TEN NETWORK HOLDINGS LIMITED

ABN 14 081 327 068

Appendix 4D

Half Year Report

Half Year ended: 29 February 2016

Previous corresponding period: 28 February 2015

Results for Announcement to the Market

	Half Year 2016 $'000	Half Year 2015 $'000	Change %
Revenue from continuing operations	348,484	322,377	8.1%
Profit/ (Loss) for the period from ordinary activities after tax attributable to members	13,375	(264,387)	n/a
Profit/ (Loss) for the period attributable to members	13,375	(264,387)	n/a

No dividends/distributions were declared or paid to the members of Ten Network Holdings Limited during or subsequent to the half year ended 29 February 2016.

No interim dividend will be paid for the half year ending 29 February 2016.

The 2016 result included significant items of $23.3m gain ($23.7m after tax) (2015: $251.2m loss) as disclosed in Note 3.

	Half year 29 February 2016	Half year 28 February 2015 *
Net tangible asset backing per ordinary share	$0.20	($0.10)
Net asset backing per ordinary share	$1.53	$1.75

* Prior period numbers have been restated to reflect the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

Refer to attached Media Release for discussion of results.

The Directors present their report together with the consolidated financial report of Ten Network Holdings Limited ("the Company") and its controlled entities for the half-year ended 29 February 2016.

Directors

The Directors who have been in office during the half-year and since the half-year end are:

Mr DL Gordon (Chairman) (Alternate Mr BJ Long)
Mr PV Gleeson (Alternate Mr JJ Cowin [B] Alternate Mr DL Gordon [C])
Mr J Klepec (Alternate Mr BJ Long)
Mr BJ Long (Alternate Mr DL Gordon)
Ms SL McKenna (Alternate Mr BJ Long)
Mr PC Tonagh [E]
Mr JJ Cowin [A] (Alternate Mr PV Gleeson [B])
Mr R Freudenstein [D]
Mr DD Hawkins [A] (Alternate Mr DL Gordon [B])
Ms CW Holgate [A] (Alternate Mr DL Gordon [B])

[A]: Resigned as a Director effective 16 December 2015
[B]: Resigned as an Alternate Director effective 16 December 2015
[C]: Appointed as an Alternate Director effective 25 January 2016
[D]: Appointed as a Director effective 17 December 2015. Resigned as Director effective 30 March 2016
[E]: Appointed as a non-executive Director effective 30 March 2016

Review of Operations

From 1 September 2015 the Company and Multi Channel Network Pty Ltd (MCN) commenced a long-term agreement for MCN to represent the Company's television, catch-up and digital properties for advertisers, allowing the Company to gain scale, new efficiencies, improved data capability and broader integration opportunities for advertising clients. The transition is progressing well with migration to a new trading platform on target for the second half of the reporting year.

In November 2015 the Company successfully completed a fully underwritten pro-rata renounceable share entitlement offer to existing shareholders for $77m. The entitlement offer was conducted in conjunction with the issue of shares to Foxtel for $77m, with the combined transaction raising $154m of gross proceeds ($146.4m net). At the same time, the Company became a 24.99% shareholder in MCN and secured a two-year option to become a shareholder in the subscription video on demand service, Presto.

In January 2016, the Company completed the consolidation of its issued capital on the basis of one share for every existing ten shares in accordance with the approval given by the shareholders of the Company at its Annual General Meeting on 16 December 2015.

Summary of Financial Performance

The consolidated profit after income tax for the half-year ended 29 February 2016 comprises:

	29 February 2016 $'000	28 February 2015 $'000
Revenue from continuing operations	348,484	322,377
Adjusted Earnings before interest, tax, depreciation and amortisation	10,144	7,467
Depreciation	(6,863)	(7,316)
Earnings before interest, tax and amortisation	3,281	151
Impairment of television licences (Refer to note 3)	-	(251,157)
Other significant items (Refer Note 3)	23,271	-
Net finance costs	(9,280)	(6,516)
Profit/ (Loss) before income tax	17,272	(257,522)
Income tax (expense) / revenue	(2,110)	(3,812)
Profit/ (Loss) for the period	15,162	(261,334)
Profit attributable to non-controlling interests	1,787	3,053
Profit/ (Loss) attributable to members of Ten Network Holdings Limited	13,375	(264,387)

For the half year ending 29 February 2016, the Company reported a net profit after tax of $13.4m (2015: loss of $264.4m). This included a $23.3m gain of individually significant items (2015: $251.2m loss).

