

# **TEN NETWORK HOLDINGS LIMITED**

## **CONCISE FINANCIAL REPORT**

**For the year ended  
31 August 2014**

**ABN 14 081 327 068**

The Directors' Report, Concise Financial Report and Auditor's Statement contained within this document represent a Concise Report. The Concise Financial Report contained within this document has been derived from the Full Financial Report of Ten Network Holdings Limited for the financial year ended 31 August 2014 and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Report.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
**31 AUGUST 2014**

The Directors of Ten Network Holdings Limited present their report on the consolidated entity, consisting of Ten Network Holdings Limited ("the Company") and its controlled entities, for the year ended 31 August 2014.

**Directors**

The Directors that have been in office during the year and since year end are:

Mr HR McLennan (Executive Chairman <sup>A</sup>)  
Mr LK Murdoch <sup>B</sup>  
Mr BJ Long (Deputy Chairman) (Alternate Mr DL Gordon)  
Mr JJ Cowin (Alternate Mr PV Gleeson)  
Mr PV Gleeson (Alternate Mr JJ Cowin)  
Mr DL Gordon (Alternate Mr BJ Long)  
Mr DD Hawkins (Alternate Mr DL Gordon)  
Ms CW Holgate (Alternate Mr DL Gordon)  
Mr PR Mallam  
Ms SL McKenna  
Ms GH Rinehart (Alternate Mr JJ Cowin & Mr J Klepec <sup>C</sup>)

<sup>A</sup>: Mr HR McLennan was appointed as Executive Chairman effective 26 March 2014.

<sup>B</sup>: Mr LK Murdoch resigned as Non-Executive Chairman and Director effective 26 March 2014.

<sup>C</sup>: Mr J Klepec appointed as Alternate Director effective 16 October 2013.

**Principal Activities**

The principal activity of the Company is the investment in The Ten Group Pty Limited ("Ten Group") and controlled entities, whose principal activities are the operation of multi-channel commercial television licences in Sydney, Melbourne, Brisbane, Adelaide and Perth, and out-of-home advertising in the United States of America.

**Operating and Financial Review**

The 2014 financial year has been focussed on executing the television strategy outlined to the market in November 2013.

Investment in primetime programming and the 25-54 demographic is at the core of the Company's strategy, and building time-slot ratings gradually with targeted decision making has been the focus.

Stability in the Management Team over the period has been a key part of the process and in April 2014, the Company announced the appointment of Paul Anderson as Chief Operating Officer alongside his existing role as Chief Financial Officer.

As a result of the stability in management, a focus on primetime investment funded in part by targeted restructuring of sections of the business, and a disciplined approach to commissioning programming, ratings have grown across the 2014 calendar year with approximately 50% of all time-slots in prime-time showing growth year on year.

A new four-year, \$200 million debt facility from the Commonwealth Bank of Australia commenced operation following approval of the terms of the guarantees provided by three of the Company's major shareholders at the Company's Annual General Meeting on 18<sup>th</sup> December 2013. The new debt facility is free from financial covenants. In February 2014 the Company repaid a A\$150 million US Private Placement Facility.

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*Financial Performance and Highlights*

A summary of the consolidated results for the year ended 31 August 2014 are set out as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss) before income tax <sup>(i)</sup>	(166,606)	(328,663)
Income tax benefit <sup>(ii)</sup>	3,137	54,640
(Loss) from continuing operations	(163,469)	(274,023)
(Loss) from discontinued operations	-	(4,099)
<b>(Loss) for the year</b>	<b>(163,469)</b>	<b>(278,122)</b>
Profit attributable to non-controlling interests	4,846	6,871
<b>(Loss) attributable to members of the Company</b>	<b>(168,315)</b>	<b>(284,993)</b>

- (i) Includes \$54.2m net loss of individually significant items that are non-recurring in nature in 2014 (2013: \$336.2m).  
(ii) Includes \$1.3m of non-recurring tax benefit in 2014 (2013: \$60.4m tax benefit).

Financial performance for the year was below expectations, with revenues from continuing operations falling 4.3% to \$626.0m and a net operating loss after tax from continuing operations of \$163.5m. The decline in revenue reflected the continued difficult trading conditions in the Australian advertising market and the Company's decline in market share of revenue.

Expenses in the television segment increased significantly year on year, substantially because of costs associated with the *XXII Olympic Winter Games* in Sochi and *XX Commonwealth Games* in Glasgow. The net operating loss after tax from continuing operations included the following revenue and costs that are significant and non-recurring in nature:

- \$52.8m impairment of the television licence
- \$8.8m provision for onerous sports contracts in Television and Eye Corp's US business
- \$5.2m in write-down of other assets, including an investment write-down for Beamly Australia Pty Limited
- \$8.7m costs associated with the restructure of the news & operations departments.

Partially offset by the following revenue items

- \$14.3m gain on sale of investment in Oasis Pty Limited
- \$7.1m gain on sale of Perth property

Deferred Tax Assets arising from tax losses of \$30.7m have not been booked at 31 August 2014.

The balance sheet had net debt of \$80.5m as at 31 August 2014. Significant balance sheet movements during the year were as follows:

- The estimated recoverable amount of the Television CGU, based on value-in-use, equals its carrying amount.
- In July 2014 a \$13.2m investment was recorded resulting from the exchange of shares in Oasis Pty Limited for shares in RSVP Australia Pty Limited.
- Program rights of \$154.3m (2013: \$197.1m) have reduced to levels in line with long term averages.
- The Onerous contracts provision reduced from \$58.3m in 2013 to \$35.3m, reflecting the utilisation of \$31.8m provisions in 2014 (including an interest charge for the unwinding of the provisions and foreign exchange), and \$8.8m additional provisions recognised as non-recurring charges.

Total cash and equivalents of \$13.4m as at 31 August 2014 was \$109.0m below the prior year.

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Cash outflows from operating activities of \$36.1m are driven by the operating loss for the period, partly offset by net working capital reduction, primarily due to program inventory movements. 2014 cash inflows were impacted by a \$5.2m decrease in net finance costs paid compared to the prior year, largely due to an agreement to capitalise interest costs. These will be payable on maturity of the facility in December 2017.

Cash outflows from investment activities of \$2.9m represent proceeds from sale of the Perth property and Oasis, offset by fixed asset additions. Prior year investing inflows represented proceeds on the disposal of Eye Corp.

Cash outflows from financing activities of \$69.9m are mainly due to net loan drawdowns and repayments made on the new 2014 \$200m Revolving Cash Advance Facility and the repayment of the A\$150m US Private Placement Facility.

*Operational Highlights*

2014 has seen the strategic focus on the 25-54 demographic, fresh formats, more cost effective local production, premium sporting events and a compelling digital platform.

*Business and Strategic Risks*

Business risks that could affect the achievement of the Company's financial prospects include:

- An inability to secure content, including sporting rights, from both the domestic and overseas market, that generate cost effective ratings and in turn revenues and support execution of the strategic plan. Effective diligence over the content acquisition process mitigates this risk to ensure that spend on content is aligned with the board approved strategy.
- A significant and sustained downturn in the free to air advertising market and/or the failure to monetise ratings. To mitigate this risk, the Company is seeking to expand the revenue base by targeting small and medium sized businesses through its INTENSIFY program and GENERATE content integration unit, and by improving the digital platform through the launch of the new Tenplay website and TV Everywhere strategy.
- A significant and sustained transmission failure. The Company continues to have robust controls in place to mitigate this risk, including redundancy, dual transmission sites, dual paths of carriage, backups and real-time incident monitoring. The Company also maintains prudent insurance coverage.
- The Company is unable to negotiate and secure funding to refinance debt as a result of internal and external influences. The Company has completed a refinancing package that commenced operation following approval of the terms of the guarantees provided by three of the Company's major shareholders at the 2013 Annual General Meeting. The funds drawn from the refinancing package were used to repay the existing \$150m Senior Unsecured Notes and relieved the Company from operating under financial banking covenants, providing necessary funds for investment in key programming initiatives. The Company believes that the refinancing package, due in December 2017, mitigates this risk.

**Business Strategies and Outlook**

During the 2014 year, the Company continued its strategy of focusing the main TEN channel on Event TV, including premium sport, aimed at people aged 25 to 54. 2014 investment in Event TV programming included the *T20 Big Bash League* cricket competition, the *XXII Olympic Winter Games* in Sochi, the *XX Commonwealth Games* in Glasgow and *The Bachelor*. The Company secured the rights to the *V8 Supercars* (from 2015) adding to *Formula One* and *MotoGP*, with the return of the weekly motorsport show, *RPM* scheduled for 2015.

