TEN NETWORK HOLDINGS LIMITED

ABN 14 081 327 068

Appendix 4E

Preliminary Final Report

Year ended: 31 August 2014

Previous corresponding period: 31 August 2013

Results for Announcement to the Market

	2014 $'000	2013 $'000	Change %
Revenue from continuing activities	625,967	653,893	(4.3%)
Revenue from ordinary activities	650,181	660,902	(1.6%)
(Loss) for the period from ordinary activities after tax attributable to members	(168,315)	(284,993)	40.9%
(Loss) for the period attributable to members	(168,315)	(284,993)	40.9%

No dividends/distributions were declared or paid to the members of Ten Network Holdings Limited during or subsequent to the year ended 31 August 2014.

The 2014 result included net non-recurring expenses of $54.2m ($52.9m after tax) as disclosed in Note 2.

The 2013 result included non-recurring expenses of $342.2m ($280.0m after tax) as disclosed in Note 2.

	31 August 2014 $'000	31 August 2013 $'000
Net tangible asset backing per ordinary share	($0.01)	$0.04
Net asset backing per ordinary share	$0.28	$0.34

Refer to attached Media Release for discussion of results.

This report is based on the Annual Financial Report which has been audited by PricewaterhouseCoopers.

Consolidated statement of comprehensive income

	31 August 2014 $'000	31 August 2013 $'000
Revenue from continuing operations	625,967	653,893
Other income	2,852	7,009
Net gain on sale of investment and property [B]	21,362	-
Total Revenue	650,181	660,902
Television costs	(696,648)	(596,216)
Out-of-home costs	(26,278)	(33,325)
Finance costs [A]	(19,360)	(22,308)
Impairment of intangible assets [B]	(52,847)	(292,122)
Restructuring costs [B]	(8,669)	(14,410)
Write-down of other assets [B]	(5,185)	(9,442)
Provision for onerous contracts [B]	(8,828)	(20,268)
Share of net profit/ (loss) of associates accounted for using the equity method	1,028	(1,474)
(Loss) before income tax	(166,606)	(328,663)
Income tax benefit [B]	3,137	54,640
(Loss) from continuing operations	(163,469)	(274,023)
(Loss) from discontinued operations	-	(4,099)
Net (Loss) from ordinary activities after income tax	(163,469)	(278,122)
Net Profit attributable to non-controlling interests	4,846	6,871
Net (Loss) attributable to members of Ten Network Holdings Limited	(168,315)	(284,993)

Net (Loss) from ordinary activities after income tax	**(163,469)**	**(278,122)**
Other comprehensive income		
Items that may be reclassified to profit or loss		
AASB 139 hedge reserves	1,591	3,786
Exchange differences on translation of foreign operations	890	1,389
Income tax relating to these items	(477)	(1,136)
Total comprehensive loss after income tax	**(161,465)**	**(274,083)**
Total comprehensive income attributable to non-controlling interests	4,846	6,871
Total comprehensive loss attributable to members of Ten Network Holdings Limited	**(166,311)**	**(280,954)**
Continuing Operations	(166,311)	(276,855)
Discontinued Operations	-	(4,099)

[A]: Finance costs for 2014 include a $3.0m ($2.4m after tax) notional non-cash interest charge in relation to the unwinding of the provision for onerous contracts (2013: $2.9m).
[B]: In the year ended 31 August 2014, the Company had $54.2m of net expenses (2013: $336.2m expenses) from continuing operations which are non-recurring.
See Note 2 for further information regarding the non-recurring items and discontinued operations.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

