

Annual  
Review 2014

**TURN  
ON**



**Ten Network Holdings Limited**  
ABN: 14 081 327 068

## Ten Network's Vision

# WE CREATE INNOVATIVE AND AUTHENTIC MULTI-PLATFORM CONTENT THAT ENTERTAINS AND ENGAGES THE YOUNG AT HEART.

Ten Network Holdings is one of Australia's leading entertainment and news content companies, with free-to-air television and digital media assets.

Ten Network Holdings includes three free-to-air television channels – TEN, ELEVEN and ONE – in Australia's five metropolitan markets of Sydney, Melbourne, Brisbane, Adelaide and Perth, plus the digital platform tenplay.

Ten Network Holdings also has investments in RSVP Oasis Active, OurDeal, The Roar and Beamly Australia. It also operates datacasting channels in partnership with TVSN Channel (TVSN) and Brand Developers (Spree TV).



### TEN

With a focus on people 25 to 54 who are young at heart, TEN has a long and proud tradition of bringing fun, irreverent, engaging, informative and premium content to Australians.

TEN's key local programs include *TEN Eyewitness News*, *The Project*, *Family Feud*, *The Living Room*, *MasterChef Australia*, *The Biggest Loser*, *The Bachelor*, *Offspring*, *Wonderland*, *Recipe To Riches*, *Bondi Vet*, *Bondi Rescue* and *Studio 10*. New local programs for calendar 2015 include *I'm A Celebrity... Get Me Out Of Here!* and *Shark Tank*.

TEN's sport line-up includes Formula One, MotoGP, Rugby Union, the KFC T20 Big Bash League and – from early 2015 – V8 Supercars.

From overseas, TEN has *NCIS*, *NCIS: Los Angeles*, *NCIS: New Orleans*, *Modern Family*, *Elementary*, *Law & Order: SVU*, *The Good Wife*, *The Graham Norton Show*, *Scorpion*, *Madam Secretary*, *Homeland*, Jamie Oliver's cooking series, Sir David Attenborough specials and more.

TEN is broadcast in Standard Definition digital and analogue.



### ELEVEN

The home of fun and bold entertainment for a distinctly youthful audience, ELEVEN showcases a mix of Australian and international content for people 13 to 29, including Australia's longest running serial drama, *Neighbours*. ELEVEN's international line-up includes *The Simpsons*, *New Girl*, *Futurama*, *So You Think You Can Dance US*, *Glee*, *Everybody Loves Raymond*, *Nurse Jackie*, *Snog Marry Avoid*, *Dexter* and *American Horror Story*.

ELEVEN is broadcast in Standard Definition digital.



### ONE

The home of premium entertainment for men 25 and older. ONE's content is a mix of premium scripted and reality programming, as well as local and international sports. ONE's program line-up includes *M\*A\*S\*H*, *Undercover Boss*, *COPS*, *Sons of Anarchy*, *Monster Jam*, *Extreme Fishing* and *I Fish*, plus Formula One, MotoGP and Sir David Attenborough specials.

ONE was the first digital channel launched by an Australian commercial network, in April 2009. ONE is broadcast in High Definition digital.



### TENPLAY

tenplay is the Company's digital platform – including a catch-up viewing website and apps – and the key plank in our TV Everywhere strategy.

tenplay is a vital part of Ten Network's transition from linear broadcasting to a consumer content experience that is multi-screen and multi-platform, giving people access to our content anytime, anywhere and on any device. See page 11.

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# 2014 HIGHLIGHTS

## SOURCE:

OzTAM, 5 City Metro, Weeks 1 to 42, 2014, Consolidated. The Project lift based on Weeks 29 to 42 vs. Weeks 7 to 28 (excluding Easter). Family Feud lift based on Network Ten, 6pm to 6.30pm weekdays, Weeks 7 to 28 (excluding Easter). Big Bash lift vs. 2012-13 Fox Sports season audience.



## THE LIVING ROOM

**VIEWERS**  
552,000

**20%** 

## THE BACHELOR AUSTRALIA

**THE FINAL DECISION**  
**VIEWERS**  
1.44 MILLION

**17%** 

**ONLINE VIDEO VIEWS**  
14 MILLION

**A SOCIAL MEDIA SENSATION**

## THE PROJECT 7PM

**VIEWERS**  
627,000

**11%**   
SINCE JULY





## MASTERCHEF AUSTRALIA

THE WINNER ANNOUNCED  
VIEWERS  
1.75 MILLION

**58%** 

SERIES AVERAGE  
VIEWERS  
1.02 MILLION

ONLINE VIDEO  
VIEWS  
18 MILLION

## AUSTRALIAN FORMULA ONE

VIEWERS  
1.36 MILLION

**10%** 

25 TO 54s  
**#1**

## FAMILY FEUD

VIEWERS  
618,000

LIFTS NETWORK  
TEN'S TIMESLOT  
AUDIENCE BY

**20%** 



## OFFSPRING

**VIEWERS**  
1.03 MILLION

**8%** 

**ONLINE VIDEO VIEWS**  
12 MILLION

**25 TO 54s & TOTAL PEOPLE**

**#1**



## KFC T20 BIG BASH LEAGUE

**VIEWERS: FINAL**  
993,000

**VIEWERS: SERIES**  
638,000

**314%** 



## 2014 Results

The company has seen strong ratings growth since May 2014, as a result of the six-point plan developed last year.

**Hamish McLennan**

Executive Chairman and Chief Executive Officer

# KEY NUMBERS

## Audience growth

**NETWORK TEN:** Up 3% in total people and 2.5% in 25 to 54s. First audience growth since 2011. #1 in day time for 14th consecutive year.

**ONE:** Fastest growing multi-channel in Australia. Up 35% in total people and 28% in men 25-plus.

**ELEVEN:** Up 5% in 16 to 39s.

Source: OzTAM, 5 City Metro, Weeks 7 to 41, 2014 vs. 2013 excluding Easter, Consolidated (excluding Week 41 which is Overnight). Daytime is 09:00-18:00 Monday to Friday. Omniture. Adobe Analytics

GROUP  
REVENUE

**\$628**  
MILLION

NET DEBT

**\$80.5**  
MILLION

TENPLAY  
VIDEO VIEWS

**158**  
MILLION

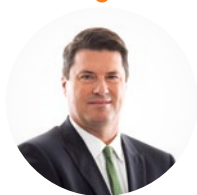
TENPLAY  
PAGE VIEWS

**282**  
MILLION

TENPLAY  
UNIQUE VISITORS

**29**  
MILLION

# KEY EVENTS



## DECEMBER 18, 2013

Shareholders approve new financing facility. Plus, new, six-year television rights deal with V8 Supercars announced.

## FEBRUARY 8, 2014

Opening Ceremony of the XXII Olympic Winter Games in Sochi, Russia. Plus, final of the KFC T20 Big Bash League draws 1.4 million viewers nationally.

## FEBRUARY 17, 2014

Peter Meakin joins as Executive Director of News and Current Affairs.

## MARCH 26, 2014

Lachlan Murdoch resigns as Non-Executive Chairman. Chief Executive Officer Hamish McLennan takes on additional role of Executive Chairman.

## JUNE 24, 2014

RSVP and Oasis Active announce merger.

## JULY 14, 2014

*Family Feud* debuts.

## JULY 24, 2014

Opening Ceremony of XX Commonwealth Games in Glasgow, Scotland.

## JULY 28, 2014

*MasterChef Australia - The Winner Announced* draws 2.15 million viewers nationally.



## AUGUST 2, 2014

Record week for tenplay, with 5.6 million video views and 13.7 million page views.

## AUGUST 22, 2014

Mark Webber to join TEN motorsport commentary team in 2015.

## AUGUST 27, 2014

tenplay reaches 1 million downloads on mobile devices.

## SEPTEMBER 1, 2014

First Australian network to sign with Nielsen Twitter TV Ratings.

## 50 Years Young

They told me when I first arrived at Channel Ten more than 25 years ago I was joining a “special family”. Such was the feeling of friendship and belonging that had been proudly nurtured among staff from its very beginning.



### By Mal Walden\*

It is said that last-born siblings have been known to show a tendency to be free-spirited, slightly vulnerable and prepared to take risks.

Well ATV-O (later to become Ten Network) was the youngest of its commercial rivals and from the word go was prepared to take risks in order to survive.

Some of those risks paid off, some didn't, but they continued to challenge the existing boundaries of television.

While reading news on Tasmanian television back in August 1964, I watched Reg Ansett proudly launch his TV enterprise, unaware that one day I would become a member of his so-called “family”.

I was also unaware he had chosen that particular day because of his passion for horse racing: August 1 is the traditional horse's birthday.

ATV-O was born with a cocky, slightly arrogant attitude but was totally possessed with making a point of difference from its sibling rivals Seven and Nine. For example it immediately thumbed its nose at the traditional half-hour 6.30pm news by establishing a one-hour news service at 6 o'clock.

“It won't work,” we all said smugly, and it didn't. Not then, anyway.

The first big test came in 1967 with the disappearance of Prime Minister Harold Holt. Even though Channel O was first at the scene with an outside broadcast unit, few people watched.

Admittedly few people could even find it on the dial due to the poor frequency it had been allocated.

Reg then underwrote a world title fight between Australian bantamweight champion Lionel Rose and Britain's Alan Rudkin and the \$80,000 was well spent considering a record audience

share of 72 per cent of households had finally adjusted their sets to watch. It was a record that held for three decades, until the 2000 Sydney Olympics (which grabbed 77 per cent).

Still, it wasn't enough to keep them watching.

Then came the shock tactics.

*Number 96* was a ground-breaking adult drama that featured TV's first nude scenes and story lines dealing with homosexuality. To titillate the audience further the network threw in *The Box*, a soap opera that satirised the local television industry.

By the mid 1970s Channel O had passed through its puberty years from *The Go!! Show*, *Kommotion* and *Uptight* and into a new adult era of colour with the highly successful US drama *Roots* and the double entendres of Graham Kennedy's *Blankety Blanks*.



# THE FANS' FAVOURITES

SOURCE: Voting on [www.tenplay.com.au](http://www.tenplay.com.au) for the 50 Years Young special.



**#4**  
MASTERCHEF  
AUSTRALIA

**#3**  
NEIGHBOURS

**#2**  
ROVE LIVE



**#1**  
OFFSPRING

By the late 1970s Reg had discovered running television paled against other corporate challenges and relinquished ATV to media mogul Rupert Murdoch.

In 1980 ATV joined Ten Network, becoming part of an extended family, with bigger budgets that finally led to success.

