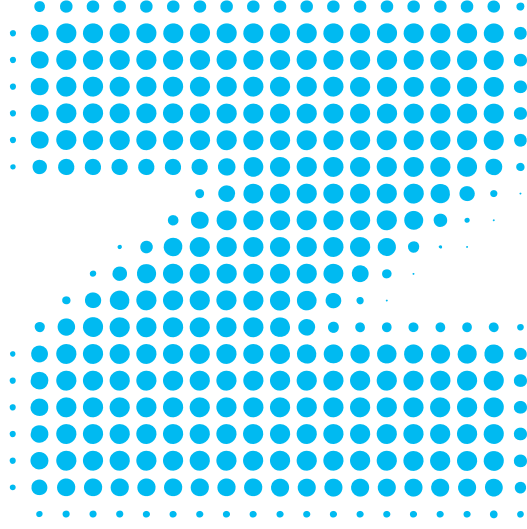
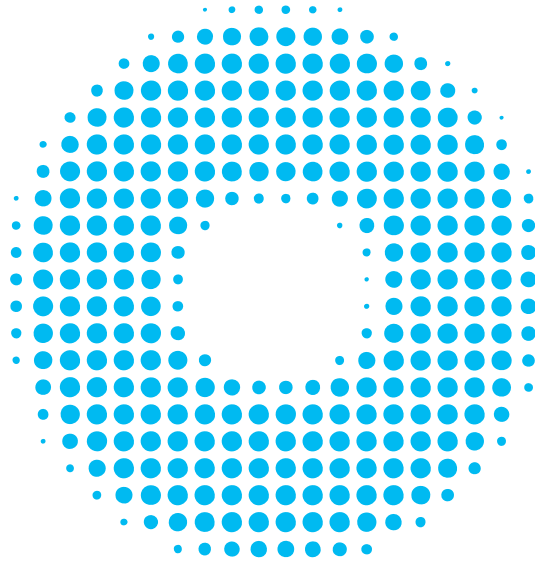


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Notice of Annual General Meeting 2013

Ten Network Holdings Limited
ABN: 14 081 327 068

Notice of Annual General Meeting 2013

TURN ON TEN

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Notice is given to the members of Ten Network Holdings Limited that the Annual General Meeting of the Company will be held at the Wesley Theatre, Lower Ground Floor, Wesley Centre, 220 Pitt Street, Sydney, New South Wales on Wednesday, 18 December 2013 at 11.00am.

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Letters to Shareholders

8 November 2013

Dear Shareholder,

I am pleased to invite you to attend the 2013 Annual General Meeting (AGM) Ten Network Holdings Limited (**Ten** or the **Company**).

The AGM will be held at the Wesley Theatre, Lower Ground Floor, Wesley Centre, 220 Pitt Street, Sydney on Wednesday 18 December 2013, commencing at 11.00am.

The following pages contain details on the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures.

In addition to the usual items of business, shareholders will be asked to consider a resolution to approve arrangements under which Ten has obtained from the Commonwealth Bank of Australia a \$200 million secured loan facility with no financial covenants, which will be guaranteed by three of Ten's major shareholders.

A separate letter from Mr David Gordon, as chairman of the Ten Independent Board Committee, follows this letter. That Committee, comprised of Directors of Ten who are not associated with the major shareholders providing guarantees, assessed the transaction on behalf of the other shareholders in Ten and oversaw the negotiation of the arrangements on which your approval is now being sought.

Three further resolutions are also proposed for consideration by our shareholders at this year's AGM. These resolutions relate to the establishment of the new Ten Executive Incentive Share Plan (**Plan**).


Your Board Remuneration Committee has designed a new incentive plan under which executives will be entitled to make application for new shares in Ten to be funded by way of loans from Ten. The Plan seeks to align the incentives for the relevant executives with those of shareholders generally, and will provide substantial longer term rewards to retain and motivate executives, as the executive team, led by our new CEO, Hamish McLennan, seeks to execute the Board-approved plans associated with the turnaround of the Ten business.

Full details are set out in the Explanatory Notes that accompany the Notice of Meeting.

Your Directors unanimously support the establishment of the Plan.

The AGM promises to be a significant milestone in Ten's new strategy and I look forward to seeing you at the AGM and welcome your support for the various matters to be considered at this meeting.

Yours sincerely,



Lachlan Murdoch
Chairman

8 November 2013

Dear Shareholder,

As the Chairman has indicated in the letter to Shareholders that appears earlier in this booklet, Resolution 4 of the Notice of Annual General Meeting seeks approval in relation to the arrangements associated with the \$200 million secured 'covenant-lite' loan facility obtained from the Commonwealth Bank of Australia (**CBA**) and guaranteed by three of Ten's major shareholders, Illyria Nominees Television Pty Limited (a company associated with Lachlan Murdoch), Consolidated Press Holdings Limited (a company associated with James Packer) and Birketu Pty Limited (a company associated with Bruce Gordon) (together referred to as the **Shareholder Guarantors**).

As this proposal involves some of Ten's major shareholders who are also associated with certain directors, the Ten Board formed a committee (the **Ten Independent Board Committee** or **IBC**), comprising Directors of Ten not associated with the Shareholder Guarantors, to assess the transaction on behalf of the other shareholders in Ten and oversee the negotiation of the arrangements.

Ten is currently in the midst of a significant turnaround of its business, but as a result of Ten's operating performance and continued market volatility, has been managing its turnaround within the constraints of financial covenants attached to its existing \$150m Senior Unsecured Notes and its existing but undrawn \$80m Revolving Cash Advance Facility. Without these covenants, Ten will have greater capacity to pursue its programming and turnaround strategies during this period of depressed and potentially volatile earnings.

The new CBA loan facility contains no financial covenants and provides Ten with the financial capacity to invest in new programming, which is essential to drive improvement in Ten's revenue and ultimately higher returns to Ten shareholders. That facility is supported by guarantees from the Shareholder Guarantors, who will receive a guarantee fee which, on maturity, can be taken in Ten shares at the election of each Shareholder Guarantor. Under the arrangements, if their guarantees are called, the Shareholder Guarantors also have the benefit of subrogation rights under which they may step into the position of CBA as the holder of security over the Ten group assets. (These arrangements, further described in this booklet, are referred to as the **Shareholder Reimbursement Transaction Agreements**.)

Approval of the terms of these arrangements will enable Ten to source funding under this advantageous new 'covenant-lite' \$200m loan facility, as announced on 17 October 2013. Resolution 4 to approve the Shareholder Reimbursement Transaction Agreements is explained in detail in the attached Notice of Meeting and Explanatory Notes.

The Board considers that the proposal, if approved by Shareholders, will better position the Company to advance its turnaround and growth strategy. Therefore, your Directors (with the exception of Lachlan Murdoch, Siobhan McKenna and Paul Mallam, each of whom is a Director nominated by a Shareholder Guarantor) (**Independent Directors**) are recommending that shareholders vote in favour of Resolution 4 relating to the approval of the Shareholder Reimbursement Transaction Agreements.

Shareholders may be assisted in deciding how to vote on the resolution by the Independent Expert Report accompanying the Notice of Meeting. The Ten Independent Board Committee engaged Deloitte Corporate Finance Pty Limited to provide an Independent Expert's Report on whether the Shareholder Reimbursement Transaction Agreements are fair and reasonable to shareholders not associated with the Shareholder Guarantors. The Independent Expert has concluded that the arrangements are fair and reasonable to these shareholders.

This is an important meeting for the future of your Company and, on behalf of the Independent Directors of Ten, I strongly urge you to carefully read the attached Notice of Meeting and either attend the meeting in person or lodge your vote either online or using the enclosed proxy form.

The Independent Directors unanimously support, and have committed to vote in favour of, Resolution 4.

Yours sincerely,



David Gordon

Chairman of the Ten Independent Board Committee

Notice of Annual General Meeting

TEN NETWORK HOLDINGS LIMITED ACN 081 327 068

Notice is given to the members of Ten Network Holdings Limited (the **Company** or **Ten**) that the annual general meeting of the Company will be held at the Wesley Theatre, Lower Ground Floor, Wesley Centre, 220 Pitt Street, Sydney, New South Wales on Wednesday, 18 December 2013 at 11.00am.

1. Accounts

To discuss the Financial Report of the Company and its controlled entities for the year ended 31 August 2013 and the Reports of the Directors and Auditors.

(see Explanatory Notes – Item 1)

2. Re-election of Directors

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

- (a) That Mr Paul Gleeson, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a Director.
- (b) That Mr David Gordon, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a Director.
- (c) That Mr Dean Hawkins, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a Director.
- (d) That Ms Christine Holgate, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a Director.

(see Explanatory Notes – Resolutions 2(a), (b), (c) and (d))

3. Remuneration Report

To adopt the Remuneration Report of the Company for the year ended 31 August 2013.

(see Explanatory Notes – Resolution 3)

4. Approval for grant of security over substantial assets and share conversion rights

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of ASX Listing Rules 7.1, 10.1 and 10.11, the Company approves the entry into, and performance by, the Company of the Shareholder Reimbursement Transaction Agreements under which the Company:

- (a) confers upon each of the Shareholder Guarantors subrogation rights which conditionally entitle each Guarantor to security interests over the assets and undertaking of the Company and its subsidiaries; and
- (b) agrees to pay guarantee fees to each of the Shareholder Guarantors which obligation may be satisfied by the issue of the number of ordinary shares in the Company determined under the agreements, as described in the Explanatory Notes accompanying the Notice of Meeting convening this meeting.

The Independent Expert's Report prepared by Deloitte Corporate Finance Pty Limited concludes that the Proposed Transaction, inclusive of the Shareholder Reimbursement Transaction Agreements, including in relation to the grant of security in respect of which the Shareholder Guarantors are given subrogation rights (referred to in paragraph (a) of the resolution above), is fair and reasonable to non-associated shareholders.

(see Explanatory Notes – Resolution 4)

5. Approval of the Ten Executive Incentive Share Plan for *Corporations Act* purposes

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That the Ten Executive Incentive Share Plan described in the Explanatory Notes to the Notice of Meeting is approved for the following purposes:

- (a) paragraph (b) of the definition of 'employee share scheme buy-back' in section 9 of the *Corporations Act*;
- (b) section 259B(2) of the *Corporations Act* (which relates to the Company taking security over its own shares); and
- (c) section 260C(4) of the *Corporations Act* (which relates to the Company or a subsidiary giving financial assistance to executives to acquire shares).

(see Explanatory Notes – Resolution 5)

6. Approval of the Ten Executive Incentive Share Plan for ASX Listing Rule 7.2 purposes

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That the issue of shares under the Ten Executive Incentive Share Plan described in the Explanatory Notes to the Notice of Meeting is approved, under Exception 9 in ASX Listing Rule 7.2, as an exception to ASX Listing Rule 7.1 (which limits the ability of the Company to issue more than 15% of its capital in any 12 months).

(see Explanatory Notes – Resolution 6)

7. Issue of shares to the Managing Director and Chief Executive Officer, Hamish McLennan, under the Ten Executive Incentive Share Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of ASX Listing Rule 10.14, approval is given for Hamish McLennan, Managing Director and Chief Executive Officer of the Company, to acquire up to 50,000,000 shares under the Ten Executive Incentive Share Plan as the long term incentive component of his remuneration for the financial years ending 31 August 2014, 31 August 2015 and 31 August 2016 and for all such shares to be issued no later than 17 December 2016.

(see Explanatory Notes – Resolution 7)

By order of the Board

Dated 8 November 2013

S T Partington

Company Secretary

Explanatory Notes to the Notice of Meeting

General

Any references to time in the Notice of Meeting, the Explanatory Notes or the Voting Form is a reference to Australian Eastern Daylight Time.

The meeting venue will open from 9.00am on Wednesday, 18 December 2013 for the distribution of voting papers.

A copy of the Constitution of the Company is available for inspection at the Registered Office of the Company located at 1 Saunders Street, Pyrmont, may be accessed on the corporate website at www.tencorporate.com.au or will be posted to any person so requesting in writing or by telephone to the Company Secretary on (02) 9650 1010 or by fax on (02) 9650 1368.

Entitlement to Vote

The Board has determined that, for the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at 7.00pm, on Monday, 16 December 2013. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

A voting form and self addressed envelope are enclosed with this notice of meeting. In the case of persons attending as a representative of a corporation, the notice of appointment should be produced prior to or at the time of admission to the meeting.

Direct Voting

Members may choose to vote on the resolutions to be considered at the meeting by lodging their votes with the Company prior to the meeting. This process, known as direct voting, enables members to exercise their voting rights without the need to attend the meeting or appoint a proxy.

Please note that a member who has cast a direct vote may attend the meeting. In such event, their attendance will cancel the direct vote unless the member instructs the Company or its security registry otherwise.

Proxies

A member may wish, in the alternative, to appoint a proxy to exercise their vote at the meeting.

A member, entitled to attend and cast 2 or more votes, is entitled to appoint not more than 2 proxies.

Where 2 proxies are appointed by a member, a member may specify the proportion or the number of votes each proxy is entitled to exercise. If the member does not specify that each proxy is appointed to represent a specified proportion of the member's voting rights, each proxy may exercise half the votes of the member.

A proxy need not be a member.

Voting exclusions

Resolution 3

Any undirected proxies held by a Director (other than the Chairman) or other Key Management Personnel or any of their Closely Related Parties will not be voted on Resolution 3 (Remuneration Report).

Key Management Personnel or **KMP** of the Company are the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's Remuneration Report identifies the Key Management Personnel for the financial year to 31 August 2013.

Closely Related Party, in relation to a member of the KMP, means the member's spouse, child or dependant (or a child or dependant of the member's spouse), anyone else in the member's family who may be expected to influence, or be influenced by, the member in the member's dealings with the Company and/or the Group, and any company that the member controls.

Please read the information under the heading 'Chairman as proxy for Resolutions 3, 5, 6 and 7' on page 7, which deals with the Chairman's voting of undirected proxies on Resolution 3.

Resolution 4

The Company will disregard any vote cast on Resolution 4 by:

- a Shareholder Guarantor;
- any person who may be issued shares of the Company under this Resolution; or
- an associate of any of them.

However, the Company need not disregard a vote cast as proxy for a person who is entitled to vote, and the vote is cast:

- in accordance with the directions on the proxy form; or
- by the Chairman of the meeting as proxy for a person entitled to vote in accordance with a direction on the proxy form to vote as the Chairman decides.

Resolutions 5, 6 and 7

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast by Hamish McLennan or any of his associates on Resolutions 6 and 7. The term 'associate' has the meaning given to it for the purposes of ASX Listing Rule 14.11.

In accordance with the *Corporations Act*, the Company will disregard any votes **cast as a proxy** on Resolutions 5, 6 and 7 by:

- (a) any member of the KMP; or
- (b) a Closely Related Party of any member of the KMP.

However, the Company will not disregard any such vote if:

- it is cast by any person referred to above as proxy for a person who is entitled to vote on the Resolution, in accordance with a direction in the proxy appointment specifying how the proxy is to vote on the Resolution; or
- it is cast by the Chairman of the meeting as proxy for a person who is entitled to vote on the Resolution where the proxy appointment authorises the Chairman to vote as he decides on the Resolution (even though the Resolution is connected with the remuneration of a member of the KMP).

Please read the information under the heading 'Chairman as proxy for Resolutions 3, 5, 6 and 7' on page 7, which deals with the Chairman's voting of undirected proxies on these Resolutions.

If you are a member of the KMP or a Closely Related Party of any such person, you may be held liable for breach of the voting restrictions in the *Corporations Act* if you cast a vote that the Company will disregard.

KMP and Closely Related Parties may vote in respect of their own holdings on these Resolutions (other than Mr McLennan and his associates in respect of Resolutions 6 and 7).

Chairman as proxy

If you appoint a proxy, the Company encourages you to consider directing them how to vote by marking the appropriate box on the proxy form for each of the proposed Resolutions.

Chairman as proxy for Resolutions 2(a), (b), (c), (d)

The Chairman of the Board (Mr Murdoch) will also chair the meeting (other than in respect of Resolution 4). If you appoint the chairman of the meeting as your proxy (or the chairman becomes your proxy by default), you will appoint Mr Murdoch to vote as your proxy on these Resolutions. If you do not direct your proxy how to vote on any of these Resolutions, you will be authorising Mr Murdoch to vote as he decides on the relevant Resolution(s). Mr Murdoch intends to vote, as your proxy, in favour of the re-election of each of the Directors standing for re-election.

Chairman as proxy for Resolution 4

The Board has determined that David Gordon, as Chairman of the Independent Board Committee (refer Explanatory Notes for Resolution 4), will chair the Meeting at the time of voting on this Resolution. If you appoint the chairman of the meeting as your proxy (or the chairman becomes your proxy by default), you will appoint Mr Gordon to vote as your proxy on this Resolution. If you do not direct your proxy how to vote on this Resolution, you will be authorising Mr Gordon to vote as he decides on this Resolution. Mr Gordon intends to vote, as your proxy, in favour of this Resolution.

Chairman as proxy for Resolutions 3, 5, 6 and 7

If you appoint the chairman of the meeting as your proxy (or the chairman becomes your proxy by default) and you do not direct your proxy how to vote on any of these Resolutions, you will be authorising the chairman to vote as he decides on the relevant Resolution (even though Resolutions 3, 5, 6 and 7 are connected with the remuneration of members of the KMP). On a poll, Mr Murdoch intends to vote, as your proxy, in favour of each of the proposed Resolutions (where permissible).

If you do not want the chairman of the meeting to vote, as your proxy, in favour of any Resolution, you need to direct your proxy to vote against, or to abstain from voting on, the relevant Resolution by marking the appropriate box on the proxy form.

Custodians and nominees

Custodians and nominees may identify on the voting form the total number of votes in each of the boxes 'For', 'Against' and 'Abstain' for each Resolution in the voting form, subject to the Company's satisfaction.

Completion and lodgement of voting form

A voting form must be signed by the member or the member's attorney, or if a corporation, be executed in accordance with its Constitution and the *Corporations Act* or in such other manner as the Chairman in his or her discretion considers sufficient. Where two or more persons are registered as a member, each person must sign.

The voting form and a power of attorney (if any) under which it is signed, or a notarially certified copy of the power, must be deposited at, or faxed to, Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 (fax no. +612 9287 0309) or you may lodge your vote on-line at www.linkmarketservices.com.au in each case by no later than 11.00am (Australian Eastern Daylight Time) on Monday 16 December 2013.

Explanatory Notes to the Notice of Meeting

continued

EXPLANATORY NOTES

Item 1 – Accounts

The Financial Report of the Company and its controlled entities, together with the associated reports, may be accessed on the corporate website at www.tencorporate.com.au.

Resolutions 2(a), (b), (c) and (d) – Re-election of Directors

Profiles of each of the candidates standing for re-election are set out below.

(a) Mr Paul Gleeson

Director of the Company since 16 February 1998. He is a member of the Institute of Chartered Accountants in Australia.

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

Other Current Australian Listed Company Directorships: NIL

Former Australian Listed Company Directorships in last 3 Years: NIL

Board recommendation

The Directors (other than Mr Gleeson) unanimously recommend that you vote in favour of this resolution.

(b) Mr David Gordon

Director of the Company since 1 April 2010.

Mr Gordon is also a member 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 also a director of RCG Corporation. He holds a Bachelor of Commerce and a 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: NIL

Board recommendation

The Directors (other than Mr Gordon) unanimously recommend that you vote in favour of this resolution.

(c) Mr Dean 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 17 years. Mr Hawkins is Chairman, International News Network Limited, Chairman of the Advisory Board at Skins Global Holdings AG, a non-executive director of I-Med Australia Pty Limited and Apparel Group Pty Limited, and a strategic advisor to the media and telecommunications industries. 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: NIL

Former Australian Listed Company Directorships in last 3 Years: NIL

Board recommendation

The Directors (other than Mr Hawkins) unanimously recommend that you vote in favour of this resolution.

(d) Ms Christine Holgate

Director of the Company since 1 April 2010.

On 22 February 2012 Ms Holgate was appointed 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 (from November 2008 to current)

Former Australian Listed Company Directorships in last 3 Years: Nil

Board recommendation

The Directors (other than Ms Holgate) unanimously recommend that you vote in favour of this resolution.

Resolution 3 – Remuneration Report

The Remuneration Report of the Company for the year ended 31 August 2013 forms part of the Directors' Report in the Financial Report of the Company, a copy of which may be accessed on the corporate website at www.tencorporate.com.au

The *Corporations Act* requires that a resolution that the Remuneration Report be adopted, must be put to the vote. The vote on this resolution is advisory only and does not bind the Directors or the Company.

The Directors will consider the outcome of the vote and the comments made by members on the Remuneration Report at the meeting, when reviewing the remuneration policies of the Company and its related entities.

Resolution 4 – Approval for grant of security over substantial assets and share conversion rights

4.1 Background to shareholder guarantee, granting of security and guarantee fee conversion rights

Ten has negotiated with the Commonwealth Bank of Australia (**CBA**) as to the terms of a facility agreement providing for CBA to advance to Ten up to \$200 million (**Loan Facility Agreement** or the **CBA Loan Facility**). The Loan Facility Agreement provides Ten with funding with no financial covenants for up to four years. To secure its repayment obligations under the Loan Facility Agreement, Ten is granting CBA security over most of the assets and undertaking of Ten and its subsidiaries.

Ten is currently operating under financial covenants attached to the existing \$150m Senior Unsecured Notes and the undrawn \$80m Revolving Cash Advance Facility. As a result of Ten's operating performance and continued market volatility, it is managing costs and undertaking other initiatives to remain within these covenants. Without these covenants, Ten will have greater capacity to pursue its programming and turnaround strategies during this period of depressed and potentially volatile earnings.

As a condition of providing funding under the 'covenant-lite' terms of the Loan Facility Agreement, CBA has required that guarantees be put in place to secure the obligations of Ten under the Loan Facility Agreement. Three substantial shareholders of Ten have each agreed severally to act as guarantors and to provide these guarantees to support Ten's obligations. These are Illyria Nominees Television Pty Limited as trustee of Illyria Investment Trust (No. 4) (**Illyria**), Consolidated Press Holdings Limited (**CPH**) and Birketu Pty. Ltd. (each, a **Shareholder Guarantor**).

