Turn On

2016 Annual Report

TEN NETWORK HOLDINGS LIMITED
ABN: 14 081 327 068

IN THIS REPORT

THIS YEAR

The key achievements during 2015-16 included strong advertising revenue and revenue share growth; continued growth in television and online audiences; the return to positive earnings before interest, tax, depreciation and amortisation; and the successful implementation of the strategic arrangement with Multi Channel Network.

BATHURST 1000

PODIUM:
2.19 MILLION VIEWERS NATIONALLY

RACE:
1.61 MILLION VIEWERS NATIONALLY

#1
IN 25 TO 54s +
TOTAL PEOPLE

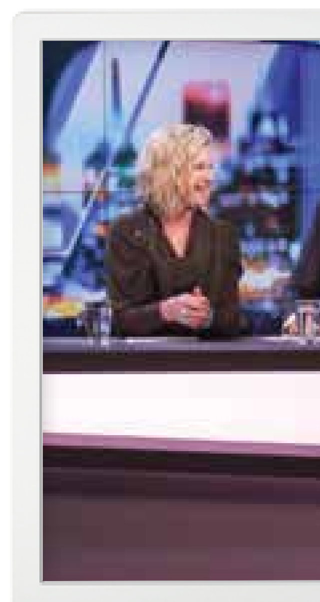
MASTERCHEF AUSTRALIA

THE WINNER ANNOUNCED:
2.64 MILLION VIEWERS NATIONALLY

#1
NON-SPORT PROGRAM
OF 2016 IN 25 TO 54s

SERIES:
#1
IN 25 TO 54s +
TOTAL PEOPLE

SOURCE: OzTAM, 5 CITY METRO, REGIONAL TAM, COMBINED AGGREGATE MARKETS, CONSOLIDATED 7. *BIG BASH* LIFT EXCLUDES TASMANIA/ REGIONAL WA. *FORMULA ONE* REACH BASED ON ALL EVENTS MARCH 18 TO 20. *FAMILY FEUD* #1 GAME SHOW SINCE LAUNCH (CAPITAL CITIES, WEEK 28 2014 TO WEEK 42 2016, EXCLUDING SUMMER).



F1 AUSTRALIAN GRAND PRIX

1.2 MILLION NATIONAL VIEWERS
REACHED 4.6 MILLION

#1
IN 25 TO 54s +
TOTAL PEOPLE

THE BACHELOR AUSTRALIA

THE FINAL DECISION:
1.86 MILLION VIEWERS NATIONALLY

FINALE:
1.52 MILLION VIEWERS NATIONALLY

SERIES:
#1
IN 25 TO 54s +
TOTAL PEOPLE

THE LIVING ROOM

781,000 VIEWERS NATIONALLY

#2
IN ITS TIMESLOT
IN 25 TO 54s

2016
***TV WEEK* LOGIE** AWARD WINNER

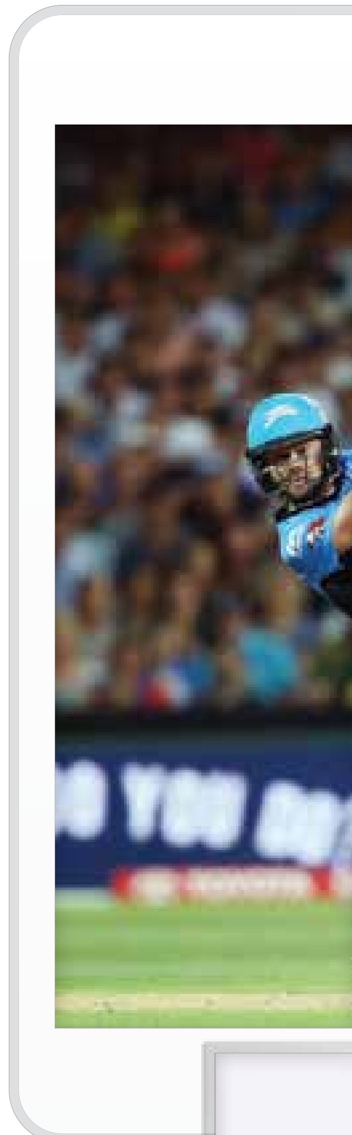
KFC BIG BASH LEAGUE

BIG FINAL:
1.77 MILLION VIEWERS NATIONALLY

SERIES:
1.1 MILLION VIEWERS NATIONALLY

16% ↗

UP ON 2014-15



THE PROJECT

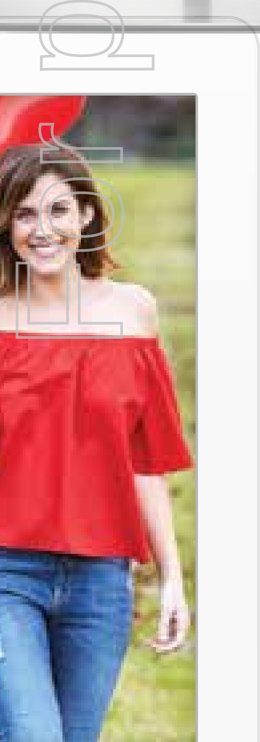
837,000 VIEWERS NATIONALLY
(7PM TO 7:30PM)

#2

IN 25 TO 54s +
UNDER 55s

2016

***TV WEEK* LOGIE**
AWARD WINNER



THE BACHELORETTE AUSTRALIA

THE FINAL DECISION:
1.33 MILLION VIEWERS NATIONALLY

FINALE:
1.06 MILLION VIEWERS NATIONALLY

SERIES:

#1

IN UNDER 55s

FAMILY FEUD

#1

GAMESHOW
IN AUSTRALIA

833,000 VIEWERS
NATIONALLY

2016

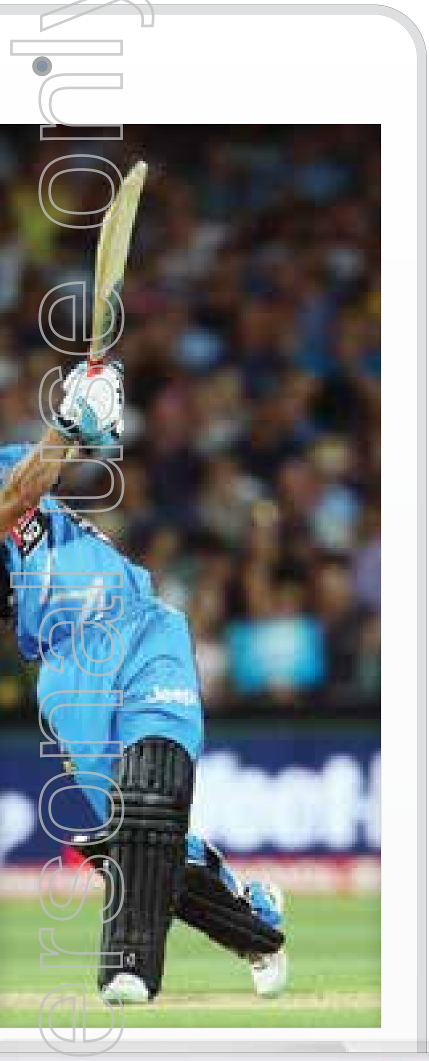
***TV WEEK* LOGIE**
AWARD WINNER

HAVE YOU BEEN PAYING ATTENTION?

1.1 MILLION VIEWERS NATIONALLY

#1
IN ITS TIMESLOT
IN MEN

24%
GROWTH ON 2015



TEN NETWORK'S VISION

To be an adventurous, popular alternative.

AUSTRALIAN SURVIVOR

THE WINNER ANNOUNCED:
1.45 MILLION VIEWERS NATIONALLY

#1
IN 25 TO 54s + TOTAL PEOPLE

SERIES:
1.02 MILLION VIEWERS NATIONALLY

I'M A CELEBRITY... GET ME OUT OF HERE!

THE WINNER ANNOUNCED:
1.6 MILLION VIEWERS NATIONALLY

SERIES:
1.1 MILLION VIEWERS NATIONALLY

9%
GROWTH ON 2015

ABOUT US

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

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

TEN is the home of the award-winning local news bulletins, *TEN Eyewitness News First At Five*, as well as the distinctly different current affairs program, *The Project*, and local content including *MasterChef Australia, Australian Survivor, Family Feud, The Living Room, The Bachelor Australia, The Bachelorette Australia, Offspring, The Wrong Girl, I'm A Celebrity... Get Me Out Of Here!, All Star Family Feud, Have You Been Paying Attention?, Shark Tank, Gogglebox Australia, Bondi Rescue* and *Studio 10*.

Live sport is a vital part of TEN, including the *KFC Big Bash League, Rugby Union, Formula One, MotoGP, Rebel Women's Big Bash League* and *Supercars Championship*.

The best international drama, comedies and entertainment shows are found on TEN, including *NCIS, NCIS: Los Angeles, NCIS: New Orleans, Modern Family, Law & Order: SVU, The Graham Norton Show, MacGyver, Scorpion, Madam Secretary, The X-Files, The Odd Couple, Homeland* and Jamie Oliver and Sir David Attenborough television events.

TEN is broadcast in Standard and High Definition digital. TEN HD was introduced in March 2016.

The home of fun and bold entertainment for a distinctly youthful audience, ELEVEN showcases a mix of Australian and international content for people 16 to 39, including Australia's longest running serial drama, *Neighbours*. Other local productions include the popular music and movie show *The Loop, Couch Time* and *Bondi Ink Tattoo*, plus the children's television programs *Totally Wild, Scope, Crocamole, Toasted TV, Sam Fox Extreme Adventures, Mako Island Of Secrets* and *Kuu Kuu Harajuku*.

ELEVEN's international line-up includes *The Simpsons, How I Met Your Mother, Supernatural, Son Of Zorn, American Horror Story, Crazy Ex-Girlfriend, Fresh Off The Boat, Empire, Bob's Burgers, Sleepy Hollow, Jane The Virgin, Dating Naked, The Late Late Show With James Corden, New Girl* and *Scream Queens*.

ELEVEN is broadcast in Standard Definition digital.

The home of premium entertainment for men 25 and older, ONE content is a mix of premium scripted and reality programming, as well as local and international sports. ONE's program line-up includes *M*A*S*H, Undercover Boss, COPS, Walker, Texas Ranger, Last Man On Earth, 48 Hours, Megafactories, Car Crash Global, Rocky Mountain Railroad* and *Building Invincible*, plus *Formula One, MotoGP*, movies and Sir David Attenborough specials.

ONE was the first digital channel launched by an Australian commercial network in April 2009.

ONE is broadcast in Standard Definition digital.

tenplay is Ten Network's industry-leading online catch-up and streaming service and one of the most popular online and mobile entertainment platforms in Australia. It has been key to the success of Ten's "TV Everywhere" strategy, which brings the company's unique content to people anywhere, any time and on any device.

tenplay is available on web, mobile, consoles and smart televisions, including Android, iOS and Windows mobile devices, Microsoft Xbox 360 and Xbox One, FreeviewPlus, Telstra TV, Apple TV and Fetch TV.

It gives users access to TEN, ELEVEN and ONE shows on-demand, straight after they have appeared on television, as well as live-streaming hit shows.

Ten Network is continuing to expand tenplay with new content and new distribution channels.

Ten Network is a powerful force on social media with more than 175 different channels and accounts attracting more than 12.7 million engaged followers. *MasterChef Australia* is the #1 Australian television show on Facebook, with around 1.53 million "likes".

Ten Network's long, proud history of bringing premium local drama series to Australian viewers continues, with programs such as, *The Wrong Girl*, *Brock*, *Mary: The Making Of A Princess*, *Neighbours* and *Offspring*.

Key numbers

TV REVENUE
$676.4 MILLION

TV REVENUE INCREASE
+7.5%

NETWORK AUDIENCE SHARE, 25 TO 54s
29.5%

NETWORK AUDIENCE SHARE, TOTAL PEOPLE
25.5%

TENPLAY VIDEO SEGMENT VIEWS
203.5 MILLION

TENPLAY VISITS
79.7 MILLION

OUR GROWTH

TEN: The only primary commercial free-to-air channel to increase its prime time total people audience in 2016.

TEN: Highest total people commercial share since 2011.

TEN: Highest 25 to 54s commercial share since 2011.

TEN: Biggest total people audience since 2012.

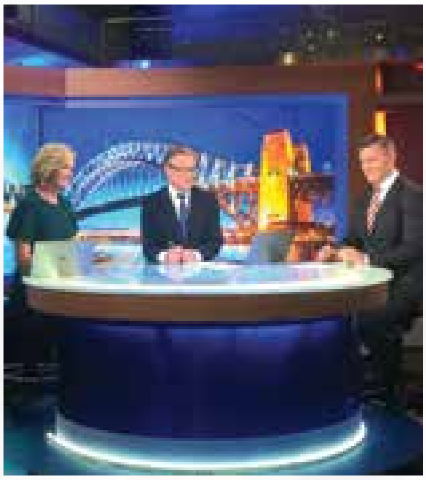
NETWORK TEN: Highest total people commercial share since 2011.

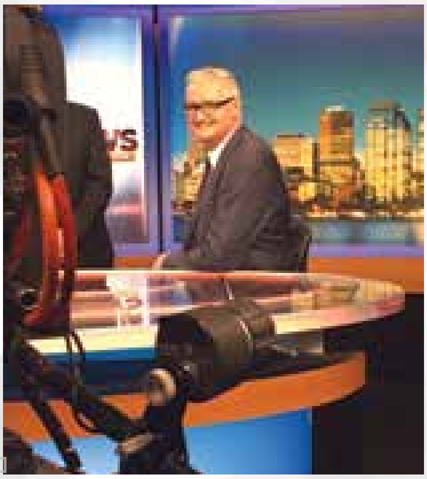
NETWORK TEN: Highest 25 to 54s commercial share since 2011.

TENPLAY: Video segment views up 23% in 2015-16.

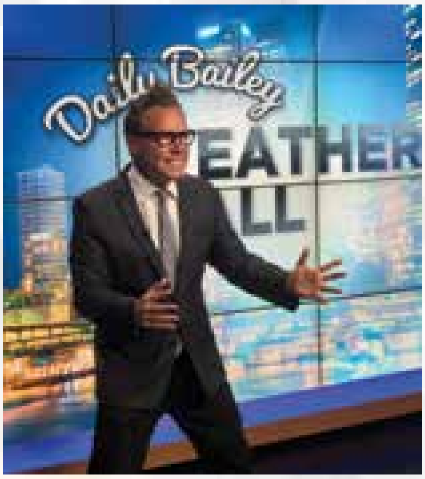
TENPLAY: Video unique visitors up 32% in 2015-16.

SOURCES: OZTAM, 5 CITY METRO, 18:00-22:30, COMMERCIAL SHARE, 1 SEPTEMBER 2014 TO 31 AUGUST 2015 VS. 1 SEPTEMBER 2015 TO 6 AUGUST 2016 AND 21 AUGUST 2016 TO 31 AUGUST 2016; ADOBE ANALYTICS. 2016 INCREASE BASED ON WEEKS 1-42 2016 VS. 2015, EXCLUDING OLYMPIC WEEKS 33-34 2016.





As the only full news bulletin at 5.00pm, *TEN Eyewitness News First At Five* continues to dominate its timeslot nationally with the best international, national and local news and sport coverage, plus weather.



2015-16 RESULTS

Key events

1 SEPTEMBER 2015:

Ten Network and Multi Channel Network partnership begins.

22 OCTOBER 2015:

Regulators approve Foxtel and Multi Channel Network strategic arrangements with Ten Network.

26 OCTOBER 2015:

Capital raising launches. Completed in November.

28 OCTOBER 2015:

Dave Boorman appointed Chief Financial Officer.

16 NOVEMBER 2015:

Waleed Aly's *ISIL Is Weak* editorial on *The Project* generates worldwide attention and more than 30 million views on Facebook.

23 NOVEMBER 2015:

tenplay becomes part of Telstra TV.

9 DECEMBER 2015:

MasterChef Australia wins AACTA Award for Best Reality Television Series.

16 DECEMBER 2015:

Jack Cowin, Christine Holgate and Dean Hawkins resign as Directors.

17 DECEMBER 2015:

New five-year deal with Australian Rugby Union announced.

24 JANUARY 2016:

KFC Big Bash League Big Final draws 1.77 million viewers nationally, up 16%.

2 MARCH 2016:

TEN HD launches.

30 MARCH 2016:

Peter Tonagh appointed a Director.

10 APRIL 2016:

Jonathan LaPaglia announced as host of *Australian Survivor.*

8 MAY 2016:

Seven wins at *TV Week* Logie Awards, including Gold Logie for Waleed Aly.

20 MAY 2016:

New five-year deal with Southern Cross Media, covering northern NSW announced, effective 1 July.

23 MAY 2016:

New five-year deal with WIN Network, covering the rest of regional Australia, effective 1 July.

8 JUNE 2016:

Rod Prosser appointed Director of Revenue and Client Partnerships.

25 JULY 2016:

Andrew Robb and Andrew Lancaster appointed as Directors, replacing John Klepec and Brian Long respectively.

26 JULY 2016:

MasterChef Australia The Winner Announced draws 2.64 million viewers nationally.

17 AUGUST 2016:

Debbie Goodin appointed a Director, replacing Paul Gleeson.

Ten Network is a leader in social media, covering 177 different social media channels and accounts, with more than 12.7 million followers.

Ten continued to improve during the 2016 financial year, as the content and distribution strategies introduced in recent years strengthened our position and performance.

DAVID GORDON
CHAIRMAN

Dear Fellow Shareholders,

It gives me great pleasure to write to you about the past year at Ten, a year that has seen significant change at our company and an improved performance in what has been a challenging and highly competitive environment.

Ten continued to improve during the 2016 financial year, as the content and distribution strategies introduced in recent years strengthened our position and performance.

For the third consecutive year, Ten increased its prime time audience and its commercial share, and tenplay maintained its remarkable growth. The company achieved strong revenue growth in a soft television advertising market and returned to positive earnings before interest, tax, depreciation and amortisation.

Those results were achieved despite an onerous and archaic regulatory environment, including the highest licence fees paid by any free-to-air television industry in the world.

At 3.375% of gross advertising revenue, Australia's licence fee regime is stifling investment at a time when we face fierce competition from unregulated online companies.

Global online media companies are having a field day in Australia. They are unregulated. They pay little, if any, tax locally despite taking billions of advertising dollars out of this market every year. They fund little, if any, Australian content. In some cases, they do not have a single employee in Australia. Rather than foster our local industry, our regulatory environment continues to discriminate against Australian media businesses.

Australia's licence fee tax was introduced in the 1950s as a "super profits tax", reflecting the fact that free-to-air spectrum granted exclusive access to television sets in lounge rooms across the country. Clearly, that spectrum no longer provides exclusive access to any screen and yet Ten must continue to pay this tax.

Today the extremely high cost of meeting local content obligations is unique to commercial free-to-air television networks and justifies the allocation of spectrum that is used to provide a free service to 24 million people.

Our position on licence fees and other media regulation reform is simple: let us compete on a level playing field. Removing the outdated media laws is an important step in dismantling a set of regulations that are making Australian media companies such as ours less competitive in a global, converged media market – at a time when foreign online media companies continue to grow and dominate digital advertising revenue growth at astonishing rates.

By arbitrarily restricting some Australian media companies' access to scale, capital and cross-platform growth, the current rules threaten the ongoing viability of Australian media diversity and local voices. Removing the licence fee and outdated ownership regulations would allow our company to invest millions of additional dollars in local content which would, in turn, drive additional investment and jobs in the local television production sector. We continue to urge government to unshackle us and permit us to compete on a level playing field.

We urge government to permit us to compete on a level playing field.

At a corporate level, Ten took major steps during the year to strengthen our position and better place the company for the future.

The strategic arrangements with Foxtel and Multi Channel Network ("MCN") that were announced in June 2015 were completed during the 2016 financial year. Foxtel, which is one of Australia's most successful media and entertainment businesses, is now a large shareholder in Ten, holding approximately 14% of our issued capital. Foxtel's Chief Executive Officer, Peter Tonagh, joined our Board of Directors in March 2016.

Ten's partnership with MCN started on 1 September 2015 and it has already produced strong results

in terms of our revenue growth, revenue share improvement and the provision of innovative new integration opportunities for our advertising clients, improved data capabilities for our company and access to a sophisticated dynamic trading platform. Ten has also become a 24.99% shareholder in MCN.

As part of the strategic arrangements that were completed during the year, Foxtel invested $77 million in Ten. We also conducted a fully underwritten accelerated pro-rata renounceable entitlement offer, giving our shareholders the opportunity to invest at the same price as Foxtel's investment. The entitlement offer was completed in November 2015. The entitlement offer and Foxtel's investment raised $154 million (net proceeds of $146.2 million), which was used to reduce Ten's debt and invest in content to maintain the company's ratings and revenue momentum.

At our 2015 Annual General Meeting on 16 December, shareholders approved the consolidation of Ten shares on the basis of one share for every 10 shares held. The company proposed the consolidation in order to reduce the number of shares on issue and create a more appropriate capital structure. When compared to our traditional and new Australian media peers and other companies with a similar market capitalisation listed on ASX, Ten had a relatively large number of shares on issue and a significantly lower share price. The consolidation, which was completed on 22 January this year, had no material effect on the percentage of each individual shareholding in the company.

Another significant corporate development took place in May 2016, when our company signed new, five-year affiliation agreements with WIN Network and Southern Cross Media for the supply of programming to their regional markets.

The new agreements, which took effect on 1 July, cover northern NSW in the case of Southern Cross Media and the rest of regional Australia in the case of WIN Network. We were delighted to establish a new affiliation agreement with WIN, which broadcasts to more of regional Australia than any other free-to-air television network, reaching more than six million viewers across 23 markets. WIN is owned by Bruce Gordon, one of Ten's largest and longest standing shareholders. Bruce has been a great supporter of our company for many years and we were very pleased to have WIN Chief Executive Officer, Andrew Lancaster, join our Board in July this year.

Ten's people are its greatest asset and like a family.