The Company's revenue from continuing operations grew 8.1% to $348.5m (2015: $322.4m) and the Company's Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) before significant items for the half year ending 29 February 2016 was $10.1m (2015: $7.5m).

Other significant items include a non-cash gain on the sale of the Eye Corp US business ($24.8m) which mainly arises from the reversal of a $20.4m foreign currency translation reserve from equity into the income statement in line with accounting standards. This is partially offset by $1.6m of corporate activity costs relating to the MCN transition and the Foxtel transaction (refer above).

Total non-current borrowings at the end of the period were $51.5m (Aug 2015: $154.9m) which comprised:

- A bank loan of $35m drawn on the $200m Revolving Cash Advance Facility with CBA,
- Capitalised interest and commitment fees of $1.0m,
- Shareholder guarantor fees of $17.1m,
- Less: capitalised transaction costs of $1.6m.

Net debt relating to the Company's Revolving Cash Advance Facility at 29 February 2016 was $20.2m (Aug 2015: $131.4m), incorporating drawn amounts on the facility of $35m, capitalised interest and commitment fees of $1.0m and cash of $15.8m.

Review of Operations

Operational Highlights

The Company's momentum in ratings and revenue share continued into the first half of the 2016 financial year, as the Company delivered on the core strategic goals set out last year.

The Australian free-to-air television advertising market remains highly competitive and short in terms of forward bookings. Latest industry information reported a metropolitan commercial television advertising market decline of 0.4% for the six months ending December 2015*. Despite these difficult conditions, the Company's market share of revenue grew to 23.2% for the six months to December 2015, an increase of 2.8 percentage points compared to the same period in the previous year. For the six months to February 2016, the Company's television revenue grew by 8.1% in absolute terms. The Company continues to develop programming in order to provide ratings growth across key timeslots and demographics, focussing on 25-54s, fresh new formats, cost effective local production, premium sporting events and a leading digital platform.

For the 2015/16 summer period, Network Ten achieved its highest ever commercial ratings share in 25-54s and highest commercial ratings share in Total People since 2003/04. TEN is the only commercial primary channel and Network Ten was the only commercial network to see audience growth in total people over summer (OzTAM, 5 City Metro, Zone 1, Weeks 49-6 2015/16 vs. 2014/15).

The Company's investment in event TV continued with the successful launch of *The Bachelorette Australia* and the second season of *I'm a Celebrity … Get Me Out of Here!,* supported by improved performance across *The Living Room* and *Family Feud*.

The 2015/16 *Big Bash League* reached over 10 million people, with audiences up 25% on the prior year and was #1 in its timeslot in Total People and 25-54s. Investment in premium sport continued, with a new five year agreement signed with Australian Rugby Union, in addition to the multi-year motorsport arrangements already in place.

The Company's industry-leading digital platform, tenplay, takes content across multiple screens with deeper audience engagement across Android, iOS and Windows devices, along with smart TVs, Microsoft's Xbox 360 and Xbox One platforms and through FreeviewPlus, Apple TV and Fetch TV.

The Company continues to focus on strict cost control, continually identifying efficiencies to work more productively.

Investment in proven domestic franchises will continue with *Offspring*, *MasterChef Australia, The Bachelor*, *The Great Australian Spelling Bee, Shark Tank* and *Gogglebox Australia* all returning in 2016, along with new drama *The Wrong Girl* and *Brock.* The Company is further investing in premium content, with the commission of a local version of the global television phenomenon *Australian Survivor*.

