	**3,130,858**	3,384,542
Total assets		**2,754,852**	3,243,180	**3,130,908**	3,384,592
CURRENT LIABILITIES					
Trade and other payables	20	**58,801**	52,427	**4,298**	10,908
Interest bearing loans and liabilities	21	**58,426**	234	**–**	–
Current tax liabilities		**3,525**	25,605	**3,525**	25,605
Provisions	22	**1,105**	50,788	**–**	–
Total current liabilities		**121,857**	129,054	**7,823**	36,513
NON-CURRENT LIABILITIES					
Trade and other payables	20	**5,625**	10,117	**–**	–
Interest bearing loans and liabilities	21	**6,100**	4,450	**–**	–
Deferred tax liabilities	6	**80,176**	101,235	**490,865**	516,192
Provisions	22	**1,669**	1,241	**–**	–
Deferred income	23	**562,367**	665,872	**–**	–
Total non-current liabilities		**655,937**	782,915	**490,865**	516,192
Total liabilities		**777,794**	911,969	**498,688**	552,705
Net assets		**1,977,058**	2,331,211	**2,632,220**	2,831,887
EQUITY					
Issued capital	24	**641,009**	835,557	**641,009**	835,557
Reserves	25	**(129,679)**	70,229	**11,131**	9,171
Retained earnings	26	**1,458,727**	1,425,425	**1,980,080**	1,987,159
Minority interest		**7,001**	–	**–**	–
Total equity		**1,977,058**	2,331,211	**2,632,220**	2,831,887

The balance sheets are to be read in conjunction with the notes to the financial statements.

Cash Flow Statements

YEAR ENDED 28 JUNE 2008

		CONSOLIDATED		COMPANY	
		2008	2007	2008	2007
	Note	$'000	$'000	$'000	$'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES					
Receipts from customers		**36,709**	1,299,346	**–**	–
Payments to suppliers and employees		**(100,372)**	(1,038,770)	**–**	–
Dividends received from equity accounted investees		**200**	1,557	**–**	–
Other dividends received		**56,978**	10,239	**–**	100,000
Interest and other items of a similar nature received		**141,161**	69,714	**–**	–
Interest and other costs of finance paid		**(349)**	(155,198)	**(129)**	–
Income taxes paid		**(53,113)**	(61,949)	**(53,113)**	(61,016)
Net operating cash flows	35	**81,214**	124,939	**(53,242)**	38,984
CASH FLOWS RELATED TO INVESTING ACTIVITIES					
Payments for purchases of property, plant and equipment		**(2,876)**	(10,074)	**–**	–
Proceeds from sale of property, plant and equipment		**–**	476	**–**	–
Payments for purchases of software development		**(1,566)**	–	**–**	–
Payments for investments		**(1,195,794)**	(460,570)	**–**	–
Proceeds from sale of other investments		**182,562**	7,955	**–**	–
Payments for controlled entities, net of cash acquired[a]	30	**(124,365)**	(3,141)	**–**	–
Proceeds (net of transaction costs) from sale of controlled entities, net of cash disposed[b]	30	**–**	220,477	**–**	2,773,868
Loans provided net of repayments		**(1,590)**	(311)	**–**	–
Net investing cash flows		**(1,143,629)**	(245,188)	**–**	2,773,868
CASH FLOWS RELATED TO FINANCING ACTIVITIES					
Proceeds from issues of securities[c]		**11,030**	37,575	**11,030**	20,446
Payments for buyback of shares[d]		**(205,578)**	–	**(205,578)**	–
Dividends paid		**(108,292)**	(92,299)	**(108,292)**	(92,299)
Proceeds from borrowings[e]		**–**	3,734,600	**–**	–
Repayment of borrowings		**(5,529)**	(1,043,548)	**–**	–
Loans received from/(made to) controlled entities		**–**	–	**356,082**	(2,740,949)
Net financing cash flows		**(308,369)**	2,636,328	**53,242**	(2,812,802)
Net (decrease)/increase in cash and cash equivalents		**(1,370,784)**	2,516,079	**–**	50
Cash and cash equivalents at beginning of year		**2,606,695**	90,616	**50**	–
Cash and cash equivalents at end of year	10	**1,235,911**	2,606,695	**50**	50

The cash flow statements are to be read in conjunction with the notes to the financial statements.

(a) Year ended 28 June 2008 includes acquisition of Unwired Group Limited and Engin Limited (refer note 30).
(b) Year ended 30 June 2007 includes sale of Telstra Dome and deconsolidation of Seven Media Group Limited (refer notes 7 and 30).
(c) During the year ended 28 June 2008 1,200,000 options were converted into ordinary shares for proceeds of $11,030,000. During the year ended 30 June 2007 2,716,500 options were converted into ordinary shares for proceeds of $20,446,000 and proceeds from minority interests amounted to $17,129,000.
(d) During the year ended 28 June 2008 Seven bought back 21,158,424 ordinary shares.
(e) These borrowings relate to entities that were deconsolidated on 4 April 2007 (refer note 30).

Statements of Changes in Equity

YEAR ENDED 28 JUNE 2008

	Note	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Total equity at beginning of year		2,331,211	718,403	2,831,887	1,121,050
Net foreign exchange differences recognised in equity	25	(41)	(359)	–	–
Cash flow hedge gains/(losses) taken to equity	25	80	(1,676)	–	–
Movement in fair value of available for sale investments		(290,034)	84,661	–	–
Impairment write downs transferred to profit and loss	37	41,633	–	–	–
Share of jointly controlled entity's reserve movements		30,550	–	–	–
Net income tax on items taken directly to or transferred directly from equity		15,944	(24,896)	–	–
Net income recognised directly in equity		(201,868)	57,730	–	–
Net profit for the year		141,594	1,621,951	101,213	1,777,710
Total recognised income and expense for the year		(60,274)	1,679,681	101,213	1,777,710
Dividends paid	26	(108,292)	(92,299)	(108,292)	(92,299)
Contributions of equity		11,030	37,575	11,030	20,446
Buyback of shares	24	(205,578)	–	(205,578)	–
Minority interests on acquisition of controlled entity		7,001	–	–	–
Deconsolidation of minority interests		–	(17,129)	–	–
Increase in share option reserve in respect of share based payment expense	25	1,960	4,980	1,960	4,980
		(354,153)	1,612,808	(199,667)	1,710,837
Total equity at end of the year		1,977,058	2,331,211	2,632,220	2,831,887
Attributable to:					
Equity holders of the Company		1,970,057	–	–	–
Minority interests		7,001	–	–	–
Total equity at end of the year		1,977,058	2,331,211	2,632,220	2,831,887

The statements of changes in equity are to be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Seven Network Ltd ("the Company") is a company domiciled in Australia. The annual financial report of the Company as at and for the year ended 28 June 2008 comprises the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities. The annual report was authorised by the Directors on 26 September 2008.

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss and investments in available for sale assets.

These accounting policies have been consistently applied by Group entities for all periods presented in these financial statements.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company, being the parent entity and its subsidiaries ("the Group").

Subsidiaries

All inter-company balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs can not be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Seven Network Limited had control. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Minority interests in equity and the results of the entities that are controlled by the Company are shown as separate items in the consolidated financial statements.

Investments in subsidiaries are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the income statement when they are declared by the controlled entities.

(C) ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

In the consolidated financial statements investments in associates and jointly controlled entities are carried at the lower of the equity accounted amount and recoverable amount. The equity accounted amount includes the fair value of any non-cash consideration. In the Company's financial statements, investments in jointly controlled entities are carried at cost plus share of subordinated equity note interest.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity, unless it can be clearly demonstrated that this is not the case.

(D) DECONSOLIDATION OF SEVEN MEDIA GROUP PTY LIMITED AND ITS CONTROLLED ENTITIES ("SMG")

From 4 April 2007 the Company no longer controlled Seven Media Group Pty Limited.

The loss of control of the SMG group resulted in a profit on deconsolidation. As the consolidated entity retained a 47.7% interest in SMG normally a portion of the gain would be credited against the investment in SMG. As 47.7% of the gain is greater than the investment in SMG, IFRS guidance indicates that there is a choice of two accounting treatments to account for this profit:

(1) eliminate share of gain that relates to the consolidated entity's retained interest in SMG; or

(2) eliminate unrealised gain only to the extent that it reduces the carrying amount of SMG to nil.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The consolidated entity elected to account for the profit in accordance with alternative (1), which resulted in deferred income of $665 million. This deferred income will be released to the income statement in future years as SMG generates profits or the consolidated entity sells all or part of its investment in SMG.

The consolidated entity has consolidated the results of the SMG group up until 4 April 2007 in its full year results for the year ended 30 June 2007. From the date of deconsolidation (4 April 2007) the consolidated entity's interest in SMG has been accounted for as a jointly controlled entity and equity accounted.

Where the consolidated entity retains a significant continuing involvement in an operation, either directly or indirectly, that operation is not reported as a discontinued operation. Seven retained a 47.7% interest and the Seven Board has determined that this interest reflects a significant continuing involvement in SMG. Consequently, although 52.3% of the SMG group has been disposed of, the results are presented as part of the Group's continuing operations up until deconsolidation.

The Seven Media Group introduced a Management Equity Plan (MEP) in December 2007. The MEP's Category 1 options are regarded as ownership interests in the SMG Group, thereby diluting the interest held by Seven Network Limited investors. Consequently, Seven's ownership interest reduced from 47.7% to 47.0% in December 2007, which resulted in a release of a portion of the deferred gain, and remains at 47.0% at 28 June 2008.

Refer note 30 for further details.

(E) INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are classified as either financial assets at fair value through profit and loss or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

An investment is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Unless designated as at fair value through profit or loss, the Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

(F) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial report requires the making of estimations, judgements and assumptions that affect the recognised amounts that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 6 – deferred tax.
- Notes 22 and 27 – prior year legal provision.
- Note 30 – business acquisitions and disposals.
- Note 37 – impairment of listed equity securities.

(G) REVENUE RECOGNITION

Revenues are recognised at the fair value of the consideration received, net of goods and services tax (GST). Sales revenue comprises revenue earned from the provision of goods and services to entities outside of the consolidated entity.

Sales Revenue for the provision of broadband and telecommunication services is recognised net of returns, trade allowances and duties and taxes paid. Fees for monthly access plans which are charged monthly in advance are allocated to the appropriate

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

calendar month. Any income in advance at the end of an accounting period is not recognised as revenue in the income statement, and is held as deferred revenue in the balance sheet.

Sales revenue from advertising is measured net of settlement rebates to advertising agencies. The revenue is recognised when the advertisement is aired or when the service is provided.

Magazine circulation revenue is recognised net of expected returns to the extent that the entity has transferred the significant risks and rewards of ownership to the buyer, it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured.

Programme sale revenue is recognised upon deliverance of episodes to the buyer. Affiliate revenue is recognised as it is accrued.

Dividends

Dividend revenue is recognised net of any franking credits. Revenue is recognised when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(H) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

(J) FOREIGN CURRENCY

Foreign currency transactions are converted to Australian Dollars at the exchange rate ruling at transaction dates.

Monetary assets and liabilities in foreign currencies at the reporting date are retranslated to the functional currency at the rates of exchange ruling on that date. Exchange differences arising on retranslation are brought to account as exchange gains or losses in the income statement in the year in which the exchange rates change, except for:

- The accounting for hedges, which is described in note 1(z).
- The net investment in foreign operations, related hedges, and other foreign operations which are translated at the rates of exchange ruling at balance date with any exchange differences being taken to a foreign currency translation reserve until disposal of the operation.

(K) TAXATION

Income tax expense is composed of current and deferred tax expense. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Capital Gains Tax cost base has been taken as the cost base of the licences, mastheads and investments in equity accounted investees. This assumes that the carrying value of the asset will be recovered ultimately through sale.

Tax consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in note 30 and Seven Media Group Pty Limited. The implementation date for the tax-consolidated group was 29 September 2002.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable/(receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the temporary difference can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability are recognised by the head entity only.

Nature of tax funding arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivable/(payable) is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

(L) RECEIVABLES

Trade and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less impairment losses for any uncollectible amounts.

A provision for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(M) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and freight and includes the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of direct material. Costs are assigned to individual items of stock on the basis of weighted average costs.

(N) PROGRAMME RIGHTS

Television programme rights are carried at the lower of cost less amortisation and net recoverable amount. Cost comprises acquisition of programme rights and, for programmes produced using the consolidated entity's facilities, direct labour and materials and directly attributable fixed and variable overheads.

Recognition

Television programme assets and programme liabilities are recognised from the commencement of the rights period of the contract. Contract payments made prior to commencement of the rights period are disclosed as a prepayment and included under television programme rights and inventories.

Amortisation policy

The Group's amortisation policy requires the amortisation of purchased programmes on a straight line basis over a life of one year from commencement of the rights period or over the rights period of the contract (whichever is the lesser). Produced programmes are expensed on telecast or in full on the twelfth month after completion.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(O) ASSETS HELD FOR SALE

Assets held for sale are carried at the lower of their carrying amount at the date of classification as assets held for sale and fair value less costs to sell.

(P) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recorded at cost less accumulated depreciation or amortisation and impairment losses, as outlined below.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Major spares purchased specifically for particular plant and equipment are capitalised and depreciated on the same basis as the plant to which they relate.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

All items of property, plant and equipment are reviewed annually to ensure carrying values are not in excess of recoverable amounts.

Depreciation and amortisation

Freehold land is not depreciated. Other property, plant and equipment is depreciated at rates based on their expected lives, using the straight line method. Depreciation rates based on estimated useful lives for the current and prior year are as follows:

- Buildings 2.5%
- Plant and equipment 4-33%

Leased assets acquired under a finance lease are amortised over the life of the relevant lease.

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over five years.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(Q) LEASED ASSETS

Leases of fixed assets, where substantially all the risks and rewards incidental to ownership of the assets are transferred to the consolidated entity, are classified as finance leases.

Finance leases are capitalised at the inception of the lease and recorded as an asset with a corresponding liability equal to the lower of its fair value and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between a reduction of the lease liability and lease interest.

Operating leases, where the lessor effectively retains all the risks and benefits of ownership of the leased asset, are not capitalised. Payments made under an operating lease are recognised in the income statement on a straight line basis.

(R) LICENCES, SOFTWARE DEVELOPMENT, MASTHEADS AND COPYRIGHT RIGHTS

Spectrum Licences

Spectrum licence assets are measured at deemed cost. The amortisation of the spectrum licence assets is calculated on a straight-line basis over the expected useful life of the asset. In respect of the 3.5 GHz spectrum, this is deemed to be the remaining licence term of 10 years and 7 months commencing June 2004, being the date that the first commercial customers were deployed on the network. Amortisation of the 2.3 GHz spectrum commenced in November 2007. The 2.3 GHz spectrum licence expires in 2015.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Software development

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over a period generally ranging from three to five years.

Development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Television licences

The television licences are renewable every five years under the provisions of the Broadcasting Services Act 1992. The Directors have no reason to believe that they will not be renewed.

Television licences are carried at cost less impairment losses. Television licences are considered to have an indefinite useful life and no amortisation is charged.

Magazine licences

Magazine licences are carried at the cost of acquisition less impairment losses and are amortised on a straight line basis over the period of the licences ranging from 8-25 years.

Programme copyright rights

Programme copyright rights are carried at cost less impairment loss and are amortised on a straight line basis over the period of the rights.