Andrew's appointment as a Director was part of the Board renewal process that was flagged in June 2015. During the 2016 financial year, Brian Long, Jack Cowin, Paul Gleeson, Dean Hawkins, Christine Holgate and John Klepec retired from the Board and we completed the Board renewal process with the appointment of Debbie Goodin in August 2016.

The Board now comprises two independent Directors (Debbie Goodin and myself) and nominees of four of our major shareholders: Andrew Lancaster, Siobhan McKenna, Andrew Robb and Peter Tonagh.

On behalf of the Board and the company, I would like to thank our former Directors for their years of dedicated service, advice, diligence and guidance to the Board and the company – in particular, in relation to the significant decisions and transactions that have taken place over the past three years – and wish them all the very best for the future.

The improved performance of our company over the past 12 months is the result of a clear strategy and the hard work of many people. On behalf of the Board, I would like to thank Paul Anderson, his senior management team and the entire staff at Ten.

Ten's people are its greatest asset and are more like a family than a group of employees. Their commitment to our business goes far beyond a "just a job" mentality. Every day, in every department, they demonstrate their passion, enthusiasm and talent. On behalf of the Board, I would like acknowledge and thank every member of the Ten family for their efforts.

Finally, I would like to thank you, our shareholders, for your ongoing support of Ten.

It has been another year of improvement for Ten, with considerable change.

PAUL ANDERSON
CHIEF EXECUTIVE OFFICER

I am pleased to report that our progress has continued this financial year with audience growth and, more importantly, monetising that growth through share of revenue and revenue growth well ahead of the market. Our strategy is delivering results and continues to drive our financial recovery.

It has been another year of improvement for Ten, with considerable change and steady progress as we continue to build on the gains of 2015. Key achievements this year included strong advertising revenue and share growth; ongoing growth in our television audience and significant growth on our online and social media platforms; and the establishment of our strategic arrangement with Multi Channel Network ("MCN").

FINANCIAL RESULTS

Our company reported television revenue growth of 7.5% for the 2016 financial year to $676.4 million – which represented our strongest revenue performance since 2012 – and a return to positive earnings before interest, tax, depreciation and amortisation.

Our company's share of the capital city free-to-air television advertising market in the 12 months to 31 August 2016 was 24.0%, up 2.2 share points from the previous corresponding period and our highest share since the second half of the 2012 financial year.

Television cost growth (ex-selling costs) for the year was 5.1%, which was lower than the 5.5% increase we flagged with the release of our first half financial results in April and lower than our original guidance of a 6.5% increase, given in October 2015.

We have clearly demonstrated that disciplined and strategic investments in domestic prime time content are necessary to continue to improve our audience and revenue performance. Television costs (ex-selling costs) are expected to increase by mid-single digits in the 2017 financial year, however, we currently have a project underway to review all costs across the company with the aim of minimising that increase.

The strong revenue growth in 2016 contributed to positive earnings before interest, tax, depreciation and amortisation for the full year of $4.5 million, compared with negative earnings of $12 million in the 2015 financial year.

For the year we booked predominantly non-cash net significant items of $125.3 million. Those items include a $135.2 million non-cash television licence impairment charge and a non-cash $23.1 million profit on the sale of the out of home business.

The net loss attributable to members for the full year is $156.8 million, compared with a net loss of $312.2 million in the 2015 financial year. Net debt was reduced from $131.5 million in August 2015 to $54.5 million at 31 August this year.

REVENUE AND MULTI CHANNEL NETWORK

The 7.5% increase in our television advertising revenue was achieved in a free-to-air television advertising market that declined by 2.9% during the same period. Our industry-leading online catch up and streaming service, tenplay, also generated strong audience growth and increased its advertising revenue by almost 20%.

Ten's power ratio, that is, our commercial revenue share compared with our commercial audience share, increased from 0.88 to 0.95 during the 2016 financial year, and in July 2016 we recorded our 17th consecutive month of year-on-year revenue and revenue share growth.

These results reflect the success of the strategic arrangement between Ten and MCN, and our improving audience numbers.

Ten and MCN have created a business with the largest television salesforce in the country; the biggest share of key audience demographics; unique and wide-ranging content and integration offerings for advertisers; and a world-class trading platform.

The relationship between Ten and MCN has been embraced by the advertising market and we are both working hard to evolve the relationship further with our advertisers. I would like to extend my thanks to MCN Chief Executive Officer Anthony Fitzgerald and his team for the great partnership they have helped us create and for all their hard work and support.

AUDIENCE RESULTS

Our strategy of offering viewers differentiated programming and a consistent schedule is paying dividends.

Despite ever-increasing competition, TEN was the only commercial free-to-air primary channel to lift its prime time audience: it increased its total people prime time audience by 1.6% and its grocery buyers audience by 3%. The main TEN channel also recorded its biggest prime time audience since 2012 and its highest commercial share in total people and people aged 25 to 54 since 2011.

What that means is that following some bold moves by our Programming department, led by Chief Content Officer Beverley McGarvey, we are winning back the hearts and minds of viewers, more of whom are tuning into TEN.

OUR CONTENT STRATEGY

A key part of our strategy is to invest in and create differentiated content in a disciplined manner. The key for us is to create year-round consistency in TEN's multi-night franchises in the critical 7.30pm timeslot, something our company has never achieved before.

The 7.30pm content strategy on TEN is book-ended by the *KFC Big Bash League*, which starts in mid-December each summer and runs until late January.

Big Bash is the most successful summer content we have had and has become a significant success for both Ten and Cricket Australia. Last summer, the capital city television audience for Big Bash increased by 25%.

Our other key 7.30pm franchises include *MasterChef Australia* – which is heading into its ninth season in 2017 – *I'm A Celebrity... Get Me Out Of Here!, The Bachelor Australia, The Bachelorette Australia* and now *Australian Survivor*. In 2017 we will add a new 7.30pm multi-night format in *The Biggest Loser: Transformed*, a refreshed and contemporary version of this very successful franchise.

Our 7.30pm franchises are complemented by a consistent schedule of proven domestic shows such as *Family Feud, Have You Been Paying Attention?, Gogglebox, Shark Tank, Offspring* and *The Wrong Girl*, many of which generated significant audience growth in their timeslots during 2016.

Every weeknight at 6.30pm we continue with the brand-defining, agenda-setting, multi-award-winning *The Project*, which has been a tentpole of TEN's schedule since 2009. *TEN Eyewitness News First At Five* continues to generate strong results in its 5pm timeslot, while our morning show *Studio 10* has increased its audience more than 30% this year.

ONLINE MEDIA

Free-to-air television is the home of the best, most engaging premium video content in the world and increasingly, that content is available to people wherever they want it, whenever they want it and on whatever device they want to watch it on.

Our "TV Everywhere" strategy, which is best demonstrated by the strong expansion of tenplay over the past three years, shows that we are embracing and capitalising on the changes taking place among our viewers.

Tenplay is one of the leading online entertainment services in Australia and spans 12 different platforms, more than any other online service offered by a free-to-air television network. New platforms will be added over the next 12 months. *For more information on tenplay and our company's strong presence in social media, please refer to Operational Highlights on pages 14 and 15.*

THE POWER OF TELEVISION

A lot is written and said about the state and future of the media industry, in particular, the free-to-air television sector. While there is no doubt that the competition for people's media and entertainment time has increased and will continue to increase in the years to come, the frequently heard claims that our sector is in terminal decline are, at best, exaggerated and, at worst, deliberately misleading.

Television viewing habits are changing and will continue to change as devices such as smartphones and internet-enabled television sets become more prevalent. But the people who proclaim the demise of television are ignoring the facts.

Television reaches more than 16 million Australians every day, an audience reach that no other medium can match.

Just under 90% of Australians watch at least some broadcast television on their television set at home each week, according to the *Australian Multi-Screen Report* released in October this year. A similar proportion of all video viewing takes places on television sets within 28 days of the original broadcast of the program being watched. Viewing on smartphones, tablets, laptops and so on accounts for just 14%.

The power of television is undeniable, however, as an industry, we need to do a better job of selling that power to advertisers and agencies.

That is why in May this year, Ten, Seven, Nine and Foxtel joined forces to establish ThinkTV, an independent industry and research group that will promote television's scale and effectiveness.

ThinkTV is leading a collective effort to demonstrate how television advertising in broadcast quality content environments remains profoundly effective and the clear leader among all media channels in terms of advertising impact and return on investment.

OUR PEOPLE

The results we have achieved over the past 12 months are a reflection of – and testament to – the hard work and talent of everyone who works at Ten. I want to thank all our staff, in every department of our company, for everything they have done over the past year and their commitment to and passion for Ten.

I would also like to thank the senior management team at Ten. The past year has not been an easy period for any media company, but our senior executives have continued to demonstrate great talent, flair, innovation, ingenuity and leadership.

Finally, my thanks to our Chairman, David Gordon, and the rest of the Board for their ongoing guidance, commitment and support.

TELEVISION DOESN'T STOP AT TELEVISION

In a shrinking world… television is increasingly revealing itself to be the most reliable and trusted medium to unite and deeply engage with mass audiences.

This is an edited version of a speech Ten Network Holdings Chief Executive Officer Paul Anderson gave at the American Chamber of Commerce.

Ten is an institution in this country, proudly bringing you news, sport and entertainment for over 50 years. We've brought our viewers some of the most memorable moments in the history of Australian television. And in doing so, we've become part of their lives. Our presenters have become part of their families.

And for many viewers, Ten has come to represent something every Australian loves: the underdog. And that's because while Ten is a successful and competitive commercial network, we've always set ourselves different goals.

We've sought to define ourselves, not so much as a television network, but as a vehicle to creatively push the boundaries and begin new conversations.

We brought you the world's first openly gay regular character on the trailblazing hit *Number 96*. We set the standard for reality television with the groundbreaking series *Big Brother*. And we kickstarted Australia's food revolution with *MasterChef Australia*. Who would have thought a cooking show in prime time would work?

In doing so, we've attracted a different audience. And that relationship with our audience has been unique. We've entered, almost, into a social contract with our viewers, an understanding between creator and consumer that Ten will be unashamedly different.

We know our audience is one that is open to new ideas and risk-taking. Inevitably, that audience has tended to be younger Australians. Fortunately, that's an audience our advertisers are desperate to reach. But as we move in to a new era of content consumption, we're finding our audience is broadening considerably. Not just beyond age brackets, but beyond borders as well.

I want you to consider this idea: that television doesn't stop at television. And, in fact, in a shrinking world, where knowledge is shared on a scale unprecedented in the history of the human race, television is increasingly revealing itself to be the most reliable and trusted medium to unite and deeply engage with mass audiences.

That's because when television is done right, it becomes bigger than a one-way transmission of colour and sound. When it's done right, it poses a question. It contracts large, willing audiences, all at once, to engage with the world and encourages them to ask themselves what they make of it.

When television is done right, it starts discussions. It provokes arguments. It educates. And it's because of its trusted old media foundations that, like no other medium, television successfully informs, affirms, reforms and confirms the thinking of an incredible number of people.

Television isn't the end point of a linear process. It's no longer a one-way broadcast to a passive audience.

We all remember growing up when you sat down at a particular time, in a particular room in your house, to watch a particular show, shown on one of a particularly limited number of stations. You watched it, you accepted it and when it was over, you returned to what we called "the real world".

But that era of television is dead. And that audience has changed. What we're seeing now is a relationship between broadcaster and consumer that is far more complex. It's something much larger, much more dynamic and full of unlimited possibilities.

The head of CBS, Les Moonves, has noted that advertisers now recognise that the future involves digital working in tandem with television rather than replacing it. This simply signals more opportunities for creators of content. And television networks remain the greatest content creators in the game.

Like no other medium, television successfully informs, affirms, reforms and confirms the thinking of an incredible number of people.

In the past year, as we have done for 50 years, we took a lot of risks. We entered into a groundbreaking partnership with Multi Channel Network ("MCN") to sell our airtime. Airtime had been sold the same way in this country for over 50 years. But MCN provides world-class technology with unprecedented scale and efficiency to trade with our advertisers and media agencies. The result: over the past year, Ten has significantly increased its revenue share and, together with the brilliant team at MCN, we've disrupted the market with a new model that is innovative and providing new opportunities in a hyper-competitive marketplace.

On a programming level, we also took risks. We revived *Australian Survivor* after a long break in this country. Not only did we revive it, we believe we created a show that matched the extremely high production standards of *Survivor* US. It was embraced by Australian viewers and critics alike. *Survivor* is the biggest reality television franchise in the world. It was a massive risk for us to attempt to recreate what had previously failed in this country, a bold decision by our very clever programming team.

Another programming move we are very proud of is our broadcast this December of the *Rebel Women's Big*

Bash League. Over the weekend of 10 and 11 December, we are broadcasting four games on the primary TEN channel, the first time a standalone women's sporting competition will be broadcast in prime time nationally on a main free-to-air channel.

Perhaps the most compelling example of taking a risk I can give you is the appointment of one of our on-air presenters.

As we're all aware, in the past 15 years, we've seen the Western world rocked by Islamic terrorism. September 11. The London bombings. We've felt it deeply here in Australia, with the Bali bombings. In the past few years we've seen the rise of the Islamic State, or ISIL. And in this terrifying new world, where now none of us are ever truly safe from people who wish us harm, we've seen a rise of mistrust and hatred.

So what did Ten do? We appointed a Muslim expert in terrorism – of Egyptian heritage – to host our prime time show *The Project*. I'm talking, of course, about the brilliant Waleed Aly, a man who has made a career for himself by challenging popular thought and discussing complex issues. He's the antithesis of a modern celebrity. As such, Waleed's appointment to a prime time role was publicly questioned by some and privately laughed at by others. And yet, in 12 months, Waleed became the most popular personality on Australian television, taking out the *TV Week* Gold Logie in May this year.

Why did Waleed's appointment work for Ten? Put simply, we recognised that our audience was changing. They were more complex, more educated and more engaged with the world than ever before. And we trusted they were capable of making up their own minds about Waleed. By taking that risk – and believing the audience to be more worldly than commercial television usually gives them credit for – we ultimately trusted that the audience would realise what a gift Waleed is.

And none of us have looked back. Not Ten, not Waleed and not the one million Australians who tune in each night to hear how he has made sense of the world. They may not always agree with him, but they're watching. And Waleed, like any great communicator, has used the opportunity to prove that television doesn't stop at television.

In November 2015 the world was crushed by the breathtakingly cruel terror attacks in Paris. And in a climate of fear and anger, Waleed rose above a cacophony of commentary in a saturated global media, to tell the world that *ISIL Is Weak*. And like any television that is done right, it was challenging, provocative and informative. It asked questions and started conversations. It was a remarkable piece of television.

Whatever they had to say about our appointment of Waleed beforehand, his *ISIL Is Weak* editorial silenced the critics.

Within hours of it going to air, conversations were started. Ideas were shared. Ten was inundated with calls and emails from viewers around the world wishing to thank Waleed for his calm and rational words. On *The Project's* Facebook page alone, that five-minute piece of television was viewed 30 million times in the aftermath of the attack. It was shared by hundreds of thousands of viewers.

Here was a piece of television that was complex and challenging. It embodied what Ten is about and what good television is about. It assumed so much of its audience. It also aligned with our view at Ten that we're unashamedly different. We have a point of view that we are proud to make and that view translates far more broadly than just our linear broadcast.

We're living in a world of mass media consumption. Never before have so many people had so many options when they sit down to watch something. They can open a laptop or swipe their iPad or phone and start streaming content. They can download entire archives of material and watch it on the go when they're not connected to the internet at all.

Television brings families together. And that it continues to do so, and the value of that, should not be underestimated.

But with all of those platforms, the experience is personal. The consumption of media is blinkered and the viewer is watching it in a very closed manner. That's not a criticism, just an observation of how my kids sit in a room with their friends and stare down at their individual screens. Television remains unique in that way. It is still very much a social experience and whether we're watching a game show, a sporting event or the news, it continues to start family conversations in lounge rooms every day.

It might sound clichéd, but television brings families together. And that it continues to do so, and the value of that, should not be underestimated.

While others bemoan the changing landscape and the fractured audience, we at Ten have recognised that despite increasing platform competition, one truth remains: the power of television. Television is increasingly revealing itself to be the most reliable and trusted medium to unite and deeply engage with mass audiences, with families, communities, nations. And those of us who are taking risks and creating the most engaging content will find an audience every time.

2015-16 OPERATIONAL HIGHLIGHTS

During the 2016 financial year, Ten Network continued its strategy of investing in prime time domestic and international content, delivering a consistent prime time program schedule year-round, expanding our industry-leading online catch-up and streaming service tenplay, and increasing our advertising revenue and advertising market revenue share through the strategic arrangement with Multi Channel Network ("MCN").

The successful implementation of this strategy saw Ten achieve audience and audience share growth, above-market advertising revenue growth, advertising market revenue share growth and a return to positive earnings before interest, tax, depreciation and amortisation.

Key operational highlights for the 2016 year included:

- Total television revenue growth of 7.5%, in a capital city free-to-air television advertising market that declined by 2.9%.
- An increase in Ten's share of the capital city free-to-air television advertising market of 2.2 share points, to 24.0%.
- Digital advertising revenue growth of 19.6%.
- An increase in Ten's prime time commercial audience share in the key demographic of people 25 to 54 from 28.7% to 29.5%.
- An increase in Ten's prime time total people commercial audience share from 24.7% to 25.5%.
- Television costs (excluding selling costs) increased 5.1%, within the market guidance of 5.5% that was given in April 2016.
- The successful completion of the operational transition to MCN.
- The implementation of new affiliation arrangements with WIN Network and Southern Cross Media from 1 July 2016 on new and improved commercial terms.
- The launch of TEN HD, a free-to-air high-definition simulcast of the TEN primary channel.

REGIONAL AFFILIATES

In July 2016 Ten signed new regional television affiliation agreements with WIN Network and Southern Cross Media to broadcast its premium content and channels across regional Australia. Since then, the audiences for Ten's programming has increased in regional Australia and the new agreements represent an increase in the affiliation fees that were paid under our previous regional program supply agreements.

CONTENT

The year saw continued investment in general entertainment content across proven domestic franchises, with returning shows such as *I'm a Celebrity... Get Me Out of Here!*, *MasterChef Australia*, *The Bachelor Australia*, *The Bachelorette Australia* and *The Living Room*.

Gogglebox and *Have You Been Paying Attention?* increased their audiences significantly, while *Family Feud* and *The Project* continued to give the primary TEN channel its best results in the 6pm to 7.30pm timeslot in several years.

The major new franchise *Australian Survivor* launched towards the end of the financial year, which, together with the return of *Offspring*, delivered a strong prime time schedule.

We have also continued to invest in premium sport programming with the *KFC Big Bash League*, *Rebel Women's Big Bash League*, *Rugby Union*, *Supercars Championship*, *Formula One*, *MotoGP* and *RPM*.

Ten's multi-channels, ELEVEN and ONE, continued to deliver consistent schedules across the year, with ELEVEN remaining the richest commercial multi-channel in its target 16 to 39 demographic. ELEVEN's ongoing success is driven by the early-evening programs *Neighbours, The Simpsons* and *How I Met Your Mother*, plus a number of recently launched comedies.

BROADCAST

During the 2016 financial year, TEN was the only primary commercial free-to-air television channel to increase its total people audience in prime time (6pm to 10.30pm). TEN's audience grew by 1.6%.

ONE was the only multi-channel to increase its total people prime time audience, achieving a 1% increase (weeks 1 to 42, 2016). In its target market of men aged 25 and older, ONE lifted its prime time audience by 4%.

On a network basis, Ten increased its prime time commercial audience share of 25 to 54s from 28.7% to 29.5% during the 2016 financial year – the highest share achieved since 2012 – and lifted its total people share from 24.7% to 25.5%, the highest share since 2013.

Many Ten shows achieved significant growth year-on-year in 2016. *Have You Been Paying Attention?* grew by 24%, *I'm A Celebrity...Get Me Out Of Here!* added more viewers and *Australian Survivor* increased our audience in its timeslots by 26%. Prime time smash hits including *MasterChef Australia, The Bachelor Australia* and *Gogglebox* won their timeslots among people 25 to 54, under 55 and total people.

MasterChef Australia once again dominated its timeslot, with *The Winner Announced* episode recording a total capital city audience of 2 million, making it the #1 non-sport program of 2016 in 25 to 54s.

Ten's commitment to local drama saw the successful return of *Offspring* in 2016, which had its biggest launch since 2010 and was the #1 drama of the year in under 55s. New drama *The Wrong Girl* also resonated strongly with 25 to 54s and won its timeslot in women 25 to 54.

DIGITAL AND SOCIAL MEDIA

Launched in September 2013, Ten's industry-leading online catch-up and streaming service tenplay is now one of the most popular online and mobile entertainment platforms in Australia, covering 12 different platforms. It has been key to the success of the "TV Everywhere" strategy, which brings Ten's unique content to people anywhere, any time and on any device.

The strong expansion of tenplay resulted in the number of video segment views watched increasing by 23% to 203.5 million during the 2016 financial year. The number of video unique visitors – the people who came to tenplay just to watch video – grew by 32% to 11.2 million. The number of downloads of the tenplay app across mobile devices increased 24% to 2.8 million.

Ten's dominance online is further evident in OzTAM's seven-day video player measurement (VPM) numbers. Our company has nine of the top 10 programs in 2016, with *The Bachelor Australia* taking the top six spots.

On social media, Ten has the strongest presence of any free-to-air television network. Programs such as *MasterChef Australia, The Bachelor Australia, The Bachelorette Australia, I'm A Celebrity... Get Me Out Of Here!, Offspring* and *Australian Survivor* dominate social media when they are on air, creating significant noise and a deep engagement with our viewers. There are more than 170 different social media channels for our content. Combined, those channels have 12.7 million followers.

MULTI CHANNEL NETWORK

The partnership of Ten and MCN is a true market changer. It offers the largest television salesforce in the country, unique and wide-ranging content and integration offerings for advertisers, and a remarkable, world-leading trading platform.

For Ten, the partnership has delivered clear benefits in terms of scale, audience reach and innovation in terms of integration opportunities for our clients, data capabilities and a more sophisticated and dynamic trading system.