The Company improved the performance of general entertainment content across existing programming including *MasterChef Australia*, *Offspring* and *The Living Room*. *Family Feud* at 6pm grew consistently since the July 2014 launch, lifting Network Ten's 6:00pm to 6:30pm weekday audience and contributing to a lift in audience and commercial share in *The Project*.

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Since the September 2013 launch, Tenplay has had more than one million downloads of its mobile devices app. The launch of Tenplay was followed by product innovations including the TEN Eyewitness News app, Sochi 2014 On Ten and Tenplay Kids, and partnerships with Microsoft Xbox and Google Android. Through Tenplay, the Company's 'TV Everywhere' strategy has delivered significant growth in online video views, page views and digital advertising revenue.

The television advertising market conditions remain subdued, with demand impacted by lack of consumer confidence and advertisers. The Company continues to expand its revenue base through Tenplay, INTENSIFY, targeting non-traditional television advertisers, and GENERATE, a premium creative solutions division.

The Company will continue to focus on strict cost control, continuing to find new ways to work smarter and more efficiently. At the same time, making prudent and strategic investments in content to execute ongoing turnaround strategy.

**Dividends**

The Company did not pay any dividends during the period.

**Significant Changes in the State Of Affairs**

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 from the Commonwealth Bank of Australia which will mature on 23 December 2017. This facility replaced the A\$80m Revolving Cash Advance Facility with the Commonwealth Bank of Australia, which was originally scheduled to mature in November 2015.

**Events Subsequent to Balance 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.

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**Information on Directors**

**Particulars of Directors'  
Interests in Shares of The  
Company**

<b>Director</b>	<b>Responsibilities</b>	<b>Ordinary Shares</b>
<b>Executive Chairman</b>		
HR McLennan <sup>A</sup>	Executive Chairman of Board of Directors, Member of Board Performance and Renewal Committee	3,130,000
<b>Deputy Chairman</b>		
BJ Long	Deputy Chairman of Board of Directors, Chair of Board Performance and Renewal Committee, Member of Remuneration Committee and Audit/ Risk/ Treasury Committee	533,250
<b>Directors</b>		
JJ Cowin <sup>B</sup>	Member of Remuneration Committee, Member of Board Performance and Renewal Committee	2,475,000
PV Gleeson	Chair of Audit/ Risk/ Treasury Committee	42,559,567
DL Gordon <sup>B</sup>	Chair of Remuneration Committee	247,500
DD Hawkins	Member of Audit/ Risk/ Treasury Committee	135,000
CW Holgate	Member of Remuneration Committee	69,920
PR Mallam	Member of Audit/Risk/Treasury Committee	12,375
SL McKenna	Member of Remuneration Committee and Audit/ Risk/ Treasury Committee	-
GH Rinehart	Member of Board Performance and Renewal Committee	256,396,911

<sup>A</sup>: Mr HR McLennan was appointed Executive Chairman of the Company effective 26 March 2014. He was appointed member of the Board Performance & Renewal Committee effective 9 April 2014, appointed member of Remuneration Committee effective 9 April 2014 and resigned as member of the Remuneration Committee effective 15 August 2014.

<sup>B</sup>: Mr DL Gordon was appointed Chair of the Remuneration Committee effective 17 September 2014 replacing Mr JJ Cowin who remains a member of the Remuneration Committee.

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***Qualifications and Experience of Directors***

The qualifications and experience of each Director are detailed below.

**Hamish R McLennan**

Hamish McLennan joined the Company as Chief Executive Officer on 18 March 2013 and was appointed as Managing Director of the Company on 8 April 2013.

On 26 March 2014, Mr McLennan was appointed Executive Chairman of the Company.

On 9 April 2014, Mr McLennan was appointed as a member of the Board Performance and Renewal Committee and the Remuneration Committee. He resigned as member of the Remuneration Committee effective 15 August 2014.

Prior to his appointment, Mr McLennan was Executive Vice President, Office of the Chairman, News Corporation, and Chairman of REA Group Limited.

Mr McLennan continues as Non-Executive Chairman of REA Group.

Before joining News Corporation in 2011, Mr McLennan was Global Chairman and CEO of Young & Rubicam. He was the first non-American and youngest person to run Young & Rubicam since it was founded in 1925. Young & Rubicam is part of WPP, the world's largest marketing services firm.

During his six years with the global advertising group, Mr McLennan built a strong executive team and developed an outstanding creative group that won numerous global awards. Under Mr McLennan's leadership, Young & Rubicam delivered strong financial results, including record revenue and margins in 2008 and its second best year ever in 2010.

***Other Current Australian Listed Company Directorships:*** REA Group Limited (appointed as Director 21 February 2012, appointed as Chairman 10 April 2012)

***Former Australian Listed Company Directorships in last 3 Years:*** None

**Brian J Long**

Director of the Company since 1 July 2010.

Mr Long is Deputy Chairman and Lead Independent Director. He is Chairman of the Board Performance and Renewal Committee of the Company and is a member of each of the Audit/Risk/Treasury Committee and the Remuneration Committee.

Mr Long previously chaired the Global Governance and Advisory Council of Ernst & Young and also chaired the Council for the firm's Oceania Area. He was a Partner of Ernst & Young for almost 30 years and was one of the firm's most experienced audit partners. He retired from Ernst & Young on 30 June 2010. Mr Long is a director of the Commonwealth Bank of Australia and Chairman of its Audit Committee. He is a non-executive director of Brambles Limited and Cantarella Bros Pty Ltd. Mr Long is Chairman of the Audit Committee of the University of New South Wales and is also a member of the University's Council. He is Chairman of the charitable organisation, United Way Australia. Mr Long is a Fellow of the Institute of Chartered Accountants in Australia and has been a member since 1972.

***Other Current Australian Listed Company Directorships:*** Commonwealth Bank of Australia (appointed 1 September 2010) and Brambles Limited (appointed 1 July 2014).

***Former Australian Listed Company Directorships in Last 3 Years:*** None

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**Jack J Cowin**

Director of the Company since April 1998.

Mr Cowin is a member of the Remuneration Committee and a member of the Board Performance and Renewal Committee of the Company.

He is the founder and Chairman of Competitive Foods Australia Limited and BridgeClimb.

Mr Cowin is also a non-executive Director and the Chairman of Domino's Pizza Enterprises Limited.

**Other Current Australian Listed Company Directorships:** Chandler Macleod Group (appointed 1 March 2011), Fairfax Media Group (appointed 19 July 2012) and Domino's Pizza Enterprises (20 March 2014).

**Former Australian Listed Company Directorships in Last 3 Years:** None

**Paul V Gleeson**

Director of the Company since February 1998. He holds a Bachelor of Economics degree and is a member of the Institute of Chartered Accountants in Australia.

Mr Gleeson is Chairman of the Audit/Risk/Treasury Committee of the Company.

**Other Current Australian Listed Company Directorships:** None

**Former Australian Listed Company Directorships in Last 3 Years:** None

**David L Gordon**

Director of the Company since 1 April 2010.

Mr Gordon is chairman of the Remuneration Committee of the Company.

Mr Gordon is a former M&A partner at the Sydney law firm, Freehills, and subsequently at former corporate advisory firm, Wentworth Associates Pty Ltd, prior to founding Lexicon Partners Pty Ltd, an independent corporate advisory and investment firm based in Sydney and with a specialisation in technology, media and telecommunications. Mr Gordon has advised a number of Australia's major media businesses over the last 20 years. He is a director of RCG Corporation Limited. He holds a Bachelor of Commerce and Bachelor of Laws degrees from the University of New South Wales.

**Other Current Australian Listed Company Directorships:** RCG Corporation Limited (appointed 19 October 2006)

**Former Australian Listed Company Directorships in Last 3 Years:** None



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**Dean D Hawkins**

Director of the Company since 1 April 2010.

Mr Hawkins is also a member of the Audit/Risk/Treasury Committee of the Company.