	31 August 2014 $'000	31 August 2013 $'000
Current Assets		
Cash and cash equivalents [C]	13,439	122,351
Receivables	100,677	129,290
Program rights & inventories	124,165	166,318
Current tax assets	1,093	2,233
Other	3,413	7,478
Total Current Assets	**242,787**	**427,670**
Non-Current Assets		
Program rights & inventories	30,119	30,773
Investments	17,644	6,994
Property, plant and equipment	50,991	54,238
Intangible assets [E]	732,854	785,701
Other	14,107	13,473
Total Non-Current Assets	**845,715**	**891,179**
Total Assets	**1,088,502**	**1,318,849**
Current Liabilities		
Payables	154,439	137,449
Borrowings [D]	-	150,000
Derivative financial instruments	482	-
Provisions	42,320	44,148
Total Current Liabilities	**197,241**	**331,597**
Non-Current Liabilities		
Payables	49,283	43,832
Borrowings [D]	95,185	-
Derivative financial instruments	4,166	6,676
Deferred tax liabilities	561	9,951
Provisions	22,599	40,980
Total Non-Current Liabilities	**171,794**	**101,439**
Total Liabilities	**369,035**	**433,036**
Net Assets	**719,467**	**885,813**
Equity		
Contributed equity	2,781,554	2,781,103
Reserves	(1,193,821)	(1,197,031)
Accumulated losses	(869,879)	(701,564)
Total parent entity interest	717,854	882,508
Non-controlling interest	1,613	3,305
Total Equity	**719,467**	**885,813**

[C-E]: Refer to following page for commentary.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated balance sheet – Commentary

[C]: The large cash balance at 31 August 2013 was the result of an equity raising undertaken during the 2013 reporting year.

[D]: On 26 February 2014, the Company's AUD $150m Senior Unsecured Notes were repaid in full. The majority of this repayment was from existing cash reserves. The remainder was drawn from a $200m Revolving Cash Advance Facility, which is described in Note 5. This facility replaced the A$80m Revolving Cash Advance Facility with Commonwealth Bank of Australia (CBA), which was originally scheduled to mature in November 2015.

Total non-current borrowings at the end of the period include:

- A bank loan of $90m drawn on the $200m Revolving Cash Advance Facility with CBA.
- Capitalised interest, commitment fees and shareholder guarantor fees of $8.1m.
- Capitalised transaction costs associated with the establishment of the new facility of $2.9m have been offset against the above.

[E]: During the year ended 31 August 2014, an impairment loss of $52.8m (2013: $292.1m) was recorded. The television impairment charge reflects that the free-to-air television advertising market growth cycle remains low, and that the Company's share of that advertising market has reduced from the low point in the previous year, albeit showing some signs of recovery.

Consolidated statement of changes in equity

	Contributed Equity $'000	Other Reserves $'000	Accumulated Losses $'000	Total $'000	Non-controlling Interest $'000	Total Equity $'000
Balance at 1 September 2013	2,781,103	(1,197,031)	(701,564)	882,508	3,305	885,813
(Loss)/ Profit for the year	-	-	(168,315)	(168,315)	4,846	(163,469)
Other comprehensive income	-	2,004	-	2,004	-	2,004
Total comprehensive (loss)/ income for the year	-	2,004	(168,315)	(166,311)	4,846	(161,465)
Contributions of equity net of transaction costs	-	-	-	-	-	-
Issue of shares held by Employee Share Trust	451	(451)	-	-	-	-
Employee Share Plan Expense	-	1,657	-	1,657	-	1,657
Dividends paid	-	-	-	-	(6,538)	(6,538)
Balance at 31 August 2014	**2,781,554**	**(1,193,821)**	**(869,879)**	**717,854**	**1,613**	**719,467**
Balance at 1 September 2012	2,555,527	(1,205,782)	(416,571)	933,174	8,616	941,790
(Loss)/ Profit for the year	-	-	(284,993)	(284,993)	6,871	(278,122)
Other comprehensive income	-	4,039	-	4,039	-	4,039
Total comprehensive (loss)/ income for the year	-	4,039	(284,993)	(280,954)	6,871	(274,083)
Reversal of foreign currency translation reserves on disposal of offshore operations	-	5,330	-	5,330	-	5,330
Contributions of equity net of transaction costs	224,964	-	-	224,964	-	224,964
Issue of shares held by Employee Share Trust	612	(618)	-	(6)	-	(6)
Dividends paid	-	-	-	-	(12,182)	(12,182)
Balance at 31 August 2013	**2,781,103**	**(1,197,031)**	**(701,564)**	**882,508**	**3,305**	**885,813**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