Since the partnership started on 1 September 2015, Ten has delivered our strongest revenue performance in four years. On 1 January 2017, Ten will become part of the MCN's dynamic and programmatic trading platform, Landmark, giving our clients a more sophisticated and effective way to buy and trade television advertising.

CORPORATE RESPONSIBILITY

Ten Network has enabled every employee to make their work hours and conditions flexible, to achieve a better work-life balance and – we believe – be more productive. A lot of companies talk about giving their staff flexibility. We have done it. We're focussed on output, not face time, and the reaction has been overwhelmingly positive.

Our executives and managers encourage and support flexibility, creating a culture and an internal mindset where it is normal, not unusual.

Ten Network's Chief Executive Officer, Paul Anderson, is a member of the Male Champions of Change, the aim of which is to increase the representation of females in leadership roles in major organisations across Australia. We are proud to be part of a group leading the way on gender equality.

We all know through regular media coverage that the current prevalence of domestic and family violence in Australia is one of the most serious problems – and biggest challenges – in our society. It requires broad action government, community organisations and businesses.

That is why Ten is committed to actively supporting employees who experience any form of domestic and family violence.

We are also committed to raising awareness of domestic and family violence through training for our management team, support from senior executives and on-air talent ambassadors, and community service announcements.

GIVING BACK TO THE COMMUNITY

Ten is committed to giving back to the communities in which we operate and helping our staff find ways to work with a diverse range of foundations and not-for-profit organisations.

Every year, all Ten channels around the country promote charitable causes through on-air campaigns, including community service announcements. These campaigns cover many national and local not-for-profit organisations, with Ten giving air-time and technical assistance such as script writing, filming and editing support.

Over the past year, our community partnerships have included organisations such as Headspace, R U OK?, Surf Life Saving Australia, Cancer Council, RSPCA Australia, Starlight Children's Foundation, Kids Helpline, Youth Off The Streets, DefenceCare, Commando Welfare Trust and The Salvation Army.

Our community support and engagement activities grew in October 2014 with the launch of TEN Gives, a workplace giving program we run in partnership with UnLtd, a not-for-profit foundation that works across the media and marketing industries to help eliminate the consequences of youth disadvantage in Australia.

TEN Gives was created as a way for our staff to give their time, talent, resources and money to help charities that help disadvantaged youth. Every dollar given by a staff member is matched by the company.

TEN Gives operates in all five Ten Network stations around the country and supports 10 charities: Batyr, KYDS, Musicians Making A Difference, Youth Off The Streets, Big Brothers Big Sisters, Camp Quality, Melbourne City Mission, Radio Lollipop, The Pyjama Foundation and Youth Opportunities SA.

During its first two years, TEN Gives gave more than $2.36 million in cash, kind and time to its partners.

2015-16 FINANCIAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2016

The Directors of Ten Network Holdings Limited present their report on the consolidated entity, consisting of Ten Network Holdings Limited ("the Company") and its controlled entities, for the year ended 31 August 2016.

DIRECTORS

The Directors that have been in office at any time during or since year end are:

DIRECTOR	ALTERNATE
Current	
Mr DL Gordon (Chairman)	Mr BJ Long (Until 25 Jul 2016)
Ms DL Goodin (Appointed 17 Aug 2016)	
Mr A Lancaster (Appointed 25 Jul 2016)	
Ms SL McKenna	Mr BJ Long (Until 25 Jul 2016)
The Hon AJ Robb (Appointed 25 Jul 2016)	
Mr PC Tonagh (Appointed 30 Mar 2016)	
Previous	
Mr JJ Cowin (Resigned 16 Dec 2015)	Mr PV Gleeson (Until 16 Dec 2015)
Mr R Freudenstein (16 Dec 2015 to 30 Mar 2016)	
Mr PV Gleeson (Resigned 17 Aug 2016)	Mr JJ Cowin (Until 16 Dec 2015) and Mr DL Gordon (Until 17 Aug 2016)
Mr DD Hawkins (Resigned 16 Dec 2015)	Mr DL Gordon (Until 16 Dec 2015)
Ms CW Holgate (Resigned 16 Dec 2015)	Mr DL Gordon (Until 16 Dec 2015)
Mr J Klepec (Resigned 25 Jul 2016)	Mr BJ Long (Until 25 Jul 2016)
Mr BJ Long (Resigned 25 Jul 2016)	Mr DL Gordon (Until 25 Jul 2016)

PRINCIPAL ACTIVITIES

The principal activity of the Company is the investment in The Ten Group Pty Limited ("Ten Group") and controlled entities, whose principal activities are the operation of multi-channel commercial television licences in Sydney, Melbourne, Brisbane, Adelaide and Perth, and a national online media platform.

OPERATING AND FINANCIAL REVIEW

The 2016 financial year was one of significant achievements for your company.

Ten Network Holdings continued to invest in prime time domestic content, building audience momentum, delivering significant growth in revenue and returning the company to a positive underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) position.

During the year the Company also fully transitioned its sales operations to Multi Channel Network Pty Ltd ("MCN"), completed the issue of new ordinary shares to Foxtel Management Pty Limited as agent for the Foxtel Partnership, completed a fully underwritten accelerated pro-rata renounceable entitlement offer of new ordinary shares and established new affiliate agreements with WIN Network and Southern Cross Media.

The transition to MCN has been a key focus, with the ground breaking partnership commencing on 1 September 2015 and full trading platform migration completed during the year. This partnership has enabled the Company to change the way airtime is sold, gaining scale, efficiency, improved data capability and broader integration opportunities for advertising clients. The 2017 financial year will bring further enhancements with the introduction of automated trading of airtime.

The Company grew ratings and revenue through 2016, resulting from the clear strategic focus on:

- Event television
- Premium live sport
- Focusing on the 25-54 demographic
- Distinct demographic targeting and program content for ELEVEN and ONE
- Consistency in program scheduling
- Development of new formats
- Expansion of digital platforms and revenue

The strategic focus has resulted in strengthening of programming across the schedule, providing improved revenue and ratings performance in the 2016 year.

Financial Performance and Highlights

A summary of the consolidated results for the year ended 31 August 2016 are set out as follows:

	2016 $'000	2015 $'000
Underlying EBITDA	4,508	(12,018)
Depreciation	(11,798)	(14,268)
Net finance costs	(19,111)	(15,881)
Net significant items	(125,258)	(262,883)
(Loss)/Profit before income tax	(151,659)	(305,050)
Income tax (expense)	(2,742)	(3,400)
(Loss)/ Profit after tax for the year	**(154,401)**	**(308,450)**
Profit attributable to non-controlling interests	2,405	3,798
(Loss)/ Profit attributable to members of the Company	**(156,806)**	**(312,248)**

Operating Result

For the year ending 31 August 2016, the Company reported a statutory loss after tax of $154.4m (2015: loss of $308.5m), including significant items. On an underlying basis, the Company made significant progress, reporting Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $4.5m (2015: loss of $12.0m).

The Company's Television revenues increased 7.4% to $674.0m (2015: $627.6m) as a result of gains in revenue market share, while Television costs grew 4.3% to $683.7m (2015: $655.6m) following continued investment in programming to drive audience improvement and revenue growth.

The statutory loss after tax included the following revenue and expenses that are significant in nature:

- $23.1m profit on sale of the Out-of-Home business

Offset by the following expense items:

- $135.2m impairment of the television licence
- $11.0m writedown of Investment in an unlisted entity
- $2.2m of restructuring costs

Net Debt

Total borrowings (all non-current) were $90.2m as at 31 August 2016, being:

- A bank loan of $65m drawn on the $200m Revolving Cash Advance Facility
- Capitalised interest and commitment fees of $3.3m
- Capitalised Shareholder guarantor fees of $23.1m
- Less: Capitalised transaction costs of $1.2m

Net debt relating to the Company's Revolving Cash Advance Facility at 31 August 2016 was $53.5m (bank loan of $65m, capitalised interest and commitment fees of $3.3m less cash of $14.8m).

Cash Flow

Cash outflows from operating activities were $51.4m (2015: $55.0m), and included the impact of payments relating to programming investments, as the Company continues to invest in the prime time domestic schedule.

Cash outflows from investment activities of $7.6m represent the purchase of property, plant and equipment, and investment in MCN, partially offset by $1.2m of dividends received from OzTAM.

Cash inflows from financing activities of $61.8m (2015: $40.3m) are mainly due to $146.2m net cash proceeds from the successful completion of the equity raising in December 2015. The net movement also reflects net loan drawdowns and repayments made on the $200m Revolving Cash Advance Facility.

Balance Sheet

Significant balance sheet movements during the year were as follows:

- The estimated recoverable amount of the Television Cash Generating Unit, based on value-in-use, equals its carrying amount following a $135.2m impairment booked during the year
- Borrowings and Contributed equity reflect the $146.2m net impact of the Foxtel share placement and share entitlement offer
- There are no longer any onerous contract provisions (2015: $18.0m), reflecting the removal of provisions associated with the Out-of-Home business and the utilisation of provisions for sports contracts which reached the end of their term

Operational Highlights

In 2016 the Company continued its strategy of building a consistent, prime time domestic schedule across the full survey year. This is now broadly complete.

Key operational highlights for the 2016 year were as follows:

- Total Television revenue growth of 7.4%, in a market that declined by 2.9%
- Revenue market share of the metro free-to-air television market increased 2.2% to 24.0%
- Digital revenue growth of 19.6%
- Total People ratings share up 0.7% to 25.4%
- Audience share in the important 25-54 demographic increased 0.6% to 29.3%
- Total costs (excluding selling costs) increased 5.1%, within market guidance of 5.5%
- Successful completion of operational transition to MCN
- Implementation of new affiliation arrangements with WIN Network and Southern Cross Media from 1 July 2016 on new and improved commercial terms

Business and Strategic Risks

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

- Failure of the MCN partnership to generate sufficient sales revenue, with negative impacts on revenue and cash flow. The Company has developed strong communication channels and reporting protocols with MCN to mitigate this risk along with retaining key sales management at the Company, working with MCN to ensure the relationship operates effectively
- The Company is unable to negotiate and secure funding to refinance debt as a result of internal and external influences. The existing $200m Revolving Cash Advance Facility expires on 23 December 2017. The Company has commenced discussions with a number of parties in order to assess and consider the refinancing options available
- An inability to secure and develop appropriate program rights, from both the domestic and overseas market, that generate ratings and in turn, revenues. Controls over the selection, commissioning and approval of content mitigate this risk, with programming decisions backed by research and executive approval to ensure spend is aligned to the strategic plan
- Inability to react to structural changes and market pressures in the free to air advertising market. To mitigate this risk, the Company continues to invest in and develop the Company's digital catch-up and streaming platform (tenplay), and follows a structured approach to reviewing investment opportunities to capitalise on new and emerging trends
- A significant and sustained transmission failure. The Company continues to have robust controls in place to mitigate this risk, including redundancy, dual transmission sites, dual paths of carriage, backups and real-time incident monitoring. The Company also maintains prudent insurance coverage

BUSINESS STRATEGIES AND OUTLOOK

The 2016 strategic focus has been one of consistent development, building on the momentum achieved in 2015 through further investment in content. The focus has remained on prime time for the TEN primary channel, with the aim of delivering a consistent schedule across the survey year, and the continued focus on the 25-54 demographic, supported by tenplay.

Investment in general entertainment content across proven domestic franchises continued in 2016, with returning shows *I'm a Celebrity... Get Me Out of Here!*, *MasterChef Australia*, *The Bachelor Australia*, *The Bachelorette Australia* and *The Living Room*. *Gogglebox Australia* and *Have You Been Paying Attention?* increased their audiences significantly, while *Family Feud* continued to improve the TEN channel's 6.00pm prime time weekday audience and contributed to a lift in audience and commercial share in *The Project*. The major new franchise *Australian Survivor* launched towards the end of the financial year, which, together with the return of *Offspring* has delivered a strong prime time schedule.

We have also continued to invest in event television programming through premium sport with the *KFC Big Bash League* cricket, *Rugby Union*, *Supercars Championship*, *Formula One*, *MotoGP* and *RPM*.

The strategy of TV Everywhere remains. Television is no longer purely a linear viewing experience and the tenplay digital catch-up and streaming platform saw unprecedented growth. Tenplay takes content across multiple screens, creating deeper audience engagement and has surpassed 2.7 million downloads of its mobile device application across Android, iOS and Windows devices. That reach now extends across smart TVs, Microsoft's Xbox 360, Xbox One platforms and through FreeviewPlus, Apple TV and Fetch TV.

Demand in the television advertising market remains subdued, characterised by short-term booking cycles. Despite these conditions, the Company's television revenue grew by 7.4% in 2016.

The Company plans to continue strengthening its content schedule and provide improved audience performance across key timeslots and demographics, focussing on the 25-54 demographic for the primary TEN channel, fresh formats, cost effective local production, premium sporting events and a leading digital platform.

Cost control, in particular for non-content related areas of the business, is a key focus for the Company.

DIVIDENDS

The Company did not pay or announce any dividends during the period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In June 2015 the Company and the Multi Channel Network Pty Ltd (MCN) announced a long-term agreement for MCN to represent the Company's television, catch-up and digital properties for advertisers. MCN commenced sales representation on behalf of the Company from 1 September 2015. The agreement has allowed the Company to gain scale, new efficiencies, improved data capability and broader integration opportunities for advertising clients. The Company is a 24.99% shareholder in MCN and has a seat on the MCN board.

EVENTS SUBSEQUENT TO BALANCE DATE

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

- the operations in financial years subsequent to 31 August 2016 of the consolidated entity; or
- the results of those operations, or the state of affairs, in financial years subsequent to 31 August 2016 of the consolidated entity.

INFORMATION ON DIRECTORS

David L Gordon

Experience and expertise

27 July 2015, Mr Gordon was appointed Chairman of the Company.

He has been a Director of the Company since 1 April 2010.

Mr Gordon is also Chairman of the Nomination and Remuneration Committees of the Company and a Member of the Audit and Risk Committee.

Mr Gordon is a former M&A partner at the Sydney law firm, Freehills (now Herbert Smith 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 and acted for a number of Australia's major media businesses over the last 30 years. He is a director of RCG Corporation Limited. He holds a Bachelor of Commerce and Bachelor of Law degrees from the University of New South Wales and is a member of the Australian Institute of Company Directors.

Other current listed directorships

RCG Corporation Limited (appointed 19 October 2006)

Former directorships in last 3 years

None

Special responsibilities

Chairman – appointed 27 July 2015

Chairman of Remuneration Committee – appointed 17 September 2014

Interests in shares and options

Ordinary shares – 29,433

Debra L Goodin

Experience and expertise

Director of the Company since 17 August 2016.

Ms Goodin is Chair of the Audit and Risk Committee and a Member of the Nomination and Remuneration Committees of the Company.

Ms Goodin has more than 20 years' senior management experience with professional services firms, government authorities and ASX-listed companies across a broad range of industries and service areas.

Her executive experience in finance, operations, corporate strategy and mergers and acquisitions included service as Chief Operating Officer for an Australian and New Zealand subsidiary of Downer EDI Limited, and as Acting Chief Financial Officer and Head of Mergers and Acquisitions, and then Global Head of Operations, at Coffey International Limited, where she led geosciences, project management and international development businesses.

Ms Goodin holds a Bachelor of Economics degree from Adelaide University and is a Chartered Accountant.

Ms Goodin is currently a Director of the ASX-listed companies Senex Energy Limited, oOh!media Limited and APA Group Limited and Chairs the Audit and Risk Committees of oOh!media and Senex.

Other current listed directorships

Senex Energy Limited (appointed 26 May 2014)

oOh!media Limited (appointed 28 November 2014)

APA Group Limited (appointed 26 August 2015)

Former directorships in last 3 years

None

Interests in shares and options

None

Andrew Lancaster

Experience and expertise

Director since 25 July 2016.

He is also a Member of the Nomination and Remuneration Committees of the Company.

Mr Lancaster is Chief Executive Officer of WIN Corporation Pty Ltd and has more than 22 years' experience in the media industry.

He holds a Master of Commerce in Human Resource Management.

He is a Director, and former Chairman, of MediaHub Australia and a former Director of Free TV Australia and WIN NBN Sales.

Other current listed directorships

None

Former directorships in last 3 years

None

Interests in shares and options

None

Siobhan L McKenna

Experience and expertise

Director of the Company since 26 June 2012.

Ms McKenna was appointed as a member of the Audit and Risk Committee and the Remuneration Committee on 17 October 2012. She is also a Member of the Nomination Committee.

Ms McKenna is Managing Partner of Illyria Pty Ltd, and a non-Executive Director of each of Woolworths Ltd, AMCIL Limited, Nova Entertainment, The Australian Ballet, Foxtel Management Pty Limited and Fox Sports Pty Limited. Ms McKenna is also a Member of the MCG Trust.

Ms McKenna is a former Partner of management consulting firm McKinsey & Company, Commissioner of the Productivity Commission and Chairman and Board Member of NBNCo.

Other current listed directorships

Woolworths Limited (appointed 8 February 2016)

AMCIL Limited (appointed 16 March 2016)

Former directorships in last 3 years

None

Interests in shares and options

None

The Hon Andrew Robb, AO

Experience and expertise

Director since 25 July 2016.

He is also a Member of the Nomination and Remuneration Committees of the Company.

From 1990 to 1997, The Hon A Robb was the Federal Director and Campaign Director of the Liberal Party.

From 1997 to 2004, he worked for Kerry and James Packer, as well as advising major companies around Australia and overseas. During this time he also built an Australia-wide direct marketing technology company, was on the investment team for the Gorgan Gas Project, and was a Board Member of Sinclair Knight Merz, Australia's largest consulting engineering company.

The Hon A Robb has also been a Board Member of the Garvan Medical Research Foundation, the Menzies Research Centre, the Big Brother Big Sister mentoring organisation, a member of the YWCA Leadership group and was honorary Treasurer of the Liberal Party in NSW. He also served as Chairman of the Australian Direct Marketing Association.

In 2003 The Hon A Robb was awarded the Office of the Order of Australia for his service to agriculture, politics and the community.

The Hon A Robb was elected to the Federal seat of Goldstein in October 2004, holding positions as Chairman of the Government's Workplace Relations Taskforce, Parliamentary Secretary to the Minister for Immigration and Multicultural Affairs and then Minister for Vocational and Further Education.

In Opposition, he held positions as Shadow Minister for Foreign Affairs, Shadow Minister for Infrastructure and Climate Change, Chairman of the Coalition Policy Development Committee and Shadow Minister for Finance, Deregulation and Debt Reduction.

The Hon A Robb was appointed to the Cabinet as Minister for Trade and Investment in 2013. In the role, The Hon A Robb negotiated Free Trade Agreements with South Korea, Japan and China, as well as the 12 country Trans Pacific Partnership (TPP) free trade agreement and the Comprehensive Strategic Partnership with Singapore. He retired from politics at the 2016 Federal election.

Other current listed directorships

None

Former directorships in last 3 years

None

Interests in shares and options

None

Peter C Tonagh

Experience and expertise

Director since 30 March 2016.

He is also a Member of the Nomination and Remuneration Committees of the Company.

Mr Tonagh is the Chief Executive Officer of Foxtel Management Pty Limited. He is also the Chairman of MCN (Multi Channel Network).

Prior to his appointment at Foxtel, Mr Tonagh was Chief Executive Officer of News Corp Australia. His previous roles also include Chief Operating Officer of News Corp Australia, interim Chief Executive Officer of REA Group, and the dual roles of Chief Operating Officer and Chief Financial Officer at Foxtel.

He has also held the role of Vice President and Director of The Boston Consulting Group, working across Australia, New Zealand and throughout Asia.

Other current listed directorships

None

Former directorships in last 3 years

REA Group Limited (13 November 2013 – 22 March 2016)

News Limited (28 January 2014 – 15 April 2016)

Interests in shares and options

None

COMPANY SECRETARIES

Stephen Partington

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

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

He is a fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators and a member of the Law Society of New South Wales and Australian Corporate Lawyers Association.

He has been admitted as a solicitor in New South Wales since 1980.

Dave Boorman

Mr Boorman joined Ten Network as Chief Financial Officer in November 2015.

He was appointed as an additional Company Secretary to Ten Network Holdings Limited on 17 December 2015.

Before his appointment to Ten, Mr Boorman held a number of senior roles across leading companies in the telecommunications and media sectors in Australia and overseas.

Mr Boorman's experience includes positions as Group Chief Financial Officer at Seven West Media, Chief Financial Officer at Vodafone Hutchison Australia and Chief Financial Officer and Strategy Director at Vodafone Australia. Before moving to Australia in 2005, Mr Boorman worked with Vodafone as Chief Financial Officer in Ireland and held several positions with Vodafone in the UK.

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 August 2016, and the number of meetings attended by each Director were:

DIRECTOR *ALTERNATE (IF APPLICABLE)*	**DATE APPOINTED**	**DATE RESIGNED**	**MEETING OF DIRECTORS**		**NOMINATION COMMITTEE**		**REMUNERATION COMMITTEE**		**AUDIT AND RISK COMMITTEE**	
Meetings			**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Current										
Mr DL Gordon	1/04/2010	Continuing	13	13	6	6	4	4	2	2
Ms DL Goodin	17/08/2016	Continuing	1	1	–	–	1	1	–	–
Mr A Lancaster	25/07/2016	Continuing	2	2	–	–	1	1	–	–
Ms SL McKenna	26/06/2012	Continuing	13	12	3	3	4	4	4	4
Mr BJ Long	20/10/2014	25/07/2016	–	1	–	–	–	–	–	–
The Hon AJ Robb	25/07/2016	Continuing	2	2	–	–	1	1	–	–
Mr PC Tonagh	30/03/2016	Continuing	7	6	3	3	1	1	–	–
Previous										
Mr JJ Cowin	3/04/1998	16/12/2015	4	2	3	3	2	–	–	–
Mr PV Gleeson	22/11/2010	16/12/2015	–	2	–	–	–	–	–	–
Mr R Freudenstein	17/12/2015	30/03/2016	2	2	–	–	1	1	–	–
Mr PV Gleeson	16/02/1998	17/08/2016	12	12	3	3	1	1	4	4
Mr DD Hawkins	1/04/2010	16/12/2015	4	3	–	–	–	–	1	1
Mr DL Gordon	24/11/2010	16/12/2015	–	1	–	–	–	–	–	–
Ms CW Holgate	1/04/2010	16/12/2015	4	3	–	–	2	2	–	–
Mr DL Gordon	14/12/2010	16/12/2015	–	1	–	–	–	–	–	–
Mr J Klepec	3/11/2014	25/07/2016	11	11	3	3	1	1	–	–
Mr BJ Long	1/07/2010	25/07/2016	11	6	6	5	3	2	2	2
Mr DL Gordon	21/06/2012	25/07/2016	–	5	–	1	–	1	–	–

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

REMUNERATION REPORT

The Directors present the 2016 remuneration report for Ten Network Holdings Limited, outlining key aspects of remuneration policy and framework, and remuneration awarded to Key Management Personnel this year.