Mr Hawkins has led international businesses at the forefront of the broadband, digital media, television and sports industries in Australia and overseas for the past 18 years. Mr Hawkins is Chairman of International News Network Limited, Chairman of the Advisory Board at Skins Global Holdings AG and a strategic advisor to the media and telecommunications industries. He is also Managing Partner at the venture capital firm, OneVentures. He was previously an executive director of Video Networks Limited (VNL), UK's first IPTV platform, and an executive director of Chello Media, a European broadband ISP and digital media company. He is a member of the British Academy of Film and Television Arts, having received BAFTA and Emmy awards for TV channels created by his teams at VNL, was a director of Sydney Dance Company until August 2012 and was a founding board member of the Salvation Army Oasis Centre, a centre for homeless youths and suicide prevention services in Sydney. He is a chartered accountant, was previously an investment banker in Australia and Europe and holds a Bachelor of Commerce degree.

***Other Current Australian Listed Company Directorships:*** None

***Former Australian Listed Company Directorships in Last 3 Years:*** None

**Christine W Holgate**

Director of the Company since 1 April 2010.

Ms Holgate is a member of the Remuneration Committee of the Company.

Ms Holgate has had extensive international experience at senior executive and board levels and is presently Managing Director and Chief Executive Officer at Blackmores Limited. Ms Holgate was previously Managing Director, Business Sales at Telstra and Group Director of Strategy and Marketing at Energis, a European alternative network operator. Ms Holgate has also served as Managing Director, Head of Marketing and Communications for Europe, Middle East and Africa at JP Morgan, a leading global investment bank and as Director of Investor Relations at Cable & Wireless plc, a FTSE global telecommunications company.

***Other Current Australian Listed Company Directorships:*** Blackmores Limited (appointed November 2008)

***Former Australian Listed Company Directorships in Last 3 Years:*** None

**Paul R Mallam**

Director of the Company since 13 December 2010.

Mr Mallam is also a member of the Audit/Risk/Treasury Committee of the Company.

Mr Mallam has been a leading adviser to the media, telecommunications and technology sectors for over 20 years. He has advised on many of the key legal and regulatory arrangements which underpin these sectors. He was formerly a partner of Blake Dawson Lawyers, where he also held senior management positions for several years. He established his own boutique firm, Mallam Lawyers, in 2009. In addition, Mr Mallam is a director of the Australian World Orchestra and a director and the treasurer of a not-for-profit organisation which provides community support services in the Sydney area. He has also co-authored the leading text on media law and regulation for 22 years.

***Other Current Australian Listed Company Directorships:*** None

***Former Australian Listed Company Directorships in last 3 Years:*** None

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**Siobhan L McKenna**

Director of the Company since 26 June 2012.

Ms McKenna was appointed as a member of the Audit/Risk/Treasury Committee and Remuneration Committee on 17 October 2012.

Ms McKenna is Managing Partner of Illyria Pty Ltd, non-executive Director of Nova Entertainment and non-executive Director of The Australian Ballet.

Ms McKenna is a former Partner of management consulting firm, McKinsey & Company, Commissioner of the Productivity Commission, a Director of Prime Media Group, Chairman of NBN Co and a member of the Advisory Board of the Australian Bureau of Meteorology.

***Other Current Australian Listed Company Directorships:*** None

***Former Australian Listed Company Directorships in last 3 Years:*** Prime Media Group Limited (from 20 August 2009 to 29 March 2012).

**Georgina H Rinehart**

Director of the Company since 13 December 2010.

Mrs Rinehart is also a member of the Board Performance and Renewal Committee of the Company.

Mrs Rinehart is Executive Chairman of the Hancock Prospecting Pty Ltd Group of companies and Chairman of the Roy Hill Holdings Pty Ltd Group and Hope Downs Iron Ore Pty Limited. She is also currently a director of Hope Downs Marketing Company Pty Ltd, Hancock Coal Pty Ltd and Hancock Alpha West Pty Ltd. These companies are primarily involved in the exploration and mining of natural resources. She has wide-ranging philanthropic interests which include a long-term involvement with the Hancock Family Medical Foundation (Inc.), a medical foundation which supports the fight against cancer and heart conditions.

***Other Current Australian Listed Company Directorships:*** None

***Former Australian Listed Company Directorships in Last 3 Years:*** None

**Company Secretary**

Stephen Partington was appointed as Company Secretary of The Ten Group Pty Limited in October 1996 and as Company Secretary of Ten Network Holdings Limited in June 2001. He also held the position of Group General Counsel from 1996 to 2011.

Stephen graduated with a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales and Masters of Laws from each of Sydney University and the University of Technology, Sydney.

He is a fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators and a member of the Law Society of New South Wales and Australian Corporate Lawyers Association and has been admitted as a solicitor in New South Wales since 1980.

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**Directors' Meetings**

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 August 2014, and the number of meetings attended by each Director were:

Director's Name/ Alternate name (if applicable)	Date appointed	Date resigned	Meeting of Directors		Audit/ Risk/ Treasury Committee		Remuneration Committee		Board Performance and Renewal Committee	
Meetings			A	B	A	B	A	B	A	B
HR McLennan	08/04/13	Continuing	11	11	-	-	1	1	-	-
LK Murdoch	13/12/10	Resigned 26/03/14	5	5	2	2	4	4	1	1
BJ Long	01/07/10	Continuing	11	11	4	4	5	3	1	1
JJ Cowin	03/04/98	Continuing	11	9	-	-	5	4	1	1
PV Gleeson (Alternate)	22/11/10	Continuing	-	2	-	-	-	-	-	-
PV Gleeson	16/02/98	Continuing	11	11	4	4	-	-	-	-
JJ Cowin (Alternate)	10/12/10	Continuing	-	-	-	-	-	-	-	-
DL Gordon	01/04/10	Continuing	11	9	-	-	5	5	-	-
BJ Long (Alternate)	01/07/10	Continuing	-	2	-	-	-	-	-	-
DD Hawkins	01/04/10	Continuing	11	11	4	4	-	-	-	-
CW Holgate	01/04/10	Continuing	11	11	-	-	5	5	-	-
PR Mallam	13/12/10	Continuing	11	11	4	4	-	-	-	-
SL McKenna	26/06/12	Continuing	11	11	4	4	5	5	-	-
GH Rinehart	13/12/10	Continuing	11	-	-	-	-	-	1	1
J Klepec (Alternate)	16/10/13	Continuing	-	10	-	-	-	-	-	-
JJ Cowin (Alternate)	10/11/11	Continuing	-	1	-	-	-	-	-	-

A Number of meetings held during the year during which the Director was in office

B Number of meetings attended

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**Remuneration Report**

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

For the 2013 and 2014 financial years, EBIT performance was below expectations. As a result no Short Term Incentive payments were made to participants.

For the 2014 financial year a new Long Term Incentive Plan was introduced following shareholder approval in December 2013. All allocations made under this Plan in the 2014 financial year are subject to the satisfaction of performance hurdles at the end of a 3 year performance period in 2016.

This report contains the following sections:

- a) Board Remuneration Committee
- b) Use of remuneration consultants
- c) Principles used to determine the nature and amount of executive remuneration
- d) Executive pay framework
- e) Relationship between remuneration and company performance
- f) Non-executive Director remuneration
- g) Details of remuneration
- h) Details of share-based compensation and bonuses
- i) Equity instruments held by Key Management Personnel
- j) Service agreements

**a) Board Remuneration Committee**

The Board has established a Remuneration Committee which reviews remuneration and incentive policies and practices and provides specific recommendations to the Board on remuneration packages and other terms of employment for executive directors and other senior executives. Reviews are undertaken annually, taking into account competitor practices and performance. The Board approves remuneration for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this Committee.

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement and sustainability of profit and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Performance linkage / alignment of executive compensation
- Transparency
- Capital management

**b) Use of remuneration consultants**

The Company has in previous years consulted with external remuneration consultants to structure an executive remuneration framework that is aligned with shareholders' and executives' interests.

Alignment to shareholders' interests is achieved by:

- Having earnings before interest and tax (EBIT) as a core component of plan design
- Including a focus on key non-financial drivers of value
- Requiring that a significant proportion of executive pay be received as shares
- Deferring vesting of shares subject to continued service, market conditions and achievement of performance hurdles
- Only retaining the service of high performing Executives who continue to deliver results.

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**c) Principles used to determine the nature and amount of executive remuneration**

Alignment to executives' interests is achieved by:

- Establishing a rewards basis that is fair given capability and experience
- Reflecting individual and team performance
- Providing a transparent structure for earning rewards
- Providing recognition for contribution.

The framework for the year ending 31 August 2014 provides a mix of fixed and variable pay, and a blend of short and deferred long term incentives. As Executives attain more accountability within the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

**d) Executive pay framework**

The current executive pay and reward framework has three components:

- Base pay and benefits
- Short-term performance incentives, including cash bonuses
- Long term incentives through participation in the Ten Executive Incentive Plan.