*Perfect Match* was the perfect lead-in to the news at 6pm as David Johnston and Jo Pearson established a winning combination through the 1980s.

But then in 1985 Murdoch made his own news by selling his stake in Ten to Westfield's Frank Lowy. On the surface little changed, so in 1987 I accepted an offer to join them. I followed my friends from the *Neighbours* cast who had also been rejected by Seven.

The TV dramas continued at Ten with *The Henderson Kids*, *Bangkok Hilton*, *Vietnam* and *The Dirtwater Dynasty*.

But nothing could save the short-lived TV dynasty of Frank Lowy.

Money dried up as it did for many TV tycoons in the 1980s and the decade ended in financial turmoil. All three networks changed hands at least once and Ten ended up in receivership with all the pain and humility that comes with a public downfall.

In 1992 the "Ten family" – as they kept calling us – was adopted by Canadians (CanWest).

Within six months Ten suddenly realised the few programs it did have, such as *Melrose Place*, *Seinfeld* and *The Simpsons*, were attracting a young demographic.

So the call went out, "Let's get more of them!". And we did.

Suddenly Ten was the corporate success story of the 1990s and our news continued to break ground.

We were first at six, first with the hour and now first at five.

We can never forgive some of the misguided decisions that were made along the way, just as we can never ignore those who have contributed so much to Ten's success over the years.

Given that special bond among staff and the recent upheavals, it's only reasonable to expect some bittersweet sentiment as Ten celebrates its 50th birthday.

But if indeed history repeats and from my experience, nowhere does history repeat more often than in television, then there is hope for the future and 50 very good reasons to celebrate our past.

**\* Mal Walden is one of the most respected newsreaders and journalists in Australia and was a constant presence on Melbourne television for 40 consecutive years. He stepped down as TEN Eyewitness News Melbourne newsreader in December 2013. This article originally appeared in *The Age*.**

# Executive Chairman and CEO's Review

## Everyone at Ten Network is focusing hard on improving the company's television ratings, revenue, earnings and returns to shareholders.



**Hamish McLennan**  
Executive Chairman  
and CEO

Dear fellow shareholders,

Our company has seen significant change over the past year, as the turnaround strategy that was outlined to shareholders in 2013 continued to be implemented and started to produce results in terms of the ratings performance of our television business.

It has been a volatile year for Ten Network. Our television ratings and revenue were impacted by two pre-committed shows that were not successful. Despite the poor ratings at the start of the television survey year, the company has seen strong ratings growth since May 2014, as a result of the six-point plan developed last year. The plan includes a clear focus on:

- Event television.
- Premium live sport.
- The 25-to-54-year-old demographic.
- Consistency in program schedules.
- Development of new formats.
- Expansion of digital platforms and revenue.

Other key developments this year included the establishment of a new financing facility to give our company greater flexibility in executing the turnaround strategy; the restructuring of the television division's News and Operations departments; the revitalisation of key content such as

*MasterChef Australia*; the expansion of our industry-leading digital platform, tenplay; and stability in the company's senior management team.

The past 12 months have been a difficult period for many media companies. Business and consumer confidence has been subdued and that has been reflected in most media advertising markets, which have been erratic and characterised by short-term booking cycles. While the television advertising market remains "short", we are expecting it to record marginal growth during 2014-15.

Ten Network's financial results for the 12 months to August 31, 2014, reflected the difficult trading conditions in the Australian advertising market, a decline in our share of that market and higher programming costs, including the cost of one-off events such as the XXII Olympic Winter Games in Sochi, Russia, and the XX Commonwealth Games in Glasgow, Scotland.

The financial results were broadly in line with what the market expected, as we had provided guidance about our television revenue and costs performance for 2013-14. Television revenue declined 4.2% during the financial year, which was within the range of a 3.5% to 4.5% decline we gave the market in June 2014. Television costs (excluding selling costs and the Olympic Winter and Commonwealth Games) increased by 7.0%, which was one percentage point or \$5.5 million lower than we had indicated. The variance related to strict cost control.

The combination of higher costs and lower revenue led to television earnings before interest, tax, depreciation and amortisation of negative \$79.3 million for the year. It should be noted that during the first half of the year, the company was in transition from an old content strategy to a new one. Let me assure you that everyone at Ten Network is focusing hard on improving the company's television ratings, revenue, earnings and returns to shareholders. As an example, we

are forecasting a decline in television costs of 8.0% (excluding selling costs but inclusive of one-off events) during the 2014-15 financial year. Strict cost control has been part of Ten Network's DNA for several years and that focus will not diminish.

In December 2013, Ten Network's shareholders approved the establishment of a new, four-year \$200 million financing facility with the Commonwealth Bank of Australia. The establishment of the facility was completed in February this year. At the same time, we repaid an \$A150 million US private placement facility.

Importantly, the new financing facility is free from financial covenants and gives Ten Network the flexibility to implement our strategic plan, including investing in Event TV and live premium sport targeted at people aged 25 to 54.

A major review and restructuring of television News and Operations was completed successfully in July this year, without impacting *TEN Eyewitness News*' ratings and audience share. The changes have given us more capacity to invest in prime time content. The benefits of that restructuring will be apparent in our financial year 2015 results.

For the 2015 financial year, the Board has continued to review the strategic direction of the Company and to monitor management's execution of that strategy. We aim to do this always with the backdrop of proper governance controls. Good governance is an absolute priority for the Board and is in the interests of all shareholders.

The Audit/Risk/Treasury Committee under Chairman Paul Gleeson continues to be focused on our balance sheet, our financial reporting, our key risk factors and their management, and also all other matters relating to corporate finance.

The Remuneration Committee under the former Chairmanship of Jack Cowin developed a new employment diversity policy during the year and continues to review pay equality and



A disciplined approach to executing all elements of our strategic plan... has been of critical importance over the past year.

conditions generally. David Gordon has recently been appointed to chair this Committee and our thanks go to Jack Cowin for his efforts while in this chair.

The Board Performance and Renewal Committee, under Chairman and Lead Independent Director Brian Long, continues to monitor Board performance and review the size and constitution of the Board in order to ensure that your Board is appropriately constructed. Brian is also Chairman of the Board Protocol Committee.

Lachlan Murdoch resigned as Non-Executive Chairman of Ten Network and as a Director of the company on March 26, 2014. Lachlan remains one of our largest shareholders and, on behalf of the Board, I would like to thank him for his contribution to the company and for his ongoing commitment.

Gina Rinehart resigned as a Director on October 31, 2014, after just under four years on the Board. I would like to thank Gina for her contribution and support as a Director, and for her continued support and ongoing active interest as a substantial shareholder. I would also like to welcome John Klepec, the Chief Development Officer of Hancock Prospecting, to our Board as a Director. John is well acquainted with Ten Network, as he had served as Gina's alternate Director since October 2013.

## EXECUTING THE STRATEGIC PLAN

A disciplined approach to executing all elements of our strategic plan – including the commissioning and promoting of prime time programming – has been of critical importance over the past year. The good news is that from May 2014, our new strategy was properly implemented and has produced some very promising results.

In 2014, Ten Network will record its first prime time audience growth since 2011. At the time of writing this report, Ten Network was the only free-to-air television network to post growth among 25 to 54s this year.





## Executive Chairman and CEO's Review continued

Core elements of the strategic plan – such as the clear focus on the 25 to 54 age group and a concentration on Event TV, including live sport – are reflected in successful new programs such as the KFC T20 Big Bash League, *Family Feud*, *Gold Coast Cops* and, from 2015, the return of V8 Supercars to TEN.

The KFC T20 Big Bash League and the Sochi Winter Olympics generated strong ratings for Ten Network, giving us our best summer ratings since 2008 and the best start to the ratings year since 2009.

Our inaugural coverage of the KFC T20 Big Bash League was the television sensation of the 2013-14 summer, with television audiences up more than 310% on the previous summer, when Big Bash ran on pay television. The KFC T20 Big Bash League returns to Ten Network on December 18 this year and promises to be an even bigger success. The Sochi Winter Olympics generated audience growth of 18% across the network in February this year, while the evening sessions of the Glasgow Commonwealth Games were number one in their timeslots during late July and early August.

Ten Network has seen strong prime time audience growth since Easter, thanks to new and established programs such as *MasterChef Australia*, *Offspring*, *The Bachelor Australia*, *Family Feud*, *The Living Room*, *The Project* and key US series. The News and Current Affairs division also posted high ratings with Sir Michael Parkinson's exclusive interview with Ian Thorpe.

A key part of our strategy has been to address the main TEN channel's weak performance in the 6pm to 6.30pm weekdays timeslot, which had been a problem area for many years, and to lift our overall early evening performance.

*Family Feud* at 6pm has been a great success story for Ten Network since it went to air on July 14 this year. It has exceeded our internal audience forecasts and lifted our performance in the 6pm to 6.30pm weekdays timeslot by more than 20%.

Thanks to the successful launch of *Family Feud*, the company has achieved its best network audience numbers in that timeslot in more than five years. At the same time, the combination of *TEN Eyewitness News*, *Family Feud* and *The Project* has boosted our early evening results. The number of people watching *The Project*, for example, has increased more than 10% since *Family Feud* was introduced and provided a stronger lead-in program and better audience flow.



### Ten Network is disappointed the Government has not progressed with urgently needed media reform.

Another key focus this year has been to revitalise our existing brands and give them new life in a creative and commercial sense. We worked hard to reboot those brands, in terms of how they are structured, what viewers see on screen, how they are promoted to consumers and how they are offered on our digital platforms. While most of the reality shows on other networks lost viewers this year, Ten Network's key programs grew.

The best example was *MasterChef Australia*. After extensive research and a thorough review of the structure, content and promotion of the program, *MasterChef Australia* was taken "back to basics" in 2014, with a stronger emphasis on the heart of the show – amazing food – and more engaging characters.

Those changes, communicated through the "Ordinary People, Extraordinary Food" marketing campaign, led to a 31% jump in *MasterChef Australia*'s television audience this year compared with 2013. *The Winner Announced* part of this year's series had 1.75 million capital city viewers and was up 58% compared with 2013. Online, *MasterChef Australia* has generated more than 18 million video views on tenplay in 2014, double its performance last year.

In its second year, *The Bachelor Australia* became a pop culture phenomenon. Its television audience increased 6% on 2013, while *The Final Decision* episode had 1.4 million capital city viewers and was up 17%. *The Bachelor Australia* was an online sensation this year, dominating Twitter when it was on air and recording 14 million online video views on tenplay. Weeks after it concluded, *The Bachelor Australia* was still a media sensation, dominating women's magazines and entertainment news websites.