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

Summary of 2016 Outcomes

The table below summarises the specific items that impacted remuneration during the Company's 2016 financial year which covers the period 1 September 2015 to 31 August 2016.

Short term incentive scheme (STI)	In the 2016 financial year, not all of the STI performance hurdles were met. Under the terms of the STI scheme, all three hurdles must be achieved before any payment is made. The Remuneration Committee agreed a discretionary bonus payment to certain executives to reflect their significant efforts over the past financial year in recognition that some targets were met and that there continues to be improvement in the performance of the Company despite the recent decline in the television advertising market. This improvement is evidenced through continued ratings and revenue growth in the 2016 year. Ratings grew across key timeslots and demographics, with 2016 Total People ratings share up +0.7% to 25.4% (2015: 24.7%). This has driven revenue share growth of +2.2% to 24.0% (2015: 21.8%). These factors have led to an improvement in underlying EBITDA to $4.5m, up $16.5m from a $12.0m loss in 2015.
Long term incentive scheme (LTI)	Allocations of performance rights (described in Section (d) of the remuneration report) were made in 2016 under an amended Ten Executive Incentive Plan (TEIP) which was introduced following shareholder approval in December 2015. All allocations made under this plan in the 2016 financial year are subject to the satisfaction of revenue share and earnings per share (EPS) performance hurdles at the end of a 3 year performance period. During the year, senior executives were given the option to exchange their existing Loan Funded Shares (LFS) for the fair value equivalent of Rights issued under the amended TEIP. All current KMP participated in this exchange for their 2014 allocations of LFS, but chose to retain their 2015 allocations. The impact on KMP's LFS and Rights are disclosed in section (h) of the remuneration report.

Contents of the Remuneration Report

This remuneration report contains the following sections:

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

(a) Key Management Personnel (KMP) covered in this report

Non-executive Directors

NAME	NAME
Current	
Mr DL Gordon (Chairman)	Ms SL McKenna
Ms DL Goodin (from 17 Aug 2016)	The Hon AJ Robb (from 25 Jul 2016)
Mr A Lancaster (from 25 Jul 2016)	Mr PC Tonagh (from 30 Mar 2016)
Previous	
Mr JJ Cowin (to 16 Dec 2015)	Ms CW Holgate (to 16 Dec 2015)
Mr R Freudenstein (from 16 Dec 2015 to 30 Mar 2016)	Mr J Klepec (to 25 Jul 2016)
Mr PV Gleeson (to 17 Aug 2016)	Mr BJ Long (to 25 Jul 2016)
Mr DD Hawkins (to 16 Dec 2015)	

Other (Executive) KMP

NAME	POSITION
Mr PD Anderson	Chief Executive Officer
Mr DJ Boorman (from 2 Nov 2015)	Chief Financial Officer
Ms B McGarvey	Chief Content Officer

(b) Board Remuneration Committee

The Board Remuneration Committee (comprising all Board Directors) reviews remuneration and incentive policies and practices and provides specific recommendations to the Board on remuneration packages and other terms of employment for executive Directors and other senior executives. Reviews are undertaken annually, taking into account competitor practices and performance. The Board approves remuneration for executive Directors, other senior executives and non-executive Directors.

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

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

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

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

Alignment to shareholders' interests is achieved by:

- Having revenue share, net profit after tax and positive cash flow as core components of the Company's short term incentive plan design and revenue share and EPS as core components of the Company's long term incentive plan design
- Including a focus on key non-financial drivers of value
- Requiring that a proportion of executive pay be received as shares
- Deferring vesting of shares subject to continued service and achievement of performance hurdles over a number of years
- Only retaining the service of high performing executives who continue to deliver results

Alignment to executives' interests is achieved by:

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

(d) Executive pay framework

The framework for the year ending 31 August 2016 provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives attain more accountability within the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The current executive pay and reward framework has three components:

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

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

Base pay and benefits

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

Base pay for senior executives is reviewed annually. External remuneration consultants periodically provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Preference is given to matching pay with market levels of direct competitors if this information is available, rather than a broad based group of comparator companies. The Company must recruit and retain talent from a relatively small pool of candidates with industry experience. Given the size of the talent pool, senior executive roles attract a remuneration premium across the industry.

The Company continues to benchmark its fixed pay against its direct competitors and this has highlighted that the Company's KMPs are rewarded at lower levels than these direct competitors.

Some executives have fixed annual base pay increases included as a term of their employment contract. Retirement benefits may be delivered under an accrued benefit superannuation fund sponsored by the Company or through contributions to a superannuation fund nominated by the executive.

Incentives

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. For the CEO, maximum contracted total incentive is $1m. For other KMP, it is 85% of fixed remuneration. The maximum contracted total incentive is divided into a short term and a long term incentive component.

The short term incentive component for senior executives comprises 50% of the maximum contracted total incentive based on salary package in place at the end of the year. If the specified performance hurdles for the short term incentive component for the year are met, a cash award up to that amount will be paid.

No short term incentives were awarded for the 2016 financial year as not all performance hurdles were met. The 2016 financial year performance hurdles related to improvements in revenue share, profitability and cash flow. All three hurdles must be achieved for a payment to be made. The Remuneration Committee agreed a discretionary bonus payment to certain executives to reflect their significant efforts over the past financial year, having achieved substantial improvements to the business. These improvements are evidenced through continued ratings and revenue growth and a return to an underlying positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) position in the 2016 year, despite the recent decline in the television advertising market.

During the year Ten also fully transitioned its sales operations to MCN, completed an equity raising and established new program supply agreements with WIN Network and Southern Cross Media.

The long term incentive component for senior executives is granted at the commencement of the year to which it relates and comprises 50% of the maximum contracted total incentive based on salary package at that time. An amendment to the long term incentive plan, the Ten Executive Incentive Plan (TEIP), was approved by shareholders at the 2015 Annual General Meeting. The amended TEIP enables performance rights to be granted to eligible executives in lieu of the Loan Funded Shares issued under the previous scheme. Both the current and previous long term incentive schemes are discussed in further detail in the following sections. The long term incentive plans were implemented for senior executives to bolster the Company's remuneration framework and to ensure that the Company is able to attract, motivate, retain and incentivise highly skilled executives. The scheme is also designed to enhance the alignment between senior executive compensation, the performance of the Company and the creation of shareholder value.

Assessing performance and claw-back of remuneration

The Remuneration Committee is responsible for assessing performance against key performance measures and determining the short and long term incentives to be paid. To assist in this assessment, the Committee receives objective feedback on performance from management which is based on independently verifiable data, such as financial measures and individual performance against targets.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Remuneration Committee can cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

Further details on short and long term incentives are provided in the following pages.

Short Term Incentives

Short Term Incentives (STI) are available through cash bonuses to certain executives as determined by the Remuneration Committee.

No STI were awarded for the 2016 financial year as not all performance hurdles were met. The 2016 financial year performance hurdles related to improvements in revenue share, profitability and cash flow. All three hurdles must be achieved before any payment is made. The Remuneration Committee agreed a discretionary bonus payment to certain executives to reflect their significant efforts over the past financial year, having achieved substantial improvements to the business. These included delivering ratings growth across key timeslots and demographics, with 2016 Total People ratings share up +0.7% to 25.4% (2015: 24.7%). This has driven revenue share growth of +2.2% to 24.0% (2015: 21.8%), returning the company to an underlying positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) position, despite the recent decline in the television advertising market.

During the year Ten also fully transitioned its sales operations to MCN, completed an equity raising and established new program supply agreements with WIN Network and Southern Cross Media.

Details of STI entitlements and discretionary bonus payments for 2016 made are set out below:

2016	MAXIMUM POTENTIAL STI ENTITLEMENT $	STI PAYABLE $	DISCRETIONARY CASH BONUS PAID $
PD Anderson	500,000	–	380,000
DJ Boorman (pro-rata from 2 Nov 2015)	247,917	–	171,104
B McGarvey	361,250	–	270,000

STI targets for executives and senior managers are established in each financial year as agreed with the Chief Executive Officer and reviewed by the Remuneration Committee. The Chief Executive Officer's targets are recommended by the Remuneration Committee and approved by the Board. Key performance measures include revenue share, net profit after tax and positive cash flow, together with Company-wide and role specific objectives to ensure variable rewards meet or exceed shareholder and Board underlying EBITDA expectations for the fiscal year. Performance against these measures is considered in an annual review.

EXECUTIVE	KMP KEY PERFORMANCE MEASURES FOR THE 2016 FINANCIAL YEAR
Chief Executive Officer	Revenue share, net profit after tax, positive cash flow, corporate development, financial management and revenue generation, ratings and digital performance, government policy, leadership and accountability objectives
Chief Financial Officer	Revenue share, net profit after tax, positive cash flow, company financial management and revenue management, leadership and accountability objectives
Chief Content Officer	Revenue share, net profit after tax, positive cash flow, network program strategy and ratings performance, program development, financial management, leadership and accountability objectives

Long Term Incentives

Ten Executive Incentive Plan 2016

Following feedback from shareholders and after obtaining professional advice which included investigating other long term incentive plan options, the Company decided to amend the Ten Executive Incentive Plan (TEIP) to provide for the grant of Performance Rights (Rights) for 2016 and future long term incentive allocations, in lieu of the issue of Loan Funded Shares (LFS). The amended TEIP was approved by shareholders at the 2015 Annual General Meeting.

Senior executives will receive the long term component of their maximum contracted total incentive in the form of Rights under the TEIP, although the Remuneration Committee will have the ultimate discretion to determine the individual allocations under the TEIP. Each Right will entitle the participant to receive, following satisfaction of any vesting conditions and/or performance hurdles, one ordinary share or, at the discretion of the Remuneration Committee, a right to receive a cash payment in lieu of an ordinary share. If applicable vesting conditions and/or performance hurdles are not met, the Rights will lapse.

Participants will receive a number of Rights determined by dividing the dollar value of their award by the Company's volume weighted average price of shares (VWAP) at the close of trading over a 20 day trading period up to and including the last day of the Company's previous financial year. This may be different to the fair value at the date of grant which is used as the basis for accounting expenses.

The relevant Rights will be subject to the satisfaction of revenue share and earnings per share (EPS) performance hurdles at the end of a 3 year performance period. No re-testing of the performance hurdles will apply. Details of these hurdles are commercially sensitive and as such, further details will be provided to shareholders after the expiry of the 3 year performance period.

The Rights do not carry voting rights, dividend rights or rights to capital until the Rights have vested and the participant has exercised the Rights and holds shares.

During the year, Rights were also issued as a result of an exchange of Loan Funded Shares under an 'employee share scheme buy-back'. Further details are provided below.

Ten Executive Incentive Plan 2014 & 2015 (suspended)

This plan was established during 2014 following shareholder approval in December 2013. It applied to 2014 and 2015 long term incentive allocations, after which the plan was suspended and replaced with an amended TEIP (discussed above). Under the suspended Ten Executive Incentive Plan (suspended TEIP), eligible senior executives were permitted to borrow from the Company or a subsidiary, an agreed amount and use that amount to subscribe for ordinary shares in the Company to be newly issued (Loan Funded Shares or LFS). Amounts lent under the suspended TEIP are in the form of limited recourse loans so that, should the market value of the Company's shares, at the time the LFS are withdrawn from the plan, fall below the market value at the time of issue of the LFS, or fail to satisfy the performance hurdles in the plan, participants will not have to meet any shortfall.

The LFS were issued at market value on or around the commencement of the Company's financial year. The number of LFS to which a senior executive was entitled was calculated by dividing the long term component of the executive's incentive by the fair value of a LFS as determined by the Remuneration Committee after taking professional advice.

The release of the LFS issued under the suspended TEIP is conditional on satisfaction of revenue share and EPS performance hurdles at the end of a 3 year performance period.

The performance period for the 2014 LFS grant ended on 31 August 2016. Performance was assessed against the following performance hurdles:

- 50% conditional on achievement of 26.6% – 27.0% revenue share (Actual 24.0%)
- 50% conditional on achievement of $0 – $0.04 EPS (Actual EPS loss of $0.46)

These performance hurdles were not met and as such, associated LFS have been forfeited and cancelled in accordance with the TEIP rules, the Corporations Act and the ASX Listing Rules.

Exchange of LFS for Rights

Following the approval of the updated long term incentive plan (TEIP), a process to buy-back and cancel existing LFS was completed in accordance with the plan rules, the Corporations Act and the ASX Listing Rules. The buy-back was conducted as an 'employee share scheme buy-back' in accordance with Division 2 of Part 2J.1 of the Corporations Act, and did not require shareholder approval as the suspended TEIP was approved at Ten's 2013 annual general meeting for these purposes.

Under the employee scheme buy-back, senior executives were given the option to exchange their LFS for Rights issued under the amended TEIP. The exchange was based on the LFS's fair value at the time of the buy-back. All current KMP participated in the exchange of their 2014 LFS allocation for Rights issued under the amended TEIP, but chose to retain their 2015 allocations. The impact of this is disclosed in section (h) of the remuneration report.

(e) Relationship between remuneration and Company performance

Company performance is tabulated below:

	TEN NETWORK HOLDINGS PERFORMANCE 2012–2016				
	2016	**2015**	**2014**	**2013**	**2012**
Underlying EBITDA ($m) [A]	4.5	(12.0)	(79.3)	42.9	94.0
Dividends Paid (cps)	0.0	0.0	0.0	0.0	5.25
Underlying EPS (cps) [A, B]	(9.4)	(19.1)	(44.6)	(2.3)	8.7
Share Price (As at 31 August) [B]	1.33	1.85	2.55	3.05	3.85
Total KMP cash bonus as a percentage of underlying EBITDA (EBITDA Loss)	18.2%	(2.3%)	0.0%	0.0%	0.1%
Total KMP LTI accounting expenses as a percentage of underlying EBITDA	21.5%[C]	(17.3%)[C]	(1.0%)[C]	0.0%	0.9%

[A] Underlying EBITDA, and underlying EPS is before individually significant items 2012 – 2016.

[B] Underlying EPS and share prices in prior years have been restated to reflect the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

[C] These amounts are accounting expenses only and were not realised as remuneration to KMP in these years. The accounting expenses relate to Rights and LFS which are subject to performance hurdles over a 3 year performance period and are therefore being expensed evenly over those 3 years. The first measurement date for LFS was 2016 (for 2014 grants) and will be 2017 (for 2015 grants). The measurement date for Rights will be 2018 (for 2016 grants). The calculation above excludes the acceleration of accounting expenses included in termination payments for 2015 of $2,533,131 which are significant in nature.

(f) Non-executive Director remuneration

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

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

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

There are no retirement allowances for non-executive Directors.

Total remuneration for all non-executive Directors, last voted upon by shareholders at the 2007 AGM, is not to exceed $1 million per annum. Actual total remuneration during 2016 was $826,373. Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The structure of these fees is shown in the following table.

	EFFECTIVE FROM 17 DECEMBER 2015			EFFECTIVE 27 JULY 2015		
	CHAIRMAN OF BOARD	CHAIRMAN OF AUDIT COMMITTEE	MEMBER	CHAIRMAN	DEPUTY CHAIRMAN	MEMBER
Board	$250,000[A]	$150,000	$100,000	$250,000[A]	$99,000	$81,000
Remuneration	–	–	–	$7,000	–	$5,000
Audit	–	–	–	$10,000	–	$7,000

[A] This reflects fees payable to Mr DL Gordon as Chairman of the Board and Chairman of the Remuneration Committee.

(g) Details of remuneration

Directors of the Company

Details of the nature and amount of each element of the emoluments of each Director of the Company during their period of service for the year ended 31 August 2016 and 2015 are set out in the following table.

			SHORT-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	
NAME	PERIOD OF SERVICE	YEAR	CASH SALARY AND FEES $	SUPER-ANNUATION $	TOTAL $
Current Directors					
Mr DL Gordon	Full Year	**2016**	**229,944**	**20,056**	**250,000**
		2015	94,877	9,013	103,890
Ms DL Goodin	From 17 Aug 2016	**2016**	**5,614**	**533**	**6,147**
Mr A Lancaster	From 25 Jul 2016	**2016**	**9,482**	**901**	**10,383**
Ms SL McKenna	Full Year	**2016**	**97,954**	**–**	**97,954**
		2015	93,000	–	93,000
The Hon AJ Robb	From 25 Jul 2016	**2016**	**9,482**	**901**	**10,383**
Mr PC Tonagh	From 30 Mar 2016	**2016**	**42,350**	**–**	**42,350**
Previous Directors					
Mr JJ Cowin	To 16 Dec 2015	**2016**	**22,961**	**2,181**	**25,142**
		2015	78,619	7,469	86,088
Mr R Freudenstein	16 Dec 2015 to 30 Mar 2016	**2016**	**26,200**	**2,489**	**28,689**
Mr PV Gleeson	To 17 Aug 2016	**2016**	**115,994**	**11,019**	**127,013**
		2015	83,105	7,895	91,000
Mr DD Hawkins	To 16 Dec 2015	**2016**	**23,495**	**2,232**	**25,727**
		2015	80,365	7,635	88,000
Ms CW Holgate	To 16 Dec 2015	**2016**	**22,961**	**2,181**	**25,142**
		2015	78,539	7,461	86,000
Mr J Klepec	To 25 Jul 2016	**2016**	**77,019**	**7,317**	**84,336**
		2015	61,205	5,814	67,019
Mr BJ Long	To 25 Jul 2016	**2016**	**85,029**	**8,078**	**93,107**
		2015	101,370	9,630	111,000
Mr PR Mallam		2015	19,816	1,883	21,699
Ms GH Rinehart		2015	12,363	1,174	13,537
Total		**2016**	**768,485**	**57,888**	**826,373**
		2015	703,259	57,974	761,233

During the year ended 31 August 2016, Mr DD Hawkins provided $49,551 of arms-length consulting services to the Company. Other than this, no other remuneration payments were made to Directors or their related entities.

Other Key Management Personnel of the Consolidated Entity

Details of the nature and amount of each element of the emoluments of Key Management Personnel of the consolidated entity during their period of service for the year ended 31 August 2016 and 2015 are set out in the following table.

2016		SHORT-TERM BENEFITS				POST EMPLOYMENT BENEFITS	TERMINATION BENEFITS					
NAME	YEAR	CASH SALARY AND FEES $	DISCRETIONARY CASH BONUS $	SUPERANNUATION $	SUB-TOTAL $	ANNUAL AND LONG SERVICE LEAVE $	SALARY AND SUPERANNUATION $	ANNUAL LEAVE $	OTHER PAYMENTS $	SUB-TOTAL – PAID/ PAYABLE $	OPTIONS AND RIGHTS[A] $	TOTAL[B] $
Mr PD Anderson[D]	**2016**	**1,241,706**	**380,000**	**28,584**	**1,650,290**	**57,015**	**–**	**–**	**–**	**1,707,305**	**545,765**	**2,253,070**
	2015	1,040,118	160,000	30,172	1,230,290	25,576	–	–	–	1,255,866	462,146	1,718,012
Mr DJ Boorman	**2016**	**542,192**	**171,104**	**16,141**	**729,437**	**26,531**	**–**	**–**	**–**	**755,968**	**36,549**	**792,517**
(from 2 Nov 2015)	2015	–	–	–	–	–	–	–	–	–	–	–
Ms B McGarvey[E]	**2016**	**795,415**	**270,000**	**21,252**	**1,086,667**	**46,174**	**–**	**–**	**–**	**1,132,841**	**385,836**	**1,518,677**
	2015	681,129	112,500	18,871	812,500	45,319	–	–	–	857,819	332,375	1,190,194
Mr HR McLennan	2015	1,793,155	–	17,262	1,810,417	(4,667)	1,975,000	189,904	250,000[C]	4,220,654	3,820,269[C]	8,040,923
Total	**2016**	**2,579,313**	**821,104**	**65,977**	**3,466,394**	**129,720**	**–**	**–**	**–**	**3,596,114**	**968,150**	**4,564,264**
	2015	3,514,402	272,500	66,305	3,853,207	66,228	1,975,000	189,904	250,000	6,334,339	4,614,790	10,949,129

A The amounts disclosed in the table above represent the accounting impact for Loan Funded Shares (LFS) and Rights recognised in line with AASB 2 *Share-Based Payment* and do not necessarily reflect the amount of remuneration a KMP will realise at the end of the 3 year performance period.

B The 2016 and 2015 remuneration that is performance-related for the KMPs is the AASB2 Share Based Payment expense for the options and Rights set out in the above table and discretionary cash bonuses. The accounting expense for these performance related items as a percentage of total remuneration is: Mr PD Anderson 41.1% (2015: 36.2%), Mr DJ Boorman 26.2% and Ms B McGarvey 43.2% (2015: 37.4%).

C This included an estimate of $452,604 for Mr HR McLennan's pro-rata contractual entitlement to participate in the 2016 LTI plan. Actual expenses were $200,064, representing the fair value of Rights received on grant date. Other payments included a negotiated termination payment which was made on 27 July 2016.

D On 27 July 2015, Mr PD Anderson was appointed as Chief Executive Officer, having previously held the position of Chief Operating Officer/Chief Financial Officer.

