TEN NETWORK HOLDINGS LIMITED
ABN 14 081 327 068

Appendix 4D
Preliminary Final Report

Half Year ended: 28 February 2017
Previous corresponding period: 29 February 2016

Half Year Results for Announcement to the Market

Reported	Half year 28 February 2017 $'000	Half year 29 February 2016 $'000	Change %
Revenue	339,735	348,484	(2.5)%
(Loss) for the period from ordinary activities after tax attributable to members	(232,191)	13,375	N/A
(Loss) for the period attributable to members	(232,191)	13,375	N/A
Underlying EBITDA	(2,441)	10,144	N/A

Asset Backing	Half year 28 February 2017 $'000	Half year 29 February 2016 $'000
Net tangible asset backing per ordinary share	$0.06	$0.20
Net asset backing per ordinary share	$0.42	$1.53

No dividends/ distributions were declared or paid to the members of Ten Network Holdings Limited during or subsequent to the half year ended 28 February 2017.

Reconciliation between Underlying EBITDA and (Loss) for the period attributable to members:

	Half year 28 February 2017 $'000	Half year 29 February 2016 $'000
Underlying EBITDA	(2,441)	10,144
Depreciation	(5,626)	(6,863)
Net finance costs	(9,102)	(9,280)
Income tax expense	(143)	(2,110)
Profit attributable to non-controlling interests	(311)	(1,787)
Net significant items	(214,568)	23,271
(Loss) for the period from ordinary activities after tax attributable to members	(232,191)	13,375

The 2017 result included significant items of $214.6m loss as disclosed in Note 2 (2016: $23.3m gain). An impairment loss of $214.5m for television licences was recognised in the current period. Further details are provided in Note 3.

Refer to attached Media Release for discussion of results.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Ten Network Holdings Limited ("the Company") and its controlled entities ("the Group") for the half year ended 28 February 2017.

Directors

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

DIRECTOR
Current
Mr DL Gordon (Chairman)
Ms DL Goodin
Mr A Lancaster
The Hon AJ Robb
Mr PC Tonagh
Previous
Ms SL McKenna (Resigned 15 March 2017)

Going Concern

In December 2013 the Group established a $200m Revolving Cash Advance Facility ("Facility"). The Facility is due to expire on 23 December 2017 ("expiry date"). The Facility is guaranteed by three shareholder guarantors and the shareholder guarantors are entitled to receive a guarantee fee on the expiry date. Interest and commitment fees payable to the bank on drawn debt are capitalised and paid on maturity of the Facility.

As at balance date (28 February 2017), there was $45.5m drawn on the Group's Facility (including capitalised interest and commitment fees), which has increased to $66.2m as at the date of the Directors Report (26 April 2017). The Group had liabilities relating to shareholder guarantor fees of $29.0m at balance date, increasing to $31.0m at the date of the Directors Report. The facility is expected to be drawn to higher levels prior to the expiry date.

The Group is currently seeking to secure an amended or new borrowing facility with extended maturity and expanded size ("New Facility"). The size of the New Facility to be requested by the Group has the potential to be approximately $250m, but depends on the outcomes of a number of factors, some of which have been outlined below. In order to meet its repayment obligations under the existing Facility including associated capitalised interest and shareholder guarantor fees and other debts as and when they fall due, the Group needs a New Facility. The New Facility is also required as a result of expected future trading performance and volatility within the free-to-air television advertising market. In order to secure a New Facility of the size required, the Directors consider that the Group is reliant on the provision of sufficient further guarantees by shareholder guarantors and/or new financiers.

For the half year ended 28 February 2017 The Group recorded a loss for the period of $232.2m including an impairment of television licences of $214.5m and an underlying EBITDA loss (loss before depreciation, net finance costs, income tax expense and significant items) of $2.4m. At balance date the Group had net current assets of $0.5m. Although the Group has increased its market share by 2.7% since February 2014[1], this improved performance has not been sufficient to offset the deterioration in the advertising market in free-to-air television. EBITDA has reduced as sales performance has not fully offset the costs of increased investment in programming costs necessary to drive improved audience share.

[1] *Source: Standard Media Index (SMI)*

DIRECTORS' REPORT

The Group understands from discussions with shareholder guarantors that it needs to demonstrate the potential for improved future earnings in order for a New Facility to be guaranteed.

Management have identified the following key sources of improvements to future earnings:

- delivery of the cost and revenue initiatives identified in the transformation process currently underway;
- renegotiation of material programming contracts;
- reduction in Federal Government imposed licence fees.

The transformation process is being undertaken with the assistance of specialised consultants and is well planned with cost savings and revenue initiatives being identified and detailed plans and activities being put in place to execute. Various discussions and negotiations have commenced with programming providers and are expected to take some time before the full financial impact is known. A decision on licence fees is expected in the Federal Budget during May 2017. It is expected that favourable outcomes from the above will be required to make a significant difference to the financial outlook of the Group.