Illyria is an entity controlled by Ten's chairman, Lachlan Murdoch, and has a direct holding of 8.94% of the ordinary shares in Ten. Illyria is an associate of CPH by reason of an agreement entered into between them on 23 November 2010, under which they proposed to act in concert in relation to the exercise of votes attached to their shares and to agree customary pre-emptive rights. CPH also has a direct holding of 8.94%. The association between CPH and Illyria renders each of them substantial holders of 17.88%. Birketu Pty Limited is an entity controlled by Bruce Gordon and has a substantial holding of 14.89%.

In consideration for the Shareholder Guarantors agreeing to guarantee the obligations of Ten under the Loan Facility Agreement, each of the Shareholder Guarantors will be entitled:

- to be paid fees for the provision of its guarantee, which fees may by its election be satisfied by the issue of shares;
- to be reimbursed for any payments made by it to CBA following a claim under the guarantees.

The Shareholder Guarantors will also be entitled to be subrogated to CBA's position to the extent of any payments made to CBA following a claim under the guarantees, which includes the right to the security granted in favour of CBA to secure obligations under the Loan Facility Agreement.

The agreements under which Ten confers these entitlements comprise the shareholder guarantee reimbursement deed, each shareholder's guarantee and the Ten group security agreements (collectively the **Shareholder Reimbursement Transaction Agreements**).

4.2 Why is Ten seeking shareholder approval?

The rights of the Shareholder Guarantors to be subrogated to CBA have the effect that the Shareholder Guarantors are conditionally being granted the same security interests as CBA.

The agreement by Ten to grant security over Ten group assets and undertakings to the Shareholder Guarantors, even though conditional, is regulated as a related party transaction under ASX Listing Rule (**LR**) 10.1. In accordance with this rule, Ten must obtain prior shareholder approval before it can agree to grant this security (see section 4.6). Ten seeks this approval under Resolution 4.

Under the same resolution, Ten is seeking approval of the grant, and exercise, of the right of each Shareholder Guarantor to elect to have its guarantee fees converted in whole or part into ordinary shares in Ten for the purpose of LR 10.11 and 7.1.

LR 10.11 requires Ten to obtain prior shareholder approval of the grant of a right to shares in Ten to any of its 'related parties'. The related parties of Ten include Illyria on the basis that it is controlled by Lachlan Murdoch, Chairman of Ten (see section 4.7).

LR 7.1 is the rule which limits the capacity of Ten to issue, in any 12 month period, new securities to a maximum of 15% of the number of shares on issue 12 months before the date of the issue of the new securities, subject to exceptions including where shareholder approval has been given for the issue of those new securities. The approval of the grant (and exercise) of the conversion rights to the Shareholder Guarantors has the effect that the shares issued under the guarantee fee conversion rights will not count towards the 15% limit in future years (Section 4.8).

Shareholder approval of the Shareholder Reimbursement Transaction Agreements is also a condition precedent to the implementation of these arrangements. In other words, even though the Loan Facility Agreement is not itself subject to shareholder approval, Ten cannot source funding under that facility without the shareholder approval of the Shareholder Reimbursement Transaction Agreements.

4.3 Potential advantages for Ten of the CBA Loan Facility and Shareholder Reimbursement Transaction Agreements

As explained above, the CBA Loan Facility is conditional on shareholder approval of the Shareholder Reimbursement Transaction Agreements. Ten sees the following advantages from proceeding with these agreements:

(a) Investment in programming

The CBA Loan Facility provides Ten with the financial capacity to invest in new programming, which is essential to improving ratings, revenue share and earnings.

Over 2008-2011, Ten maintained a revenue share of 28.4% and average Television EBITDA of \$175m. From 2012, revenue share has declined to 23.5% and for the first part of 2013 has averaged 21.9%. Similarly, Television EBITDA has also been impacted and for 2013 was \$46.1m.

Explanatory Notes to the Notice of Meeting

continued

(b) No financial covenants

Declining earnings have reduced the available headroom under the financial covenants to which Ten is subject under its current financing arrangements, being the \$150m Senior Unsecured Notes and the \$80m Revolving Cash Advance Facility. The Company has managed costs and is undertaking initiatives to remain within these covenants. However, with little covenant headroom, a minor adverse movement in earnings could make it difficult for Ten to remain in compliance with those covenants. With the market continuing to be volatile and with earnings visibility short, Ten has taken the proactive step to move to a facility without financial covenants to alleviate this pressure.

The CBA Loan Facility will give Ten the capacity to operate the business and invest in programming during this period of depressed earnings.

(c) Management focus

Given the limited headroom under the financial covenants over the last 18 months, Ten's business has been managed with a focus on ensuring financial covenants were met. This has taken significant management time and focus away from running Ten's core business. It has also resulted in decisions being made in relation to new programming launches with a view to managing short term covenant compliance issues rather than the longer term interests of Ten's business and its shareholders.

Under the terms of the new Loan Facility Agreement, Ten will not have financial covenants to meet and Ten management will be able to focus the operating side of the business to drive long term shareholder returns.

(d) Available source of funding

Given Ten's current level of earnings, coupled with continued market volatility and short earnings visibility, the sources of available funding for Ten are limited. Further, given the difficulties of operating within covenants during a period of depressed earnings, Ten is of the view that it is appropriate for any such funding to not be constrained by financial covenants.

Following careful consideration of various potential sources of 'covenant-lite' funding, including receiving external advice from Citigroup Global Markets Australia Pty Limited, the Directors of Ten concluded that the cost and execution risk associated with each potential source of funding (other than the CBA Loan Facility) made them unpalatable. In contrast, the CBA Loan Facility provides Ten with certainty of funding, at a cost that is considerably lower than the potential alternatives. The CBA Loan Facility is only available to Ten due to the support of the Shareholder Guarantors, by their willingness to guarantee the obligations of Ten under the Loan Facility Agreement.

Similarly, Ten assessed the acceptability of undertaking a further equity capital raising to address the covenant pressures. The conclusion was that an equity raising was not an appropriate option given the potential dilution for non-participating shareholders and the fact that Ten has already called on the market for equity twice over the last 18 months.

(e) Attractive pricing and terms

The costs of the CBA Loan Facility, together with the associated Shareholder Reimbursement Transaction Agreements, is materially below that which Ten would have been able to achieve for a facility without financial covenants from other sources of debt financing. The Company assessed various sources of financing, which based on Ten's current credit profile, would attract a cost well above the CBA Loan Facility and associated Shareholder Reimbursement Transaction Agreements.

Further, the establishment fees, commitment fees, interest costs and the guarantee fee associated with the CBA Loan Facility and associated Shareholder Reimbursement Transaction Agreements are not payable until the expiry of those arrangements (with those fees being capitalised in the interim). This further enables the Company to conserve cash and ensure resources are available to be applied to appropriate investments in programming.

(f) Enables Ten to implement temporary funding

The CBA Loan Facility is readily prepayable at any time. Ten has the flexibility to replace the CBA Loan Facility (and associated Shareholder Reimbursement Transaction Agreements) with a traditional corporate style facility if, and as soon as, earnings recover and sufficient covenant headroom is established.

(g) Support of Ten's Independent Board Committee

The Ten Independent Board Committee (IBC), consisting of David Gordon (Chair), Brian Long, Paul Gleeson, Dean Hawkins, Jack Cowin and Christine Holgate, unanimously support the CBA Loan Facility and associated Shareholder Reimbursement Transaction Agreements and recommend that you vote in favour of Resolution 4.

(h) Opinion of Independent Expert

In accordance with LR 10.1, accompanying this Notice at Annexure A is an Independent Expert's Report prepared by Deloitte Corporate Finance Pty Limited providing a detailed analysis of the proposed transaction. The report concludes that the Proposed Transaction, inclusive of the Shareholder Reimbursement Transaction Agreements, including in relation to the grant of security in respect of which the Shareholder Guarantors are given subrogation rights, is fair and reasonable to non-associated shareholders. Please refer to the Independent Expert's Report at Annexure A of this Notice for further details.

A copy of the Independent Expert's Report may also be accessed on the corporate website at www.tencorporate.com.au or will be posted (at no cost) to any member so requesting in writing or by telephone to the Company Secretary on (02) 9650 1010 or by fax on (02) 9650 1368.

4.4 Potential disadvantages of the transaction

(a) Risk that security over Ten's assets granted to Shareholder Guarantors may be enforced

Failure of Ten to satisfy a reimbursement obligation under the Shareholder Reimbursement Transaction Agreements (as described in section 4.9(b)), would confer upon those Shareholder Guarantors certain rights as beneficiaries to the security interests over the assets of Ten and its subsidiaries. This may lead to the Shareholder Guarantors having the right to enforce that security and appoint a receiver which may conduct a sale of Ten group assets in which the Shareholder Guarantors may participate.

(b) Potentially dilutive if guarantee fee taken as scrip

The Shareholder Guarantors can elect to receive the guarantee fee in scrip (ordinary shares) rather than cash on the maturity of the CBA Loan Facility and Shareholder Reimbursement Transaction Agreements. If exercised, this conversion into ordinary shares has the potential to dilute existing shareholders.

The conversion rights are restricted to the guarantee fee and not the face value of the guarantee. As a result, the level of dilution will ultimately depend on how long the CBA Loan Facility is outstanding, the aggregate value of the guarantee fee, the conversion price and the election of the Shareholder Guarantors.

(c) Costs of the CBA Loan Facility and Shareholder Reimbursement Transaction Agreements

The aggregate cost of the CBA Loan Facility and the Shareholder Reimbursement Transaction Agreements is higher than Ten's existing debt. This reflects the deterioration in Ten's earnings since the \$150m Senior Unsecured Notes were put in place and the fact that both the \$150m Senior Unsecured Notes and the \$80m Revolving Cash Advance Facility have financial covenants. The CBA Loan Facility Agreement does not have financial covenants. Ten is not in a position to secure debt at the same cost as it currently enjoys.

(d) May reduce future funding flexibility

The granting of security over the assets of Ten may reduce Ten's flexibility of raising funds in the future.

4.5 Implications if the Shareholder Reimbursement Transaction Agreements are not approved

The IBC considers that proceeding with the CBA Loan Facility and Shareholder Reimbursement Transaction Agreements (if approved) would represent a positive outcome for Ten shareholders.

If Resolution 4 is not passed, or the transaction does not proceed for any reason, Ten will not be able to source funding under the CBA Loan Facility. The IBC considers that there will be a significant lost opportunity cost for the shareholders as a result of Ten not having access to the CBA Loan Facility.

(a) Ten will not be able to proceed with new programming initiatives

Ten requires access to funding that is not constrained by financial covenants to facilitate investment in new programming initiatives in order to arrest the decline in Ten's revenue share and drive higher returns to shareholders in the longer term. Without the CBA Loan Facility, Ten will be unable to continue to implement its new strategic programming direction and there will be increased risk of breaching financial covenants given the reduced covenant headroom.

(b) Ten will continue to manage its business under covenant constraints

If the Shareholder Reimbursement Transaction Agreements are not approved, or the CBA Loan Facility does not proceed for any reason, Ten's management will need to continue to manage its business with a focus on meeting short term covenants.

Given current operating conditions and recent performance, there is no guarantee that Ten will be able to meet covenants. If existing covenants were breached, Ten's existing financiers may request the immediate repayment of outstanding debt, resulting in the potential for Ten to consider the limited sources from which it could secure new funding, including another equity raising.

(c) Ten will need to seek alternative financing opportunities

If the transaction is not approved, or does not proceed for any reason, Ten will need to seek alternative financing means to proceed with its programming strategy and to alleviate covenant pressure. Given the inaccessibility of traditional debt financing markets (as described in section 4.3(d)), it is unlikely that Ten would be able to secure 'covenant-lite' funding, and it is considered likely that any source of funds that may be available on 'covenant-lite' terms would come at a considerably higher cost to Ten and Ten may risk not being able to refinance successfully. In the event that funding through an equity issue was undertaken, this course of action would result in considerable dilution to non-participating shareholders.

4.6 Listing Rule (LR) 10.1

LR 10.1 regulates a listed entity providing an asset as collateral to:

- a related party, including a director of the listed entity or an entity controlled by that director; or
- a substantial holder, if the person and the person's associates have a relevant interest or had a relevant interest at any time in the six months before the transaction in at least 10% of the total votes attaching to the voting securities.

The rule requires prior shareholder approval of the transaction by which collateral is provided if the asset which comprises collateral has a value equivalent to 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules. The threshold is a simple majority of votes of disinterested voters voting at the meeting in person or by proxy.

Ten seeks approval under LR 10.1 because:

- the effect of the Shareholder Reimbursement Transaction Agreements includes, by virtue of the subrogation rights conferred on them, conditional agreement by Ten to provide collateral over assets of Ten and its subsidiaries to the Shareholder Guarantors, which assets are valued at more than 5% of the equity interests of Ten; and
- each of the Shareholder Guarantors is currently a substantial holder with a substantial holding in excess of 10%. In addition, Illyria is an entity controlled by a Director.

4.7 LR 10.11

LR 10.11 regulates a listed entity issuing or agreeing to issue equity securities to a related party including a director of the listed entity or an entity controlled by that director.

The rule requires prior shareholder approval of the transaction. The threshold is a simple majority of votes of disinterested voters voting at the meeting in person or by proxy.

Ten seeks approval under LR 10.11 because Illyria may be issued ordinary shares in Ten and is an entity controlled by a Director.

4.8 LR 7.1

LR 7.1 regulates a listed entity issuing or agreeing to issue equity securities if those equity securities will, when aggregated with the equity securities issued or agreed to be issued by that entity during the previous 12 months, exceed 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period. Shareholder approval is required unless an exception applies.

For the purposes of LR 7.1, the effect of passing Resolution 4 is that grant of the guarantee fee conversion rights to the Shareholder Guarantors will not count towards the Ten's 15% capacity under that rule. In other words, Ten's capacity will be the same as if the guarantee fee conversion rights had not been granted.

It is not currently anticipated that the shares issued under exercise of the guarantee fee conversion rights would likely amount to a significant proportion of the 15% permitted capacity (see section 4.9(d) for examples where the aggregate used capacity is 2.5%, 2.8% and 3.5%). However the benefit of shareholder approval under this rule is that the grant of the conversion rights will not limit Ten's future flexibility to raise capital involving the grant or issue of equity securities. Currently, Ten does not intend to undertake any further issue of securities other than as contemplated by Resolutions 5 to 7 and the Explanatory Notes in relation to those resolutions. The Board will only decide to issue further equity securities if it considers it is in the best interests of Ten to do so.

Explanatory Notes to the Notice of Meeting

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If Resolution 4 is not passed by shareholders, Ten would, in calculating the number of securities it may issue without shareholder approval, need to deduct the number of ordinary shares which may be issued on exercise of the guarantee fee conversion rights.

The threshold for approval for the purposes of LR 7.1 is a simple majority of votes of disinterested voters voting at the meeting in person or by proxy.

4.9 Shareholder Reimbursement Transaction Agreements

The key terms of the Shareholder Reimbursement Transaction Agreements are as follows:

(a) Guarantee, term and release

- Under the guarantees, each Shareholder Guarantor agrees to guarantee severally as to one third, the obligations of Ten under the Loan Facility Agreement. This means that if an event of default occurs under the Loan Facility Agreement during the term, CBA may claim on the guarantees given by those guarantors and the payments made by the guarantors will be applied to meet Ten's obligations to CBA. An event of default includes insolvency, default in payment and breach of warranties and undertakings.
- The guarantees are given for the term of the Loan Facility Agreement, which is proposed to be 4 years. They may be released earlier than completion of the 4 year term if there is a repayment or refinancing of the loan under the Loan Facility Agreement or a Facility Restructure Event under the Loan Facility Agreement. A Facility Restructure Event is triggered upon meeting various measures of improved financial performance, including achieving annual EBITDA of \$55 million, a Leverage Ratio (debt to EBITDA as defined in paragraph (c) below) equal to or below 2.50x and an Interest Cover Ratio (EBITDA to interest expense) equal to or above 4.0x.
- If a Shareholder Guarantor defaults in meeting its guarantee obligations, the Shareholder Guarantor will not have rights to step into the securities.

(b) Reimbursement

- Ten agrees to reimburse the Shareholder Guarantors for any payments made by them to CBA under the guarantees and applied to meet Ten's obligations under the Loan Facility Agreement.

(c) Guarantee fee and conversion into ordinary shares

- In consideration for providing the guarantee, Ten will agree to pay each Shareholder Guarantor a guarantee fee calculated on the full amount of the guarantee, being in each case a one-third share of the total amounts available under the CBA Loan Facility. The guarantee fee will be due and payable on maturity of the guarantee or upon earlier release. This fee will accrue at the rate of 3.50% per annum, compounding six monthly over the term of the guarantee up to 31 August 2015, and at a variable rate compounding six monthly for the remainder of its term. This variable rate is calculated on the first day of each six month period to which the variable rate applies, and is based on the Leverage Ratio of Ten such that:

- if the Leverage Ratio is 4.00x, the guarantee fee rate will be 3.00% per annum;
- for every 0.50x movement in the Leverage Ratio from 4.00x, there will be a corresponding increase or decrease in the guarantee fee rate by 0.30% from 3.00% per annum; and
- the maximum guarantee fee rate will be 5.40% per annum,

In this context, the Leverage Ratio means the ratio of A:B and:

A = the principal amount of all consolidated debt of the Ten group; and

B = EBITDA of the Ten group in respect of the preceding 12 month period.

Also, if Ten breaches its obligations under the Shareholder Reimbursement Transaction Agreements, the rate at which the guarantee fee would otherwise accrue will be increased by 1.00% per annum.

Under the Shareholder Guarantee Reimbursement Deed, as further consideration for providing the guarantee, each Shareholder Guarantor is granted the right to elect whether the guarantee fee will be paid to it in cash or converted into ordinary shares in Ten.

(d) Guarantee fee and conversion into ordinary shares

- The rights granted to the Shareholder Guarantors under the Shareholder Guarantee Reimbursement Deed to convert the guarantee fee into ordinary shares are, like other arrangements under the Shareholder Reimbursement Transaction Agreements, conditional on shareholder approval and if, and as soon as practicable after, shareholder approval is given, the rights will be 'issued' and entered in a register established by Ten under the *Corporations Act* for the purpose of recording each Guarantor Shareholder as holder of its right.
- The rights will operate such that if a Shareholder Guarantor exercises its right to receive the guarantee fee as ordinary shares in Ten, the number of ordinary shares to be issued to the Shareholder Guarantor will be calculated using the following conversion price:
 - in respect of that part of the guarantee fee which accrued up to 31 August 2015, the volume weighted average price (**VWAP**) for Ten ordinary shares on the ASX for the 10 ASX trading days prior to the date of the 2013 Ten AGM; and
 - in respect of that part of the guarantee fee which has accrued from and including 1 September 2015, for the portion which accrued in each consecutive 6 month period (or part thereof) from and including 1 September 2015, the VWAP for Ten ordinary shares on the ASX for the first 10 ASX trading days of that 6 month period (or part period).

By way of illustration only, see below for examples of the application of the conversion formula if all Shareholder Guarantors exercised their conversion rights, there has been no change in Ten's issued ordinary shares before conversion and the guarantee fee rate was consistent with Ten's financial performance meeting management's 'Budget Case' (as described in the Independent Expert Report).

VWAP prior to 2013 Ten AGM	\$0.270	\$0.270	\$0.270
VWAP in all subsequent periods	\$0.170	\$0.270	\$0.370
Total shares issued	89.9	72.6	64.7
% shares outstanding (pre issue)	3.5%	2.8%	2.5%
% shares outstanding (post issue)	3.4%	2.7%	2.4%
Shares issued to each Shareholder Guarantor	30.0	24.2	21.6
% ownership increase per Shareholder Guarantor	1.1%	0.9%	0.8%

(The number and percentage of shares issued if all Shareholder Guarantors exercise their conversion rights may in fact vary significantly from the examples above as Ten's share price may vary significantly during the period before any conversion rights are exercised and actual results may vary significantly from management's 'Budget Case'.)

To the extent that a Shareholder Guarantor elects to receive its guarantee fee in shares rather than cash, Ten will use the cash for its general corporate purposes which may include funding partial repayment of funds advanced under the Loan Facility Agreement (or any replacement facility).

(e) Security and effect of enforcement

- To secure Ten's obligations to CBA under the Loan Facility Agreement, Ten and its subsidiaries are also granting to CBA security over most of their respective assets and undertakings.
- This means that if Ten does not meet its repayment obligations, CBA may claim under the guarantees. Should one or more of the Shareholder Guarantors fail to pay CBA under its guarantee, CBA may choose to enforce the security Ten has granted to CBA over the assets and undertakings of Ten and its subsidiaries.
- In addition to the Shareholder Guarantors' reimbursement rights, the Shareholder Guarantors will also have an entitlement to be subrogated to CBA's position to the extent of any payments they make to CBA under the guarantees. This entitlement includes a right to the security which CBA has been granted to secure the loan.
- If the security is enforced, whether by CBA or by the Shareholder Guarantors as a result of their subrogation rights, the enforcement may be by appointment of a receiver to sell the assets and undertakings of Ten and its subsidiaries. The Shareholder Guarantors may participate in any sales process and may potentially acquire assets under a sale process, subject to compliance with any applicable legislation, such as the *Broadcasting Services Act*.
- No Shareholder Guarantor will be entitled to enforce any of the security until that Shareholder Guarantor has met in full its guarantee obligations to CBA. Accordingly, CBA will also be a beneficiary of the security such that, if one or more of the Shareholder Guarantors fails to pay amounts owing to CBA under its guarantee, then CBA will be entitled to a share of the proceeds of any enforcement of security.

(f) Review events

- Ten has agreed to various **review events** under the Shareholder Reimbursement Transaction Agreements, which include the making of non-ordinary course acquisitions or disposals, the entry into of further financing guarantee or security arrangements or the incurring of material operating expenses not approved under annual business plans and budgets. The consequences of a review event include the guarantee fee rate increasing 1%.

4.10 Directors' interests and effect on control

The Directors of Ten (other than those connected with the Shareholder Guarantors) do not consider that the Shareholder Reimbursement Transaction Agreements will have any material implications for control of the shares of Ten:

- The arrangements with CBA and under the Shareholder Reimbursement Transaction Agreements have been structured so that CBA transacts with each Shareholder Guarantor individually and that, if the Shareholder Guarantors become entitled, through their subrogation rights to make decisions under the securities, they will do so through a voting mechanism which is administered by the independent trustee.
- The 'review event' provisions in the Shareholder Reimbursement Transaction Agreements do not confer control over the operation by Ten of its business.
- Any exercise of guarantee fee conversion rights at the end of the term of the guarantee which may result in a Shareholder Guarantor having voting power in excess of 20% would need to comply with the takeovers provisions in the *Corporations Act* at that time. Under those provisions, there would be limited circumstances in which the Shareholder Guarantor acquirer may be in a position to acquire shares under the conversion rights taking their voting power over 20% without a shareholder vote or shareholder participation. The circumstances in which the Shareholder Guarantor may be permitted to do so would be if the acquisition was a 'creeping acquisition'. This would be where the acquisition of shares increased the Shareholder Guarantor's voting power up to a limit of 3% above its voting power level 6 months previously and the Shareholder Guarantor had continuously held voting power of at least 19% for the preceding 6 months.