E Effective 1 January 2016, Ms B McGarvey commenced a new employment contract. The base pay under this new agreement was benchmarked against industry competitors.

(h) Details of share-based compensation and bonuses

(i) Performance Rights

Details of Performance Rights (Rights) provided as remuneration to KMP in 2016 are shown below. Refer to section (d) of this report for details on exercise and vesting conditions.

2016	FINANCIAL YEAR GRANTED	YEARS IN WHICH RIGHTS MAY BE CONVERTED IF THEY VEST	NUMBER OF RIGHTS GRANTED[A]	CONTRACTED VALUE OF RIGHTS ($)[A]	VALUE OF RIGHTS AT GRANT DATE ($)[B]
Mr PD Anderson	2016	2018	248,756	500,000	248,756
Mr DJ Boorman	2016	2018	116,294	233,750	116,294
Ms BA McGarvey	2016	2018	158,582	318,750	158,582

[A] In 2016, eligible senior executives were granted Rights under the amended Ten Executive Incentive Plan (TEIP) in respect of the financial year ending 31 August 2016. The allocation was calculated at a value of $2.01 (being the 20-day VWAP to 31 August 2015, restated for the one for ten share consolidation of the Company's shares).

[B] The amendment to the TEIP enabling the grant of Rights was approved at the 2015 AGM. Following this, Rights were granted on 23 February 2016. In line with AASB 2 *Share-Based Payment*, the Rights are being expensed at fair value on grant date, being the Company's share price on 23 February 2016 of $1.00.

No Performance Rights were forfeited during the year.

Hamish McLennan, a KMP in the prior year, was issued and retains 200,064 Rights with a fair value at grant date of $200,064.

(ii) Loan Funded Shares (LFS)

LFS are no longer being granted as long term incentives. From 2016, they were replaced by Rights as disclosed in (ii) above.

The terms and conditions of LFS granted in previous years which affect KMP remuneration in the current or a future reporting period are as follows:

GRANT DATE	VESTING DATE	% OF GRANT	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE[A]	VALUE PER LFS AT GRANT DATE[A]	PERFORMANCE ACHIEVED	% VESTED
18/12/13	31/08/16	60%	31/08/16	27/02/17	$3.319	$1.02	No	0%
		20%	31/08/17	27/02/18	$3.319	$1.02	No	0%
		20%	31/08/18	27/02/19	$3.319	$1.02	No	0%
3/09/14	31/08/17	60%	31/08/16	27/02/18	$2.568	$0.94	To be determined	0%
		20%	31/08/17	27/02/19	$2.568	$0.94	To be determined	0%
		20%	31/08/18	27/02/20	$2.568	$0.94	To be determined	0%

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

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

The performance period for the 2014 LFS grant ended on 31 August 2016 and the performance hurdles were not met. The conditions under which LFS held by Hamish McLennan (a KMP in the prior year) operate are disclosed in section (i) on the following page. Remaining KMP participated in the exchange of their 2014 LFS allocation for the fair value equivalent of Rights issued under the amended TEIP. Other LFS have been forfeited and cancelled as a result.

(i) Equity instruments held by Key Management Personnel

The number of LFS in this section have been restated to reflect the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

(i) Performance Rights (Rights) and Loan Funded Shares (LFS) holdings:

The number of Rights and LFS granted to KMP are set out below.

2016 NAME	BALANCE AT THE START OF THE YEAR	GRANTED AS COMPENSATION	EXCHANGE OF LFS TO RIGHTS	BALANCE AT THE END OF THE YEAR – UNVESTED	VALUE AT GRANT DATE ($)
Mr PD Anderson					
– Rights	–	248,756	3,222	251,978	251,978
– LFS					
2015	1,000,199	–	–	1,000,199	940,188
2014	437,500	–	(437,500)	–	446,250
Mr DJ Boorman					
– Rights	–	116,294	–	116,294	116,294
Ms B McGarvey					
– Rights	–	158,582	2,762	161,344	161,344
– LFS					
2015	653,856	–	–	653,856	614,625
2014	375,000	–	(375,000)	–	382,500

None of the Rights or LFS are exercisable as at 31 August 2016.

Hamish McLennan was a KMP in the previous year. On his termination date of 27 July 2016, the performance hurdles applicable to his 2014 and 2015 LFS grants were waived. As a result, the loans payable on those LFS are due to be paid by not later than 23 January 2017, or the LFS will be forfeited and the relevant shares cancelled. The number of LFS that remain outstanding as at balance date are 1,452,206 for 2014 and 2,532,091 for 2015. The current market value of these LFS are below the associated loan amounts advanced to acquire these shares, therefore it is expected that the loans will not be repaid and that the LFS will be forfeited accordingly.

(ii) Share holdings

The number of ordinary shares in the Company held during the financial year by KMP of the consolidated entity for the year ended 31 August 2016, including their personally-related entities, are set out below.

2016 NAME	BALANCE AT THE START OF THE YEAR	CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Directors of Ten Network Holdings Limited			
Mr DL Gordon	24,750	4,683	29,433
Other Key Management Personnel of the consolidated entity			
Mr PD Anderson	54,818	(15,706)	39,112
Ms B McGarvey	37,870	–	37,870

The following previous Directors of the Company held shares as at the date they ceased to be a KMP:

Mr JJ Cowin (to 16 December 2015): 294,324 ordinary shares.

Mr PV Gleeson (to 17 August 2016): 370,994 ordinary shares.

Mr DD Hawkins (to 16 December 2015): 16,054 ordinary shares.

Mr CW Holgate (to 16 December 2015): 6,992 ordinary shares.

Mr BJ Long (to 25 July 2016): 63,414 ordinary shares.

(j) Service Agreements

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

Paul Anderson, Chief Executive Officer

Term of Agreement – rolling contract commencing 27 July 2015

- Effective 27 July 2015 fixed remuneration, inclusive of superannuation, is $1,250,000. On achievement of certain cash flow targets on a 12 month rolling basis fixed remuneration will increase to $1,450,000 and $1,650,000 (subject to the refinancing of the $200m Revolving Cash Facility and the release of the Shareholder Guarantees).
- Short term and long term incentives are available. The below sets out the potential value for future financial years. This is planned to be split evenly between short term and long term incentives:

FINANCIAL YEAR	2017	2018 ONWARDS
STI/LTI in total	$1,000,000	$1,250,000 – $1,650,000 [A]

[A] Final amount is dependent on achievement of key financial and non-financial objectives which will be measured on a 12 month rolling basis.

- Long term incentives are available through participation in the Ten Executive Incentive Plan on achievement of performance hurdles with a 3 year vesting period, primarily linked to the financial performance of the Group.
- Either party may terminate the contract at any time by providing twelve months' notice.
- Immediate termination by the Company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

Dave Boorman, Chief Financial Officer

Term of agreement – rolling contract commencing 2 November 2015.

- Effective 2 November 2015 fixed remuneration, inclusive of superannuation, was $650,000.
- Effective 1 May 2016, fixed remuneration, inclusive of superannuation is $700,000.
- Short term incentives are available on achievement of specific STI targets primarily linked to the financial performance of the Group and inclusive of leadership and corporate objectives.
- Long term incentives are available through participation in the Ten Executive Incentive Plan on achievement of performance hurdles with a 3 year vesting period, primarily linked towards the financial performance of the Group.
- Total remuneration from short term and long term incentives is capped at 85% of fixed remuneration.
- Either party may terminate the contract at any time by providing six months' notice.
- Immediate termination by the Company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

Beverley McGarvey, Chief Content Officer

Term of agreement – fixed two year contract commencing 1 January 2016

- Effective 1 January 2016 fixed remuneration, inclusive of superannuation, is $850,000.
- Short term incentives are available on achievement of specific STI targets primarily linked to the financial performance of the Group and inclusive of leadership and corporate objectives.
- Long term incentives are available through participation in the Ten Executive Incentive Plan on achievement of performance hurdles with a 3 year vesting period, primarily linked towards the financial performance of the Group.
- Total remuneration from short term and long term incentives is capped at 85% of fixed remuneration.
- There is no notice period for termination due to the fixed-term nature of the contract.
- Immediate termination by the Company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

NON-AUDIT SERVICES

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

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

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

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

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

	CONSOLIDATED	
	2016 $	2015 $
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	528,900	439,500
Other audit related services	24,600	25,290
Taxation Services		
Tax compliance services	94,791	206,970
Other services		
Advisory services	212,904	110,453
Total remuneration of PricewaterhouseCoopers Australia	**861,195**	782,213
(b) Related practices of PricewaterhouseCoopers Australia		
Tax compliance services	26,284	24,812
Total remuneration of related practices of PricewaterhouseCoopers Australia	26,284	24,812
Total auditors' remuneration	**887,479**	807,025

AUDITOR

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 37.

CONTRACTS WITH DIRECTORS

During the financial year, an agreement for consulting services as disclosed in the remuneration report was entered into with a Director. Additionally, various agreements in respect of the sale of television services and purchases relating to operating and financing services were entered into with Director-related entities on normal commercial terms and conditions. The value of such transactions are at arm's length and are detailed further in Note 20.

INSURANCE OF OFFICERS

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

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

INDEMNIFICATION OF OFFICERS

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

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

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

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

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

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

ENVIRONMENTAL REGULATIONS

The consolidated entity is not subject to significant environmental regulations.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in Sydney on 20 October 2016 in accordance with a resolution of the Directors.

DL Gordon
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Ten Network Holdings Limited for the year ended 31 August 2016, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

S. Horlin

Susan Horlin
Partner

Sydney
20 October 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Ten Network Holdings Limited ("the Company") is committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2016 corporate governance statement is dated as at 31 August 2016 and reflects the governance practices in place throughout the 2016 financial year. The 2016 corporate governance statement was approved by the Board on 19 October 2016. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed on the Company's website at www.tenplay.com.au/corporate.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2016

		CONSOLIDATED	
	NOTE	2016 $'000	2015 $'000
Revenue	3	689,494	654,139
Other income	3	1,891	1,793
Net gain on sale of investments	3	23,128	1,311
Television costs		(683,664)	(655,620)
Out-of-home costs		(15,455)	(26,543)
Impairment of intangible assets	2	(135,179)	(251,157)
Provision for onerous contracts	2	–	(6,754)
Restructuring costs	2	(2,230)	(6,283)
Write-down of other assets	2	(10,977)	–
Finance costs	4	(19,802)	(16,669)
Share of net profit of associates accounted for using the equity method	9	1,135	733
(Loss) before income tax	5(b)	(151,659)	(305,050)
Income tax (expense)/benefit	5(a)	(2,742)	(3,400)
(Loss) for the year		**(154,401)**	**(308,450)**
(Loss)/ Profit is attributable to:			
(Loss)/ Profit attributable to owners of the Company		(156,806)	(312,248)
Profit attributable to non-controlling interests		2,405	3,798
(Loss) for the year		**(154,401)**	**(308,450)**
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges	17	1,263	1,023
Exchange differences on translation of foreign operations	17	(20,242)	(2,206)
Income tax relating to these items	17	(379)	(307)
Total comprehensive (loss) for the year, net of tax		(173,759)	(309,940)
Total comprehensive (loss) attributable to members of Ten Network Holdings Limited		(176,164)	(313,738)
Total comprehensive profit attributable to non-controlling interests		2,405	3,798
		(173,759)	**(309,940)**

		2016 CENTS	2015 CENTS[A]
Earnings Per Share			
Basic earnings per share	19	(46.47)	(120.70)
Diluted earnings per share	19	(46.47)	(120.70)

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

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

BALANCE SHEET

AS AT 31 AUGUST 2016

	NOTE	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Current Assets			
Cash and cash equivalents		14,778	14,370
Receivables	8	104,739	110,523
Program rights	6	154,025	175,357
Current tax assets	5(c)	2,787	3,624
Other – prepayments		2,895	4,147
Total Current Assets		**279,224**	**308,021**
Non-Current Assets			
Program rights	6	2,735	5,315
Equity accounted investments	9	10,014	18,856
Property, plant and equipment	10	42,166	44,864
Intangible assets	7	346,518	481,697
Total Non-Current Assets		**401,433**	**550,732**
Total Assets		**680,657**	**858,753**
Current Liabilities			
Trade creditors	11	152,338	203,786
Derivative financial instruments	13	–	350
Provisions	15	16,308	35,080
Total Current Liabilities		**168,646**	**239,216**
Non-Current Liabilities			
Trade creditors	11	19,462	30,461
Borrowings	12	90,200	154,904
Derivative financial instruments	13	2,345	3,193
Deferred tax liabilities	5(d)	1,257	1,029
Provisions	15	15,972	18,462
Total Non-Current Liabilities		**129,236**	**208,049**
Total Liabilities		**297,882**	**447,265**
Net Assets		**382,775**	**411,488**
Equity			
Contributed equity	16	2,927,864	2,781,647
Reserves	17	(1,206,772)	(1,188,778)
Accumulated losses		(1,338,933)	(1,182,127)
Capital and reserves attributable to equity holders of the Company		**382,159**	**410,742**
Non-controlling interests		616	746
Total Equity		**382,775**	**411,488**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2016

	NOTE	CONTRI-BUTED EQUITY $'000	OTHER RESERVES $'000	ACCUMU-LATED LOSSES $'000	TOTAL $'000	NON CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
Balance at 1 September 2015		**2,781,647**	**(1,188,778)**	**(1,182,127)**	**410,742**	**746**	**411,488**
Profit for the year		–	–	(156,806)	(156,806)	2,405	(154,401)
Other comprehensive income		–	(19,358)	–	(19,358)	–	(19,358)
Total comprehensive (loss) for the year		**-**	**(19,358)**	**(156,806)**	**(176,164)**	**2,405**	**(173,759)**
Contributions of equity net of transaction costs		146,217	–	–	146,217	–	146,217
Employee share plan expense	17	–	1,364	–	1,364	–	1,364
Dividends paid	27	–	–	–	–	(2,535)	(2,535)
Balance 31 August 2016		**2,927,864**	**(1,206,772)**	**(1,338,933)**	**382,159**	**616**	**382,775**
Balance at 1 September 2014		**2,781,554**	**(1,193,821)**	**(869,879)**	**717,854**	**1,613**	**719,467**
Profit for the year		–	–	(312,248)	(312,248)	3,798	(308,450)
Other comprehensive income			(1,490)	–	(1,490)	–	(1,490)
Total comprehensive (loss) for the year		**-**	**(1,490)**	**(312,248)**	**(313,738)**	**3,798**	**(309,940)**
Issue of shares held by Employee Share Trust		93	(93)	–	–	–	–
Employee share plan expense	17	–	6,626	–	6,626	–	6,626
Dividends paid	27	–	–	–	–	(4,665)	(4,665)
Balance 31 August 2015		**2,781,647**	**(1,188,778)**	**(1,182,127)**	**410,742**	**746**	**411,488**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2016

		CONSOLIDATED	
	NOTE	2016 $'000	2015 $'000
Net increase in cash and cash equivalents			
Cash on hand		67	73
Cash at bank [A]		14,711	14,297
At end of year		14,778	14,370
At beginning of year		14,370	13,439
Cash held by Out-of-Home business on disposal		1,955	–
Effects of exchange rate movements on cash and cash equivalents		421	(811)
Net cash inflows/(outflows) for the year		**2,784**	**120**
Represented by:			
Cash Flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		760,492	714,469
Payments to suppliers and employees (inclusive of goods and services tax)		(808,827)	(761,960)
Interest received		682	600
Bank interest paid		(1,773)	(2,338)
Income tax received/(paid)			
Prior year refunds received		4,104	2,037
Current year payments		(6,076)	(7,820)
Net cash (outflows) operating activities	25	(51,398)	(55,012)
Cash Flows from investment activities			
Proceeds from government grant		–	5,601
Acquisition of property, plant and equipment		(9,216)	(8,310)
Proceeds on disposal of property, plant and equipment		16	143
Deferred consideration received		–	15,000
Dividends received		1,200	1,000
Repayments from investments		–	220
Proceeds from sale of investments		642	1,169
Proceeds for the disposal of Out-of-Home business		738	–
Payments for other investments		(1,000)	–
Net cash (outflows)/inflows from investment activities		(7,620)	14,823
Cash Flows from financing activities			
Net proceeds from issue of shares		146,217	–
Dividends paid		(2,535)	(4,665)
Proceeds from borrowings		321,034	325,000
Repayment of borrowings		(402,914)	(280,000)
Refinancing costs		–	(26)
Net cash inflows from financing activities		61,802	40,309
Net cash inflows/(outflows) for the year		**2,784**	**120**

[A] Cash at bank includes $3.8m (2015: $6.1m) which is required to be spent on certain capital items under a government grant and cannot be used for other purposes.

For purposes of the cash flow statement, cash at bank includes cash management deposits at call net of outstanding deposits. Any bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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

1. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated Impairment of Intangible Assets with Indefinite Lives and Goodwill

The consolidated entity tests annually or when circumstances indicate impairment, whether indefinite lived intangibles and goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 7. The recoverable amount of the television cash-generating unit and the resulting impairment loss has been determined based on a value-in-use calculation. This calculation requires the use of assumptions. Refer to Note 7 for details of these assumptions and the potential impact of changes to the assumptions. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Income Taxes

The consolidated entity has recognised certain deferred tax assets relating to carried forward tax losses and some deferred tax assets remain unrecognised. The estimation of these recognised and unrecognised deferred tax assets is the subject of significant judgement. It is based on detailed tax forecasts and consideration of the evidence available to support recognition. Refer to Note 5 for further information.

Inventory Valuation

Television program inventory which is available for broadcast is recognised as an asset at the lower of cost and net realisable value. This assessment of valuation requires the use of assumptions and consideration is placed on factors such as current profitability of programs and future program schedule forecasts. Any change in assumptions has the potential to impact the valuation of television program inventory.

2. SEGMENT INFORMATION

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

Geographical segments

The consolidated entity operates principally within Australia.

Segment information provided to the CEO

2016	TELEVISION $'000	OUT-OF-HOME $'000	CONSOLIDATED $'000S
Revenue			
Sales to external customers	674,039	15,455	689,494
Inter-segment sales	–	–	–
Total revenue	**674,039**	**15,455**	**689,494**
Other income	1,891	–	1,891
Net gain on sale of Out-of-Home business	–	23,128	23,128
Total revenue and other income	**675,930**	**38,583**	**714,513**
Segment Result			
Adjusted EBITDA[A]	**4,508**	**-**	**4,508**
Depreciation			(11,798)
Amortisation			–
Adjusted EBIT			**(7,290)**
Finance costs			(19,802)
Finance income			691
Underlying Loss before tax			**(26,401)**
Income tax (expense)			(2,742)
Underlying Loss from continuing operations			**(29,143)**
Profit attributable to non-controlling interests			2,405
Underlying Loss attributable to members			**(31,548)**
Significant items (details below)			
Revenue			23,128
Expense			(148,386)
Loss attributable to members			**(156,806)**

A Before significant Items

In 2016, there is one customer that derived revenue of $77.9m, which is greater than 10% of total revenue for the year. These revenues are attributed to the television segment.

2015	TELEVISION $'000	OUT-OF-HOME $'000	CONSOLIDATED $'000
Revenue			
Sales to external customers	627,596	26,543	654,139
Inter-segment sales	–	–	–
Total revenue	**627,596**	**26,543**	**654,139**
Other income	1,793	–	1,793
Net gain on sale of investment	1,311		1,311
Total revenue and other income	**630,700**	**26,543**	**657,243**
Segment Result			
Adjusted EBITDA[A]	**(12,018)**	**-**	**(12,018)**
Depreciation			(14,268)
Amortisation			–
Adjusted EBIT			**(26,286)**
Finance costs			(16,669)
Finance income			788
Underlying Loss before tax			**(42,167)**
Income tax (expense)			(3,400)
Underlying Loss from continuing operations			**(45,567)**
Profit attributable to non-controlling interests			3,798
Underlying Loss attributable to members			**(49,365)**
Significant items (details below)			
Revenue			1,311
Expense			(264,194)
Loss attributable to members			**(312,248)**

[A] Before significant Items

In 2015, there are two customers that derived revenue of $71.5m and $66.6m, which are greater than 10% of total revenue for the year. These revenues are attributed to the television segment.

Significant items

Items which are individually significant for 2016 and 2015 are as follows:

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Net gain on sale of:		
OurDeal Pty Limited	–	1,311
Out-of-Home business	23,128	–
Impairment of Intangible asset	(135,179)	(251,157)
Provisions for onerous contracts	–	(6,754)
Restructuring costs	(2,230)	(6,283)
Writedown of investment	(10,977)	–
Total significant items[A]	**(125,258)**	**(262,883)**

[A] Tax benefits have not been assigned for significant items due to the Company currently being in a tax loss position.

The net gain on sale of the Out-of-Home business ($23.1m) mainly arises from the reversal of a $20.4m foreign currency translation reserve from equity into the income statement in line with accounting standards. See below for further details.

An impairment review was performed as at August 2016 to ensure that television licences were being carried at their recoverable amount. An impairment loss of $135.2m for television licences was recognised in the current period. Further details are provided in Note 7.

The 2015 Provision for onerous contracts relate to the Out-of-Home business which has now been sold.

Restructuring costs include $2.2m of corporate activity costs relating to the MCN transition, the Foxtel transaction and redundancy payments relating to restructuring of operations.

Restructuring costs for 2015 include redundancy costs in relation to the outgoing CEO, Mr HR McLennan and as a result of the announcement of a sales agency agreement with MCN.

The writedown of investment relates to the impairment of the Company's investment in an unlisted entity to its recoverable amount.

Sale of Out-of-Home Business

	2016 $'000
Consideration received or receivable	
Deferred consideration	1,277
Costs of completion	(2,046)
	(769)
Carrying amount of net liabilities sold [B]	3,510
Foreign currency translation reserve	20,387
Profit on sale before income tax	**23,128**
Income tax benefit	–
Profit on sale after income tax	**23,128**

B Includes onerous contract provisions at the time of disposal.

