ENFORCEABLE UNDERTAKING

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

SECTION 93AA

The commitments in this undertaking are offered to the Australian Securities and Investments Commission ("**ASIC**") by:

Seven Network Limited (ACN 052 816 789)
Corporate Office
Television Centre
Mobbs Lane
Epping NSW 2121

and

Seven Network (Operations) Limited (ACN 052 845 262)
Corporate Office
Television Centre
Mobbs Lane
Epping NSW 2121

1. BACKGROUND

1.1 Following discussions with the Australian Securities and Investments Commission ("ASIC"), the directors of Seven Network Limited ("Seven") acknowledge that there is an alternative accounting treatment and that ASIC has formed the view that the treatment adopted by Seven in the Seven accounts and consolidated accounts and the accounts of Seven Network (Operations) Limited ("Operations") in relation to certain matters arising from Seven's investment in MGM does not comply with the requirements of the Corporations Law ("the Law").

1.2 In ASIC's view, Operations' and Seven's non-compliance with Australian Accounting Standards and the Law would, in the absence of remedial action which Seven asserts it could have taken, resulted in:

(a) an overstatement of the profits of Operations available for distribution for the year ended 27 June 1998 of approximately $33.6m;

(b) an overstatement in the profits of Seven available for distribution for the year ended 27 June 1998 (in relation to which dividends of $47.6m for the year ended 28 June 1997 were paid as well as the dividends of $64.9m for the year ended 27 June 1998) of approximately $93.3m; and

Ab

JH

(c) Seven and Operations paying dividends of approximately $64.9m and $33.6 m respectively otherwise than out of profits for the year ended 27 June 1998.

1.3 Seven and Operations acknowledge that there is an alternative accounting treatment for certain items to that adopted in their accounts for the years ended 28 June 1997 and 27 June 1998 and have adopted an accounting treatment in their financial reports for the half-year ended 27 December 1998 to address these issues.

1.4 The effect that the alternative treatment would have had on the 1997 and 1998 accounts is set out in Annexure A to this undertaking and in a note to Seven's financial report for the half-year ended 27 December 1998.

1.5 Seven and Operations acknowledge ASIC's concerns in relation to their accounts for the years ended 28 June 1997 and 27 June 1998.

2. UNDERTAKINGS

Pursuant to section 93AA of the Australian Securities and Investments Commission Act ("ASIC Act") Seven and Operations undertake that:

2.1 they will each make prior period adjustments to their respective financial reports for the half year ended 27 December 1998 and the full year ending 26 June 1999 ("the current financial periods") to charge the unrealised losses previously recorded in the Foreign Currency Translation Reserve for the years ended 28 June 1997 and 27 June 1998 to the profit and loss statement of the current financial periods; and

2.2 Seven will publish a disclosure notice in form of Annexure A to this undertaking, both as a note to its financial report for the half-year ended 27 December 1998 and as a release to the Australian Stock Exchange Limited on, or before, Tuesday, 9 March 1999.

3. ACKNOWLEDGMENTS

3.1 Operations and Seven acknowledge that ASIC:

(a) will issue a media release in the form of Annexure B to this undertaking; and

(b) will make this undertaking available for public inspection.

3.2 As soon as practicable after execution of this undertaking Seven must lodge a copy of this undertaking with the Australian Stock Exchange.

3.3 Operations and Seven acknowledge that this undertaking has no operative force until accepted by ASIC.

The Common Seal of **Seven Network Limited** (ACN 052 816 789) was duly affixed to this undertaking on 8 March 1999 in the presence of, and the sealing is attested by:

Director

~~Director~~/Secretary

The Common Seal of **Seven Network (Operations) Limited** (ACN 052 845 262) was duly affixed to this undertaking on 8 March 1999 in the presence of, and the sealing is attested by:

Director

~~Director~~/Secretary

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION PURSUANT TO SECTION 93AA OF THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT BY ITS DULY AUTHORISED DELEGATE:

Date: 8 March 1999.