While prime time is our main focus, the day time period of 9am to 6pm remains important in terms of attracting viewers and advertising revenue. This year Ten Network ranked number one in day time for the 14th consecutive year thanks to programs such as *Studio 10*, *Judge Judy*, *Dr Phil*, *The Bold and the Beautiful* and *TEN Eyewitness News*. The *Studio 10* morning show is creating new advertising revenue opportunities.

Our multi-channels performed well during 2014. ONE, which is aimed at men aged 25 and older, is Australia's fastest growing multi-channel this



year thanks to a jump in its total people prime time audience of more than 30%. Our youth-orientated multi-channel, ELEVEN, has seen an 8% lift in viewers aged under 40 between 6am and midnight.

Ten Network's deals with key overseas program suppliers such as CBS Studios and 21st Century Fox are a critical part of our programming strategy.

This year we have seen good growth from several key overseas programs, including *NCIS*, *The Good Wife*, *Law & Order: SVU* and *NCIS: Los Angeles*. In recent months we have added three of the hottest new programs from the 2014 US fall season – *Madam Secretary*, *NCIS: New Orleans* and *Scorpion* – all of which have launched well in Australia. Next year we will add the highly anticipated new US drama series, *CSI: Cyber*.

## TENPLAY

Television is no longer just a linear viewing experience. Increasingly, people want to watch television content wherever they are, whenever it suits them and on whatever device they have at the time. That is why we launched the new digital platform, tenplay, on September 30, 2013, as the first stage in our "TV Everywhere" strategy.

By any measure, tenplay has been an outstanding success. It has enabled us to take our content across multiple screens and to create richer viewing experiences for – and deeper engagement with – our audiences.

In its first 12 months, tenplay recorded 282 million page views. That was up

64% on the number of page views on the Ten Network website in the preceding 12 months. The number of video views on tenplay jumped 56% to 158 million. The number of unique visitors was up 17% to 29 million.

In August this year, tenplay reached 1 million downloads of its mobile device app. Thanks to tenplay, Ten's digital advertising revenue has increased 24% over the past year and we are commanding premium rates for our online advertising inventory.

Earlier this year, tenplay achieved an important milestone: according to data from Nielsen, it was the number one online catch-up television service in Australia during July, in terms of unique visitors. That achievement was driven by big online audience numbers for shows such as *MasterChef Australia* and the Glasgow Commonwealth Games.

*MasterChef Australia*, *Offspring*, *The Bachelor Australia* and other Ten Network shows are now multi-media experiences for viewers and advertisers. *MasterChef Australia* is not just a highly successful television show: it is also an online video and recipe viewing experience, with more than 18 million video views and more than 20 million page views on tenplay this year. It is a social media event, consistently trending on Twitter during its 2014 run. It is a Facebook phenomenon, with more than 1.4 million "likes" and 2.8 million daily Facebook impressions during its 2014 run.

Tenplay has expanded rapidly since it was launched, with the addition of

Android and Windows Phone versions; apps for the Sochi Winter Olympics, Xbox One and a number of smart TV sets; and its addition to Fetch TV.

Last month Ten Network's digital media business was extended further via FreeviewPlus, the industry-wide technology that has brought hybrid broadcast-broadband television services into Australians' homes.

We are using FreeviewPlus to expand the reach of tenplay and to introduce new content channels and commerce opportunities. More details of our plans with FreeviewPlus will be released soon.

## MEDIA REFORM

Ten Network is disappointed that the Government has not progressed with urgently needed media reform, despite the fact that the vast majority of Australian media companies are appealing for change.

We will continue to push hard for the removal of archaic, ineffective and anti-competitive media ownership laws that are hampering our financial performance and our ability to compete with global challengers.

The voracious and unrelenting pace of change and innovation in the media, entertainment and information sectors means there is a real urgency to this reform. In 2006, when the ownership laws were last changed, the world was a very different place. There were no iPads, tablets or smartphones, no online catch-up television services, and YouTube, Facebook and Twitter had only just arrived on the scene.



## Executive Chairman and CEO's Review continued



Australians only had access to five free-to-air television channels and broadband speeds were far slower. And remember that the global online companies operating in Australia pay negligible local tax, while the free-to-air television networks pay corporate tax and licence fees, as well as meet local content requirements.

Today, media companies must be truly cross-platform to remain competitive and this is reflected in the widespread consolidation occurring in media markets around the world. And yet in Australia we remain hamstrung by last-century laws, such as the two-out-of-three rule, which are restricting three media sectors from accessing the scale and capital that is essential for growth. We know that the Government agrees with us and we sincerely hope that it acts early in 2014 to level the playing field and give homegrown media companies a fair go.

### OUR PRIORITIES

Looking at the year ahead, we will continue to execute key elements of the strategic plan, including the development of Event TV; a clear focus on 25 to 54s; the addition of more premium live sport; the creation of new content formats; the establishment of consistent, stable program schedules across our three broadcast channels; and the further expansion of tenplay.

Our disciplined approach to commissioning and promoting prime time content will continue. We will also continue to focus hard on costs and efficiencies to create further capacity to reinvest in prime time content.

It is critical that we maintain tight control of our costs over the next year and find ways to increase our ratings, revenue and revenue share. At the same time, we will continue to make

smart and focused decisions on new content, including – for 2015 – the ITV hit *I'm A Celebrity... Get Me Out of Here!*, *Shark Tank* and the return of V8 Supercars to TEN.

We will also continue to look for new advertising revenue streams, as demonstrated by the strong revenue growth of tenplay; the success of the Generate premium creative solutions division; the strong response among small and medium-sized businesses to our INTENSIFY direct sales program; and the recently announced expansion of our branded content business.

### OUR PEOPLE

Management stability has been an important part of Ten Network's strategic plan over the past year. After a period of management changes, the company has had a constant and cohesive management team since the first half of 2013. The day-to-day management was strengthened in April this year, when Chief Financial Officer Paul Anderson – who has been at Ten Network since 2003 – took on the additional role of Chief Operating Officer. Thank you to Paul and the rest of the executive leadership team for their valuable contributions, enthusiasm and focus over the past year.

The Board would also like to thank all of the company's staff for their hard work, passion and commitment during a challenging and, at times, difficult year. Improving Ten Network's ratings, revenue, earnings and returns to shareholders will take time. We have a strategy to achieve that and all our staff are working towards very clear goals and objectives.

I would personally like to thank my fellow Board members for their commitment, diligence and dedication over the past year.

A handwritten signature in black ink, appearing to read 'Hamish McLennan'.

**Hamish McLennan**  
Executive Chairman and CEO





**tenplay had to demonstrate that Ten Network was meeting consumers' expectations and requirements... as well as provide an additional, sustainable revenue stream for the company.**

**VIDEO VIEWS  
158 MILLION**

**PAGE VIEWS  
282 MILLION**

**UNIQUE VISITORS  
29 MILLION**

**MOBILE APP  
DOWNLOADS  
1 MILLION+**

**TENPLAY'S  
FIRST  
YEAR**

When the digital team at Ten Network sat down in early 2013 to plan the development and launch of the tenplay digital platform, the key aim was to devise a website and mobile and tablet application that would position the company as a serious contender in the Australian online video catch-up and on-demand market.

The platform had to showcase top-performing content such as video – both catch-up and live streaming – a television guide, exclusive online-only content for key shows, promotions and general network information.

It also had to demonstrate that Ten Network was meeting consumers' expectations and requirements of an online television experience, as well as provide an additional, sustainable revenue stream for the company.

The digital team saw the development of tenplay as an opportunity to deliver a game changer – for both Ten Network and the free-to-air television industry – and deliver a new platform that would complement and work together with the rest of the Ten Network ecosystem, including, of course, broadcast television.

From the start, the focus was on “democratising” television viewing by focusing on participation, conversation, engagement and a seamless user experience. If that process was successfully achieved, Ten Network's audience would be able to become part of the television experience and access content where they wanted it, how they wanted it and when they wanted it.

In creating tenplay, the Ten Network digital team realised they were dealing with an extremely cluttered environment, where myriad platforms and catch-up services were competing for the attention of consumers. The top priority was to give consumers a great, intuitive, on-demand experience. How? By constantly focusing on how people would want to use tenplay and the behaviours that would drive their usage.

One clear behaviour would be using tenplay while at home as a second-screen experience, that is, to supplement broadcast television viewing. People are increasingly using their home technology as an entertainment hub, that is, to surf the web, listen to music, play games, video chat, watch movies and watch television programs.

Another key behaviour that shaped the development of tenplay was place-shifting, or on-the-go viewing. People want to watch content anywhere, any time and on multiple devices. That means they want a continuous viewing experience, with the ability to watch a program if they move from one device to another.

In addition to a catch-up service, the second-screen and on-the-go viewing experiences need to offer similar ingredients to the traditional desktop viewing experience. These include an electronic program guide, social media integration, complementary content (back stories, cast information, archives and so on), search and browse functions, the ability for people to comment, “watch and chat” sections with moderators supplying additional content, reminders to record upcoming shows and recommendation engines.



## TENPLAY'S BIGGEST HITS IN 2014

(NUMBER OF VIDEO VIEWS)

**MASTERCHEF AUSTRALIA**  
**18 MILLION**

**THE BACHELOR AUSTRALIA**  
**14 MILLION**

**OFFSPRING**  
**12 MILLION**

**NEIGHBOURS**  
**11.5 MILLION**

**PUBERTY BLUES**  
**10.8 MILLION**

SOURCE: Omniture,  
Adobe Analytics

The digital team also looked at trends in the television and broader media industries, including the rising household penetration of smart or connected television sets (which has doubled over the past year), plus the rapidly growing consumption of online video and resultant growth in the online video advertising market.

The expansion of social television was also studied, including research from organisations such as Ericsson ConsumerLab, which has close to 20 years' experience of studying people's behaviours and values, including the way they act and think about information, communication and technology products.

Each year, Ericsson ConsumerLab interviews 100,000 people in more than 40 countries. Two years ago, it had this to say about the rise of social television: "With evidence showing that Australian consumers are choosing TV from a number of sources and watching it on a number of devices, there is an opportunity to provide an easy to use, aggregated service, which can allow consumers to mix on-demand and linear TV including live content, facilitate content discovery, leverage the value of social TV and provide seamless access across devices."

From a business perspective, the strategy was to create an interactive second-screen experience that puts our viewers "inside the television". The tenplay platform represents a way to reinvigorate traditional broadcast viewing by offering people an immersive experience that "heroes" Ten Network's content.