Underlying Earnings Per Share

	CONSOLIDATED	
	2016 CENTS	**2015[C] CENTS**
Underlying Earnings per Share [A]		
Basic earnings per share	(9.35)	(19.08)
Diluted earnings per share [B]	(9.35)	(19.08)

A Excludes the significant items disclosed above.

B Due to the Company reporting a loss for the years ended 31 August 2016 and 2015, the impacts of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

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

3. REVENUE

Revenue is recognised at fair value of the consideration received net of the amount of goods and services tax (GST). The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the consolidated entity's activities as described below.

Revenue from core operating activities consists of advertising and media revenues and is recognised when the advertisement has been broadcast/displayed or the media service performed.

Advertising and media revenues are disclosed after making allowance for commissions paid to advertising agencies.

Other income includes bank interest earned and dividends received.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Revenue from continuing operations		
Sales revenue	**689,494**	**654,139**
Other income		
Foreign exchange income	–	227
Interest	691	561
Dividend	1,200	1,000
Gain on sale of non-current assets	–	5
	1,891	**1,793**
Net Gain on sale of investment		
Net gain on sale of OurDeal Pty Limited	–	1,311
Net gain on sale of Out-of-Home business	23,128	–
	23,128	**1,311**

4. EXPENSES

	CONSOLIDATED	
	2016 $'000	2015 $'000
Profit from continuing operations before income tax includes the following specific items:		
Net loss on sale of property, plant and equipment	13	–
Net bad and doubtful debts, including movements in provision for doubtful debts	292	372
Employee benefits expense	128,368	142,846
Defined contribution superannuation expense	8,757	9,175
Operating Lease Rentals		
Minimum lease payments	31,372	51,137
Contingent rental expense	748	1,174
Rental expense from sub-lease	113	114
Finance costs		
Interest	19,460	15,998
Unwinding of discount	342	671
	19,802	**16,669**
Depreciation and amortisation of property, plant and equipment:		
Plant and Equipment	9,988	12,434
Leasehold improvements	1,706	1,730
Buildings	104	104
	11,798	**14,268**

5. INCOME TAX

The income tax expense for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of temporary differences and it is probable that the differences will not reversed in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity, respectively.

The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Management have determined that deferred tax assets and deferred tax liabilities associated with indefinite life intangibles such as television licences should be measured based on the tax consequences that would follow from the recovery through sale.

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
(a) Income tax expense		
Current income tax expense/(revenue)	2,893	5,376
Deferred income tax (revenue)/expense	(151)	(561)
Prior year adjustments	–	(1,415)
	2,742	**3,400**
Deferred income tax expense included in income tax expense comprises:		
Decrease in deferred tax asset	1,339	2,194
(Increase) in deferred tax liabilities	(1,490)	(2,755)
	(151)	**(561)**
Deferred income tax movements included in other comprehensive income	379	307
Prior year adjustments	–	722
Total movement in deferred tax liabilities	**228**	**468**

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
(b) Reconciliation of income tax to prima facie tax payable		
Profit/(Loss) from continuing operations before tax	(151,659)	(305,050)
Tax at the Australian tax rate 30%	(45,498)	(91,515)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Deferred tax asset not recognised on TV licence impairment	40,554	75,347
Writedown of investments	3,293	–
Entertainment	537	694
Share in associates' (gains)/ losses	(341)	(220)
Net tax (gain) on sale of investments and property	(7,040)	(994)
Rights and Loan Funded Shares	409	1,988
Regional deferred tax assets not brought into account	–	2,123
Tax losses not recognised	11,405	17,502
Other	(577)	(110)
Prior year adjustments	–	(1,415)
Income tax expense/(benefit)	**2,742**	**3,400**
(c) Current tax liabilities/ (assets)		
Provision for income tax/ (Income tax receivable)	(2,787)	(3,624)
(d) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Provision for doubtful debts and advertising credits	(941)	(718)
Carry forward tax losses	(43,140)	(38,793)
Program rights	59,976	56,807
Property, plant and equipment	960	1,133
Capitalised costs	(1,347)	(1,119)
Trade creditors and accruals	(2,404)	(3,014)
Provisions	(10,789)	(11,723)
Hedge reserve	(626)	(986)
Equity raising expenses	(432)	(558)
Deferred tax liability	**1,257**	**1,029**
Deferred tax (assets) expected to be recovered within 12 months	(16,238)	(11,282)
Deferred tax liabilities expected to be recovered after more than 12 months	17,495	12,311
	1,257	**1,029**
(e) Unrecognised deferred tax assets		
The potential deferred tax asset not brought to account is:		
Unrecognised tax losses	58,925	47,069
Deductible temporary differences not recognised	163,343	126,504

The group has recorded deferred tax assets arising from tax losses to the extent that they will be utilised by the reversal of taxable temporary differences.

The unrecorded tax losses of $58.9m are available for utilisation by the entity, and their utilisation is supported by the entity's tax forecasts. The Directors consider it prudent not to record these tax losses as their utilisation is not expected in the short term. However they will remain available indefinitely for offset against future taxable profits, subject to continuing to meet the statutory tax tests.

6. PROGRAM RIGHTS (CURRENT & NON-CURRENT)

Television program inventory which is available for broadcast is recognised as an asset at the lower of cost and net realisable value. Cost is allocated to television as a program expense when inventory is utilised. Features are expensed over their contract period. Series and other programs are expensed in full upon initial airing.

Television program inventory at balance date for which the telecast licence period has commenced or will commence in the succeeding year has been classified as a current asset.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Program rights – Current	154,025	175,357
Program rights – Non-current	2,735	5,315
	156,760	**180,672**

Program rights expense

Program rights recognised as expenses during the year ended 31 August 2016 amount to $395.2m (2015: $369.6m).

7. INTANGIBLE ASSETS

Television Licences

Television licences are stated at cost less accumulated impairment losses. The television licences continue to be subject to Government legislation and regulation by the Australian Communications and Media Authority ("ACMA"). The Directors have no reason to believe that the licences will not be renewed in due course.

No amortisation is provided against these assets as the Directors believe that the television licences do not have a limited useful life. Instead, the Directors regularly assess the carrying value of licences through impairment testing so as to ensure that they are not carried at a value greater than their recoverable amount.

Impairment of Assets

Television licences that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped into cash-generating units (CGU) at the lowest levels for which there are separately identifiable cash flows. Intangible assets other than goodwill that have previously recognised an impairment are reviewed for possible reversal of the impairment at each reporting date.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Television licences		
At Cost	1,077,823	1,077,823
Accumulated impairment	(731,305)	(596,126)
	346,518	481,697
Television licences		
Opening net Carrying Value	481,697	732,854
Provision for impairment	(135,179)	(251,157)
Closing net Carrying Value	346,518	481,697
Total Intangible Assets	**346,518**	**481,697**

Impairment tests for Television licences

During the year ended 31 August 2016, an impairment loss of $135.2m (2015: $251.2m) was recorded. The television impairment charge was mainly the result of a reduction in revenue forecasts in the Company's value-in-use model to reflect recent advertising market declines, as well as a reassessment of long term market growth forecasts.

Television licences are carried at the following values:

Television Licences	**Television CGU**
2016	346,518
2015	481,697

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

Cash flow forecasts and growth rates

Cash flow forecasts are based on the following assumptions:

- The five year forecast is based on the 2017 Board approved budget and management's latest expectations of future performance for the remaining four years.
- Revenue growth rates over the five year forecast vary from year to year with a cumulative average growth rate of 4.8% (2015: 6.7%). The revenue growth is driven by a combination of both market growth and market share.
- The terminal value is based on the Gordon's Growth Model using a 1.5% (2015: 2%) growth rate.

Discount rates

The pre tax discount rate of 13.35% and post-tax discount rate of 10.17% (2015: pre-tax 13.44% and post-tax 10.17%) are the risk adjusted weighted average cost of capital ("WACC") for the consolidated entity.

Impact of Possible Changes in Key Assumptions

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

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

8. RECEIVABLES (CURRENT)

(a) Trade Receivables

All trade receivables are initially measured at fair value and subsequently at amortised cost, less provision for doubtful debts.

Trade receivables are due for settlement no more than 45 days from date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Trade debtors	107,877	112,938
Provision for impairment of receivables	(607)	(399)
Provisions for advertising credits	(2,531)	(2,016)
	104,739	**110,523**

(b) Impaired trade receivables

As at 31 August 2016 current trade receivables of the consolidated entity with a nominal value of $0.6m (2015: $0.4m) were impaired. The amount of the provision was $0.6m (2015: $0.4m). The individually impaired receivables are in the Television segment and relate to a number of individual debtors for which these amounts are not expected to be recoverable.

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
The ageing of these receivables are:		
1 to 30 days	–	–
31 to 60 days	–	–
61 to 90 days	–	–
Over 90 days	607	399
	607	**399**
Movements in the provision for impairment of receivables are:		
Opening balance	399	247
Provision for impairment recognised during the year	292	371
Receivables written off during the year as uncollectable	(84)	(141)
Unused amount reversed	–	(78)
Closing balance at 31 August	**607**	**399**

(c) Past due but not impaired

As of 31 August 2016, trade receivables in the consolidated entity of $1.4m (2015: $0.9m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
The ageing of these trade receivables are:		
Up to 30 days overdue	1,077	718
31 to 60 days overdue	44	115
61 to 90 days overdue	115	18
Over 90 days overdue	126	90
	1,362	**941**

The other classes within receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The consolidated entity does not hold any collateral in relation to these receivables.

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above and is not considered to be material.

9. EQUITY ACCOUNTED INVESTMENTS

Associates and Joint Ventures

Associates and joint ventures comprise those investments where the consolidated entity exercises significant influence but not control. Significant influence is the power to participate in the financial and operating decisions of the entity generally accompanying a shareholding of between 20% and 50% of the voting rights but may also include shareholdings of below 20% where significant influence can be demonstrated. Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The consolidated entity's equity accounted share of the associates' and joint ventures' net profit or loss is recognised in the consolidated statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves from the date significant influence commences until the date significant influence ceases. When the consolidated entity's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

The Company equity accounts for its share in associates, TXA Australia Pty Limited (33.33%), MCN Australia Pty Limited (24.99%) and RSVP.com.au Pty Limited (15.17%):

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Opening net carrying amount	18,856	17,644
Investment in MCN Australia Pty Limited	1,000	–
Investment in RSVP.com.au Pty Limited	–	500
Dividends received	–	(21)
Share of net profit of associates accounted for using the equity method	1,135	733
Write-down of investment	(10,977)	–
Closing Balance at 31 Aug 2016	**10,014**	**18,856**

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2016	**2015**
Buildings	40 Years	40 Years
Plant and Equipment	2 to 10 years	2 to 10 years

The cost of leasehold improvements is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Freehold land		
At cost	**1,088**	**1,088**
Freehold buildings		
At cost	3,015	3,015
Accumulated depreciation	(1,360)	(1,256)
	1,655	**1,759**
Leasehold improvements		
At cost	23,755	23,863
Accumulated depreciation	(11,642)	(10,183)
	12,113	**13,680**
Plant and equipment		
At cost	200,136	216,394
Accumulated depreciation	(172,826)	(188,057)
	27,310	**28,337**
Net book value	**42,166**	**44,864**

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are below:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Freehold land		
Balance at beginning and end of year	**1,088**	**1,088**
Freehold buildings		
Balance at beginning of year	1,759	1,863
Depreciation	(104)	(104)
Balance at end of year	**1,655**	**1,759**
Leasehold improvements		
Balance at beginning of year	13,680	15,362
Additions	16	50
Revaluation	123	–
Disposals	–	(2)
Depreciation	(1,706)	(1,730)
Balance at end of year	**12,113**	**13,680**
Plant and equipment		
Balance at beginning of year	28,337	32,678
Additions	9,200	8,234
Disposals	(239)	(141)
Depreciation	(9,988)	(12,434)
Balance at end of year	**27,310**	**28,337**

11. TRADE CREDITORS (CURRENT & NON-CURRENT)

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other creditors are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Trade creditors – Current	152,338	203,786
Trade creditors – Non-current	19,462	30,461
	171,800	**234,247**

The carrying amounts of the trade creditors at the end of the reporting period approximate their fair value.

12. BORROWINGS (NON-CURRENT)

Interest bearing loans and borrowings are recognised at fair value and subsequently measured at amortised cost.

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Bank Loan – Drawn [A]	65,000	135,000
Bank Loan – Capitalised Interest and Commitment fees [A]	3,319	10,787
Shareholder Guarantor Fees	23,068	11,200
Capitalised transaction costs	(1,187)	(2,083)
	90,200	**154,904**

[A] Amounts are drawn on a $200m Revolving Cash Advance Facility. Undrawn facilities at reporting date were $131.7m (2015: $54.2m)

Borrowing costs incurred for the setup of borrowings are capitalised and subsequently amortised over the life of the associated loan. All other costs are recognised as expenses in the period when incurred.

(a) Bank Loan

The bank loan commenced to be drawn down on 26 February 2014. It comprises a $200m Revolving Cash Advance Facility ("Facility") which is guaranteed by three major shareholders ("Shareholder Guarantors").

The key features of the bank loan are consistent with the details reported since 31 August 2014. These are set out below:

- 4 year $200m Revolving Cash Advance Facility which expires in December 2017 and is fully secured against the assets of the consolidated entity.
- a 'covenant-lite' facility, with no financial covenants.
- the Facility is guaranteed by the Shareholder Guarantors.
- the Shareholder Guarantors are entitled to receive a fee at the end of the Guarantee Period (with the option of the fee being convertible into shares at their election at that time).
- the margin for the Facility, inclusive of the Shareholder Guarantors' fee, was fixed until 31 August 2015. The margin then reverted to a variable fee based on the debt to EBITDA ratio of the Company which will remain in place until the maturity of the Facility.
- the funds drawn on this facility have been be used for general working capital purposes.
- interest and commitment fees payable on drawn debt will be capitalised and paid at maturity of the 4 year facility.

The $200m Revolving Cash Advance Facility expires on 23 December 2017. The Company has commenced discussions with a number of parties in order to assess and consider the refinancing options available.

13. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity has designated its derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

Interest rate swap contracts

The bank loans of the consolidated entity bear a weighted average variable interest rate of approximately 4.3% (2015: 4.7%). It is policy to protect part of these loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 51.2% (2015: 37.7%) of loan principal outstanding. The fixed interest rates range between 4.61% and 6.93% (2015: 4.61% and 6.93%) and the variable rates are at 90-day BBSW, which at balance date was 1.74% (2015: 2.15%).

At 31 August 2016, the notional principal amounts and period of expiry of the interest rate swap contracts are shown below. The contracts require settlement of net interest receivable and payable each 90 days.

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Less than 1 year	–	20,000
1 – 2 years	20,000	–
2 – 3 years	15,000	20,000
3 – 4 years	–	15,000
	35,000	**55,000**

Level 2 Instruments

All the above instruments are considered to be level 2 financial instruments.

Level 2 financial instruments are not traded in an active market. The fair value of these interest rate swaps is calculated as the present value of the estimated future cash flows.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cashflow hedge reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion, if any, is recognised in the statement of comprehensive income immediately. In the year ended 31 August 2016 a gain of $134k (2015: $399k gain) was transferred to the statement of comprehensive income which was recognised from cash flow hedges of floating rate debt. The amount released from the cashflow hedge reserve during the period was $2.0m (2015: $2.3m).

Risk exposures and fair value measurements

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

14. FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk and fair value, and cash flow interest rate risk), credit risk and liquidity risk.

The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk.

The Risk Management Policy and Framework is carried out by management under policies which include Treasury Policy approved by the Audit and Risk Committee. The Risk Management and Treasury Policies cover specific areas, such as mitigating foreign exchange, interest rate, credit and liquidity risks and the use of derivative financial instruments.

(a) Market Risk

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The consolidated entity operates internationally and has some insignificant exposure to foreign exchange risk arising from agreements occasionally being denominated in US dollars. In the Television segment, the vast majority of international program agreements are denominated in Australian dollars.

The consolidated entity's risk management policy (set out in the consolidated entity's Treasury Policy) is to hedge identified transactional risk on foreign exchange capital expenditure spend within a $10m p.a. Earnings at Risk tolerance level. At reporting date, the consolidated entity did not have any material exposure to foreign currency risk.

Consolidated entity sensitivity

Based on the financial assets and financial liabilities held at 31 August 2016 and 31 August 2015, there would have been no material impact on the entity's post-tax profit for the year or equity balances had the Australian dollar weakened/strengthened against any foreign currencies.

The entity no longer has any foreign subsidiaries.

Interest Rate Risk

The consolidated entity's main interest rate risk arises from long-term borrowings which are all issued at variable rates and therefore expose the consolidated entity to cash flow interest rate risk.

The consolidated entity manages its cash flow interest rate risk by interest rate swaps. These have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the consolidated entity raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the consolidated entity borrowed at fixed rates directly. Under the interest rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Treasury Policy has a framework for managing the core debt portfolio and is based on the spread of the interest rate resets across the yield curve, as measured by the proportion of the total face value of the debt which falls into specified repricing buckets on a rolling basis. The policy allows for latitude in managing interest rate risk with minimum and maximum repricing limits for each time band based on management's assessment of future interest rate movements.

A Treasury Report is prepared on a monthly basis for senior management and presented to the Treasury Steering Group and the Audit and Risk committee on a quarterly basis.

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2016		2015	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000	WEIGHTED AVERAGE INTEREST RATE %	BALANCE $'000
Borrowings – Bank Loans	4.3%	68,319	4.7%	145,787
Interest rate swaps [A]	5.8%	(35,000)	5.7%	(55,000)
		33,319		**90,787**

[A] Notional principal amounts

Consolidated entity sensitivity

At 31 August 2016, if interest rates had changed by -/+ 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $0.15m higher/$0.15m lower (2015: -/+ 100 bps: $0.56m higher/$0.54m lower). The profit impact for 2016 and 2015 is mainly the result of lower/higher interest rate expenses from borrowings net of cash.

Other components of equity would have been $0.41m lower/$0.41m higher (2015: $0.67m lower/$0.67m) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

(b) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss. The consolidated entity is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Credit risk related to receivables

Customer credit risk is managed subject to a policy and controls related to customer credit risk management.

Credit is extended to customers following a credit rating assessment. A written policy exists outlining strict credit assessment criteria and the credit quality will determine the credit limit. Outstanding customer receivables are monitored regularly and any credit concerns are highlighted to senior management. Monthly credit reports are monitored by both senior management and the most current report is also tabled at the Audit and Risk Committee meetings.

As at 31 August 2016, the consolidated entity had 6 customers totalling $54m (2015: 6 customers – $54m) that owed the consolidated entity more than $5 million each which accounted for 51.3% (2015: 48.6%) of all receivables owing.

As at 31 August 2016, approximately 55% (2015: 65%) of the Company's trade receivables are due from a small number of large national or multinational advertising agencies, rated centrally by an external industry body. The remaining trade receivables are due from a large number of small to medium size clients. The Company has historically experienced very low rates of bad debts.

Credit risk related to cash and derivative financial instruments

Credit risk from cash balances and derivative financial instruments with financial institutions are managed by the Treasury Steering Group in accordance with the Board approved Treasury Policy.

Counterparty credit ratings and limits are set out in the Treasury Policy with the aim to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty failure.

The consolidated entity only transacts with entities that are rated above investment grade.

As at 31 August 2016, 100% (2015: 77%) of cash balances and 100% (2015: 100%) of derivative financial instruments (based on notional value) are with financial institutions which are rated AA⁻.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Due to the dynamic nature of the underlying businesses, the consolidated entity aims to maintain flexibility in funding by keeping committed credit lines available.

Maturities of financial liabilities

The tables below analyse the consolidated entity's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the reporting date.

	CONSOLIDATED					
2016 $'000	**1 YEAR OR LESS**	**BETWEEN 1 AND 2 YEARS**	**BETWEEN 2 AND 5 YEARS**	**OVER 5 YEARS**	**TOTAL CONTRACTUAL CASH FLOWS**	**CARRYING AMOUNT LIABILITIES**
Non-derivatives						
Payables	152,338	17,284	2,178	–	171,800	171,800
Borrowings	–	–	–	–	–	–
Variable and fixed rate[A]	–	111,078	–	–	111,078	90,200
Total non-derivatives	**152,338**	**128,362**	**2,178**	**–**	**282,878**	**262,000**
Derivatives						
Interest rate swaps (net-settled)	1,483	995	116	–	2,594	2,345
Total derivatives	**1,483**	**995**	**116**	**–**	**2,594**	**2,345**

	CONSOLIDATED					
2015 $'000	**1 YEAR OR LESS**	**BETWEEN 1 AND 2 YEARS**	**BETWEEN 2 AND 5 YEARS**	**OVER 5 YEARS**	**TOTAL CONTRACTUAL CASH FLOWS**	**CARRYING AMOUNT LIABILITIES**
Non-derivatives						
Payables	203,786	26,696	3,765	–	234,247	234,247
Borrowings	–	–	–	–	–	–
Variable and fixed rate[A]	–	–	213,565	–	213,565	154,904
Total non-derivatives	**203,786**	**26,696**	**217,330**	**–**	**447,812**	**389,151**
Derivatives						
Interest rate swaps (net-settled)	1,698	753	230	–	2,681	3,543
Total derivatives	**1,698**	**753**	**230**	**–**	**2,681**	**3,543**

[A] Under the Company's $200m Revolving Cash Advance Facility agreement, interest will capitalise and be added to the principal amount of that Loan. Capitalised interest is repayable to the extent that such capitalisation causes drawn debt to exceed the available facilities, or on the date of maturity of the agreement. Shareholder guarantee fees are also capitalised at a contracted rate based on the debt to EBITDA ratio for the Company. In the table above, capitalised interest and guarantor fees are shown to be repaid at maturity of the loan agreement (23 December 2017).

15. PROVISIONS (CURRENT & NON-CURRENT)

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Onerous contracts

An onerous contract provision is recognised when the unavoidable costs of meeting the obligations under a contract exceed the forecast economic benefits associated with the contract. The unavoidable costs reflect the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The provision is discounted to present value and the unwinding of the effect of discounting on the provision is recognised as a finance cost.