Jan Redfern
Regional General Counsel

Annexure A

DISCLOSURE NOTICE
BY SEVEN NETWORK LIMITED

Following discussions with the Australian Securities and Investments Commission ("ASIC"), the directors of Seven Network Limited ("Seven") acknowledge that there is an alternative accounting treatment and that ASIC has formed the view that the treatment adopted by Seven in the Seven accounts and consolidated accounts and the accounts of Seven Network (Operations) Limited ("Operations") in relation to certain matters arising from Seven's investment in MGM does not comply with the requirements of the Corporations Law. Seven acknowledges that there is an alternative accounting treatment for certain items to that adopted in its accounts for the years ended 28 June 1997 and 27 June 1998 and has adopted an accounting treatment in its financial report for the half-year ended 27 December 1998 to address these issues. The effect that the alternative treatment would have had on the 1997 and 1998 accounts is set out below, and in a note to Seven's accounts for half-year ended 27 December 1998.

Alternative accounting treatments and their effect

The alternative accounting treatments are outlined below:

(i) *Foreign exchanges losses taken to reserve in individual companies*

Accounting standard AASB 1012 "Foreign Currency Translation", provides in most circumstances for foreign exchange losses to be taken to the profit and loss account in the individual company accounts of a company rather than to a Foreign Currency Translation Reserve.

In the case of Seven unrealised exchange losses of $18.2 million were taken to the Reserve in the 1997 accounts and $79.8 million in the 1998 accounts. Unrealised losses of $58.8 million were taken to the reserve in the 1998 Operations accounts. In the alternative treatment, in the case of Seven and Operations, this would not have been permitted.

In the alternative treatment, unrealised losses would have been taken to the profit and loss accounts and the profits after tax of Seven would have been reduced by $51.1 million to $20.2 million in 1998 and by $11.6 million to $35.5 million in 1997. The profits of Operations would have been reduced by $37.6 million to $44.5 million in 1998. These figures allow for future income tax benefits relating to the unrealised exchange losses which had not been recognised but do not take into account the other adjustments referred to in this notice.

This alternative treatment described above is in respect of the individual companies only. The effect on the consolidated accounts is discussed in the following paragraph.

(ii) *Use of Foreign Currency Translation Reserve on consolidation*

An investment in MGM was held through Miltonstar Pty Limited, a wholly-owned subsidiary of Seven incorporated in Australia. From a group perspective, this US investment was hedged by a swap agreement in Seven and unsecured notes in Operations. Unrealised exchange gains and losses relating to these items were taken to a Foreign Currency Translation Reserve in Seven's consolidated accounts. The alternative treatment would not have permitted this.

In the 1997 year unrealised exchange losses of $18.2 million on the swap were taken to the reserve and a corresponding liability recorded. No exchange differences were recorded in relation to the investment in MGM. In the 1998 year net unrealised gains on the swap, unsecured notes and investment of $20.8 million were taken to the reserve (including an adjustment to record an exchange gain of $18.2 million which arose in the 1997 year in relation to the investment).

As there was an effective hedge from the group perspective the unrealised gains and losses to the extent of that hedge could be offset on consolidation. Under the alternative treatment an unrealised net gain of $1.7 million after tax for the 1998 year would have been included in the consolidated profit. The reported consolidated profit after tax for 1998 was $20.4 million.

(iii) *Provision for treasury costs*

At 27 June 1998 Seven and Operations provided for the treasury costs in relation to the unwinding of the swap arrangements and unsecured notes associated with the financing of the investment in MGM. The investment was not sold and the swap and unsecured notes were not unwound until after 27 June 1998. Although there was no liability at 27 June 1998 required to be booked, Seven believed that it was appropriate to record these costs in the accounts at 27 June 1998 as they were known and quantifiable prior to the finalisation of the accounts.

In the alternative treatment, no liability could be booked at 27 June 1998 and the costs would have been recorded in the 1999 financial year and noted as a subsequent event in the 1998 accounts and consolidated accounts.

In the alternative treatment the consolidated profit would have been increased by $7.1 million after tax which would have been material in relation to the reported consolidated profit of $20.4 million.

(iv) *Capitalisation of borrowing costs*

Interest on borrowings related to the investment in MGM were capitalised in the consolidated accounts for the 1997 and 1998 financial years. The alternative treatment would not have permitted this.

A provision was made in relation to these costs at 27 June 1998. The effect of the alternative treatment would be to reduce the 1997 consolidated profit after tax by $8.7 million and increase the 1998 consolidated profit by the same amount.