Magazine mastheads

Mastheads are carried at the cost less any impairment loss. No amortisation is provided against the carrying amount as the Directors believe that the lives of these assets are indefinite.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. Licences, mastheads and copyright rights are amortised at rates of 4-20%.

(S) GOODWILL

All business combinations are accounted for by applying the purchase method. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. Goodwill represents the difference between the cost of acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised. Any negative goodwill arising on an acquisition is recognised directly in the income statement.

(T) IMPAIRMENT

The carrying amounts of the entity's assets are reviewed for impairment annually, and when events or changes in circumstances indicate the carrying amount may not be recoverable. If such an indication exists and the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows (the "cash-generating unit") from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the asset relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Any cumulative loss in respect of an available for sale financial asset previously recognised in equity is transferred to profit or loss.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is reviewed annually.

The recoverable amount of these assets is determined using value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount and the present values of the estimated future cash flows discounted at the original effective interest rate.

When a decline in fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. In determining whether there is objective evidence that the asset is impaired, the Group assesses if there has been a "significant or prolonged" decline in the fair value of the equity instrument below its cost. If a decline in fair value is considered significant or prolonged, an impairment loss is recognised.

(U) TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. Accounts payable are normally settled on 30-60 day terms.

(V) INTEREST BEARING LOANS AND LIABILITIES

Interest bearing loans and liabilities are recognised initially at fair value less attributable transaction costs, and any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Any related accrued interest is included in trade creditors and accruals.

(W) FINANCE INCOME AND COSTS

Net finance income/costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and gains and losses on hedging instruments that are recognised in the income statement.

Interest income and the interest expense component of finance lease payments is recognised in the income statement as it accrues, using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(X) EMPLOYEE BENEFITS

Short term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date. They are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs.

A provision is recognised for the amount expected to be paid under the short-term bonus plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows resulting from employees' services provided up to balance date. In determining the liability, consideration is given to future salary rate increases and past experience with staff departures. Related on-costs have also been included.

Superannuation

The consolidated entity contributes to a superannuation fund which provides accumulated contribution plans. Contributions are charged against the income statement in the period to which they relate.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Employee share and option plans

The fair value of shares and options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become entitled to the options.

The fair value of the shares and options granted is measured using a combination of the Binomial model and Monte Carlo simulation model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting or other market conditions.

(Y) PROVISIONS

A provision is recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that a future sacrifice of economic benefits will be required to settle the obligation. If the effect is material, a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Dividends

Dividends payable are recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Restructuring and employee termination benefits

A provision for restructuring is recognised when the entity has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Make good provisions on property leases

A make good provision is recognised for the costs of restoration or removal in relation to property, plant and equipment where there is a legal or constructive obligation. The provision is initially recorded when a reliable estimate can be determined and is discounted to its present value. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(Z) FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge interest rate and foreign exchange risks. Derivative financial instruments are not held for speculative purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivate contract is entered into and is subsequently re-measured to fair value. Derivatives are carried as assets when their fair value is positive and liabilities when their fair value is negative. Attributable transaction costs are recognised in profit or loss when incurred.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges are taken directly to the income statement.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

The fair values of interest rate swaps are determined by reference to market values for similar instruments.

Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Any gains or losses arising from changes in the fair value of financial instruments designated as at fair value through profit or loss are taken directly to the income statement.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

Hedges are accounted for as follows:

Cash flow hedges
Cash flow hedges are hedges of the Group's exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

Derivatives that do not qualify for hedge accounting are classified as current assets or liabilities and are stated at fair value, with any resultant gain or loss being recognised in the income statement.

Hedges of a net investment
The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement. On disposal of a foreign operation the cumulative value of any gains or losses recognised in equity are transferred to the income statement.

(AA) TELYS3

The Transferable Extendable Listed Yield Shares (TELYS3) have been classified as equity and the dividend payable on the TELYS3 is treated as a distribution of shareholders' equity. The income statement does not include the dividends on the TELYS3.

(BB) SEGMENT REPORTING

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(CC) EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting the profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

(DD) ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following Australian accounting standards and Urgent Issues Group pronouncements were available for early adoption but have not been adopted by the Group in these financial statements:

AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

AASB 2007-3 Amendments to Australia Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment Assets. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

Revised AASB 101 Presentation of Financial Statements changes the references used in Australian Accounting Standards to better align with IFRS terminology. The amendments will impact the presentation of information in the income statement and statement

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

of recognised income and expense and may affect the positioning of the statement of changes in equity. The amendments are applicable for annual reporting periods beginning on or after 1 January 2009.

AASB 2007-8 Amendments to Australian Accounting Standards arise from the amendments to AASB 101 Presentation of Financial Statements. The amendments are applicable for annual reporting periods beginning on or after 1 January 2009.

Revised AASB 123 Borrowing Costs eliminates the option of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The amendments are applicable for annual reporting periods beginning on or after 1 January 2009.

AASB 2007-6 Amendments to Australian Accounting Standards arise from the amendments to AASB 123 Borrowing Costs. The amendments are applicable for annual reporting periods beginning on or after 1 January 2009.

Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect on the Group's financial report.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) will introduce 24 amendments to 15 different standards that may require changes in the presentation, recognition and measurement of various balances. AASB 2008-5 will become mandatory for the Group's 30 June 2009 financial statements. The Group has not yet determined the potential effect on the Group's financial report.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) will introduce terminology and editorial amendments to eight different standards. AASB 2008-6 will become mandatory for the Group's 30 June 2010 financial statements. The Group is not expecting this to have a significant impact on its financial statements.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008) will amend AASB 118, AASB 121, AASB 127 and AASB 136, all of which must be adopted at the same time. The amendments in AASB 127 should be applied prospectively to new reorganisations after 1 January 2009. Entities may also elect to apply the amendments in AASB 127.38B and 38C retrospectively to past reorganisations within the scope of these paragraphs. The Group has not yet determined the potential effect of the amending standard on the Group's financial report.

AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (AI16) applies to annual reporting periods beginning on or after 1 October 2008, with early adoption permitted. This interpretation is not expected to have a significant impact on the financial results of the Group and the Company.

(EE) FINANCIAL YEAR

The 2008 financial year comprises the 52 week period ended 28 June 2008. The 2007 financial year comprised the 53 week period ended 30 June 2007.

2. SEGMENT REPORTING

PRIMARY REPORTING

Business segments

The consolidated entity comprises the following main business segments, based on the Group's management reporting system:

- Investments: Listed and other investments.
- Broadband and telephony: Provision of wireless broadband and telecommunication services[a].
- Television: Operation of commercial television stations.
- Magazines: Magazine publisher.
- Stadiums: Naming rights, marketing, ticketing and seating rights to and responsibility for management of Telstra Dome.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

2. SEGMENT REPORTING CONTINUED

Due to the deconsolidation of Seven Media Group and the sale of Telstra Dome during 2007, segment information is presented for the television, magazines and stadiums businesses in the prior year only (refer notes 7 and 30).

SECONDARY REPORTING

Geographical segments

The consolidated entity's total external sales are predominantly to customers in Australia and total segment assets are held predominantly in Australia.

Primary Reporting	Investments $'000	Broadband & Telephony $'000	Consolidated $'000
YEAR ENDED 28 JUNE 2008			
Revenue and other income			
Segment Revenue	56,697	27,323	84,020
Dividend income	56,978	–	56,978
Significant items (refer note 5):			
Gain on sale of investments	5,402	–	5,402
Gain from change in ownership interest of a jointly controlled entity	19,200	–	19,200
	138,277	27,323	165,600
Share of jointly controlled entity and associates' profit included in segment revenue	(50,699)	–	(50,699)
Total revenue and other income			**114,901**
Result			
Segment result	97,149	(17,913)	79,236
Significant items (refer note 5)			
Gain on sale of investments	5,402	–	5,402
Gain from change in ownership interest of a jointly controlled entity	19,200	–	19,200
Impairment of investments	(65,648)	–	(65,648)
	56,103	(17,913)	38,190
Net finance costs			129,322
Profit before tax			167,512
Income tax expense			(25,918)
Profit after tax			**141,594**
Segment assets	2,532,744	211,983	2,744,727
Investment in equity accounted investees	10,125	–	10,125
Total assets	2,542,869	211,983	**2,754,852**
Segment liabilities	615,107	69,960	685,067
Unallocated corporate liabilities			92,727
Consolidated total liabilities			**777,794**
Other segment information			
Capital expenditure	23	4,419	4,442
Depreciation and amortisation[b]	431	18,249	18,680

(a) Unwired and Engin, which were acquired during the year, provide the broadband and telephony segment services.
(b) Other than depreciation and amortisation, remaining non-cash expenses are not material.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

2. SEGMENT REPORTING CONTINUED

Primary Reporting	Investments $'000	Television $'000	Magazines $'000	Stadiums $'000	**Consolidated $'000**
YEAR ENDED 30 JUNE 2007					
Revenue and other income					
Segment revenue	4,317	812,123	194,854	–	1,011,294
Dividend income	9,808	431	–	–	10,239
Significant items (refer note 5):					
Gain on disposal of investments and assets held for sale	1,509,909	–	–	76,312	1,586,221
	1,524,034	812,554	194,854	76,312	2,607,754
Share of jointly controlled entity and associates' profit included in segment revenue					(2,556)
Total revenue and other income					**2,605,198**
Result[a]					
Segment result	(13,228)	235,861	24,967	–	247,600
Significant items (refer note 5)	1,459,909	–	–	76,312	1,536,221
	1,446,681	235,861	24,967	76,312	1,783,821
Net finance costs					(38,392)
Profit before tax					1,745,429
Income tax expense					(123,478)
Profit after tax					**1,621,951**
Other segment information					
Capital expenditure	–	8,874	1,200	–	10,074
Depreciation and amortisation excluding amortisation of programme rights	436	28,240	6,131	–	34,807
Amortisation of programme rights	–	107,753	–	–	107,753

(a) Profit for the year ended 30 June 2007 includes the Seven Media Group businesses up until 4 April 2007 (BSA Amendment date) at which time they were deconsolidated. Refer to note 30 for further information in regard to the deconsolidation.
(b) At 30 June 2007 the consolidated entity's assets and liabilities are primarily of an investment nature.
(c) Other than depreciation and amortisation, remaining non-cash expenses are not material.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

3. REVENUE AND EXPENSES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
REVENUE				
Sales revenue	33,321	1,008,508	–	–
Dividends	56,978	10,239	–	100,000
	90,299	1,018,747	–	100,000
Other Income				
Gain on sale of non-current assets excluding significant items	–	230	–	–
Significant items (refer note 5):				
Release of deferred gain arising from change in ownership interest of a jointly controlled entity	19,200	–	–	–
Gain on sale of other investments	5,402	–	–	–
Gain on deconsolidation of Seven Media Group Pty Ltd	–	1,509,909	–	–
Gain on sale of Subsidiary	–	–	–	1,989,793
Gain on sale of assets held for sale	–	76,312	3,740	189,665
	24,602	1,586,451	3,740	2,179,458
Total revenue and other income	114,901	2,605,198	3,740	2,279,458
EXPENSES				
Excluding significant items:				
Broadband and telephony segment expenses	45,236	–	–	–
Television segment expenses	–	576,693	–	–
Magazine segment expenses	–	169,887	–	–
Other expenses excluding significant items	16,526	27,353	–	–
	61,762	773,933	–	–
Significant items (refer note 5):				
Impairment of listed equity securities	47,348	–	–	–
Impairment of investment in associate	18,300	–	–	–
C7 litigation costs provision	–	50,000	–	–
Total expenses before borrowing costs	127,410	823,933	–	–
Included within the above expenses are the following items:				
Depreciation and amortisation:				
Property, plant and equipment	5,923	30,439	–	–
Television programme rights	–	107,753	–	–
Licences, software development and copyright rights	12,757	4,368	–	–
	18,680	142,560	–	–
Net expense from movements in provision for:				
Employee benefits	45	15,982	–	–
Litigation cost provision	–	50,000	–	–
Other	170	145	–	–
	215	66,127	–	–
Net bad and doubtful debts expense including movements in provision for doubtful debts	290	1,201	–	–
Employee benefits expense	8,231	173,229	–	–
Operating lease rental expense	2,061	14,701	–	–

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

4. NET FINANCE INCOME/(COSTS)

	CONSOLIDATED		COMPANY	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
FINANCE INCOME				
Interest income on bank deposits	**130,970**	94,267	**–**	–
Interest income on subordinated equity notes	**–**	–	**76,699**	38,560
Total finance income	**130,970**	94,267	**76,699**	38,560
FINANCE COSTS				
Interest expense	**(1,648)**	(108,562)	**(129)**	–
Fair value change on foreign currency borrowings	**–**	6,876	**–**	–
Fair value change on derivatives	**–**	(6,624)	**–**	–
Net foreign exchange (loss) on foreign currency borrowings	**–**	(236)	**–**	–
Total finance costs	**(1,648)**	(108,546)	**(129)**	–
Net finance income/(costs) excluding significant items	**129,322**	(14,279)	**76,570**	38,560
Significant items (refer note 5):				
US note repayment close out costs	**–**	(24,113)	**–**	–
Net finance income/(costs)	**129,322**	(38,392)	**76,570**	38,560

5. SIGNIFICANT ITEMS

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Release of deferred gain arising from change in ownership interest of a jointly controlled entity[a]	**19,200**	–	**–**	–
Gain on sale of other investments	**5,402**	–	**–**	–
Impairment of listed equity securities	**(47,348)**	–	**–**	–
Impairment of investment in associate[b]	**(18,300)**	–	**–**	–
Gain on deconsolidation of Seven Media Group Pty Limited[c]	**–**	1,509,909	**–**	–
Gain on sale of subsidiary[d]	**–**	–	**–**	1,989,793
Gain on sale of assets held for sale[e]	**–**	76,312	**3,740**	189,665
C7 Litigation costs[f]	**–**	(50,000)	**–**	–
US note repayment close out costs[g]	**–**	(24,113)	**–**	–
Total significant items	**(41,046)**	1,512,108	**3,740**	**2,179,458**

(a) Seven Media Group (SMG) introduced a Management Equity Plan (MEP) in December 2007 which resulted in the dilution of Seven's ownership interest in SMG from 47.7% to 47.0%. The remeasurement of the previously deferred gain on deconsolidation of SMG resulted in the release of $19.2 million ($13.4 million net of tax) of the gain to the income statement.

(b) Relates to impairment of Seven's investment in Engin Limited prior to Seven gaining control of Engin.

(c) On 4 April 2007 the consolidated entity deconsolidated its investments in Seven Media Group Pty Limited resulting in a profit on deconsolidation of $1,509.9 million in the consolidated entity. Refer note 30 for further detail.

(d) On 29 December 2006 the Company sold its interest in the wholly owned subsidiary Seven Network (Operations) Limited to Seven Media Group Pty Limited resulting in a profit on sale of $1,989.8 million net of costs and loan forgiveness of $1,273.8 million.

(e) On 18 August 2006 the consolidated entity sold its interests in Telstra Dome resulting in a gain on sale of $76.3 million in the consolidated entity and $189.7 million in the Company. Refer note 7 for further detail.

(f) The amount provided in the year ended 30 June 2007 was a preliminary estimate only as formal quantification of the claims had not yet been made by the parties. These were agreed and paid in the current year out of provisions established in prior years.