The combination of these components comprises the Executives' total remuneration.

***Base Pay and Benefits***

Base pay is structured as fixed remuneration that may be delivered as a combination of cash and salary packaged benefits including motor vehicles.

Base pay for senior executives is reviewed annually. External remuneration consultants periodically provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Preference is given to matching pay with market levels of direct competitors if this information is available, rather than a broad based group of comparator companies. Some executives have fixed annual base pay increases included as a term of their employment contract. Retirement benefits are delivered under defined contribution superannuation funds.

***Incentives***

For the 2014 financial year, the Remuneration Committee implemented a new incentive scheme ("Executive Incentive Plan") for senior executives to bolster the Company's remuneration framework and to ensure that the Company is able to attract, retain and incentivise highly skilled executives. The new scheme is also designed to enhance the alignment between senior executive compensation and the future return to Ten's shareholders. Senior executives are entitled to a maximum contracted total incentive in addition to their total fixed remuneration and the amount of that maximum contracted total incentive is equal to a percentage of that total fixed remuneration.

The maximum contracted total incentive is divided into a short term and a long term component. The short term component comprises 25% of the maximum contracted total incentive. If the specified performance hurdles for the short term component are met for the year of issue, a cash award up to that amount will be paid.

No short term incentives were awarded for the 2013 and 2014 financial years.

The long term component comprises the other 75% of the maximum contracted total incentive. Further details on short and long term incentives are provided below.

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***Short-Term Incentives***

Short-Term Incentives (STIs) are available through cash bonuses to certain Executives as determined by the Remuneration Committee. No STIs were awarded for the 2013 and 2014 financial years.

STI targets for executives and senior managers are established in each financial year and agreed with the Chief Executive Officer and reviewed by the Remuneration Committee. The Chief Executive Officer's targets are agreed with the Remuneration Committee. Key performance measures include financial and non-financial targets together with company wide and role specific objectives to ensure variable reward meets or exceeds shareholder and Board EBIT expectations for the fiscal year. Performance against these measures is considered in an annual review.

Executive	Key performance measures for the 2014 Financial Year
Chief Executive Officer	Group EBIT, corporate development, financial management and revenue generation, ratings and digital performance, government policy, leadership and accountability objectives
Chief Financial Officer/Chief Operating Officer	Group EBIT, Corporate financial performance, investor relations, operations, technology, human resources and leadership and accountability objectives
Chief Programming Officer	Television EBIT, network program strategy and ratings performance, program development, financial management leadership and accountability objectives

***Long-Term Incentives***

**Ten Executive Incentive Plan**

This is a new plan established during 2014 following shareholder approval in December 2013. Under the Executive Incentive Plan, eligible senior executives are permitted to borrow, from the Company or a subsidiary, an amount and use that amount to subscribe for ordinary shares in the Company to be newly issued under the Plan ("Loan Funded Shares").

The Loan Funded Shares are issued at market value on or around the commencement of the financial year. The number of Loan Funded Shares to which a senior executive is entitled is calculated by dividing the long-term component of the executive's incentive by the fair value of a Loan Funded Share as determined by the Remuneration Committee.

Interest is payable on amounts lent under the Plan equal to the cash amount of dividends paid on the Loan Funded Shares, unless otherwise specified in the issue terms.

The release of the Loan Funded Shares is conditional on satisfaction of performance hurdles (set out below) at the end of a 3 year performance period.

- 50% of potential incentive based on Ten's revenue share performance at the conclusion of the 3 year performance period identified.
- 50% of potential incentive based on Ten's EPS in the final year of the performance period.

To the extent that the conditions applicable to the Loan Funded Shares are met, the Loan Funded Shares will be able to be withdrawn from the Plan as indicated in the issue terms over 3 years. These terms allow for 60% of the Loan Funded Shares to be withdrawn immediately following the conclusion of the performance period, a further 20% of the Loan Funded Shares to be withdrawn at the 12 month anniversary of the conclusion of the performance period and a further 20% of the Loan Funded Shares to be withdrawn at the 24 month anniversary of the conclusion of the performance period. When Loan Funded Shares are withdrawn from the Plan, either the participant will need to repay the relevant loan or the Company will cause the Loan Funded Shares to be sold or otherwise disposed of and the proceeds will be used to repay the loan. Any excess of the disposal proceeds over the loan amount will benefit the participant.

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If conditions applicable to Loan Funded Shares are not met, the relevant Loan Funded Shares will be forfeited and sold, bought-back or cancelled. No benefit will accrue to participants in this circumstance.

Amounts lent under the Plan are limited recourse so that, should the market value of the Company's shares, at the time the Loan Funded Shares are withdrawn from the Plan, fall below the market value at the time of issue of the Loan Funded Shares, or fail to satisfy the performance hurdle in the Plan, participants will not have to meet any shortfall.

On the occurrence of specified liquidity events (such as a Board recommended takeover or acquisition of more than 50% of the voting power in the Company), the offer conditions will generally be deemed to be satisfied.

Under AASB 2 these Loan Funded Shares have been accounted for as options issued with an exercise price equal to the market value share price on grant date. Once the Loan Funded Shares are eligible to be withdrawn from the Plan, the loan must be repaid within 180 days from that date.

Set out below is a summary of Loan Funded Shares granted under the plan during the year:

Grant Date	Exercise price per Loan Funded Share (accounted for as an option)	Expiry date	Number of Loan Funded Shares outstanding but not exercisable at the end of the period
As at 1 September 2013			-
18 December 2013	\$0.3319	27 February 2017 27 February 2018 27 February 2019	25,328,614 8,442,871 8,442,871
19 February 2014	\$0.3412	27 February 2017 27 February 2018 27 February 2019	1,079,637 359,879 359,879
As at 31 August 2014			44,013,751

No Loan Funded Shares expired or were forfeited or exercised during the period.

The fair value of the Loan Funded Shares granted during the year ended 31 August 2014 is \$0.102 for those granted 18 December 2013 and \$0.124 for those granted 19 February 2014. The fair value at grant date is independently determined using a Binomial option pricing model.

On 3 September 2014, 81,980,736 Loan Funded Shares were issued at an exercise price of \$0.2568 per share and fair value of \$0.094. These relate to the 2015 entitlement of Loan Funded Shares under the Ten Executive Incentive Plan.

**Legacy Ten Long Term Incentive Plan ("LTIP") (suspended)**

During 2014, 277,147 LTIP performance rights were forfeited due to performance hurdles not being met. At the end of the period, a total of 278,481 LTIP performance rights remain outstanding and unvested to one remaining Key Management Personnel, with a final testing date of 31 August 2015.

During 2011 and 2012, the LTIP was provided to a limited number of executives and provided for awards of performance rights. These rights are subject to the following performance hurdles:

- A relative Total Shareholder Returns (TSR) hurdle applies to 50% of the performance rights awarded.
- An Earnings per Share (EPS) hurdle applies to the remaining 50% of the rights awarded.

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The performance hurdles are tested after three years from the date of grant. The LTIP allows for the hurdles to be re-tested once over an extended four year period. If the entire award has not vested at the end of the three year performance period. Rights which remain unvested after 4 years from the date of grant lapse immediately. In the event the performance conditions are met, the LTIP performance rights will be automatically exercised and TEN shares allocated to the participant. TEN will determine whether it will issue new TEN shares or acquire TEN shares on-market to satisfy the Rights.

This plan has been suspended.

**Legacy Ten Deferred Incentive Plan (suspended)**

At the end of the period, a total of 98,970 DIP shares remain unvested.

In years prior to 2011, a limited number of senior Executives were invited to participate in a deferred incentive share plan.

For participants a maximum "incentive amount" was determined at the Remuneration Committee's discretion. The incentive amount is payable with reference to certain profit and personal targets.

Shares equal to the incentive amount were bought on-market upfront and vest in four equal tranches over 3 years. The first tranche vests on or about the date of purchase in each year with the next 3 tranches of shares vesting on or about each successive anniversary of the first acquisition date.

Whilst the executive is employed by the Company the tranches of shares are subject to a trading lock until released on the applicable anniversary of the first acquisition date.

This plan has been suspended.

