U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-KSB

(Mark One)
[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended September 30, 2002.

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from . . . . . . to . . . . . .

Commission file number 000-21898

InterActive Group, Inc.
(Name of small business issuer in its charter)

South Dakota	46-0408024
(State of incorporation)	(I.R.S. Employer Identification No.)

204 North Main St.
Humboldt, SD 57035
(605) 363-5117
(Address and telephone number of principal executive offices)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, $.001 par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No ---

Check if disclosure of delinquent filers in response to item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB [X].

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act Yes --- No X

Issuer's revenue for its most recent fiscal year: $2,266.

The aggregate market value of the Company's outstanding Common stock held by non-affiliates was approximately $21,014, based upon the bid price of the Registrant's Common Stock on January 10, 2003.

As of January 10, 2003 there were 5,276,039 shares of the issuer's common stock outstanding.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

During fiscal year 2001, InterActive Inc. a South Dakota corporation, reincorporated in Delaware by merging into a newly formed and wholly-owned Delaware subsidiary, InterActive Group, Inc. InterActive Group, Inc. (the Company) is the surviving Company.

Prior to 1995, InterActive Inc. ("InterActive") was engaged in providing computer consulting services and the development, manufacture and marketing, nationally and internationally, of computer software, systems and peripheral hardware products, including a line of SoundXchange products, that were designed to enable users to create and send messages across local area networks and wide area networks of personal computers. In fiscal 1994, InterActive substantially reduced its operations and, since that time, except for sporadic sales of

SoundXchange products from existing inventories, has not conducted any significant operations. See Item 6, "Management's Discussion and Analysis or Plan of Operation." At present, the Company is not involved in the production of any products or providing services on a significant level.

During 2002, the Company with the assistance of TPR Group, Inc. (together with its affiliated entities, "TPR"), a related party, created a Carlsbad Security Products Division (CSPD). This division was formed to develop, market and sell networked monitoring and security systems. These systems incorporate third party security components, such as digital video recorders and video cameras, together with the Company's SoundXchange products and proprietary software. Implementation of this plan will be necessary to generate all or a substantial portion of the income needed to achieve profitable operations in the future. However, there can be no assurance that the Company will be able to develop or successfully implement such strategy, nor that the Company will be able to achieve profitable operations in the near term, if at all.

In connection with the establishment of the CSPD, InterActive secured a loan for $100,000 from Bluestem Capital Partners III Limited Partnership. The entire principal and all accrued interest on the loan at the rate of 10% per annum is due in April 2003. The proceeds from this loan have been used for the purposes of developing, marketing and selling the Company's networked security products. Proceeds were also used for developing a business plan for the Company's security products business and for general and administrative purposes. As of September 30, 2002, the Company had not yet sold any networked security products and has retained only $18,491 in cash from the proceeds of this loan. In order to pursue its security products plan, it will be necessary for the Company to seek additional equity and/or debt financing. There can be no assurance that the assistance provided by TPR will enable the Company to develop a profitable security products business, nor that any additional funds needed through private investments or loans will be available to the Company on acceptable terms, if at all.

In 2002, the Company also entered into agreements with three independent sales consultants under which options for 3,800,000 shares of the Company's common stock were issued for their support in implementing the CSPD sales plan. These options vest only upon the achievement of certain gross margin targets. As of September 2002 no options had vested and 400,000 options had been forfeited (see Note 8 of the Financial Statements).

The Company has sustained operating losses for several years. Continued operations of the Company are dependent on the Company's ability to generate future revenues that are sufficient for the Company to meet its existing debt obligations and finance new product and/or service developments and continuing operations. For these reasons, the report of the independent certified public accountants on the Company's audited financial statements included herein contains a paragraph stating that there is substantial doubt about the Company's ability to remain a going concern. See Item 7, "Audited Financial Statements." The Company has several judgments against it and more have been threatened as a result of its inability to pay its obligations to its unsecured creditors. See Item 3 "Legal Proceedings".

As of September 30, 2002, the Company had one full time consultant engaged in finance and administrative operations. This consultant was previously an employee of the Company until December, 2001. The Company also has an agreement with an outside sales representative who receives commission on sales. This sales representative also is engaged in administration. The Company is not a party to any collective bargaining agreement. The Company has never experienced a work stoppage and believes that its relations with its consultant are excellent.

ITEM 2. DESCRIPTION OF PROPERTY

Facilities

The Company owns the 22,000 square foot facility that it occupies in Humboldt, South Dakota. The Humboldt property is subject to a lien in connection with the Company's inability to pay for building improvements performed by a contractor. This liability has been assumed by a related party.

The Company believes that the location of its principal facilities in South Dakota provides the Company with access to highly motivated, well trained workers, and a low cost of living, which the Company believes will help constrain future operating costs. South Dakota currently has no state income tax on corporations.

The Company believes that its current facilities are in reasonably good condition.

ITEM 3. LEGAL PROCEEDINGS

The Company is delinquent on its interest payments on its secured note and a portion of its trade accounts payable. The Company has several judgments against it as a result of its inability to pay its obligations to its unsecured trade creditors. The judgments are all from unsecured creditors which the Company is no longer using for ongoing operations and any satisfaction of unsecured debt would only be made after the Company's obligations to its secured creditors are satisfied. Substantially all of the Company's accounts payable are several years past due, The Company follows the practice of writing off accounts payable, debt and related accrued interest when extinguished under the statute of limitations. While the Company does not expect that it will be forced into bankruptcy by its secured or unsecured creditors, there can be no assurance that this will not happen because of the Company's inability to meet its obligations to its remaining creditors. The Company believes that a liquidation of its assets would only satisfy a small portion of the Company's obligations to its secured creditors and provide nothing for the Company's unsecured creditors or its stockholders.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is currently quoted on the OTC Bulletin Board under the symbol "IACG.OB".

The following table sets forth the bid price of the Company's Common stock as of each period indicated as quoted on the OTC Bulletin Board.

	FY 2002		FY 2001	
	High	Low	High	Low
1st Quarter	.02	.015	.125	.062
2nd Quarter	.03	.01	.062	.04
3rd Quarter	.08	.015	.06	.03
4th Quarter	.03	.005	.065	.025

On September 30, 2002 there were approximately 433 shareholders of record of the Common Stock of the Company, based on information provided by the Company's transfer agent.

Dividends

The Company has never paid dividends on its Common or Preferred Stock and does not anticipate that it will do so in the foreseeable future. The future payment of dividends, if any, on the Common or Preferred Stock is within the discretion of the Board of Directors and will depend on the Company's earnings, its capital requirements and financial condition and other relevant factors.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Liquidity and Capital Resources

The Company's inventory of SoundXchange hardware and security products components, which, as of September 30, 2002, accounted for 40% of the Company's current assets, is liquid only to the extent of the Company's sales of such products. The Company has made minor engineering changes in the SoundXchange product in order to be able to utilize the inventory for newly developing markets and the Company hopes to continue to be able to do so in the future.