It is not just about catch-up viewing: it is about creating a deeper engagement and connection with people. Online media is a "lean in" media, that is, people are more engaged with it than more traditional media. This creates new opportunities for media companies and for advertisers, allowing the latter, for example, to fit authentically into the narrative of a television program.

An over-arching aim of the tenplay development team was to drive innovation towards the future and to set new standards for television networks' catch-up and on-demand services.

For consumers, tenplay extends the traditional television experience by offering a personalised and immersive cross-platform content delivery, designed to intuitively engage the user and encourage participation, conversation, social integration and a seamless experience.

For advertisers, tenplay provides a powerful advertising medium, offering richer, more engaging ad formats, contextually relevant ads and much deeper data and insights. With tenplay, advertisers are perfectly positioned to reach engaged consumers across multiple platforms and devices.

Since its launch on September 30, 2013, tenplay has steadily expanded. It now spans Android, iOS and Windows 8 phones and tablets, smart television sets, games consoles and the hybrid broadband-broadcast television platform FreeviewPlus.

Australians responded immediately to tenplay, quickly making it one of the most popular online and mobile entertainment platforms.

In its first year, tenplay recorded 158 million video views, up from the 101 million generated by [www.ten.com.au](http://www.ten.com.au) in the preceding 12 months. It also generated more than 280 million page views (up from 170 million) and 29 million unique visitors (up from 24 million). It also had more than one million downloads of its mobile devices app alone.

As it moves through its second year, tenplay is now firmly established at the heart of Ten Network's transition from linear broadcasting to a consumer content experience that is multi-screen and multi-platform, giving people access to our content anywhere, any time and on any device – for free.





## Community and Environment

### In October 2014, Ten Network launched TEN Gives, a partnership with UN LTD.



#### COMMUNITY

Ten Network Holdings is committed to supporting the community and operates in partnership with a diverse range of foundations and not-for-profit organisations. We support the community through:

**UN LTD.** Ten Network has partnered with not-for-profit philanthropic industry foundation, UN LTD, to create TEN Gives, a workplace giving program that aims to help eliminate the consequences of youth disadvantage in Australia.

TEN Gives allows individuals to contribute in a measurable and meaningful way. The opportunities to contribute include donations and participation in various fundraising and volunteering activities. Ten Network will contribute by providing internal leadership and support to employees, providing access to resources and contributing financially through corporate matching of employee giving. The key charities Ten Network is supporting through TEN Gives include Musicians Making A Difference, KYDS, Youth Off The Streets and Batyr.

UN LTD works with the media, marketing and advertising community to harness its wealth, talent and influence to support the most creative and innovative organisations that work with at-risk young people. In 2014 UN LTD is directly supporting over 100,000 young people through programs offered by its approved beneficiaries.

**COMMUNITY PARTNERSHIPS** with the not-for-profit sector. We are committed to developing community leadership and our support comes in the way of valuable on-air promotional space,

editorial segments within our programs and fundraising initiatives at a national and local level.

**COMMUNITY SERVICE ANNOUNCEMENTS** which promote charitable causes through on-air promotional campaigns. Each week we devote airtime to support a range of charitable programs and causes. We also offer technical assistance including script writing, filming and editing support.

**PRIDE OF AUSTRALIA MEDAL**  
Ten Network is proud to again partner with News Corp Australia in the national Pride of Australia Medal 2014. The Pride of Australia Medal honours unsung heroes across a range of categories including outstanding bravery, community spirit, heroism, care and compassion, and courage. The national awards will be broadcast in a night presentation on Network Ten.

**STAFF SUPPORT** of charity fundraisers and events. Over the past 12 months, Ten Network staff have participated in a number of charitable fundraising events including *The Sun-Herald City2Surf* and the Blackmores Running Festival in Sydney, the Ride To Conquer Cancer in Brisbane, the Queensland Surf Life Saving Surf Safe Appeal and fundraising efforts for Red Dust.

**PAY EQUITY** is an important issue for all Australian companies. Gender pay gaps between women's and men's earnings are still commonplace in Australia and need to be addressed.

Ten Network has a commitment to pay equity as part of our diversity policy and conducts annual audits to ensure that it does not have like-for-like pay gaps. Salary data is analysed

and monitored in a number of ways, including by gender, to ensure sound and consistent decision making.

Everyone has a role to play in tackling pay inequities. As part of our commitment to this issue, Ten Network's Executive Chairman and Chief Executive Officer, Hamish McLennan, is a Pay Equity Ambassador, supporting a major national awareness and education campaign being run by the Australian Government's Workplace Gender Equality Agency.

#### ENVIRONMENT

In 2008 Ten Network launched its environmental strategy with a focus on sustainable initiatives that are meaningful, financially sound and contribute to the overall success of the company.

As a broadcaster, Ten Network showcases environmentally-themed programming such as the 2014 Earth Hour documentary, *Lights Out For The Reef*, which highlighted the potential impact of climate change on the Great Barrier Reef.

Network Ten was a proud media partner of the 2014 Queensland Premier's Sustainability Awards.

The company has been included on the FTSE4Good Sustainability Investment Index since 2008. This means the FTSE Group confirms that Ten Network has been independently assessed, according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.



# Corporate Governance Statement

The Board of Directors of Ten Network Holdings Limited (“the Company”) is committed to responsible corporate governance in accordance with community and shareholder expectations.

In determining the standards that the Company should seek to achieve, the Company has reviewed, with the assistance of external advisers, its practices in terms of the *Corporate Governance Principles and Recommendations* which were issued by the ASX Corporate Governance Council and took effect for the first financial year of the Company commencing on or after 1 January 2011 (“the ASX Guidelines”). The Company notes that during the year the ASX Corporate Governance Council issued the 3rd edition of its *Corporate Governance Principles and Guidelines* (“the 3rd Edition”), which take effect for an entity’s first full financial year commencing on or after 1 July 2014. The Company accordingly proposes to measure its corporate governance practices against the revised recommendations in the 3rd Edition commencing with the Company’s financial year ending on 31 August 2015.

The Company considers that its practices are generally consistent with those contained in the ASX Guidelines (except where referred to below) and is progressing to implement the new recommendations, as contained in the 3rd Edition. The Company reports below on whether it has followed each of the recommendations contained in the ASX Guidelines during the reporting period.

In summary, compliance with the ASX Guidelines has been achieved as follows:

ASX PRINCIPLE		COMPLIANCE
<b>Principle 1:</b>	<b>Lay solid foundations for management and oversight</b>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply
1.2	Companies should disclose the process of evaluating the performance of senior executives.	Comply
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	Comply
<b>Principle 2:</b>	<b>Structure the board to add value</b>	
2.1	A majority of the board should be independent directors.	Comply
2.2	The chair should be an independent director.	Explain
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Explain
2.4	The board should establish a nomination committee.	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	Comply
<b>Principle 3:</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company’s integrity,</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Comply Comply Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity and progress towards achieving them.	Comply
3.4	Companies should disclose in each annual report the proportion of woman employees in the whole organisation, women in senior executive positions and women on the board.	Comply
3.5	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	Comply

ASX PRINCIPLE		COMPLIANCE
<b>Principle 4: Safeguard integrity in financial reporting</b>		
4.1	The board should establish an audit committee.	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of Non-Executive Directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul>	Comply
4.3	The audit committee should have a formal charter.	Comply
4.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	Comply
<b>Principle 5: Make timely and balanced disclosure</b>		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply
5.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	Comply
<b>Principle 6: Respect the rights of shareholders</b>		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	Comply
6.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	Comply
<b>Principle 7: Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply
7.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 7</i> .	Comply
<b>Principle 8: Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee.	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent director</li> <li>• has at least three members.</li> </ul>	Comply
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	Comply
8.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	Comply

The Company is pleased to report in detail below on its performance in regard to the recommendations contained in the ASX Guidelines as they relate to the Company and its subsidiaries ("the consolidated entity").

# Corporate Governance Statement continued

## Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The key responsibilities and functions of the Board of the Company are as follows:

- (a) considering the strategic goals of the consolidated entity as developed by management, approving appropriate goals, and monitoring the performance of the consolidated entity against them;
- (b) appointment of the Chief Executive Officer, Chief Financial Officer and the Company Secretary, and the determination of their terms and conditions of appointment (including remuneration);
- (c) monitoring and evaluating the performance of senior management of the consolidated entity in achieving any strategies and budgets approved by the Board;
- (d) reviewing on a regular and continuing basis:
  - (i) executive and Board succession planning; and
  - (ii) executive development activities;
- (e) appointment of the Chairperson;
- (f) determination of the membership and terms of reference of Board committees;
- (g) adoption of, and monitoring compliance with, corporate governance policies including the risk management policy and internal controls;
- (h) determining any matters in excess of discretions that it may have, from time to time, delegated to the senior management;
- (i) approving each of the following:
  - (i) the financial and capital expenditure budgets;
  - (ii) significant changes to the organisational structure and the appointment of such senior officers as the Board may determine;
  - (iii) the acquisition, establishment, disposal or cessation of any significant business of the consolidated entity;
  - (iv) payment of dividends in accordance with the Constitution;
  - (v) the appointment of the external auditor and remuneration payable in connection with the audit of the financial statements and non-audit services;
  - (vi) the issue of any shares, options, equity instruments or other securities and any major debt obligations to be incurred by the consolidated entity;
  - (vii) annual financial statements and Directors' reports;
  - (viii) periodic news releases of the consolidated entity's financial results;
  - (ix) any changes to the discretions delegated from the Board; and
  - (x) the risk management policies of the consolidated entity;

- (j) monitoring compliance with regulatory requirements and ethical standards;
- (k) monitoring compliance with the ASX Listing Rules continuous disclosure requirements;
- (l) monitoring and enforcement of the provisions contained in Schedule 1 of the Constitution relating to compliance with the ownership and control provisions of the *Broadcasting Services Act*; and
- (m) establishing and monitoring compliance with protocols in respect of Board processes, including in relation to issues of potential conflict.

It is the role of senior management within the Company and its subsidiaries to manage the day to day activities of those companies in accordance with the direction and delegations of the Board. It is the Board's responsibility to oversee the activities of management in carrying out those delegated duties. The Board is also responsible for reviewing the strategies proposed by its management for the growth and operations of the consolidated entity.

In carrying out its governance role, the task of the Board has been to oversee the performance of the consolidated entity. The Board also seeks to ensure that the companies within the consolidated entity comply with all of their contractual, statutory and other legal obligations.

### Recommendation 1.2: Companies should disclose the process of evaluating the performance of senior executives.

In the case of senior Executives of the consolidated entity, the Board, in conjunction with the Executive Chairman and Managing Director, undertook a review during the reporting period, having regard to the duration of employment of the relevant Executives, of their performance. The performance criteria for senior Executives are set out on page 31 of the Directors' Report.