**e) Relationship between remuneration and company performance**

Company performance is tabulated below:

	Ten Network Holdings Performance 2010 – 2014				
	2014	2013	2012	2011	2010
<b>Underlying EBIT (\$m) *</b>	(95.0)	23.9	68.4	146.9	178.9
<b>Dividends Paid (cps)</b>	0.0	0.0	5.25	11.0	0.0
<b>Underlying EPS (cps) *</b>	(4.46)	(0.23)	0.87	7.11	9.29
<b>Share Price (As at 31 August)</b>	0.26	0.31	0.39	0.94	1.37
<b>Total KMP incentives as a percentage of underlying EBIT</b>	0.8%**	0.0%	1.3%	1.6%	2.5%

\* Underlying earnings before interest and tax and underlying EPS is before individually significant items that are non-recurring in nature 2010 – 2014.

\*\*Represents current year accounting expense for Loan Funded Shares which are subject to performance hurdles, the first measurement date of which is 2016.

**f) Non-executive director remuneration**

The Performance and Renewal Committee has responsibility for reviewing and recommending the level of remuneration for non-executive Directors in relation to Board and Committee duties. The Board approves remuneration for non-executive Directors.

The non-executive Directors do not participate in any share option plans or receive performance-related remuneration.

Remuneration for non-executive Directors consists of annual fees, which include superannuation contributions, made in accordance with the superannuation guarantee legislation, for the Directors performing their duties on the Board of the Company and on various committees.



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There are no retirement allowances for non-executive Directors.

Total remuneration for all non-executive Directors, last voted upon by shareholders at the 2007 AGM, is not to exceed \$1 million per annum. Actual total remuneration during 2014 was \$914,082. Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The structure of these fees is shown in the following table.

Effective 1 September 2013 and 2014			
	Chair	Deputy Chair	Member
Board	\$180,000	\$99,000	\$81,000
Audit	\$10,000	-	\$7,000
Remuneration	\$7,000	-	\$5,000

In 2014 no fees were paid to the Executive Chairman.

**g) Details of remuneration**

*Directors of the Company*

Details of the nature and amount of each element of the emoluments of each Director of the Company for the year ended 31 August 2014 and 2013 are set out in the following tables.

2014	Short-term	Post-	Total
	benefits	employment	
Name	Cash Salary and Fees \$	Super- annuation \$	\$
JJ Cowin	80,518	7,482	88,000
PV Gleeson	62,316	28,684	91,000
DL Gordon	78,688	7,312	86,000
DD Hawkins	80,518	7,482	88,000
CW Holgate	78,688	7,312	86,000
BJ Long	101,562	9,438	111,000
PR Mallam	80,518	7,482	88,000
SL McKenna	93,000	-	93,000
LK Murdoch	93,439	8,643	102,082
GH Rinehart	74,113	6,887	81,000
<b>Total</b>	<b>823,360</b>	<b>90,722</b>	<b>914,082</b>

Remuneration of Hamish McLennan, Executive Chairman and Chief Executive Officer, is included in the Other Key Management Personnel table which follows.

There were no cash bonuses, non-monetary benefits, share-based payments or other remuneration paid to Directors in 2014.

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2013	Short-term benefits	Post- employment benefits	
Name	Cash Salary and Fees \$	Super- annuation \$	Total \$
LK Murdoch	165,073	14,927	180,000
BJ Long	101,795	9,205	111,000
JJ Cowin	80,703	7,297	88,000
PV Gleeson	83,454	7,546	91,000
DL Gordon	78,868	7,132	86,000
DD Hawkins	80,703	7,297	88,000
CW Holgate	78,868	7,132	86,000
PR Mallam	80,703	7,297	88,000
SL McKenna	91,488	-	91,488
GH Rinehart	74,283	6,717	81,000
<b>Total</b>	<b>915,938</b>	<b>74,550</b>	<b>990,488</b>

Remuneration of Hamish McLennan, Chief Executive Officer, is included in the Other Key Management Personnel table which follows.

There were no cash bonuses, non-monetary benefits, share-based payments or other remuneration paid to directors in 2013.

*Other Key Management Personnel of the Consolidated Entity*

Details of the nature and amount of each element of the emoluments of Key Management Personnel of the consolidated entity for the year ended 31 August 2014 and 2013 are set out in the following tables.

2014	Short-term benefits	Post- employment benefits	Share-based payments		
Name	Cash Salary and Fees \$	Super- annuation \$	Options and rights <sup>1</sup> \$	Shares \$	Total <sup>2</sup> \$
H McLennan Executive Chairman and Chief Executive Officer	1,957,057	17,943	493,750	-	2,468,750
P Anderson Chief Financial Officer/ Chief Operating Officer	820,257	27,168	171,493	-	1,018,918
B McGarvey Chief Programming Officer	582,057	16,408	127,500	6,654	732,619
<b>Total</b>	<b>3,359,371</b>	<b>61,519</b>	<b>792,743</b>	<b>6,654</b>	<b>4,220,287</b>

<sup>1</sup> The majority of options and rights in 2014 represent Loan Funded Shares under the 2014 Executive Incentive Plan, which are subject to performance hurdles, the first measurement date of which is the 3 year period ending 31 August 2016. The amounts disclosed in the table above represent the accounting impact recognised in the Statement of Comprehensive Income for the financial year ended 31 August 2014 and have been calculated in line with AASB 2 *Share-Based Payment*.

<sup>2</sup> The only 2014 remuneration that is related to the performance of the KMPs is the AASB2 *Share Based Payment* expense for the options, rights and shares set out in the above table. The charge for these performance related items as a percentage of total remuneration is: H McLennan 20%, P Anderson 17% and B McGarvey 18%.

There were no cash bonuses, non-monetary benefits or termination benefits paid or accrued for Key Management Personnel in 2014.

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2013	Short-term benefits			Post-employment benefits	Share-based payments		Total
	Cash Salary and Fees \$	Motor Vehicle \$	Termination Benefits \$	Super-annuation \$	Options and rights \$	Shares \$	
H McLennan <sup>B</sup> Chief Executive Officer	893,556	-	-	7,734	-	-	901,290
P Anderson Chief Financial Officer	657,421	-	-	25,912	-	-	683,333
B McGarvey Chief Programming Officer	566,646	-	-	16,687	-	-	583,333
J Warburton <sup>A</sup> Chief Executive Officer	2,195,735	-	-	16,519	-	-	2,212,254
J Marquard <sup>C</sup> Chief Operating Officer	525,120	30,814	291,113	16,687	-	-	863,734
G Thorley <sup>D</sup> Chief Executive Officer – <i>Eye Corp</i>	276,946	-	857,121	19,215	-	-	1,153,282
<b>Total</b>	<b>5,115,424</b>	<b>30,814</b>	<b>1,148,234</b>	<b>102,754</b>	<b>-</b>	<b>-</b>	<b>6,397,226</b>

<sup>A</sup> For the year ended 31 August 2013, Mr J Warburton held the position of Chief Executive Officer up until 21 February 2013.

<sup>B</sup> H McLennan was appointed as Chief Executive Officer on 8 April 2013.

<sup>C</sup> For the year ended 31 August 2013, Mr J Marquard held the position of Chief Operating Officer up until 31 August 2013.

<sup>D</sup> For the year ended 31 August 2013, Mr G Thorley held the position of Chief Executive Officer – Eye Corp up until 1 November 2012.

There were no cash bonuses, non-monetary benefits or termination benefits paid or accrued for Key Management Personnel in 2013.

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**h) Details of share-based compensation and bonuses**

**(i) Bonuses**

During 2014 and 2013 no short term incentives were paid to Key Management Personnel.

**(ii) Loan Funded Shares (LFS)**

The terms and conditions of each grant of LFS affecting remuneration in the current or a future reporting period are as follows;

Grant date	Vesting date	% of Grant	Exercise date	Expiry date	Exercise price	Value per LFS at grant date	Performance achieved	% Vested
18/12/13	31/08/16	60%	31/08/16	27/02/17	\$0.3319	\$0.102	To be determined	0%
		20%	31/08/17	27/02/18	\$0.3319	\$0.102	To be determined	0%
		20%	31/08/18	27/02/19	\$0.3319	\$0.102	To be determined	0%
19/02/14	31/08/16	60%	31/08/16	27/02/17	\$0.3412	\$0.124	To be determined	0%
		20%	31/08/17	27/02/18	\$0.3412	\$0.124	To be determined	0%
		20%	31/08/18	27/02/19	\$0.3412	\$0.124	To be determined	0%

Loan Funded Shares granted under the plan incur interest equal to the cash amount of dividends paid on the LFS.