Make good

A make good provision is recognised for the costs of restoration or removal in relation to property, plant and equipment and site leases where there is a legal or constructive obligation. The provision is initially recorded when a reliable estimate can be determined and discounted to present value. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Unearned Income

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
CURRENT		
Employee entitlements	13,783	13,009
Restructuring	336	3,347
Onerous contracts	–	16,756
Unearned Income	1,526	1,458
Other	663	510
	16,308	**35,080**
NON-CURRENT		
Employee entitlements	2,307	2,469
Make good	3,733	4,268
Onerous contracts	–	1,230
Unearned Income	9,932	10,495
	15,972	**18,462**

Movements in each class of provision during the financial year, other than employee entitlements are set out below:

	CONSOLIDATED $'000S				
CURRENT 2016	**UNEARNED INCOME[A]**	**ONEROUS CONTRACTS[B]**	**RESTRUCT -URING[C]**	**OTHER**	**TOTAL**
Carrying amount at beginning of year	1,458	16,756	3,347	510	22,071
Additional provisions recognised	–	–	575	612	1,187
Transfer from Non-Current Provision	563	1,230	–	–	1,793
Utilisation of provision	(495)	(6,333)	–	–	(6,828)
Reduction from sale of Out-of-Home business	–	(11,364)	–	–	(11,364)
Unwinding of discount	–	93	–	–	93
Payments	–	–	(3,586)	(459)	(4,045)
Foreign exchange	–	(382)	–	–	(382)
Carrying amount at end of year	**1,526**	**–**	**336**	**663**	**2,525**

	CONSOLIDATED $'000S				
NON-CURRENT 2015	**UNEARNED INCOME[A]**	**ONEROUS CONTRACTS[B]**	**MAKE GOOD**	**OTHER**	**TOTAL**
Carrying amount at beginning of year	10,495	1,230	4,268	–	15,993
Additional provisions recognised	–	–	790	–	790
Transfer to Current Provision	(563)	(1,230)	–	–	(1,793)
Unwinding of discount	–	–	249	–	249
Reduction from sale of Out-of-Home business	–	–	(1,574)	–	(1,574)
Carrying amount at end of year	**9,932**	**–**	**3,733**	**–**	**13,665**

[A] Unearned Income relates to funding receiving from the government for capital expenditure on equipment as a result of a change in the television spectrum.

[B] Roads and Maritime Services ('RMS') contract finished March 2016; Out-of-Home business was sold in December 2015; Television sport onerous contracts have been fully utilised.

[C] Additional provisions recognised include staff redundancy costs relating to restructures.

16. CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity (net of tax) as an offset to the proceeds.

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

The gross proceeds of $154.0m were offset by ancillary costs to the raising of $7.8m and the net of these amounts has been recognised in contributed equity. All proceeds, less costs, have been used to repay debt.

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
(a) Share capital		
361,361,471 ordinary shares fully paid (2015: 258,697,085)[A]	2,927,864	2,781,647
	2,927,864	**2,781,647**

[A] 2015 shares have been restated for the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

(b) The movements in ordinary share capital during the year is detailed below:

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$'000
31.08.15	Balance 31 August 2015 – Reported	2,712,965,332		2,781,647
20.11.15	Equity Raising	1,026,605,680	$0.15	146,217
20.11.15	Loan Funded Shares – modification[B]	(31,756,734)		–
15.12.15	Share Consolidation Reduction	(3,337,029,026)		–
31.08.16	**Balance 31 August 2016**	**370,785,252**[C]		**2,927,864**
31.08.14	Balance 31 August 2014	2,630,984,596		2,781,647
	Ten Executive Incentive Plan (note 23)	81,980,736[D]	$0.26	–
31.08.15	**Balance 31 August 2015**	**2,712,965,332**		**2,781,647**

[B] In November 2015, participants in the Company's Long Term Incentive Scheme were given the option to exchange their loan funded shares for a fair value equivalent of performance rights under the amended and AGM approved 2016 Ten Executive Incentive Plan.

[C] Includes Loan Funded Shares (LFS) issued under the Ten Executive Incentive Plan during 2014 and 2015. This includes 2,415,231 of quoted LFS and 7,008,549 of unquoted LFS. Subsequent to year end, 1,619,856 LFS were forfeited and cancelled as a result of 2014 LFS grant performance hurdles not being met and the resignation of employees.

[D] On 3 September 2014, 81,980,736 shares were issued at an exercise price of $0.2568 per share. These relate to the 2015 entitlement of Loan Funded Shares under the Ten Executive Incentive Plan. The shares were not issued as quoted shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(c) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity does not have a target debt/equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of any new investment opportunities or initiatives that may arise.

There were no breaches of covenants in relation to debt facilities during the reporting period and to the date of this report.

The debt maturity profile of all debt is contained in Note 14 (c).

17. RESERVES

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Foreign currency translation	–	20,242
Hedging reserve	(1,559)	(2,443)
Share-based payment reserve	10,592	9,228
Equity Reserve	1,840	1,840
Conversion reserve	(1,217,645)	(1,217,645)
	(1,206,772)	**(1,188,778)**
Movements during the year		
Foreign currency translation		
Balance at beginning of year	20,242	22,448
Net translation adjustment	(20,242)	(2,206)
Balance at end of year	–	20,242
Hedging reserve		
Balance at beginning of year	(2,443)	(3,159)
Revaluation	1,263	1,023
Deferred tax	(379)	(307)
Balance at end of year	(1,559)	(2,443)
Share-based payment reserve		
Balance at beginning of year	9,228	2,695
Issue of shares to employees	–	(93)
Employee share plan expense	1,364	6,626
Balance at end of year	10,592	9,228
Equity Reserve – transaction with non-controlling interest		
Balance at beginning and end of year	1,840	1,840
Conversion reserve		
Balance at beginning and end of year	(1,217,645)	(1,217,645)

Nature and purpose of reserves

Foreign currency translation

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

Hedging reserve

The hedging reserve is used to record gains or losses on hedging instruments in a cash flow hedge that are recognised directly in equity, as described in accounting policy Note 13. Amounts are recognised in profit and loss when the associated hedge transaction affects profit and loss.

Share-based payment reserve

The share-based payment reserve recognises the fair value of shares vesting to employees and the expense pattern of shares which have yet to vest, as described in Note 23.

Equity Reserve

This represents the fair value consideration received from CBS for their 33.33% ownership in the ElevenCo Pty Limited entity.

Conversion reserve

At August 2007, the Canwest group of companies exchanged convertible debentures and shares previously issued by The Ten Group Pty Limited into new shares in the Company.

The value of the shares exchanged and the resulting increase in the Company's investment in The Ten Group Pty Limited were both recorded at the prevailing market value ($2.62 per share). On elimination of the investment in The Ten Group Pty Limited, the $1.3b premium of market value ($2.62) over cost value ($0.10) of the shares in The Ten Group Pty Limited has been reflected as a debit in a conversion reserve. To offset this debit, there is a further $0.1b credit to remove the Canwest minority interest in the balance sheet at the time of conversion.

18. CONTROLLED ENTITIES AND RELATED PARTIES

The consolidated entity's principal subsidiaries at 31 August 2016 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the consolidated entity, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business, which is Australia unless otherwise noted below.

	ORDINARY SHARE CONSOLIDATED ENTITY INTEREST	
	2016 %	2015 %
Parent entity		
Ten Network Holdings Limited [(i)]		
Controlled entities		
The Ten Group Pty Limited [(i)]	100	100
Network Ten Pty Limited [(i)]	100	100
Network Ten (Adelaide) Pty Limited [(i)]	100	100
ElevenCo Pty Limited (33.33% held by NCI)	66.67	66.67
Network Ten (Perth) Pty Limited [(i)]	100	100
Network Ten (Melbourne) Pty Limited [(i)]	100	100
Network Ten (Brisbane) Pty Limited [(i)]	100	100
Network Ten (Sydney) Pty Limited [(i)]	100	100
Eye Corp (USA) Inc [(ii)] (incorporated in the USA on 3 January 2006)	–	100

(i) These subsidiaries have been granted relief from the necessity to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC') pursuant to the Ten Network Holdings Limited Deed of Cross Guarantee. For more information refer to Note 26.

(ii) Eye Corp (USA) Inc was sold on 22 December 2015.

19. EARNINGS PER SHARE

Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

Diluted Earnings per Share

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

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

	CONSOLIDATED	
	2016 CENTS	2015 CENTS
Basic earnings per share	(46.47)	(120.70)
Diluted earnings per share [A]	(46.47)	(120.70)

	2016 NUMBER	2015 NUMBER [B]
Weighted Average Number of Shares Used as a Denominator		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	337,457,671	258,697,057
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share [A]	337,457,671	258,697,057

Reconciliations of Earnings Used in Calculating Earnings Per Share

Basic and Diluted Earnings per Share

	2016 $'000	2015 $'000
(Loss) from continuing operations	(154,401)	(308,450)
Profit from continuing operations attributable to non-controlling interest	2,405	3,798
(Loss) attributable to the ordinary equity holders of the consolidated entity used in calculating basic and diluted earnings per share	(156,806)	(312,248)

[A] Due to the Company reporting a loss for the years ended 31 August 2016 and 2015, the impacts of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

[B] 2015 shares have been restated for the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

20. KEY MANAGEMENT PERSONNEL AND ASSOCIATED RELATED PARTY DISCLOSURES

Key Management Personnel compensation

	CONSOLIDATED	
	2016 $	2015 $
Short-term benefits	4,168,902	4,490,161
Termination benefits	–	2,414,904
Post-employment benefits	123,865	124,279
Other long-term benefits	129,720	66,228
Share-based expenses	968,150	4,614,790
	5,390,637	**11,710,362**

Detailed remuneration disclosures are provided in the remuneration report on pages 24 to 34.

Loans to Directors and Other Key Management Personnel

No loans were made during the financial year or previous financial year, to Directors of the Company or to other Key Management Personnel of the consolidated entity, including their personally related entities.

Transactions with Directors and Other Key Management Personnel

During the year ended 31 August 2016, Mr DD Hawkins provided arms-length consulting services to the Company, to the value of $49,551 (2015: $9,500). There were no other such transactions with Directors or other Key Management Personnel.

Transactions with Other Related Parties

During the financial year, the companies in the group entered into agreements on normal commercial terms and conditions with equity accounted associates and other related parties (including Director-controlled entities). The arms-length agreements include transactions for the sale of television services together with purchases relating to operating and financing services.

The aggregate of transactions with related parties during their period of service is set out in the table below by income statement category:

	CONSOLIDATED	
	2016 $	2015 $
Sales and Purchases of goods and services		
Sales Revenue to associates and other related parties	16,573,960	11,664,660
Television costs from associates and other related parties	28,223,282	622,096
Finance costs		
Guarantor fee from other related parties	3,149,105	–
Outstanding Balances		
Outstanding receivable balances from other related parties	3,511,084	1,632,419
Outstanding payable balances to associates and other related parties	–	–
Capitalised guarantor fees to other related parties	15,378,297	–

21. AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2016 $	**2015 $**
(a) PricewaterhouseCoopers Australia		
Audit and other assurance services		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	528,900	439,500
Other audit related services	24,600	25,290
Taxation Services		
Tax compliance services	94,791	206,970
Other services		
Advisory services	212,904	110,453
Total remuneration of PricewaterhouseCoopers Australia	**861,195**	782,213
(b) Related practices of PricewaterhouseCoopers Australia		
Tax compliance services	26,284	24,812
Total remuneration of related practices of PricewaterhouseCoopers Australia	26,284	24,812
Total auditors' remuneration	**887,479**	807,025

22. COMMITMENTS

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
(a) Capital expenditure commitments		
Amounts contracted but not provided for:		
Within one year	7,894	6,774
Later than one year and not later than five years	–	–
	7,894	**6,774**
(b) Program expenditure commitments		
Amounts contracted but not provided for:		
Within one year	304,597	239,637
Later than one year and not later than five years	690,040	886,118
Later than five years	213,814	322,333
	1,208,451	**1,448,088**

(c) Non-cancellable operating lease commitments

The consolidated entity leases various offices and plant and equipment under non-cancellable operating leases expiring within one to fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Minimum lease payments contracted but not provided for:		
No later than one year	21,045	18,607
Later than one year and not later than five years	45,281	59,332
Later than five years	16,952	23,410
	83,278	**101,349**

Not included in the above commitments are contingent rental payments which may arise in the event that revenue from certain leased assets exceed a pre-determined threshold. The contingent rent payable varies from asset to asset.

23. SHARE-BASED PAYMENTS

Ten Executive Incentive Plan 2016

The fair value of Loan Funded Shares and performance rights granted are recognised as an employee benefits expense with a corresponding increase in equity. The fair value of the shares and rights granted includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of shares or rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares or rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In light of feedback from shareholders and after obtaining professional advice which included investigating other long term incentive plan options, the Company decided to amend the Ten Executive Incentive Plan (TEIP) to provide for the grant of Performance Rights (Rights) for 2016 and future long term incentive allocations, in lieu of the issue of Loan Funded Shares (LFS). The amended TEIP was approved by shareholders at the 2015 Annual General Meeting.

Senior executives will receive the long term component of their maximum contracted total incentive in the form of Rights under the TEIP, although the Remuneration Committee will have the ultimate discretion to determine the individual allocations under the TEIP. Each Right will entitle the participant to receive, following satisfaction of any vesting conditions and/or performance hurdles, one ordinary share or, at the discretion of the Remuneration Committee, a right to receive a cash payment in lieu of an ordinary share. If applicable vesting conditions and/or performance hurdles are not met, the Rights will lapse.

Participants will receive a number of Rights determined by dividing the dollar value of their award by the Company's underlying share price, rounded to the nearest whole number. The underlying share price will be based on the volume weighted average price of shares at the close of trading over a 20 day trading period up to and including the last day of the Company's financial year ($2.01 for the 2016 allocation). This may be different to the fair value at the date of grant which is used as the basis for accounting ($1.00 for the Rights granted 23 Feb 2016).

The relevant Rights will be subject to the satisfaction of revenue share and earnings per share (EPS) performance hurdles at the end of a 3 year performance period. No re-testing of the performance hurdles will apply.

Set out below is a summary of Performance Rights granted under the Ten Executive Incentive Plan during the year and the amount outstanding as at reporting date.

GRANT DATE	VESTING DATE	FAIR VALUE AT GRANT DATE	NUMBER OF RIGHTS GRANTED	NUMBER EXCHANGED FROM LOAN FUNDED SHARES	NUMBER FORFEITED[A]	NUMBER OF RIGHTS AT THE END OF THE PERIOD
23 Feb 2016	31 Aug 2018	$1.00	1,547,476	59,611	(132,091)	1,474,996

[A] Rights were forfeited by resigned employees as determined at time of resignation.

Ten Executive Incentive Plan 2014 & 2015 (suspended)

This plan was established during 2014 following shareholder approval in December 2013. It applied to 2014 and 2015 long term incentive allocations, after which the plan was suspended and replaced with an amended TEIP (discussed above). Under the suspended Ten Executive Incentive Plan (suspended TEIP), eligible senior executives were permitted to borrow from the Company or a subsidiary, an agreed amount and use that amount to subscribe for ordinary shares in the Company to be newly issued (Loan Funded Shares or LFS). Amounts lent under the suspended TEIP are in the form of limited recourse loans so that, should the market value of the Company's shares, at the time the LFS are withdrawn from the plan, fall below the market value at the time of issue of the LFS, or fail to satisfy the performance hurdles in the plan, participants will not have to meet any shortfall.

The LFS were issued at market value on or near the commencement of the Company's financial year. The number of LFS to which a senior executive was entitled was calculated by dividing the long term component of the executive's incentive by the fair value of a LFS as determined by the Remuneration Committee after taking professional advice.

The performance period for the 2014 LFS grant ended on 31 August 2016. The performance hurdles were not met and as such associated 2014 LFS have been forfeited and cancelled in accordance with the TEIP rules, the Corporations Act and the ASX Listing Rules.

The release of the LFS issued under the suspended TEIP is conditional on satisfaction of revenue share and EPS performance hurdles at the end of a 3 year performance period. Following the approval of the updated long term incentive plan (TEIP), a process to buy-back and cancel existing LFS was completed in accordance with the plan rules, the Corporations Act and the ASX Listing Rules. The buy-back was conducted as an 'employee share scheme buy-back' in accordance with Division 2 of Part 2J.1 of the Corporations Act, and did not require shareholder approval as the suspended TEIP was approved at Ten's 2013 annual general meeting for these purposes.

Under the employee scheme buy-back, senior executives were given the opportunity to exchange their LFS for Rights issued under the amended TEIP. The exchange was based on the LFS's market value at the time of the buy-back. The impact of the buy-back on KMP LFS and Rights are disclosed in section (h) of the remuneration report.

Set out below is a summary of Loan Funded Shares granted under the Plan during the year and the amount outstanding but not exercisable as at reporting date. All numbers have been restated to reflect the consolidation of the Company's issued capital on the basis of one share for every existing ten shares.

GRANT DATE	EXERCISE PRICE PER LFS (ACCOUNTED FOR AS AN OPTION)	EXPIRY DATE	NUMBER OF LFS GRANTED	NUMBER EXCHANGED TO RIGHTS[A]	NUMBER FORFEITED[B]	NUMBER OF LFS OUTSTANDING AT THE END OF THE PERIOD[C]
18 Dec 2013	$3.319	27 Feb 2017	2,532,862	(1,055,294)	(606,244)	871,324
		27 Feb 2018	844,287	(351,765)	(202,081)	290,441
		27 Feb 2019	844,287	(351,765)	(202,081)	290,441
19 Feb 2014	$3.412	27 Feb 2017	107,964	(107,964)	–	–
		27 Feb 2018	35,988	(35,988)	–	–
		27 Feb 2019	35,988	(35,988)	–	–
3 Sep 2014	$2.568	27 Feb 2018	4,918,843	(615,496)	(492,319)	3,811,028
		27 Feb 2019	1,639,614	(205,165)	(164,106)	1,270,343
		27 Feb 2020	1,639,614	(205,165)	(164,106)	1,270,343

[A] In November 2015, participants were given the option to exchange their LFS for a fair value equivalent of Rights under the amended and AGM approved 2016 TEIP.

[B] 750,000 LFS were forfeited due to the 2014 LFS performance hurdles not being met. The remaining LFS were forfeited by resigned employees in line with the suspended TEIP rules and as determined by the Remuneration Committee.

[C] On Hamish McLennan's termination date of 27 July 2016, the performance hurdles applicable to his 2014 and 2015 LFS grants were waived. As a result, the loans payable on those LFS are due to be paid by not later than 23 January 2017, or the LFS will be forfeited and the relevant shares cancelled. The number of LFS that remain outstanding as at balance date are 1,452,206 for 2014 and 2,532,091 for 2015. The current market value of these LFS are below the associated loan amounts advanced to acquire these shares, therefore it is expected that the loans will not be repaid and that the LFS will be forfeited accordingly.

The fair value of the Loan Funded Shares at the time of grant (restated for the consolidation of the Company's issued capital) was $1.02 for those granted 18 December 2013, $1.24 for those granted 19 February 2014 and $0.94 for those granted 3 September 2014. The fair value at grant date is independently determined using a Binomial option pricing model.

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Employee share expense	1,364	6,626
	1,364	**6,626**

The Executive Incentive Plan expense in 2015 included amounts relating to termination benefits for outgoing Chairman and Chief Executive Officer, Mr HR McLennan. These were made up of $2.5m of accelerated Loan Funded Share expenses which were recognised in line with AASB 2 *Share-Based Payment* and an estimate of $0.4m for his entitlement to participate in the 2016 LTI plan. Actual expenses in 2016 were $0.2m, representing the fair value of Rights received on grant date.

24. CONTINGENT LIABILITIES

Financial Guarantee Contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

As part of the sale of the Eye Corp US and Eye Corp UK Out-of-Home businesses in 2013 and 2015, the Company retained responsibility for parent guarantees in relation to certain concessions. Provisions have been recognised where a cash outflow in relation to these guarantees is probable. The final guarantees expire in December 2016.

Details and estimates of maximum amounts of financial guarantees are as follows:

	CONSOLIDATED	
	2016 $'000	**2015 $'000**
Unsecured guarantees by the Company, and other entities in the consolidated group in respect of leases of controlled entities in the group[A]	108,685	142,439
	108,685	**142,439**

[A] The Company has back to back unsecured guarantees from third parties in relation to $67.4m (2015: $78.6m) of these guarantees.

General

As part of its normal operations as a television broadcaster, the consolidated entity has received writs for defamation and various claims for damages. At balance date, the Company is not aware of any claim of this nature that is expected to result in a material liability.

25. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of loss after income tax to net cash flows from operating activities:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Loss after income tax	**(154,401)**	**(308,450)**
Impairment of intangible assets	135,179	251,157
Other non-cash expenses	41,736	34,331
(Gain)/Loss on sale of investments	(23,128)	(1,311)
(Gain)/Loss on sale of other non-current assets	13	(5)
Share in associates' profit	(1,135)	(733)
Net (decrease) in provisions	(7,808)	(11,377)
Net increase/(decrease) in deferred tax	742	(2,383)
Net (decrease)/increase in accrued revenue and expense items in (receivables)/payables	(42,596)	(16,241)
Net cash flows from operating activities	**(51,398)**	**(55,012)**

26. DEED OF CROSS GUARANTEE

Ten Network Holdings Limited Deed Of Cross Guarantee

Ten Network Holdings Limited and a number of controlled entities identified in Note 18 are party to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, these wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the ASIC.