4.11 Independent Expert's report

The IBC requested Deloitte Corporate Finance Pty Limited to provide the Independent Expert's report advising whether, in their opinion, the Shareholder Reimbursement Transaction Agreements under which Ten and its subsidiaries will grant security interests to each of the Shareholder Guarantors over their respective assets and undertakings, are fair and reasonable to disinterested shareholders. The report is designed to assist all shareholders that are entitled to vote with their decision whether to vote in favour of Resolution 4.

4.12 Alternatives considered

The Directors considered, in conjunction with external advice from Citigroup Global Markets Australia Pty Limited, a range of alternatives to the proposed CBA Loan Facility and associated Shareholder Reimbursement Transaction Agreements, including doing nothing or alternative sources of financing (as described in section 4.3(d)).

Explanatory Notes to the Notice of Meeting

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4.13 Directors' recommendations on Resolution 4

The Directors of the Company (with the exception of Lachlan Murdoch, Siobhan McKenna and Paul Mallam) have considered the advantages and disadvantages of the proposed transaction (referred to in sections 4.3 and 4.4) and unanimously recommend that Shareholders vote in favour of the Resolution.

This is for the following reasons:

- The proposed CBA Loan Facility will allow Ten to invest in programming for the future and implement its turnaround strategy to drive higher long-term revenue share and shareholder returns;
- The proposed CBA Loan Facility is 'covenant-lite', providing Ten with the capacity to operate the business and invest in programming during this period of depressed earnings;
- Freedom from financial covenant pressures will allow management to focus on Ten's core business and make operating decisions which are in best interest of Ten's business and shareholders in the long term;
- If shareholder approval is not obtained, or the CBA Loan Facility does not proceed for any reason, Ten may need to seek alternative opportunities to proceed with its planned programming strategy and alleviate covenant pressure. Given the inaccessibility of traditional debt financing markets, Ten may need to find an alternative structured debt facility, which may not be available or may only be available at a significantly higher cost than the proposed CBA Loan Facility and Shareholder Reimbursement Transaction Agreements.

Lachlan Murdoch is both a Director of the Company and the controller of Illyria. Lachlan Murdoch declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of this resolution.

Siobhan McKenna is both a Director of the Company and a nominee of CPH and is managing partner of Illyria. Siobhan McKenna declines to make a recommendation to Shareholders in relation to Resolution 4 due to a conflict of interest.

Paul Mallam is both a Director of the Company and a nominee of Birketu. Paul Mallam declines to make a recommendation to Shareholders in relation to Resolution 4 due to a conflict of interest.

Resolution 5 – Approval of the Ten Executive Incentive Share Plan for Corporations Act purposes

5.1 Introduction

Approval is being sought for the Ten Executive Incentive Share Plan (**Plan**) described below for the purposes of:

- paragraph (b) of the definition of 'employee share scheme buy-back' in section 9 of the *Corporations Act*;
- section 259B(2) of the *Corporations Act* (which relates to the Company taking security over its own shares); and
- section 260C(4) of the *Corporations Act* (which relates to the Company or a subsidiary giving financial assistance to executives to acquire shares).

The significance of these approvals is discussed in sections 5.4, 5.5 and 5.6 after information about the Plan.

5.2 New incentive scheme

The Company's existing long term incentive plan has been suspended since the 2011/12 financial year pending a review by the Ten Remuneration Committee of an appropriate incentive structure.

The Company has decided to implement a new incentive scheme 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.

The long term component comprises the other 75% of the maximum contracted total incentive. Under the Plan, eligible senior executives will be 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 will be issued at market value shortly after this year's annual general meeting and on or around the commencement of later financial years. The number of Loan Funded Shares to which a senior executive is entitled will be 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, as discussed below.

The market value of the Company's shares will be the volume weighted average price on the ASX during the one week period up to and including the issue date.

The fair value will be determined by the Remuneration Committee after taking advice from the Company's external remuneration advisors. Presently, it is anticipated that the fair value of a Loan Funded Share will approximate the value of an option over the share calculated as of the issue date for that share using a binomial model that incorporates the impact of such things as share price on issue date and potential volatility of the Company's shares over the life of the loan.

The Company or a subsidiary will lend the amount required to be subscribed for the Loan Funded Shares at market value and the amount lent is then returned to the Company as the share issue price for the Loan Funded Shares.

5.3 Overview of the Plan

Under the Plan, eligible senior executives will be permitted to borrow money to subscribe for new Loan Funded Shares to be issued by the Company.

Interest will be 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 Loan Funded Shares may be subject to conditions which need to be satisfied prior to their release from the Plan. The present intention is that the release of the Loan Funded Shares will be conditional on satisfaction of performance hurdles at the end of a performance period (presently intended to be 3 years). To the extent that the conditions applicable to Loan Funded Shares are met, the Loan Funded Shares will be able to be withdrawn from the Plan as indicated in the issue terms.

When Loan Funded Shares are withdrawn from the Plan, either the participant will need to repay the relevant loan or Ten 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 will be 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 (or fail to satisfy the performance hurdle), fall below the market value at the time of issue of the Loan Funded Shares, the Plan participant will not have to meet any shortfall. The Company may have to pay fringe benefits tax if there is any shortfall amount (but if Loan Funded Shares are bought back for an amount equal to the loan as described below, there will not be any shortfall).

The Plan also includes provisions dealing with participants who cease employment in 'good leaver' circumstances — for example, on notice from the Company, by agreement or on redundancy, death or disablement — and provisions dealing with a change of control of the Company. The Plan also details discretions that may be exercised by the Remuneration Committee, including:

- to vary the terms of Loan Funded Shares by, for example, reducing or waiving any applicable performance conditions, changing any applicable performance period, or determining a new share acquisition date or period;
- to amend the rules of the Plan (**Plan Rules**) or to waive or modify their application to any participant (subject to existing rights of participants); and
- to terminate or suspend the Plan.

The material terms of the Plan are summarised in the Schedule to these Explanatory Notes. A copy of the Plan Rules will be available for inspection during business hours by shareholders at the Company's registered office up until the day of the annual general meeting.

5.4 Share buy-backs under the Plan

One method of disposal of Loan Funded Shares permitted by the rules of the Plan is for Loan Funded Shares to be bought back by the Company. A buy-back is a special procedure under the *Corporations Act* under which the Company is able to purchase and cancel its own shares. Shareholder approval is often required to permit the Company to buy back its own shares.

By approving the Plan for the purposes of paragraph (b) of the definition of 'employee share scheme buy-back' in section 9 of the *Corporations Act*, shareholders will permit the Company to buy-back Loan Funded Shares in accordance with the rules of the Plan without further shareholder approval up to a maximum of 10% of the smallest number of the Company's shares on issue at any time in the 12 months preceding the buy-back.

The Plan permits buy-backs of certain Loan Funded Shares which are to be disposed of under the Plan on terms determined by the Company's Remuneration Committee. It is presently intended that the amount paid to a participant on a buy-back of the participant's Loan Funded Shares will be equal to the loan given to purchase those Loan Funded Shares and will be immediately applied to extinguish that loan, so that no benefit accrues to the participant.

5.5 The Company taking security over its own shares under the Plan

The Company is generally prohibited by the *Corporations Act* from taking security (for example, a mortgage or charge) over its own shares. However, under section 259B(2) of the *Corporations Act*, the Company is permitted to take security over its own shares under an employee share scheme (such as the Plan) which has been approved by shareholders.

Taking security over Loan Funded Shares issued under the Plan is designed to protect the Company if a participant is, or becomes, insolvent. For this reason, approval is being sought under section 259B(2) of the *Corporations Act*.

5.6 Financial assistance

Under the *Corporations Act*, the Company and its subsidiaries (**Lender**) are, in general, only permitted to financially assist a person to acquire shares in the Company if giving the assistance does not materially prejudice:

- (a) the interests of the Lender or its shareholders; or
- (b) the Lender's ability to pay its creditors.

However, under section 260C(4) of the *Corporations Act*, a Lender is permitted to financially assist a person to acquire shares in the Company under the Plan if approved by the Company's shareholders (and the shareholders of the Lender, if a subsidiary).

The issue of Loan Funded Shares under the Plan will involve a Lender financially assisting the Company's eligible senior executives to acquire Loan Funded Shares by virtue of the loans to be used to acquire the Loan Funded Shares. Shareholder approval is being sought so that the Plan satisfies the requirements of the exemption under section 260C(4), allowing the Lender to make loans under the Plan.

Explanatory Notes to the Notice of Meeting

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5.7 Directors' recommendation on Resolution 5

The Directors (excluding Hamish McLennan) recommend that you vote in favour of this Resolution. Mr McLennan makes no recommendation in light of his proposed participation in the Plan described in the Explanatory Notes to Resolution 7.

Resolution 6 – Approval of the Ten Executive Incentive Share Plan for ASX Listing Rule 7.2 purposes

6.1 ASX Listing Rule 7.1

Under LR 7.1, the number of shares that the Company is permitted to issue within a particular 12 month period in the absence of shareholder approval, is limited to the number of shares equalling 15% of the Company's issued capital as at the beginning of that period. This limit does not include shares issued by the Company under one of the exceptions to LR 7.1, which are outlined under LR 7.2.

Exception 9 in LR 7.2 provides that the issue of shares pursuant to an employee share scheme (such as the Plan) during a three year period, will not count towards the 15% limit under ASX Listing Rule 7.1 where shareholders have approved the issue of shares under the scheme as an exception to LR 7.1.

The precise number of Loan Funded Shares to be issued by the Company to eligible senior executives under the Plan within the next 3 years cannot be presently ascertained as it will depend on a variety of factors, including the 'fair value' of the Loan Funded Shares, the price of the Company's shares on ASX and the value of individual offers. However, the Plan contains a limit on making offers where the total number of shares issued and then held under, or then on offer for issue under, all of the Company's employee equity incentive plans would exceed 5% of the Company's issued capital from time to time.

The terms of the Plan are summarised in the Explanatory Notes to Resolution 5 and the Schedule to these Explanatory Notes. No Loan Funded Shares have previously been issued under the Plan.

The Directors do not presently have any specific intention to issue shares that would exceed the Company's capacity to issue shares under LR 7.1 in the absence of shareholder approval. Nevertheless, the Directors wish to preserve the flexibility to be able to issue the full 15% for the next 3 years. This will provide more scope for the Company to raise equity if required. The Directors therefore seek to obtain shareholder approval for the issue of Loan Funded Shares under the Plan as an exception to LR 7.1.

6.2 Directors' recommendation on Resolution 6

The Directors (excluding Hamish McLennan) recommend that you vote in favour of this Resolution. Mr McLennan makes no recommendation in light of his proposed participation in the Plan described in the Explanatory Notes to Resolution 7.

Resolution 7 – Issue of Loan Funded Shares to the Managing Director and Chief Executive Officer, Hamish McLennan, under the Ten Executive Incentive Share Plan

7.1 ASX Listing Rule 10.14

LR 10.14 requires shareholder approval before a director or an associate of a director is permitted to acquire securities in a company under an employee incentive scheme.

This Resolution seeks to obtain shareholder approval for the issue of Loan Funded Shares under the Plan to the Managing Director and Chief Executive Officer of the Company, Hamish McLennan, as the long term incentive component of his remuneration package for the Company's financial years ending 31 August 2014, 31 August 2015 and 31 August 2016.

The terms of the Plan are summarised in the Explanatory Notes to Resolution 5 and the Schedule to these Explanatory Notes.

It is the Directors' intention to utilise the Plan to promote the retention, and incentivise the performance, of Mr McLennan as well as recognising his ongoing efforts and contribution to the continued viability and success of the Company. To achieve this objective now and into the future, the Company's Remuneration Committee also proposes to make additional issues of Loan Funded Shares under the Plan to Mr McLennan on similar criteria in future years.

7.2 Issue of Loan Funded Shares to the Managing Director and Chief Executive Officer, Hamish McLennan

The Company proposes to issue Loan Funded Shares to Mr McLennan shortly after the annual general meetings in 2013 and prior to, or around the commencement of, Ten's financial years in each of 2014 and 2015 as the long-term incentive component of his remuneration under the Company's new incentive scheme. In each case, the maximum contracted total incentive for Mr McLennan will be equal to 100% of his total fixed remuneration and hence his long-term incentive component will be equal to 75% of his total fixed remuneration at the date of issue (**Notional LTI Value**).

The number of Loan Funded Shares to be issued to Mr McLennan on each of those occasions will be equal to the Notional LTI Value divided by the fair value of one Loan Funded Share as described in section 5.2.

The number of those Loan Funded Shares cannot be determined at this time because the market value of the Company's shares and hence the fair value of Loan Funded Shares is subject to fluctuation. However, as an example, if the number of those Loan Funded Shares were to only have been determined as at 29 October 2013, the number of Loan Funded Shares would have been as set out in the following table:

Financial Year	Maximum contracted total incentive	Long term incentive component	Example market value ¹ of the Company's shares	Example fair value ² of each Loan Funded Share	Example number of Loan Funded Shares to be issued
Ending 31 August 2014	\$1,975,000	\$1,481,250	\$0.27	\$0.0917	16,153,217

¹ The method by which the market value of the Company's shares will be determined as described in section 5.2. The value shown in the example is the closing price of the Company's shares on ASX on 29 October 2013.

² This example fair value has been calculated based on the example market value shown and the performance period and performance hurdles described in these Explanatory Notes. The actual fair value will be recalculated as described in section 5.2.

The number of Loan Funded Shares to be issued to Mr McLennan in later years cannot be determined at this time for the same reasons and because his total fixed remuneration may change before the relevant dates of issue.

It is intended that the performance periods for the proposed issues of Loan Funded Shares to Mr McLennan will be 3 years. Initially, and assuming the performance hurdles are met, 60% of the Loan Funded Shares will be able to be withdrawn immediately after conclusion of the performance period, a further 20% of the Loan Funded Shares will be able to be withdrawn 1 year later and the remaining 20% of the Loan Funded Shares will be able to be withdrawn 2 years after conclusion of the performance period.

At present, it is intended that the performance hurdle applicable to these issues will only be satisfied if criteria relating to both earnings per share and share of market revenue are achieved. The performance hurdles will be set by the Remuneration Committee at levels based on the budget and business plans set by the Directors to reflect a turnaround which will deliver value to shareholders and provide an incentive to management for outperformance.

The total number of Loan Funded Shares issued to Mr McLennan over 3 years under these issues is limited to the maximum number specified in the resolution to be approved by shareholders.

As the intention is that Loan Funded Shares will be issued at market value, the amount lent to Mr McLennan to acquire Loan Funded Shares will be equal to the number of Loan Funded Shares offered multiplied by the market value of the Company's ordinary shares at each date of issue.

Interest will be payable on amounts lent to Mr McLennan under the Plan equal to the cash amount of dividends paid on the Loan Funded Shares acquired with the loan amount. In effect this means that he will not receive cash dividends on Loan Funded Shares while the Loan Funded Shares remain in the Plan. He will however receive a tax benefit in the form of any franking credits attached to those dividends, even while the Loan Funded Shares remain in the Plan.

In proposing the incentive structure for Mr McLennan described above, the Directors (excluding Mr McLennan) have formed the view, after considering advice from Ernst & Young, that the issues of Loan Funded Shares would be reasonable and appropriate in the circumstances of the Company, having regard to market practice for a position comparable to that occupied by Mr McLennan and his overall remuneration package. Further details of Mr McLennan's overall remuneration package are set out in the Remuneration Report in the Company's 2013 annual report.

7.3 Additional information to be disclosed under the ASX Listing Rules

LR 10.15A requires certain additional information to be given in or with a notice of meeting seeking approval under LR 10.14:

- No Director has previously been issued Loan Funded Shares under the Plan.
- Mr McLennan is the only Director of the Company entitled to participate in the Plan.
- Loans will be made by the Company in relation to the proposed issue of Loan Funded Shares to Mr McLennan under the Plan. The primary terms of these loans are outlined above in the Explanatory Notes to Resolution 5 and the Schedule to these Explanatory Notes.
- Details of any Loan Funded Shares issued under the Plan, and that shareholder approval for the issue of the Loan Funded Shares was obtained under LR 10.14, will be published in each annual report of the Company relating to a period in which the Loan Funded Shares have been issued.
- Any additional persons to whom LR 10.14 applies and who become entitled to participate in the Plan after Resolution 7 is approved and who are not named in this notice of meeting will not participate in the Plan until shareholder approval is obtained under LR 10.14.

7.4 Directors' recommendation on Resolution 7

The Directors (excluding Hamish McLennan) recommend that you vote in favour of this Resolution. Mr McLennan makes no recommendation in light of his proposed participation in the Plan.

Explanatory Notes to the Notice of Meeting

continued

SCHEDULE – Summary of the material terms of the Ten Executive Incentive Share Plan

General

- The Plan operates in accordance with the rules which bind the Company, subsidiaries and participants and subject to the Company's Constitution, the *Corporations Act* and the ASX Listing Rules and any other applicable law or instruments under those laws.
- The Plan contains a limit on making offers where the total number of shares issued and then held under, or then on offer for issue under, all of the Company's employee equity incentive plans would exceed 5% of the Company's issued capital from time to time.
- The Remuneration Committee may make offers to selected group employees and Loan Funded Shares may only be acquired in the name of those employees.
- Loan Funded Shares may only be acquired by a participant where a loan has been advanced to or at the direction of the participant for payment of the issue price for Loan Funded Shares under the Plan.
- Loan Funded Shares issued under the Plan will be quoted on the ASX. The Company will apply a trading lock to all Loan Funded Shares which will prevent them from being transferred or disposed of by a participant until they have been released from the Plan.

Loan terms

- Interest will be payable by participants on any loans made under the Plan, which, unless otherwise specified in an offer, will be in an amount equal to the cash dividends paid by the Company to the participant on the Loan Funded Shares.
- Participants will, upon acquisition of any Loan Funded Shares under the Plan, grant a specific security interest over the Loan Funded Shares in favour of the relevant group lender to secure repayment of amounts outstanding under the loans.
- Amounts lent by the Company under the Plan will be limited recourse so that, should the market value of the Company's shares fall below the fair value at the time of issue of the Loan Funded Shares, the participant will not have to fund the shortfall.
- Loans under the Plan have a maximum term of 10 years.

Rights relating to Loan Funded Shares

- Bonus shares will be held under the Plan and treated as part of the Loan Funded Shares acquired to which the loan relates.
- A participant will be permitted to exercise and receive the benefit of other rights enjoyed by shareholders including the right to vote at general meetings and the right to participate (at their own expense) in any rights issues.

Offer conditions

- Loan Funded Shares will be subject to performance, vesting and other conditions specified in an offer. If the offer conditions are met, Loan Funded Shares will be able to be withdrawn from the Plan in accordance with the rules.
- If offer conditions are met and a participant's Loan Funded Shares are released from the Plan (and any loan has not been repaid), generally the Loan Funded Shares will be sold on-market on ASX and any net gain (after repayment of the loan and sale expenses) will be paid to the participant.
- If offer conditions are not met, a participant ceases employment, there is default under the loan terms or in certain other circumstances, Loan Funded Shares may be forfeited and sold, bought-back or cancelled and any gain will accrue to the Company. If a participant ceases employment in 'good leaver' circumstances, generally a portion of their Loan Funded Shares referable to the part of any performance period after cessation may be forfeited.
- 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 for continuing employees or 'good leavers' who still hold Loan Funded Shares under the Plan.

Miscellaneous

- The Plan will be administered by the Remuneration Committee which has power to:
 - determine appropriate procedures;
 - resolve questions of fact or interpretation;
 - make sub-rules for the administration of the Plan;
 - delegate;
 - waive offer conditions;
 - amend the Plan Rules or waive or modify their application to any participant (but where the amendments or modification would adversely affect the existing rights of participants, the consent of at least 75% of affected participants must be obtained); and
 - terminate or suspend the Plan.
- Generally, the Company will pay all expenses, costs and charges incurred in the administration of the Plan.
- Participants are required to grant a power of attorney to enable Loan Funded Shares and loans to be acquired and disposed of on their behalf and to allow the security interest over the shares to be enforced.
- The Plan contains clawback provisions to give effect to any future claw-back policy of the Company.

Annexure A

For personal use only

Deloitte.

Ten Network Holdings Limited

Independent expert's report and Financial Services Guide

8 November 2013

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds and related regulated emissions units (i.e. carbon) to retail and wholesale clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately \$175,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the Proposed Transaction.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their

individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see <http://www.deloitte.com/au/about> for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

In the past two years Deloitte Corporate Finance Pty Limited (and other entities related to Deloitte Touche Tohmatsu) have not undertaken any work on behalf of Ten Network Holdings Limited.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Services
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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Member of Deloitte Touche Tohmatsu Limited

Independent Expert's Report continued

Deloitte.

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Independent Directors
Ten Network Holdings Limited
1 Saunders Street
Pyrmont NSW 2009

8 November 2013

Dear Independent Directors

Independent expert's report

Introduction

Ten Network Holdings Limited (**Ten** or the **Company**) is an ASX¹ listed company with investments in wholly owned subsidiaries that conduct commercial free-to-air (**FTA**) broadcasting throughout Australia. Ten operates three FTA television channels, TEN, ELEVEN and ONE in Australia's five mainland state capital cities. It also owns and operates a number of digital and online businesses.