The Company has a net operating loss carryforward for tax purposes of approximately $7,985,000 and research and development tax credits carryforwards of approximately $15,000 at September 30, 2002. The Company will not be able to utilize any such credits unless it is able to achieve sufficient sales to generate taxable net income. Also, the amounts of the credits could be substantially limited if a change in control of the Company were to take place.

The Company has no significant revenue sources and the Company has sustained operating losses for several years and its current liabilities substantially exceeded current assets at September 30, 2002 and 2001. Continued operations of the Company are dependent upon the Company's ability to meet its debt requirements on a continuing basis and its ability to generate profitable future operations. Management's plans in this regard are to increase its revenues through the CSPD, which was created in April 2002 with the assistance of TPR, a related party, for the purpose of developing, marketing and selling networked monitoring and security systems incorporating third party security components, such as digital video recorders and video cameras, with the Company's SoundXchange products and proprietary software. There can be no assurance that TPR will continue to provide assistance or any other support to the Company. The directors and management of the Company are in the process of reviewing the progress of the security products sales efforts, and the prospects for raising new capital. Following this review, it is contemplated that additional efforts may be made to raise new debt or equity financing, and then to attempt to sell the Company's current or additional security products and services. There can be no assurance that the Company will be successful in raising new capital, at least on terms that are acceptable to the Company, or in selling sufficient products and/or services to enable the Company to attain profitability.

The Company does not intend to pay any unsecured debts until its obligations to its secured creditors are satisfied. Substantially all of the Company's accounts payable are several years past due. The Company follows the practice of writing off accounts payable, debt and related accrued interest when extinguished under the statute of limitations.

For a description of the $100,000 short-term loan that was obtained by the Company during 2002 in connection with the establishment of the Carlsbad Security Products Division, and the cash proceeds therefrom that remained available to the Company as of September 30, 2002, see Item 1, "Description of Business."

It is anticipated that the Company's management will continue to explore the possibility of causing the Company to enter into joint ventures and strategic alliances. Given the Company's limited cash resources, it is contemplated that any such acquisition would be accomplished, if at all, primarily through the issuance of stock. However, it should be anticipated that any such acquisition, even if made solely for stock, could place additional demands upon the Company's available working capital. The Company has not entered into a definitive agreement pertaining to any such acquisition, joint venture or marketing alliance, nor is the Company currently in negotiations with any third party with respect thereto.

RESULTS OF OPERATIONS

In fiscal 1994, InterActive substantially reduced its operations and, since that time, except for sporadic sales of SoundXchange products from existing inventories, InterActive has not conducted any significant operations.

COMPARISON OF FISCAL YEARS 2001 AND 2002

Revenue. Net sales for fiscal years 2002 and 2001 were $2,000 and $9,000, respectively. The Company's decrease in sales is attributable mainly to less demand for its SoundXchange product.

Gross Profit. The gross margin for fiscal years 2002 and 2001 was 96% and 32%, respectively. The increase in gross margin is due to a write-down of inventory during 2001.

Sales and marketing expenses. Sales and marketing expenses for fiscal 2002 and 2001 were $42,000 and $18,000, respectively. The increase in sales and marketing expense was largely due to an increased effort on the part of the Company to market its security products.

General and administrative. General and administrative expenses for fiscal 2002 and 2001 were $102,000 and $92,000, respectively. The increase was primarily due to an increased administrative effort in support of the Company's security products division.

Depreciation. Depreciation expense for fiscal 2002 and 2001 was $9,000 and $4,000. The increase in depreciation expense was mainly due to the reinstatement of recording depreciation on the building facility as the property was reclassified from being held for sale to being held for use during fiscal 2002.

Nonoperating (Expense). Nonoperating (expense) for fiscal 2002 and 2001 was ($105,000) and ($79,000), respectively. The increase in nonoperating expense was due to an increase in interest expense.

Net (Loss). The Company showed a net loss for fiscal 2002 of ($246,000) or ($0.05) per share on 5,276,039 weighted average shares outstanding compared to a net loss for fiscal 2001 of ($186,000) or ($0.04) per share on 5,237,329 weighted average shares outstanding. The increase in net loss in 2002 was largely due to a decrease in sales, an increase in expenses in the establishment of the Company's security products division and an increase in nonoperating expense.

Management believes that the largest challenges that the Company will confront during 2003 are in its attempt to achieve increases in revenues and profitability during fiscal 2003. There can be no assurance that the Company will be able to achieve any or all of its objectives for fiscal 2003.

ITEM 7. FINANCIAL STATEMENTS

The Audited Financial Statements are filed as part of this Annual Report on form 10-KSB.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information with respect to the directors and executive officers of the Company:

Robert Stahl, 45, has served as President, COO of the Company from November 1996. During 2001, he also assumed the office of Secretary of the Company. Mr. Stahl previously was Vice President of Sales for the Company. Mr. Stahl is co-founder and Vice President of CSS Ltd. (CSS) since its founding in 1989. He is also owner and operator of a family farm. From 1990 to 1995, Mr. Stahl was in charge of national sales for Medical Communications Software, a company involved in providing computer software to nursing homes nationally.

William J Hanson, 55, has served as a director of the Company since October 1989. During fiscal 2002, he was appointed to the position of Vice-president. He was Chief Operating Officer of InterActive Inc. from October 1992 to December 1993. Mr. Hanson is a founder of Old TPR, Inc. and TPR Group, Inc. who are shareholders of the Company. Mr. Hanson serves on the Board of Directors of several privately held companies including: Old TPR, Inc., TPR Group, Inc., Torrey Pines Research, Inc., a subsidiary of TPR Group, Inc., AcuPrint, Inc., San Diego Magnetics, Inc., Eagle Manufacturing and Technolgy, Inc., and Pronto, Inc. He is CEO of Torrey Pines Research and of San Diego Magnetics. Mr. Hanson holds several patents related to laser printing technology. Mr. Hanson's prior experience includes engineering and management positions at Datagraphix (a General Dynamics subsidiary) and Xerox Corporation. Mr. Hanson holds a BSME degree from the New Jersey Institute of Technology.

J. Randolph Sanders, 49, has served as a director of the Company since January 2001. He is the President of Torrey Pines Research, Inc. He serves on the Board of Directors of TPR Group, Inc., Old TPR, Inc., Torrey Pines Research, a subsidiary of TPR Group, Inc., and San Diego Magnetics, Inc. He is an expert in non-impact printing technology and holds several patents in this field. Mr. Sanders' prior experience includes engineering and management positions at Datagraphix (a former General dynamics subsidiary) and Burroughs Corporation. Mr. Sanders holds BSME and MSME degrees from the University of Florida.