(g) During the year ended 30 June 2007 the consolidated entity repaid all amounts owing in relation to its US notes and associated hedges. Close out costs totalling $24.1 million ($16.9 million net of tax) were incurred on early repayment of the borrowings.

6. INCOME TAX

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
INCOME TAX EXPENSE				
Current tax expense:				
Current period	24,743	29,505	2,977	23,042
Adjustment for prior periods	6,290	2,895	1,447	–
	31,033	32,400	4,424	23,042
Deferred tax (credit)/expense due to origination and reversal of temporary differences	(5,115)	91,078	(25,327)	517,266
Total income tax expense/(benefit) in income statement	25,918	123,478	(20,903)	540,308
RECONCILIATION BETWEEN TAX EXPENSE AND PRE-TAX ACCOUNTING PROFIT:				
Income tax using the domestic corporation tax rate 30% (2007: 30%)	50,254	523,629	24,093	695,405
Capital items	18,074	(388,999)	(12,162)	(519,857)
Remeasurement of deferred tax relating to investment in SMG	(17,747)	–	(17,319)	–
Franked dividends	(16,514)	–	–	–
Legal expenses	251	(12,546)	–	–
Share of associates' net profit	1,143	(767)	–	–
Other non-taxable/non-deductible items	764	(734)	(365)	394,760
Non assessable dividend from tax consolidated group	–	–	–	(30,000)
Recovery of income tax benefit under a tax sharing agreement	(16,597)	–	(16,597)	–
Under provided in prior periods	6,290	2,895	1,447	–
Income tax expense/(benefit) on operating profit	25,918	123,478	(20,903)	540,308
DEFERRED INCOME TAX RECOGNISED DIRECTLY IN EQUITY				
Relating to available-for-sale financial asset	25,109	(25,398)	–	–
Relating to net loss on revaluation of cash flow hedges	–	502	–	–
Relating to investment in SMG	(9,165)	–	–	–
	15,944	(24,896)	–	–

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

6. INCOME TAX CONTINUED

	CONSOLIDATED			COMPANY		
	Balance $'000	Recognised in income $'000	Recognised in equity $'000	**Balance $'000**	Recognised in income $'000	Recognised in equity $'000
DEFERRED TAX BALANCE						
Year Ended 28 June 2008						
Investments	(283,602)	47,075	25,109	(525,249)	17,319	–
Property, plant and equipment	(4,417)	(4,417)	–	–	–	–
Provisions	645	(14,851)	–	–	–	–
Creditors	4,886	(31,267)	–	–	–	–
Deferred Income	208,573	11,606	(9,165)	–	–	–
Other	(6,261)	(3,031)	–	34,384	8,008	–
Net tax asset/(liability)	(80,176)	5,115	15,944	(490,865)	25,327	–
Deferred tax liabilities	**(80,176)**			**(490,865)**		

As at 28 June 2008, deferred tax assets of $49,411,000 in respect of deductible temporary differences have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. The deductible temporary differences do not expire under current tax legislation.

	CONSOLIDATED			COMPANY		
	Balance $'000	Recognised in income $'000	Recognised in equity $'000	**Balance $'000**	Recognised in income $'000	Recognised in equity $'000
DEFERRED TAX BALANCE						
Year Ended 30 June 2007						
Investments	(355,786)	(330,950)	(25,398)	(542,568)	(542,568)	–
Programme rights	–	(17,239)	–	–	–	–
Receivables	–	396	502	–	–	–
Prepayments	–	41	–	–	–	–
Licences and copyright rights	–	882	–	–	–	–
Provisions	15,496	12,953	–	–	–	–
Creditors	36,153	42,275	–	–	–	–
Deferred Income	206,132	206,598	–	–	–	–
Borrowings	–	(3,448)	–	–	–	–
Other	(3,230)	(2,586)	–	26,376	25,302	–
Net tax asset/(liability)	(101,235)	(91,078)	(24,896)	(516,192)	(517,266)	–
Deferred tax liabilities	**(101,235)**			**(516,192)**		

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

7. DISCONTINUED OPERATIONS

On 21 June 2006 Seven Network Limited announced that it had reached agreement to sell its interests in Melbourne's Telstra Dome. The Telstra Dome sale transaction was finalised on 15 August 2006.

The Telstra Dome operations formed the stadiums segment.

The results of the discontinued operations are:

	CONSOLIDATED	
	2008 $'000	2007 $'000
PROFIT FROM DISCONTINUED OPERATIONS		
Other income – Gain on sale of stadium operations	–	76,312
Profit before net finance costs and tax	–	76,312
Net finance costs		–
Profit/(loss) from operating activities, before tax	–	76,312
Income tax expense	–	(14,972)
Profit after tax	–	61,340
Basic earnings per share from discontinued operations	–	0.28
Diluted earnings per share from discontinued operations	–	0.28
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Operating activities	–	–
Investing activities	–	–
Financing activities	–	–
	–	–
EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP		
Assets held for sale	–	281,799
Liabilities held for sale	–	(52,172)
Net identifiable assets and liabilities disposed	–	229,627

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

8. DIVIDENDS

	Amount per share	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
DIVIDENDS PAID OR PAYABLE					
Ordinary shares					
Final dividend in respect of 2006 year franked at 30% paid 27 October 2006	15.5 cents	–	34,791	–	34,791
Interim dividend in respect of 2007 year franked at 30% paid 10 April 2007	12.0 cents	–	27,125	–	27,125
Final dividend in respect of 2007 year franked at 30% paid 26 October 2007	17.0 cents	38,630	–	38,630	–
Interim dividend in respect of 2008 year franked at 30% paid 9 April 2008	17.0 cents	36,842	–	36,842	–
		75,472	61,916	75,472	61,916
Transferable Extendable Listed Yield Shares ("TELYS3")					
Dividend franked at 30% paid 30 November 2006	$2.99	–	14,842	–	14,842
Dividend franked at 30% paid 31 May 2007	$3.13	–	15,541	–	15,541
Dividend franked at 30% paid 30 November 2007	$3.14	15,609	–	15,609	–
Dividend franked at 30% paid 2 June 2008	$3.47	17,211	–	17,211	–
		32,820	30,383	32,820	30,383
Dividends paid or payable		108,292	92,299	108,292	92,299
SUBSEQUENT EVENT					
Current period final dividend on ordinary shares proposed but not provided					
Final dividend in respect of 2008 year franked at 30% to be paid 24 October 2008	17.0 cents	34,510		34,510	
The final dividend for ordinary shares is an estimate only, based on the number of securities as at the date of this report. Balance of franking account at 30% after adjusting for: a) franking credits that will arise from the payment of income tax payable for the current financial year; b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and d) franking credits that the entity may be prevented from distributing in subsequent years.					
		29,118	19,020	29,118	19,020

9. EARNINGS PER SHARE

	CONSOLIDATED	
	2008 $'000	2007 $'000
EARNINGS RECONCILIATION		
Net profit	141,594	1,621,951
Allocated earnings to category of ordinary share:		
Ordinary shares		
— Continuing operations	108,575	1,532,272
— Discontinued operations	–	61,340
TELYS3	33,019	28,339
	141,594	1,621,951
Weighted average number of ordinary shares		
Number for basic earnings per share:		
— Ordinary shares	222,140,102	220,129,664
— TELYS3	4,963,640	4,963,640
Effect of share options on issue:		
— Ordinary shares	3,759	492,871
Number for diluted earnings per share:		
— Ordinary shares	222,143,861	220,622,535
— TELYS3	4,963,640	4,963,640
Earnings per share		
Ordinary shares – total earnings per share:		
— Basic ($)	0.49	7.24
— Diluted ($)	0.49	7.22
Ordinary shares – continuing operations earnings per share:		
— Basic ($)	0.49	6.96
— Diluted ($)	0.49	6.95
TELYS3 earnings per share:		
— Basic ($)	6.65	5.71
— Diluted ($)	6.65	5.71

Options on issue (refer note 24) have been classified as potential ordinary shares and included in diluted earnings per share.

10. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Bank balances	385,911	11,695	50	50
Call deposits	850,000	2,595,000	–	–
Cash and cash equivalents in the Statement of Cash Flows	1,235,911	2,606,695	50	50

The Group's and the Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 37.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

11. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT				
Trade receivables	1,394	–	–	–
Provision for impairment loss	(264)	–	–	–
	1,130	–	–	–
Receivables due from jointly controlled entity	1,299	–	–	–
Interest receivable	13,745	23,889	–	–
Other receivables	5,451	4,808	–	–
	21,625	28,697	–	–
NON-CURRENT				
Receivables due from wholly owned controlled entities	–	–	2,322,599	2,652,982
Receivables due from associates	2,000	–	–	–
Other receivables	14,800	19,273	–	–
	16,800	19,273	2,322,599	2,652,982

The Group's and the Company's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 37.

12. INVENTORIES

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
CURRENT				
Finished goods	1,154	–	–	–
	1,154	–	–	–

During the year ended 28 June 2008 changes in finished goods recognised in "broadband and telephony segment expenses" (note 3) amounted to $6,299,627. This included a write-down of inventories to net realisable value amounting to $96,819 and a reversal of write-downs amounting to $115,771.

13. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
Other	25,566	25,566	–	–
	25,566	25,566	–	–

Assets held for sale relate to the Perth Entertainment Centre and property in Melbourne.

14. OTHER ASSETS

	CONSOLIDATED 2008	CONSOLIDATED 2007	COMPANY 2008	COMPANY 2007
CURRENT				
Prepayments	1,918	579	–	–
	1,918	579	–	–

Notes to the Financial Statements

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15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		COMPANY	
	2008 **$'000**	2007 $'000	**2008** **$'000**	2007 $'000
Investments in associates and jointly controlled entities	**10,125**	25,697	**–**	–

Investee	Principal activities	Country of Incorporation	Balance date	OWNERSHIP INTEREST **2008**	2007
ASSOCIATES					
Adelaide Broadcast Property Pty Ltd	Property management	Australia	30 June	**40.0%**	40.0%
Adelaide Broadcast Property Trust	Property management	Australia	30 June	**40.0%**	40.0%
Digital One Pty Ltd[a]	Internet content provider	Australia	30 June	**–**	37.5%
Engin Ltd[b]	Telecommunication services	Australia	30 June	**58.4%**	34.3%
P2 Pty Ltd[c]	Dormant	Australia	30 June	**50.0%**	50.0%
P4 Pty Ltd[c]	Dormant	Australia	30 June	**50.0%**	50.0%
Premier Capital Developments Pty Ltd	Property management	Australia	30 June	**25.0%**	25.0%
Revy Investments Pty Ltd	Property management	Australia	30 June	**25.0%**	25.0%
Revy Investments Trust	Property management	Australia	30 June	**25.0%**	25.0%
Sydney Broadcast Property Pty Ltd	Property management	Australia	30 June	**40.0%**	40.0%
Sydney Broadcast Property Trust	Property management	Australia	30 June	**40.0%**	40.0%
Vuecast Operations Pty Ltd	Programme production	Australia	30 June	**50.0%**	50.0%
JOINTLY CONTROLLED ENTITIES					
Seven Media Group Pty Ltd[c][d]	Media	Australia	30 June	**47.0%**	47.7%
ATP Partnership Pty Ltd[e]	Property management	Australia	30 June	**50.0%**	–

(a) Digital One Pty Ltd ceased to be an associate during the year ended 28 June 2008.
(b) On 3 April 2008 Seven gained control of Engin Limited and increased its ownership interest to 58.36%. Seven previously held a 34.27% ownership interest in Engin and equity accounted its results.
(c) These entities were new equity accounted investees for the year ended 30 June 2007. The entities were previously accounted for as controlled entities. For more detail regarding the deconsolidation of Seven Media Group Pty Limited, refer to note 30.
(d) The Company holds Ordinary Shares, Subordinated Equity Notes (SENs) and Convertible Notes (CNs) in the Seven Media Group joint venture. The joint venture is subject to various shareholder agreements and certain bank debt covenants which restrict the distribution of excess cash and dividends.
(e) ATP Partnership Pty Ltd is a new associate for the year ended 28 June 2008.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

	ASSOCIATES AND JOINTLY CONTROLLED ENTITIES	
	2008 $'000	2007 $'000
SHARE OF INVESTEES' NET PROFIT		
Share of operating profit before income tax	45,842	4,951
Share of income tax expense attributable to operating profit	4,857	(2,395)
Share of net profit of equity accounted investees	50,699	2,556
INVESTEES' FINANCIAL INFORMATION (100%)		
Revenues	1,551,963	446,384
Expenses	(1,606,351)	(482,559)
Profit before tax	(54,388)	(36,175)
Current assets	624,371	513,396
Non-current assets	4,553,960	5,001,782
Total assets	5,178,331	5,515,178
Current liabilities	531,192	424,114
Non-current liabilities	4,368,448	4,820,414
Total liabilities	4,899,640	5,244,528
Net assets as reported by investees	278,691	270,650

Appropriate adjustments have been made to the reported information in calculating the investor's share of profit.

SHARE OF INVESTEES' NET ASSETS		
Equity accounted	10,125	25,697
SHARE OF INVESTEES' COMMITMENTS		
Share of capital commitments	66	2,830
Share of expenditure commitments	707,641	698,304

In the financial statements of the Company, investments in jointly controlled entities are accounted for at cost and included in other investments (refer note 16).

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

16. OTHER INVESTMENTS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
NON-CURRENT				
Listed equity securities at fair value through profit and loss	7,150	12,855	–	–
Listed equity securities available-for-sale	1,228,886	511,255	–	–
Unlisted equity securities	171	–	–	–
Investments in controlled entities (unlisted) at cost	–	–	3,000	3,000
Investments in jointly controlled entities at cost	–	–	805,259	728,560
	1,236,207	524,110	808,259	731,560

Listed equity securities are designated as at fair value through profit or loss or as available-for-sale financial assets as outlined above, in accordance with the Group's accounting policies. The recoverable amounts are determined based on their listed market value.

At 28 June 2008 Seven had a 20.1% ownership interest in West Australian Newspapers Holdings Limited (WAN). Seven does not consider that it had significant influence over WAN and therefore has not accounted for it as an associate. At this date, Seven had no representation on the Board of Directors and had no power to influence the financial and operating policy decisions of WAN.

Unlisted equity securities are designated as at fair value through profit and loss. The recoverable amounts are determined using discounted cash flow projections based on financial budgets and forecasts.

Investments in jointly controlled entities consist of Ordinary shares, Subordinated Equity Notes (SENs) and Convertible Notes (CNs) all of which are considered long-term ownership interests in the jointly controlled entities for accounting and disclosure purposes.

The Group's exposure to credit, currency and interest rate risk and equity price risk related to other investments is disclosed in note 37.

17. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2008 $'000	CONSOLIDATED 2007 $'000	COMPANY 2008 $'000	COMPANY 2007 $'000
Freehold land and buildings at cost	15,326	15,326	–	–
Accumulated depreciation	(3,223)	(2,863)	–	–
	12,103	12,463	–	–
Leasehold improvements at cost	227	–	–	–
Accumulated amortisation	(91)	–	–	–
	136	–	–	–
Plant and equipment at cost	39,228	578	–	–
Accumulated depreciation	(5,768)	(478)	–	–
	33,460	100	–	–
Leased plant and equipment at cost	2,309	–	–	–
Accumulated depreciation	(182)	–	–	–
	2,127	–	–	–
Total property, plant and equipment at cost	57,090	15,904	–	–
Accumulated depreciation and amortisation	(9,264)	(3,341)	–	–
	47,826	12,563	–	–

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

17. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
RECONCILIATIONS				
Reconciliations of the carrying amounts for each class of property, plant and equipment:				
Freehold land and buildings				
Freehold land and buildings at cost	**15,326**	37,684	**–**	–
Accumulated depreciation	**(2,863)**	(8,287)	**–**	–
Carrying amount at beginning of year	**12,463**	29,397	**–**	–
Deconsolidation of entities no longer controlled[a]	**–**	(14,093)	**–**	–
Disposal through disposal of controlled entity	**–**	(2,271)	**–**	–
Disposals	**–**	(90)	**–**	–
Depreciation	**(360)**	(480)	**–**	–
Carrying amount at end of year	**12,103**	12,463	**–**	–
Leasehold improvements				
Leasehold improvements at cost	**–**	32,900	**–**	–
Accumulated depreciation	**–**	(10,838)	**–**	–
Carrying amount at beginning of year	**–**	22,062	**–**	–
Deconsolidation of entities no longer controlled[a]	**–**	(20,065)	**–**	–
Additions	**–**	612	**–**	–
Addition through acquisition of controlled entities[b]	**227**	–	**–**	–
Amortisation	**(91)**	(2,609)	**–**	–
Carrying amount at end of year	**136**	–	**–**	–
Plant and equipment				
Plant and equipment at cost	**578**	362,153	**–**	–
Accumulated depreciation	**(478)**	(247,965)	**–**	–
Carrying amount at beginning of year	**100**	114,188	**–**	–
Deconsolidation of entities no longer controlled[a]	**–**	(96,392)	**–**	–
Additions	**2,876**	9,462	**–**	–
Addition through acquisition of controlled entities[b]	**35,774**	348	**–**	–
Disposals	**–**	(156)	**–**	–
Depreciation	**(5,290)**	(27,350)	**–**	–
Carrying amount at end of year	**33,460**	100	**–**	–
Leased plant and equipment				
Leased plant and equipment at cost	**–**	–	**–**	–
Accumulated depreciation	**–**	–	**–**	–
Carrying amount at beginning of year	**–**	–	**–**	–
Additions	**–**	–	**–**	–
Addition through acquisition of controlled entities[b]	**2,309**	–	**–**	–
Depreciation	**(182)**	–	**–**	–
Carrying amount at end of year	**2,127**	–	**–**	–

(a) For more information regarding deconsolidation of entities no longer controlled, refer to note 30.
(b) The additions through acquisition of controlled entities for year ended 28 June 2008 relate to the acquisition of Unwired and Engin, refer to note 30.

18. SPECTRUM LICENCES AND SOFTWARE DEVELOPMENT

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Spectrum licences	**163,551**	–	**–**	–
Accumulated amortisation	**(11,978)**	–	**–**	–
	151,573	–	**–**	–
Software development at cost	**3,905**	–	**–**	–
Accumulated amortisation	**(779)**	–	**–**	–
	3,126	–	**–**	–
Total licences and software development	**154,699**	–	**–**	–

MOVEMENT IN LICENCES AND SOFTWARE DEVELOPMENT

2008	Spectrum licences $'000	Software development $'000	Total $'000
Balance at beginning of year	**–**	**–**	**–**
Addition through acquisition of controlled entity	**163,551**	**2,339**	**165,890**
Additions	**–**	**1,566**	**1,566**
Amortisation	**(11,978)**	**(779)**	**(12,757)**
Balance at end of year	**151,573**	**3,126**	**154,699**

The addition through acquisition of controlled entity relates to the acquisition of Unwired, refer note 30.

The recoverable amount of the spectrum licences has been assessed under the fair value less costs to sell model (AASB 136). Determination of the fair value was largely based on comparable market transactions. Other factors considered in the assessment of the recoverable amount include market size and share, pricing, competition and future technological developments.

2007	Television licences $'000	Magazine licences $'000	Programme copyright rights $'000	Magazine mastheads $'000	Total $'000
At cost	570,084	45,483	37,500	97,560	750,627
Accumulated amortisation	–	(8,234)	(2,856)	(1,500)	(12,590)
Balance at beginning of year	570,084	37,249	34,644	96,060	738,037
Deconsolidation of entities no longer controlled	(570,084)	(34,006)	(33,519)	(96,060)	(733,669)
Amortisation	–	(3,243)	(1,125)	–	(4,368)
Balance at end of year	–	–	–	–	–

Historically, the recoverable amounts of the cash generating units that included licences, mastheads and copyright rights were determined using discounted cash flow projections based on financial budgets and forecasts approved by management, over their useful life using forecast growth rates. Forecast growth rates were based on past performance and management's expectations for future performance in each segment. Discount rates used were the weighted average cost of capital (after tax) for the Group, risk adjusted as applicable.

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19. GOODWILL

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Balance at beginning of year	**–**	12,682	**–**	–
Acquisition of controlled entity	**3,021**	4,963	**–**	–
Deconsolidation of entities no longer controlled	**–**	(17,645)	**–**	–
Balance at end of year	**3,021**	–	**–**	–

For the year ended 28 June 2008, the goodwill relates to the acquisition of Engin on 3 April 2008 (refer note 30).

For the year ended 30 June 2007, the $4.963 million of goodwill was initially acquired as part of a business combination during the year, and was subsequently disposed of with the deconsolidation of entities no longer controlled. For more information regarding the disposal transaction, refer to note 30.

The recoverable amounts of the cash generating units that include goodwill are determined using discounted cash flow projections based on financial budgets and forecasts approved by management, over their useful life using forecast growth rates. Forecast growth rates are based on past performance and management's expectations for future performance in each segment. Discount rates used are the weighted average cost of capital (after tax) for the Group, risk adjusted as applicable.

20. TRADE AND OTHER PAYABLES

CURRENT				
Trade payables and accruals	**58,801**	52,427	**4,298**	10,908
	58,801	52,427	**4,298**	10,908
NON-CURRENT				
Accruals	**5,625**	10,117	**–**	–
	5,625	10,117	**–**	–

The Company has entered into a Deed of Cross Guarantee with certain subsidiaries as described in note 29. Under the terms of the Deed, the Company has guaranteed the repayment of all current and future creditors in the event that any of the entities party to the Deed are wound up. Details of the consolidated financial position of the Company and subsidiaries party to the Deed are set out in note 29.

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 37.

21. INTEREST BEARING LOANS AND LIABILITIES

CURRENT				
Interest bearing liability[a]	**55,500**	–	**–**	–
Finance lease liabilities (refer note 28)	**1,226**	–	**–**	–
Other borrowings	**1,700**	234	**–**	–
	58,426	234	**–**	–
NON-CURRENT				
Finance lease liabilities (refer note 28)	**393**	–	**–**	–
Other borrowings	**5,707**	4,450	**–**	–
	6,100	4,450	**–**	–

(a) 82,222,222 convertible notes were issued by Unwired to Intel Corporation maturing on 30 August 2009 and 11,111,111 notes were issued to Mitsui & Co Ltd maturing on 18 May 2012. Interest was payable at a fixed rate of 4.25% p.a. to Intel and at an interest rate of 5.0% to Mitsui. The notes to Mitsui & Co Ltd were repaid during the year. As a result of Seven taking control of Unwired on 15 November 2007, Intel issued a demand notice stating that the face value of the convertible notes ($37 million) and a premium of 50% of the face value are due and payable at the reporting date. Subsequent to the receipt of the demand notice, the Intel convertible notes have been treated as an interest bearing liability (refer note 37).

The Group's exposure to interest rate, foreign currency and liquidity risk related to interest bearing loans and liabilities is disclosed in note 37.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

22. PROVISIONS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
CURRENT				
Employee benefits (refer note 31)	**983**	788	**–**	–
Other	**122**	50,000	**–**	–
	1,105	50,788	**–**	–
NON-CURRENT				
Employee benefits (refer note 31)	**234**	42	**–**	–
Other	**1,435**	1,199	**–**	–
	1,669	1,241	**–**	–

	Employee $'000	Make Good $'000	Other $'000	Total $'000
RECONCILIATION OF PROVISIONS:				
Balance at beginning of year	830	–	51,199	52,029
Additions through acquisition of controlled entities	488	230	188	906
Amounts provided for	45	6	164	215
Amounts used	(146)	–	(50,230)	(50,376)
Balance at end of year	1,217	236	1,321	2,774

Employee benefits include provisions for annual and long service leave benefits.

Additions through acquisition of controlled entities relate to the acquisition of Unwired and Engin during the year ended 28 June 2008 (refer note 30).

Other provisions as at 28 June 2008 are primarily amounts that have been provided in relation to Directors retirement benefits.

Other provisions as at 30 June 2007 primarily include the amount of $50 million provided in regard to estimated litigation costs. For further information refer note 27.

Notes to the Financial Statements

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23. DEFERRED INCOME

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
NON-CURRENT				
Deferred Income	562,367	665,872	–	–
	562,367	665,872	–	–
MOVEMENT IN DEFERRED INCOME				
Balance at beginning of year	665,872	1,151	–	–
Deferred profit on deconsolidation of SMG	–	1,377,106	–	–
Retained interest in SMG including share of profit and reserves	(84,305)	(712,385)	–	–
Dilution adjustment (refer note 5)	(19,200)	–	–	–
Balance at end of year	562,367	665,872	–	–

For more information regarding the deconsolidation refer note 30.

24. ISSUED CAPITAL

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
SHARE CAPITAL				
206,077,571 (2007: 226,035,995) ordinary shares, fully paid	159,961	354,509	159,961	354,509
4,963,640 (2007: 4,963,640) preference shares, fully paid	481,048	481,048	481,048	481,048
Balance at end of year	641,009	835,557	641,009	835,557
MOVEMENTS IN ORDINARY SHARES				
Balance at beginning of year	354,509	334,063	354,509	334,063
Buyback	(205,578)	–	(205,578)	–
Exercise of options: 1,200,000 shares (2007: 2,716,000 shares) (refer note 31)	11,030	20,446	11,030	20,446
Balance at end of year	159,961	354,509	159,961	354,509

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and preference shareholders and are fully entitled to any proceeds on liquidation.

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
MOVEMENTS IN PREFERENCE SHARES				
(Transferable Extendable Listed Yield Shares – TELYS3)				
Balance at beginning of year	481,048	481,048	481,048	481,048
TELYS3 issue including costs	–	–	–	–
Balance at end of year	481,048	481,048	481,048	481,048

TELYS3 were issued on 31 May 2005 as part of the Reinvestment Opportunity and 1 June 2005 under the TELYS3 Offer Prospectus at a cost of $100 each. An additional 49,910 TELYS3 were issued during 2006 as part of an investment opportunity at a price of $100 each. Holders are entitled to a preferential non-cumulative floating rate dividend, which is based on Bank Bill Swap Rate for 180 days plus Margin. The Margin is set at 2.5% until 31 May 2010, and then 4.75% after that date subject to the Company's right of Conversion and Exchange. There are no voting rights attached except in limited circumstances, in which case holders will have one vote per TELYS3 held.

24. ISSUED CAPITAL CONTINUED

	CONSOLIDATED	
	2008	2007
OPTIONS ON ORDINARY SHARES		
As at reporting date the number of options exercisable into ordinary shares was as follows:		
Other options to Executives (refer note 31)	**2,025,000**	2,225,000
Options to Directors not included above (refer note 31)	**2,500,000**	3,500,000
	4,525,000	5,725,000

25. RESERVES

	CONSOLIDATED					COMPANY
	Employee equity benefits reserve $'000	Cash flow hedge reserve $'000	Net unrealised gains reserve $'000	Foreign currency translation reserve $'000	**Total $'000**	Employee equity benefits reserve $'000
At 24 June 2006	4,191	5,149	–	2,154	**11,494**	4,191
Net gain on available-for-sale financial assets	–	–	84,661	–	**84,661**	–
Tax effect of net gain on available-for-sale financial assets	–	–	(25,398)	–	**(25,398)**	–
Net loss on cash flow hedges	–	(1,676)	–	–	**(1,676)**	–
Tax effect of net loss on cash flow hedges	–	502	–	–	**502**	–
Transfer to retained earnings	–	(3,975)	–	–	**(3,975)**	–
Currency translation differences	–	–	–	(359)	**(359)**	–
Share based payment	4,980	–	–	–	**4,980**	4,980
At 30 June 2007	9,171	–	59,263	1,795	**70,229**	9,171
Net (loss)/gain on available-for-sale financial assets	–	–	(290,034)	–	**(290,034)**	–
Tax effect of net (loss)/gain on available-for-sale financial assets	–	–	25,109	–	**25,109**	–
Share of jointly controlled entity reserves movements (net of tax effect)	7,660	42	13,713	(30)	**21,385**	–
Impairment write downs transferred to Profit & Loss	–	–	41,633	–	**41,633**	–
Net gain on cash flow hedges	–	80	–	–	**80**	–
Currency translation differences	–	–	–	(41)	**(41)**	–
Share based payment	1,960	–	–	–	**1,960**	1,960
At 28 June 2008	18,791	122	(150,316)	1,724	**(129,679)**	11,131

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25. RESERVES CONTINUED

NATURE AND PURPOSE OF RESERVES

Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration. Refer to note 31 for further details of these plans.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Net unrealised gains reserve

The net unrealised gains reserve records adjustments to the fair value of available-for-sale financial assets.

Foreign currency translation reserve

This reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the consolidated entity's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation (refer note 1(j)).

26. RETAINED EARNINGS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Retained earnings/(accumulated losses) at beginning of year	1,425,425	(108,202)	1,987,159	301,748
Net profit attributable to members of the Company	141,594	1,621,951	101,213	1,777,710
Transfers from reserves	–	3,975	–	–
Dividends paid	(108,292)	(92,299)	(108,292)	(92,299)
Retained earnings at end of year	1,458,727	1,425,425	1,980,080	1,987,159

27. CONTINGENCIES

The nature of the consolidated entity's and equity accounted investees' activities are such that, from time to time, claims for defamation and other acts said to be committed are received or made by the consolidated entity. The Directors are of the opinion that no claim requires disclosure of a contingent liability.