### Recommendation 1.3: Companies should provide the information indicated in Guide to reporting on Principle 1.

A performance review for each of the senior Executives was undertaken during the reporting period. Each of these performance evaluations was in accordance with the process referred to in the discussion about Recommendation 1.2 immediately above.

## Principle 2: Structure the board to add value

### Recommendation 2.1: A majority of the board should be independent directors.

Details of the Directors in office as at 31 August 2014 are set out on page 26.

The Company considers that each of its Directors meet the Board's criteria for independence, other than Hamish McLennan (as Executive Chairman and Managing Director of the consolidated entity).

In determining whether a Director is independent, the Board has regard to whether a Director is considered to be one who:

- (a) has a material relationship as a supplier or customer or in any other contractual role with the consolidated entity (either directly, or as a partner, shareholder or executive officer of an organisation that has a material relationship with the consolidated entity);



- (b) is, or has been within the previous three years, employed by the consolidated entity;
- (c) is, or has been within the previous three years, a principal of a material professional adviser, the auditor, or a material consultant to the consolidated entity or an employee materially associated with the service provided;
- (d) is a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- (e) has served on the Board of the Company for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the consolidated entity; and
- (f) is free from any interest and any business or other relationship that could, or could be perceived to, materially interfere with the Director's ability to act in the best interests of the consolidated entity.

The Board has previously determined that a material relationship is to be determined on the basis of fees paid or moneys received or paid to either a Director or a Director-related entity, which may impact the Adjusted EBITDA of the consolidated entity in the previous financial year by more than 5%.

These criteria continue to apply in determining the independence of Directors of the Company.

The Board considers that the independent Directors, who have served for a number of years, bring considerable skill, experience and expertise to the Company and they continue to review and challenge the performance of management and exercise independent judgement. Accordingly, the Board considers the length of service does not materially interfere with the ability of the respective Directors to act in the best interests of the Company.

While a number of the Directors' related parties had dealings with the consolidated entity, such dealings were not material (refer the related party disclosures in the notes to the financial statements of the consolidated entity).

The Board has assessed the position of Gina Rinehart and considers that Mrs Rinehart is independent. Mrs Rinehart is a substantial holder, as that expression is defined for the purposes of the Corporations Act, although the holding is not so substantial as to either amount to a controlling interest or one that enables the exercise of significant influence. In addition, recognising the existence of other comparative substantial holdings in the Company, the Board can see no interest of Mrs Rinehart which could interfere with the independent exercise of her judgement in the best interests of the Company.

The Board has also assessed the position of Siobhan McKenna and considers that Ms McKenna is independent. Ms McKenna is managing partner of Illyria Nominees Television Pty Limited ("Illyria"), a substantial shareholder of the Company, as that expression is defined for the purposes of the Corporations Act, which within the previous three years has had a consultancy arrangement with the Company. Illyria's holding in the Company is not so substantial as to either amount to a controlling interest or one that enables the exercise of significant influence and the consultancy arrangement is no longer in place.

Accordingly, recognising the existence of other comparative substantial shareholdings in the Company, the Board does not consider the nomination of Ms McKenna as a Director by Illyria or the previous consultancy arrangement, as matters which individually or together could interfere with the independent exercise of her judgement in the best interests of the Company.

The Board considers that whilst Mr Mallam was nominated as a Director by entities controlled by Mr Bruce Gordon, who is himself a substantial shareholder, Mr Mallam is also an independent Director. The Board has made this assessment having regard to factors including the lack of financial dependence of Mr Mallam on fees and remuneration paid by the Company or any advisory fees (other than the provision of legal services on usual commercial terms) paid to Mr Mallam's firm by entities controlled by Mr Gordon. The Board recognises that there is the potential for conflict associated with the negotiation of program supply agreements and other arrangements between the Group and Mr Gordon's regional television broadcasters. To the extent that these arrangements arise for consideration by the Board, the principles relating generally to conflicts of interest involving Directors – see below – will apply. In such circumstances, Mr Mallam will, to the extent required, declare his position and not participate in the decision-making process relating to the conflict issue. However as the arrangements are considered less frequently than on an annual basis, the Board considers this should not affect Mr Mallam's ongoing independent status.

The Board has also had regard to the fact that neither Mrs Rinehart, Ms McKenna nor Mr Mallam is a member of management, each is not financially reliant on any fees or other remuneration paid by the Company and that they are not in a position, by virtue of their shareholding interest or the shareholding interest of their nominator, to be able to control the Company having regard to the shareholding interests held by other shareholders in the Company.

The Constitution of the Company provides that generally one third of the Directors (other than a Managing Director, Alternate Directors and any Director who has been appointed to fill a casual vacancy or as an addition to the Board since the last annual general meeting) are required to retire and seek re-election each year and no Director can hold office for more than three years without seeking re-election.

The Directors may appoint persons to fill casual vacancies or as additions to the Board. Any person filling a casual vacancy or appointed as an additional Director holds office until the next annual general meeting, where they must retire but are eligible for re-election.

Nominations to fill a casual vacancy are reviewed by the Board Composition and Renewal Committee of the Board, with recommendations submitted to the Board of Directors for approval.

A person is only eligible to be elected as a Director (other than if his or her re-election arises from retirement by rotation) where both the nomination of the person by a member and a consent to nomination signed by the person, are received by the Company at least 35 business days before the relevant general meeting.

# Corporate Governance Statement continued

The Board has previously established a Board Protocol Committee which meets on an ad hoc basis. As at 31 August 2014, this Committee was comprised of:

- Brian Long (Chair)
- Jack Cowin
- David Gordon

This Committee has developed a conflict protocol which recognises that a Director may from time to time have a conflict between his duties as a Director and his duties as a director or his interests in a Director-related entity. The Protocol acknowledges that all Directors have a right of access to information about the Company to ensure proper performance of their duties, but a Director who has a material personal interest in a matter to be considered by the Board must not be present during discussions or vote on that matter.

In the event that the Board Protocol Committee considers that the receipt of particular information by a Director would be detrimental to the Company, the Committee is required to notify and discuss the issue with the relevant Director.

Where the law precludes a Director from receiving particular information, the Director will not be entitled to receive the information but will be notified of the nature of the information.

In circumstances where there is a conflict of interest which does not otherwise amount to a material personal interest, the Director will be provided with a description of the nature of the sensitive information sufficient to allow them to form a view as to whether or not that sensitive information is required for the proper performance of their fiduciary duties.

## **Recommendation 2.2: The chair should be an independent director.**

## **Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.**

Hamish McLennan was appointed as the Company's Chief Executive Officer with effect from 22 February 2013 and was subsequently also appointed as Managing Director of the Company on 8 April 2013. On 26 March 2014, Mr McLennan was unanimously additionally appointed as Executive Chairman of the Company.

The Board acknowledges ASX Recommendation 2.2 that the chair of the board should be an independent director. The Board considers that Mr McLennan, while not an independent director, brings with him a valuable history of leadership and knowledge of the Company's business through his past corporate roles in the industry, as well as an independence of mind, which makes him a strong and appropriate Chair of the Board.

Brian Long has continued in his role as Deputy Chair and Lead Independent Director during the period of transition between Chairmen, and continues to represent the views of the independent directors with the Chair, CEO and shareholders wherever possible.

## **Recommendation 2.4: The board should establish a nomination committee.**

The Board maintains a Board Performance and Renewal Committee. As at 31 August 2014, this Committee was comprised of:

- Brian Long (Chair)
- Jack Cowin
- Gina Rinehart
- Hamish McLennan

A charter has been established which charges the Board Performance and Renewal Committee with responsibility for considering issues associated with Board composition and succession planning, including nomination of independent Non-Executive Directors to the Board. A copy of the Charter is available in the Corporate Governance section of the Company's website. This Committee has formulated procedures and policies for the selection and appointment of new independent Directors and a copy of these procedures is available on the Company's website.

Details of attendances at meetings of the Board Performance and Renewal Committee are set out at page 29.

## **Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.**

The Board Performance and Renewal Committee has previously been delegated responsibility to review the performance of the Board, its Committees and individual Directors and carries out that work by internal surveys and discussions as appropriate.

The Board also undertakes a performance review on an ad hoc basis of the Board, its Committees and individual Directors through the use of internal surveys, regular Board discussions and interactions.

Agendas are set by the Board's Chairman to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year.

In order to assist the Board in the performance of its duties, reports are prepared by each of the relevant General Managers and submitted to Directors in advance of each regular Board meeting.

Additionally, key financial information reports are prepared and distributed to each Director at the end of each calendar month, with Directors having the opportunity to receive weekly pacing reports that show latest revenue and ratings performances.

Members of the Board and Board Committees are entitled, subject to the approval of the Chairman, to retain independent professional advisers at the Company's expense from time to time. A copy of any advice obtained must be made available to, and for the benefit of, all Board members, unless the Chairman otherwise agrees.

Directors have access to the Company Secretary to assist in the provision of any information reasonably sought by Directors and the Company Secretary is accountable to the Board through the Chairman on all governance issues.

Under the Constitution, the Company Secretary is required to be appointed and removed by the Board. The Company Secretary is also accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including:

- advising the Board and its Committees on governance matters;
- monitoring that Board and Committee policy and procedures are followed;
- co-ordinating the timely completion and despatch of Board and Committee papers;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of Directors.

**Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.**

Information about the skills, experience and expertise of the Directors is contained at pages 27 to 28 of the Directors Report. This information also notes the period of office held by each Director in office at the date of the annual report.

Each Director brings different skills and professional services expertise to the Board. The Board seeks to achieve a mix of skills and diversity that includes international, corporate management and operational experience, as well as a deep understanding of the television and advertising industries in which the Company operates and the regulatory, environmental and community challenges it faces.

The Board renewal process involves the initial step of identifying skills and expertise of existing Board members which is followed by the step of identifying candidates who are able to offer the Company a diversity of skills and expertise to complement those of the existing Board members. This process resulted in the appointment of Messrs Long, Hawkins, Gordon, Mallam and Ms Holgate in 2010. On that occasion, the Board looked specifically for candidates with expertise in marketing, communications and media, as well as in the finance and legal fields.

In 2012, Ms McKenna was appointed to the Board following consideration of her significant media and business consultancy experience and her involvement during 2011 with Mr Murdoch in restructuring the Company's operations.

In 2013, Mr McLennan was appointed to the Board, having regard to his significant global experience in advertising sales and media.

The Board has undertaken a performance review of the Board, its Committees and individual Directors in accordance with the process described above since the date of the last Annual Report.