	31 August 2014 $'000	31 August 2013 $'000
Cash and cash equivalents		
Cash at hand	85	88
Cash at bank	13,354	122,263
At end of year	13,439	122,351
At beginning of year	122,351	93,944
Cash held by discontinued operation at beginning of period	-	2,993
Effects of exchange rate changes on cash and its equivalents	(72)	-
Net cash (outflows) / inflows for the year	**(108,984)**	**25,414**
Represented by:		
Cash Flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	721,121	723,211
Payments to suppliers and employees (inclusive of goods and services tax)	(745,150)	(767,291)
Interest received	1,816	6,062
Bank interest paid	(7,471)	(15,145)
Treasury costs paid	(834)	(2,604)
Net income tax received/(paid)		
Prior year refunds received	5,786	24,251
Current year payments	(11,397)	(22,699)
Net cash (outflows) from operating activities	(36,129)	(54,215)
Cash Flows from investment activities		
Acquisition of property, plant and equipment	(16,141)	(11,862)
Proceeds on disposal of property, plant and equipment	10,733	460
Dividends received	970	1,040
Proceeds from sale of investment	2,291	92,040
Payment for other investments	(773)	(1,970)
Net cash (outflows) / inflows from investment activities	(2,920)	79,708
Cash Flows from financing activities		
Net proceeds from issue of shares	-	222,826
Dividend paid	(6,538)	(12,181)
Proceeds from borrowings	170,000	-
Repayment of borrowings	(230,000)	(210,084)
Refinancing costs	(3,397)	(640)
Net cash (outflows) from financing activities	(69,935)	(79)
Net cash (outflows) / inflows for the year	**(108,984)**	**25,414**

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Note 1: Basis of Preparation of the Preliminary Final Report

This Preliminary Final Report for the reporting year ended 31 August 2014 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards (AASB), which include Australian equivalents to International Financial Reporting Standards (AIFRS).

This Report should be read in conjunction with the Annual Financial Report as at 31 August 2014.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

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

Comparative information is reclassified where appropriate to enhance comparability.

Note 2: Underlying Results

The following tables reconcile 2014 and 2013 underlying net profit for the year to reported net profit.

	Year to 31 August 2014		
	Gross $'000	Tax $'000	Net $'000
Reported Net Loss after income tax attributable to members			**(168,315)**
Continuing Operations			
Net gain on sale of investment in Oasis Pty Limited	(14,253)	3,027	(11,226)
Net gain on sale of Perth Land and Buildings	(7,109)	-	(7,109)
Impairment of Intangible assets	52,847	-	52,847
Provisions for onerous contracts	8,828	(1,187)	7,641
Restructuring costs	8,669	(2,601)	6,068
Write-down of other assets	5,185	(489)	4,696
Total non-recurring items	**54,167**	**(1,250)**	**52,917**
Underlying Net Loss after income tax attributable to members			**(115,398)**

These items are individually significant and non-recurring in nature.

Television licences were impaired by $52.8m.

Provision for onerous contracts include $3.9m relating to Sports Contracts and $4.9m relating to the Eye US business.

Restructuring costs relate to redundancy costs arising from a News and Operations Restructure and to corporate activity costs.

Write-down of other assets includes the write-down of the Company's investment in Beamly Australia Pty Limited ($3.6m) and program assets which were not delivered ($1.6m).

	Year to 31 August 2013		
	Gross $'000	**Tax $'000**	**Net $'000**
Reported Net Loss after income tax attributable to members			**(284,993)**
Continuing Operations			
Restructuring costs	14,410	(4,323)	10,087
Impairment of intangible assets	292,122	(56,049)	236,073
Impairment of fixed assets	9,442	-	9,442
Provision for onerous contracts	20,268	-	20,268
Total Continuing Operations	336,242	(60,372)	275,870
Discontinued Operations			
Loss on sale of investments	5,091	(1,661)	3,430
Trading loss from discontinued operations	843	(174)	669
Total Discontinued Operations	5,934	(1,835)	4,099
Total non-recurring items and discontinued operations	**342,176**	**(62,207)**	**279,969**
Underlying Net Loss after income tax attributable to members			**(5,024)**

For Continuing Operations, these items relate to impairment of television licences ($292.1m), provision for onerous contracts ($20.3m), impairment of fixed assets ($9.4m), and redundancy costs arising from a News and Operations restructure and termination payments made to senior executives ($14.4m). For Discontinued Operations, these items relate to the loss on sale of Eye Corp Pty Limited ($5.1m) and trading loss of the discontinued operation ($0.8m).