Paul Schock, 44, has served as a director of the Company since January 2001. He is a cofounder of Bluestem Capital Company, a South Dakota based venture capital firm. He serves on the Board of Directors of several companies, including: CoEv, Inc., Dakota Balance, Inc., and Fiksdal Motel. He was a director of InterActive Inc. from April 1991 to December 1994, and CFO from March 1993 to October 1993. Mr. Schock was President of Schock Financial Services, the pre-cursor of Bluestem Capital Company. He was CFO of American Western Corporation, a public manufacturing company in Sioux Falls, South Dakota. He also served as Vice President of First Bank Systems. Mr. Schock attended Stanford University and graduated magna cum laude from Augustana College with a degree in Business.

ITEM 10. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

The following summary compensation table sets forth all compensation paid or accrued by the Company for services rendered in all capacities during the three fiscal years ended September 30, 2002 by the Company's president. There were no other compensated executive officers of the Company. There were no executive officers of the Company whose total salary and bonus exceeded $100,000 in the 2002 fiscal year.

Name & Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen- sation ($)	Restricted Stock Awards ($)	Options/ SAR (#)	LTIP Payouts	All Other Compen- sation
Robert Stahl	2002			959				
President, Secretary	2001			4,621				
	2000			11,520				

STOCK OPTION PLANS

Prior to the reincorporation of the Company in Delaware, the Board of Directors and shareholders of the Company had adopted and approved two stock option plans, the 1991 Stock Option Plan (the "1991 Plan") and the 1993 Stock Option Plan (the "1993 Plan"), pursuant to which options to purchase up to an aggregate of 133,333 shares of the Company's Common Stock (33,333 shares and 100,000 shares, respectively) could be granted to officers, directors and employees, and to consultants, vendors, customers and others expected to provide significant services to the Company. If an option granted under either the 1991 Plan or the 1993 Plan expired or terminated, the shares subject to any unexercised portion of that option would again become available for the issuance of further options under the applicable plan. Options could be granted under either plan which were intended to qualify as "incentive stock options" under Section 422A of the Code ("Incentive Stock Options") or, alternatively, as stock options which would not so qualify ("Nonstatutory Options").

The Board or a committee designated by the Board was empowered to determine the terms and conditions of each option granted under either or both of the plans. However, the exercise price of an Incentive Stock Option cannot be less than the fair market value of the Common Stock on the date of grant (110% if granted to an employee who owns 10% or more of the Common Stock), and the exercise price of a Non-Statutory Option can not be less than 85% of the fair market value of the Common Stock on the date of grant. No Incentive Stock Option can have a term in excess of ten years (five years if granted to an employee owning 10% or more of the Common Stock), and no Incentive Stock Option can be granted to anyone other than a full-time employee of the Company. All of the options granted under the 1991 Plan vest over a 48 month period of continuous service to the Company from the date of grant, and all options granted under the 1993 plan vest over a 36 month period of continuous service.

In addition to the stock options previously granted by InterActive which were replaced with identical InterActive Group, Inc. stock options, the Company adopted a 2000 Stock Option Plan pursuant to which options to purchase up to 3,000,000 shares of the Common Stock of InterActive Group, Inc. may be granted.

In connection with the creation of the CSPD during 2002, the Board of Directors authorized the issuance of 3,800,000 nonqualified options to three independent sales consultants. These options were issued outside of the 1993 and 2000 plans and have an exercise price of $.05 per share. These options are only exercisable (vest) upon the achievement of minimum revenue and gross margin performance criteria of the Company as defined in the respective stock option agreement with each independent sales consultant. During the year ended September 30, 2002, 400,000 options expired as minimum revenue and gross margin performance criteria were not met.

During the year ended September 30, 2002, a total of 3,800,000 options were granted, none were exercised and 407,334 options were forfeited. During the year ended September 30, 2001, no options were granted or exercised and 39,000 options were forfeited.

OPTION GRANTS IN LAST FISCAL YEAR

The Company did not grant stock options or stock appreciation rights in fiscal 2002 to any of the executive officers of the Company named above.

Aggregated Option Exercises in Fiscal 2002 and Option Values as of September 30, 2002

No options were exercised in fiscal 2002 by any of the Company's executive officers. The value of unexercised options at September 30, 2002, for each of the executive officers of the Company identified in the Executive Compensation table above were as follows:

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Unexercised Options/SARs at 9/30/2002 (#) Exercisable / Unexercisable	Value of Unexercised In-the-Money Options/SARs at 9/30/2002 ($) Exercisable / Unexercisable
Robert Stahl	0	0	10,000/0	N/A
William Hanson			18,000/0	N/A

The value of unexercised in-the-money options is determined by using the difference between the exercise price and the average bid price for a share of the Company's Common Stock on September 30, 2002, as quoted on the OTC Counter Bulletin Board, which was $0.015. Since the exercise price of each of the options indicated in the table was greater than $0.015, no value has been ascribed to any of them.

COMPENSATION OF DIRECTORS

Non-employee directors of the Company receive a fee of $100 for each Board meeting attended and are reimbursed for travel expenses connected with a Board meeting. No additional fees are paid to directors for serving on committees. The Company has accrued these fees for fiscal year 2002. Directors who are not employees of the Company are eligible for the grant of non-statutory stock options under the Company's stock option plan.

The Company's Bylaws provide that the Company must indemnify its officers and directors, and may indemnify its employees and other agents, to the fullest extent permitted by Delaware law. At present, there is no pending litigation or proceeding involving any director, officer, employee, or agent of the Company where indemnification will be required or permitted. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to officers, directors or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of September 30, 2002 with respect to the beneficial ownership of the Company's Common Stock and Preferred Stock by (i) each person or group known by the Company to be the beneficial owner of shares of the Company's Common Stock and/or Preferred Stock entitled to cast more than 5% of the total number of votes entitled to be cast on all matters presented to the Company's shareholders for their approval, (ii) each director of the Company, (iii) each executive officer of the Company named in the Summary Compensation Table below, and (iv) all directors and executive officers of the Company as a group. Unless otherwise indicated in the footnotes, each person listed below has sole voting and investment power with respect to the shares beneficially owned by such person, subject to applicable community property laws, and the address of each such person is care of the Company, 204 North Main, Humboldt, South Dakota 57035.