In the prior year, Seven Network lost its Federal Court proceedings against a number of parties, including News Limited, Foxtel, Telstra, PBL and others alleging anti-competitive conduct in relation to sports rights and the pay television market. The respondents' costs were agreed and paid in the year ended 28 June 2008 from provisions established in prior years. An appeal has been lodged with the Full Federal Court.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

28. COMMITMENTS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Capital expenditure commitments				
Payable:				
Not later than one year	6,241	–	–	–
Finance lease commitments				
Payable:				
Not later than one year	1,315	–	–	–
Later than one year but not later than five years	430	–	–	–
Minimum lease payments[a]	1,745	–	–	–
Less future finance charges	(126)	–	–	–
	1,619	–	–	–
Operating lease commitments[b]				
Payable:				
Not later than one year	3,479	–	–	–
Later than one year but not later than five years	5,920	–	–	–
Later than five years	1,019	–	–	–
	10,418	–	–	–
Contracts for employee services				
Payable:				
Not later than one year	887	–	–	–
Other operating commitments[c]				
Payable:				
Not later than one year	2,732	–	–	–
Later than one year but not later than five years	1,810	–	–	–
	4,542	–	–	–

(a) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual value.
(b) The Group leases various offices and sites under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.
(c) Other operating commitments relate to commitments for operating expenses and acquisitions of inventory contracted for at the reporting date but not recognised as liabilities.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

29. CONTROLLED ENTITIES

	Notes	Country of incorporation	OWNERSHIP INTEREST 2008 %	2007 %
PARENT ENTITY				
Seven Network Limited		Australia		
SUBSIDIARIES				
ATPH Pty Limited	(c)	Australia	100	–
ATP1 Pty Limited	(c)	Australia	100	–
ATP2 Pty Limited	(c)	Australia	100	–
ATP3 Pty Limited	(c)	Australia	100	–
C7 Pty Limited	(a)	Australia	100	100
Direct Target Access Pty Limited	(a) (b)	Australia	100	100
Engin Limited	(d) (e)	Australia	58.4	34.3
Flagship Property Holdings Pty Limited	(c)	Australia	100	–
Flagship (La Trobe) Pty Limited	(c)	Australia	100	–
Flagship (AEC) Pty Limited	(c)	Australia	100	–
Flagship (Coventry Street) Pty Limited	(c)	Australia	100	–
Flagship (Apartments) Pty Limited	(c)	Australia	100	–
Network Investment Holdings Pty Limited (formerly i7 Pty Limited)	(a)	Australia	100	100
Kimlin Holdings Pty Limited	(a)	Australia	100	100
Manooka Holdings Pty Limited	(a)	Australia	100	100
Miltonstar Pty Limited	(a) (b)	Australia	100	100
Point Pty Limited	(a)	Australia	100	100
Realtime Reporters Pty Limited	(a)	Australia	100	100
Seven Broadcast Properties Trust		Australia	100	100
Seven Custodians Pty Limited	(a) (b)	Australia	100	100
Seven Entertainment Pty Limited (formerly Seven Entertainment Limited)	(a)	Australia	100	100
Seven Finance Pty Ltd	(a)	Australia	100	100
Seven Finance Agent Pty Ltd	(a)	Australia	100	100
Seven MC Pty Limited (formerly Medallion Club Pty Limited)	(g)	Australia	90	90
Seven Network Asia Limited		Hong Kong	100	100
Seven Network International Limited	(a) (b)	Australia	100	100
Seven Network Investments Pty Limited	(a) (b)	Australia	100	100
Seven Network Nominees Pty Limited	(a)	Australia	100	100
Seven Network (United States), Inc		USA	100	100
Seven Productions Pty Limited	(a) (b)	Australia	100	100
Seven Resources Pty Limited	(a)	Australia	100	100
Seven (WAN) Pty Limited	(a)	Australia	100	100
SNZ Pty Limited	(a)	Australia	100	100
Tallglen Pty Limited	(a) (b)	Australia	100	100
Unwired Group Limited	(f)	Australia	100	–

(a) These controlled entities entered into a Deed of Cross Guarantee with the Company on 18 May 2007 under ASIC Class Order 98/1418 (as amended) dated 13 August 1998.
(b) These entities ceased to be party to a previous Deed of Cross Guarantee with the Company on 6 July 2007, by Deed of Revocation lodged.
(c) These entities were newly incorporated during the year ended 28 June 2008.
(d) This entity was an equity accounted investee for the year ended 30 June 2007.
(e) On 3 April 2008 Seven gained control of Engin Limited (Engin).
(f) On 15 November 2007 Seven gained control of Unwired Group Limited (Unwired).
(g) This company was placed in liquidation on 28 May 2008.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

29. CONTROLLED ENTITIES CONTINUED

Pursuant to ASIC Class Order 98/1418 certain wholly-owned controlled entities are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' reports.

It is a condition of the Class Order that the Company and each of the wholly owned controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the parties to the Deed under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The Deed was entered into during the year ended 30 June 2007.

A consolidated income statement and consolidated balance sheet, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 28 June 2008 are set out below.

	2008 $'000	2007 $'000
INCOME STATEMENT		
Profit before tax	**185,013**	1,755,109
Income tax expense	**(27,118)**	(123,476)
Profit after tax	**157,895**	1,631,633
Retained Profits at beginning of year	**1,416,022**	(127,287)
Transfers to and from reserves	**–**	3,975
Dividends recognised during the year	**(108,292)**	(92,299)
Retained profits at end of year	**1,465,625**	1,416,022
BALANCE SHEET		
Current assets		
Cash and cash equivalents	**1,221,206**	2,606,603
Trade and other receivables	**19,622**	28,697
Assets classified as held for sale	**23,251**	23,251
Other	**–**	400
Total current assets	**1,264,079**	2,658,951
Non-current assets		
Trade and other receivables	**24,726**	26,155
Investments accounted for using the equity method	**10,125**	25,697
Other investments	**1,385,243**	523,772
Deferred tax assets	**–**	278
Property, plant and equipment	**9,915**	10,093
Total non-current assets	**1,430,009**	585,995
Total assets	**2,694,088**	3,244,946
Current liabilities		
Trade and other payables	**43,983**	51,761
Interest bearing loans and liabilities	**–**	–
Current tax liabilities	**7,795**	26,445
Provisions	**40**	50,761
Total current liabilities	**51,818**	128,967

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

29. CONTROLLED ENTITIES CONTINUED

	2008 $'000	2007 $'000
Non-current liabilities		
Trade and other payables	48,004	49,806
Deferred tax liabilities	77,737	101,235
Provisions	1,229	1,241
Other	562,367	665,872
Total non-current liabilities	689,337	818,154
Total liabilities	741,155	947,121
Net assets	1,952,933	2,297,825
Equity		
Issued capital	641,009	835,557
Reserves	(153,701)	46,246
Retained earnings	1,465,625	1,416,022
Total equity	1,952,933	2,297,825

Comparatives are based on the Deed of Cross Guarantee applicable as at 30 June 2007.

30. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES

ACQUISITIONS

2008

On 15 November 2007 Seven gained control of Unwired Group Limited (Unwired). Seven has a 100% ownership interest in Unwired. The total consideration for Unwired was $136.1 million. Unwired's contribution to Seven's consolidated profit for the period from the date 15 November 2007 to 28 June 2008 was a loss of $15.6 million.

On 3 April 2008 Seven gained control of Engin Limited (Engin) and increased its ownership interest to 58.36%. Seven previously held a 34.27% ownership interest in Engin and accounted for it as an investment in associate. The total consideration for Engin was $9.8 million. Engin's contribution to Seven's consolidated profit for the period from 3 April 2008 to 28 June 2008 was a loss of $1.8 million.

100% of the following controlled entities were acquired for consideration equal to the fair value of the assets acquired: ATPH Pty Limited (15 November 2007) ($12), ATP1 Pty Limited (15 November 2007) ($12), ATP2 Pty Limited (15 November 2007) ($12), ATP3 Pty Limited (15 November 2007) ($12), Flagship Property Holdings Pty Limited (5 March 2008) ($2), Flagship (La Trobe) Pty Limited (24 April 2008) ($2), Flagship (AEC) Pty Limited (24 April 2008) ($2), Flagship (Coventry Street) Pty Limited (24 April 2008) ($2) and Flagship (Apartments) Pty Limited (23 May 2008) ($2).

If the acquisitions had occurred on 1 July 2007, management estimates that consolidated revenue (excluding interest) would have been $146.2 million and consolidated profit before tax would have been $178.8 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions occurred on 1 July 2007.

2007

100% of the following controlled entities were acquired for consideration equal to the fair value of the assets acquired: SNZ Pty Limited (20 March 2007) ($10) and Seven (WAN) Pty Limited (18 October 2006) ($12). On 30 September 2006 Seven Network Limited acquired the remaining 50% interest in Text Pacific Pty Limited ($4,835,000). It previously owned 50%. Text Pacific Pty Limited was disposed of as part of the deconsolidation of SMG.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

30. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES CONTINUED

DISPOSALS

2008

In December 2007 Seven Media Group (SMG) introduced a Management Equity Plan (MEP) which resulted in the dilution of Seven's ownership interest in SMG from 47.7% to 47.0%. The re-measurement of the previously deferred gain on deconsolidation of SMG resulted in the release of $19.2 million ($13.4 million net of tax) of the gain to the income statement.

2007

Deconsolidation of Seven Media Group

On 20 November 2006 Seven Network Limited announced agreements to form a joint venture with Kohlberg Kravis Roberts & Co. (KKR). The joint venture, Seven Media Group (SMG), includes the consolidated entity's television, magazines and online businesses and is the Company's and KKR's vehicle to pursue media opportunities in Australia and New Zealand. The transaction was completed on 29 December 2006.

The transaction involved:

- $1.447 billion issue by SMG of Convertible Notes (CNs) and Subordinated Equity Notes (SENs) to the consolidated entity, KKR and Mezzanine investors.
- $2.5 billion raising of debt by SMG ($2.1 billion under Senior Facilities agreement and $0.4 billion other).

At completion date and up until Broadcasting Services Act 1992 amendments (BSA Amendments) date, the Company retained control of Seven Media Group and consolidated its results. Once the BSA Amendments were proclaimed, the terms of the agreement (including change in composition of the Board) were such that the Company no longer controlled the SMG group and it became jointly controlled by the Company and KKR from that date.

The BSA Amendments were proclaimed on 4 April 2007 at which date SMG was deconsolidated and accounted for as a joint venture using the equity method.

The results for the year ended 30 June 2007, therefore include the consolidated results of Seven Media Group up until 4 April 2007 (BSA Amendment date) and the Company's share of the net profit (loss) for the period from 4 April 2007 to 30 June 2007.

The loss of control of the SMG group at BSA Amendment date resulted in a "profit on deconsolidation" of which 47.7% (the Company's retained interest in SMG) has been deferred (refer note 5).

	CONSOLIDATED
	2007
	$'000
Profit on deconsolidation	2,887,015
Defer 47.7% relating to ongoing ownership interest	(1,377,106)
Profit on deconsolidation per consolidated income statement	1,509,909
At 30 June 2007 the Company's interest in SMG was included in deferred income and comprised the following:	
Deferral of profit on deconsolidation of SMG	(1,377,106)
Retained interests in SMG including share of profit for the period from deconsolidation to 30 June 2007	712,385
Net interest in SMG disclosed as deferred income	(664,721)

Sale of Telstra Dome

On 15 August 2006 Seven Network Limited Group sold all its interests in Telstra Dome. The profit on sale was $76.3 million ($61.3 million net of tax) and has been included as a significant item (refer note 5).

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

30. ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES CONTINUED

Details of the acquisitions and disposals are as follows:

	DISPOSAL/ DECONSOLIDATION		ACQUISITION/ CONSOLIDATION	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash received for disposals/paid for acquisitions	–	259,660	**141,116**	3,141
Costs yet to be paid	–	(10,908)	–	–
Total consideration	–	248,752	**141,116**	3,141
Investments held following deconsolidation/prior to consolidation	–	690,669	**4,804**	1,694
Total	–	939,421	**145,920**	4,835
Net assets of entities disposed/acquired				
Cash and cash equivalents	–	(39,183)	**16,751**	–
Current trade and other receivables	–	(247,786)	**2,764**	4,217
Programme rights and inventories	–	(280,754)	**1,236**	299
Licences, copyright rights and goodwill	–	(751,314)	–	4,963
Spectrum licences and software development[c]	–	–	**165,890**	–
Goodwill on acquisition	–	–	**3,021**	–
Other current assets	–	(44,654)	**4,142**	–
Property, plant and equipment	–	(132,821)	**38,310**	348
Assets held for sale	–	(281,799)	–	–
Investments	–	(19,370)	–	–
Payables	–	371,485	**(12,916)**	(4,504)
Borrowings[d]	–	3,198,411	**(65,371)**	–
Provisions	–	47,545	**(906)**	(410)
Deferred income	–	61,325	–	(367)
Liabilities held for sale	–	52,172	–	–
Tax balances	–	73,520	–	289
	–	2,006,777	**152,921**	4,835
Minority interests at disposal/acquisition	–	17,129	**(7,001)**	–
Net liabilities disposed/assets acquired	–	2,023,906	**145,920**	4,835
Profit on deconsolidation/disposal	–	2,963,327	–	–
Deferred profit on consolidation	–	(1,377,106)	–	–
Profit on deconsolidation/disposal recognised in the income statement	–	1,586,221	–	–
Cash inflow on disposal/outflow on acquisition				
Cash received/(paid)	–	259,660	**(141,116)**	(3,141)
Cash (disposed on deconsolidation)/acquired on acquisition	–	(39,183)	**16,751**	–
Net cash inflow/(outflow)	–	220,477	**(124,365)**	(3,141)

(a) During the year ended 30 June 2007 proceeds (net of transaction costs) from sale of controlled entities, net of cash disposed for the Company relate to the sale of Seven Network (Operations) Limited to Seven Media Group Pty Limited ($2,584.2 million) and the sale of Telstra Dome ($189.7 million).

(b) The fair values at acquisition of Unwired Group Limited are based on a preliminary purchase price allocation, as final analysis of these values are yet to be determined. The final purchase price allocation will be finalised within 12 months of acquisition.

(c) The spectrum licences were issued by the Government with a 15 years life ending August 2015. The amortisation of the licences is calculated on a straight line basis over the expected useful life of the asset. A fair value uplift of $52.7m was made to the carrying value of the licences at acquisition.

(d) Includes convertible notes consisting of 82,222,222 notes issued to Intel Corporation maturing on 30 August 2009 and 11,111,111 notes issued to Mitsui & Co Ltd maturing on 18 May 2012. Interest is payable at a fixed rate of 4.25% p.a. to Intel and at an interest rate of 5.0% to Mitsui. The notes to Mitsui were repaid during the year. As a result of Seven taking control of Unwired on 15 November 2007, Intel issued a demand notice stating that the face value of the convertible notes ($37 million) and a premium of 50% of the face value are due and payable at reporting date. The Intel convertible notes have been treated as an interest bearing liability (refer notes 21 and 37).

31. EMPLOYEE BENEFITS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Current	983	788	–	–
Non-current	234	42	–	–
	1,217	830	–	–
Number of employees				
Number of employees at end of year	224	15	–	–

Superannuation fund

The Group makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $703,000 for the financial year ended 28 June 2008 (2007: $16,060,000).

Seven Network Employee Option Scheme 2001

The Company granted options over unissued ordinary shares to employees under the "Seven Network Employee Option Scheme 2001". Details are as follows:

Date of grant	Expiry date	Exercise price	Number of options
10 Sept 2001	9 Sept 2006	$6.60	475,000
22 Nov 2001	21 Nov 2006	$6.60	75,000
			550,000

During the financial year ended 30 June 2007, 141,500 options were exercised. As at 28 June 2008, there were no options on issue (30 June 2007 nil).

Other options issued to employees over ordinary shares in Seven Network Limited pursuant to Individual Option Deeds

No options over unissued ordinary shares of Seven Network Limited were issued during the year ended 28 June 2008.

On 2 November 2006, 2,000,000 options over unissued ordinary shares of Seven Network Limited were issued to BI McWilliam at an exercise price ranging from $10.00 to $12.00, expiring 30 June 2011. At grant date, the market price of the shares was $9.96 and the options were provided at nil costs to the recipient. On 21 September 2007 1,000,000 options were exercised. As at 28 June 2008 there were 1,000,000 options on issue, none of which have vested.

These options vest as follows:
On 30 June 2007, 50% of the options vested;
On 30 June 2008, 25% of the options will vest;
On 30 June 2009, the remaining 25% of the options will vest.