Note 3: Revenues and Expenses

	31 August 2014 $'000	31 August 2013 $'000
3.1 Revenues from ordinary activities – continuing operations		
Sales Revenue	625,967	653,893
Other revenue		
- Interest income	1,882	5,751
- Dividend income	970	1,040
Other income		
- FX gain	-	218
Non-Recurring Revenue items (Refer Note 2)		
Television		
- Net gain on sale of Oasis Pty Limited	14,253	-
- Net gain on sale of Perth Land and Buildings	7,109	-
Total revenues and other income from ordinary activities	650,181	660,902
3.2 Expenses from ordinary activities		
Details of relevant expenses		
- Television activities	(696,648)	(596,216)
- Out-of-home activities	(26,278)	(33,325)
Non-Recurring Expense items (Refer Note 2)		
Television		
- Restructuring expense	(8,669)	(14,410)
- Impairment of intangible assets	(52,847)	(292,122)
- Write-down of other assets	(5,185)	-
- Provision for onerous contracts	(3,957)	-
Out-of-Home		
- Impairment of fixed assets	-	(9,442)
- Provision for onerous contracts	(4,871)	(20,268)
Discontinued operations		
- Sale of investments	-	(5,091)
- Trading loss of discontinued operations	-	(843)
Total expenses from ordinary activities	**(798,455)**	**(971,717)**
3.3 Income tax revenue/(expense)		
Normal	1,887	(5,732)
Non-recurring tax items (Refer Note 2)	1,250	60,372
Total income tax revenue/(expense)	**3,137**	**54,640**

Note 4: Segment Note

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. Two reportable segments have been identified. These are Television and Out-of-Home (Roads and Maritime Services contract ('RMS') and Eye US operations). The Chief Executive Officer assesses the performance of the operating segments based on Adjusted EBITDA.

2014	Television	Out-of-Home	Consolidated
	$'000	$'000	$'000
Revenue			
Sales to external customers	599,689	26,278	625,967
Other revenue	2,852	-	2,852
Net gain on sale of investment and property	21,362	-	21,362
Total revenue	**623,903**	**26,278**	**650,181**
Segment Result			
Adjusted EBITDA	**(79,336)**	**-**	**(79,336)**
Depreciation	(15,625)	-	(15,625)
Adjusted EBIT	**(94,961)**	**-**	**(94,961)**
Non-recurring revenue items (Refer Note 2)	21,362	-	21,362
Non-recurring expense items (Refer Note 2)	(70,658)	(4,871)	(75,529)
Finance costs			(19,360)
Interest revenue			1,882
Loss before tax			**(166,606)**
Income tax revenue/(expense)			
Normal			1,887
Non-recurring tax items (Refer Note 2)			1,250
Loss from continuing operations			**(163,469)**

2013	Television	Out-of-Home	Consolidated
	$'000	$'000	$'000
Revenue			
Sales to external customers	627,047	26,846	653,893
Other revenue	7,009	-	7,009
Total revenue	**634,056**	**26,846**	**660,902**
Segment Result			
Adjusted EBITDA	**46,147**	**(4,334)**	**41,813**
Depreciation	(15,532)	(1,876)	(17,408)
Amortisation	-	(269)	(269)
Adjusted EBIT	**30,615**	**(6,479)**	**24,136**
Non-recurring expense items (Refer Note 2)	(306,532)	(29,710)	(336,242)
Finance costs			(22,308)
Interest revenue			5,751
Loss before tax			**(328,663)**
Income tax revenue/(expense)			
Normal			(5,732)
Non-recurring tax items (Refer Note 2)			60,372
Loss from continuing operations			**(274,023)**

Note 5: Bank Facility

The bank loan commenced to be drawn down on 26 February 2014. It is drawn on a $200m Revolving Cash Advance Facility ("Facility") with the Commonwealth Bank of Australia which is guaranteed by three major shareholders associated with Mr L Murdoch, Mr J Packer and Mr B Gordon ("Shareholder Guarantors").