On 17 October 2013, Ten announced it had entered into an arrangement to refinance its existing debt arrangements (the **Proposed Transaction**) whereby:

- Ten entered into a \$200 million "covenant-lite" secured revolving cash advance loan facility with Commonwealth Bank of Australia (**CBA**) (the **New Loan Facility**), which will allow Ten to repay and cancel Ten's existing debt arrangements including an undrawn \$80 million loan facility with CBA (**Existing Loan Facility**) and the \$150 million United States private placement (**USPP**) notes maturing in December 2015
- as a condition of providing funding under the "covenant-lite" terms of the New Loan Facility, CBA has required that guarantees be put in place to secure the obligations of Ten under the New Loan Facility. Three substantial shareholders of Ten have each agreed severally to act as guarantors and to provide these guarantees to support Ten's obligations (the **Guarantees**). These are Illyria Nominees Television Pty Limited as trustee of Illyria Investment Trust (No. 4) (**Illyria**), Consolidated Press Holdings Limited (**CPH**) and Birketu Pty Ltd (each, a **Shareholder Guarantor**)
- CBA can claim under the Guarantees following an event of default by Ten. Should the Shareholder Guarantors pay CBA under the Guarantees, the Shareholder Guarantors will have a reimbursement claim against Ten for the amount paid out. In those circumstances, the Shareholder Guarantors will be subrogated to the rights of CBA, effectively allowing the Shareholder Guarantors to "stand in the shoes" of CBA and enforce CBA's security as if they had the benefit of the original security
- Ten entered into a reimbursement agreement with the Shareholder Guarantors (which, together with the Guarantees and security documents are referred to as the **Shareholder Reimbursement Transaction Agreements**), whereby Ten agreed to:
 - pay the Shareholder Guarantors a guarantee fee (**Guarantee Fee**), with the rate fixed until 31 August 2015 and subsequently determined by reference to Ten's leverage ratio and subject to a cap. The Guarantee Fee will fall due and payable on release of the Guarantees. The Shareholder Guarantors can elect to have the Guarantee Fee settled through the issue of Ten shares, with the conversion price set at various points during the term of the New Loan Facility (**Guarantee Option**)
 - reimburse any payments made by the Shareholder Guarantors to CBA following a claim by CBA under the Guarantees

¹ Australian Securities Exchange

- establish certain review events that arise upon breach of certain undertakings, including limitations on acquisitions, disposals, the incurrence of additional indebtedness and the granting of security interests. Ten will not provide any financial covenants to either the CBA or Shareholder Guarantors
- Ten may refinance the New Loan Facility at any time, at no cost (excluding the payment of accrued and capitalised interest and incidental break costs if the refinancing does not take place on an interest payment date). Further, the New Loan Facility will convert into a “corporate style” facility upon TEN meeting certain financial ratios. The refinance of the New Loan Facility (or conversion into a “corporate style” facility) would result in the Guarantees and the security being immediately released and the accrued Guarantee Fee being payable and ceasing to accrue.

A summary of the key terms of the Proposed Transaction is set out below.

Table 1: Key terms of the Proposed Transaction

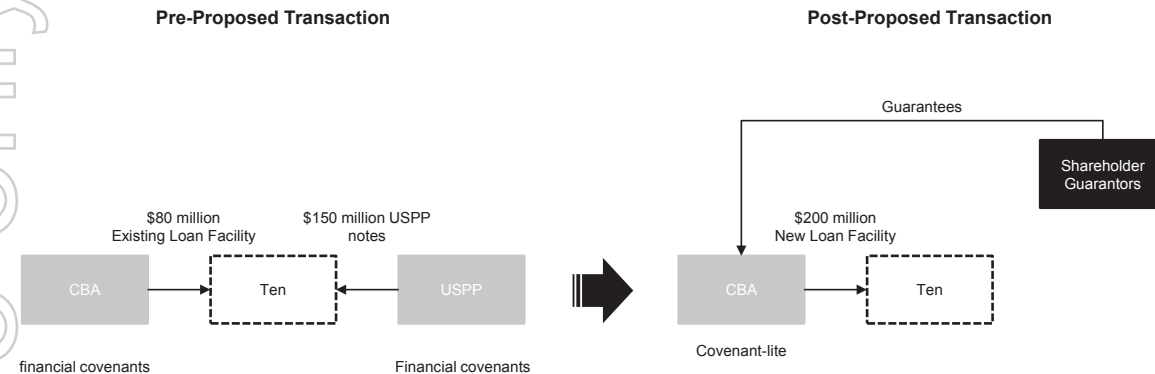
Term	Description
New Loan Facility	
Facility limit	\$200 million
Loan Term	Four years
Security	Security from Ten and its wholly owned subsidiaries comprising at least 90% of Ten group's EBITDA and total assets
Early repayment option?	Yes
Interest rate	BBSY + margin per annum (p.a.) on drawn facilities
Payment of interest	Interest is capitalised and payable on repayment of the Loan Facility
Financial covenants	Nil (“covenant-lite”)
Facility Restructure Event	A Facility Restructure Event is triggered if Ten achieves certain financial metrics for 6 consecutive months, including meeting a minimum EBITDA amount and satisfying a leverage ratio and an interest cover ratio test.
Replacement Facility	If a Facility Restructure Event is triggered, the New Loan Facility will automatically convert to a \$200 million ‘corporate-style’ facility with the same maturity date at no cost. The Guarantees and security will be released and the Guarantee Fees will cease to accrue.
Guarantees	
Guarantees	Shareholder Guarantors guarantee the performance of Ten under the New Loan Facility. CBA can claim under the Guarantees following an event of default
Guarantee Fee	<p>Applicable on the New Loan Facility limit (i.e. \$200 million) at:</p> <ul style="list-style-type: none"> • 3.5% p.a. until 31 August 2015 • from 1 September 2015, at a rate based on the gross debt to EBITDA (leverage ratio) of the Ten group for the remainder of the Loan Term as follows: <ul style="list-style-type: none"> ○ 3.0% if the leverage ratio is 4.0x ○ for every 0.5x movement in the leverage ratio from 4.0x, there will be a corresponding increase or decrease in the rate by 0.30% p.a. ○ a maximum rate of 5.4% <p>The Guarantee Fee will capitalise and compound six monthly and is payable upon the guarantee termination date (Guarantee Termination Date)</p>
Guarantee Option	<p>Shareholder Guarantors may elect to have the Guarantee Fee consideration converted into Ten ordinary shares. The applicable conversion price will be:</p> <ul style="list-style-type: none"> • in respect of the Shareholder Guarantee Fee which accrues up to 31 August 2015, the volume weighted average price (VWAP) of Ten ordinary shares in the ten trading days prior to the 2013 Ten Annual General Meeting • in respect of the Shareholder Guarantee Fee which accrues post 31 August 2015, the VWAP of Ten ordinary shares in the first ten trading days of each subsequent consecutive six month period (or part thereof)
Reimbursement by Ten	The amount paid by each Shareholder Guarantor to CBA following a claim by CBA under the Guarantee. Upon payment under the Guarantees, the Shareholder Guarantors will be subrogated to CBA's rights including those rights arising in respect of the security over Ten group's assets

Source: New Loan Facility Agreement, Replacement Facility Agreement, Shareholder Reimbursement Transaction Agreements

Independent Expert's Report continued

If the Shareholder Reimbursement Transaction Agreements are approved and the Proposed Transaction is implemented, Ten's existing debt arrangements, which mature in approximately 2 years and are subject to a number of financial covenants regarding leverage and interest coverage, will be replaced by a single line of credit with a 4 year tenor and no financial covenants for the full tenor (**Loan Term**), as set out below.

Figure 1: Summary of debt arrangements before and after the Proposed Transaction



Source: Ten

Purpose of the report

Chapter 10 of the Listing Rules of the ASX (**Listing Rule 10**) requires, when a listed entity provides a substantial asset² (**Substantial Asset**) as collateral to:

- a related party, including a director of the listed entity or an entity controlled by that director
- a party with a relevant interest of at least 10% in that entity at any time in the six months prior to the transaction

an independent expert must be commissioned to prepare an independent expert's report (**IER**) stating whether the transaction is fair and reasonable to the non-associated Shareholders.

Ten is initially granting security over assets of Ten to CBA. However if the Shareholder Guarantors make payment to CBA when called to do so under their Guarantees, the Shareholder Guarantors will be subrogated to the rights of CBA, effectively allowing the Shareholder Guarantors to "stand in the shoes" of CBA and enforce CBA's security as if they had the benefit of the original security. Ten conferring subrogation rights on its related parties amounts to agreeing to provide a Substantial Asset as collateral to a related party and requires shareholder approval under Listing Rule 10. An IER is therefore required in order to assist Ten shareholders (**Shareholders**) other than the Shareholder Guarantors (**Non-Associated Shareholders**) in their decision to vote in favour of, or against, the Proposed Transaction.

In this regard, the independent directors of Ten (the **Independent Directors**) have requested that Deloitte Corporate Finance Pty Limited (**Deloitte Corporate Finance**) provide an independent expert's report advising whether, in our opinion, the Shareholder Reimbursement Transaction Agreements are fair and reasonable to Non-Associated Shareholders.

This report is to be included in the notice of the meeting to approve the Shareholder Reimbursement Transaction Agreements (the **Notice of Meeting**), which will be sent to Shareholders, and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of these agreements in the context of the Proposed Transaction. Neither Deloitte Corporate Finance, nor Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and Ten, in respect of this report, including for any errors or omissions however caused.

² Defined as an asset where the book value or value of consideration is 5% or more of the last reported equity interests of the listed entity.

Basis of evaluation

In evaluating the Proposed Transaction we have had regard to Listing Rule 10, Australian Securities and Investments Commission (ASIC) Regulatory Guide 76 in relation to related party transactions (**Regulatory Guide 76**), ASIC Regulatory Guide 111 in relation to the content of IERs (**Regulatory Guide 111**) and ASIC Regulatory Guide 112 in respect of the independence of experts (**Regulatory Guide 112**).

In considering the fairness of the Shareholder Reimbursement Transaction Agreements we have had regard to the economic substance of the Proposed Transaction as a whole. In this regard, whilst the Shareholder Reimbursement Transaction Agreements are the only related party component of the Proposed Transaction, as the New Loan Facility is an essential component of the Proposed Transaction, it is appropriate to assess the fairness of the Proposed Transaction as a whole, rather than the fairness of the Shareholder Reimbursement Transaction Agreements, including the conferring of the subrogation rights, in isolation.

Furthermore, nothing has come to our attention that would cause us to believe that CBA is not dealing at arm's length with both Ten and the Shareholder Guarantors. Consequently, we consider that the fairness and reasonableness of the Shareholder Reimbursement Transaction Agreements is encapsulated within our opinion on the fairness and reasonableness of the Proposed Transaction, including in relation to the grant of security in respect of which the Shareholder Guarantors are given subrogation rights.

We have assessed the fairness of the Proposed Transaction by comparing the total cost of the Proposed Transaction, including the cost of the New Loan Facility, the Guarantee Fee and the Guarantee Option, over the Loan Term with the cost of refinancing from debt sources which accommodate "covenant-lite" financing arrangements over the Loan Term.

The debt sources which we consider would accommodate "covenant-lite" financing arrangements (**Alternative Debt Markets**) include:

- the United States (US) high yield bond market (**US High Yield Bond Market**)
- the US Term Loan B Market (**US TLB Market**)
- Shareholder financing through either a pro-rata note offering or similar instrument (**Shareholder Financing**).

Our assessment of fairness has not considered the execution risk associated with obtaining financing on satisfactory terms in any of the Alternative Debt Markets. Instead we have considered this factor in our assessment of the reasonableness of the Proposed Transaction.

We acknowledge that debt financing could also potentially be obtained from other sources. However, in our opinion these sources are unlikely to provide the terms desired by Ten, particularly without financial covenants (e.g. the Australian bank or corporate bond market), or the cost of obtaining finance would be prohibitively expensive (e.g. mezzanine finance or convertible notes).

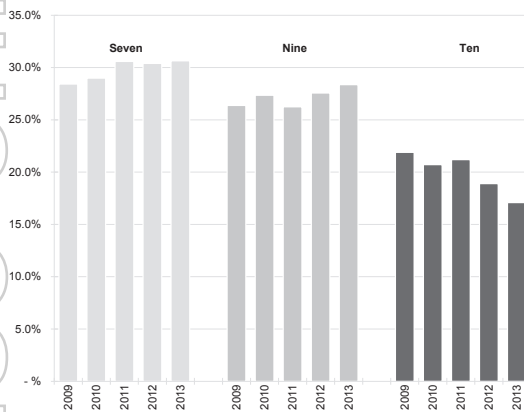
If the costs of the Proposed Transaction are less than the costs of refinancing in Alternative Debt Markets, the Proposed Transaction is fair.

We have assessed the reasonableness of the Proposed Transaction by considering other advantages and disadvantages of the Proposed Transaction to the Non-Associated Shareholders.

Independent Expert's Report continued

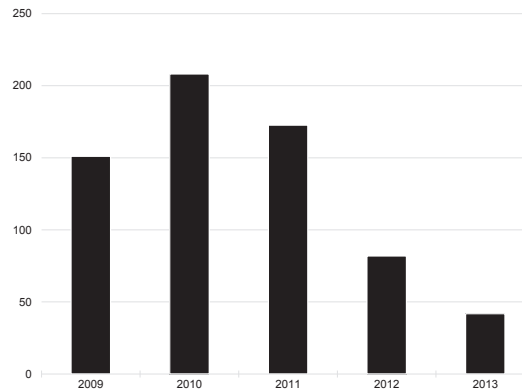
Growth in the Australian commercial FTA broadcast industry has slowed considerably in recent years, with the industry affected by the global financial crisis (GFC), increasing media fragmentation, advances in technology and relatively subdued economic growth in Australia's non-mining sectors. Of the three commercial FTA broadcasters in Australia, Ten has experienced particularly difficult operating conditions with the Company losing audience share and experiencing a considerable decline in operating earnings.

Figure 2: FTA commercial participant audience share³



Source: OzTam

Figure 3: Ten underlying normalised EBITDA (\$'million) (Ten financial year end)



Source: Ten financial reports

Given Ten's declining audience share and resulting impact on its earnings profile, and in order to achieve an appropriate and sustainable capital structure, Ten has undertaken a number of initiatives including:

- **internal restructures:** in FY11, FY12 and FY13
- **equity raisings:** two rights issues undertaken in 2012, raising gross proceeds of \$430 million, with the proceeds primarily used to pay down debt
- **asset sales:** the Sale of Eye Corp Pty Limited (EYE) in November 2011 for \$113 million, with the proceeds used to pay down debt.

Additionally, in order to improve ratings and its financial performance, Ten has recently undertaken senior management changes and has announced a strategy (**Programming Strategy**) aimed at widening its demographic and investing more heavily in local content and sport. To successfully implement the Programming Strategy, Ten will be required to invest in new content, which may place pressure on earnings in the short term, given the observed lag between programming expenditure, higher ratings and higher advertising revenues.

As at 31 August 2013, whilst Ten's net debt was \$28 million, its gross debt was \$150 million and this implied a gross debt to EBITDA multiple of 3.59x.

Ten's current debt arrangements contain financial covenants in relation to leverage and interest cover. Under these arrangements, Ten's ability to implement the Programming Strategy is constrained. In particular, as a result of Ten's current earnings profile and sensitivity to small changes in advertising conditions and market share, should Ten invest in new content and economic conditions deteriorate or improved ratings do not translate into improved earnings with sufficient speed, Ten may be at risk of breaching its debt covenants.

The board of directors of Ten (the **Board**) considered implementing cost initiatives and undertaking alternative lower cost programming to stay within debt covenants. However, achievable savings need to be balanced with the need for enhanced programming, in accordance with the Programming Strategy. Whilst lower cost programming may maintain short term profitability, it is unlikely to materially increase ratings and therefore advertising revenues. Moreover, investing in lower cost (and potentially lower quality) programming may result in further declines in ratings and the resulting negative impact on revenue may outweigh the cost savings.

³ Based on 6:00pm – 10:30pm audience share. December year end except 2013 (January-September).

In addition Ten unsuccessfully sought to:

- renegotiate with the USPP note investors so that leverage on these notes would be calculated on the basis of net debt as opposed to gross debt
- refinance the USPP note with commercial banks on more attractive terms.

In the context of the above, the Board concluded that the preferred strategy is to attempt to regain audience share through implementing the Programming Strategy and appointed advisors to undertake a strategic review and assess a range of sources of “covenant-lite” funding. The Proposed Transaction represents the outcome of this strategic review and is, in the opinion of the Board and the Independent Directors, the most attractive option that will enable Ten management (**Management**) to pursue its Programming Strategy.

Summary and conclusion

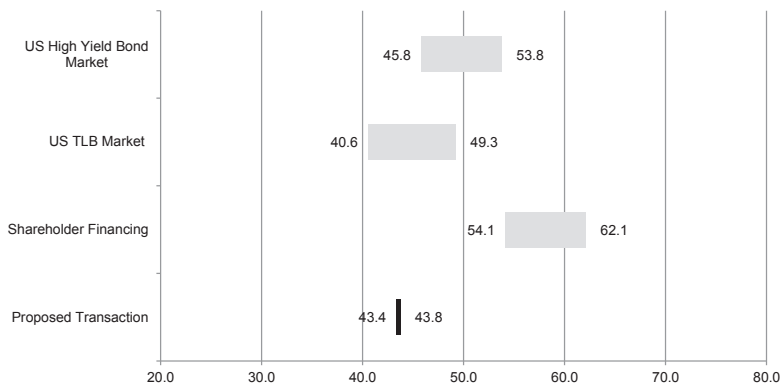
In our opinion the Proposed Transaction, inclusive of the Shareholder Reimbursement Transaction Agreements, including in relation to the grant of security in respect of which the Shareholder Guarantors are given subrogation rights, is fair and reasonable to Non-Associated Shareholders. In arriving at this opinion, we have had regard to the following factors:

The Proposed Transaction is fair

We have assessed whether the Proposed Transaction is fair by comparing the total cost of the Proposed Transaction to the total cost of refinancing in a number of debt markets where Ten could potentially refinance on terms comparable to the Proposed Transaction and over the Loan Term.

Set out in the figure below is a summary of our findings.

Figure 4: Evaluation of fairness (\$'million)



Source: Deloitte Corporate Finance analysis

The total cost of the Proposed Transaction is within the range, towards the low end, of our estimated total cost of refinancing in Alternative Debt Markets. Accordingly, it is our opinion that the Proposed Transaction is fair.

Total cost of the Proposed Transaction

We have estimated the total cost of the Proposed Transaction by summing the cost of the following over the Loan Term:

- Guarantee Fee
- Guarantee Option
- CBA interest rate charges and bank fees (**CBA Costs**).

To estimate the Guarantee Fee and CBA Costs we have prepared a financial model adopting assumptions consistent with the terms of the Proposed Transaction as summarised above and assuming no early repayment of the New Loan Facility.

Management has provided us with two scenarios (the **Scenarios**) regarding the future financial performance and position of Ten which we have used for the purpose of estimating drawn debt and financial ratios of Ten over the Loan Term.

Independent Expert's Report continued

A summary of each scenario is provided below:

- **Budget Case:** which assumes operations continue to be managed based on the current Board approved budget for FY14
- **Investment Case:** which assumes additional investment is made in programming.

In estimating the value of the Guarantee Option, we have used a Monte-Carlo approach assuming no early repayment of the New Loan Facility.

A summary of our findings is presented below.

Table 2: Estimated cost of the Proposed Transaction (\$'million)

	Budget Case	Investment Case
Guarantee Fee	19.6	19.0
Guarantee Option	6.1	6.3
CBA Costs	17.6	18.5
Total Costs	43.4	43.8

Source: Deloitte Corporate Finance analysis

Total cost of refinancing in Alternative Debt Markets

In estimating the total cost of refinancing in each Alternative Debt Market, we have considered the following:

- **terms of refinancing:** which we have assumed to be equal to the term of the New Loan Facility
- **issue costs:** that would likely be incurred in each market
- **margins:** the margin that would likely be payable by Ten over the relevant benchmark in each Alternative Debt Market, having regard to:
 - Ten's indicative credit rating: by having regard to Moody's rating methodology guidance for global broadcast and advertising related industries released in May 2012, we have estimated a credit rating for Ten to be between B1 and B3. In arriving at this conclusion we have had regard to both the historical financial performance and position of Ten, the forecast financial performance and position of Ten as presented in the Scenarios, as well as other qualitative factors
 - issue margins and current spreads on comparable debt issuances in each Alternative Debt Market. For the purpose of our analysis, we have had greater regard to B rated companies and more recent debt issuances
- **other costs:** where applicable including the cost to convert debt into:
 - a floating rate where debt is obtained on fixed terms
 - AUD where debt is obtained in foreign markets
 - credit value adjustment costs on any swaps which would have been entered into
- **base rates:** the forward 90 day bank bill swap bid (BBSY) rate
- **interest received on cash raised:** having regard to the forecast amount of debt drawn by Ten over the Loan Term and any interest that would be payable to Ten on unutilised proceeds of refinancing.

A summary of our findings is presented below.

Table 3: Total cost of refinancing in Alternative Debt Markets (\$'million)

	Low	High
US High Yield Bond Market	45.8	53.8
US TLB Market	40.6	49.3
Shareholder Financing	54.1	62.1
Overall	40.6	62.1

Source: Deloitte Corporate Finance analysis

Sensitivity analysis

In addition to the Scenarios provided, we have requested Management to prepare an alternate scenario (**Downside Case**) assuming a 20% decline in EBITDA each year for the Loan Term and the flow-on impact on the forecast debt position.

The cost under the Downside Case is \$47.7 million which remains within our estimated range of Alternative Debt Market refinancing costs. However, we note that the cost of refinancing in Alternative Debt Markets would also increase under the Downside Case.

The Proposed Transaction is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Transaction is reasonable. However, we have also considered the following factors in assessing the reasonableness of the Proposed Transaction:

Advantages of the Proposed Transaction

The potential advantages to Non-Associated Shareholders if the Proposed Transaction is approved include:

The Proposed Transaction will allow Ten to implement its Programming Strategy relative to the status quo

The Proposed Transaction is structured as a “covenant-lite” loan and will have no financial covenants (including leverage or gearing ratios) for the term of the New Loan Facility. As a result, Management will have the capacity to implement Ten’s Programming Strategy without the risk of breaching financial covenants, which may not be the case under the status quo.

The Proposed Transaction will increase Ten’s operational flexibility and liquidity relative to the status quo

If the Proposed Transaction is approved, Management will be able to pursue programming opportunities as they arise without being constrained by financial covenants. This may enable Ten to make more profitable long term investment decisions than would be possible under Ten’s current debt arrangements.