As a result of the matters disclosed, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors consider that it is reasonable to expect that the Group will be successful in the matters as detailed, and accordingly, have prepared the financial report on a going concern basis such that no asset is likely to be realised for an amount less than the amount at which it is recorded in the interim financial report at 28 February 2017. As a result, no adjustments have been made to the financial report relating to the recoverability and classification of the assets' carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The Directors have formed this view based on a number of factors, including:

- There are ongoing discussions with shareholder guarantors and their advisors to consider the necessary financing for the Group, the form and structure of which is not yet clear;
- The transformation program is Board approved and well developed with material revenue and cost saving opportunities being identified and detailed plans and activities being put in place to execute. Specialised consultants have been engaged to assist in planning and executing the transformation program; and
- Discussions have commenced with a view to renegotiating material programming contracts. To date, these discussions have been constructive toward finding new commercial arrangements for the Group.

For information on the Basis of Preparation of the Half Year Report, refer to Note 1 of the financial report on page 13, together with the auditors report, which includes an emphasis of matter paragraph in regard to the existence of this material uncertainty.

DIRECTORS' REPORT

Operating and Financial Review

Operational Highlights

Ten Network Holdings continued to invest in prime time domestic content, maintaining audience momentum and delivering continued television revenue growth and market share improvement despite an extremely challenging advertising market.

The focus for the first half of 2017 has been on three key areas:

- The continued development of a consistent and strong prime time schedule, targeting the 25-54 demographic and built on the foundations of a solid ratings performance in 2016;
- The commencement of a transformation program, with the objective of driving significant cost savings and improved operating cash flow performance across all areas of the business; and
- The strengthening of Ten's partnership with Multi Channel Network Pty Ltd to drive better advertising revenue performance and introduce automated dynamic trading for clients.

Key operational highlights for the 2017 half year were as follows:

- Total television revenue growth of 1.9%, in a capital city free-to-air television advertising market that declined by 5.6%.
- Revenue market share of the metro free-to-air television market increased 1.8% to 25.2%, the highest first half share since February 2012. Revenue share of 27.9% in January was the highest monthly share since May 2012.
- Digital revenue growth of 17%.
- Commercial audience share in the important 25-54 demographic of 28.9%.
- Total costs (excluding selling costs) increased 7.4% due to the investment in domestic content.
- First half year of new affiliation arrangements with WIN Network and Southern Cross Media.

The strategic focus of providing compelling content anytime on any device continues, despite the challenges presented by the free-to-air television advertising market, which declined across the period in combination with increased competition from international competitors in the broader television and entertainment market.

Ten's continued investment in event television programming through premium sport has paid off with yet another successful year of *Big Bash League* Cricket, and investment in local general entertainment franchises such as *Australian Survivor* and *Gogglebox* continue to drive increases in year on year audiences.

Despite a further shortening of the advertising booking cycle and changes in advertiser spending, television revenue in the first half of 2017 was up 1.9% on prior year in a market that declined by 5.6%. Total revenue declined 2.5% due to the inclusion of out-of-home business revenue in the first half of last year. To further strengthen the Company's advertising offering, a dynamic trading platform was launched in February 2017, in conjunction with Multi Channel Network Pty Ltd. This offers advertisers more certainty in audience delivery to targeted audience demographics.

Digital growth from tenplay remains a key opportunity for Ten to capture audience fragmentation from the traditional linear free-to-air broadcast. Available on more platforms than any other commercial free-to-air network's content, tenplay enjoyed yet another period of significant growth, and the company plans to announce further digital initiatives very shortly. Video segment views were up 31% compared to the prior period and unique visitors increased 16%.

DIRECTORS' REPORT

Financial Performance and Highlights

A summary of the consolidated results for the half-year ended 28 February 2017 are set out below:

	Half year 28 February 2017 $'000	Half year 29 February 2016 $'000
Underlying EBITDA	(2,441)	10,144
Depreciation	(5,626)	(6,863)
Net finance costs	(9,102)	(9,280)
Net significant items	(214,568)	23,271
(Loss) / Profit before income tax	(231,737)	17,272
Income tax (expense)	(143)	(2,110)
(Loss)/ Profit after tax for the year	**(231,880)**	**15,162**
Profit attributable to non-controlling interests	311	1,787
(Loss)/ Profit attributable to members of the Company	**(232,191)**	**13,375**

For the half-year ending 28 February 2017, the Company reported a statutory loss after tax of $232.2m (2016: net profit after tax of $13.4m), including significant items. On an underlying basis, the Company reported an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) loss of $2.4m (2016: profit of $10.1m).

The Company's television revenues increased 1.9% to $339.7m (2016: $333.5m) as a result of revenue share growth despite a declining advertising market and the impact of the new affiliate arrangements. Television costs grew 5.7% to $349.4m (2016: $330.7m) following continued investment in local programming, which has supported audience momentum into 2017 and revenue growth.

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

- $214.5m impairment loss relating to the television licence;
- $1.3m restructuring costs;
- Offset by $1.3m cash legal settlement receipt.