Business and Strategic Risks

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

- Failure of the TEN / MCN strategic relationship to generate sufficient sales revenue, with negative impacts on revenue and cash flow. The Company has established strong communication channels and reporting protocols with MCN to mitigate this risk and management at the Company continues to work with MCN to ensure the relationship operates effectively. The TEN / MCN strategic relationship has delivered revenue growth and an improved market share position on last year during the six months to February 2016.
- An inability to secure and develop appropriate program rights, from both the domestic and overseas market, that generate ratings and in turn, revenues. Controls over the selection, commissioning and approval of content mitigate this risk, with programming decisions backed by research and executive approval to ensure spend is aligned to the strategic plan.
- Inability to react to structural changes and market pressures in the free-to-air television advertising market. To mitigate this risk, the Company continues to invest in and develop the Company's digital platform (tenplay); has entered into an Option Agreement with Presto; and follows a structured approach to reviewing investment opportunities to capitalise on new and emerging trends.
- 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 at the end of its current facility. Management regularly monitors and reports on the Company's debt position in accordance with its treasury policy.

*: Free TV Australia

Auditors Independence Declaration

A copy of the Auditors Independence Declaration as required under s307 of the *Corporation Act 2001* is set out on page 6.

Subsequent Events

There have been no events that have occurred subsequent to 29 February 2016 and up to the date of this report that have had a material impact on the Company's financial performance or position.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission. In accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed at Sydney on 21 April 2016 in accordance with a resolution of the Directors.

Mr DL Gordon
Chairman

Auditor's Independence Declaration

As lead auditor for the review of Ten Network Holdings Limited for the half-year ended 29 February 2016, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

SG Horlin
Partner
PricewaterhouseCoopers

Sydney
21 April 2016

Consolidated statement of comprehensive income

	Half year 29 February 2016 $'000	Half year 28 February 2015 $'000
Revenue from continuing operations	348,484	322,377
Other income	1,092	1,875
Total revenue	349,576	324,252
Television costs	(330,687)	(309,635)
Out-of-home costs	(14,947)	(13,615)
Corporate activity costs (Refer Note 3)	(1,554)	-
Impairment of television licences (Refer Note 3)	-	(251,157)
Finance costs	(9,672)	(7,857)
Gain on sale of Eye Corp US (Refer Note 3)	24,825	-
Share of associates and joint ventures accounted for using the equity method	(269)	490
Profit/ (Loss) before income tax	17,272	(257,522)
Income tax (expense) / revenue	(2,110)	(3,812)
Profit/ (Loss) from ordinary activities after income tax	15,162	(261,334)
Profit attributable to non-controlling interests	1,787	3,053
Profit/ (Loss) attributable to members of Ten Network Holdings Limited	**13,375**	**(264,387)**

Profit/ (Loss) from ordinary activities after income tax	**15,162**	**(261,334)**
Other comprehensive income		
AASB139 hedge reserves	513	55
Exchange differences on translation of foreign operations	(20,242)	(2,966)
Total comprehensive profit/ (loss) for the half-year after income tax	**(4,567)**	**(264,245)**
Total comprehensive income attributable to non-controlling interests	-	-
Total comprehensive profit/ (loss) attributable to members of Ten Network Holdings Limited	**(4,567)**	**(264,245)**

Earnings per share [A]

	Half year 29 February 2016	Half year 28 February 2015
Basic EPS	4.27 cents	(102.2) cents
Diluted EPS [B]	3.92 cents	(102.2) cents

[A] Prior period numbers have been restated to reflect the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

[B] The number of shares used in calculating diluted EPS for the period to 29 February 2016 considers the potential impact of new shares and performance rights issued under the Ten Executive Incentive Plan during 2014-2016 and the optional conversion of guarantor fees into shares at the maturity of the current bank facility in December 2017.

Due to the Company reporting a loss for the prior period, the impacts of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

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

Consolidated balance sheet

	29 February 2016 $'000	31 August 2015 $'000
Current Assets		
Cash and cash equivalents	15,785	14,370
Receivables	83,732	110,523
Program rights & inventories	224,617	175,357
Current tax assets	1,413	3,624
Other	4,028	4,147
Total Current Assets	**329,575**	**308,021**
Non-Current Assets		
Program rights & inventories	5,840	5,315
Investments	19,586	18,856
Property, plant and equipment	39,661	44,864
Intangible assets	481,697	481,697
Total Non-Current Assets	**546,784**	**550,732**
Total Assets	**876,359**	**858,753**
Current Liabilities		
Payables	207,236	203,786
Derivative financial instruments	28	350
Provisions	16,676	35,080
Total Current Liabilities	**223,940**	**239,216**
Non-Current Liabilities		
Payables	27,606	30,461
Borrowings	51,470	154,904
Derivative financial instruments	2,762	3,193
Deferred tax liabilities	1,634	1,029
Provisions	15,390	18,462
Total Non-Current Liabilities	**98,862**	**208,049**
Total Liabilities	**322,802**	**447,265**
Net Assets	**553,557**	**411,488**
Equity		
Contributed equity	2,927,998	2,781,647
Reserves	(1,207,476)	(1,188,778)
Accumulated losses	(1,168,752)	(1,182,127)
Total parent entity interest	551,770	410,742
Non-controlling interest	1,787	746
Total Equity	**553,557**	**411,488**