The effect of the alternative accounting treatment noted above on the reported profit after tax, year end retained profits and net assets shown in the 1997 and 1998 accounts, if implemented, is summarised below. A reconciliation between the reported profit and the profit under the alternative treatment is available from Seven on request at no charge by calling an information line on ph. (02) 9877 7701.

Seven Network Limited - consolidated accounts

	Financial year end	Reported figures ($ million)	Revised figures ($ million)
Operating profit after tax	27 June 1998	20.3	37.8
Year end retained profits	27 June 1998	83.1	91.8
Net assets	27 June 1998	759.5	765.6
Operating profit after tax	28 June 1997	88.9	80.3
Year end retained profits	28 June 1997	128.7	120.0
Net assets	28 June 1997	708.1	717.6

Seven does not provide for final dividends in its accounts and consolidated accounts. The final dividend paid for the 1998 financial year was $49.1 million and the final dividend for the 1997 year was $47.6 million. The revised consolidated retained profits at the end of 1998 less the final dividend of $49.1 million paid out of the 1998 profits of Seven would have been $42.7 million.

Seven Network Limited - individual company accounts

	Financial year end	Reported figures ($ million)	Revised figures ($ million)
Operating profit/(loss) after tax	27 June 1998	71.8	(9.8)
Year end retained profits/ (accumulated losses)	27 June 1998	62.3	(30.9)
Net assets	27 June 1998	637.2	642.0
Operating profit after tax	28 June 1997	47.1	35.4
Year end retained profits/ (accumulated losses)	28 June 1997	56.5	44.9
Net assets	28 June 1997	635.6	642.2

If the directors took no further action to remedy such an outcome (for example, by liquidating the two special purpose companies Miltonstar Pty Limited and Seven

10 JH

Network International Limited and paying the distributions to Seven), the revised accumulated losses at the end of 1998 less the final dividend of $49.1 million for 1998 would have given accumulated losses of $80.0 million.

The revised figures for Seven above take into account that the adjustments referred to in this notice would have reduced the dividends paid from Operations to Seven by $33.6 million.

Undertaking

Seven and Operations have given an undertaking to ASIC that they will each make prior period adjustments to their respective financial reports for the half year ended 27 December 1998 and the full year ending 26 June 1999 to charge the unrealised losses previously recorded in the Foreign Currency Translation Reserve for the 1997 and 1998 years to the 1999 profit and loss statement.

Issued on : XX XXXXXX March 1999

Annexure B

ASIC

Australian Securities & Investments Commissio

ASIC CONCERNED WITH ACCOUNTING TREATMENTS ADOPTED BY SEVEN NETWORK IN 1997 AND 1998

As a result of the Australian Securities and Investments Commission's (ASIC) ongoing surveillance into financial reports of Australian companies, ASIC has formed the view that the accounts of Seven Network Limited (Seven) and one of its subsidiaries for the years ended 28 June 1997 and 27 June 1998 did not comply with the requirements of the Corporations Law.

The matters relate to Seven's investment in MGM.

A principal concern of ASIC was Seven would not have been permitted to pay the substantial dividends paid in the financial year ended 27 June 1998 had it (and its subsidiary) complied with accounting standards.

Seven does not agree with ASIC's view and says it would have taken remedial action if required.

Seven acknowledges that there is an alternative accounting treatment for certain items and has co-operated with ASIC in addressing those concerns.

Seven has given an undertaking to ASIC that it will adopt an accounting treatment in its financial report for the half-year ended 27 December 1998 to address ASIC's concerns.

Seven has also made an announcement to the market detailing the nature and effect of the accounting issues.

A copy of the undertaking and disclosure notice are attached to this media release.

ASIC Regional Commissioner Jane Diplock said ASIC wants to ensure that accounting standards are complied so that the financial statements of companies are prepared on a consistent and comparable basis.

"Accounting standards promote confidence and informed participation of investors in the market."

"ASIC will continue to monitor the financial reports prepared by entities to ensure compliance with the financial reporting requirements of the Law and take appropriate action where necessary" Ms Diplock said.

For further information contact:
Jennifer O'Donnell
ASIC Director of Operations
NSW Regional Office, Sydney
Tel: (02) 9911 2123
Mobile:

Issued by:
ASIC Media Unit
Tel: (02) 9911 2683