The Board Performance and Renewal Committee has formulated procedures and policies for the selection and appointment of new Directors and a copy of these procedures is available on the Company's website.

A copy of the charter for the Board Performance and Renewal Committee is also available the Company's website.

## Principle 3: Promote ethical and responsible decision making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the company's integrity;**
- **the practices necessary to take into account the legal obligations and the reasonable expectations of their shareholders; and**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The consolidated entity has adopted a Code of Conduct that governs conflicts of interest, corporate opportunities, confidentiality, unethical behaviour and compliance with laws and regulations. The Code applies to all Directors, employees and contractors of the consolidated entity.

A copy of this Code appears on the Company's website.

The Chief Financial Officer has also undertaken to the Audit Committee that he will comply with the Group of 100 CFO Code of Conduct.

In addition, each Executive is bound by a written employment agreement that also contains provisions dealing with confidentiality, conflicts of interest, compliance with laws and other policies adopted by the consolidated entity.

**Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.**

**Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity and progress towards achieving them.**

The consolidated entity adopted a diversity policy during the reporting period which requires the consolidated entity to:

- develop and maintain a range of objectives, initiatives and programs to drive and maintain a diverse workforce. The principal objectives are to maintain the current levels of gender representation in the workforce which are considered to be exemplary (Recommendation 3.4 below) and to maintain parity in the remuneration of male and female employees performing similar roles. The Board receives an annual report confirming that remuneration parity has been maintained;
- measure these objectives, initiatives and programs and report progress towards achieving them to the Board; and
- meet the diversity requirements and gender balance initiatives, as set out in the ASX Guidelines and the Workplace Gender Equality Act.

A copy of this diversity policy appears on the Company's website.

The Company has also participated in the Workplace Gender Equity Agency pay equity education workshop and has acted as a business adviser to its pay equity education campaign. The Company will continue to conduct pay equity analysis to ensure equitable pay practices.



# Corporate Governance Statement continued

## **Recommendation 3.4: Companies should disclose in each annual report the proportion of woman employees in the whole organisation, women in senior executive positions and women on the board.**

As at 31 August 2014, the proportion of women who occupied each of the following role categories within the consolidated entity, was:

• Total employees	(902)	47%
• Core executive leadership team	(8)	50%
• Senior executive roles	(20)	28%
• Directors	(10)	30%

Employees are considered to occupy senior executive roles within the Company where they form part of the formal management group of the Company. Mr McLennan, as an Executive Director, is included in the number of Directors but has been excluded from the number of senior executives. Senior executives are included in the total employee numbers referred above.

## **Principle 4: Safeguard integrity in financial reporting**

Recommendation 4.1: The Board should establish an audit committee.

### **Recommendation 4.2: The audit committee should be structured so that it:**

- **consists only of Non-Executive Directors**
- **consists of a majority of independent Directors**
- **is chaired by an independent chair, who is not chair of the Board**
- **has at least three members.**

The Board of the Company has previously established an Audit Committee. The members of this Committee as at 31 August 2014 comprised solely independent, Non-Executive Directors, being:

- Paul Gleeson (Chair)
- Brian Long
- Dean Hawkins
- Paul Mallam
- Siobhan McKenna

The Chairman of the Committee holds a Bachelor of Economics degree and is a member of the Institute of Chartered Accountants and has significant experience in dealing with financial and accounting matters.

Further details of the qualifications of the members of this Committee may be found in their Director Profiles on pages 27 to 28. Details of attendances at meetings of the Audit Committee are set out at page 29.

### **Recommendation 4.3: The audit committee should have a formal charter.**

The Audit Committee of the Company has a formal charter. The charter indicates that responsibilities of the Audit Committee include:

- reporting to the Board on their activities;
- reviewing the effectiveness of management systems, in areas of greatest financial risk;
- recommending to the Board on the appointment of the external auditor and on the auditor's remuneration;
- maintaining a policy for the provision of audit and non-audit services by the external auditor;
- reviewing and assessing the auditor's report and the actions proposed by management in response;
- being satisfied that the scope of the audit is adequate especially in relation to areas where the Audit Committee believes special attention is necessary;
- reviewing the accounting policies and practices of the consolidated entity;
- monitoring compliance with the Company's Statement of Corporate Governance;
- reviewing related party transactions that may involve Directors, management and employees giving rise to actual or potential conflicts of interest and providing appropriate advice as to any necessary disclosures to the Board; and
- reviewing the half yearly and annual financial statements.

The charter is reviewed annually by the Audit Committee to determine if any changes are required. During the last financial year, the Audit Committee reviewed the charter and agreed to amend its terms to incorporate various recommendations of the 3rd Edition as they relate to:

- reviewing on not less than an annual basis, the Company's risk management framework to ensure that it continues to be sound and ensure that disclosure as to whether such review has taken place is made in relation to each reporting period; and
- determining if the Company has any material exposure to economic, environmental and social sustainability risks and, if so, to determine how such risks should be managed.

The charter for the Audit Committee may be accessed on the Company's website.

In accordance with the Corporations Act, the lead and review audit partner is required to rotate at least every five years.

The Committee regularly meets with the external auditor in the absence of management so as to discuss potential issues associated with management controls, the preparation and audit of consolidated entity's financial reports and the performance of management in relation to such issues.

The partner from PricewaterhouseCoopers responsible for the audit of the financial statements of the consolidated entity attends the annual general meeting of the Company to answer any questions that shareholders may wish to raise in relation to the conduct of the audit of the financial statements.

Shareholders may submit written questions to the auditor in relation to the content of the auditor's report and the conduct of the audit of the annual financial statements, no later than the 5th business day before the annual general meeting.

## Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company, as a listed company, is required to comply with the Listing Rules of the ASX.

During the year, the Board of the Company reviewed its existing policy associated with continuous disclosure in light of the revised Guidance Note 8 issued by the ASX. The policy seeks to ensure that if any Director, executive officer or employee of the Company becomes aware of any potentially materially price sensitive information, that person must inform the Executive Chairman and Managing Director, the Chief Financial Officer and/or the Company Secretary, who are then responsible for ensuring that the Company complies with its continuous disclosure obligations.

A copy of the revised policy also appears on the Company's website.

In addition, the Company has a Policy for Dealing in Securities, a copy of which is also available in the Corporate Governance section of the Company's website. This policy provides that Directors, executive officers and employees of the consolidated entity must not deal in the Company's securities where:

- they are in possession of price sensitive or "inside" information; or
- in circumstances where the Company is in possession of price sensitive or "inside" information and has notified the persons to whom the policy applies that they must not deal in the Company's securities, either for a specified period or until the Company gives further notice.

Directors are to inform the Executive Chairman and Managing Director when they wish to trade securities in the Company. Directors and senior Executives are prohibited from dealing in securities in the Company during any period commencing at the conclusion of each six monthly financial period and concluding on the day following the release of its relevant half yearly or full year announcement to the ASX. This policy also reflects the perception that, during these periods, Directors and senior Executives may be in possession of significant financial information associated with the preparation of the consolidated entity's periodic financial disclosures to the market.

In exceptional circumstances (such as financial hardship or a compulsory court order), the Board may waive the prohibition on dealing in the Company's securities during a blackout period.

The Policy also prohibits the buying and selling of the Company's securities within a three month period, entering into short-term dealings (eg forward contracts) and the entry into transactions that limit the economic risk associated with holding the Company's securities.

## Principle 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company provides regular financial releases to the ASX in respect of its half-year (ending February) and full-year (ending August) financial results. These disclosures are generally made during March/April and October of each year.

The financial results are generally posted to the Company's website within 24 hours of disclosure to the ASX. Similarly, any other major disclosures to the ASX outside of the financial results are also posted to the Company's website. Those shareholders who wish to be advised of any announcements, may notify the Company's registry, who will arrange for an email to be sent to the shareholder advising that an announcement has been posted on the Company's website on each occasion that a major disclosure is made by the Company to the ASX.

The Company provides webcast facilities to allow live and delayed access to presentations made to analysts and media representatives in respect of half yearly and full year financial results and major media announcements.

Shareholders may also communicate with the Company by email.

The Company produces its annual review for dispatch to shareholders generally by early November each year. Shareholders are given the opportunity to "opt-in" to receive the annual review. In the event that a shareholder does not elect to opt-in to receive an annual review, they may alternatively elect to receive an email from the Company's share registry advising that the annual review and financial reports have been posted to the Company's website or will be notified at the same time as the notice of annual general meeting is sent to shareholders.

The notice of annual general meeting for the Company is forwarded, together with a voting form allowing shareholders unable to attend the annual general meeting to be able to vote on the matters contained in the notice of meeting. Shareholders may also elect to complete their voting form on-line via the website for the Company's share registry. Shareholders are encouraged to participate in the annual general meeting by asking questions and voting on the proposed resolutions.

The Company also requests that the external auditor attend the annual general meeting of the Company and be available to answer questions from shareholders about the audit and the preparation and content of the audit report.

# Corporate Governance Statement continued

## Principle 7: Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

**Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.**

A copy of the consolidated entity's Risk Management Policy is available in the Corporate Governance section of the Company's website.

The policy identifies that:

- the Board is responsible for overseeing the establishment and implementation by the consolidated entity's management of risk management systems and reviewing the effectiveness of these systems;
- the Audit Committee of the Company has been delegated the responsibility for receiving submissions from the consolidated entity's management regarding the management of business risks, including the formulation and review of the business risks policy and other risk management policies; and
- management of the consolidated entity is responsible for the design and implementation of risk management and internal control systems to manage the Company's material business risks and to report to the Board on the effectiveness of those systems. This risk management and internal control system operates in accordance with the business risks policy through a formal organisation-wide risk management framework and other formal and informal risk specific frameworks and approaches.

Each of the consolidated entity's operational areas is required to identify the material risks which they consider may arise and to determine the probability of any such occurrence and its potential financial impact. Measures are then developed to control such risks in conjunction with other risk measures including where appropriate relevant insurance cover.

The Company's Risk Management Policy is designed to meet the criteria set down in ISO 31000. This policy is supported by specific formal and informal analytical techniques to identify and evaluate risk, and integration strategies to improve/optimize the consolidated entity's risk profile.

Risks and the effectiveness of their management are reviewed and reported regularly to the consolidated entity's senior Executive, the Audit Committee and the Board through various mechanisms depending upon the nature of this risk.

The Board is responsible for and has delegated to the Audit Committee the review of the Group's work, health and safety practices and procedures during the year.