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

Consolidated statement of changes in equity

	Contributed Equity $'000	Other Reserves $'000	Accumulated Losses $'000	**Total $'000**	Non-controlling Interest $'000	**Total Equity $'000**
Balance at 1 September 2015	**2,781,647**	**(1,188,778)**	**(1,182,127)**	**410,742**	**746**	**411,488**
Profit for the half-year	-	-	13,375	**13,375**	1,787	**15,162**
Other comprehensive income	-	(19,729)	-	**(19,729)**	-	**(19,729)**
Total comprehensive (loss)/ income for the half-year	**-**	**(19,729)**	**13,375**	**(6,354)**	**1,787**	**(4,567)**
Equity Raising (Refer Note 5)	146,351	-	-	**146,351**	-	**146,351**
Employee share plan expense	-	1,031	-	**1,031**	-	**1,031**
Transactions with owners in their capacity as owners						
Dividends Paid	-	-	-	**-**	(746)	**(746)**
Balance at 29 February 2016	**2,927,998**	**(1,207,476)**	**(1,168,752)**	**551,770**	**1,787**	**553,557**
Balance at 1 September 2014	**2,781,554**	**(1,193,821)**	**(869,879)**	**717,854**	**1,613**	**719,467**
(Loss)/ Profit for the half-year	-	-	(264,387)	**(264,387)**	3,053	**(261,334)**
Other comprehensive income	-	(2,911)	-	**(2,911)**	-	**(2,911)**
Total comprehensive (loss)/ income for the half-year	**-**	**(2,911)**	**(264,387)**	**(267,298)**	**3,053**	**(264,245)**
Issue of shares held by Employee Share Trust	93	(93)	-	**-**	-	**-**
Employee share plan expense	-	2,046	-	**2,046**	-	**2,046**
Transactions with owners in their capacity as owners						
Dividends Paid	-	-	-	**-**	(1,613)	**(1,613)**
Balance at 28 February 2015	**2,781,647**	**(1,194,779)**	**(1,134,266)**	**452,602**	**3,053**	**455,655**

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

Consolidated cash flow statement

	Notes	29 February 2016 $'000	28 February 2015 $'000
Cash and cash equivalents			
Cash on hand		77	75
Cash at bank [C]		15,708	19,953
At end of period		15,785	20,028
At beginning of period		14,370	13,439
Cash held by Eye Corp US on disposal		1,955	-
Effects of exchange rate changes on cash and its equivalents		40	(381)
Net cash inflows / (outflows) for the period		**3,410**	**6,208**
Represented by:			
Cash Flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		397,671	359,716
Payments to suppliers and employees (inclusive of goods and services tax)		(425,360)	(380,193)
Interest received		382	368
Bank interest paid		(988)	(1,311)
Net income tax received / (paid)			
Prior year refunds received		4,104	2,037
Current year payments		(3,534)	(4,362)
Net cash flows from operating activities		(27,725)	(23,745)
Cash Flows from investment activities			
Proceeds from government grant [C]		-	5,601
Acquisition of property, plant and equipment		(1,880)	(4,853)
Proceeds on disposal of property, plant and equipment		4	99
Deferred consideration received		-	15,000
Dividends received		700	500
Repayments from investments		-	220
Payments from sale of investment		(414)	-
Payments for investments		(1,000)	-
Net cash flows from investment activities		(2,590)	16,567
Cash Flows from financing activities			
Net proceeds from issue of shares		146,351	-
Dividend paid	10	(746)	(1,614)
Proceeds from borrowings		136,034	165,000
Repayment of borrowings		(247,914)	(150,000)
Net cash flows from financing activities		33,725	13,386
Net cash inflows / (outflows) for the period		**3,410**	**6,208**

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

[C]: Cash and cash equivalents includes $6.1m (Feb 2015: $6.1m) which is required to be spent on certain capital items under a government grant and cannot be used for other purposes.