The key features of the approved and executed loan are set out below:

- 4 year $200m Revolving Cash Advance Facility with the Commonwealth Bank of Australia which expires in December 2017 and is fully secured against the assets of the consolidated entity.
- a 'covenant-lite' facility, with no financial covenants.
- the Facility is guaranteed by the Shareholder Guarantors.
- the Shareholder Guarantors are entitled to receive a fee at the end of the Guarantee Period (with the option of the fee being convertible into shares at their election at that time).
- the margin for the Facility, inclusive of the Shareholder Guarantors' fee, is fixed until 31 August 2015. The margin then reverts to a variable fee based on the debt to EBITDA ratio of the Company for the remaining term of the Facility.
- a portion of the drawdown proceeds, along with existing cash reserves, were used to repay the existing $150m Senior Unsecured Notes prior to maturity (26 February 2014). At this time, the undrawn $80m Revolving Cash Advance Facility was extinguished.
- the remainder of the proceeds have been and will be used for general working capital purposes.
- interest and commitment fees payable on drawn debt will be capitalised and paid at maturity of the 4 year facility.

Note 6: Dividends

No dividends/distributions were declared or paid to the members of Ten Network Holdings Limited during or subsequent to the year ended 31 August 2014.

A dividend of $3.3m was paid to CBS Studios Inc. on 19 December 2013, which represents their share of ElevenCo Pty Limited's 2013 net profit. A dividend of $3.2m was paid to CBS Studios Inc. on 2 June 2014, which represents their share of ElevenCo Pty Limited half year 2014 net profit.

Note 7: Earnings per share

	31 August 2014	31 August 2013
Reported		
(a) Basic EPS (Refer Note (i) below)	**(6.51) cents**	**(12.88) cents**
- From continuing operations	(6.51) cents	(12.69) cents
- From discontinued operations	-	(0.19) cents
(b) Diluted EPS (Refer Note (ii) below) [G]	**(6.51) cents**	**(12.88) cents**
- From continuing operations	(6.51) cents	(12.69) cents
- From discontinued operations	-	(0.19) cents
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	2,586,853,514	2,212,013,426
Underlying [F]		
(a) Basic EPS (Refer Note (i) below)	**(4.46) cents**	**(0.23) cents**
- From continuing operations	(4.46) cents	(0.23) cents
- From discontinued operations	-	-
(b) Diluted EPS (Refer Note (ii) below) [G]	**(4.46) cents**	**(0.23) cents**
- From continuing operations	(4.46) cents	(0.23) cents
- From discontinued operations	-	-

[F]: Excludes the non-recurring items disclosed in Note 2.
[G]: The number of shares used in calculating diluted EPS includes the potential impact of new shares issued under the Ten Executive Incentive Plan which commenced in the 2014 year as well as treasury shares (which represent awards to certain senior executives under the Ten Deferred Incentive Plan and are disclosed as an offset in contributed equity in the balance sheet). Performance rights are not considered to be dilutive based on the assumption that any associated shares will be purchased on-market. For the year ended 31 August 2014 and 2013, the impacts of the above are not included because they are anti-dilutive.

i) Basic Earnings per Share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of Ten Network Holdings Limited.
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of dilutive potential ordinary shares.

Note 8: Changes in the Composition of the Consolidated Entity

There were no material changes in the composition of the Consolidated Entity in the year to 31 August 2014.

Note 9: Events Occurring After Reporting Date

No matters or circumstances have arisen since balance date that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2014 of the consolidated entity; or
- the results of those operations; or the state of affairs in financial years subsequent to 31 August 2014 of the consolidated entity.

Commentary on Results

Refer to attached Media Release.

Annual Meeting

The annual meeting will be held as follows:

Place	Ballroom 1 at the Four Seasons Hotel Sydney, 199 George Street, Sydney
Date	Wednesday 17 December 2014
Time	2:00pm
Approximate date the annual report will be available	Monday 17 November 2014