Certain terms of the Proposed Transaction appear beneficial

The Proposed Transaction contains some terms which appear to be particularly beneficial to Ten and which may not be available in other debt markets without incurring significant additional costs. In particular, Ten:

- will not be required to pay interest or the Guarantee Fee until the New Loan Facility matures or is repaid, but instead these amounts will be capitalised. This will enable Ten to apply its available capital to implementing its Programming Strategy, rather than funding interest or Guarantee Fee payments
- Ten may refinance the New Loan Facility at any time and at no incremental cost (excluding the payment of capitalised interest and Guarantee Fees and incidental break costs if the refinancing does not take place on an interest payment date). Further, the New Loan Facility will convert to a corporate style facility upon meeting certain financial ratios. The Guarantees and security will be released upon the New Loan Facility being refinanced and the Guarantee Fee will be payable and cease to accrue. Accordingly, Ten will be free to pursue more attractive financing options if they become available.

The ability to implement alternative debt financing arrangements is uncertain

There is considerable uncertainty as to whether Ten could access finance from the Alternative Debt Markets on the terms it desires. In particular:

- Ten’s size, credit profile and position as a foreign issuer may make access to the US High Yield Market and US TLB Market difficult. Furthermore, debt issued in these markets is typically larger and with a longer tenor than that sought by Ten
- Shareholder Financing would require the support of substantial Shareholders and institutional investors. However, it is uncertain as to whether major Shareholders would support this transaction. Further, certain institutional Shareholders may be precluded from investing in such an issue as a result of constraints related to their respective investment mandates.

An equity raising does not appear to be a suitable alternative

Over the past 18 months, Ten has undertaken two rights issues that have more doubled the number of shares on issue.

Independent Expert's Report continued

Given these recent equity raisings, the appetite for contributing further capital to Ten would likely be low, with the strong preference amongst Shareholders being to pursue alternate financing options. Consequently, there is considerable uncertainty as to whether a further rights issue or a placement, would have the support of Shareholders. As a result, there is a risk that Ten would not raise the amount of capital required or that the issue would come at a significant discount that would be highly dilutive to non-participating Shareholders.

Other alternative forms of equity raising, such as a share purchase plan, are unlikely to raise sufficient capital.

Disadvantages of the Proposed Transaction

The potential disadvantages to Non-Associated Shareholders if the Proposed Transaction is approved include:

Risk that security may be enforced by Shareholder Guarantors

Failure by Ten to satisfy a reimbursement claim under the Shareholder Reimbursement Transaction Agreements would confer upon the Shareholder Guarantors certain rights as beneficiary to the security interests over the assets of Ten and its subsidiaries. This may lead to the Shareholder Guarantors having the right to enforce that security and appoint a receiver and to participate in a sale of assets by the receiver.

The Proposed Transaction may reduce Ten's flexibility to raise additional debt funding

The granting of securities over the assets of Ten may also reduce Ten's flexibility in raising debt funding in the future.

The Proposed Transaction may dilute Non-Associated Shareholders' interests

A feature of the Guarantees is that Shareholder Guarantors may elect to take the Guarantee Fee in either cash or scrip (the **Guarantee Option**). Approval of the Proposed Transaction may therefore dilute the interests of Non-Associated Shareholders. However, we note that the expected cost of any dilution has been factored into our fairness assessment.

Cost of the financing arrangements is higher than the status quo

The aggregate cost of the New Loan Facility is higher than Ten's existing debt arrangements which reflect the deterioration in Ten's earnings, the current credit profile of the Company as well as the covenant-lite nature of the New Loan Facility.

It also reflects the fact that the USPP Notes were issued in 2005 and pre-GFC pricing levels were well below current market levels.

The Proposed Transaction will enable Ten to implement the Programming Strategy, which is expected to result in an increase in ratings and subsequent increase in advertising revenues. However, Ten's financial performance and financial position may be no better than if the status quo were retained should ratings not improve as anticipated.

The cost of the Proposed Transaction will increase if Ten's earnings deteriorate further

The Guarantee Fee post 31 August 2015 is determined based on Ten's leverage ratio and may increase to a level as high as 540 basis points (**bps**) if Ten's earnings deteriorate further. However, the impact of this on the cost of the Proposed Transaction may be somewhat offset by a reduction in the Guarantee Option cost if the share price reflects this decline in earnings. This has not been factored into our fairness assessment.

Other matters

Implications for control of Ten

Based on the quantum of the Guarantee Fee, it is unlikely any increase in shareholding will be sufficiently material to result in a change of control in isolation of other events. Further, to the extent that any shareholder has a stake greater than 20%, it would need to comply with the Corporations Act, which would effectively limit any increase to the creep rule (i.e. 3%).

Consequences of Ten breaching the Shareholder Reimbursement Transaction Agreements

Ten is subject to a number of restrictions under the Shareholder Reimbursement Transaction Agreements, including restrictions on acquisitions, operating expenditure which is not Board approved, asset disposals, providing security, guarantees and financial accommodation, incurring additional financial indebtedness and entering into transactions which are not on arm's length terms. If Ten is in breach of these restrictions, it will incur a number of penalties for the period that these breaches persist, including an increase in the annual Guarantee Fee by 1.0%.

Implication of Shareholders not voting in favour of the Proposed Transaction

If Non-Associated Shareholders do not vote in favour of the Proposed Transaction, Ten's existing debt arrangements will remain in place and the Company will continue to seek financing arrangements on terms that will offer operational flexibility and enable it to implement its Programming Strategy. However, any such alternate financing arrangement may not be available.

Intention of the Independent Directors

The Independent Directors unanimously support the Proposed Transaction and have indicated their intention to vote in favour of the Proposed Transaction in respect of their shares in Ten.

Conclusion on reasonableness

We are of the opinion that the advantages of the Proposed Transaction outweigh the disadvantages and thus it is reasonable.

Opinion

In our opinion, the Proposed Transaction, inclusive of the Shareholder Reimbursement Transaction Agreements, including in relation to the grant of security in respect of which the Shareholder Guarantors are given subrogation rights, is fair and reasonable to Non-Associated Shareholders.

An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by his or her particular circumstances. If in doubt the Shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED



Stephen Ferris
Director



Tapan Parekh
Director

Independent Expert's Report continued

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1 Background to the Proposed Transaction

1.1 Rationale for the Proposed Transaction

In early 2013, the Board appointed advisors to undertake a strategic review and assess a range of sources of ‘covenant-lite’ funding. The Proposed Transaction represents the outcome of this strategic review and is, in the opinion of the Board and the Independent Directors, the most attractive option that will enable Management to pursue its Programming Strategy without being constrained or distracted by the Company’s current financial position.

1.2 Key Agreements and undertakings

The Proposed Transaction will be effected through a number of agreements and undertakings, including:

- the agreement for the New Loan Facility with CBA (**New Loan Facility Agreement**)
- an agreement for a replacement facility with the CBA (**Replacement Facility Agreement**)
- the Shareholder Reimbursement Transaction Agreements, which comprise:
 - shareholder deeds of Guarantee executed by the Shareholder Guarantors (each a **Deed of Guarantee**)
 - a letter of credit/performance bond in respect of the Birketu Shareholder Guarantee (or alternate form of support satisfactory to CBA)
 - a reimbursement deed in favour of the Shareholder Guarantors executed by Ten (**Shareholder Guarantor Reimbursement Deed**)
 - security documents in favour of CBA and the Shareholder Guarantors.

We provide a brief summary of the most material agreements below.

New Loan Facility Agreement and Replacement Facility Agreement

The New Loan Facility Agreement and Replacement Facility Agreement contain the terms on which the CBA proposes to make available a cash advance facility to Ten. The key terms of the New Loan Facility Agreement are summarised below.

Table 4: Key terms of the New Loan Facility Agreement and Replacement Facility Agreement

Term	Description
Facility limit	\$200 million, including capitalised interest and fees
Term	Up to four years from the earlier of the first drawing date or 23 December 2013
Security	Security from Ten and its wholly owned subsidiaries comprising at least 90% of the Ten group’s EBITDA and total assets
Interest rate	BBSY + margin p.a. on drawn facilities
Establishment fee	\$2.15 million
Commitment fee	50% of margin on undrawn amounts
Payment of interest	Interest is capitalised and payable on repayment of the Loan Facility
Financial covenants	Nil (“covenant-lite”)
Facility Restructure Event	Triggered if Ten achieves certain financial metrics for 6 consecutive months, including meeting minimum EBITDA amount and satisfying a leverage ratio and an interest cover ratio test
Replacement Facility	If a Facility Restructure Event is triggered the New Loan Facility will convert to a \$200 million Replacement Facility with the same maturity date at no incremental cost. The Guarantees and security will be released and the Guarantee Fees will cease to accrue.
Replacement Facility financial covenants	<ul style="list-style-type: none"> • Gross debt to EBITDA • EBITDA to net interest expense

Source: Loan Facility Agreement, Replacement Facility Agreement

Independent Expert's Report continued

Deed of Guarantee

The Deed of Guarantee contains the undertakings by the Shareholder Guarantors in the event Ten is unable to meet its obligations under the New Loan Facility. The key undertakings in the Deed of Guarantee are summarised below.

Table 5: Key undertakings in the Deed of Guarantee

Term	Description
Guarantees	Shareholder Guarantors severally guarantee the obligations of Ten under the New Loan Facility. CBA can claim under the Guarantee following an event of default
Guarantors	Illyria, CPH and Birketu (Shareholder Guarantors)
Term	Up to four years
Guarantee amount	\$200 million (equal shares of up to \$66.7 million for each Shareholder Guarantor)
Guarantee triggered	Upon an event of default by Ten under the New Loan Facility
Release of guarantee	In the event of: <ul style="list-style-type: none"> the New Loan Facility being repaid or refinanced in full a Facility Restructure Event

Source: Deed of Guarantee

Shareholder Reimbursement Transaction Agreements

In consideration of each Shareholder Guarantor's provision of a Guarantee, Ten has agreed to pay each Shareholder Guarantor the Guarantee Fee and will covenant, indemnify and reimburse each Shareholder Guarantor under the Shareholder Reimbursement Transaction Agreements. The key terms of the Shareholder Reimbursement Transaction Agreements are summarised below.

Table 6: Key terms and undertakings of the Shareholder Reimbursement Transaction Agreements

Term	Description
Guarantee Fee	<p>Applicable on the New Loan Facility limit (i.e. \$200 million) at:</p> <ul style="list-style-type: none"> 3.5% p.a. until 31 August 2015 from 1 September 2015, at a rate based on the gross debt to EBITDA (leverage ratio) of the Ten group for the remainder of the Loan Term as follows: <ul style="list-style-type: none"> 3.0% if the leverage ratio is 4.0x for every 0.5x movement in the leverage ratio from 4.0x, there will be a corresponding increase or decrease in the rate by 0.30% p.a. a maximum rate of 5.4% <p>The Guarantee Fee will capitalise and compound six monthly and is payable upon the Guarantee Termination Date</p>
Guarantee Option	<p>Shareholder Guarantors may elect to have the Guarantee Fee consideration converted into Ten ordinary shares. The applicable conversion price will be:</p> <ul style="list-style-type: none"> in respect of the Shareholder Guarantee fee which accrues up to 31 August 2015, the VWAP of Ten ordinary shares in the ten trading days prior to the 2013 Ten Annual General Meeting in respect of the Shareholder Guarantee fee which accrues post 31 August 2015, the VWAP of Ten ordinary shares in the first ten trading days of each subsequent consecutive six month period (or part thereof) <p>Only the guarantee fee is convertible into Ten ordinary shares. Any amount received under a reimbursement claim is not convertible.</p>
Reimbursement by Ten	The amount paid by each Shareholder Guarantor to CBA following a claim by CBA under the Guarantees.
Security	If the Shareholder Guarantors pay amounts to CBA under the Guarantee, the Shareholder Guarantors also have the benefit of subrogation rights under which they may step into the position of CBA as holder of security over Ten group assets
Guarantee Termination Date	<p>Earlier of:</p> <ul style="list-style-type: none"> Facility Restructure Event the repayment or refinancing of the New Loan Facility

Reporting obligations	Regular reporting obligations to the Shareholder Guarantors in relation to Ten's performance.
Review Events	<p>Limitations on:</p> <ul style="list-style-type: none"> • acquisitions and disposals • expenditure • negative pledges • incurrence of additional indebtedness • providing guarantees • providing financial accommodation • transactions other than on arm's length terms <p>Each of the limitations have carve outs that permit certain exceptions</p>
Breach	In the event of a Review Event or breach of a material provision of the Shareholder Transaction Reimbursement Agreements, Ten will incur a number of penalties for the period that these Review Events or breaches persist, including an increase in the annual Guarantee Fee by 1.0%

Source: Shareholder Reimbursement Transaction Agreements

1.3 Background to the Shareholder Guarantors

1.3.1 Illyria

Illyria is a private Australian company which is controlled by Ten's chairman, Lachlan Murdoch. Illyria has an 8.94% interest in Ten. Illyria is an associate of CPH by reason of an agreement entered into between them on 23 November 2010, under which they proposed to act in concert in relation to the exercise of votes attached to their shares and to agree customary pre-emptive rights. The association between CPH and Illyria renders each of them substantial holders of 17.88%.

1.3.2 CPH

CPH is a private Australian holding company controlled by James Packer. CPH has an 8.94% interest in Ten. As noted above, CPH and Illyria are associates which renders each of them substantial holders of 17.88% of Ten.

1.3.3 Birketu

Birketu is the private investment company of Bruce Gordon. Birketu and Birketu Investments Pty Ltd, which is also controlled by Bruce Gordon, have a 14.89% interest in Ten. Under current legislation, Bruce Gordon is limited to holding a maximum constituting less than 15% of Ten due to his controlling stake in the WIN television network.

Independent Expert's Report continued

2 Scope of the report

2.1 Purpose of the report

Chapter 10 of the Listing Rules requires, when a listed entity provides a Substantial Asset as collateral to:

- a related party, including a director of the listed entity or an entity controlled by that director
- a party with a relevant interest of at least 10% in that entity at any time in the six months prior to the transaction

an independent expert must be commissioned to prepare an IER stating whether the transaction is fair and reasonable to the non-associated shareholders.

Ten is initially granting security over assets of Ten to CBA. However, if the Shareholder Guarantors make payment to CBA when called to do so under their Guarantees, the Shareholder Guarantors will be subrogated to the rights of CBA, effectively allowing the Shareholder Guarantors to "stand in the shoes" of CBA and enforce CBA's security as if they had the benefit of the original security. Ten conferring subrogation rights on its related parties amounts to agreeing to provide a Substantial Asset as collateral to a related party and requires shareholder approval under Listing Rule 10. An IER is therefore required in order to assist Non-Associated Shareholders in their decision to vote in favour of, or against, the Proposed Transaction. In this regard, the Independent Directors have requested that Deloitte Corporate Finance provide an independent expert's report advising whether, in our opinion, the Shareholder Reimbursement Transaction Agreements are fair and reasonable to Non-Associated Shareholders.

This report is to be included in the Notice of Meeting, which will be sent to Shareholders, and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Shareholder Reimbursement Transaction Agreements in the context of the Proposed Transaction. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and Ten, in respect of this report, including any errors or omissions however caused.

2.2 Basis of evaluation

2.2.1 Guidance

In evaluating whether the Shareholder Reimbursement Transaction Agreements are fair and reasonable to the Non-Associated Shareholders we have considered the ASIC Regulatory Guides and common market practice.

ASIC Regulatory Guides

There are a number of ASIC Regulatory Guides that provide guidance on independent expert's reports and the basis of preparation of independent expert's reports:

- RG 76 in relation to related party transactions
- RG 111 in relation to the content of IERs
- RG 112 in respect of the independence of experts

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions. RG 76 defers to RG 111.

RG 111 provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. RG 111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

RG 111 also notes that a related party transaction is:

- fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired. In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transaction
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

In considering the fairness of the Shareholder Reimbursement Transaction Agreements we have had regard to the economic substance of the Proposed Transaction. In this regard, whilst the Shareholder Reimbursement Transaction Agreements are the only related party component of the Proposed Transaction, as the New Loan Facility is an essential component of the Proposed Transaction, it is appropriate to assess the fairness of the Proposed Transaction as a whole, rather than the fairness of the Shareholder Reimbursement Transaction Agreements in isolation.

Deloitte: Ten – Independent expert's report and Financial Services Guide

To assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have adopted the tests of whether the Proposed Transaction is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

2.2.2 Fairness

In considering the fairness of the Shareholder Reimbursement Transaction Agreements we have had regard to the economic substance of the Proposed Transaction as a whole. In this regard, whilst the Shareholder Reimbursement Transaction Agreements are the only related party component of the Proposed Transaction, as the New Loan Facility is an essential component of the Proposed Transaction, it is appropriate to assess the fairness of the Proposed Transaction as a whole, rather than the fairness of the Shareholder Reimbursement Transaction Agreements, including the conferring of the subrogation rights, in isolation.

Furthermore, nothing has come to our attention that would cause us to believe that CBA and Ten is not dealing at arm's length. Consequently, we consider that the fairness and reasonableness of the Shareholder Reimbursement Transaction Agreements is encapsulated within our opinion on the fairness and reasonableness of the Proposed Transaction, including in relation to the grant of security in respect of which the Shareholder Guarantors are given subrogation rights.

We have assessed the fairness of the Proposed Transaction by comparing the total cost of the Proposed Transaction, including the cost of the New Loan Facility, the Guarantee Fee and the Guarantee Option, over the Loan Term with the cost of refinancing from debt sources which accommodate covenant-lite financing arrangements over the Loan Term.

The debt sources which we consider would accommodate covenant-lite financing arrangements (Alternative Debt Markets) include:

- the US High Yield Bond Market
- the US TLB Market
- Shareholder Financing.

Our assessment of fairness has not considered the execution risk associated with obtaining financing on satisfactory terms in any of the Alternative Debt Markets. Instead we have considered this factor in our assessment of the reasonableness of the Proposed Transaction.

We acknowledge that debt financing could also potentially be obtained from other sources. However, in our opinion these sources are unlikely to provide the terms desired by Ten, particularly without financial covenants (e.g. the Australian bank or corporate bond market), or the cost of obtaining finance would be prohibitively expensive (e.g. mezzanine finance or convertible notes).

If the costs of the Proposed Transaction are less than the costs of refinancing in Alternative Debt Markets, the Proposed Transaction is fair.

2.2.3 Reasonableness

To assess the reasonableness of the Proposed Transaction we considered the following significant factors in addition to determining whether the Proposed Transaction is fair:

- the financial situation and solvency of Ten
- the opportunity costs of the Proposed Transaction
- the alternative options available to Ten and the likelihood of those options occurring
- any terms of the Proposed Transaction which may be particularly favourable or unfavourable to Non-Associated Shareholders
- the potential for Non-Associated Shareholders to be diluted
- potential implications for control of Ten, including implications as a result of the Guarantee Option and the subrogation rights of the Guarantee Shareholders
- Ten's bargaining position
- other implications associated with Non-Associated Shareholders not voting in favour of the Proposed Transaction.

Independent Expert's Report continued

2.2.4 Individual circumstances

We have evaluated the Proposed Transaction for Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Transaction on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

2.3 Limitations and reliance on information

The opinion of Deloitte Corporate Finance is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix F.

We have not sought any independent legal interpretation of the terms of the Proposed Transaction (**Terms**). Certain aspects of the Terms may be subject to different interpretation, hence it is possible that alternative conclusions could be drawn.

Our procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (**AUASB**) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

3 The Australian free to air television industry

3.1 Overview

FTA television is the most ubiquitous form of media consumption in Australia, with close to 100% penetration in Australian households and a daily audience of approximately 14 million.

The Australian FTA television market is dominated by three commercial broadcasters, namely the Seven Network (**Seven**), the Nine Network (**Nine**) and Ten (and their respective regional affiliates). Other operators include public broadcasters Australian Broadcasting Corporation (**ABC**) and Special Broadcasting Service (**SBS**) as well as various community broadcasters.

Over 90% of total FTA television revenue is generated from advertising expenditure (**Adspend**) and the remaining income is generally derived from the sale of in-house productions and, for the large networks, from affiliation agreements whereby programming is sold to regional networks. Audience ratings, which are monitored by independent research companies, are a primary driver of advertising revenues.

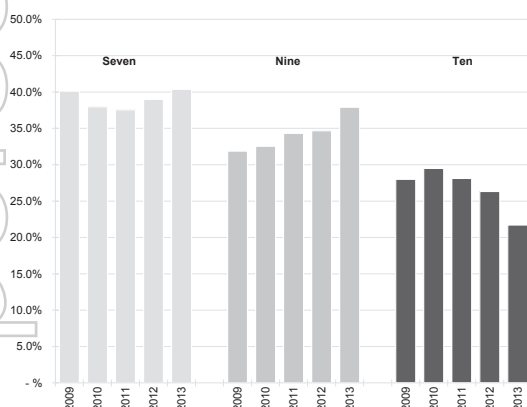
Australia has undergone a process of transferring from analogue television signals to digital terrestrial, with FTA broadcasters to phase out all analogue transmissions by December 2013. The benefits of digital terrestrial include greater spectrum efficiency, allowing broadcasters to provide more digital channels in the same bandwidth required by analogue TV (multi-casting).

Market share

Whilst there are approximately 55 FTA television stations in Australia, most stations are affiliated to the five national commercial (Nine, Seven and Ten) and Government funded public (ABC and SBS) broadcasters. The major commercial FTA television stations operate commercial broadcasting licences predominantly in metropolitan markets. Their programming is also made available in regional markets through affiliation agreements with regional television licences controlled by stations including Prime Media Group Ltd, Southern Cross Media Group Ltd, WIN Corporation Pty Ltd and Imparja Television Pty Ltd.

The quantum of each FTA television broadcasters' share of the advertising market is principally determined by viewership, and as such, broadcasters primarily compete on the basis of television ratings.

Figure 5: Australian FTA television commercial broadcaster revenue share (5 cities)¹



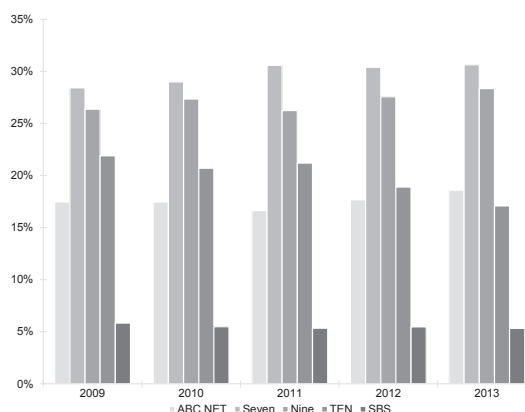
Source: OzTam

Note 1: December year end except 2013 (January-September)

In recent years Seven has been the market leader in audience share with 30.6% of viewership, followed by Nine Network (28.4%), the ABC (18.6%), Ten (17.1%) and SBS (5.3%) between January 2013 and September 2013.