On 10 February 2006, 1,000,000 options over unissued ordinary shares of Seven Network Limited were issued to P Meakin at an exercise price ranging from $9.00 to $11.00, expiring 30 June 2012. At grant date, the market price of the shares was $8.06 and the options were provided at nil costs to the recipient. As at 28 June 2008 there were 1,000,000 options on issue, none of which have vested.

These options vest as follows:
On 30 June 2008, 50% of the options will vest;
On 30 June 2009, 25% of the options will vest;
On 30 June 2010, the remaining 25% of the options will vest.

On 2 October 2006, 750,000 options over unissued ordinary shares of Seven Network Limited were issued to P Lewis at an exercise price ranging from $10.00 to $12.00, expiring 30 June 2011. At grant date, the market price of the shares was $8.81 and the options were provided at nil costs to the recipient. As at 28 June 2008 there were 750,000 options on issue, of which 250,000 have vested.

These options vest as follows:
On 30 June 2007, 33% of the options vested;
On 30 June 2008, 33% of the options will vest;
On 30 June 2009, the remaining 33% of the options will vest.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

31. EMPLOYEE BENEFITS CONTINUED

An option may be exercised at any time after the option has vested and up to five years after the date of issue. All options issued since December 1999 contain specific exercise requirements based around the Seven Network share price ranging and/or other financial targets.

Further information regarding options issued to Directors during the year is detailed in note 33 (Directors' and Executives' Disclosures).

Seven Network Employee Share Plan

The Company established the Seven Network Employee Share Plan, a share purchase scheme for employees (refer note (a)). All Australian resident full-time, permanent part-time and fixed-term employees who have completed a minimum of six months' service and who participated in the plan in 2007 are eligible to participate in the plan.

The plan provides for participating employees, on a voluntary basis, to salary sacrifice contributions to be allocated fully paid ordinary shares in the Company. The cost of shares to participating employees is effectively the prevailing share price at the time of allocation. Shares allocated to employees under the plan will normally be acquired on market. Employees can elect to participate in the plan under either the Tax-Exempt Offer or the Tax-Deferred Offer (but not both offers in the same year).

The Tax-Exempt Offer allows each eligible employee to make a $1,000 contribution per financial year, which is deducted from the employee's pre-tax salary. Under the Tax-Deferred Offer, each employee who chooses to participate in the offer contributes a minimum of $2,500 per financial year from pre-tax salary.

(a) Refers to employees of Seven Media Group. Seven Media Group was a controlled entity of Seven Network Limited up until 4 April 2007 (BSA Amendment date) at which time it was deconsolidated (refer note 30).

32. AUDITORS' REMUNERATION

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Amounts received or due and receivable by auditors of the Company for:				
Audit services				
Auditors of the Company				
KPMG Australia				
– Audit and review of financial reports	**75**	500	**–**	–
Overseas KPMG firms				
– Audit and review of financial reports	**18**	–	**–**	–
Other auditors				
– Audit and review of financial reports	**296**	–	**–**	–
– Other audit related services	**18**	–	**–**	–
	407	500	**–**	–
Other services				
Auditors of the Company				
KPMG Australia				
– Transaction due diligence services	**–**	225	**–**	–
– Other assurance services	**111**	100	**–**	–
Overseas KPMG firms				
– Other assurance services	**15**	5	**–**	–
Other auditors				
– Other assurance services	**20**	–	**–**	–
– Taxation services	**119**	–	**–**	–
	265	330	**–**	–

33. DIRECTOR AND EXECUTIVE DISCLOSURES

Individual Directors and Executives remuneration disclosures

Information regarding individual Directors' and Executives' remuneration and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Key Management Personnel remuneration

The Key Management Personnel remuneration included in "expenses" (note 3) are as follows:

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Short-term employee benefits	**1,647**	8,135	**–**	–
Post-employment benefits	**50**	546	**–**	–
Termination benefits	**–**	291	**–**	–
Share-based payments	**1,345**	3,560	**–**	–
	3,042	12,532	**–**	–

Following the internal restructure of the Group in 2007, the majority of the Senior Executives of the Company became employees and Senior Executives of the jointly controlled entity Seven Media Group. The management of the Group and Company now only comprise those Seven Media Group Executives for whom a portion of their management time is charged back to the Company for management services provided.

Options and rights over equity instruments granted as compensation

Movements in the holdings of options by Specified Directors and Key Management Personnel during the year held directly, indirectly, beneficially and including their personally-related entities for the year ended 28 June 2008 were as follows. The options granted during the year were at no cost to the recipient.

2008

Grant Date	Vesting Date	Expiry Date	Exercise Price	Value of Option	Held at 30 June 2007	Granted as compensation	Exercised	Expired	Held at 28 June 2008	Vested during the period	Vested and exercisable at 28 June 2008
Specified Directors											
Executive											
DJ Leckie (a)											
17 Nov 05	2 Apr 08	17 Nov 10	$9.75	$0.92	1,000,000	–	–	–	1,000,000	1,000,000	1,000,000
17 Nov 05	2 Apr 09	17 Nov 10	$11.00	$0.81	500,000	–	–	–	500,000	–	–
					1,500,000	**–**	**–**	**–**	**1,500,000**	**1,000,000**	**1,000,000**
BI McWilliam (a)											
02 Nov 06	30 Jun 07	30 Jun 11	$10.00	$1.83	1,000,000	–	(1,000,000)	–	–	–	–
02 Nov 06	30 Jun 08	30 Jun 11	$11.00	$1.56	500,000	–	–	–	500,000	–	–
02 Nov 06	30 Jun 09	30 Jun 11	$12.00	$1.32	500,000	–	–	–	500,000	–	–
					2,000,000	**–**	**(1,000,000)**	**–**	**1,000,000**	**–**	**–**
Key Management Personnel											
P Lewis (e)											
2 Oct 06	30 Jun 07	30 Jun 11	$10.00	$1.16	250,000	–	–	–	250,000	–	250,000
2 Oct 06	30 Jun 08	30 Jun 11	$11.00	$0.97	250,000	–	–	–	250,000	–	–
2 Oct 06	30 Jun 09	30 Jun 11	$12.00	$0.81	250,000	–	–	–	250,000	–	–
					750,000	**–**	**–**	**–**	**750,000**	**–**	**250,000**

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

33. DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

Options and rights over equity instruments granted as compensation

Movements in the holdings of options by Specified Directors and Key Management Personnel during the year held directly, indirectly, beneficially and including their personally-related entities for the year ended 30 June 2007 were as follows. The options granted during the year were at no cost to the recipient.

2007

Grant Date	Vesting Date	Expiry Date	Exercise Price	Value of Option	Held at 24 June 2006	Granted as compensation	Exercised	Expired	Held at 30 June 2007	Vested during the period	Vested and exercisable at 30 June 2007
Specified Directors											
Executive											
DJ Leckie (a)											
17 Nov 05	2 Apr 07	17 Nov 10	$8.50	$0.99	1,500,000	–	(1,500,000)	–	–	1,500,000	–
17 Nov 05	2 Apr 08	17 Nov 10	$9.75	$0.92	1,000,000	–	–	–	1,000,000	–	–
17 Nov 05	2 Apr 09	17 Nov 10	$11.00	$0.81	500,000	–	–	–	500,000	–	–
					3,000,000	–	(1,500,000)	–	1,500,000	1,500,000	–
BI McWilliam (a)											
22 Dec 03	9 May 06	9 May 08	$7.00	$0.54	500,000	–	(500,000)	–	–	–	–
02 Nov 06	30 Jun 07	30 Jun 11	$10.00	$1.83	–	1,000,000	–	–	1,000,000	1,000,000	1,000,000
02 Nov 06	30 Jun 08	30 Jun 11	$11.00	$1.56	–	500,000	–	–	500,000	–	–
02 Nov 06	30 Jun 09	30 Jun 11	$12.00	$1.32	–	500,000	–	–	500,000	–	–
					500,000	2,000,000	(500,000)	–	2,000,000	1,000,000	1,000,000
Key Management Personnel											
N Chan (b)(g)											
15 Mar 05	15 Mar 05	15 Mar 09	$5.15	$2.45	50,000	–	(50,000)	–	–	–	–
15 Mar 05	29 Aug 06	15 Mar 09	$5.15	$2.46	150,000	–	(150,000)	–	–	–	–
15 Mar 05	15 Mar 06	15 Mar 09	$5.15	$1.62	50,000	–	(50,000)	–	–	–	–
15 Mar 05	29 Aug 06	15 Mar 09	$5.15	$2.47	150,000	–	(150,000)	–	–	–	–
15 Mar 05	15 Mar 07	15 Mar 09	$5.15	$1.62	50,000	–	–	–	50,000	50,000	50,000
15 Mar 05	29 Aug 07	15 Mar 09	$5.15	$2.48	150,000	–	–	–	150,000	–	–
					600,000	–	(400,000)	–	200,000	50,000	50,000
J Warburton (c)(g)											
1 Jun 05	25 Jul 06	1 Jun 15	$6.25	$1.71	25,000	–	(25,000)	–	–	25,000	–
1 Jun 05	15 Jul 06	1 Jun 15	$7.00	$1.02	75,000	–	(75,000)	–	–	75,000	–
1 Jun 05	25 Jul 07	1 Jun 15	$7.00	$1.50	25,000	–	–	–	25,000	–	–
					125,000	–	(100,000)	–	25,000	100,000	–
P Meakin (d)(g)											
10 Feb 06	30 Jun 08	30 Jun 12	$9.00	$1.31	–	500,000	–	–	500,000	–	–
10 Feb 06	30 Jun 09	30 Jun 12	$10.00	$1.10	–	250,000	–	–	250,000	–	–
10 Feb 06	30 Jun 10	30 Jun 12	$11.00	$0.93	–	250,000	–	–	250,000	–	–
					–	1,000,000	–	–	1,000,000	–	–

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

33. DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

2007 continued

Grant Date	Vesting Date	Expiry Date	Exercise Price	Value of Option	Held at 24 June 2006	Granted as compensation	Exercised	Expired	Held at 30 June 2007	Vested during the period	Vested and exercisable at 30 June 2007
P Lewis (e)											
2 Oct 06	30 Jun 07	30 Jun 11	$10.00	$1.16	–	250,000	–	–	250,000	250,000	250,000
2 Oct 06	30 Jun 08	30 Jun 11	$11.00	$0.97	–	250,000	–	–	250,000	–	–
2 Oct 06	30 Jun 09	30 Jun 11	$12.00	$0.81	–	250,000	–	–	250,000	–	–
					–	750,000	–	–	750,000	250,000	250,000
R Lund (f)											
1 Jan 06	1 Jan 07	1 Jan 11	$9.00	$1.33	33,334	–	–	–	33,334	33,334	33,334
1 Jan 06	1 Jan 08	1 Jan 11	$9.00	$1.35	33,333	–	–	–	33,333	–	–
1 Jan 06	1 Jan 09	1 Jan 11	$9.00	$1.32	33,333	–	–	–	33,333	–	–
					100,000	–	–	–	100,000	33,334	33,334

The fair value of options granted during 2007 (none during 2008) has been calculated at the date of grant using a combination of the Binomial model and the Monte Carlo Simulation Technique model. Under this combined model, allocations are made to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period and is not an amount paid or payable in cash.

(a) Performance Conditions DJ Leckie & BI McWilliam

The tranches granted to BI McWilliam on 2 November 2006 can only be exercised if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index measured from 30 June 2007 up to the first performance measurement date following the vesting date.

The tranches granted to Mr Leckie on 17 November 2005 can only be exercised:

- on or after the First Exercise Date for that tranche, if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index measured from the Director's date of appointment to the relevant First Exercise Date; or
- if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index for the period up to the relevant First Exercise Date, the options may be exercised up to the Last Exercise Date if the growth in the Company's TSR measured from the First Exercise Date up to the date of calculation exceeds the growth in the S&P/ASX 200 Accumulation Index for that period for 60 consecutive days during the period between the relevant First Exercise Date and the Last Exercise Date.

(b) Performance Conditions N Chan

The 150,000 options that are subject to the TSR hurdle vest in three equal annual tranches in March 2005, 2006 and 2007. The options may be exercised if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index measured over the 12 months up to the vesting date.

The 450,000 options that are subject to Pacific Magazines EBIT targets vest in three equal annual tranches in August 2005, 2006 and 2007. The options which do not meet the performance conditions in 2005 and 2006 roll over to the next vesting date (i.e. in 2006 and 2007, respectively).

(c) Performance Conditions J Warburton

The 225,000 options that are subject to the TSR hurdle vest in three equal annual tranches on 1 June 2005, 15 July 2005 and 15 July 2006. The options may be exercised if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX 200 Accumulation Index measured from 15 July 2003 to the vesting date with the exception of year one which is from 15 July 2003 to 15 July 2004. The 75,000 options that are subject to Market share of advertising revenue targets vest in three equal annual tranches in June 2005, 2006 and 2007.

(d) Performance Conditions P Meakin

All options are subject to the TSR hurdle and vest in three annual tranches in June 2008, 2009 and 2010. The options may be exercised if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX Accumulation Index measured over the period up to the vesting date.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

33. DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

(e) Performance Conditions P Lewis

All options are subject to the TSR hurdle and vest in three annual tranches in June 2007, 2008 and 2009. The options may be exercised if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX Accumulation Index measured over the period up to the vesting date.

(f) Performance Conditions R Lund

All options are subject to the TSR hurdle and vest in three annual tranches in June 2007, 2008 and 2009. The options may be exercised if the Company's TSR growth is greater than or equal to the growth in the S&P/ASX Accumulation Index measured over the period up to the vesting date.

(g) These Executives are employees of Seven Media Group and were not key management personnel of Seven Network Limited for the year ended 28 June 2008.

Specified Directors

The Non-Executive Directors and the Chairman did not hold any options during the year.

Shareholdings and transactions

Holdings of ordinary shares and TELYS3 by Specified Directors and Key Management Personnel as at 28 June 2008 held directly, indirectly, beneficially and including their personally-related entities were as follows:

2008	ORDINARY SHARES	TELYS3
Key Management Personnel – Directors		
KM Stokes AC	**92,814,349**	**–**
PD Ritchie AO	**46,072**	**–**
DJ Leckie	**3,056,908**	**–**
BI McWilliam	**3,157,015**	**16,063**
RK Stokes	**23,000**	**–**
MC Wells	**4,000**	**710**
Key Management Personnel – Executives		
P Lewis	17,179	–

During the year ended 28 June 2008, 1,000,000 ordinary shares were issued to BI McWilliam upon exercise of options; 16,063 TELYS3 shares were purchased by BI McWilliam and 510 TELYS3 shares were purchased by MC Wells; KM Stokes purchased 250,000 ordinary shares and BI McWilliam purchased 15,500 ordinary shares on market.

2007	ORDINARY SHARES	TELYS3
Key Management Personnel – Directors		
KM Stokes AC	92,564,349	–
PD Ritchie AO	46,072	–
DJ Leckie	3,056,908	–
BI McWilliam	2,141,515	–
RK Stokes	23,000	–
MC Wells	4,000	200
Key Management Personnel – Executives		
P Lewis	17,179	–

33. DIRECTOR AND EXECUTIVE DISCLOSURES CONTINUED

During the year ended 30 June 2007, 1,500,000 ordinary shares were issued to DJ Leckie, 500,000 ordinary shares were issued to BI McWilliam, 400,000 ordinary shares were issued to N Chan and 100,000 ordinary shares were issued to J Warburton as exercise of options; DJ Leckie sold 1,500,000 ordinary shares, J Warburton sold 100,000 ordinary shares and T Worner sold 175,000 shares; under the PMP, DJ Leckie acquired 56,908 ordinary shares, BI McWilliam acquired 22,511 ordinary shares, P Lewis acquired 17,179 ordinary shares, P Meakin acquired 19,797 ordinary shares and T Worner acquired 23,988 ordinary shares; BI McWilliam also purchased 114,004 ordinary shares on market.