Details of Loan Funded Shares (accounted for as options) provided as remuneration to Key Management Personnel are shown below. Refer to section (d) of this report for details on exercise and vesting conditions.

**2014**

Name	Year Granted	Years in which LFS may vest	Number of LFS granted	Value of LFS at grant date
H McLennan	2014	2016	14,522,059	1,481,250
P Anderson	2014	2016	4,375,000	446,250
B McGarvey	2014	2016	3,750,000	382,500

No Loan Funded Shares were forfeited or vested during the year.

**(iii) Performance rights and deferred shares**

Details of rights and shares provided as remuneration to Key Management Personnel are set out below. Refer to section (d) of this report for details on vesting conditions:

Rights and DIP shares							
Name	Year granted	Number granted	Value per share	Vested %	Vested number	Forfeited %	Max value yet to vest
P Anderson - Performance rights	2012	278,481	\$0.79	-	-	-	\$220,000
B McGarvey - Deferred shares	2011	113,476	\$0.94	75%	85,107	-	\$ 26,618

Hamish McLennan did not participate in either plan.

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**i) Equity instruments held by Key Management Personnel**

(i) Loan Funded Shares (LFS), performance rights (Rights) and deferred shares (DIP) holdings

2014 Name	Balance at the start of the year	Granted as compensation	Exercised (LFS) /vested (rights, deferred shares)	Forfeited	Balance at the end of the year	Vested and exercisable	Unvested
H McLennan - LFS	-	14,522,059	-	-	14,522,059	-	14,522,059
P Anderson - LFS	-	4,375,000	-	-	4,375,000	-	4,375,000
- Rights	413,668	-	-	(135,187)	278,481	-	278,481
- DIP	15,692	-	(15,692)	-	-	-	-
B McGarvey - LFS	-	3,750,000	-	-	3,750,000	-	3,750,000
- DIP	72,582	-	(44,213)	-	28,369	-	28,369

(ii) Share holdings

The number of ordinary shares in the Company held during the financial year by Key Management Personnel of the consolidated entity for the year ended 31 August 2014, including their personally-related entities, are set out below.

2014 Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Received During the Year as Remuneration	Other Changes During the Year	Balance at the End of the Year
<i>Directors of Ten Network Holdings Limited</i>					
HR McLennan	3,130,000	-	-	-	3,130,000
BJ Long	533,250	-	-	-	533,250
JJ Cowin	2,475,000	-	-	-	2,475,000
PV Gleeson	42,559,567	-	-	-	42,559,567
DL Gordon	247,500	-	-	-	247,500
DD Hawkins	135,000	-	-	-	135,000
CW Holgate	69,920	-	-	-	69,920
PR Mallam	12,375	-	-	-	12,375
SL McKenna	-	-	-	-	-
GH Rinehart	256,396,911	-	-	-	256,396,911
<i>Other Key Management Personnel of the consolidated entity</i>					
P Anderson	532,488	15,692	-	-	548,180
B McGarvey	306,090	44,213	-	-	350,303

LK Murdoch was a director of the Company from the beginning of the year until 26 March 2014. During this period he had an interest in 462,441,158 ordinary shares including 231,220,529 ordinary shares which are registered in the name of Aidem Holdings Pty Limited by virtue of an agreement entered into between the parties under which they propose to act in concert in relation to the exercise of votes attaching to their shares and to agree customary pre-emptive rights. This agreement was terminated on 26 March 2014 and when he ceased to be a Key Management Personnel his shareholding was 231,220,579.

There were no other transactions with Key Management Personnel during the year ended 31 August 2014.

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**j) Service Agreements**

Remuneration and other terms of employment for the Key Management Personnel of the consolidated entity are formalised in service agreements. Each of these agreements provide for the provision of short-term performance-related incentives, other benefits including car leases and participation when eligible, in the Ten Executive Incentive Plan and the Ten Deferred Incentive Plan. Major provisions of the agreements relating to remuneration are set out below.

**Hamish McLennan, Chief Executive Officer**

*Term of agreement – Rolling contract commencing 18 March 2013.*

- Effective 18 March 2013 fixed remuneration, inclusive of superannuation is \$1,975,000.
- Short-term incentives are available from the commencement of the 2014 financial year under the Ten Executive Incentive Plan on achievement of specific STI targets weighted heavily to the financial performance of the Group and inclusive of leadership and corporate objectives.
- Long term incentives are available from the commencement of the 2014 financial year through participation in the Ten Executive Incentive Plan on achievement of performance hurdles with a 3 year vesting period, weighted heavily towards the financial performance of the Group.
- Total remuneration from short-term and long-term incentives is capped at 100% of fixed remuneration.
- Either party may terminate the contract at any time by providing twelve months' notice.
- Immediate termination by Ten for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- In the event of a 50% or greater change in control, all unvested incentives will vest.

**Paul Anderson, Chief Financial Officer / Chief Operating Officer**

In April 2014, the Company announced Paul Anderson as the Chief Operating Officer, retaining his Chief Financial Officer role.

*Term of agreement – rolling contract commencing 9 April 2014.*

- Effective 9 April 2014 fixed remuneration, inclusive of superannuation is \$1,050,000.
- Short-term incentives are available from the commencement of the 2014 financial year under the Ten Executive Incentive Plan on achievement of specific STI targets weighted heavily to the financial performance of the Group and inclusive of leadership and corporate objectives.
- Long term incentives are available from the commencement of the 2014 financial year through participation in the Ten Executive Incentive Plan on achievement of performance hurdles with a 3 year vesting period, weighted heavily towards the financial performance of the Group.
- Total remuneration from short-term and long-term incentives is capped at 85% of fixed remuneration.
- Either party may terminate the contract at any time by providing twelve months' notice.
- Immediate termination by Ten for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

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***Beverley McGarvey, Chief Programming Officer***

*Term of agreement – 3 years commencing 1 January 2013.*

- Fixed remuneration, inclusive of superannuation, for the year commencing 1 January 2013 of \$600,000, with review on 1 January 2014 and 1 January 2015.
- Short-term incentives are available from the commencement of the 2014 financial year under the Ten Executive Incentive Plan on achievement of specific STI targets weighted heavily to the financial performance of the Group and inclusive of leadership and corporate objectives.
- Deferred incentives are available through past participation in the Ten Deferred Incentive Plan.
- Long term incentives are available from the commencement of the 2014 financial year through participation in the Ten Executive Incentive Plan on achievement of performance hurdles with a 3 year vesting period, weighted heavily towards the financial performance of the Group.
- Total remuneration from short-term and long-term incentives is capped at 85% of fixed remuneration.
- Immediate termination for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- Payment of termination benefit on early termination by the employer shall be the lesser of 6 months' notice or the balance of the contract.

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**Non-Audit Services**

The consolidated entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit/ Risk/ Treasury Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit/ Risk/ Treasury Committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity, its related practices and non-related audit firms:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(a) PricewaterhouseCoopers Australia</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	417,046	429,158
Other audit related services	23,000	308,950
<i>Taxation Services</i>		
Tax compliance services	215,000	187,773
Other tax services	21,419	118,306
<i>Other services</i>		
Advisory services	92,000	399,058
Total remuneration of PricewaterhouseCoopers Australia	768,465	1,443,245
<b>(b) Related practices of PricewaterhouseCoopers Australia</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	20,000	27,804
Other audit related services	-	1,300
<i>Other services</i>	-	-
Total remuneration of related practices of PricewaterhouseCoopers Australia	20,000	29,104
<b>Total auditors' remuneration</b>	<b>788,465</b>	<b>1,472,349</b>



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**Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

**Contracts with Directors**

During the financial year, various agreements in respect of the sale of television airtime (through an advertising agency), sale of Out-of-Home advertising space, purchase of program rights, provision of consultancy services were entered into by Director-related entities on normal commercial terms and conditions.

**Insurance of Officers**

During the financial year, the Company arranged for directors' and officers' liability insurance cover for officers of the Company and related parties. An insurance premium was paid in relation thereto. The officers of the Company covered by this insurance includes all Directors and all employees in positions of responsibility.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' insurance contracts as such disclosure is prohibited under the terms of the contract.

**Indemnification of Officers**

The Company has entered into deeds to indemnify each Director of the Company in accordance with the approval given at the Annual General Meeting of the Company held on 7 December 1999.