Broadcasting premium sports programs is key to the ratings strength of FTA television networks in Australia, with six of the top ten rating programs in 2012 connected with either the AFL (Seven) or the NRL (Nine). Similarly, evening news programs are consistently amongst the most viewed programs on both weeknights and weekends, with the top rating news programs attracting over a million viewers per night. Commercial FTA broadcasters have also established interactive news websites (such as tenplay, nineMSN, Nine News and Yahoo!7News) and internet protocol television (IPTV) platforms at selected locations to capture the growing audience of Australians accessing news via online media services.

Figure 6: Australian FTA television broadcaster audience share between 6pm and 10:30pm (5 cities)¹



Source: OzTam

Note 1: December year end except 2013 (January-September)

Independent Expert's Report continued

3.2 Key demand drivers and success factors

Key demand drivers for the television broadcasting industry include:

- **advertising trends:** commercial FTA players derive more than 90% of their revenues from adspend with pay television broadcasters seeking to increase their share of adspend. FTA's share has been under pressure over the last five years due to the growth of online media but is expected to marginally increase to 30.0%⁴ of total adspend in FY13 as set out in Figure 7
- **economic conditions:** advertising spend is highly sensitive to economic conditions which in turn influence consumer and business confidence
- **population and demographic trends:** the specific population and demographic characteristics that affect the industry include population growth rates, age structure, educational qualifications, occupation and leisure patterns. Variations in these characteristics affect the level and type of advertising and also advertising rates.

The critical success factors for the television broadcasting networks include:

- **ability to attract and maintain a dedicated audience:** the establishment and maintenance of a dedicated audience and, in particular, the broadcaster's ability to constantly monitor changes in this audience's tastes and adjust the mix of programming accordingly
- **ability to produce and access premium content:** access to sports rights and international production from US studios is critical
- **ability to quickly adopt new technology:** technology is advancing rapidly and television networks are increasingly competing on the basis of the convenience of technologies such as the useability of electronic program guides and digital video recorders
- **highly skilled workforce:** a sales force adept at identifying advertising opportunities for direct and agency advertisers together with experienced content writers and on-television media personalities contribute to the success of a television network
- **advertising strategy:** ensuring an appropriate competitive response to advertising spend on other media sources and new technology through, for example, cross-selling advertising.

3.3 Advertising trends

Set out below is a brief overview of the outlook for the Australian adspend market since it remains, at present, a critical revenue source for the free to air television industry.

Historical adspend levels grew at a nominal compound annual growth rate (CAGR) of 4.1% between 2002 and 2012. In recent research notes, brokers have estimated that adspend for the total media industry will grow at a CAGR of 1.6% from 1 January 2013 to 31 December 2015, reaching \$13.8 billion.

Advertising growth has been more subdued in recent years as a result of weakness in non-mining industries critical to the quantum of adspend (such as retail, automotive and fast moving consumer goods), although is expected to improve marginally in the near future due to a broader recovery in the Australian economy.

The three traditional forms of media being print, television and radio, all compete against each other for advertising revenues. The introduction of online classifieds in the 1990s has seen the emergence of a low cost advertising medium with online adspend capturing significant market share to the detriment of print media whilst television's share remained relatively stable as set out below.

Figure 7: Australian adspend market share by advertising medium (2007 to 2015F)

Advertising media	2007A	2008A	2009A	2010A	2011A	2012A	2013F	2014F	2015F
Television ¹	28%	27%	28%	30%	29%	29%	30%	31%	32%
Print	39%	38%	34%	33%	31%	27%	23%	20%	17%
Online	10%	13%	15%	17%	21%	25%	29%	32%	34%
Other	11%	11%	11%	12%	12%	12%	12%	13%	12%
Directories	11%	11%	12%	9%	8%	7%	6%	5%	4%

Source: CEASA, Brokers' forecasts

Note 1: Includes Pay and FTA TV.

3.4 Regulatory environment

3.4.1 Overview

Australian commercial FTA broadcasters are governed by the Commercial Television Industry Code of Practice as well as a legislative framework administered by the Australian Communications and Media Authority (ACMA). We have presented below an overview of the main rules affecting FTA Broadcasters.

Reach rule

Statutory controls prohibit any person from exercising control of a commercial television network that has an aggregate audience reach of greater than 75% of the Australian population (the **Reach Rule**). In June 2013 it was recommended in the *Joint Broadcasting Reform Proposals* that the Reach rule be abolished, possibly creating a path for major commercial broadcasters to become national broadcasters through the acquisition of their regional affiliates. Whilst draft legislation to abolish the Reach Rule was proposed by the former Labor government, the legislation was never enacted and the recently elected Coalition Government is yet to table alternate legislation.

Anti-siphoning provisions

Other relevant legislation includes the anti-siphoning provisions contained in section 115 of the *Broadcasting Services Act 1992 (Cth)* which empower the Minister for Broadband, Communications and the Digital Economy (the **Minister**), to list events (mainly sporting) that should be available on FTA TV, to maximise viewing by the general public. Under the anti-siphoning provisions, pay-TV licensees are prevented from acquiring a right to televise a listed event until a right is offered first to ABC, SBS or to commercial FTA broadcasters reaching more than 50% of the Australian population.

Licence rebates

The Federal Government rebated licence fees paid by the networks by 33% in 2010 and 50% in 2011 and 2012. Legislation passed in March 2013 provided for the permanent reduction in annual licence fees payable by 50% and to a maximum 4.5% of gross earnings (where gross earnings exceed \$75 million). In return, commercial FTA broadcasters are subject to minimum required Australian content programming on their multi-channels.

Minimum local content requirement

Commercial FTA operators are required to meet minimum annual quotas for Australian content (55% Australian programming between 6am and midnight), local content and for children's programs.

Multi-casting provisions

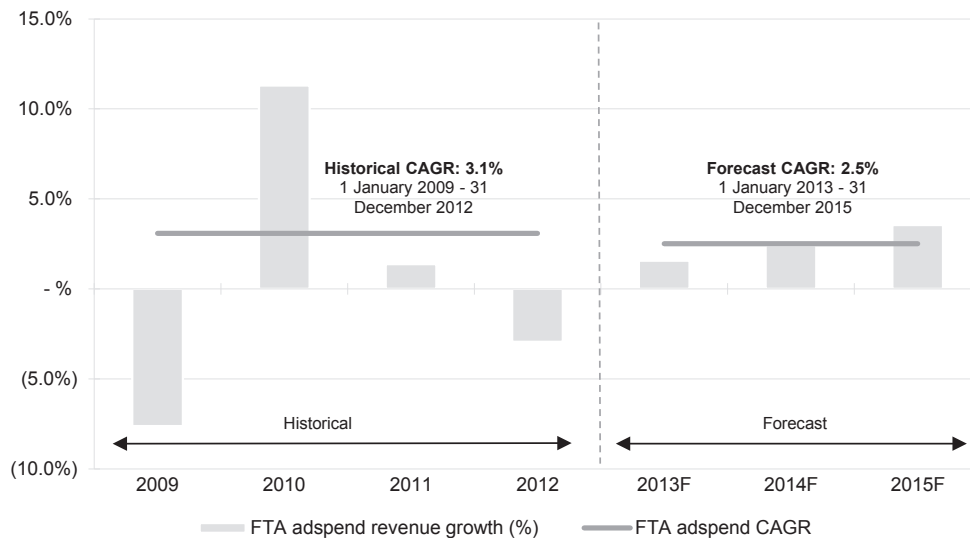
The transition from analogue to digital transmission has enabled the broadcast of multiple digital television channels on the same spectrum bandwidth as was previously used to transmit a single analogue television channel (multi-channelling). Multicasting was legalised in Australia in 2009, facilitating the expansion of commercial FTA television content in Australia. In December 2012, the Government announced that the restriction on spectrum and broadcast licence issuances will remain, ensuring that no fourth FTA network will enter the market in the immediate future.

Independent Expert's Report continued

3.5 Outlook

As discussed, growth in the FTA television industry is principally determined by advertising expenditure, which is influenced by economic conditions which are in turn influenced by consumer and business confidence.

Figure 8: FTA adspend revenue growth rate



Source: CEASA, Brokers' forecasts, Deloitte Corporate Finance analysis

FTA television adspend revenue is forecast to grow at a CAGR of 2.5% from 2013 to 2015, an improvement upon the weak growth levels experienced in 2011 and 2012. This follows a rebound in growth in 2010 after declines in 2008 and 2009. Marginal growth is expected in 2013, with challenging economic conditions negatively affecting advertising bookings in the six months to June 2013 (H1 2013) expected to be offset by Federal election spending (of which FTA has historically captured a high share) and an improving global economic growth profile in H2 2013 and 2014.

The key structural risk to the outlook for commercial FTA industry participants concerns the increasing use of alternate media technologies and in particular:

- over-the-top (OTT) content: the FTA television industry faces competitive threats from pay-TV as well as new technologies delivering OTT content such as smart TVs, tablets and IPTV. The proliferation of OTT services (more prominent in the US so far through companies such as Netflix) may be a catalyst for audience disintermediation resulting from greater access to niche content, leading to FTA television advertising share loss
- user generated and social networking sites: which are also regarded as threats to FTA television primarily due to the growth in time spent on the internet at the expense of television. Audience migration to online media content is expected to continue as data speeds increase with the rollout of the National Broadband Network (NBN). In response to the above risks, Australian FTA networks are expected to continue to utilise hybrid revenue models, offering their own OTT services by sharing more content with new media companies, offering live broadcasts, 'catch up TV' online and video on demand, and through the use of interactive websites linked to television shows. In addition, FTA broadcasters are accelerating the debut of certain program screenings in Australia to combat the trend of viewers downloading new season programs in advance of FTA screening.

4 Profile of Ten

4.1 Overview

Ten is an ASX listed company with investments in wholly owned subsidiaries that conduct commercial FTA broadcasting in Australia. Ten's wholly owned subsidiaries hold five metropolitan commercial television licences in each of Australia's mainland capital cities, and has a regional affiliate agreement with Southern Cross Media Group. Ten operates three FTA television channels, TEN, ELEVEN and ONE in Australia's five mainland state capital cities. It also owns and operates a number of digital and online businesses.

A summary of each significant FTA channel operated by Ten is provided below.

Table 7: Channels

Channel	Launch date	Content	Age demographic	2013 Audience share ¹
TEN	August 1964	Local and international dramas, light entertainment, comedies, factual series, news, sports, and current affairs	25-54	12.1%
ONE	April 2009	Premium factual programs and movies, action, adventure programming, and premium sport	25-54	2.2%
ELEVEN	January 2011	Local and international programming including premium drama, comedy, and animated series	16-29	3.5%

Source: Ten, OzTam

Note:

1. Period from 10/02/2013 to 21/09/2013.

Ten's programming has traditionally been targeted at people aged 18 to 49 years old. However, Ten has recently announced its intention to change its demographic audience to people aged 25 to 54 and has committed to invest in new local content, new overseas shows and new sports programs to target this larger demographic audience. Measures taken in this regard include investments in the British & Irish Lions Tour, an Australian version of The Bachelor, the 2014 Sochi Winter Olympics and the Twenty 20 Big Bash League.

Other FTA channels operated by Ten which do not contribute materially to Ten's audience share include TVSN and Spree TV which are advertorial data casting services.

A summary of the recent ratings of Ten and other FTA channels is set out below.

Figure 9: Ten's ratings evolution compared to other FTA channels (6:00pm to 10:30pm)

Channel	Jan-Dec 2009	Jan-Dec 2010	Jan-Dec 2011	Jan-Dec 2012	Jan-Sep 2013
ABC	17.5%	17.5%	16.6%	17.7%	18.6%
Seven	28.4%	29.0%	30.6%	30.4%	30.6%
Nine	26.4%	27.4%	26.2%	27.6%	28.4%
TEN	21.9%	20.7%	21.2%	18.9%	17.1%
SBS	5.8%	5.5%	5.3%	5.5%	5.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: OzTam

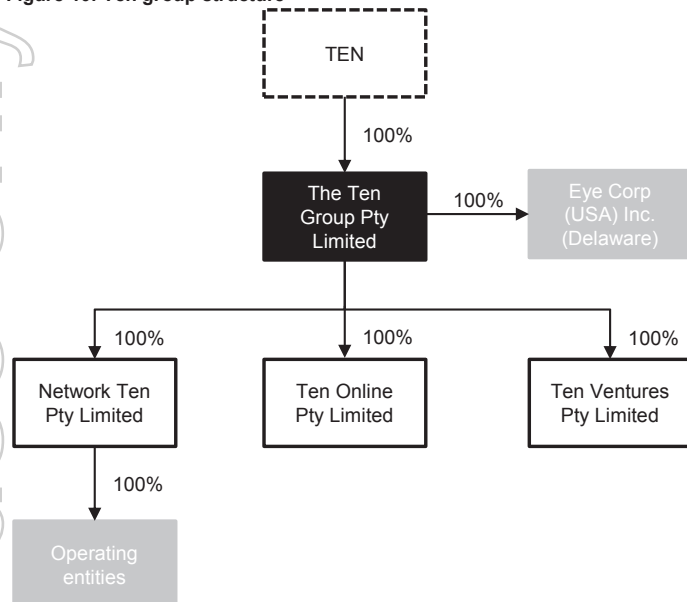
Ten's ratings have declined from 21.9% in 2009 to 17.1% in 2013. This decline has been attributed to several factors including an absence of major sporting events and a traditional focus on a younger demographic audience which has been shifting preferences to alternate media technologies in recent years.

Independent Expert's Report continued

4.2 Legal structure

A simplified group structure for Ten is set out below.

Figure 10: Ten group structure



Source: Ten

Ten is the group's holding company with the majority of assets (including television licences) held by wholly owned subsidiaries of Network Ten Pty Limited.

As part of the sale of EYE to Outdoor Media Operations in 2011, Ten retained economic exposure to the outcome of the sale processes for the UK and US operations. The UK operations were subsequently sold in February 2013 with Ten now retaining ownership of the US operations via Eye Corp (USA) Inc (Delaware).

4.3 Capital structure and ownership

4.3.1 Current ownership

Ten had 2,587 million ordinary shares outstanding at 30 August 2013. Ten currently has no options on issue.

The following table sets out the top 10 Shareholders as at 30 August 2013.

Table 8: Top ten Shareholders as at 30 August 2013

Name	Shares held (million)	Proportion of issued shares
Birketu	369.3	14.3%
Hanrine Investments Pty Ltd	256.4	9.9%
Lazard Asset Mgt Pacific Co	235.5	9.1%
Illyria (Lachlan Murdoch)	231.2	8.9%
CPH (James Packer)	231.2	8.9%
JPMorgan Securities	104.7	4.0%
Dimensional Fund Advisors	103.1	4.0%
Deccan Value Advisors	81.8	3.2%
Tribeca Investment Partners	63.5	2.5%
Seven Network	61.0	2.4%
Total Top 10	1,737.6	67.2%

Source: Ten

Deloitte: Ten – Independent expert's report and Financial Services Guide

Ten is closely held with the top five Shareholders owning 51.1% of the total shares on issue. 3 of the 4 largest Shareholders are the Shareholder Guarantors. CPH and Illyria are associates by virtue of an agreement entered into in November 2010 which renders each of them substantial holders of 17.88% of Ten.

4.3.2 Recent capital raisings

Ten completed two equity capital raisings during the course of 2012, principally to reduce debt levels and in turn strengthen the company's capital structure. Residual proceeds were applied to invest in Ten's programming renewal strategy and operational initiatives to improve underlying performance.

Table 9: Summary of recent capital raisings

Date announced	Offer form	Shares issued (million)	Gross amount raised (\$'million)	Discount to share price	Discount to theoretical ex-entitlement share price
June 2012	3 for 8 accelerated pro rata renounceable entitlement offer	392	200	20.3%	15.6%
December 2012	4 for 5 accelerated pro rata non-renounceable entitlement offer	1,150	230	38.5%	25.8%

Source: Ten, ASX announcements

In respect of the above:

- funds raised from the June 2012 capital raising were used to repay \$145 million of syndicated facilities and invest in new programming
- funds raised from the December 2012 capital raising were primarily used to repay Ten's \$210 million USPP due in March 2013 and to fund restructuring costs and general working capital
- Ten's issued share capital has more than doubled as a result of the above equity raisings, increasing to 2,587 million shares at 31 August 2013 from 1,045 million prior to announcing the first rights issue raising in June 2012.

4.4 Share price performance

A summary of Ten's share price performance and volumes traded is provided below.

Table 10: Ten's quarterly share price information

Quarter end date	High (\$)	Low (\$)	Last trade (\$)	Volume (million)	Volume (% of shares outstanding ¹)
31 December 2011	0.96	0.82	0.84	324.5	31.1%
31 March 2012	0.91	0.78	0.81	243.1	23.3%
30 June 2012	0.84	0.49	0.51	217.0	16.0%
30 September 2012	0.52	0.35	0.37	240.4	16.8%
31 December 2012	0.42	0.25	0.29	858.0	37.1%
31 March 2013	0.38	0.29	0.32	856.4	33.1%
30 June 2013	0.33	0.26	0.28	438.3	16.9%
30 September 2013	0.30	0.27	0.30	281.9	10.9%

Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Note 1: as at each quarter end date.

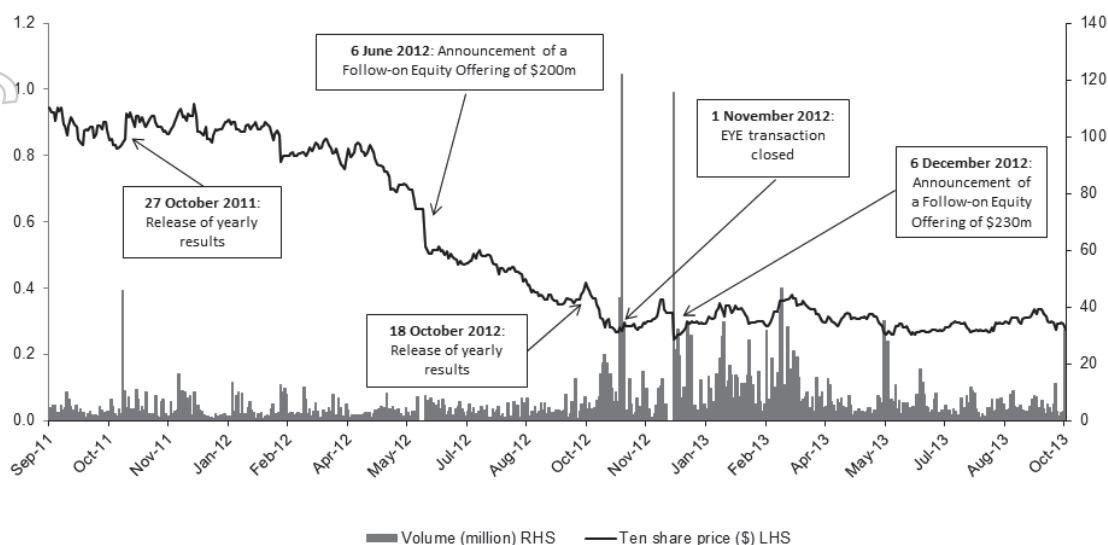
In the six month period to 30 September 2013, approximately 720.2 million shares were traded. This equates to an average weekly trading volume of approximately 1.1% of issued shares. The significant volumes observed between 30 September 2012 and 31 March 2013 are likely to be driven by the increase in issued capital in Ten following the completion of the equity capital raisings in June and December 2012.

Ten's average daily turnover as a percentage of market capitalisation has been comparable to the average turnover of all securities listed on the ASX (as a percentage of the market capitalisation of all securities on the ASX) in several months and was higher than that of the ASX between October 2011 and February 2012 and from October 2012 to March 2013 (refer to Appendix B for details). Given the above, and notwithstanding Ten's concentrated share register, we do not consider the market for Ten shares to be illiquid.

Independent Expert's Report continued

The share price movements and trading volumes together with notes to key events from 1 September 2011 until 1 October 2013 are presented in the figure below.

Figure 11: Ten share price movements and volume traded

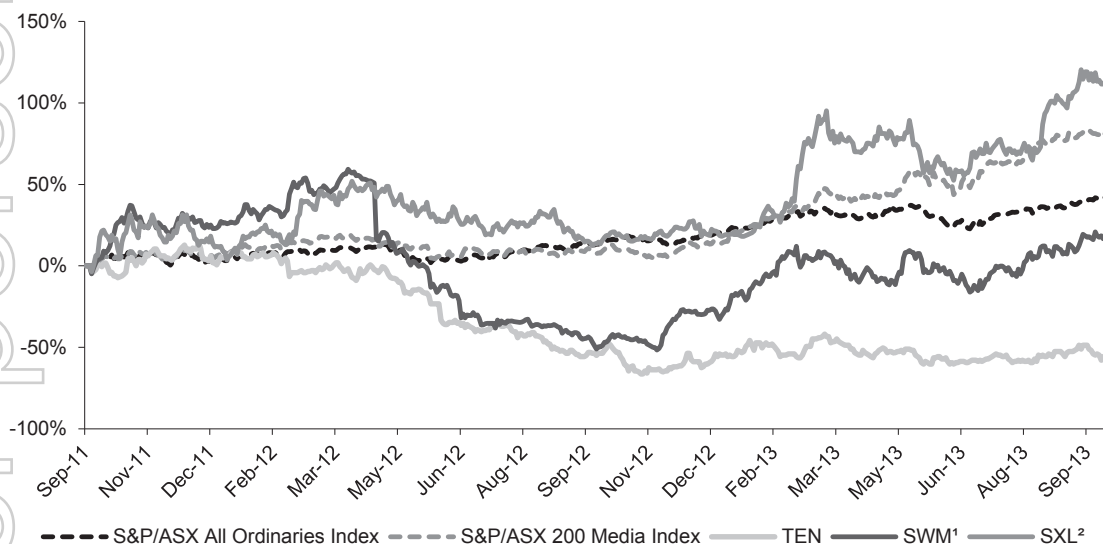


Source: S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

Ten's share price declined substantially in the two years to 1 October 2013, primarily as a result of the following:

- deteriorating earnings driven by both difficult industry conditions and Ten's decline in market share
- the two capital raisings undertaken in July 2012 and December 2012 being raised at significant discounts to the share price immediately prior to announcement. The chart below compares the performance Ten (adjusted for rights issues and dividends) with listed peers within the media industry from 1 October 2011 to 1 October 2013.

