

Important notice regarding the attached report

Please read the terms and conditions set out below. It is on the basis that you have read, understood and agreed to abide by these terms and conditions that the report is made available to you.

The Australian Competition and Consumer Commission (ACCC) has asked PricewaterhouseCoopers (PwC) to permit the ACCC to disclose the attached report to the public. PwC has agreed that the ACCC may make the report available to the public on the basis set out below

Caution: incomplete report

With the consent of the ACCC, FOXTEL has instructed PwC to obscure certain information from PwC's report because the information is confidential to FOXTEL. PwC's report is intended to be read in its entirety and, without the obscured information, the report does not represent PwC's opinion or the findings of PwC's work. While PwC has no responsibility to readers of the report other than FOXTEL (see below), PwC believes that anyone reading the report for information should seek access to a complete copy of the report. PwC has been told that this will be made available if FOXTEL is given an appropriate confidentiality undertaking in relation to the information which has been obscured.

Terms and conditions

By reading the PwC report you acknowledge and agree to the following terms and conditions on which a copy of the report is made available to you:

- (a) in performing its work for FOXTEL (including, where applicable, carrying out the procedures agreed with FOXTEL) and preparing its report, PwC acted solely for FOXTEL and owed no duty or responsibility to any other party
- (b) PwC should not be taken to have assumed any duty of care or responsibility to any party because that party is shown or given a copy of the PwC's report
- (c) where a report relates to agreed upon procedures, the sufficiency of the procedures performed is solely the responsibility of FOXTEL and PwC makes no representation to FOXTEL, the ACCC or any other person regarding their sufficiency for the purpose of its engagement by FOXTEL or for any other purpose
- (d) neither the ACCC nor any other party to whom PwC's report may be shown or given is entitled to rely on the report for any purpose or to claim to have done so. However, this does not prevent the ACCC or you from considering and commenting on PwC's reports in connection with any assessment of FOXTEL's special access undertaking
- (e) subject to paragraph (d), PwC's report may not be copied for any purpose or disclosed to any other party
- (f) you agree not to bring any action, claim, suit, demand, claim or any other proceedings whatsoever against PwC arising directly or indirectly out of or in connection with the report being made available to you.

Lynette Ireland
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13 July 2005

Agreed Upon Procedures Report on Cable IBAC Cost Schedules

Dear Lynette

We have prepared this report to assist you in calculating FOXTEL Partnership's (FOXTEL) cumulative Cable Installed Base Acquisition Costs ("IBAC") for the period to 30 June 2004. We understand that this Cable IBAC cost pool calculation will form part of FOXTEL's legal submission to support an application for a special access undertaking to be lodged with the ACCC relating to the digital access regime. The procedures performed with respect to the Cable IBAC Schedules (the "Schedules") are as agreed with you and are detailed in our engagement letter of 30 June 2005.

Scope of agreed-upon procedures

We have performed the procedures agreed with you on the Schedules. The Schedules comprise the summary schedule, and Schedules A to K, and are attached as Appendix 1. The procedures we have agreed to perform are attached in Appendix 2.

Our engagement was undertaken in accordance with Australian Auditing Standards applicable to agreed-upon procedures engagements. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed is that of FOXTEL Management Pty Limited, as manager of FOXTEL, and we make no representation as to their sufficiency for the purposes of this engagement or any other purpose.

Our procedures do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements. We do not express any assurance or opinion on the appropriateness of the underlying assumptions or calculations that form the bases of the attached Schedules. In addition, we do not express any opinion on the effectiveness of FOXTEL's internal controls or computer systems, nor the accuracy of the figures extracted from them.

Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, other matters might have come to our attention that would have been reported to you.