Other Transactions

A number of Specified Directors and Key Management Personnel, or their personally-related entities, hold positions in other entities that can result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

During the year, the Group transacted with entities of which the Directors of the Company, KM Stokes, P Gammell and RK Stokes, are or were Directors or Officers or otherwise had an interest. These transactions were for financial advisory service expense amounting to nil (2007: $10,500,000); the sale of television and magazine advertising, rental of office space and recharged expenses amounting to $521,117 (2007: $615,921); equipment hire expense amounting to nil (2007: $188,106); site inspection and other related expenses amounting to $114,937 (2007: $5,717); travel and consultant's fee expense amounting to $405,833 (with the aggregate amount receivable outstanding at the end of the year $80,111) (2007: $13,641); entertainment expense amounting to nil (2007: $2,625); and expenses related to use of corporate jet amounting to $97,036 (2007: $55,229).

In addition, during the year, the consolidated entity reimbursed Director's travel and incidental expenditures incurred by Directors and personally-related entities on behalf of the entity.

	CONSOLIDATED	
	2008 $	2007 $
Revenues and expenses		
Revenue	**521,117**	615,921
Expenses	**617,806**	10,765,318
Assets and liabilities		
Trade and other receivables	**80,111**	–

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

34. OTHER RELATED PARTY DISCLOSURE

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Subsidiaries				
The aggregate value of transactions between the Company and its subsidiaries during the year was as follows:				
Dividend revenue	–	–	–	100,000
Interest received	–	–	–	19,385
Gain on sale of subsidiary	–	–	–	1,989,793
Loans forgiven	–	–	–	(1,273,799)
Associates				
The aggregate value of transactions between the consolidated entity and its associates during the year was as follows:				
Expenses	(2,714)	(4,179)	–	–
Dividends received and capital return of investment	280	1,557	–	–
Interest received	609	–	–	–
Loans to associates	2,000	–	–	–
Joint ventures				
The aggregate value of transactions between the consolidated entity and joint ventures in which it is a venturer during the year was as follows:				
Interest received	69	–	76,699	19,175
Executive salary recharge paid	(981)	(329)	–	–
Revenue	585	–	–	–
Expenses	(543)	(354)	–	–
Loan repayments paid	(4,492)	(5,375)	–	(5,375)
Loans to joint ventures	1,299	–	–	–

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

35. NOTES TO THE STATEMENTS OF CASH FLOWS

	CONSOLIDATED		COMPANY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Reconciliation of operating profit after tax to net cash provided by operating activities				
Profit from ordinary activities after income tax	**141,594**	1,621,951	**101,213**	1,777,710
Depreciation and amortisation:				
Property, plant and equipment	**5,923**	30,439	**–**	–
Television programme rights	**–**	107,753	**–**	–
Licences and copyright rights	**12,757**	4,368	**–**	–
Share option expense	**1,960**	4,984	**1,960**	4,984
Amounts set aside to provisions	**215**	67,221	**–**	–
Profit on disposal of property, plant and equipment	**–**	(230)	**–**	–
Gain on sale of investments	**(5,402)**	–	**–**	–
Gain on sale of controlled entities	**–**	(77,387)	**(5,700)**	(2,184,442)
Profit on deconsolidation	**–**	(1,509,909)	**–**	–
Gain from change in ownership interest of associate	**(19,200)**	–	**–**	–
Impairment/fair value movements in investments and receivables	**65,648**	1,324	**–**	–
Share of net profit of associates	**(50,699)**	(2,556)	**–**	–
Dividends received from associates	**200**	1,557	**–**	–
Interest income	**–**	–	**(76,699)**	(38,560)
Movement in:				
Trade debtors	**51**	34,009	**–**	–
Other debtors	**13,928**	(56,148)	**–**	–
Inventories	**82**	(3,124)	**–**	–
Television programme rights	**–**	(184,252)	**–**	–
Other assets	**2,803**	4,591	**–**	–
Trade creditors	**(11,075)**	(25,456)	**–**	–
Television programme liabilities	**–**	59,872	**–**	–
Deferred income	**–**	1,497	**–**	–
Provisions	**(50,376)**	(17,094)	**–**	–
Tax balances	**(27,195)**	61,529	**(74,016)**	479,292
Net cash provided by operating activities	**81,214**	124,939	**(53,242)**	38,984

During the year ended 30 June 2007, significant non-cash transactions for the Company included forgiveness of a loan receivable from Seven Media Group Pty Limited in the amount of $1,273.799 million.

Subsequent to the issue of the 30 June 2007 Preliminary Final Report there have been some reclassifications within operating activities in the prior year cash flow statement (refer page 38). The net cash provided by operating activities remains unchanged.

36. FINANCING ARRANGEMENTS

At 28 June 2008, the total available financing arrangements included: a secured interest bearing liability of $55,500,000, a secured loan facility of $5,400,000 and finance lease facilities of $1,619,000.

At 30 June 2007, the consolidated entity did not have any outstanding financing arrangements in place.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

37. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

Overview

The Group and Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The following presents information, both qualitative and quantitative, about the Group's and Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board has established a sound system of risk oversight and management and internal control which includes the establishment of the Risk and Compliance Committee. The committee has been constituted with the function of assisting the Board to ensure that its corporate governance and oversight responsibilities are fulfilled in relation to risk management and compliance with applicable laws and regulations.

Risk management policies are established to demonstrate that the Group and Company understands and manages risk and seeks to ensure that there is consistency to the methods used in assessing, monitoring and communicating risks and that risk management efforts are aligned with the Group's strategic and business objectives.

The Audit Committee reviews, evaluates and makes recommendations to the Board in relation to:

- assessing the risk management, compliance and control environment as it relates to the external and internal audit plans;
- overseeing financial reporting; and
- evaluating internal and external audit.

The Audit and Risk and Compliance Committees are assisted in their oversight role by the Internal Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables, cash and cash equivalents and investment securities. For the Company, it arises from receivables due from subsidiaries.

The Group and the Company only trade with recognised, credit-worthy parties and receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group has established a credit policy under which new customers are analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, such as Veda Advantage. Purchase limits are established for each customer and these limits are reviewed annually or upon request. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group upon lodging of a Bank Guarantee as a security document or on a strictly pre-paid (cleared funds) only basis.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group mitigates this risk by only dealing with counterparties that meet a defined credit criteria and also by managing specific credit limits on all counterparties.

The Group and the Company are not aware of any material credit concerns with respect to the portfolio of investments.

A subsidiary of Seven Network Limited, Unwired Group Limited, has pledged a total of $151,429,000 of assets of which $7,588,000 are financial assets against total outstanding interest bearing liabilities of $63,424,000 at 28 June 2008. In the event of a default, any cash recovered from the sale of these will be distributed amongst the lenders based on their interest in the company.

37. FINANCIAL INSTRUMENTS CONTINUED

The Group's maximum exposure to credit risk at the reporting date was:

		CONSOLIDATED CARRYING AMOUNT		COMPANY CARRYING AMOUNT	
	Note	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Available-for-sale financial assets	16	1,228,886	511,255	–	–
Financial assets designated at fair value through profit or loss	16	7,150	12,855	–	–
Trade and other receivables	11	38,425	47,970	2,322,599	2,652,982
Cash and cash equivalents	10	1,235,911	2,606,695	50	50
		2,510,372	3,178,775	2,322,649	2,653,032

Impairment Losses

None of the Company's receivables are past due (2007: nil). The aging of the Group's trade receivables at the reporting date was:

	2008		2007	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	968	46	–	–
Past due 0-30 days	218	92	–	–
Past due 31-120 days	208	126	–	–
	1,394	264	–	–

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008 $'000	2007 $'000
Balance at beginning of year	–	–
Provisions on acquisition of controlled entities	222	–
Impairment loss recognised	42	–
Balance at end of year	264	–

The Group's and the Company's exposure to credit risk is predominately in Australia and there are no significant concentrations of credit risk below this level.

Liquidity Risk

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.

The Group maintains a large amount of cash in liquid deposits that can be drawn at short notice to meet any financial commitments that may eventuate. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a minimum period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group or Company does not have any significant derivative financial liabilities.

The tables below set out the Group's liabilities as at 28 June 2008 and 30 June 2007 into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date.

The amounts presented represent the future undiscounted principal and interest cash flows and therefore may not agree with the carrying amounts in the balance sheet.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

37. FINANCIAL INSTRUMENTS CONTINUED

CONSOLIDATED

	AS AT 28 JUNE 2008 CONTRACTUAL MATURITY (CASH FLOWS)					AS AT 30 JUNE 2007 CONTRACTUAL MATURITY (CASH FLOWS)				
	Carrying amount	Contractual cash flows $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000
Non derivative financial liabilities										
Secured loans	2,982	(6,158)	(1,430)	(1,999)	(2,729)	–	–	–	–	–
Unsecured loans	4,425	(5,616)	(479)	(2,088)	(3,049)	4,684	(6,078)	(462)	(2,018)	(3,598)
Interest bearing liability	55,500	(63,122)	(63,122)	–	–	–	–	–	–	–
Finance lease obligations	1,619	(1,745)	(1,315)	(430)	–	–	–	–	–	–
Trade and other payables	64,426	(63,279)	(57,654)	(5,625)	–	62,544	(62,544)	(52,427)	(10,117)	–
	128,952	(139,920)	(124,000)	(10,142)	(5,778)	67,228	(68,622)	(52,889)	(12,135)	(3,598)

COMPANY

	AS AT 28 JUNE 2008 CONTRACTUAL MATURITY (CASH FLOWS)					AS AT 30 JUNE 2007 CONTRACTUAL MATURITY (CASH FLOWS)				
	Carrying amount	Contractual cash flows $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1 to 5 years $'000	Over 5 years
Non derivative financial liabilities										
Trade and other payables	4,298	(4,298)	(4,298)	–	–	10,908	(10,908)	(10,908)	–	–
	4,298	(4,298)	(4,298)	–	–	10,908	(10,908)	(10,908)	–	–

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of the Group's and the Company's financial instruments.

(1) Interest rate risk

Interest rate risk refers to the risks that the value of a financial instrument or its associated cash flows will fluctuate in response to changes in market interest rates.

The Group's and Company's risk management policy for interest rate risk has been formulated to minimise the effects of interest rate movements on its assets and liabilities.

Interest rate risk arises from interest bearing financial assets and liabilities that the Group utilises.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and cash equivalents which are subject to movements in market interest rates. Cash and cash equivalents consist primarily of AUD cash held in short-term deposits with highly rated relationship banks, along with cash held in transactional bank accounts to fund day to day operational requirements.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and therefore a change in interest rates at the reporting date would not affect profit or loss.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

82,222,222 convertible notes were issued by Unwired Group Limited to Intel Corporation maturing on 30 August 2009 and 11,111,111 notes were issued to Mitsui & Co Ltd maturing on 18 May 2012. Interest was payable at a fixed rate of 4.25% p.a. to Intel and was payable at an interest rate of 5.0% to Mitsui. The notes to Mitsui & Co Ltd were repaid during the year.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

37. FINANCIAL INSTRUMENTS CONTINUED

As a result of the Group taking control of Unwired Group Limited on 15 November 2007, Intel is entitled to a redemption premium at 50% of the face value of the $37 million convertible note. On 15 May 2008, Intel issued a demand notice to Unwired Group Limited stating that the face value of the convertible note and the premium relating to the takeover of the Group, are due and payable. Intel is now calculating interest on the full $55.5 million outstanding at 28 June 2008 at a rate of 10% per annum. Unwired Group Limited disagrees with Intel's demand and is currently litigating the matter. The full amount demanded by Intel has been recorded on a conservative basis. As of 15 May 2008, the Intel convertible note is being treated as an interest bearing liability.

The following table sets out the interest rate profile of the Group's and the Company's interest bearing financial instruments:

	CONSOLIDATED CARRYING AMOUNT		COMPANY CARRYING AMOUNT	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Fixed rate instruments:				
Financial liabilities	**(64,526)**	(4,684)	**–**	–
Variable rate instruments:				
Financial assets	**1,235,911**	2,606,695	**50**	50

The following table shows the impact on net profit and equity if floating interest rates at balance date had been 1% (100 basis points) higher or lower, with all other variables held constant.

A sensitivity of 1% is considered reasonable given the current level of interest rates in Australia.

	CONSOLIDATED				COMPANY			
	NET PROFIT		EQUITY		NET PROFIT		EQUITY	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
If interest rates were 1% (100 BPS) higher with all other variables held constant – Increase/(decrease)	**12,359**	26,067	**–**	–	**1**	1	**–**	–
If interest rates were 1% (100 BPS) lower with all other variables held constant – Increase/(decrease)	**(12,359)**	(26,067)	**–**	–	**(1)**	(1)	**–**	–

(2) Currency risk

Foreign currency risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in foreign currency rates.

The Group has exposure to foreign exchange risk resulting from contracts requiring payment in US dollars (USD). This exposure is not considered material to the Group as a whole. The Group manages this risk through a policy which requires "natural hedging" of future USD commitments through the purchase of USD provided the commitment is no greater than six months.

(3) Equity Price risk

Equity price risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in the underlying share prices.

The Group has exposure to equity price risk arising from its portfolio of investments in listed equity securities.

The Group manages this exposure by only investing in high yielding, highly liquid equity securities.

The following table shows the impact on net profit and equity of the Group if equity prices at balance date had been 10% higher or lower, with all other variables held constant. The Company does not have any financial instruments subject to equity price risk.

A sensitivity of 10% is considered reasonable given the current level of prices and the volatility observed both on a historical basis and market expectations for future movement.

Notes to the Financial Statements

YEAR ENDED 28 JUNE 2008

37. FINANCIAL INSTRUMENTS CONTINUED

	CONSOLIDATED				COMPANY			
	NET PROFIT		EQUITY		NET PROFIT		EQUITY	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
If share prices were 10% higher with all other variables held constant – Increase/(decrease)	715	1,286	122,889	51,126	–	–	–	–
If share prices were 10% lower with all other variables held constant – Increase/(decrease)	(715)	(1,286)	(122,889)	(51,126)	–	–	–	–

The allocation between net profit and equity is subject to impairment testing.

During the year ended 28 June 2008, an impairment loss of $47.3 million related to listed equity securities (refer note 5) was recognised in the profit and loss of the Group as follows :

An impairment write-down of $5.7 million was made to financial assets designated at fair value through profit or loss.

The Group determined that there was objective evidence of a significant and prolonged decline in the fair value of an available for sale investment in an equity instrument below its cost. As the adjustment to fair value was initially recorded in reserves, the difference between cost and fair value ($41.6 million) has been transferred out of reserves and included in the profit and loss as a significant item.

The fair values of financial assets at fair value through profit or loss and available for sale investments are determined by reference to their quoted market prices at balance date.

Fair Values

The carrying amounts of financial instruments disclosed in the balance sheet approximate their fair values.

Capital Management

The Group manages its capital to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure while maximising shareholder value.