In reviewing the risk management and internal control systems of the consolidated entity, the Executive Chairman and Managing Director and the Chief Financial Officer have also confirmed in writing that the consolidated entity's risk management and internal control systems are operating effectively in relation to material business risks for the period and have reported to the Board that the Company is effectively managing its material business risks.

**Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

In accordance with the Corporations Act, the Directors may now only give their declaration in relation to the annual financial statements if the Executive Chairman and Managing Director and the Chief Financial Officer have made the declarations required pursuant to section 295A of the Corporations Act and otherwise as contained in their representation letters.

In addition, the Executive Chairman and Managing Director and the Chief Financial Officer provide representation letters to the Board at the time of consideration of the half yearly and annual financial statements. These representation letters provide a sign-off in relation to various issues associated with the keeping of financial records generally, the preparation of the financial statements and the disclosures made and a specific requirement that the financial statements present a true and fair view.

The Board has received assurance from the Executive Chairman and Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal controls and that the systems are operating effectively in all material respects in relation to financial reporting risks.

## Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a remuneration committee.

**Recommendation 8.2 The remuneration committee should be structured so that it:**

- consists of a majority of independent directors
- is chaired by an independent director
- has at least three members



The Board has a Remuneration Committee, which is comprised of independent, Non-Executive Directors. As at 31 August 2014, this Committee comprised:

- Jack Cowin (Chair)
- Brian Long
- David Gordon
- Christine Holgate
- Siobhan McKenna

Effective from 17 September 2014, David Gordon has been appointed as Chairman of the Remuneration Committee.

Details of attendances at meetings of the Remuneration Committee are set out at page 29.

The Remuneration Committee has a formal charter, a copy of which is available in the Corporate Governance section of the Company's website. The role of the Remuneration Committee is to:

- review the remuneration policy for the consolidated entity;
- approve the remuneration (including incentives) of the Executive Chairman and Managing Director and the Executives reporting to the Executive Chairman and Managing Director;
- review the performance and financial incentives of the Executive Chairman and Managing Director on an annual basis;
- review proposals for incentive plans prior to submission to the Board of Directors for approval;
- review human resources planning with particular emphasis on succession planning for senior group executive positions; and
- develop and oversee a formal gender diversity policy and its measurable objectives.

**Recommendation 8.3: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.**

Disclosure of the remuneration for each Director and each of the Executives comprising Key Management Personnel is set out on pages 33 to 37.

The structure of remuneration for Non-executive Directors and the Executive Chairman and Managing Director are different. As explained in the Remuneration Report, the Executive Chairman and Managing Director and Executives comprising Key Management Personnel receive fixed remuneration, employer contributions to superannuation funds, an opportunity to acquire Loan Funded Shares under the Company's long-term incentive plan and, subject to Board discretion, participation in a short-term incentive plan.

Non-executive Directors receive fees determined by the Board, but within the annual aggregate limit approved by shareholders at a general meeting of the Company, and do not participate in any share or option plans offered by the Company.

There are no retirement benefit plans available to non-executive Directors of the Company. The consolidated entity does make contributions to approved superannuation funds on behalf of each eligible Australian resident non-executive Director in accordance with the superannuation guarantee legislation.

In addition, the Company's Policy for Dealing in Securities, a copy of which is available in the Corporate Governance section of the Company's website, prohibits Directors and senior Executives from entering into a hedge transaction involving unvested equity pursuant to any equity-based remuneration plan operated by the Company.

**Website** – Further information in relation to the consolidated entity is available on our website at [www.tenplay.com.au/corporate](http://www.tenplay.com.au/corporate).

# Directors' Report

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.

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>)

A: Mr HR McLennan was appointed as Executive Chairman effective 26 March 2014.

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

C: Mr J Klepec appointed as Alternate Director effective 16 October 2013.

## Financial Performance and Highlights

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

	2014 \$'000	2013 \$'000
(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>

<sup>(i)</sup> Includes \$54.2m net loss of individually significant items that are non-recurring in nature in 2014 (2013: \$336.2m).

<sup>(ii)</sup> Includes \$1.3m of non-recurring tax benefit in 2014 (2013: \$60.4m tax benefit).

## 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 18th 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.

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 Beamyly 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.

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*.



## Directors' Report continued

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.

### Information on Directors

		PARTICULARS OF DIRECTORS' INTERESTS IN SHARES OF THE COMPANY
DIRECTOR	RESPONSIBILITIES	ORDINARY SHARES
Executive Chairman		
HR McLennan <sup>A</sup>	Executive Chairman of Board of Directors, Member of Board Performance and Renewal Committee	3,130,000
Deputy Chairman		
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
Directors		
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.

## 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

### 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

### 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

## Directors' Report continued

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

### 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.



## 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	
			A	B	A	B	A	B	A	B
<b>Meetings</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	-	-	-	-	-	-

<sup>A</sup> Number of meetings held during the year during which the Director was in office

<sup>B</sup> Number of meetings attended

## 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:

- Board Remuneration Committee
- Use of remuneration consultants
- Principles used to determine the nature and amount of executive remuneration
- Executive pay framework
- Relationship between remuneration and company performance
- Non-Executive Director remuneration
- Details of remuneration
- Details of share-based compensation and bonuses
- Equity instruments held by Key Management Personnel
- Service agreements

# Directors' Report continued

## 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.

## 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.

## 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.

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	25,328,614
		27 February 2018	8,442,871
		27 February 2019	8,442,871
19 February 2014	\$0.3412	27 February 2017	1,079,637
		27 February 2018	359,879
		27 February 2019	359,879
As at 31 August 2014			44,013,751

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



## Directors' Report continued

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.

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.

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 BENEFITS	POST- EMPLOYMENT BENEFITS	TOTAL \$
	CASH SALARY AND FEES \$	SUPER- ANNUATION \$	
NAME			
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.

## Directors' Report continued

2013	NAME	SHORT-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	TOTAL \$
		CASH SALARY AND FEES \$	SUPER-ANNUATION \$	
	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	NAME	SHORT-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		TOTAL <sup>2</sup> \$
		CASH SALARY AND FEES \$	SUPER-ANNUATION \$	OPTIONS AND RIGHTS <sup>1</sup> \$	SHARES \$	
	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.



2013	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		
NAME	CASH SALARY AND FEES \$	MOTOR VEHICLE \$	TERMINATION BENEFITS \$	SUPER-ANNUATION \$	OPTIONS AND RIGHTS \$	SHARES \$	TOTAL \$
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 – Eye Corp	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>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.

#### 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.

## Directors' Report continued

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.

### 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 COMPEN-SATION	EXERCISED (LFS)/ VESTED (RIGHTS, DEFERRED SHARES)	FORFEITED	BALANCE AT THE END OF THE YEAR	VESTED AND EXERCIS-ABLE	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 REMUNER- ATION	OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
<b>Directors of Ten Network Holdings Limited</b>					
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
<b>Other Key Management Personnel of the consolidated entity</b>					
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.



# Directors' Report continued

## 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, Long-Term 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.

### 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.

## 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:

	CONSOLIDATED	
	2014 \$	2013 \$
<b>(a) PricewaterhouseCoopers Australia</b>		
<b>Audit and other assurance services</b>		
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
<b>Taxation Services</b>		
Tax compliance services	215,000	187,773
Other tax services	21,419	118,306
<b>Other services</b>		
Advisory services	92,000	399,058
Total remuneration of PricewaterhouseCoopers Australia	768,465	1,443,245
<b>(b) Related practices of PricewaterhouseCoopers Australia</b>		
<b>Audit and other assurance services</b>		
Audit and review of financial reports	20,000	27,804
Other audit related services	-	1,300
<b>Other services</b>		
	-	-
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>

## 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 41.

## 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.

# Directors' Report continued

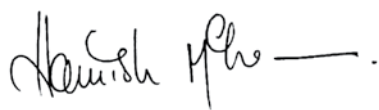
## Environmental Regulations

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.

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

**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, sweeping horizontal line extending to the right.

**SG Horlin**

Partner

PricewaterhouseCoopers

Sydney

16 October 2014

**PricewaterhouseCoopers, ABN 52 780 433 757**

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# 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
<b>UNDERLYING EARNINGS PER SHARE (cents per share)</b>					
Basic EPS	(4.46)	(0.23)	0.87	7.11	9.29
Diluted EPS	(4.46)	(0.23)	0.87	7.10	9.27
<b>DIVIDENDS PER SHARE (cents per share)</b>					
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
<b>TOTAL SHAREHOLDERS' EQUITY (\$m)</b>	719.5	885.8	941.8	807.8	902.3

# Statement of Comprehensive Income

For the year ended 31 August 2014

CONSOLIDATED			
	NOTE	2014 \$'000	2013 \$'000
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>		(161,465)	(274,083)
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>
<b>Total comprehensive (loss) attributable to members of Ten Network Holdings Limited</b>			
Continuing Operations		(166,311)	(276,855)
Discontinued Operations		-	(4,099)
		(166,311)	(280,954)
		<b>2014 CENTS</b>	<b>2013 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.



# Balance Sheet

As at 31 August 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<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.

# Statement of Changes in Equity

For the year ended 31 August 2014

	CONTRI- BUTED EQUITY \$'000	OTHER RESERVES \$'000	ACCUMU- LATED 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.

# Cash Flow Statement

For the year ended 31 August 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<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.

# 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

2014	TELEVISION \$'000	OUT-OF-HOME \$'000	CONSOLIDATED \$'000
<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
Total revenue	623,903	26,278	650,181
<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
Loss from continuing operations			(163,469)
<b>Total Segment assets</b>	1,078,304	10,198	1,088,502
<b>Total Segment liabilities</b>	338,264	30,771	369,035
<b>Acquisitions of non-current assets</b>	16,080	61	16,141

\* Before non-recurring items



# Notes to the Financial Statements

For the year ended 31 August 2014

## 2. Segment Information continued

2013	TELEVISION \$'000	OUT-OF-HOME \$'000	CONSOLIDATED \$'000
<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

## 3. Profit and Loss Information

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>(a) REVENUE</b>		
<b>Revenue from continuing operations</b>		
Sales revenue	625,967	653,893
	625,967	653,893
<b>Other revenue</b>		
Interest	1,882	5,751
Dividend	970	1,040
Foreign exchange gain	-	218
	2,852	7,009
<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	-
	21,362	-

**(b) INDIVIDUALLY SIGNIFICANT ITEMS**

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 associated tax items:

<b>NON-RECURRING (REVENUE)/EXPENSE ITEMS</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
<b>Continuing operations</b>		
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	-
	54,167	336,242
<b>Discontinuing operations</b>		
Loss on sale of investments	-	5,091
Trading loss/(profit) from discontinued operations	-	843
Impairment loss of discontinued operations	-	-
	-	5,934
<b>Non-recurring tax items</b>		
Tax impact of Non-recurring expense items	(1,250)	(62,207)
	52,917	279,969

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 Beamy 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:

# Notes to the Financial Statements

For the year ended 31 August 2014

## 3. Profit and Loss Information continued

### 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.

### 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.

## Directors' Declaration

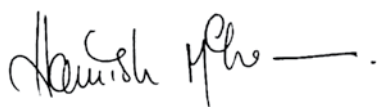
In the opinion of the Directors of Ten Network Holdings Limited the accompanying Concise Financial Report of the consolidated entity, comprising Ten Network Holdings Limited and its controlled entities, for the year ended 31 August 2014, set out on pages 43 to 50:

- (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 black 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.