In broad terms, the deeds of indemnity entrench a Director's rights to:

- access the books and records of the Company which relate to the period the Director acted as a Director of the Company;
- be indemnified by the Company to the maximum extent permitted by law; and
- require the Company to take out an appropriate directors' and officers' insurance policy to protect the Director from liability (to the maximum extent permitted by law).

Separately, a deed of indemnity has been provided by The Ten Group Pty Limited to Directors and officers of that Company and its controlled entities.

Additionally, separate deeds of indemnity cover other executives of controlled entities who have been requested to act as directors on the boards of other companies in which the Group holds an interest.

No liability has arisen under these indemnities at the date of this report.

**Environmental Regulations**

The consolidated entity is not subject to significant environmental regulations.

**Rounding of Amounts to Nearest Thousand Dollars**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in Sydney on 16 October 2014 in accordance with a resolution of the Directors.



HR McLennan  
Executive Chairman



## Auditor's Independence Declaration

As lead auditor for the audit of Ten Network Holdings Limited for the year ended 31 August 2014, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ten Network Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'S. Horlin', with a long horizontal stroke extending to the right.

SG Horlin  
Partner  
PricewaterhouseCoopers

Sydney  
16 October 2014

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**FIVE YEAR SUMMARY**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

Results as reported	2014	2013	2012	2011	2010
<b>REVENUE (\$m)</b>					
Television	601.7	628.3	728.0	851.8	833.4
Out-of-Home	26.3	26.8	25.2	148.5	158.1
Discontinued Operations	-	19.5	112.0	-	-
	628.0	674.7	865.2	1,000.3	991.5
<b>EXPENSES (\$m)</b>					
Television	681.0	582.2	645.6	697.7	640.3
Out-of-Home	26.3	31.1	25.7	130.1	143.1
Discontinued Operations	-	18.4	99.9	-	-
	707.3	631.8	771.2	827.8	783.4
<b>EBITDA (\$m)</b>					
Television	(79.3)	46.1	82.4	154.1	193.1
Out-of-Home	-	(4.3)	(0.5)	18.4	15.0
Discontinued Operations	-	1.1	12.1	-	-
	(79.3)	42.9	94.0	172.5	208.1
<b>TV EBITDA MARGINS</b>	(13.2%)	7.3%	11.3%	18.1%	23.2%
<b>EBIT (\$m)</b>					
Television	(95.0)	30.6	64.0	136.1	174.7
Out-of-Home	-	(6.5)	(0.5)	10.8	4.2
Discontinued Operations	-	(0.2)	4.9	-	-
	(95.0)	23.9	68.4	146.9	178.9

**UNDERLYING EARNINGS PER SHARE (cents per share)**

Basic EPS	(4.46)	(0.23)	0.87	7.11	9.29
Diluted EPS	(4.46)	(0.23)	0.87	7.10	9.27

**DIVIDENDS PER SHARE (cents per share)**

Normal	0.0	0.0	5.3	6.0	0.0
Special	0.0	0.0	0.0	5.0	0.0
Total	0.0	0.0	5.3	11.0	0.0

<b>NET DEBT (\$m)</b>	80.5	27.6	263.1	415.9	357.0
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<b>TOTAL SHAREHOLDERS' EQUITY (\$m)</b>	719.5	885.8	941.8	807.8	902.3
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**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
Revenue from continuing operations	3(a)	625,967	653,893
Other revenue	3(a)	2,852	7,009
Net gain on sale of investment and property	3(a)	21,362	-
Television costs		(696,648)	(596,216)
Out-of-home costs		(26,278)	(33,325)
Impairment of intangible assets	3(b)	(52,847)	(292,122)
Restructuring costs	3(b)	(8,669)	(14,410)
Write-down of other assets	3(b)	(5,185)	(9,442)
Provision for onerous contracts	3(b)	(8,828)	(20,268)
Finance costs		(19,360)	(22,308)
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		3,137	54,640
(Loss) from continuing operations		(163,469)	(274,023)
(Loss) from discontinued operations		-	(4,099)
<b>(Loss) for the year</b>		<b>(163,469)</b>	<b>(278,122)</b>
(Loss) is attributable to:			
(Loss) attributable to owners of the Company		(168,315)	(284,993)
Profit attributable to non-controlling interests		4,846	6,871
		<b>(163,469)</b>	<b>(278,122)</b>
<b>(Loss) for the year</b>		<b>(163,469)</b>	<b>(278,122)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges		1,591	3,786
Exchange differences on translation of foreign operations		890	1,389
Income tax relating to these items		(477)	(1,136)
<b>Total comprehensive (loss) for the year, net of tax</b>		<b>(161,465)</b>	<b>(274,083)</b>
Total comprehensive (loss) attributable to owners of Ten Network Holdings Limited		(166,311)	(280,954)
Total comprehensive profit attributable to non-controlling interests		4,846	6,871
		<b>(161,465)</b>	<b>(274,083)</b>

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**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total comprehensive (loss) attributable to members of Ten Network Holdings Limited</b>		
Continuing Operations	(166,311)	(276,855)
Discontinued Operations	-	(4,099)
	<hr/>	<hr/>
	(166,311)	(280,954)
	<hr/>	<hr/>
	<b>2014</b>	<b>2013</b>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings Per Share</b>		
<b>Basic earnings per share</b>	<b>(6.51)</b>	<b>(12.88)</b>
- From continuing operations	(6.51)	(12.69)
- From discontinued operations	-	(0.19)
<b>Diluted earnings per share</b>	<b>(6.51)</b>	<b>(12.88)</b>
- From continuing operations	(6.51)	(12.69)
- From discontinued operations	-	(0.19)

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

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**BALANCE SHEET**  
**AS AT 31 AUGUST 2014**

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

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

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**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

	Contributed Equity \$'000	Other Reserves \$'000	Accumulated Losses \$'000	Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
<b>Balance at 1 September 2013</b>	<b>2,781,103</b>	<b>(1,197,031)</b>	<b>(701,564)</b>	<b>882,508</b>	<b>3,305</b>	<b>885,813</b>
(Loss)/ Profit for the year	-	-	(168,315)	(168,315)	4,846	(163,469)
Other comprehensive income	-	2,004	-	2,004	-	2,004
Total comprehensive income for the year	-	2,004	(168,315)	(166,311)	4,846	(161,465)
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)
<b>Balance at 31 August 2014</b>	<b>2,781,554</b>	<b>(1,193,821)</b>	<b>(869,879)</b>	<b>717,854</b>	<b>1,613</b>	<b>719,467</b>

  

<b>Balance at 1 September 2012</b>	<b>2,555,527</b>	<b>(1,205,782)</b>	<b>(416,571)</b>	<b>933,174</b>	<b>8,616</b>	<b>941,790</b>
(Loss)/ Profit for the year	-	-	(284,993)	(284,993)	6,871	(278,122)
Other comprehensive income	-	4,039	-	4,039	-	4,039
Total comprehensive 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)
<b>Balance at 31 August 2013</b>	<b>2,781,103</b>	<b>(1,197,031)</b>	<b>(701,564)</b>	<b>882,508</b>	<b>3,305</b>	<b>885,813</b>

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

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net increase in cash and cash equivalents</b>		
Cash on 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 movements on cash and cash equivalents	(72)	-
<b>Net cash (outflows)/ inflows for the year</b>	<b>(108,984)</b>	<b>25,414</b>
Represented by:		
<b>Cash Flows from operating activities</b>		
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)
Income tax received/(paid)		
Prior year refunds received	5,786	24,251
Current year payments	(11,397)	(22,699)
Net cash (outflows) operating activities	(36,129)	(54,215)
<b>Cash Flows from investment activities</b>		
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
Payments for other investments	(773)	(1,970)
Net cash (outflows)/ inflows from investment activities	(2,920)	79,708
<b>Cash Flows from financing activities</b>		
Net proceeds from issue of shares	-	222,826
Dividends 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)
<b>Net cash (outflows)/ inflows for the year</b>	<b>(108,984)</b>	<b>25,414</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes.*



**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

**1 BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT**

The Concise Financial Report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1039: Concise Financial Reports and applicable Urgent Issues Group Consensus Views.

The accounting policies adopted are consistent with those of the previous year. A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's Full Financial Report.

Comparative information is reclassified where appropriate to enhance comparability.

**2 SEGMENT INFORMATION**

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.

**Geographical segments**

The consolidated entity operates principally within Australia.