Notes to the consolidated financial statements

Note 1: Basis of preparation of the half year report

This general purpose Half Year Report for the reporting period ended 29 February 2016 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards *AASB 134 Interim Financial Reporting*, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

This Half Year Report does not include all the notes of the type normally included within the Annual Financial Report. Accordingly, this Report should be read in conjunction with the Annual Financial Report as at 31 August 2015 and any public announcements made by Ten Network Holdings Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in the preparation of this Half Year Report are consistent with those applied and disclosed in the 31 August 2015 Annual Financial Report.

Adoption of new and revised accounting standards
A number of new or amended standards became applicable for the current reporting period, however, the group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. It is not expected that these amendments will significantly affect the disclosures in the 31 August 2016 annual report.

The Company has not elected to apply any pronouncements before their operative date in the period ended 29 February 2016.

Note 2: Revenues and expenses

	29 February 2016 $'000	28 February 2015 $'000
2.1 Revenues from ordinary activities		
Sales revenue	348,484	322,377
Other income		
- Interest income	392	328
- Gain on sale of non-current assets	-	34
- Dividend income	700	500
- Foreign exchange income	-	1,013
Total revenues from ordinary activities	349,576	324,252
2.2 Expenses from ordinary activities		
Details of relevant expenses		
- Television activities	(330,687)	(309,635)
- Out-of-Home activities	(14,947)	(13,615)
- Finance costs	(9,672)	(7,857)
Significant expense items (Refer note 3)		
Television		
- Impairment of intangible assets	-	(251,157)
- Corporate activity costs	(1,554)	-
Total expenses from ordinary activities	(356,860)	(582,264)

Note 3: Segment information

Management has determined 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 EBITDA.

Half year to 29 February 2016	Television $'000	Out-of-home $'000	Consolidated $'000
Revenue			
Sales to external customers	333,537	14,947	348,484
Other income	1,092	-	1,092
Total revenue	**334,629**	**14,947**	**349,576**
Segment Result			
Adjusted EBITDA *	**10,144**	**-**	**10,144**
Depreciation			(6,863)
Finance costs			(9,672)
Finance revenue			392
Underlying Loss before tax			(5,999)
Underlying Income tax (expense)			(2,576)
Underlying Loss from continuing operations			**(8,575)**
Profit attributable to non-controlling interests			1,787
Underlying Loss attributable to members			**(10,362)**
Significant items after tax (details below)			23,737
Profit/ (Loss) attributable to members			**13,375**

* Before significant items

Half year to 28 February 2015	Television $'000	Out-of-home $'000	Consolidated $'000
Revenue			
Sales to external customers	308,762	13,615	322,377
Other revenue	1,875	-	1,875
Total revenue	**310,637**	**13,615**	**324,252**
Segment Result			
Adjusted EBITDA *	**7,467**	**-**	**7,467**
Depreciation			(7,316)
Finance costs			(7,857)
Finance revenue			1,341
Underlying Loss before tax			(6,365)
Underlying Income tax (expense)			(3,812)
Underlying Loss from continuing operations			**(10,177)**
Profit attributable to non-controlling interests			3,053
Underlying Loss attributable to members			**(13,230)**
Impairment of television licences (details below)			(251,157)
Loss attributable to members			**(264,387)**

* Before significant items

Significant items
Items which are individually significant in nature for 2016 and 2015 are as follows:

	Half Year to 29 February 2016			**Half Year to 28 February 2015**		
	Gross $'000	**Tax $'000**	**Net $'000**	**Gross $'000**	**Tax $'000**	**Net $'000**
Gain on sale of Eye Corp US	24,825	-	24,825	-	-	-
Corporate activity costs	(1,554)	466	(1,088)	-	-	-
Impairment of Television Licences	-	-	-	(251,157)	-	(251,157)
Total significant items	**23,271**	**466**	**23,737**	**(251,157)**	**-**	**(251,157)**

A non-cash gain on sale of the Eye Corp US business was recognised at completion on 31 December 2015. Refer to Note 6 for further details.