Figure 12: Ten's relative performance (adjusted for rights issues and dividends)



Source: S&P Capital IQ, Deloitte Corporate Finance analysis

Notes:

1. SWM = Seven West Media Limited
2. SXL = Southern Cross Broadcasting Limited.

As set out above, since February 2012, Ten's share price (adjusted for rights issues and dividends) has consistently underperformed compared to the Standard and Poor's (S&P) ASX All Ordinaries Index and the S&P ASX Media Index.

4.5 Financial performance

The table below sets out the audited financial performances of Ten for the 12 months ended 31 August 2011, 31 August 2012 and 31 August 2013.

Table 11: Financial performance

	Audited FY11 (\$' million)	Audited FY12 (\$' million)	Audited FY13 (\$' million)
Television Revenue	851.8	727.0	630.1
Television Expenses	697.7	644.6	584.0
Television EBITDA	154.1	82.4	46.1
Outdoor EBITDA	18.4	(0.5)	(4.3)
Group EBITDA	172.5	81.9	41.8
Depreciation & Amortisation	25.6	18.4	17.7
EBIT	146.9	63.5	24.1
Net Interest Expense	33.5	36.8	16.6
Profit before Tax, NRI¹ & discontinued operations	113.4	26.7	7.5
Impairment of television licences	-	(7.8)	(292.1)
Restructure expenses	(85.4)	(3.6)	(14.4)
Impairment of EYE US (Outdoor) assets	-	-	(9.4)
Provisions for Onerous Contracts (EYE US Outdoor)	-	-	(20.3)
Discontinued operations	-	(9.1)	(5.9)
(Loss)/ Profit before Tax	27.9	6.2	(334.6)

Source: Ten annual reports

Notes:

1. NRI = non-recurring items.

In respect of the above:

- television revenue declined in both FY12 and FY13 due to negative growth in FTA adspend and a decline in market share
- restructuring costs were incurred in FY11, FY12 and FY13 in order to more appropriately align Ten's cost base and revenue base. However, these restructures did not fully offset the decline in revenue in each period
- other material non-recurring charges include:
 - **FY12:** the write down of Ten Holdings' investment in OurDeal Pty Limited
 - **FY13:** an impairment charge in relation to Ten's television licences, a provision for onerous contracts and an impairment of fixed assets both relating to Eye Corp's US business, restructuring costs relating to the restructure of the news and operations departments and executive redundancies.

Independent Expert's Report continued

4.6 Financial position

The audited balance sheets of Ten as at 31 August 2011, 31 August 2012 and 31 August 2013 are summarised in the table below.

Table 12: Consolidated financial position of Ten

	August 2011 audited (\$million)	August 2012 audited (\$million)	August 2013 audited (\$million)
Cash and cash equivalents	19.1	93.9	122.4
Receivables	191.3	116.0	129.3
Program rights and inventories	177.9	149.0	166.3
Current tax assets	-	7.5	2.2
Other	13.1	6.2	20.5
Assets classified as held for sale	-	140.8	-
Total Current Assets	401.4	513.4	440.7
Program rights and inventories	3.5	3.2	30.8
Other financial assets	8.8	4.9	7.0
Property, plant and equipment	84.6	70.1	54.2
Intangible assets	1,171.4	1,079.8	785.7
Deferred tax assets	8.4	-	-
Other	1.1	0.3	0.4
Total Non-Current assets	1,277.8	1,158.3	878.1
Payables	194.6	137.8	142.5
Borrowings	-	123.3	150.0
Derivative financial instruments	0.5	91.2	-
Provision for Income Tax	7.2	-	-
Provisions	54.7	43.0	44.1
Liabilities directly associated with assets classified as held for sale	-	43.8	-
Total Current Liabilities	257.0	439.1	336.6
Payables	11.6	17.8	43.8
Borrowings	348.2	150.0	-
Derivative financial instruments	95.6	6.0	6.7
Deferred tax liabilities	84.4	70.9	10.0
Provisions	74.7	46.0	35.9
Total Non-Current liabilities	614.5	290.7	96.4
Net Assets	807.7	941.9	885.8

Source: Ten annual reports, Deloitte Corporate Finance analysis

In respect of the above:

- cash and equity increased between 31 August 2011 and 31 August 2013 as a result of two capital raisings undertaken in July 2012 and January 2013 and the sale of Eye Corp in November 2012. The proceeds of these initiatives were used to repay a USD\$125 million Private Placement loan (swapped into A\$210 million) as well as fund restructuring costs, working capital and general purposes
- assets and liabilities relating to Eye Corp Pty Limited were classified as held for sale as at 31 August 2012
- intangible assets declined significantly in FY13 due to the impairment of television licences
- as at 31 August 2013, current borrowings consisted of USPP notes due to mature in December 2015
- in February 2013, Ten replaced a \$350 million syndicated bank facility with the Existing Loan Facility which is repayable in November 2015.

Deloitte: Ten – Independent expert's report and Financial Services Guide

Ten's issued debt and debt facilities as at 31 August 2013 are summarised in the following table.

Table 13: Ten's issued debt and debt facilities

	Amount drawn/ issued (\$'million)	Facility Limit (\$'million)	Rate	Covenants	Maturity
Existing Loan Facility	nil	80	BBSY + margin calculated based on debt/ EBITDA	leverage and interest coverage ratios	Nov-15
USPP notes	150	n/a	BBSW + 0.699% margin	Gross debt/EBITDA < 4.25x Net interest/ EBITDA > 2.0x	Dec-15

Source: Ten

In respect of the above:

- a USD \$125 million (swapped into \$210 million) USPP issue was repaid on 25 February 2013 with the proceeds of Ten's December 2012 equity capital raising
- the Existing Loan Facility was established in February 2013 and replaced a \$350 million syndicated revolver facility.

Independent Expert's Report continued

5 Fairness Assessment

5.1 Approach

We have assessed whether the Proposed Transaction is fair by comparing the total cost over the Loan Term of the following:

- the Proposed Transaction
- refinancing in a number of debt markets where Ten could potentially refinance on terms comparable to the Proposed Transaction (Alternative Debt Markets).

As the total cost of the Proposed Transaction and of refinancing in Alternative Debt Markets will depend in part on the assumed operating performance and debt levels of Ten over the Loan Term, Management has provided us with two scenarios (the Scenarios) regarding the future financial performance and position of Ten which we have used for the purpose of estimating drawn debt and financial ratios of Ten over the Loan Term. A summary of each Scenario is provided below:

- **Budget Case:** which assumes operations continue to be managed based on the current Board approved budget for FY14
- **Investment Case:** which assumes an additional investment is made in programming in FY14 which, relative to the Budget Case, results in higher debt initially, but also in higher operating profits in later years.

In addition we have requested an additional scenario which assumes a negative EBITDA impact (and corresponding impact on drawn debt) of 20% over the Loan Term (Downside Case).

5.2 Cost of the Proposed Transaction

5.2.1 Approach

We have estimated the cost of the Proposed Transaction by estimating the total cost of the following over the Loan Term:

- Guarantee Fee
- CBA interest rate and bank fees (CBA Costs)
- Guarantee Option

In order to estimate the value (i.e. the cost) of the Guarantee Option, we have used a Monte-Carlo based simulation approach assuming no early repayment of the New Loan Facility.

A Monte Carlo based model simulates the path of the share price according to a probability distribution assumption. After a large number of simulations, the arithmetic average of the outcomes, discounted to the valuation date, is calculated to represent the option value. Monte Carlo simulation is an approach that can accommodate complex exercise conditions. In particular, it can be used when the number of options exercised depends on some function of the whole path followed by the share price, rather than just its value at expiry. Monte Carlo simulation is also used to analyse options where the exercise condition is dependent on outcomes associated with factors other than, or in addition to, the share price.

5.2.2 Guarantee Fee and CBA Costs

Our estimate of the Guarantee Fee and CBA Costs is based on the following key assumptions:

- **terms:** consistent with the terms of the Proposed Transaction as summarised in Section 1.2 (Terms).
- **repayment:** no early repayment of the New Loan Facility
- **Guarantee Fee post 31 August 2015:** based on the forecast debt and EBITDA of Ten as provided in the Scenarios
- **base interest rate:** on drawn debt calculated using the implied forward 90 day bank bill swap bid (BBSY) rate.

5.2.3 Guarantee Option assumptions

Our valuation of the Guarantee Option is based on the following key assumptions.

Table 14: Guarantee Option – key assumptions

Parameters	Selected input	Basis
Valuation Date	31 December 2013	Terms
Share price	\$0.285	Closing share price of Ten on 14 October 2013
Exercise price	Terms	Exercise price set at various points during the term of the New Loan Facility
Expected life	4 years	We have assumed that the Options will only be exercised at the end of the 4 year term
Risk free interest rate	3.24%	Derived from the implied zero-coupon curve from Australian government bonds as at 14 October 2013
Distribution yield	0%	Ten's average forecast annual dividend yield over three years
Expected Volatility	45%	In determining the expected volatility, we have taken into account the following: <ul style="list-style-type: none"> • The 4 year historical market price volatility of Ten shares of ~40% • the market implied volatility of Ten shares of ~50%
Other		We have not assumed: <ul style="list-style-type: none"> • any change of control events or reorganisation of capital during the Loan Term • any dilution effect from the issue of the Guarantee Options noting that they will not likely have a material impact upon the share price of Ten

Source: Deloitte Corporate Finance analysis

5.2.4 Conclusion

We have estimated the cost of the Proposed Transaction to be between \$43.4 million and \$43.8 million as set out below.

Table 15: Summary of cost of Proposed Transaction

	Budget Case	Investment Case
Guarantee Fee	19.6	19.0
Guarantee Option	6.1	6.3
CBA Costs	17.6	18.5
Total Costs	43.4	43.8

Source: Deloitte Corporate Finance analysis

5.2.5 Downside Scenario

At Deloitte's request, Management has provided an alternate Scenario (Downside Case) which assumes a negative EBITDA impact (and corresponding impact on drawn debt) of 20% over the Loan Term. Under the Downside Case, the cost of the Proposed Transaction increases by between 9% and 10%, as set out below.

Table 16: Downside Case

	Downside Case
Guarantee Fee	21.9
Guarantee Option	6.6
CBA Costs	19.1
Total Cost	47.7
Variance to Budget Case	10.0%
Variance to Investment Case	9.0%

Source: Deloitte Corporate Finance analysis

Independent Expert's Report continued

5.3 Cost of refinancing in Alternative Debt Markets

5.3.1 Approach

In order to assess the total cost of refinancing in each Alternative Debt Market, we have assessed the following:

- Ten's indicative credit rating
- debt markets in which Ten could be able to obtain financing having regard to the terms it desires (Alternative Debt Markets).
- the interest rate payable on debt raised in each Alternative Debt Market
- issue costs of raising debt in each Alternative Debt Market
- interest income on unutilised proceeds of refinancing.

In determining the above we have:

- conducted market soundings both domestically and internationally on a no-names basis with key market players including local domestic commercial banks, investment banks and specialist debt providers, as well as Deloitte financial instruments specialists both domestically and in the North American market
- conducted quantitative research and benchmarking on recent issuances of comparable financing arrangements for the alternative financing instruments based on both publicly available information and proprietary databases
- considered the benchmarking analysis conducted by Ten's advisors for a range of alternative financing instruments.

5.3.2 Indicative credit rating of Ten

As the company does not have a current credit rating with a major agency, we have had regard to Moody's 'Global Broadcast and Advertising Related Industries' ratings methodology to arrive at an indicative sub-investment grade credit rating of B1 to B3 (S&P equivalent of B+ to B-) for Ten. Refer to Appendix C for a summary of the factors Moody's consider when rating companies in 'Global Broadcast and Advertising Related Industries'.

In arriving at our assessed range we have considered both historical and forecast information for Ten and quantitative as well as qualitative considerations.

5.3.3 Alternative Debt Markets

A summary of the debt sources we considered, and their respective suitability, given Ten's credit rating and the terms on which it is seeking to refinance, is presented below.

Table 17: Debt markets considered

Market	Considerations	Availability/ desirability	Comments
Domestic bank debt	Strict financial covenant requirements compared to other options	✗	Unlikely to be available/desirable due to lack of flexibility in financial covenant requirements
USPP	Typically seek investment grade credit profile	✗	Unlikely to be available/desirable based on Ten's credit profile
High yield	Deep market catering to sub-investment grade issuers	✓	Flexible investor credit profile expectations aligns with Ten's requirements
Term Loan B	Deep market, although risk appetite more conservative than high yield	✓	Investors may require some covenants due to Ten's credit profile and small size
Domestic bond issue	Shallow market primarily available to investment grade corporates	✗	Unlikely based on Ten's credit profile
Retail/shareholder notes	Flexible terms, no financial covenants	✓	Recent successful retail note issuances suggest appetite for such investments
Other subordinated and hybrid instruments	Includes hybrid notes, preference shares, mezzanine debt and convertible instruments	✗	Significantly more expensive than other available alternatives that would likely offer financing on the terms sought by Ten

Source: Deloitte Corporate Finance analysis

Deloitte: Ten – Independent expert's report and Financial Services Guide

We have considered the following markets only for the purpose of our further analysis (Alternative Debt Markets):

- US High Yield Bond Market
- US TLB Market
- Shareholder financing through either a pro-rata note offering or similar instrument (Shareholder Financing). For the purpose of our market analysis we have had primary regard to the Australian retail note market (**Australian Retail Note Market**) given the lack of observable Shareholder Financing market data.

Other subordinated and hybrid instruments may also offer financing on terms Ten desires. However, we have not considered these markets in our analysis given the significant additional costs that are likely to be incurred.

We acknowledge that debt financing could also potentially be obtained from other lower cost sources. However, in our opinion these sources are unlikely to provide sufficient quantum or the terms desired by Ten, particularly without financial covenants (e.g. the Australian bank or corporate bond market).

A brief description of the characteristics of each Alternative Debt Markets is provided below:

- **US High Yield Bond Market:** sub-investment grade public bond market with a global investor base and deep liquidity. Bonds are generally USD denominated fixed rate instruments with a five to eight year tenor. Deal sizes of less than USD 200 million are uncommon. Issuances generally require two public ratings
- **US TLB Market:** comprises high yield loans for lower rated companies issued in the US market. Investor risk appetite is broadly more conservative than high yield bonds, and covenants are sometimes required in addition to security. Loans are generally USD denominated, floating rate instruments with a two to seven year tenor. Deal sizes of less than USD 200 million are uncommon. Issuances generally require two public ratings
- **Australian Retail Note Market:** comprises retail investor base broadly seeking moderate risk and fixed income returns. There is generally no requirement for issues to be rated and there is potential for flexible terms requiring no financial maintenance covenants. Notes can be either fixed or floating rate and recent issuances have been observed to have a 5 to 7 year tenor. Deal sizes vary and are typically less than \$300 million. Issuances do not require ratings.

5.3.4 Interest rate assessment

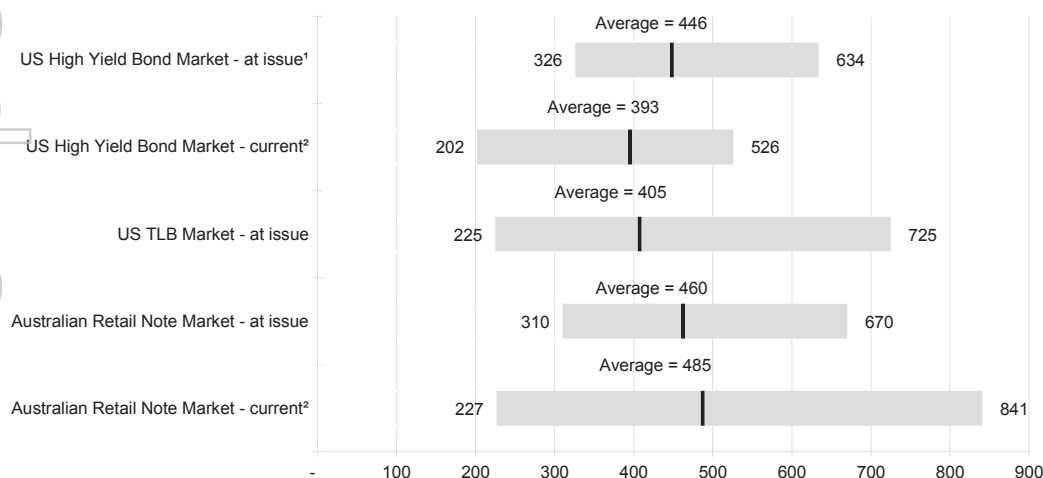
5.3.4.1 Spreads

In determining an appropriate margin in each Alternative Debt Market we have had regard to the following:

- US High Yield Bond and US TLB Markets: B and BB rated issues in the broadcasting sector
- Australian Retail Note Market: recent subordinated issuances.

A summary of observable spreads in each Alternative Debt Markets as summarised below.

Figure 18: Summary of Observable Spreads in Alternative Debt Markets



Source: ThomsonOne, LoanConnector, S&P Capital IQ

Independent Expert's Report continued

Notes:

1. Excludes issue margin on Belo Corp instrument issued on 23 September 1997
2. Spreads current as at 21 October 2013.

Further details regarding comparable issuances are provided in Appendix D.

General comments regarding the issuances in each Alternative Debt Market and their comparability to a debt issuance by Ten on terms comparable to the Proposed Transaction are provided below:

US High Yield Bond market

- all observed comparable issuances had a tenor from issue longer than 4 years
- many issuers are significantly larger than Ten and are more highly geared than Ten
- we have placed greatest weight on the following issuances given their rating, issue date and issue size:
 - Sinclair Television Group's B rated US\$350 million unsecured bond, issued on 26 September 2013 and priced at a spread of 434 bps over US Treasury Notes of the same maturity
 - Gray Television's B+ rated US\$300 million unsecured bond, issued on 24 September 2012 and currently priced at a spread of 526 bps
 - Lin Television's B rated US\$290 million unsecured instrument, issued on 3 April 2013 and currently priced at a spread of 458 bps
- Ten's position as an overseas issuer and the assumed issue size and tenor, is likely to result in a margin towards the top end of the observed range.

US TLB Market

- all observed comparable issuances had a tenor from issue longer than 4 years
- we have placed greatest weight on the following issuances given their rating, issue date and issue size:
 - Foxco Acquisition's B+ rated US\$237 million loan, issued on 7 March 2013 at a spread of 450 bps over the London Interbank Offer Rate (**LIBOR**)
 - Barrington Broadcasting Group's unrated US\$185 million loan, issued on 3 December 2011 at a spread of 600 bps
 - Granite Broadcasting Group's B rated US\$215 million loan, issued on 28 April 2012 at a spread of 725 bps
- Ten's position as an overseas issuer and the assumed issue size and tenor, is likely to result in a margin towards the top end of the observed range. In addition, we understand that many observed issuances in the US TLB Market contain some financial covenants. It is therefore possible that obtaining a covenant-lite loan would require a premium to many observed issuances in this market.

Australian Retail Note Market

- all observed comparable issuances had a tenor from issue longer than 4 years, although all issuances also had provisions allowing for early redemption
- there are limited relevant issuances in the Australian Retail Note Market. In particular:
 - issuers operate in different industries, are more highly geared and have stronger earnings profiles than Ten
 - all issuers and issuances are unrated.

Selected spreads

Having regard to the above, we have assessed the spread that would likely be paid by Ten above the relevant benchmark in each Alternative Debt Market as follows:

Table 19: Alternative Debt Market selected spreads

	Benchmark	Low	High
US High Yield Bond Market	US Treasuries	4.5%	5.5%
US TLB Market	US LIBOR	4.0%	5.0%
Shareholder Financing	BBSY	6.0%	7.0%

Source: Deloitte Corporate Finance analysis

The US High Yield Bond Market is benchmarked against Treasuries, which trade at a lower yield than interest rate swaps (a proxy for LIBOR over longer tenors) of an equivalent duration. Accordingly, it is inappropriate to apply these spreads to bank benchmarks (such as US LIBOR or BBSY) without adjusting for this differential. We have therefore adjusted our assessed spread in the US High Yield Bond Market (which is presented above on a pre-adjusted basis) for the estimated differential between US Treasuries and US LIBOR with a 4 year tenor (i.e. the Loan Term).

5.3.4.2 Swap costs

Ten will be required to swap back any debt sourced in the US High Yield Bond Market or US TLB Loan Market in order to hedge any risk associated with currency movements. In estimating these costs, we have considered the following:

- **Basis spread:** determined by supply and demand for USD and AUD in the global market and may vary significantly over time
- **credit value adjustment spread:** borrowers who have a lower credit rating than the banks that they deal with (and do not post collateral) are charged a spread at deal inception to cover credit risk.

5.3.4.3 Base rate

We have used the forward 90 day bank bill swap bid (**BBSY**) rate as the relevant base rate over the Loan Term.

5.3.4.4 Conclusion

Having regard to the above we have assessed the average interest rate that could be paid by Ten above the relevant benchmark in each Alternative Debt Market as follows:

Table 20: Assessed average interest rates in Alternative Debt Markets (including issue costs)

	US High Yield Bond Market	US TLB Market	Shareholder Financing
Average annual interest rate – low	9.1%	8.3%	9.9%
Average annual interest rate – high	10.1%	9.3%	10.9%

Source: Deloitte Corporate Finance analysis

5.3.5 Issue costs

We have estimated issue costs at 1.25% for the US TLB Market and 2.0% for the US High Yield Bond Market and Shareholder Financing based on observed issue costs on recent issuances and our market soundings.

We note that this estimate may be conservative (i.e. low) in the US High Yield Bond market and US TLB market given:

- the assumed issue amount, which is smaller than many observed issuances
- Ten's status as a foreign issuer, which would likely require two advisors
- Ten is not a repeat issuer in either market and ratings from both Moody's and S&P would likely be required
- Ten may require underwriting in the US TLB Market to ensure a successful refinance ahead of future covenant tests.

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5.3.6 Other key assumptions

Our estimate of the cost of refinancing in Alternative Debt Markets is based on the following key assumptions:

- **issue size:** \$200 million. Whilst the Proposed Transaction is effectively a line of credit, such facilities are generally offered by banks and in our view, it is unlikely Ten would be able to secure covenant-lite terms from banks. Accordingly, Ten would likely be required to seek funding from sources which would require Ten to fully draw on its estimated funding needs from the time of issue. Management has stated that they believe up to \$200 million is sufficient to provide sufficient flexibility to implement the Programming Strategy
- **tenor:** 4 years, which is equivalent to the Loan Term
- **interest payments:** cash payments. We note that this assumption differs to the Proposed Transaction where interest payments are capitalised. However, based on market soundings we have undertaken, we understand that these terms are highly unusual and are unlikely to be obtained in most other debt markets without incurring significant additional costs. Furthermore, given the assumed issue size, Ten would likely have sufficient liquidity to make cash payments over the assumed term of the facility
- **drawn cash:** based on the Budget Case. We note this assumption may be conservative (i.e. low) given the lower investment assumed relative to the Investment Case
- **interest received:** on unutilised cash balances having regard to the forward 90 day BBSY and applicable margin.