The companies noted represent a 'Closed Group' for the purposes of the Class Order.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Revenue from ordinary activities	599,893	553,483
Television costs	(618,015)	(606,338)
Corporate costs	(1,748)	(1,481)
Finance costs	(18,946)	(13,896)
Net gain on sale of investments	23,128	–
Write-down of other assets	(10,977)	–
Impairment of intangible assets	(135,179)	(251,157)
Impairment of intercompany loan	–	(8,772)
Net (Loss) before income tax	**(161,844)**	**(328,161)**
Income tax benefit/(expense)	379	1,560
Net (Loss) after income tax	**(161,465)**	**(326,601)**
Profit attributable to non-controlling interests	–	–
(Loss) for the year	**(161,465)**	**(326,601)**
(Loss) for the year	(161,465)	(326,601)
Other comprehensive income		
AASB 139 hedge reserve	884	716
Total comprehensive income after income tax	**(160,581)**	**(325,885)**
Accumulated losses at the beginning of year	(1,128,706)	(749,551)
Adjustment to opening accumulated losses	(28,558)	(61,884)
Dividends received	5,072	9,330
AASB 139 hedge reserve	(884)	(716)
Retained earnings at the end of year	**(1,313,657)**	**(1,128,706)**

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Balance Sheet		
Cash assets	14,778	11,129
Receivables	95,392	94,429
Inventories	149,481	171,699
Current tax assets	–	1,253
Other	2,895	3,500
Total current assets	262,546	282,010
Receivables	–	25,224
Inventories	2,735	5,315
Other financial assets	9,889	18,731
Property, plant and equipment	42,155	44,853
Intangibles	346,518	481,697
Deferred tax assets	–	1,339
Other	–	–
Total non-current assets	401,297	577,159
Total assets	**663,843**	**859,169**
Payables	131,590	187,520
Derivative financial instruments	–	350
Provisions	16,302	23,733
Total current liabilities	147,892	211,603
Payables	–	29,988
Borrowings	90,200	154,904
Derivative financial instruments	2,345	3,193
Deferred tax liabilities	–	–
Provisions	15,972	15,657
Total non-current liabilities	108,517	203,742
Total liabilities	**256,409**	**415,345**
Net assets	**407,434**	**443,824**
Contributed equity	2,507,274	2,361,057
Reserves	(786,183)	(788,527)
Retained earnings	(1,313,657)	(1,128,706)
Total Equity	**407,434**	**443,824**

27. DIVIDENDS

During the year ended 31 August 2016, there were no dividends proposed or paid by the Company. (2015: Nil).

Dividends of $1.5m and $0.7m were paid to Network Ten Pty Limited and CBS Studios Inc. respectively on 14 December 2015, which represent their share of the net profit of ElevenCo Pty Limited for the half year to 31 August 2015.

Dividends of $3.6m and $1.8m were paid to Network Ten Pty Limited and CBS Studios Inc. respectively on 13 June 2016, which represent their share of the net profit of ElevenCo Pty Limited for the half year to 29 February 2016.

	THE COMPANY	
	2016 $'000	2015 $'000
Dividend franking account		
Franking credits (30%) available for the subsequent financial year	23,708[A]	20,453[A]

[A] Of this balance, $3.6m (2015: $3.1m) relates to ElevenCo Pty Limited which is not part of the Ten Network Holdings Limited tax consolidated group.

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision of income tax;

(b) franking debits that will arise from the payment of dividends proposed or provided as at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at reporting date.

28. PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Ten Network Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity.

(ii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

(iii) Tax Consolidation Legislation

A controlled entity, The Ten Group Pty Limited, and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

Ten Network Holdings Limited implemented the tax consolidation legislation as of 1 July 2004.

In 2008, The Ten Group Pty Limited tax consolidated group joined the existing Ten Network Holdings Limited tax consolidated group. The Company continues to be the head of this tax consolidated group.

The Company as the head entity and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured under the group allocation method.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(a) Summary financial information

	THE COMPANY	
	2016 $'000	2015 $'000
Balance sheet		
Current assets	44,011	40,921
Total assets [A, B]	573,735	653,046
Current liabilities	101,191	86,654
Total liabilities [B]	190,960	241,558
Net assets	**382,775**	**411,488**
Shareholders equity		
Issued capital	2,928,604	2,782,386
Accumulated Losses [B]	(2,545,829)	(2,370,898)
	382,775	**411,488**
(Loss) for the year [A, B]	(174,931)	(384,625)
Total comprehensive (loss)	**(174,931)**	**(384,625)**

[A] Included in the loss for the year is an impairment of the investment that the parent entity held in the Ten Group Pty Limited.
[B] Included in liabilities is the bank loan facility (see Note 12). The associated Shareholder Guarantors fees, interest expense, commitment fees, and amortisation of borrowing costs are included in the loss for the year.

(b) Guarantees entered into by the parent entity and Contingent liabilities of the parent entity

The Company has provided guarantees in respect of leases of controlled entities for the year ended 31 August 2016 and 31 August 2015. The maximum payments under these guarantees are $107.7m as at 31 August 2016 (2015: $125.8m).

In addition, the Company has given a cross guarantee as described in Note 26.

(c) Contractual commitments for the acquisition of property, plant or equipment.

As at 31 August 2016, the Company had no contractual commitments for the acquisition of property, plant or equipment (2015: Nil).

29. SUBSEQUENT EVENTS

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

- the operations in financial years subsequent to 31 August 2016 of the consolidated entity; or
- the results of those operations; or the state of affairs in financial years subsequent to 31 August 2016 of the consolidated entity.

30. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report which have been disclosed elsewhere in this report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Ten Network Holdings Limited and its controlled entities.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) Interpretations and the *Corporations Act 2001*. The Company is a for profit company.

Compliance with IFRS

The consolidated financial statements of the Company and its controlled entities also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

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

Changes to Presentation

Comparative information is reclassified where appropriate to enhance comparability.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the Company. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The consolidated entity's principal subsidiaries are detailed in Note 18. The financial statements of controlled entities are included from the date control commences until the date control ceases.

All intercompany transactions are eliminated in full. Non-controlling interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

The consolidated entity treats transactions with non-controlling interest that do not result in a loss of control as transactions with equity owners of the consolidated entity.

Refer to Note 9 for the accounting treatment of investments in associates and joint ventures.

(c) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the consolidated entity. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Leases

Operating leases

Operating leases are those leases under which the lessor effectively retains substantially all the risks and benefits incidental to ownership of leased non-current assets.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease for contracts which include fixed annual increases.

The present value of future payments for surplus leased space under non-cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the Company. Each lease payment is allocated between the liability and finance charge. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Each lease payments is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rentals are expensed as incurred.

(e) Employee Benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement Benefit Obligations

Contributions to defined contribution funds are recognised as an expense as they become payable.

Termination benefits are payable when employment is terminated by the consolidated entity before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The consolidated entity recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Superannuation

The consolidated entity contributes superannuation benefits to numerous, but solely accumulation-type superannuation funds including personal, award based and the Network Ten Australia Superannuation Plan (administered by Mercer Master Trust) at various percentages of salary pursuant to employee contracts and statutory obligations.

(f) Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of the consolidated entity are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency at the date of the transaction. At balance date amounts payable and receivable are translated at rates of exchange current at that date. All realised and unrealised currency translation gains and losses are brought to account in the statement of comprehensive income.

Consolidated Companies

The result and financial position of the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowing repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income as part of the gain or the loss on sale.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(h) Rounding of Amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(i) New Accounting Standards and UIG Interpretations

The consolidated entity adopted all new and amended Australian Accounting Standards and Interpretations that became mandatory for the first time for the financial year beginning 1 September 2014. The adoption of these standards did not have any impact on the current period or any prior period.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 financial instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Company has yet to undertake a detailed assessment of the classification and measurement of financial assets, the main financial assets expected to be impacted are trade receivables. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The Company does not expect the new guidance to have a significant impact on the classification and measurement of these.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management policies. As a general rule, more hedge relationships might be eligible for hedge accounting. While the Company is yet to undertake a detailed assessment, it would appear that the Company's current hedge relationships would qualify as continuing hedges upon the adoption of AASB 9. Accordingly, the Company does not expect a significant impact on the accounting for its hedging relationships.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.

Finally, the new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Company is currently assessing whether it should adopt AASB 9 before its mandatory date, 1 January 2019.

(ii) AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Management is currently assessing the impact of the new rules and at this stage, the consolidated entity is not able to estimate the impact of the new rules on the consolidated financial statements. The consolidated entity will make more detailed assessments of the impact over the next twelve months.

(iii) AASB 16 Leases

Under the new standard issued in February 2016, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has operating lease commitments of $83.3m. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. This standard is mandatory for financial years commencing on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

31 AUGUST 2016

In the directors' opinion:

a) the financial statements and notes set out on pages 39 to 77 are in accordance with the Corporations Act 2001, including:
   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii. giving a true and fair view of the consolidated entity's financial position as at 31 August 2016 and of its performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 26.

Note 30 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the IASB.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

SIGNED at Sydney on 20 October 2016 in accordance with a resolution of the Directors.

DL Gordon
Chairman

Independent auditor's report

To the members of Ten Network Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Ten Network Holdings Limited (the Company and its subsidiaries (together 'the Group')) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 August 2016 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the balance sheet as at 31 August 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ('the Code') that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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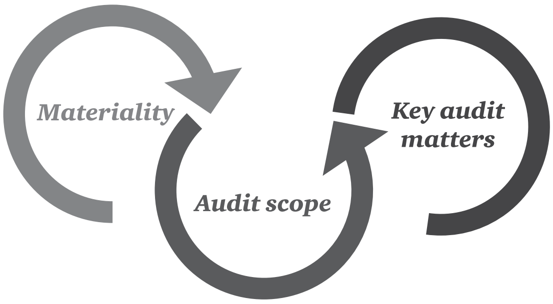
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The Group's main trading activities are the operation of multi-channel commercial television licenses in Sydney, Melbourne, Brisbane, Adelaide and Perth, and a national online media platform.



Materiality

- For the purpose of our audit we used overall Group quantitative materiality of $2.7 million, which represents 0.4% of the Group's revenue.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose revenue as the benchmark because, in our view, it is a key financial report metric used in assessing the performance of the Group, is a generally accepted benchmark and is not as volatile as other profit and loss measures.
- We selected 0.4% based on our professional judgement, noting that it is also within the range of commonly accepted revenue-related benchmarks.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The scope of our audit included all companies in the Group, which are managed from one central location in Sydney, where our audit team was based. A number of audit procedures are also performed at the Group's provider of outsourced advertising sales services.
- The operations of the Group previously included Out-of-Home advertising. All work on the disposal and results of these operations prior to disposal, along with all other audit procedures on the Group, were performed by the Australian engagement team.
- The team included specialists and experts in IT, tax, treasury and valuation.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters, to the Audit and Risk Committee:
  - Valuation of television licenses;
  - Valuation of television program inventory;
  - Ten and Multi Channel Network Pty Ltd (MCN) strategic relationship; and
  - Assessment of forecast cash flows.
- They are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The following key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Valuation of television licenses We focussed on the valuation of television licenses because this balance of $346.5m is the largest asset of the Group and is sensitive to volatile assumptions including advertising market performance and the Group's market revenue share. The impairment of $135.2m in the current period reflects the result of recent advertising market declines, as well as a reassessment of the long term market growth forecasts. In preparing the value in use model used to assess the value of this intangible asset, the Group makes a number of key assumptions that are judgemental. The key assumptions and related disclosures can be found in note 7 of the financial report which indicates that the value in use model remains sensitive to a range of assumptions, in particular forecast revenue share, the long term market growth and discount rate.	We evaluated the Group's cash flow forecasts in the value in use model and the process by which they were developed. We compared these forecasts to the Board approved budget and strategic plans and compared previous forecasts to actual results to assess the historical accuracy of forecasting. To test the Group's value in use model we: • Assessed the reasonableness of the assumptions used by: - comparing revenue share forecasts to the historical performance of the business and the Group's assessment of future prospects, including future program schedules; - comparing long term market growth assumptions to external market data; and - comparing the discount rate against a basket of similar companies which included a blend of entertainment (including television) and media businesses. • Engaged PwC valuation experts to assist us in our assessment of the components of the discount rate, through the creation of a 'shadow' calculation; and • Considered the sensitivity of the model to changes in key assumptions by applying other values within a reasonably possible range. This allowed us to compare the final valuation of the television license to possible valuations under these different scenarios.
Valuation of television program rights The valuation of program rights was considered because the rights to air television programs are fundamental to the operations of the Group, it is a significant balance of $156.8m and the assessment of their valuation is subjective. As disclosed in note 1 of the financial report, the Group's valuation assessment is performed through consideration of factors including current profitability of programs and future program schedules.	Our testing of the valuation of program rights included: • Testing the Group's key controls over recognition of program rights contracts and subsequent expensing of program rights; • Testing the reconciliations between the valuation of rights in the accounting records compared to the operations system; • Using the program profitability report to consider historically unprofitable programs for potential impairment. Where a historically unprofitable program was identified, we considered if a provision was required; and • Testing consistent application of the Group's accounting policy in the recognition and valuation of program rights.

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Key audit matter	How our audit addressed the key audit matter
Ten and MCN strategic relationship At the start of the year the Group and MCN commenced a long-term agreement for MCN to sell the Group's television, catch-up and digital properties to advertisers. The Group has focussed significant activity on the transition of its revenue to receivable processes to MCN and the migration to a new trading platform in the second half of the year. There is a higher risk of error in financial information when the underlying activities are being changed. Given the importance of the revenue and receivables on financial results, we focused on this new relationship and the revenue to receivables process post transition.	We, including our IT specialists, obtained a detailed understanding of the Group's transition plans for both the long-term agreement and the new trading platform, including understanding the timing, resources, and expertise being applied. We assessed the impact of this relationship, and tested the new revenue to receivable accounting process by: • Understanding and evaluating the revenue to receivables process and controls pre and post the migration to the new trading platform; • Testing the process and collation of information included in monthly reporting provided to the Group by MCN, and inspecting the reviews that had been performed by the Group on receipt of this information; • Testing a sample of advertiser's campaigns sold by MCN, covering both the confirmation of advertising spots aired and the pricing charged; • Confirming for a sample of cash receipts that these have been allocated to the correct customer balance; and • Examining subsequent cash receipts from a sample of customers, to support the existence and valuation of the accounts receivable balance.
Assessment of forecast cash flows The Group's cash flow model forecasts that net debt will remain below the facility limit of $200m with sufficient headroom, subject to continued availability of the CBA facility, for 12 months from the signing of the financial report. In preparing the cash flow model used to support the going concern basis of preparation, the Group made a number of assumptions that are subjective and judgemental.	We evaluated the Group's 12 month forecast cash flow model. We compared this to the Board approved budget for the next financial period and strategic plans, tested consistency with the value in use model utilised in assessment of the valuation of television licenses and compared historical forecasts to actual cash flows. This allowed us to understand the recent cash flow performance of the Group and the historical accuracy of forecasting. To test the methodology of the model, and the Group's conclusion we: • Compared the expected timing of customer receipts and program payments to be made over the next twelve months to historical trends and key contractual terms; and • Evaluated the Group's revenue share sensitivity analysis and the resultant impact on cash flows and available funds. We considered this in the context of the Group's ability to change the timing of cash outflows, and any uncommitted cash outflows included in the forecast. We examined the terms associated with the debt agreement and the amount of facility available for drawdown and classification of the balance. We have concluded that there is sufficient disclosure on the facility in note 12 of the financial report.

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Other information

The directors are responsible for the other information. The other information comprises the Directors' Report included in the Group's annual report for the year ended 31 August 2016 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the Remuneration Report included in pages 24 to 34 of the directors' report for the year ended 31 August 2016.

In our opinion, the Remuneration Report of Ten Network Holdings Limited for the year ended 31 August 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney
20 October 2016

SHAREHOLDER INFORMATION

TEN NETWORK HOLDINGS LIMITED AS AT 20 OCTOBER 2016

VOTING RIGHTS

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

MAXIMUM SHAREHOLDER LIMITATIONS

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

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

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

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

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

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

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

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

SHARE REGISTRY

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SERVICES FOR SHAREHOLDERS

For services or any information on your shareholding, including direct payment of dividends, you may access the Share Registry by internet **www.linkmarketservices.com.au**

ANNUAL REVIEW AND SHAREHOLDER NOTIFICATIONS

The Company writes to all new shareholders offering them the opportunity to "opt-in" to receive future annual reports. In the absence of any "opt-in" response, a shareholder will be notified at the time that notices of annual general meetings are mailed to shareholders in future, that the Company's annual review is available on the Company's website **www.tenplay.com.au/corporate/invest**

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

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

SECURITIES EXCHANGE LISTING

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

DIVIDEND REINVESTMENT PLAN

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

SHARE BUYBACK

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

ON-MARKET SHARE PURCHASES

During the year to 31 August 2016, Ten Employee Shares Plans Pty Limited acquired a total of 29,680 shares through the Australian Securities Exchange pursuant to the terms of the TEN Employee Savings Plan. The average cost of these shares was 99.0 cents per share.

UNQUOTED EQUITY SECURITIES

As at 31 August 2016, there were 7,008,549 ordinary unquoted shares on issue (10 holders). These shares were issued on 3 September 2014 under the terms of the TEN Executive Incentive Share Plan.

DIVIDEND HISTORY

No dividends have been paid by the Company to its shareholders since November 2011.

CORPORATE GOVERNANCE STATEMENT

The 2016 Corporate Governance Statement for Ten Holdings appears at **http://tenplay.com.au/corporate/about/governance**

SHAREHOLDER INFORMATION

TEN NETWORK HOLDINGS LIMITED AS AT 20 OCTOBER 2016

DISTRIBUTION OF HOLDINGS OF LISTED SECURITIES

AS AT 20 OCTOBER 2016

NO. OF SHARES	NO. OF SHAREHOLDERS	TOTAL UNITS
1 – 1,000	12,215	3,763,356
1,001 – 5,000	3,524	8,082,584
5,001 – 10,000	691	5,125,724
10,001 – 100,000	640	16,727,209
100,001 and over	75	335,466,523
Total	**17,145**	**369,165,396**

LOCATION OF SHAREHOLDERS OF LISTED SECURITIES

as at 20 October 2016

LOCATION OF SHAREHOLDERS	NO. OF SHAREHOLDERS	NO. OF QUOTED SHARES
Australia		
New South Wales	6,563	254,491,288
A.C.T.	315	728,004
Victoria	4,365	62,802,427
Queensland	2,959	7,497,038
South Australia	995	2,032,266
Western Australia	1,525	32,587,426
Tasmania	195	332,343
Northern Territory	39	95,381
New Zealand	67	5,387,185
Rest of World	122	3,212,038
Total	**17,145**	**369,165,396**

SUBSTANTIAL SHAREHOLDERS OF LISTED SECURITIES

AS AT 20 OCTOBER 2016

NAME	INTEREST*	EXTENT OF HOLDINGS*	DATE OF LAST NOTIFICATION
Birketu Pty Ltd	14.96%	55,472,435	29 August 2016
Lazard Asset Management Pacific Co	10.00%	37,069,598	18 March 2016
Telstra Corporation Limited	13.84%	513,333,333	17 December 2015
Foxtel Management Pty Ltd	13.84%	513,333,333	16 December 2015
Sky Cable Pty Limited and News Corporation	13.84%	513,333,333	16 December 2015
Lachlan Keith Murdoch and Illyria Nominees Television Pty Ltd as trustee of Illyria Investment Trust No. 4	7.68%	274,965,013	11 December 2015
Mrs Georgina Hope Rinehart and Hancock Prospecting Pty Ltd (HPPL) and subsidiaries of HPPL	8.52%	304,904,435	26 November 2015
Aidem Holdings Pty Limited	7.68%	274,965,013	25 November 2015

* as at date of last notification (notifications received prior to January 2016 show total shares prior to 10 for 1 share consolidation)

TOP 20 SHAREHOLDERS OF LISTED SECURITIES
as at 20 October 2016

HOLDER NAME	NO. OF QUOTED SHAREES	%
Foxtel Management Pty Ltd	51,333,334	13.91
Birketu Pty Ltd	48,085,949	13.02
Hanrine Investments Pty Ltd	30,490,444	8.26
HSBC Custody Nominees (Australia) Limited	29,399,907	7.96
Illyria Nominees Television Pty Limited <Illyria Investment No. 4 A/C>	27,496,502	7.45
Aidem Holdings Pty Limited	27,496,502	7.45
J P Morgan Nominees Australia Limited	20,356,886	5.51
Citicorp Nominees Pty Limited	17,340,692	4.70
National Nominees Limited	12,032,817	3.26
Network Investment Holdings Pty Ltd	11,504,931	3.12
BNP Paribas Noms Pty Ltd <Agency Lending DRP A/C>	9,833,204	2.66
Birketu Investments Pty Ltd	5,886,487	1.59
JBWere (NZ) Nominees Limited <50645 A/C>	5,270,956	1.43
BNP Paribas Noms Pty Ltd <DRP>	5,099,776	1.38
UBS Nominees Pty Ltd	4,300,000	1.16
Don Lazzaro & Ann Lazzaro <Super Fund A/C>	4,200,000	1.14
Hamish McLennan	3,984,297	1.08
SIG SARL	3,090,725	0.84
Ecapital Nominees Pty Limited <Accumulation A/C>	2,614,715	0.71
Y S Chains Pty Ltd	2,070,000	0.56
Total for Top 20	**321,888,124**	**87.19**
Total Quoted Ordinary Fully Paid Shares	**369,165,396**	

LESS THAN MARKETABLE PARCEL

As at the close of trading on 20 October 2016, TEN's share price was $1.15. Based on this closing price, there were 8,953 holders (holding a total of 1,493,352 shares) who held less than a marketable parcel of TEN shares, being 435 shares.

FINANCIAL CALENDAR

TEN NETWORK HOLDINGS LIMITED

SEPTEMBER 2016 – AUGUST 2017	
Start of the new financial year	**1 September 2016**
Financial results released to the Australian Securities Exchange	**20 October 2016**
Annual General Meeting	**8 December 2016**
Close of the first half of the financial year	**28 February 2017**
Release of half-yearly results	**April 2017**
End of financial year	**31 August 2017**

The Annual General Meeting of Ten Network Holdings will be held on 8 December 2016, at the Four Seasons Hotel, Ballroom 1, 199 George Street, Sydney, commencing 10.00am

CORPORATE DIRECTORY

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NETWORK TEN OFFICES

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