Caution: incomplete report - refer to notice on page 1 of this report

Use of PwC's reports

We understand that FOXTEL intends to attach our reports to its legal submissions to the ACCC in support of its application for a special access undertaking. We consent to these reports being provided to the ACCC but only:

- on the understanding that our work has been undertaken in accordance with this letter of engagement solely for FOXTEL, and that our duty of care in performing this work is to FOXTEL only. We will state this in our reports and
- provided that FOXTEL first provides us with drafts of all references to PwC's reports in its submission to the ACCC, and PwC is satisfied that those references are appropriate and that FOXTEL first puts the ACCC on notice in writing in its submission that:
 - (a) in performing its work for FOXTEL (including, where applicable, carrying out the procedures agreed with FOXTEL) and preparing its reports, PwC acted solely for FOXTEL and owed no duty or responsibility to any other party
 - (b) PwC should not be taken to have assumed any duty of care or responsibility to any party to whom any of its reports is shown or given because it has permitted FOXTEL to show or give the report to them.
 - (c) where a report relates to agreed upon procedures, the sufficiency of the procedures performed is solely the responsibility of FOXTEL and PwC makes no representation to FOXTEL, the ACCC or any other person regarding their sufficiency for the purpose of its engagement by FOXTEL or any other purpose.
 - (d) PwC's reports are provided to the ACCC for information only and neither the ACCC nor any other party to whom PwC's reports may be shown is entitled to rely on the report for any purpose or to claim to have done so.
 - (e) PwC's report is confidential and may not be copied for any purpose or disclosed to any other party (except as required by law)
 - (f) before disclosing a PwC report to a third party (provided that is permitted under paragraph (e)), the ACCC must first obtain an undertaking from the intended recipient containing the undertakings in appendix 3.

Apart from disclosure to the ACCC as above, FOXTEL may not disclose any of PwC's reports to any third party, publish them on a website or refer to PwC or this engagement without PwC's prior written consent. PwC may, at its discretion, grant or withhold its consent or grant it subject to conditions. In no event, regardless of whether consent has been provided will PwC assume any responsibility to any third party to whom its report is otherwise disclosed or made available.

Findings

We have performed the agreed-upon procedures outlined in Appendix 2 with respect to the Schedules. In summary, our findings with respect to our work on the Schedules are as follows:

- (a) we have agreed the historical data to FOXTEL's books and records, and have noted a number of exceptions in the earlier years, where costs could not be agreed to the Profit & Loss account. In these instances, FOXTEL management have identified other prima facie supporting evidence. We also noted instances where certain supporting documentation for 'gross cable installation costs' and certain 'smart card costs' could not be re-produced.
- (b) we have documented, where appropriate, the basis of the assumptions used in the calculations, and
- (c) we have checked the arithmetic accuracy of the Schedules, with no exceptions noted.

The detailed results of the procedures performed and our findings are included in Appendix 2.

Yours faithfully



PricewaterhouseCoopers



DN Ridehalgh
Partner

IBAC Summary Cable

Ref	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Engineering										
A										
Installation										
B										
Less Installation Revenue										
B										
Net Installation Costs										
C										
MDU Backboning										
D										
Disconnections										
E										
Service Calls (Net)										
F										
Marketing										
F										
Sales										
F										
Publicity & Promotions										
G										
Corporate Other										
G										
Call Centre										
G										
Other Common Costs (ie. Corporate Other + Call Centre)										
H										
Cable STU's										
I										
Smart Card Costs										
J										
Logistics Department										
K										
Foreign Exchange and Parts										

Obscured by FOXTEL – Please refer to notice accompanying this report for further information.

Please contact ACCC for conditions on which full copy of report is available.

Engineering - Ref A

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
<i>Testing Equipment per Don Brooks (Engineering Manager)</i>										
EMFP										
VM700										
Spectrum Analyser										
Audio Measurement Set										
Modulator										
Staff costs (assumed)										

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Installation - Ref B

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Reconnect wired house										
Reconnect existing sub to unwired house										
Standard installation cost										
Non standard installation cost										
Total Installation costs per P&L										
Standard installation revenue										
Non standard installation revenue										
Total Installation revenue per P&L										
Net installation cost per P&L										
<i>Gross Cable Installations per Management Reports</i>										
<i>Derived Installation breakdown</i>										
- Reconnect wired										
- Reconnect existing sub to unwired										
- Standard										
Imputed cost of standard installs										
<i>(Telstra contribution towards access to the Home)</i>										
Total Net Installation Cost										

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MDU Backboning - Ref C

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Cable / MDU Investigation Capex per GL										
Cable allocation of departmental costs										
Departmental costs per P&L Total MDUs marketable - Cable Total MDUs marketable - Satellite Cable % of total Imputed departmental costs relating to Cable										

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NOTES

- * The MDU department is responsible for negotiations with the bodies corporate, etc to be
- * Cable/MDU Investigations relates to project code : 'DTH 9916:Cable/MDU Investigation
- * STUs can be installed in individual premises.