	Shares Owned Beneficially (1)			
	Common and Series A Preferred (2)		Series A Preferred (2)	
NAME	Number	% of Total	Number	% of Total
Russell A. Pohl	396,137	7.5	0	0
William J. Hanson(3)	21,986,143	83.6	2,000,000	100
J. Randolph Sanders	26,700	0.5	0	0
Paul Schock	3,334	0.1	0	0
Robert Stahl/CSS Ltd.(4)	111,812	2.1	0	0
Old TPR, Inc.(5)	2,030,157	32.4	0	0
TPR Group, Inc.(6)	22,030,157	83.9	2,000,000	100
All directors and officers as a group (four individuals) (3)(4)	22,127,989	84.7	2,000,000	100

(1) Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission, based on information furnished by each person listed. Beneficial ownership includes shares that each named shareholder has the right to acquire within sixty days of the Record Date. In calculating percentage ownership of shares entitled to vote, all shares which a named shareholder has the right to so acquire are deemed outstanding for the purpose of computing the percentage ownership of that person, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. Listed persons may disclaim beneficial ownership of certain shares.

(2) The holder of the Company's Series A Preferred Stock is entitled to cast ten votes for each share of Series A Preferred Stock owned of record as of the Record Date on each matter to be presented to the shareholders of the Company for their approval at the Meeting, voting together with the holders of the Company's Common Stock.

(3) Includes 78,401 shares of Common Stock owned of record by Mr. Hanson and 18,000 shares of Common Stock issuable to Mr. Hanson upon exercise of outstanding stock options, 889,742 shares of Common Stock owned of record by Old TPR, Inc., a California corporation of which Mr. Hanson is a director, executive officer and principal shareholder, and a total of 1,000,000 shares of Common Stock issuable upon exercise of stock purchase warrants held of record by Old TPR, Inc. Also includes the 2,000,000 shares of the Company's Series A Preferred Stock owned of record by TPR Group, Inc., a Delaware corporation of which Mr. Hanson is a director, executive officer and principal stockholder, which entitle TPR Group, Inc. to cast an aggregate of 20,000,000 votes on all matters to be presented to the shareholders of the Company for their approval. Does not include an additional 6,000,000 shares of Common Stock which would be issuable upon conversion of 600,000 shares of the Company's Series B Preferred Stock which may be issued to Old TPR at a future date pursuant to the terms and conditions of the Term Sheet dated December 4, 1998. See "Certain relationships and related party transactions." Also does not include the total of 44,014 shares of common stock owned of record by Mr. Sanders and Mr. Love (see note 6 below), the beneficial ownership of which is disclaimed by Mr. Hanson.

(4) Includes 10,000 shares of Common Stock issuable upon exercise of options pursuant to the Company's 1993 Stock Option Plan.

(5) Includes 889,742 shares of Common Stock owned of record by Old TPR, Inc. and 1,000,000 shares of Common Stock issuable upon exercise of stock purchase warrants held by Old TPR, Inc. Also includes a total of 96,401 of Common Stock owned of record and exercise of stock options held by, Mr. Hanson, who may be deemed to be an "affiliate" of Old TPR, Inc. Also includes 26,700

shares of Common stock owned of record by J. Randolph Sanders, and 17,314 shares of Common stock owned of record by Richard Love, each of whom is an officer, director and principal shareholder and may, therefore, be deemed to be an "affiliate" of Old TPR.

(6) Includes 2,000,000 shares of the Company's Series A Preferred Stock owned of record by TPR Group, Inc., which entitle TPR Group, Inc. to cast an aggregate of 20,000,000 votes on all matters to be presented to the shareholders of the Company for their approval. Also includes the total of 1,889,742 shares of Common Stock beneficially owned by Old TPR, Inc., which is under common control with TPR Group, Inc. as well as a total of 96,401 of Common Stock owned of record and exercise of stock options held by, Mr. Hanson, who may be deemed to be an "affiliate" of TPR Group, Inc. Also includes 26,700 shares of Common stock owned of record by J. Randolph Sanders, and 17,314 shares of Common stock owned of record by Richard Love, each of whom is an officer, director and principal shareholder and may, therefore, be deemed to be an "affiliate" of TPR Group, Inc.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In November 1996, Mr. Stahl was appointed President, COO. In April 1997, Mr. Stahl's compensation was revised to a sliding commission based on volume of sales. During 2002, CSS Ltd. (a company in which Mr. Stahl is a principal) was paid $959 in commissions for Mr. Stahl's services.

The Company previously had a line of credit under which it owed $213,500 in principal amount to a bank. In May 1998, Mr. Stahl purchased the promissory note evidencing borrowings under the line of credit from the bank for $10,000. This note, which was secured by a lien on all of the Company's assets, was subsequently purchased from Mr. Stahl by TPR Group, Inc. for $10,000. As discussed below, this debt, which then totaled $289,440, including $75,940 of accrued interest, was subsequently surrendered for cancellation by TPR Group, Inc. in exchange, along with other consideration, for the issuance of 2,000,000 shares of the Company's Series A Preferred Stock.

In December, 1998, the Company initiated an offer to its creditors, pursuant to which the Company proposed to issue shares of its Common Stock to settle accrued expenses, accounts payable, notes payable and long-term debt. In June 1999, the Company announced a "successful" consummation of this "Debt Restructuring," in that the holders of approximately $1,569,756 of the Company's previously outstanding debt had agreed to accept shares of the Company's common stock in exchange therefore. TPR Group, Inc. and its affiliated entities received 296,298 shares of the Company's Common Stock in exchange for $296,298 of unsecured debt. Mr. Hanson is a director, executive officer and principal shareholder of TPR Group, Inc. and each of its affiliated entities.

In addition, in connection with the Debt Restructuring, TPR Group, Inc. acquired 2,000,000 shares of the Company's Series A Preferred Stock in exchange for the surrender to the Company for cancellation of the $289,440 of secured debt that had been acquired by TPR Group, Inc. from Mr. Stahl, and the contribution to the capital of the Company of $35,324 in cash and a $4,000 note due TPR Group, Inc. from the Company.

In August 1995, a $500,000 note payable that originally was issued by the Company to a bank was acquired by Old TPR, Inc. as a consequence of its guarantee of the Company's obligations thereunder. This note, which is due on demand, bears interest at a 13.6% rate of interest as of September 30, 2002, and is secured by substantially all of the assets of the Company. In connection with the performance of this guarantee, Old TPR, Inc. received a warrant to purchase up to 1,000,000 shares of the Company's Common Stock at the price of $.50 per share. The warrant is exercisable for so long as the note remains outstanding, and for one full year thereafter. As of September 30, 2002, $1,194,191 of principal and accrued interest was due and payable under this note. In connection with the Debt Restructuring, Old TPR agreed to exchange this secured debt for 600,000 shares of Series B Preferred Stock at a later date, provided that at least 18 months has expired since the Debt Restructuring, the Company has not become subject to certain additional obligations or liabilities, the Company's common stock has been publicly traded for at least the 180-day period immediately preceding the date on which the indebtedness is to be contributed, and the Company has publicly reported positive net income for at least two full quarters prior to the date on which the indebtedness is to be contributed.