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

**PricewaterhouseCoopers, ABN 52 780 433 757**

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, Sydney NSW 1171

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## 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 29 to 38 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 black ink.

**PricewaterhouseCoopers**

A stylized, handwritten signature of 'S. Horlin' in black ink.

**SG Horlin**  
Partner

Sydney  
16 October 2014

# Shareholder Information

Ten Network Holdings Limited as at 16 October 2014

## Voting Rights

On a show of hands, ordinary shareholders present or by proxy at a general meeting of the Company have one (1) vote each. On a poll, shareholders have one (1) vote for each share held.

## Maximum Shareholder Limitations

There is no maximum limitation on shareholdings under the Company's Constitution.

In April 2007, amendments to the Broadcasting Services Act (BSA) commenced, resulting in the removal of restrictions on foreign ownership and the replacement of the cross media rules (which had prevented a person from controlling a commercial television broadcasting licensee, a commercial radio licence and an associated licence in the same licence area) with prohibitions on:

- unacceptable media diversity situation – basically that the number of “points” in a licence area may not be less than 5 in metropolitan licence areas and 4 in regional licence areas or there is a further reduction in the points; and
- an unacceptable 3-way control situation – basically a person controlling more than 2 out of 3 of a commercial television broadcasting licensee, a commercial radio licence and an associated licence in the same licence area.

While the notion of control has not changed under the BSA (and is deemed to exist at a company interest of 15% or more), there are a wider range of circumstances in which a person may be in breach of the BSA and where it is appropriate for the divestiture provisions in the Company's Constitution to operate.

The BSA provides that ownership restrictions must be included in the constitutions of commercial television broadcasting companies licensed under the BSA to ensure that the licensee is empowered to deal with any breach of the BSA. Similar provisions are also required in the Company's Constitution as it controls such licensees.

Under the terms of the Company's Constitution, the Board of the Company is able to exercise certain rights requiring shareholders to divest some or all of their shareholding interest in the Company or otherwise remove the contravention of Part 5 of the BSA (without recourse for any loss incurred by the actions of the Company) in circumstances relating to the holding of the shares or where an entity controlling or associated with a shareholder contravenes or would contravene Part 5 of the BSA.

The provisions may require shareholders who lawfully acquire their shares, to divest some or all of their shareholding interest in the Company if that holding (along with other associated media interests) would otherwise preclude the Ten group of companies acquiring or maintaining media interests.

The Directors consider that there is a need for such a divestment power in order to ensure that the Ten group of companies is not precluded from seeking to expand its media interests in the future, where any such acquisition would otherwise result in an unacceptable media diversity or 3 way control situation referred above, due to any interests held by a shareholder in other media groups. Anyone seeking to obtain control (as defined under the BSA) of the Company or acquire a company interest of 15% or more should carefully consider these provisions.

## Share Registry

Link Market Services Limited	Locked Bag A14
1A Homebush Bay Drive	Sydney South NSW 1235
Rhodes NSW 2138	Telephone: +61 1300 554 474
	Facsimile: +61 2 9287 0309
	Email: registrars@linkmarketservices.com.au

## Services for Shareholders

For services or any information on your shareholding, including direct payment of dividends, you may access the Share Registry by internet [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## Annual Review and Shareholder notifications

The Company writes to all new shareholders offering them the opportunity to “opt-in” to receive future annual reports. In the absence of any “opt-in” response, a shareholder will be notified at the time that notices of annual general meetings are mailed to shareholders in future, that the Company's annual review is available on the Company's website [www.ten.com.au](http://www.ten.com.au).

Shareholders can alternatively elect to receive regular communications from the Company by email.

The Company supports the use of electronic communications in seeking to protect the environment by minimising unnecessary paper usage as part of its environment strategy.

## Securities Exchange Listing

Ten Holdings' ordinary quoted shares are listed on the Australian Securities Exchange under code TEN.

## Dividend Reinvestment Plan

Ten Holdings does not operate a dividend reinvestment plan as at the date of this report.

## Share Buyback

There is no on-market share buyback as at the date of this report.

## On-market share purchases

During the year to 31 August 2014, Ten Employee Shares Plans Pty Limited acquired a total of 150,150 shares through the Australian Securities Exchange pursuant to the terms of the TEN Employee Savings Plan. The average cost of these shares was 27.53 cents per share.

## Distribution of Holdings

NO. OF SHARES	NO. OF SHAREHOLDERS	TOTAL UNITS
1 – 1,000	3,959	2,312,422
1,001 – 5,000	7,215	20,101,528
5,001 – 10,000	2,994	23,505,116
10,001 – 100,000	5,071	163,074,065
100,001 and over	768	2,503,972,201
<b>Total</b>	<b>20,007</b>	<b>2,712,965,332</b>

## Dividend History

		DIVIDEND AMOUNT (CPS)	% FRANKED
2003	January	6.5	100%
	July	5.0	100%
2004	January	9.5 (ordinary)	100%
		5.5 (special)	100%
	July	8.5	100%
2005	January	12.5	100%
	July	9.0	100%
2006	January	12.0	100%
	July	4.0 (ordinary)	100%
		3.5 (special)	100%
2007	January	9.0	100%
	July	4.0	100%
2008	January	10.0	100%
	July	3.5	100%
2009	January	2.0	100%
2010	November	6.0 (ordinary)	0%
		5.0 (special)	0%
2011	November	5.25	100%
2012	No dividend		
2013	No dividend		
2014	No dividend		

## Location of Shareholders

as at 16 October 2014

LOCATION OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF QUOTED SHARES
<b>Australia</b>		
New South Wales	7,618	1,621,970,184
A.C.T.	383	7,164,618
Victoria	5,031	631,863,602
Queensland	3,435	129,537,682
South Australia	1,192	23,624,488
Western Australia	1,853	291,460,012
Tasmania	227	2,294,545
Northern Territory	43	409,990
<b>New Zealand</b>	81	2,235,326
<b>Rest of World</b>	144	2,404,885
<b>Total</b>	<b>20,007</b>	<b>2,712,965,332</b>



# Shareholder Information continued

## Top 20 Shareholders

as at 16 October 2014

HOLDER NAME	NO. OF QUOTED SHARES	%
Birketu Pty Ltd	342,516,705	12.62
Hanrine Investments Pty Ltd	256,396,911	9.45
HSBC Custody Nominees (Australia) Limited	255,142,512	9.40
Illyria Nominees Television Pty Limited <Illyria Investment No. 4 A/C>	231,220,579	8.52
Aidem Holdings Pty Limited	231,220,579	8.52
J P Morgan Nominees Australia Limited	205,529,609	7.58
National Nominees Limited	144,130,362	5.31
Citicorp Nominees Pty Limited	89,732,517	3.31
BNP Paribas Noms Pty Ltd <DRP>	65,884,810	2.43
Pershing Australia Nominees Pty Ltd <Blue Ocean Equities A/C>	61,005,098	2.25
Birketu Investments Pty Ltd	49,500,000	1.82
National Nominees Limited <DB A/C>	47,749,868	1.76
Hamish McLennan	39,842,968	1.47
Allard Services Pty Ltd	30,156,795	1.11
Mr Don Lazzaro & Mrs Ann Lazzaro <Super Fund A/C>	30,000,000	1.11
Y S Chains Pty Ltd	24,100,000	0.89
Paul Anderson	14,376,995	0.53
Ecapital Nominees Pty Limited <Settlement A/C>	12,723,823	0.47
Russel Howcroft	11,322,274	0.42
QIC Limited	10,919,185	0.40
<b>Total for Top 20</b>	<b>2,153,471,590</b>	<b>79.37</b>
<b>Total Quoted Ordinary Fully Paid Shares</b>	<b>2,712,965,332</b>	

## Less Than Marketable Parcel

As at the close of trading on 16 October 2014, TEN's share price was \$0.20. Based on this closing price, there were 7,408 holders (holding a total of 8,431,924 shares) who held less than a marketable parcel of TEN shares, being 2,500 shares.

## Substantial Shareholders

NAME	INTEREST*	EXTENT OF HOLDINGS*	DATE OF LAST NOTIFICATION
Aidem Holdings Pty Limited	8.79%	231,220,579	27 March 2014
Lachlan Keith Murdoch and Illyria Nominees Television Pty Ltd as trustee of Illyria Investment Trust No. 4	8.79%	231,220,579	26 March 2014
Lazard Asset Management Pacific Co	7.81%	202,018,616	6 February 2014
Mrs Georgina Hope Rinehart and Hancock Prospecting Pty Ltd (HPPL) and subsidiaries of HPPL	9.91%	256,396,911	30 January 2013
Birketu Pty Ltd	14.02%	146,559,823	19 November 2010

\* as at date of last notification

# Financial Calendar

Ten Network Holdings Limited

## September 2014 – August 2015

Start of the new financial year	<b>1 September 2014</b>
Preliminary 2013-2014 financial results released to the Australian Securities Exchange	<b>16 October 2014</b>
Annual General Meeting	<b>17 December 2014</b>
Close of the first half of the financial year	<b>28 February 2015</b>
Release of half-yearly results	<b>April 2015</b>
End of financial year	<b>31 August 2015</b>

The Annual General Meeting of Ten Network Holdings will be held on 17 December, 2014, at the **Four Seasons Hotel, Ballroom 1, 199 George Street, Sydney**, commencing 2.00pm.

## Corporate Directory

Ten Network Holdings Limited Offices

### Network Ten Offices

#### Registered Office

1 Saunders Street  
PYRMONT NSW 2009  
Ph +61 2 9650 1010  
Fax +61 2 9650 1111  
[www.tenplay.com.au/corporate](http://www.tenplay.com.au/corporate)

#### Company Secretary

Stephen Partington

#### Sydney

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Ph +61 2 9650 1010  
Fax +61 2 9650 1111

#### Melbourne

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Fax +61 8 8225 1810

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