5.3.7 Interest paid on unutilised drawn debt

Our cost estimate in each Alternative Debt Market has been reduced to account for unutilised cash proceeds, which we have assumed will earn interest at the forward 90 day BBSY and a 1% margin over the Loan Term.

5.3.8 Conclusion

We have estimated the cost of refinancing using Alternative Debt Markets to be between \$40.6 million and \$62.1 million as set out below.

Table 21: Summary of cost of refinancing in Available debt markets (\$'million)

	Low	High
US High Yield Bond Market	45.8	53.8
US TLB Market	40.6	49.3
Shareholder Financing	54.1	62.1
Estimated total cost of refinancing in Alternative Debt Markets	40.6	62.1

Source: Deloitte Corporate Finance analysis

5.4 Conclusion on fairness

A comparison of the cost of the Proposed Refinancing and the cost of refinancing in Alternative Debt Markets is set out below.

Table 22: Summary of cost of Proposed Refinancing and the cost of refinancing in Alternative Debt Markets (\$'million)

	Low	High
Estimated total cost of the Proposed Transaction	43.4	43.8
US High Yield Bond Market	45.8	53.8
US TLB Market	40.6	49.3
Shareholder Financing	54.1	62.1
Estimated total cost of refinancing in Alternative Debt Markets	40.6	62.1

Source: Deloitte Corporate Finance analysis

As set out above the cost of the Proposed Transaction is within the cost range of obtaining financing in the US High Yield Bond Market and US TLB Markets and below the cost of Shareholder Financing. Accordingly, we have concluded that the Refinancing Proposal, inclusive of the Shareholder Reimbursement Transaction Agreements, including in relation to the grant of security in respect of which the Shareholder Guarantors are given subrogation rights, is fair to Non-Associated Shareholders.

Deloitte: Ten – Independent expert's report and Financial Services Guide

Appendix A: Glossary

Reference	Definition
\$	Dollars
ABC	Australian Broadcasting Corporation
ACMA	Australian Communications and Media Authority
Adspend	Advertising expenditure
AFSL	Australian Financial Services Licence
Alternative Debt Markets	Debt markets which accommodate covenant-lite financing arrangements including the US High Yield Bond Market, US TLB Market and Shareholder Financing
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
AUASB	Auditing and Assurance Standards Board
AUD	Australian dollars
Budget Case	Forecast provided by Management which assumes operations continue to be managed based on the current Board approved budget for FY14
BBSY	Bank Bill Swap bid rate
Birketu	Birketu Pty Ltd
Board	The Board of directors of Ten
bps	Basis points
CAGR	Compound annual growth rate
CBA	Commonwealth Bank of Australia
CBA Costs	CBA interest rate charges and bank fees in respect of the New Loan Facility
Company	Ten Network Holdings Limited
CPH	Consolidated Press Holdings Limited
Deed of Guarantee	Deed executed by the Shareholder Guarantors, guaranteeing to CBA the obligations of Ten under the New Loan Facility
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Downside Case	Forecast provided by Management which assumes a negative EBITDA impact (and corresponding impact on Ten drawn debt) of 20% over Loan Term
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Existing Loan Facility	Ten's undrawn \$80 million loan facility with the CBA
Explanatory Notes	Explanatory notes to the Notice of Meeting
EYE	Eye Corp Pty Limited
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FTA	Free-to-air

Independent Expert's Report continued

Reference	Definition
FY	Financial year
GFC	Global financial crisis
Guarantees	Guarantees to CBA of the financial obligations of Ten under the New Loan Facility on a senior and several basis (i.e. on an equal one third basis) by the Shareholder Guarantors
Guarantee Fee	3.5% of the of the Loan Facility limit until 31 August 2015 and then an amount based on Ten's leverage ratio, subject to a cap
Guarantee Option	Option of the Shareholder Guarantors to elect to have the Guarantee Fee settled through the issue of Ten shares
Guarantee Termination Date	Earlier of a Facility Restructure Event, the repayment or refinancing of the New Loan Facility or cancellation or termination of the Guarantee
IBIS	IBIS World Pty Ltd
IER	Independent expert's report
Illyria	Illyria Nominees Television Pty Limited as trustee of Illyria Investment Trust No.4
Independent Directors	Independent directors of Ten
Investment Case	Forecast provided by Management which assumes an additional \$30 million investment is made in programming
IPTV	Internet protocol television
LHS	Left Hand Side
Listing Rule 10	Chapter 10 of the Listing Rules of the ASX
Loan Term	The maximum term of the New Loan Facility, being four years
M&A	Merger and acquisition
Management	Ten management
Minister	Minister for Broadband, Communications and the Digital Economy
NBN	National Broadband Network
New Loan Facility	A new covenant-lite secured revolving cash advance facility between Ten and the CBA providing for CBA to advance to Ten up to \$200 million
New Loan Facility Agreement	Agreement for the New Loan Facility
Nine	Nine Network
Non-Associated Shareholders	Ten Shareholders other than the Shareholders Guarantors
Notice of Meeting	Notice of the meeting to approve the Proposed Transaction
OTT	Over-the-top
p.a.	Per annum
Programming Strategy	Ten's strategy aimed at widening its demographic and invest more heavily in local content and sport
Proposed Transaction	Transaction whereby Ten will enter into the Loan Agreement and which will be guaranteed by the Shareholder Guarantors in return for Ten paying the Guarantee Fee and providing other undertakings
Reach Rule	Statutory controls which prohibit any person from exercising control of a commercial television network that has an aggregate audience reach of greater than 75% of the Australian population
Regulatory Guide 76	ASIC Regulatory Guide in relation to related party transactions
Regulatory Guide 111	ASIC Regulatory Guide in relation to the content of IERs

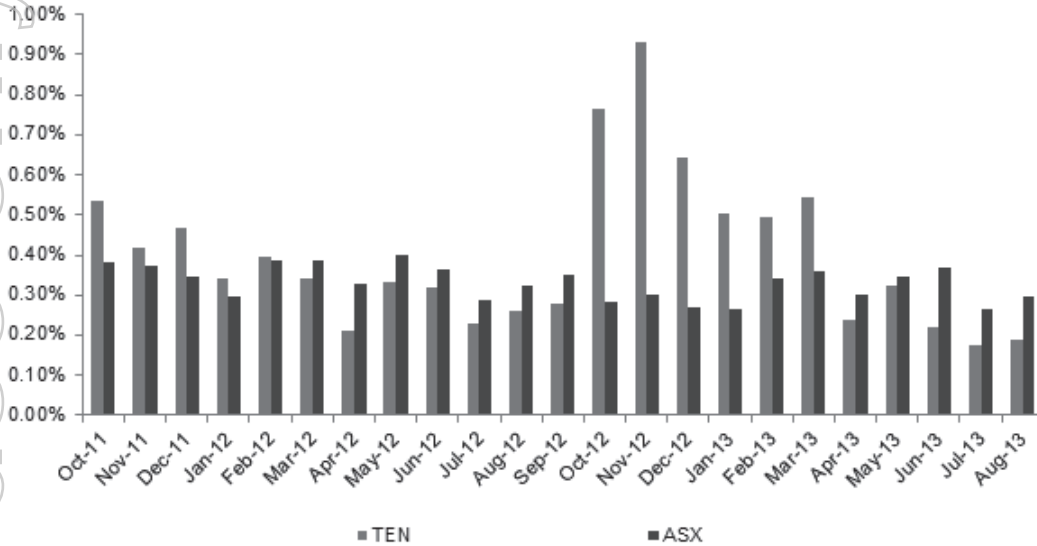
Reference	Definition
Regulatory Guide 112	ASIC Regulatory Guide in relation to the independence of experts
Replacement Facility	A \$200 million loan facility which the New Loan Facility will automatically convert to if Ten achieves certain financial metrics for 6 consecutive months, including meeting a minimum EBITDA amount and satisfying a leverage ratio and an interest cover ratio test
Replacement Facility Agreement	Agreement for the Replacement Facility
RHS	Right hand side
S&P	Standard & Poor's
SBS	Special Broadcasting Service
Scenarios	The Budget Case, Investment Case and Downside Case
Section 640	Section 640 of the Corporations Act 2001
Seven	Seven Network
Shareholders	Ten shareholders
Shareholder Financing	Shareholder financing through either a pro-rata note offering or similar instrument
Shareholder Guarantors	Illyria, CPH and Birketu
Shareholder Guarantor Reimbursement Deed	Reimbursement deed in favour of the Shareholder Guarantors executed by Ten
Shareholder Reimbursement Transaction Agreements	Shareholder Guarantor Reimbursement Deed, the Guarantees and Ten's security agreements in respect of the Proposed Transaction
S&P	Standard and Poor's
Substantial Asset	An asset where the book value or value of consideration is 5% or more of the last reported equity interests of the listed entity
Ten	Ten Network Holdings Limited
Terms	Terms of the Proposed Transaction
US	United States
USD	United States dollars
US High Yield Bond Market	United States high yield bond market
US TLB Market	United States term loan B market
USPP	United States private placement
VWAP	Volume weighted average price

Independent Expert's Report continued

Appendix B: Ten's share price liquidity analysis

The average daily turnover of Ten and all securities listed on the ASX as a percentage of market capitalisation in each month since October 2011 are set out in the figure below.

Figure 13: Average daily turnover of Ten and the ASX (monthly)



Source: S&P Capital IQ, Reserve Bank of Australia, Deloitte Corporate Finance analysis

Appendix C: Moody's rating factors

Table 23: Moody's global broadcasting and advertising credit rating factors

Factor	Key considerations	Weighting
Scale	Total annual net revenue	10%
Market position	Current revenue share and audience share in market	10%
Market share trajectory	Expected change in market share	10%
Business model	Stability of macroeconomic environment, Revenue diversification and stability, potential to benefit from technology or new media, ad market growth	10%
Financial policy	Predictability of financial policies and whether these policies preserve creditor interests, stability of metrics, level of public commitment to maintaining a strong credit profile, event risk, effect of leverage, appetite for M&A	10%
Leverage and coverage	Debt/ EBITDA, (EBITDA less capital expenditure)/ interest expense (Free cash flow less non-cash interest) / debt	50%
Total		100%

Source: Moody's

Independent Expert's Report continued

Appendix D: Comparable debt issuances

Table 24: US High Yield Bond Market comparable debt issuances

Issuer	S&P corporate rating	S&P Issue rating	Market capitalisation	Gearing	Debt/EBITDA (FY13)	Issue date	Tenor (current)	Tenor (from issue)	Size (USDm)	Spread at Issue (bps)	Current spread (bps)
SIRIUS XM Radio Inc.	BB	BB	24,520	10.1%	2.9x	19-Sep-13	6.9	7.0	650	376	396
Belo Corp.	BB	BB	1,424	33.9%	3.4x	10-Nov-09	3.1	7.0	275	543	202
Belo Corp.	BB	BB	1,424	33.9%	3.4x	23-Sep-07	13.9	30.0	250	90	447
Sinclair Television Group, Inc.	BB-	B	3,443	37.6%	5.3x	26-Sep-13	8.0	8.1	350	404	441
Sinclair Television Group, Inc.	BB-	B	3,443	37.6%	5.3x	18-Mar-13	7.4	8.0	600	388	378
Block Communications, Inc.	BB-	BB-	n/a	n/a	n/a	12-Jan-12	6.3	8.1	250	570	466
Sinclair Television Group, Inc.	BB-	B	3,443	37.6%	5.3x	21-Sep-10	5.0	8.1	250	630	256
BB average			6,283	31.8%	4.3x		7.2	10.9	375	429	369
BB median			3,443	35.7%	4.4x		6.9	8.1	275	404	396
BB minimum			1,424	10.1%	2.9x		3.1	7.0	250	376	202
BB maximum			24,520	37.6%	5.3x		13.9	30.0	650	630	466
Nexstar Broadcasting, Inc.	B+	n/a	1,381	43.8%	5.4x	17-Sep-13	7.1	7.2	275	517	n/a
LN Television Corporation	B+	B	1,326	44.4%	5.7x	3-Apr-13	7.2	7.8	290	425	464
LN Television Corporation	B+	B-	1,326	44.4%	5.7x	4-Oct-12	7.2	8.3	290	506	464
Gray Television Inc.	B+	B+	514	65.9%	8.1x	24-Sep-12	6.9	8.0	300	634	526
Univision Communications Inc.	B	n/a	n/a	n/a	n/a	16-May-13	9.6	10.0	700	326	269
Univision Communications Inc.	B	B+	n/a	n/a	n/a	25-Apr-11	5.6	8.1	600	386	406
B average			1,137	49.6%	6.2x		7.3	8.2	409	466	426
B median			1,326	44.4%	5.7x		7.2	8.0	295	466	464
B minimum			514	43.8%	5.4x		5.6	7.2	275	326	269
B maximum			1,381	65.9%	8.1x		9.6	10.0	700	634	526
Overall average			4,224	38.9%	5.0x		7.3	9.7	391	446	393
Overall median			1,424	37.6%	5.3x		7.1	8.1	290	425	424
Overall minimum			514	10.1%	2.9x		3.1	7.0	250	326	202
Overall maximum			24,520	65.9%	8.1x		13.9	30.0	700	634	526

Source: S&P Capital IQ, ThomsonOne, Deloitte Corporate Finance analysis

Notes:

1. Spread at issue calculations exclude issue margin on Belo Corp instrument issued on 23 September 1997
2. Current spreads as at 21 October 2013.

Table 25: US 1LB Market comparable debt issuances

Issuer	S&P corporate rating	S&P issue rating	Market capitalisation	Gearing	Debt/EBITDA (FY13)	Issue date	Tenor	Tenor (from issue)	Size (USDm)	Spread at issue (bps)	Current spread (bps)
ShcIair Broadcast Group Inc.	BB-	n/a	3,443	37.6%	5.3x	18-Mar-13	6.5	7.1	400	225	n/a
Tribune Company	BB-	n/a	5,530	7.9%	1.3x	1-Dec-12	6.2	7.1	1,100	300	n/a
Nine Entertainment Co. Pty Ltd.	n/a	BB	n/a	n/a	n/a	1-Dec-12	6.3	7.2	735	275	n/a
ShcIair Broadcast Group Inc.	BB-	n/a	3,443	37.6%	5.3x	3-Apr-12	3.2	4.7	193	225	n/a
BB average			4139	27.7%	4.0x		5.5	6.5	607	256	n/a
BB median			3443	37.6%	5.3x		6.2	7.1	568	250	n/a
BB minimum			3443	7.9%	1.3x		3.2	4.7	193	225	n/a
BB maximum			5530	37.6%	5.3x		6.5	7.2	1100	300	n/a
LN Television Corporation	B+	BB-	1,326	44.4%	5.7x	19-Dec-12	5.2	6.0	260	300	n/a
Entercom Communications Corp	B+	n/a	333	64.1%	5.5x	30-Nov-12	5.1	6.0	348	375	n/a
Nexstar Broadcasting Group, Inc.	B+	n/a	1,381	43.8%	5.4x	17-Sep-13	6.9	7.0	150	275	n/a
Nexstar Broadcasting Group, Inc.	B+	BB	1,381	43.8%	5.4x	3-Dec-12	6.1	7.0	246	350	n/a
Gray Television Inc.	B+	n/a	514	65.9%	8.1x	12-Oct-12	6.0	7.0	555	375	n/a
Barrington Broadcasting Group LLC	B+	B	n/a	n/a	n/a	3-Dec-11	4.2	6.0	185	600	n/a
Salem Communications Corp	B	n/a	207	60.5%	5.9x	14-Mar-13	6.4	7.0	300	325	n/a
FoxCo Acquisition LLC	B	B+	n/a	n/a	n/a	12-Mar-13	3.7	4.3	237	450	n/a
FoxCo Acquisition LLC	B	B+	n/a	n/a	n/a	5-Sep-12	3.7	4.9	765	450	n/a
Grante Broadcasting Corp	B	B	n/a	n/a	n/a	28-Apr-12	5.6	7.1	215	725	n/a
Encompass Digital Media Inc	B	n/a	n/a	n/a	n/a	18-Jan-12	3.8	5.6	250	650	n/a
Univision Communications Inc.	B	B+	n/a	n/a	n/a	25-Oct-10	3.4	6.4	5,699	425	n/a
B average			857	53.8%	6.0x		5.0	6.2	767	442	n/a
B median			920	52.5%	5.6x		5.1	6.2	255	400	n/a
B minimum			207	43.8%	5.4x		3.4	4.3	150	275	n/a
B maximum			1,381	65.9%	8.1x		6.9	7.1	5,699	725	n/a
Hubbard Broadcasting Inc	n/a	n/a	n/a	n/a	n/a	8-Feb-13	3.5	4.2	358	350	n/a
ION Media Networks Inc	n/a	n/a	n/a	n/a	n/a	8-Dec-12	4.8	5.6	255	600	n/a
Learfield Communications Inc	n/a	n/a	n/a	n/a	n/a	20-Sep-13	7.0	7.1	215	425	n/a
Unrated average			n/a	n/a	n/a		5.1	5.6	276	458	n/a
Unrated median			n/a	n/a	n/a		4.8	5.6	255	425	n/a
Overall average			1,951	45.1%	5.3x		5.1	6.2	656	405	n/a
Overall median			1,381	43.8%	5.4x		5.2	6.4	260	375	n/a
Overall minimum			207	7.9%	1.3x		3.2	4.2	150	225	n/a
Overall maximum			5,530	65.9%	8.1x		7.0	7.2	5,699	725	n/a

Source: S&P Capital IQ, ThomsonOne, Deloitte Corporate Finance analysis

Independent Expert's Report continued

Table 26: Australian Retail Note comparable debt issuances

Issuer	S&P corporate rating	S&P issue rating	Market capitalisation	Gearing	Debt/EBITDA (FY13)	Issue date	Tenor	Tenor (from issue)	Size (AUDm)	Spread at issue (bps)	Current spread (bps)
Healthscope Limited	n/a	n/a	n/a	n/a	1.8x	17-Jun-10	2.7	6.0	200	n/a	550
Healthscope Limited	n/a	n/a	n/a	n/a	1.8x	27-Mar-13	4.4	5.0	305	n/a	552
MYOB Finance Australia Limited	n/a	n/a	n/a	n/a	n/a	20-Dec-12	4.2	5.0	155	670	841
Primary Health Care Limited	n/a	n/a	2,419	30.1%	2.7x	28-Sep-10	1.9	5.0	152	400	254
Tatts Group Limited	n/a	n/a	4,377	22.9%	3.1x	29-Jun-12	5.7	7.0	195	310	227
Australian Shareholder Note average			3,398	26.5%	2.3x		3.8	5.6	201	460	485
Australian Shareholder Note median			3,398	26.5%	2.2x		4.2	5.0	195	400	550
Australian Shareholder Note minimum			2,419	22.9%	1.8x		1.9	5.0	152	310	227
Australian Shareholder Note maximum			4,377	30.1%	3.1x		5.7	7.0	305	670	841

Source: ASX, S&P Capital IQ, Deloitte Corporate Finance analysis

Notes:

1. Current spreads as at 21 October 2013.

Appendix E: Sources of information

In preparing this report we have had access to the following principal sources of information:

- draft documents relating to the Proposed Transaction including the following:
 - Notice of Meeting
 - explanatory notes to the Notice of Meeting
 - New Loan Facility Agreement
 - Replacement Facility Agreement
 - Shareholder Reimbursement Transaction Agreements
- Ten Board papers and minutes
- audited financial statements for Ten for the years ended 31 August 2009, 2010, 2011, 2012 and 2013
- FY14 budget presentation and the Scenarios
- company websites for Ten and comparable companies
- documentation regarding Ten's existing debt facilities
- 'Global Broadcast and Advertising Related Industries' ratings methodology paper published by Moody's
- publicly available information on comparable debt issuers and issuances published by ThomsonOne and LoanConnector
- other publicly available information on Ten, industry comparables and the media sector published by S&P Capital IQ, Thomson Research, IBIS World, the Australian Bureau of Statistics, CEASA and OzTam.

In addition, we have had discussions and correspondence with Ten's advisors as well as certain directors and executives of Ten including:

- Paul Anderson, Chief Financial Officer
- Brian Long, Deputy Chairman and Lead Independent Director

in relation to the above information and to current operations and prospects.

Independent Expert's Report continued

Appendix F: Qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of Ten and is to be included in the Notice of Meeting to be given to Non-Associated Shareholders for approval of the Proposed Transaction in accordance with Listing Rule 10. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Notice of Meeting in their assessment of the Proposed Transaction outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, nor Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and Ten, in respect of this report, including for any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Transaction.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Transaction is fair and reasonable in relation to Listing Rule 10.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Ten and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Ten and its officers, employees, agents or advisors, Ten has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Ten may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Ten and its officers, employees, agents or advisors or the failure by Ten and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Transaction.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of Ten personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Ten included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Ten referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Ferris, B.Ec, F.Fin, CA, Tapan Parekh, M.Com, B.Bus, F.Fin, CA, Christophe Bergeron, Mapp Fin and Andrew Ford, B.Ec, LLB, LL.M. Stephen and Tapan are Directors, Christophe is an Associate Director and Andrew is a Manager of Deloitte Corporate Finance. Each has many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Ten proposes to issue explanatory notes to the Notice of Meeting (**Explanatory Notes**) in respect of the Proposed Transaction
- the Explanatory Notes will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Notes for review
- it is named in the Explanatory Notes as the ‘independent expert’ and the Explanatory Notes includes its independent expert’s report in Item 4 of the Explanatory Notes.

On the basis that the Explanatory Notes are consistent in all material respects with the draft Explanatory Notes received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Notes in the form and context in which it is so named, to the inclusion of its independent expert’s report in Item 4 of the Explanatory Notes and to all references to its independent expert’s report in the form and context in which they are included, whether the Explanatory Notes is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Notes and takes no responsibility for any part of the Explanatory Notes, other than any references to its name and the independent expert’s report as included in Item 4.

Independent Expert's Report continued

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