At September 30, 2002, the Company owed TPR Group for loans to the Company to pay for operating expenses the amount of $231,092, of which $53,854 was incurred during fiscal 2002.

In June of 1999, Robert Stahl purchased a debt from a contractor who held a mechanics lien on the Company's building in the amount of $11,625 for the sum of $5,000. This debt was subsequently purchased from Mr. Stahl by Mr. Hanson for $5,000. Additionally, the Company accrued $500 for Director's fees for Mr. Hanson.

During fiscal 2002, the Company entered into an agreement with Bluestem Capital Partners III Limited Partnership, in which Mr. Schock is a principal, (Bluestem), a related party. Under the terms of a subordinated convertible note, Bluestem loaned the Company the sum of $100,000 with interest to accrue at the rate of 10% per year. The note is payable April 23, 2003, unless previously converted. If the loan is converted, it would be converted into Company stock, at a number of shares to be agreed upon by the parties. Repayment of the loan is expressly subordinated to payment in full of any and all Senior Indebtedness (as defined in the convertible note) of the Company. At September 30, 2002, interest in the amount of $4,383 had accrued for this note.

RECENT TRANSACTIONS.

All transactions between the Company and its executive officers, directors, or principal stockholders, or any of their affiliates, have been approved by a majority of the disinterested members of the Company's Board of Directors, and have been on terms that the Company believes to be no less favorable to the Company than those that could be obtained from an unaffiliated third party in arms-length transactions.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this report:

1. Financial Statements

2. Exhibits

Exhibit Number	
3.1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to Company's Registration Statement on Form SB-2 (File No. 33-60774-D), filed with the Commission on April 8, 1993 ("Registration Statement").
3.2	By-laws (incorporated by reference to Exhibit 3.2 to Registration Statement).
10.01	Sale of Assets Agreement dated as of November 2, 1993, between Powerhouse Computer Sales, Ltd. and the Company (Form 8-K dated November 2, 1993, file number 000-21898)
10.02	Disbursement Request and Authorization, and Promissory Note payable to Western Bank, dated January 20, 1994*
10.03	Disbursement Request and Authorization, and Promissory Note payable to Western Bank, each dated November 2, 1993 (Form 10-QSB dated February 8, 1994, file number 000-21898)
10.04	Agreement dated as of September 29, 1993, between the Company and Torrey Pines Research (Form 10-KSB dated December 27, 1993, file number 000-21898)
10.05	Sublease Agreement dated as of July 1, 1993, between the Company and Torrey Pines Research (Form 10-KSB dated December 27, 1993, file number 000-21898)
10.06	Assignment of Lease dated November 2, 1993 between Powerhouse Computer Sales, Ltd. and the Company.*
10.07	Employment Agreement dated as of October 1, 1993 between the Company and James R. Cink (Form 10-QSB dated February 8, 1994, file number 000-21898)
10.08	Nations Credit Dealer Agreement*
10.09	"Term Sheet" between the Company and TPR outlining terms of "Offer to Creditors", previously filed in connection with Form 10KSB, filed January 10, 2000.
99.1	Exhibit 99.1

* The exhibits marked with an asterisk have been filed with Form SB-2 registration No. 33-77240.

** Refer to Form 14-C filed on January 19, 2001 including InterActive Group, Inc. Delaware Articles of Incorporation and InterActive Group, Inc. 2000 stock option plan.

(b) Reports on Form 8-K
None

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures. The term "disclosure controls and procedures" is defined in Rules 13a-14(c) and 15d-14(c) of the Securities and Exchange Act of 1934 ("Exchange Act"). These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days before the filing of this yearly report (the "Evaluation Date"), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective at ensuring that required information will be disclosed on a timely basis in our reports filed under the Exchange

Act.

(b) Changes in internal controls. We maintain a system of internal accounting controls that are designed to provide reasonable assurance that our books and records accurately reflect our transactions and that our established policies and procedures are carefully followed. For the year ended September 30, 2002, there were no significant changes to our internal controls or in other factors that could significantly affect our internal controls, and we have not identified any significant deficiencies or material weaknesses in our internal controls, other than one person has the primary responsibility for performing the accounting and financial duties. However, as a compensating control to this concentration of duties, all banking or other monetary transactions are reviewed and approved by the President or the Vice President of the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Issuer has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: January 10, 2003 INTERACTIVE GROUP, INC.

BY: \s\ Robert Stahl
Robert Stahl
President, Secretary

BY: \s\ Carol Flickinger
Carol Flickinger
Accounting Manager

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Company, in the capacities, and on the dates, indicated:

SIGNATURES	TITLES	DATE
\s\ Robert Stahl Robert Stahl	President, Secretary	January 10, 2003
\s\ Paul Schock Paul Schock	Director	January 10, 2003
\s\ William J. Hanson William J. Hanson	Vice President, Director	January 10, 2003
\s\ J. Randolph Sanders J. Randolph Sanders	Director	January 10, 2003

SECTION 302 CERTIFICATION
CERTIFICATION

Of the President I, Robert J. Stahl, President,of InterActive Group, Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 10KSB of the Company

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report:

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report:

4. The registrant's other certifying officer and I responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: ____________________________

/s/ Robert J. Stahl

Robert J. Stahl
President, Secretary

SECTION 302 CERTIFICATION

CERTIFICATION
of the Accounting Manager

I, Carol Flickinger of InterActive Group, Inc. (the "Company"), certify that:

1. I have reviewed this annual report on Form 10KSB of the Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report:

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report:

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined by the Exchange Act rules 13a-14 and 15d-14) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the Report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the board of directors:

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: ---------------------------

/s/ Carol Flickinger

Carol Flickinger
Accounting Manager

MCGLADREY & PULLEN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
InterActive Group, Inc.
Humboldt, South Dakota

We have audited the accompanying balance sheets of InterActive Group, Inc. as of September 30, 2002 and 2001, and the related statements of operations, stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InterActive Group, Inc. as of September 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has no significant revenue sources and has suffered recurring losses from operations and its total liabilities exceed its total assets. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ McGLADREY & PULLEN, LLP

Sioux Falls, South Dakota
November 14, 2002

McGladrey & Pullen, LLP is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

INTERACTIVE GROUP, INC.

BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001

ASSETS (NOTE 5)	2002	2001
Current Assets		
Cash	$ 18,491	$ 271
Accounts receivable	-	640
Inventories	13,005	5,925
Prepaid expenses and other assets	627	628
Land, building and improvements held for sale	-	38,395
TOTAL CURRENT ASSETS	32,123	45,859
Property and Equipment, at cost		
Land, building and improvements	100,516	-
Equipment	12,694	11,019
	113,210	11,019
Less accumulated depreciation	81,772	10,573
	31,438	446
TOTAL ASSETS	$ 63,561	$ 46,305

LIABILITIES AND STOCKHOLDERS' DEFICIT	2002	2001
Current Liabilities		
Notes payable, related parties (Note 5)	$ 600,000	$ 500,000
Current maturities of long-term debt (Note 5)	6,000	26,000
Accounts payable (Note 4)	14,312	8,789
Accounts payable, related parties (Note 4)	244,217	171,238
Accrued expenses	23,599	67,777
Accrued expenses, related parties (Note 5)	698,614	543,975
TOTAL CURRENT LIABILITIES	1,586,742	1,317,779
Long-Term Debt, less current maturities (Note 5)	27,500	33,000
Contingencies (Notes 4 and 5)		
Stockholders' Deficit (Notes 3, 5 and 8)		
Series A preferred stock, 2,000,000 shares issued, total liquidation preference of outstanding shares of $300,000	2,000	2,000
Common stock, 5,276,039 shares issued	5,276	5,276
Additional paid-in capital	8,054,967	8,054,967
Accumulated deficit	(9,612,924)	(9,366,717)
TOTAL STOCKHOLDERS' DEFICIT	(1,550,681)	(1,304,474)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 63,561	$ 46,305

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENTS OF OPERATIONS
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
Net sales	$ 2,266	$ 9,312
Cost of goods sold	87	6,297
GROSS PROFIT	2,179	3,015
Operating expenses:		
Selling	41,805	17,764
General and administrative (Note 7)	101,995	91,516
	143,800	109,280
OPERATING (LOSS)	(141,621)	(106,265)
Nonoperating income (expense):		
Write off of accounts payable, debt and related accrued interest, net (Notes 4 and 5)	51,625	58,311
Other income, net	974	1,953
Interest expense	(157,185)	(139,820)
	(104,586)	(79,556)
(LOSS) BEFORE INCOME TAXES	(246,207)	(185,821)
Income tax expense (Note 6)	-	-
NET (LOSS)	$(246,207)	$(185,821)
(Loss) per common share	$ (0.05)	$ (0.04)

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENTS OF STOCKHOLDERS' DEFICIT
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance, September 30, 2000	$ 114	$ 2,000	$ 5,062	$ 8,044,567	$ (9,180,896)	$(1,129,153)
Net (loss)	-	-	-	-	(185,821)	(185,821)
Issuance of common stock for satisfaction of Company related party liabilities (Note 4)	-	-	100	10,400	-	10,500
Conversion of Series A preferred stock to common stock (Note 3)	(114)	-	114	-	-	-
Conversion of Series B preferred stock to Series A preferred stock (Note 3)	2,000	(2,000)	-	-	-	-
Balance, September 30, 2001	2,000	-	5,276	8,054,967	(9,366,717)	(1,304,474)
Net (loss)	-	-	-	-	(246,207)	(246,207)
Balance, September 30, 2002	$ 2,000	$ -	$ 5,276	$ 8,054,967	$ (9,612,924)	$(1,550,681)

See Notes to Financial Statements.

INTERACTIVE GROUP, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
Cash Flows From Operating Activities		
Net (loss)	$(246,207)	$(185,821)
Adjustments to reconcile net (loss) to net cash (used in) operating activities:		
Depreciation	9,078	3,526
Impairment loss on land, building and improvements held for sale	-	6,700
Write off of accounts payable, debt and related accrued interest, net	(51,625)	(58,311)
Provision for doubtful accounts	72	-
Changes in working capital components:		
(Increase) decrease in:		
Accounts receivable	568	640
Inventories	(7,080)	6,297
Prepaid expenses and other assets	1	-
Increase in:		
Accounts payable	36,996	4,024
Accrued expenses	152,366	141,131
NET CASH (USED IN) OPERATING ACTIVITIES	(105,831)	(81,814)
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,675)	-
NET CASH (USED IN) INVESTING ACTIVITIES	(1,675)	-
Cash Flows From Financing Activities		
Advances from related party	31,226	84,133
Net borrowings on related party note payable	100,000	-
Principal payments on long-term borrowings	(5,500)	(4,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	125,726	80,133
NET INCREASE (DECREASE) IN CASH	18,220	(1,681)
Cash		
Beginning	271	1,952
Ending	$ 18,491	$ 271

See Notes to Financial Statements.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of business: The Company developed, manufactured and marketed, nationally and internationally, peripheral hardware products enabling users to create and send messages across local and wide area networks. It produces no products or significant services currently and is evaluating alternative plans for future operations (Note 2).

A summary of the Company's significant accounting policies follows:

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: Revenues are recognized when earned, which is generally when the product is shipped to the customer.

Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market. The composition of inventories is as follows:

	2002	2001
Raw materials	$ 5,871	$5,871
Finished goods	7,134	54
	$13,005	$5,925

Property and equipment: Depreciation of equipment is computed by the straight-line method over estimated useful lives ranging between five to seven years. Property and equipment is subject to a lien as a result of the Company's inability to pay for building improvements performed by a contractor. This liability was assumed by a related party in a prior year.

The Company reclassified land, building and improvements from being held for sale to being held and used during fiscal year 2002, and adjusted the carrying amount of the related assets to their carrying amounts before being classified as held for sale, adjusted for depreciation expense of approximately $3,500 that would have been recognized had the assets been continuously classified as held and used.

At September 30, 2002, building and improvements are carried at cost, less accumulated depreciation with estimated depreciable lives of the building and improvements ranging between seven to fifteen years. At September 30, 2001, these assets were carried at the lower of their depreciated cost or estimated fair value less costs to sell. During fiscal year 2001, an impairment loss of $6,700 was recorded on the land, building and improvements to reduce the depreciated cost of the assets to estimated fair value less costs to sell.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Loss) per common share: (Loss) per common share has been computed on the basis of the weighted-average number of common shares outstanding during each period presented. Securities that could potentially dilute basic (loss) per share in the future that were not included in the computation of diluted (loss) per share during fiscal year 2002, because to do so would have been antidilutive to the net (loss), are as follows: 20,000,000 shares of common stock issueable upon the conversion of Series A preferred stock, 37,500 shares of common stock issueable upon the exercise of options, and 1,000,000 shares of common stock issueable upon the exercise of stock warrants. In addition, the 3,400,000 remaining stock options issued under the agreements with three independent sales consultants and any shares which may be issueable upon conversion of the Bluestem Capital Partners III Limited Partnership note payable described in Note 5, are not included in diluted earnings per share.