Service Calls (Net) - Ref E

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Additional outlet at installation										
Additional outlet after installation										
Amplifier for multiple outlets										
Antenna coupler teletext primary										
Relocate wall socket										
Antenna coupler installation 2nd visit										
Amp for multiple outlet 2nd visit										
VCR Hookup after installation										
Service call inhouse maintenance *										
Replace remote control										
Total Activity Charges per P&L										
Additional outlet at installation										
Additional outlet after installation										
Antenna & Amp install										
Relocate box/dish/outlet										
VCR Hookup after installation										
Service change smart card										
Replacement smart card										
Replace remote control										
Total Activity Revenues per P&L										
Net Activity Charges										
Total Activity charges										
Reconnect wired house										
Reconnect existing sub to unwired house										
Disconnection										
Other										

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Sales & Marketing - Ref F

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Marketing per GL (excluding magazine)										
Sales per GL										
Less: MDU Backboning Conversion										
Sales per GL (less MDU Backboning conversion)										
Publicity & Promotions per GL (Dept 700, 713, 715)										
TOTAL SALES + MARKETING + PROMO										

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STUs - Ref H

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Cable STU Purchase Costs										

Obscured by FOXTEL – Please refer to notice accompanying this report for further information.
Please contact ACCC for conditions on which full copy of report is available.

Smart Card Costs - Ref I

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Total Conditional Access Per P&L *										
Total Smart Card Expense Per P&L *										
<i>Less CAG Costs based on standard monthly charges:</i>										
- CAG Maintenance										
- CAG Maintenance (HP)										
- Data Links										

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Foreign Exchange & Parts - Ref K

	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04	TOTAL
Foreign exchange (gain) / loss										
Parts										
Total foreign exchange (gain) / loss per P&L										
Total USD Requirement										
Spend on Cable STUs (A\$)										
Conversion rate										
Spend on Cable STUs (US\$)										
% Loss / (Gain) attributable to Cable STUs										
Foreign exchange (gain) / loss attributed to Cable STUs										