The Group's recent focus has been and remains on liquid dividend paying securities, whilst also focusing on capital growth opportunities.

On 21 August 2007, the Company announced details of an on-market buyback of up to 10% of ordinary shares commencing from 5 September 2007. During the year ended 28 June 2008 the Company bought back 21,158,424 ordinary shares at a cost of $205,578,000 (approximately 10.0% of the issued share capital in the Company). As part of the Group's ongoing capital management strategy, on 5 August 2008, the Company announced a proposed on-market buyback programme of up to a further 40 million ordinary shares (approximately 19.4% of the issued share capital in the Company), approved by shareholders at an EGM held on 10 September 2008.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

38. EVENTS SUBSEQUENT TO BALANCE DATE

On 24 July 2008, the Company's investment in WAN increased to 22.3%.

On 4 September 2008, the on-market buyback programme for up to 10.0% of the Company's ordinary shares was concluded. Over the course of the programme, 22,334,221 shares were bought back.

At an Extraordinary General Meeting on 10 September 2008, holders of shares and TELYS3 approved a new market buyback programme for up to 40.0 million ordinary shares.

On 22 September 2008 the Company issued a Share Buyback and Trading Update which indicated that it is likely that the profit before tax (including significant items) for the first half of the 2009 financial year will be approximately 40%-50% below the prior corresponding period.

On 25 September 2008, Mr K. Stokes AC and Mr Gammell were appointed to the Board of West Australian Newspapers Holdings Limited.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Directors' Declaration

YEAR ENDED 28 JUNE 2008

In accordance with a resolution of the Directors of Seven Network Limited (the Company), we state that:

In the opinion of the Directors:

(1) (a) the financial statements and notes 1 to 38, and the Remuneration report, in the Director's report, set out on pages 22-34 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 28 June 2008 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) There are reasonable grounds to believe that the Company and the group entities identified in note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

(3) The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 28 June 2008.

On behalf of the board

KM Stokes AC
Executive Chairman

MC Wells
Chairman of the Audit Committee

Sydney
26 September 2008

Independent Auditor's Report

TO THE MEMBERS OF SEVEN NETWORK LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Seven Network Limited (the Company), which comprises the balance sheets as at 28 June 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 38 and the Directors' declaration (set out on page 90) of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

AUDITOR'S OPINION

In our opinion:

(a) the financial report of Seven Network Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and the Group's financial position as at 28 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 26 to 34 of the Directors' report for the year ended 28 June 2008. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the remuneration report of Seven Network Limited for the year ended 28 June 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kenneth Reid
Partner

Sydney
26 September 2008

Company Information

LIST OF DIRECTORS

Kerry Stokes AC (Executive Chairman)

Peter Ritchie AO (Deputy Chairman)

David Leckie

Dulcie Boling

Peter Gammell

Bruce McWilliam

Ryan Stokes

Prof. Murray Wells

COMPANY SECRETARY

Warren Coatsworth

REGISTERED OFFICE

Company Secretariat
Level 2
38-42 Pirrama Road
Pyrmont NSW 2009

SHARE REGISTRY

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000

AUDITOR

KPMG
10 Shelley Street
Sydney NSW 2000

LEGAL ADVISORS

Freehills
MLC Centre
Martin Place
Sydney NSW 2000

Mallesons Stephen Jaques
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Clayton Utz
Levels 27-35
1 O'Connell Street
Sydney NSW 2000

Investor Information

SHAREHOLDER INQUIRIES

Investors seeking information regarding their shareholding or dividends or wishing to advise of a change of address should contact the Share Registry at:

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Telephone: (02) 9290 9600

Facsimile: (02) 9279 0664 or

Visit the online service at www.registries.com.au

Registries Limited has an online service for investors called InvestorServe. This enables investors to make online changes, view balances and transaction history, as well as obtain information about recent dividend payments and download various forms to assist in the management of their holding. To use this service, simply visit the Registries Limited website.

Other general inquiries may be directed to Mr W. Coatsworth, Company Secretary on (02) 8777 7777 or visit the website at www.sevencorporate.com.au

TAX FILE NUMBER INFORMATION

The company is obliged to record Tax File Numbers or exemption details provided by shareholders. While it is not compulsory for shareholders to provide a Tax File Number or exemption details, Seven Network Limited is obliged to deduct tax from unfranked dividends paid to investors resident in Australia who have not supplied such information. Forms are available upon request from the Share Registry or shareholders can submit their Tax File Number via the Registries' website.

THE CHESS SYSTEM

Seven Network Limited operates under CHESS – Clearing House Electronic Subregister System – an Australian Stock Exchange system which permits the electronic transfer and registration of shares. Under CHESS, the company issues a Statement of Holdings to investors, instead of share certificates, and the statement will quote the Holder Identification Number (HIN). The HIN number should be quoted on any correspondence investors have with the Share Registry.

The company will maintain investors' holdings in an Issuer Sponsored facility, which enables investors to maintain their holding without the need to be tied to any particular stockbroker.

Shareholder Information

YEAR ENDED 28 JUNE 2008

SUBSTANTIAL SHAREHOLDERS – ORDINARY SHARES

The numbers of ordinary shares held by the Substantial Shareholders based on the most recent notifications contained in the Company's Register of Substantial Shareholders as at 15 September 2008 are as follows:

Shareholder	Number of Shares	% Held*
KM Stokes AC and associated companies[1]	92,814,349	44.94
Tiberius Pty. Limited and associated companies[2]	62,082,442	30.06
Clabon Pty. Limited[3]	30,731,907	14.88
Ausbil Dexia Limited	16,805,976	7.49
SAS Trustee Corporation	14,438,458	5.63

(2) and (3) included in (1) above
*Based on issued capital at date of notification

DISTRIBUTION OF ORDINARY SHAREHOLDERS AND TELYS3 SHAREHOLDERS

Category (Numbers)	Ordinary Shareholders	TELYS3
1–1,000	4,939	10,356
1,001–5,000	3,749	410
5,001–10,000	367	24
10,001–100,000	202	18
100,001–and over	51	5
Total Number of Holders	9,308	10,813
Number of Holdings less than a Marketable Parcel	348	2

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name of Shareholder	Number of Shares	% Held
ANZ Nominees Limited	62,960,471	30.72
Wroxby Pty. Limited	30,731,907	14.99
National Nominees Limited	26,761,615	13.06
HSBC Custody Nominees (Australia) Limited	12,725,206	6.21
J P Morgan Nominees Australia Limited	11,047,187	5.39
ANZ Nominees Limited	9,919,144	4.84
Cogent Nominees Pty. Limited	5,486,302	2.67
Citicorp Nominees Pty. Limited	3,319,567	1.62
HSBC Custody Nominees (Australia) Limited	3,243,069	1.58
Mr Bruce McWilliam	3,127,504	1.52
UBS Nominees Pty. Limited	3,000,100	1.46
Queensland Investment Corporation	1,544,092	0.81
HSBC Custody Nominees (Australia) Limited	1,125,712	0.54
UBS Nominees Pty. Limited	1,104,364	0.54
ANZ Nominees Limited	554,000	0.27
Credit Suisse Securities (Europe) Limited	500,000	0.24
Citicorp Nominees Pty. Limited	498,287	0.24
Merrill Lynch (Australia) Nominees Pty. Limited	461,780	0.22
Warbont Nominees Pty. Limited	393,601	0.19
Citicorp Nominees Pty. Limited	386,293	0.19
Total Twenty Largest Ordinary Shareholders	178,890,201	87.30

Shareholder Information

YEAR ENDED 28 JUNE 2008

TWENTY LARGEST TELYS3 SHAREHOLDERS

Name of Shareholder	Number of TELYS3	% Held
J P Morgan Nominees Australia Limited	251,282	5.06
HSBC Custody Nominees (Australia) Limited	175,452	3.53
ANZ Nominees Limited	146,619	2.95
RBC Dexia Investor Services Australia Nominees Pty Limited	141,551	2.85
UBS Wealth Management Australia Nominees Pty Limited	141,095	2.85
Cogent Nominees Pty Limited	65,240	1.31
Australian Executor Trustees Limited	63,262	1.27
UCA Cash Management Fund Limited	49,941	1.04
Citicorp Nominees Pty Limited	44,593	0.89
National Nominees Limited	33,529	0.67
Perpetual Trustees Consolidated Limited	30,706	0.62
Mr Sean Gentry	30,571	0.62
MLEQ Nominees Pty. Limited	23,992	0.48
SR Consolidated Pty Limited	21,435	0.43
Shanlodge Pty Limited	20,382	0.41
Netwealth Investments Limited	18,783	0.37
RBC Dexia Investor Services Australia Nominees Pty Limited	17,460	0.35
ANZ Nominees Limited	17,300	0.35
Mr Bruce McWilliam	16,063	0.32
Cambooya Pty Limited	15,600	0.32
Total Twenty Largest TELYS3 Shareholders	1,324,856	26.69

DETAILS OF OPTIONS ISSUED BY SEVEN NETWORK LIMITED

Number on issue:	4,525,000
Number of holders:	7
Name and number of options held by an option holder holding 20% or more of the options in this class:	Mr D Leckie, a Director of the company, holds 1,500,000 options over ordinary shares Mr B McWilliam, a Director of the company, holds 1,000,000 options over ordinary shares Mr P Meakin holds 1,000,000 options over ordinary shares

VOTING RIGHTS

Ordinary Shares

On a show of hands, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote. On a poll, every member present in person or by proxy or attorney, or being a corporation, present by its representative, shall have one vote for every share held.

Options

There are no voting rights attached to options. Upon exercise of the option, the issued shares will confer full voting rights.

TELYS3

There are limited voting rights attached to TELYS3 as detailed in their terms of issue. In broad terms, a holder has the right to vote if a dividend is in arrears, on a proposal to reduce share capital, affecting rights on the TELYS3, on a winding up of the company, on a disposal of the whole undertaking of the company, on a resolution to approve a buyback agreement and during the winding up of the company. Upon conversion of the TELYS3, the resulting issued shares will confer full voting rights.

STOCK EXCHANGE LISTING

The Company is listed with the Australian Stock Exchange Limited and the home exchange is Sydney.

ON-MARKET BUYBACK

There is a current on-market buyback.

Corporate Directory

YEAR ENDED 28 JUNE 2008

HEAD OFFICE

Seven Network Limited
Level 4
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Pyrmont NSW 2009

Ph: (02) 8777 7777
Fax: (02) 8777 7778

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Pyrmont NSW 2009

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Fax: (02) 8777 7778

SEVEN NEWS CENTRE

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Sydney NSW 2000

Ph : (02) 8777 7777
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CHANNEL SEVEN SYDNEY

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Epping NSW 2121

Ph: (02) 9877 7777
Fax: (02) 9877 7778

CHANNEL SEVEN MELBOURNE

160 Harbour Esplanade
Docklands Melbourne Vic 3008

Ph: (03) 9697 7777
Fax: (03) 9697 7747

CHANNEL SEVEN BRISBANE

Sir Samuel Griffith Drive
Mt Coot-tha Qld 4006

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Fax: (07) 3368 7410

CHANNEL SEVEN QUEENSLAND

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Fax: (07) 5430 1760

CHANNEL SEVEN ADELAIDE

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Fax: (08) 8342 7717

CHANNEL SEVEN PERTH

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Fax: (08) 9344 0670

SEVEN NETWORK AUSTRALIA LOS ANGELES BUREAU

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UNWIRED GROUP LIMITED

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Sydney NSW 2000

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Fax: (02) 9231 6044

ENGIN LIMITED

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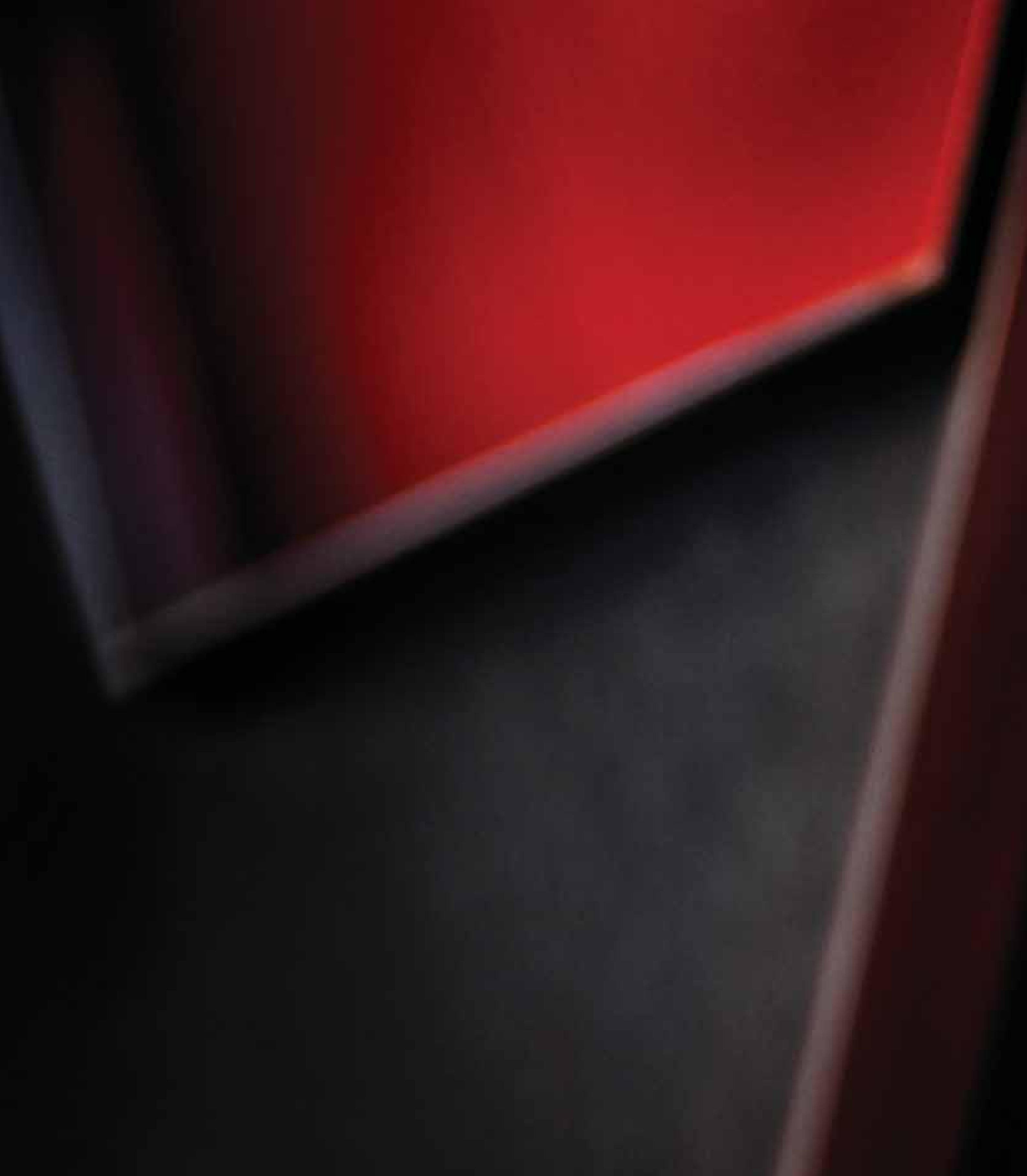
Frenchs Forest
NSW 2086

Ph: (02) 9004 4444
Fax: (02) 9004 4455



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