Securities that could potentially dilute basic (loss) per share in the future that were not included in the computation of diluted (loss) per share during fiscal year 2001, because to do so would have been antidilutive to the net (loss), are as follows: 20,000,000 shares of common stock issueable upon the conversion of Series A preferred stock, 44,834 shares of common stock issueable upon the exercise of options, and 1,000,000 shares of common stock issueable upon the exercise of stock warrants.

All references to (loss) per common share in the financial statements are to basic (loss) per share. Diluted (loss) per share is the same as basic (loss) per share for all per share amounts presented. The weighted average number of common shares outstanding was 5,276,039 and 5,237,329 for the years ended September 30, 2002 and 2001, respectively.

Deferred taxes: Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

NOTE 2. CONTINUATION OF OPERATIONS

The Company has no significant revenue sources and has sustained operating losses for several years and its current liabilities substantially exceeded current assets at September 30, 2002 and 2001. Continued operations of the Company are dependent upon the Company's ability to meet its debt requirements on a continuing basis and its ability to generate profitable future operations. Management's plans in this regard are to increase its revenues through a Carlsbad Security Products Division (CSPD), which was created in April 2002 with the assistance of TPR Group and its affiliates (TPR), a related party, for the purpose of developing, marketing and selling networked monitoring and security systems incorporating third party security components, such as digital video recorders and video cameras, with the Company's SoundXchange products and proprietary software. There can be no assurance that TPR will continue to provide assistance or any other support to the Company.

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NOTE 3. CAPITAL STOCK AND REINCORPORATION

On January 19, 2001, InterActive Inc.'s shareholders approved a proposal to change InterActive Inc.'s state of incorporation from South Dakota to Delaware (the "Reincorporation"). The Reincorporation was consummated by merging InterActive Inc. into a wholly-owned Delaware subsidiary, InterActive Group, Inc. which was newly formed for this purpose. As a consequence of the Reincorporation, among other things, all of the previously outstanding shares of InterActive Inc.'s common stock at the Reincorporation date (5,162,138 total shares) were automatically converted on a one-for-one basis into shares of the common stock of the Company, and each share of InterActive Inc.'s series A preferred stock $113,901 total shares) was converted automatically into one share of the common stock of the Company. In addition, all outstanding options and warrants to purchase shares of Interactive Inc.'s common stock (83,834 shares issueable upon the exercise of options and 1,000,000 shares issueable upon the exercise of stock warrants) were converted into options or warrants, as the case may be, to purchase the same number of shares of the common stock of the Company, at the same price per share and on the same terms and conditions. Interactive Inc.'s outstanding series B preferred stock (2,000,000 total shares) was also converted automatically as a consequence of the Reincorporation into an equal number of shares of series A preferred stock of the Company having the same rights, preferences, privileges and restrictions as InterActive Inc.'s outstanding series B preferred stock formerly had.

The authorized capital stock of the Company consists of 50,000,000 shares of common stock, $.001 par value, and 10,000,000 shares of preferred Stock, $.001 par value. The Board of Directors of the Company is authorized, subject to the limitations prescribed by law and the provisions of its certificate of incorporation, to provide for the issuance of preferred stock in series and to establish the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and the qualifications, limitations and restrictions thereof.

The Board of Directors of the Company authorized the creation of one series of preferred stock to be designated as "Series A Convertible Preferred Stock". As a part of the Reincorporation, 2,000,000 shares of Series A convertible preferred stock were outstanding as of September 30, 2001 and are convertible into 20,000,000 shares of common stock, with such conversion rate subject to adjustment if certain events occur. The Series A convertible preferred stock has a liquidation preference before common stock of $.15 per share, plus any and all accumulated and unpaid dividends. The stock is voting for the same number of shares in which it is entitled to be converted. In addition, 600,000 shares of Series B preferred stock of the Company have been reserved for future issuance to TPR in connection with an agreement with TPR (agreement continued in full force and effect from InterActive Inc.) in which TPR would exchange $500,000 of debt plus accrued interest owing from the Company for 600,000 shares of Series B preferred stock if certain conditions in the agreement are satisfied.

NOTE 4. SETTLEMENT OF LIABILITIES

Substantially all of the Company's accounts payable are several years past due. The Company does not anticipate making any payments on these obligations in the near term. The Company has several old judgments against it as a result of its inability to pay its obligations to its unsecured creditors. The Company follows the practice of writing off accounts payable, debt and related accrued interest when extinguished under the statute of limitations.

In fiscal year 2001, the Company issued 100,000 shares of common stock to a related party to settle certain accounts payable totaling $10,500. No gain was recognized on the settlement of this obligation.

NOTE 5. NOTES PAYABLE AND LONG-TERM DEBT

At September 30, 2002 and 2001, the Company has a $500,000 note payable to TPR that is due on demand. This note was originally to a bank and was assumed by TPR on behalf of the Company as a result of its guarantee of the loan. In connection with the assumption of the loan in a prior year, TPR received 1,000,000 restricted common stock warrants that each represent the right to purchase one share of common stock at $.50. The warrants expire one year following satisfaction of the note.

The note to TPR bears interest at a variable rate of interest (compounded at 13.6% as of September 30, 2002) and is secured by substantially all assets of the Company. Accrued interest payable in the accompanying balance sheets includes $694,191 and $543,655, respectively, at September 30, 2002 and 2001 of accrued interest due to TPR under the demand note discussed above. TPR has an agreement with the Company in which TPR would exchange the $500,000 of debt plus accrued interest owing from the Company for 600,000 shares of Series B preferred stock if certain conditions in the agreement are satisfied.

During fiscal 2002, the Company entered into a loan agreement with Bluestem Capital Partners III Limited Partnership (Bluestem), a related party. Under the terms of a subordinated convertible note, Bluestem loaned the Company the sum of $100,000 with interest to accrue at the rate of 10% per year. The note is payable April 23, 2003, unless previously converted. If the loan is converted, it would be converted into Company stock, at a number of shares to be agreed upon by the parties. Repayment of the loan is expressly subordinated to payment in full of any and all senior indebtedness (as defined) of the Company. At September 30, 2002, interest payable in the amount of $4,383 had been accrued for this note.

NOTE 5. NOTES PAYABLE AND LONG-TERM DEBT (CONTINUED)

Long-term debt consists of the following at September 30, 2002 and 2001:

	2002	2001
0% Settlement payable, due in monthly installments of $500 through March 2008	$33,500	$39,000
15% Note, due November 30, 1995, written off in fiscal year 2002	-	20,000
	33,500	59,000
Less current maturities	6,000	26,000
	$27,500	$33,000

An accounts payable amount of $62,712 due as of September 30, 1997, was restructured through an agreed settlement in which interest in the amount of $16,509 was forgiven, with the balance converted to a long term settlement payable. If the Company fails to comply with the terms of the settlement, then the entire unpaid obligation under the settlement plus the abated interest of $16,509 will be due and payable immediately. Accordingly, the $16,509 is included in the accompanying balance sheets in accrued expenses as of September 30, 2002 and 2001.