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Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>Preliminary</p> <p>1. Obtain general ledger for the periods 95/96 to 03/04. Ensure profit agrees to audited accounts for period. Note any differences and whether they relate to any of the costs tested in Schedules A to K.</p>	<p>1. Schedule of the total Departmental accounts were obtained for the periods 98/99 to 03/04 and profit was agreed to the audited accounts.</p> <p>Company Profit and Loss accounts were also obtained for periods 95/96 to 03/04, and agreed back to Departmental accounts for a sample of line items via a drill-down schedule.</p> <p>No exceptions were noted.</p>
<p>A. Engineering (Periods 95/96 – 03/04)</p> <p>1. Document basis of calculating testing equipment figures and staff figures</p>	<p>1. The equipment costs are estimates of the cost of initially purchasing equipment to test the STUs before they go out into the field. These costs were based on the engineering manager’s estimates of the cost of specific pieces of equipment. Management believes that if they obtained quotes for this equipment, they would be higher than the costs recorded.</p> <p>The staff costs are a proportion of Peter Smith (Engineering Director), Don Brooks, Arthur Zheng (Engineers) and Ian Waidron’s (Technical Services Supervisor) time, based on an estimate of the amount of their time spent testing the STUs and development and review of equipment specifications. The cost is the equivalent of approximately one quarter of the 4 staff’s cost, or one engineer full time.</p> <p>The above costs were calculated as an estimate of the total expense across all years (until 2004). These costs were then averaged out and applied consistently to each year.</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>B. Net Installation Costs (Periods 95/96 – 03/04)</p> <p>1. Agree all P&L figures to the GL</p>	<p>1. Agreed 95/96 costs of reconnection of wired and existing ‘sub to wired houses’ to Schedule E. The 95/96 standard and non-standard installation revenue has been agreed directly to the Profit and Loss account. No exceptions noted.</p> <p>The 96/97 balances (listed below) have been agreed directly in to the Profit and Loss account.</p> <p>For the period from 97/98 to 03/04 the following costs/revenue figures were agreed to a breakdown of Net Service Charges and Installation & Service Revenue with the total agreed to Profit and Loss Account:</p> <ul style="list-style-type: none"> • Reconnect wired house cost • Reconnect existing sub to unwired house cost • Standard installation costs • Non standard installation costs • Standard installation revenue • Non standard installation revenue <p>No exceptions noted.</p>
<p>2. Agree gross cable installations to management reports</p>	<p>2. For periods 00/01 to 03/04, Gross Cable Installations were agreed to management report, “Activity Revenue & Charges Summary”.</p> <p>No such report could be produced for the period 95/96 to 99/00. (Exception noted).</p>
<p>3. Document basis of calculating derived installation figures</p>	<p>3. Foxtel do not pay Telstra directly for standard installations. Foxtel has therefore calculated the imputed cost of these standard installations.</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>4. Document the basis of using the cost for reconnection of an existing subscriber to an unwired house as an approximation of the cost for standard installations.</p> <p>5. Agree imputed cost of standard installations to the BCA</p>	<p>The number of standard installations is calculated as follows:</p> <ul style="list-style-type: none"> - Dividing the “Reconnect wired house” costs by the cost of a reconnection, \$79 (95/96 – 02/03) and \$110 (03/04), agreed to Broadband Co-operation Agreement (BCA) and BCA Update, to achieve the number of reconnections to a wired house. - Dividing the “Reconnect existing sub to unwired house” costs by the cost of a reconnection (deemed to be the same as a standard installation – see below for explanation), \$135 (95/96 – 02/03) and \$165 (03/04), agreed to BCA and BCA Update, to achieve the number of reconnections of an existing sub to an unwired house. - Subtracting the two numbers calculated above from the Gross Cable Installations per Management Report to achieve the number of standard installations. <p>The number of standard installations is then multiplied by the cost of a standard install, \$135 (95/96 – 02/03) and \$165 (03/04), agreed to BCA, to achieve the imputed cost of standard installs.</p> <p>4. Foxtel considers the installation cost to be similar for an unwired house regardless of whether the customer was previously a subscriber (i.e. reconnecting) or if the customer is a new subscriber.</p> <p>5. For 95/96 to 03/04, costs per standard installation were agreed to an extract from the BCA. PwC reformed calculation with no exceptions noted.</p> <p>The increase from July 2003 of imputed cost of standard installations (to \$165) has been agreed to the BCA.</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>C. MDU Backboning - Conversion Cost (Periods 95/96 – 03/04)</p> <ol style="list-style-type: none"> 1. Agree Cable / MDU Investigation Capex to the GL 2. Agree Departmental costs to the general ledger. 3. Check the calculation of the Satellite and Cable allocation of departmental costs: <ol style="list-style-type: none"> a). Agree total MDUs marketable for Cable and Satellite to books and records, noting source of information. b). Check the calculation of the satellite % of total 	<ol style="list-style-type: none"> 1. For 98/99 to 00/01 (those years when costs were incurred), the Cable/MDU Investigation Capex costs were agreed to the movement within the project code “Cable/MDU Investigation” within the Capex report. The total of all project codes in the Capex report was agreed to the balance sheet within PP&E (Technical Equipment) for each relevant year, with no exceptions noted. Note that, there is no additional spend after June 2001. 2. Agreed costs to Profit and Loss Account by Department, department 232 (MDU), with no exceptions noted. 3. Agreed as follows for Satellite and Cable: <ol style="list-style-type: none"> a). 98/99 and 99/00 agreed to MDU management report, Cable Analogue and Satellite STD Subscribers. For the period 00/01 to 02/03, MDU figures were agreed to management report Residential Market Penetration Summary. 03/04 figures were agreed to Cognos Powerplay web explorer. No exceptions noted. b). Calculation checked with total percentage for both Satellite and Cable agreed as equalling 100%. No exceptions were noted.