Corporate activity costs include the impact of the MCN transition and Foxtel transaction (refer Directors' Report).

An impairment review was performed as at February 2016 to ensure that television licences were being carried at their recoverable amount. No impairment losses for television licences were recognised or reversed in the current period (refer to Note 4). In the prior period, an impairment loss of $251.2m was recorded. The television impairment charge was mainly the result of a reduction in revenue forecasts in the Company's value in use model to reflect advertising market volatility at that time, as well as a reassessment of the long term market growth forecast in the model.

Underlying earnings per share D F	**Consolidated**	
	2016 Cents	**2015 Cents**
Basic earnings per share	(3.31)	(5.11)
Diluted earnings per share E	(3.31)	(5.11)

D: Excludes the significant items disclosed above.

E: Due to the Company reporting an underlying loss for the years ended 29 February 2016 and 28 February 2015, the impacts of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

F: Prior period numbers have been restated to reflect the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

Note 4: Impairment of television licences

Television licences are not amortised as the Directors believe that the television licences do not have a limited useful life. The recoverable amount of television licences are determined based on a value in use (VIU) calculation undertaken at the cash generating unit (CGU) level either annually or when there is an indicator of potential impairment in the CGU. The VIU is calculated using a discounted cash flow methodology covering a five year period with an appropriate terminal value at the end of that period.

Consistent with the VIU calculation at August 2015, the estimated recoverable amount of the Television CGU equals its carrying amount.

The following describes each key assumption used in performing the VIU calculation at February 2016:

Cash flow forecasts and growth rates

Cash flow forecasts are based on the following assumptions:

- Five year forecast based on management's latest expectations for future performance.
- Revenue growth rates used over the five year forecast vary from year to year and average at an annual revenue growth rate of 6.8% (Aug 2015: 6.7%) over this period. Revenue growth is a combination of both market growth and market share.
- The terminal value is based on the Gordon's Growth Model using a 2.0% (Aug 2015: 2.0%) growth rate.

Discount rates

The pre-tax discount rate of 13.24% and post-tax discount rate of 10.17% (Aug 2015: pre-tax 13.44% and post-tax 10.17%) are the risk adjusted weighted average cost of capital ("WACC") rates 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.

Note 5: Equity raising

On 26 October 2015, the Company launched a fully underwritten 7 for 37 pro-rata renounceable share entitlement offer to existing shareholders of up to $77m at an offer price of $0.15 per New Share. This entitlement offer was conducted in conjunction with an issue of shares to Foxtel for gross proceeds of $77m which resulted in Foxtel becoming a shareholder of 13.84%. The institutional component was completed on 28 October 2015 and the Retail component completed 18 November 2015. The issue of shares to Foxtel was completed on 16 December 2015

The gross proceeds of $154.0m were offset by ancillary costs to the raising of $7.6m and the net of these amounts has been recognised in contributed equity. All proceeds, less costs, have been used to repay debt.

Date	Details	Number of Shares
31.08.15	Balance 31 August 2015	2,712,965,332
	Equity raising	1,026,605,680
	Loan Funded Shares – modification #	(31,756,734)
	Share Consolidation Reduction	(3,337,029,026)
29.02.16	**Balance 29 February 2016**	**370,785,252 ***

In November 2015, participants in the Company's Long Term Incentive Scheme were given the option to exchange their loan funded shares for a fair value equivalent of performance rights under the amended and AGM approved 2016 Ten Executive Incentive Plan.
* Includes Loan Funded Shares (LFS) issued under the Ten Executive Incentive Plan during 2014 and 2015. This includes 2,415,231 of quoted LFS and 7,008,550 of unquoted LFS. LFS are not included in number of shares for the purpose of calculating Basic Earnings Per Share.

Note 6: Sale of Out-of-Home US ("EYE CORP US")

The following Eye Corp US companies who are 100% owned by The Ten Group Pty Limited were sold to GMTE Media LLC on the 31 December 2015:

1) Eye Corp (USA) Inc, a Delaware corporate
2) Eye Mall Media (USA), LLC a Delaware limited liability company
3) Eye Corp (NY) LLC, a New York limited liability company
4) Foxmark Media, LLC, a Tennessee limited liability company

Gain on sale of Eye Corp US

	31 December 2015 $'000
Consideration received or receivable:	
Deferred consideration	1,277
Transaction costs	(349)
Total disposal consideration	928
Carrying amount of net (liabilities) sold *	(3,510)
Foreign currency translation reserve	(20,387)
Profit on sale before income tax	**24,825**
Income tax benefit	-
Profit on sale after income tax	**24,825**

* Includes onerous contract provisions at the time of disposal.