During fiscal year 2002, the Company wrote off a note payable in the amount of $20,000, and related accrued interest of $41,905, due to the expiration of the statute of limitations. Such amounts are recognized as nonoperating income in the accompanying statement of operations.

Aggregate maturities on long term debt as September 30, 2002 are due in future years as follows: 2003 $6,000; 2004 $6,000; 2005 $6,000; 2006 $6,000; 2007 $6,000; and thereafter $3,500.

It is not practicable to estimate the fair value of the notes payable and long-term debt obligations noted above due to the credit position of the Company and its inability to obtain financing from any lender other than related parties.

NOTE 6. INCOME TAX MATTERS

Net deferred tax assets consist of the following components as of September 30, 2002 and 2001:

	2002	2001
Deferred tax assets:		
Operating loss carryforward	$2,714,882	$2,634,300
Inventory	206,127	206,128
Tax credit carryforward	15,269	15,269
Property and equipment	15,475	13,653
Accrued expenses	2,257	3,598
Other	3,014	-
	2,957,024	2,872,948
Less valuation allowance	2,957,024	2,872,948
	$ -	$ -

The Company recorded a full valuation allowance on the deferred tax assets due to lack of assurance that the tax benefits can be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income.

At September 30, 2002, the Company has for tax reporting purposes approximately $15,000 in unused research and development credits and a net operating loss carryforward of approximately $7,985,000 available to be offset against future federal taxable income or income tax liabilities.

NOTE 6. INCOME TAX MATTERS (CONTINUED)

Carryforwards for tax purposes as of September 30, 2002 have the following expiration dates:

Expiration Date	Amount
2005	$ 600
2006	1,000
2007	1,000
2008	1,864,200
2009	4,103,200
2010	374,900
2011	274,600
2012	268,200
2013	189,000
2019	384,600
2020	130,700
2021	158,000
2022	250,000
	$8,000,000

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax (loss) from continuing operations for the years ended September 30, 2002 and 2001 due to the following:

	2002	2001
Computed "expected" tax (credits)	$(86,172)	$(65,037)
Increase (decrease) in income taxes resulting from:		
Change in valuation allowance	84,076	65,914
Other, net	2,096	(877)
	$ -	$ -

NOTE 7. RELATED PARTY TRANSACTIONS NOT DISCLOSED ELSEWHERE

During 2002 and 2001, the Company incurred $959 and $4,621, respectively, for sales commissions to officers of the Company. Beginning in January 2002, the Company incurs $3,000 per month for management fees primarily related to accounting services provided by TPR. Expenses during 2002 were $27,000 for these services.

NOTE 8. STOCK OPTIONS

The Company has stock-based compensation plans which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its options to employees and outside directors. The Company grants options at market price on the date of grant, and accordingly, no compensation cost has been recognized for such grants. Options issued to other than employees and outside directors are accounted for under the provisions of Financial Accounting Standards Board Statement No. 123.

A total of 33,333 options were provided for under the 1991 plan to be granted to employees and other individuals that provide services to the Company. Options granted have a maximum term of 10 years and vest with the holder over four years of continuous service with the Company. The plan expired and therefore no future options will be granted under the plan.

A total of 100,000 options were provided for under the 1993 plan to be granted to employees and other individuals that provide services to the Company. Options granted are at the discretion of the Board of Directors, have a maximum term of 10 years, and vest with the holder over three years of continuous service with the Company. The plan expires March 2003.

A total of 3,000,000 options were provided for under the 2000 plan to be granted to employees and other individuals that provide services to the Company. Options granted are at the discretion of the Board of Directors, have a maximum term of 10 years, or 5 years if the option holder has more than a 10% interest of the combined voting power of all classes of outstanding stock of the Company. No options are outstanding under this plan as of September 30, 2002. The plan expires February 2011.

In connection with the creation of the CSPD during 2002, the Board of Directors authorized the issuance of 3,800,000 nonqualified options to three independent sales consultants. These options were issued outside of the 1993 and 2000 plans and have an exercise price of $.05 per share. These options are only exercisable (vest) upon the achievement of minimum revenue and gross margin performance criteria of the Company as defined in the respective stock option agreement with each independent sales consultant. During the year ended September 30, 2002, 400,000 options expired as minimum revenue and gross margin performance criteria were not met.

During the year ended September 30, 2002, a total of 3,800,000 options were granted, none were exercised and 407,334 options were forfeited. During the year ended September 30, 2001, no options were granted or exercised and 39,000 options were forfeited. At September 30, 2002 and 2001, 3,437,500 and 44,834 options, respectively, were outstanding at weighted average exercise prices of $.29 and $.27, respectively.

The fair value of each grant is estimated at the grant date using the Black-Scholes option-pricing model with an assumption that all grants in fiscal year 2002 and previous will be 100% forfeited, therefore the fair value of options is zero for 2002 and 2001 and the proforma net loss amounts are the same as the reported net loss amounts for the two fiscal years ended September 30, 2002 and 2001.

NOTE 8. STOCK OPTIONS (CONTINUED)

Fixed options outstanding at September 30, 2002 are summarized as follows:

Options Outstanding		Options Exercisable	
Number Outstanding	Number Exercisable	Remaining Contractual Life	Exercise Price
1,000	1,000	2 years	$ 0.25
18,000	18,000	3 years	0.25
4,000	4,000	4 years	0.25
14,500	14,500	4 years	0.32
3,400,000	-		
3,437,500	37,500		

NOTE 9. MAJOR CUSTOMERS

A major customer is defined as a customer to whom sales greater than 10% were made during the period. Sales to two customers amounted to $1,280 and $629, respectively, and comprised 84% of the net sales for the year ended September 30, 2002. Sales to three customers amounted to $5,120, $2,000 and $1,350, respectively, and comprised 91% of the net sales for the year ended September 30, 2001.

NOTE 10. SUPPLEMENTAL CASH FLOW INFORMATION

	2002	2001
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest	$ -	$ -
Income taxes	-	-
Supplemental Schedule of Noncash Investing and Financing Activities		
Issuance of common stock for satisfaction of liabilities:		
Accounts payable, related parties	$ -	$10,500

EXHIBIT 99.1

Certification pursuant to 18 U. S. C. Section 1350
as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10KSB of InterActive Group, Inc. (the Company) for the annual period ending September 30, 2002, each of the following hereby certifies, in Accordance with U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of the Company, that, to his knowledge the 10KSB Report fully complies with Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Stahl
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Robert J. Stahl
President, Secretary
January 10, 2002

/s/ Carol Flickinger
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Accounting Manager
January 10, 2002

This certification accompanies this Report Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Act of 1934, as amended.