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>D. Disconnections (Periods 95/96 – 03/04)</p> <ol style="list-style-type: none"> 1. For 95/96 Disconnection costs, check calculation based on activity percentages 2. Document the basis for calculation of Disconnection costs for 95/96 3. For periods 96/97 to 03/04, agree all P&L Disconnection, Futile Calls and STU collection costs expenses to the GL 	<ol style="list-style-type: none"> 1. For 95/96, the disconnection costs have been calculated based on the averages billed by Telstra for Nov 95 to Jun 96. PwC re-performed the calculated of the percentage breakdown of activity charges as per the invoices. The total Telstra activity charges for the year were agreed to the Profit and Loss Account. 2. Foxtel advises that the comparable costs for service calls and activities incurred in 1995/96 are included in the 1995/96 ledger account called Broadband costs. “Disconnection” charges represent the total of this account less <ul style="list-style-type: none"> – Reconnections to wired and unwired houses, which have been included within Installation costs (Schedule B). – Other activity charges, which have been included within Service Call costs (Schedule E) 3. 96/97 Disconnection (hard) and STU collection costs have been agreed directly to the Profit and Loss Account. For 96/97 to 03/04, disconnection, futile calls and STU collection costs were agreed to a breakdown by account of the Net Service Charge/Installation & Service Expense, with total agreed to the Profit and Loss Account. No exceptions noted.
<p>E. Service Calls Net (Periods 95/96 – 03/04)</p> <ol style="list-style-type: none"> 1. Agree all P&L expense and revenue figures to the GL 	<ol style="list-style-type: none"> 1. For 95/96 and 96/97 all cost (excluding 95/96 Service call inhouse maintenance) agreed to the Profit and Loss Account.