**Segment information provided to the CEO**

<b>2014</b>	<b>Television \$'000</b>	<b>Out-of-Home \$'000</b>	<b>Consolidated \$'000</b>
<b>Revenue</b>			
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
<b>Total revenue</b>	<b>623,903</b>	<b>26,278</b>	<b>650,181</b>
<b>Segment Result</b>			
Adjusted EBITDA *	(79,336)	-	(79,336)
Depreciation	(15,625)	-	(15,625)
Adjusted EBIT *	(94,961)	-	(94,961)
Non-recurring revenue items (Note 3(b))	21,362	-	21,362
Non-recurring expense items (Note 3(b))	(70,658)	(4,871)	(75,529)
Finance costs			(19,360)
Interest revenue			1,882
Loss before tax			(166,606)
Income tax (expense)/ revenue			
Normal			1,887
Non-recurring tax items (Note 3(b))			1,250
<b>Loss from continuing operations</b>			<b>(163,469)</b>
<b>Total Segment assets</b>	<b>1,078,304</b>	<b>10,198</b>	<b>1,088,502</b>
<b>Total Segment liabilities</b>	<b>338,264</b>	<b>30,771</b>	<b>369,035</b>
<b>Acquisitions of non-current assets</b>	<b>16,080</b>	<b>61</b>	<b>16,141</b>

\* Before non-recurring items

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

<b>2013</b>	<b>Television \$'000</b>	<b>Out-of-Home \$'000</b>	<b>Consolidated \$'000</b>
<b>Revenue</b>			
Sales to external customers	627,047	26,846	653,893
Other revenue	7,009	-	7,009
Total revenue	634,056	26,846	660,902
<b>Segment Result</b>			
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 (Note 3(b))	(306,532)	(29,710)	(336,242)
Finance costs			(22,308)
Interest revenue			5,751
Loss before tax			(328,663)
Income tax (expense)/ revenue			
Normal			(5,732)
Non-recurring tax items			60,372
Loss from continuing operations			(274,023)
<b>Total Segment assets</b>	1,311,205	7,644	1,318,849
<b>Total Segment Liabilities</b>	395,561	37,475	433,036
<b>Acquisitions of non-current assets</b>	8,326	376	8,702

\* Before non-recurring items

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3 PROFIT AND LOSS INFORMATION</b>		
<b>(a) REVENUE</b>		
<b>Revenue from continuing operations</b>		
Sales revenue	625,967	653,893
	<u>625,967</u>	<u>653,893</u>
<b>Other revenue</b>		
Interest	1,882	5,751
Dividend	970	1,040
Foreign exchange gain	-	218
	<u>2,852</u>	<u>7,009</u>
<b>Other income (Non-recurring Note 3(b))</b>		
Net gain on sale of Oasis Pty Limited	14,253	-
Net gain on sale of Perth Land and Buildings	7,109	-
	<u>21,362</u>	<u>-</u>
<b>(b) INDIVIDUALLY SIGNIFICANT ITEMS</b>		
Included in Television and Out-of-home costs in the income statement are the following individually significant items that are non-recurring in nature and tax items:		
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-recurring (revenue) / expense items</b>		
<i>Continuing operations</i>		
Net gain on sale of Oasis Pty Limited	(14,253)	-
Net gain on sale of Perth Land and Buildings	(7,109)	-
Impairment of intangible assets	52,847	292,122
Provision for onerous contracts	8,828	20,268
Restructuring costs	8,669	14,410
Impairment of fixed assets	-	9,442
Write-down of other assets	5,185	-
	<u>54,167</u>	<u>336,242</u>
<i>Discontinuing operations</i>		
Loss on sale of investments	-	5,091
Trading loss/(profit) from discontinued operations	-	843
Impairment loss of discontinued operations	-	-
	<u>-</u>	<u>5,934</u>
<b>Non-recurring tax items</b>		
Tax impact of Non-recurring expense items	(1,250)	(62,207)
	<u>52,917</u>	<u>279,969</u>

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2014**

The Company had \$54.2m (pre-tax) of individually significant items that are non-recurring in nature during the year ended 31 August 2014. These items related to:

- Television licences were impaired by \$52.8m (see further details below).
- Provision for onerous contracts included \$3.9m relating to Sports Contracts and \$4.9m relating to the Eye US business.
- Restructuring costs related to redundancy costs arising from a News and Operation Restructure and corporate activity costs.
- Write-down of other assets included the write-down of the Company's investment in Beamly Australia Pty Limited (\$3.6m) and program assets which were not delivered (\$1.6m).

The Company had \$342.2m of individually significant items that are non-recurring in nature during the year ended 31 August 2013. 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).

**Impairment tests for Television licences**

Television licences are not amortised as the Directors believe that the television licences do not have a limited useful life. Instead, television licences are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

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. The estimated recoverable amount of the Television cash-generating unit (CGU), based on value-in-use, equals its carrying amount.

Television licences are allocated to CGUs identified according to reporting segments.

The recoverable amount of a CGU is determined based on value-in-use calculations. The following describes each key assumption in performing these calculations:

*Cash flow forecasts and growth rates*

Cash flows forecasts are based on the following assumptions:

- Five year forecast based on management's latest expectations for future performance.
- Revenue growth rates used the FY15 board approved budget and, for the remaining four years over the five year forecast vary from year to year and a cumulative average growth rate of 7.5% (2013: 6.0%) over this period. The revenue growth is driven by a combination of both market growth and market share.
- The terminal value is based on the Gordon's Growth Model using a 3% (2013: 3%) growth rate, which approximates long term CPI growth.

*Discount rates*

Pre tax discount rate of 12.86% (2013: 13.6%) is the risk adjusted Weighted Average Cost of Capital ("WACC") for the consolidated entity.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES  
CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

*Impact of Possible Changes in Key Assumptions*

A change in any of the key assumptions including growth rates or the WACC could cause a change in the carrying value of the television licences.

In the event that adverse changes in key assumptions look likely, management is able to review costs to minimise the effects of the changes on the recoverable amount.

**4 TAX LOSSES**

As at 31 August 2014, there are unrecorded tax losses of \$30.7m which are available for utilisation by the consolidated entity. Their utilisation is supported by the entity's tax forecasts. The Directors consider it prudent not to record these tax losses as their utilisation is not expected in the short term. However they will remain available indefinitely for offset against future taxable profits, subject to continuing to meet the statutory tax tests.

**5 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 2013 net profit.

**6 SUBSEQUENT EVENTS**

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.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES  
CONCISE FINANCIAL REPORT**

**DIRECTORS' DECLARATION**

In the opinion of the Directors of Ten Network Holdings Limited the accompanying Concise Financial Report of the consolidated entity, comprising Ten Network Holdings Limited and its controlled entities, for the year ended 31 August 2014, set out on pages 28 to 37:

- (a) has been derived from or is consistent with the Full Financial Report for the financial year; and
- (b) complies with Accounting Standard AASB 1039: Concise Financial Reports.

The Concise Financial Report is an extract from the full financial report for the year ended 31 August 2014. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Report, which is available on request.

SIGNED at Sydney on 16 October 2014 in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read 'HR McLennan', followed by a horizontal line.

HR McLennan  
Executive Chairman

Sydney



## **Independent auditor's report to the members of Ten Network Holdings Limited**

### ***Report on the concise financial report***

We have audited the accompanying concise financial report of Ten Network Holdings Limited (the Company) which comprises the balance sheet as at 31 August 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited financial report of the Company for the year ended 31 August 2014 for the Ten Network Holdings Limited Group (the consolidated entity). The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

### ***Directors' responsibility for the concise financial report***

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001, and for such internal control as the Directors determine are necessary to enable the preparation of the concise financial report.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of the Ten Network Holdings Limited Group (the consolidated entity) for the year ended 31 August 2014. We expressed an unmodified audit opinion on that financial report in our report dated 16 October 2014. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Our procedures include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 Concise Financial Reports.

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Ten Network Holdings Limited would be in the same terms if given to the Directors as at the date of this auditor's report.

### ***Auditor's opinion***

In our opinion, the concise financial report of the consolidated entity for the year ended 31 August 2014 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

### ***Report on the remuneration report***

The following paragraphs are copied from our report on the remuneration report for the year ended 31 August 2014.

We have audited the remuneration report included in pages 12 to 23 of the Directors' report for the year ended 31 August 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### ***Auditor's opinion***

In our opinion, the remuneration report of Ten Network Holdings Limited for the year ended 31 August 2014 complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A handwritten signature of 'SG Horlin' in a cursive script.

SG Horlin  
Partner

Sydney  
16 October 2014