Note 7: Reconciliation of income tax expense

The consolidated entity's profit before income tax was $17.3m. The difference between the statutory income tax expense of $5.2m (at 30% of profit before tax) and the actual tax expense of $2.1m is largely due to the gain on sale of Eye Corp US of $24.8m which is predominantly driven by a reversal of $20.4m from the foreign currency translation reserve, and not subject to tax. The actual $2.1m tax expense is predominantly attributable to ElevenCo Pty Limited.

Note 8: Contingent liabilities

As part of the sale of the Eye Corp businesses in the current and prior periods, the Company retained responsibility for a number of parent guarantees. The majority of the guaranteed concession agreements relate to the Eye Corp US business. These expire on 31 December 2016, and are up to a maximum value of $3.5m. The company does not expect to make any payments under these guarantees.

Note 9: Fair value of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

1. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
2. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly derived from prices (level 2), and
3. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value at 29 February 2016 and 31 August 2015.

At 29 February 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets - Investment in unlisted securities	-	-	13,730	13,730
Liabilities - Derivatives	-	2,790	-	2,790

At 31 August 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets - Investment in unlisted securities	-	-	13,730	13,730
Liabilities - Derivatives	-	3,543	-	3,543

The Consolidated entity did not hold any level 1 instruments as at 29 February 2016. There have been no transfers between levels in the current period. Valuation techniques for Level 2 and 3 instruments are discussed below.

The carrying value of the consolidated entity's financial instruments is their fair value.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The carrying amounts of non-current borrowings is assumed to approximate its fair value.

(i) Level 2 Instruments

Included as level 2 instruments is the fair value of financial instruments that are not traded in an active market (derivative financial instruments). At period end the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

(ii) Level 3 Instruments

The level 3 available-for-sale financial asset, being an unlisted investment, was acquired during the 2014 year. The valuation of the investment is based on the transacted acquisition price between willing buyers and sellers in a transaction that occurred close to the 2014 year end and business performance to date. There is no indication of the fair value having changed as at 29 February 2016.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	**Fair value ($'000)**		**Unobservable input**	**Sensitivity**
	Feb 2016	**Aug 2015**		
Unlisted equity security	13,730	13,730	EBITDA of investment, and earnings multiple	If the EBITDA or earnings multiple was to change by 10%, the fair value of the investment would increase/decrease by $1.4m

The finance team of the Group performs the valuation of the unlisted equity security. Discussions of valuation processes and results are held between the Chief Financial Officer, Audit Committee and the finance team at least once every six months. The finance team base the valuation on their knowledge of the business, recent results and the current economic environment.

Note 10: Dividends

No dividends/distributions were declared or paid to the members of the Company during or subsequent to the half year ended 29 February 2016.

A dividend of $0.7m was paid to CBS Studios Inc on 14 December 2015, which represents their share of ElevenCo Pty Limited's net profit for the six months to August 2015.

Note 11: Changes in the composition of the consolidated entity

There were no material changes in the composition of the Consolidated Entity in the half year to 29 February 2016.

Note 12: Subsequent events

There have been no events that have occurred subsequent to 29 February 2016 and up to the date of this report that have had a material impact on the Company's financial performance or position.

Commentary on results

Refer to attached Media Release.

In the Directors' opinion:

(a) The financial statements and notes set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 29 February 2016 and of its performance, for the half year ended on that date; and

(b) There are reasonable grounds to believe that Ten Network Holdings Limited will be able to pay its debts as and when they become due and payable.

Signed at Sydney on 21 April 2016 in accordance with a resolution of the Directors

Mr DL Gordon
Chairman

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ten Network Holdings Limited (the company), which comprises the consolidated balance sheet as at 29 February 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ten Network Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 29 February 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ten Network Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ten Network Holdings Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 29 February 2016 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney

21 April 2016