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>2. Document the basis for calculation of 95/96 Service call inhouse maintenance costs</p>	<p>For 97/98 to 03/04, all costs were agreed to a breakdown of Net Service Charges/Installation & Service Expense, which was agreed in total to the Profit and Loss Account. No exceptions noted.</p> <p>2. For 95/96, the Service call inhouse maintenance costs have been calculated based on the averages billed by Telstra for Nov 95 to Jun 96. PwC performed testing on this schedule as per Schedule D (1).</p>
<p>F. Marketing, Sales, Publicity & Promotions (Periods 95/96 – 03/04)</p> <p>1. Agree total marketing cost (excluding magazine) to general ledger</p>	<p>1. The 95/96 balance comprises of the total marketing costs for the year ending June 1996 (excluding magazine revenue) and the total marketing costs for 1994/5.</p> <p>Due to changes in FOXTEL management’s reporting structure, it has not been possible to agree these to the Profit and Loss Account. (Exception noted). FOXTEL management has instead taken the costs from a breakdown by Account and Department of Marketing and removed the magazine production costs and revenue (where appropriate).</p> <p>The 96/97 marketing costs have been agreed to a report by department (220 Marketing Admin) however due to the same reasons as above, could not be agreed to the Profit and Loss Account. (Exception noted).</p> <p>For 97/98 to 03/04 the total marketing costs were agreed to the Profit and Loss Account with no exceptions noted.</p>
<p>2. Agree Sales costs to the GL</p>	<p>2. The 95/96 Sales costs have been agreed to a breakdown by account and department of Sales. The 96/97 Sales costs have been agreed to a report listing Sales costs for department 230 (Sales) and 231 (Sales</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>3. Check MDU Backboning Conversion costs agree to the Departmental Costs within MDU Backboning, section C</p> <p>4. Agree total Publicity & Promotions costs to general ledger</p>	<p>Force). Due to the change in reporting structure (noted above) neither of these balances could be agreed to the Profit and Loss Account. (Exception noted).</p> <p>For 97/98 to 03/04 the Sales costs were agreed to the Profit and Loss Account with no exceptions noted.</p> <p>3. For 95/96 to 03/04 MDU Backboning Conversion costs were agreed as being included within Schedule C (“Cable allocation of departmental costs”). No exceptions noted.</p> <p>4. For 95/96 to 97/98 total balances were agreed to a general ledger Publicity & Promotions account queries performed for department 700 (Publicity), 713 (Channel Marketing) and 715 (Corporate Affairs). However due to change in reporting structure it has not been possible to agree these in to any of the years Profit and Loss Accounts. (Exception noted).</p> <p>For 98/99 to 03/04 Publicity & Promotions costs have been agreed to the sum of the net cost of departments 700 (Publicity), 713 (Channel Marketing) and 715 (Corporate Affairs). The total of all departmental net costs have been agreed to the respective years Profit and Loss Account with no exceptions noted.</p>
<p>G. Other Common Costs (ie. Corporate Other + Call Centre) (Periods 95/96 – 03/04)</p> <p>1. Agree all Corporate Other and Call Centre expenses to the GL</p>	<p>1. For 97/98 to 03/04, agreed all expense figures to Profit and Loss Account. No exceptions noted.</p> <p>For 95/96 and 96/97 the costs have been agreed to a re-formatted Profit and Loss Account. However, due to a change in reporting</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
	structures it has not been possible to agree these to standard Profit and Loss Accounts. (Exception noted).
H. Cable STUs – No procedure proposed (assurance taken based on prior audit opinion)	<p>Note: Cable STU purchase costs have not changed significantly since our ‘Report on Cost Schedules prepared for ACCC’ dated 19 January 2001.</p> <p>Note that the additional 00/01 costs have been agreed to the 2001 Cash Flow Summary.</p>
I. Smart Card Costs (Periods 95/96 – 03/04)	
<p>1. Agree Total Conditional Access costs and Total Smart Card Expense to the GL</p>	<p>1. Total Conditional Access costs were agreed to GL as followed:</p> <ul style="list-style-type: none"> - 95/96 to 96/97: Agreed directly to the Conditional Access line item within the Profit and Loss account - 97/98 : Agreed to Profit and Loss account via a departmental breakdown of Conditional Access line item - 98/99 to 03/04: Agreed to department 400 (Broadband), accounts Conditional Access and Smart Card Expense, within the Profit and Loss account by Department <p>Total Smart Card expenses for all years were agreed to the Profit and Loss Account via a breakdown of the Smart Card P&L line item.</p>
<p>2. Note basis of calculation of annual CAG cost:</p> <ul style="list-style-type: none"> - CAG Maintenance - CAG Maintenance (HP) - Data Links 	<p>2. Each month Telstra invoices Foxtel for conditional access charges. Foxtel have chosen one month’s invoice for each year, identified the amounts which relate to CAG costs and multiplied this by 12 to calculate the annual CAG charges. These are standard monthly charges so are relatively constant throughout the period of review. For the years where this applied the single invoice was verified with no exceptions noted.</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>3. For each year (except for 95/96), agree one months CAG costs to Telstra settlement statement and check calculation of annual CAG charge for</p> <ul style="list-style-type: none"> - CAG Maintenance - CAG Maintenance (HP) - Data Links 	<p>For 99/00, 00/01 and 02/03 amounts invoiced altered during the year (due to increase/decrease in Telstra charge). These changes have been incorporated in to the annual amount and agreed to invoice.</p> <p>An invoice to support the 99/00 value could not be located. (Exception noted).</p> <p>3. For 96/97 to 02/03, work was performed with no exceptions noted.</p> <p>95/96 was excluded from testing due to the difficulty in retrieving the supporting documentation for 95/96 CAG costs. (Exception noted). Foxtel have therefore assumed the costs were the same as the 96/97 period.</p>
<p>J. Logistics Department (Periods 95/96 – 03/04)</p> <p>1. Agree all STU and Stamp Duty costs to the GL</p> <p>2. Where staff costs have been assumed, document the basis of assumptions made.</p>	<p>1. STU and Stamp Duty costs for 95/96 and 96/97 were agreed directly to the Profit and Loss Account. Those relating to 97/98 were agreed in total to the STU Refurbishment line item within the Profit and Loss Account.</p> <p>For 98/99 to 03/04 all STU and Stamp Duty costs were agreed in to Department 300 (Cable Analogue) Profit and Loss Account with no exceptions noted.</p> <p>2. For years 00/01 to 03/04 staff costs have been agreed to Profit and Loss Account by Department within department 300 (Cable Analogue) and 3001 (Satellite Analogue) with no exceptions noted.</p> <p>From discussion with FOXTEL management, similar data cannot be obtained for earlier years, therefore staff costs have been estimated by the logistics manager based on the headcount for that year applied to</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>3. Agree calculation of staff costs allocation to Cable and Satellite based on ratio of other logistics costs.</p> <p>4. Agree total Logistics staff costs per schedule E Satellite to Logistics staff costs per schedule J Cable.</p>	<p>an estimate of the associated wages. All staff costs are split between Cable and Satellite in proportion to the other Logistics costs.</p> <p>3. Agreed allocation of staff costs across Cable and Satellite, based on ratio of other logistics costs, with no exceptions.</p> <p>4. Agreed total Logistics staff costs across Schedules with no exceptions noted.</p>
<p>K. Foreign exchange and Parts (Periods 98/99 – 03/04)</p> <p>1. Check the calculation of foreign exchange loss by:</p> <p style="padding-left: 20px;">a). Agree total foreign exchange loss to the GL</p>	<p>1. See below:</p> <p style="padding-left: 40px;">a). For 95/96 to 96/97 agreed Total foreign exchange (gain)/loss to the Profit and Loss Account.</p> <p>For 97/98 foreign exchange losses were agreed to a total of account 4215 (Exchange (Gains)/Losses) within a departmental breakdown of the Profit and Loss Account line “P&L Accounts”.</p> <p>For 98/99 to 01/02 total foreign exchange losses were agreed to total of account 4215 (Exchange (Gains)/Losses) within the Profit and Loss Account by Department.</p> <p>In respect to 02/03 and 03/04, no foreign exchange gains or losses were recorded on the schedule due to the accounting policy being changed to record STUs at actual rather than standard cost from July 2002. No exchange gain/loss is therefore attributed to STUs after this date.</p>
<p>b). Document the basis of calculation for Total USD</p>	<p>b). The USD balance represents the estimated amount of US</p>

Appendix 2 Agreed Upon Procedures – Report on Cable IBAC Cost Schedules

Procedures	Findings
<p>Requirements for 95/96 to 01/02</p>	<p>currency to be required in each year (due to the large amount of trade carried out in USD). The basis of preparation for each year is as follows:</p> <p>(i) 95/96 to 98/99: Calculated as followed.</p> <p>Costs of the license fees (per subscriber/per month as stated within the contracts) for Licence A, PMP, Fox Sports and Other [multiplied by]</p> <p>Average subscribers (opening and closing numbers agreed to old Cognos management reports) [added to]</p> <p>USD spend on cable and satellite STUs (see section 1c below) [added to]</p> <p>The Group Finance Managers best estimate of CAPEX and Programming Acquisitions costs</p> <p>(ii) 99/00 to 00/01: Agreed to a report prepared by the Treasury Team, containing details of all USD hedges.</p> <p>(iii) 01/02: Agreed to a report prepared by the Treasury Team projecting the USD spend for the forthcoming year.</p>

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Procedures	Findings
<p>c). Document the basis of calculation for Total Spend on Cable STUs (A\$) for 95/06 to 00/01</p> <p>d). Document origin of AUD/USD Conversion rate</p> <p>e). Check the US\$ Spend on Cable STUs</p> <p>f). Check the % Loss/(Gain) attributable to Cable STUs</p> <p>g). Check Foreign exchange (gain)/loss calculation</p> <p>2. Understand how the Parts costs are calculated</p>	<p>c). Total spend (rounded to the nearest thousand), including amounts relating to Satellite STUs, agreed to the company Cash Flow statements for all years with no exceptions noted.</p> <p>d). Conversion rates are the official rates sourced from RBA website. For 95/96 to 00/01 (those years to which the FX rate forms part of the calculation) PwC compared the rates to those on record with no material exceptions noted.</p> <p>e). Calculations reformed (spend in AUD multiplied by conversion rate) with no exceptions noted.</p> <p>f). Calculation reformed (USD spend divided by total USD requirement) with no exceptions noted.</p> <p>g). Calculation reformed (total FX per Profit and Loss Account multiplied by % attributable to Cable STUs) with no exceptions noted</p> <p>2. Parts are recorded in the Balance Sheet when purchased and are expensed to the Profit and Loss Account when used.</p> <p>Based on this, for 97/98 to 03/04 (excluding 99/00) drilldowns of the Balance Sheet account (STU Parts Inventory – Cable) have been obtained to find actual purchases each year, looking only at the Accounts Payable entries and ignoring all manual adjustments. The total Accounts Payable balance has been agreed to company Balance Sheet with no exceptions noted.</p> <p>For 99/00 journals were put through the balance sheet account which</p>

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Procedures	Findings
	reduced the net value (thus creating negative purchases). As the exact value, and nature, of these could not be identified, the year's purchases are valued as an average of the 98/99 and 00/01 years.
Summary 1. Ensure all calculations checked on supporting Schedules A to K	1. Completed with no exceptions noted.