Total borrowings are classified as current as at 28 February 2017. The existing $200m Revolving Cash Advance Facility expires on 23 December 2017. Refinancing considerations are detailed in the Directors Report and in Note 1 of the accounts on page 13.

Total current borrowings at the end of the period were $73.8m (Aug 2016: non-current borrowings of $90.2m) which comprised:

- A bank loan of $40m drawn on the $200m Revolving Cash Advance Facility with CBA;
- Capitalised interest and commitment fees of $5.5m;
- Shareholder guarantor fees of $29.0m;
- Less: capitalised transaction costs of $0.7m.

Net debt relating to the Company's Revolving Cash Advance Facility at 28 February 2017 was $30.2m (Aug 2016: $53.5m), incorporating bank loan of $40m, capitalised interest and commitment fees of $5.5m less cash of $15.3m.

DIRECTORS' REPORT

Business and Strategic Risks

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

- The Company is unable to negotiate an extension and enlargement of its existing funding facility which expires on 23 December 2017 or alternatively enter a new financing facility to refinance debt as a result of internal and external influences. The existing $200m Revolving Cash Advance Facility expires on 23 December 2017 (refer Note 1 of the accounts).
- Inability to react sufficiently to structural changes and market pressures in the free-to-air advertising market. To mitigate this risk, the Company has commenced a significant transformation program, has entered discussions and negotiations with various programming providers to reduce the cost of programming, and has campaigned extensively for a reduction in licence fees. The Company also continues to invest in and develop the Company's digital catch-up and streaming platform (tenplay), with an additional digital service to be launched imminently. It has also invested in ThinkTV, a research-driven marketing and technology development company focused on promoting the effectiveness of television advertising. The Company follows a structured approach to reviewing investment opportunities to capitalise on new and emerging trends.
- 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.
- An inability to secure, retain and/or 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.
- 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.

Outlook

The Company expects the challenging advertising revenue market conditions to continue. Significant focus on execution of the transformation program is a priority, with benefits from the program to predominantly impact financial results from the start of the next financial year. Absent any relief in the television licence fees, this will result in an underlying EBITDA loss for the full 2017 finanical year of between $25m and $30m.

DIRECTORS' REPORT

Auditors Independence Declaration

A copy of the Auditors Independence Declaration as required under s307 of the *Corporation Act 2001* is set out on page 8.

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 28 February 2017 of the consolidated entity; or
- the results of those operations, or the state of affairs, in financial years subsequent to 28 February 2017 of the consolidated entity.

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 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 26 April 2017 in accordance with a resolution of the Directors.

DL Gordon
Chairman

Auditor's Independence Declaration

As lead auditor for the review of Ten Network Holdings Limited for the half-year ended 28 February 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Scott Walsh
Partner
PricewaterhouseCoopers

Sydney
26 April 2017

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 28 FEBRUARY 2017

		CONSOLIDATED	
	NOTE	Half year 28 February 2017 $'000	Half year 29 February 2016 $'000
Revenue	2	339,735	348,484
Other income	2	863	1,092
Net gain on sale of investments	2	-	24,825
Legal settlement receipt	2	1,255	-
Television costs		(349,422)	(330,687)
Out-of-home costs		-	(14,947)
Impairment of intangible assets	2,3	(214,523)	-
Restructuring costs	2	(1,300)	(1,554)
Finance costs		(9,265)	(9,672)
Share of net profit/ (loss) of associates accounted for using the equity method		920	(269)
(Loss) before income tax		(231,737)	17,272
Income tax (expense)/benefit		(143)	(2,110)
(Loss) for the half year		**(231,880)**	**15,162**
(Loss)/ Profit is attributable to:			
(Loss)/ Profit attributable to members of the Company		(232,191)	13,375
Profit attributable to non-controlling interests		311	1,787
(Loss) for the half year		**(231,880)**	**15,162**
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Changes in the fair value of cash flow hedges		859	733
Exchange differences on translation of foreign operations		-	(20,242)
Income tax relating to these items		(258)	(220)
Total comprehensive (loss) for the half year net of tax		(231,279)	(4,567)
Total comprehensive (loss) attributable to members of the Company		(231,590)	(6,354)
Total comprehensive profit attributable to non-controlling interests		311	1,787
		(231,279)	**(4,567)**

	Half year 28 February 2017 CENTS	Half year 29 February 2016 CENTS
Earnings Per Share		
Basic earnings per share	(64.25)	4.27
Diluted earnings per share [A]	(64.25)	3.92

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

The number of shares used in calculating diluted EPS for the period to 28 February 2016 considers the potential impact of new shares and performance rights issued under the Ten Executive Incentive Plan during 2015-2016 and the optional conversion of guarantor fees into shares at the maturity of the current bank facility in December 2017.

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

BALANCE SHEET

AS AT 28 FEBRUARY 2017

	CONSOLIDATED	
	28 February 2017 $'000	31 August 2016 $'000
Current Assets		
Cash and cash equivalents	15,269	14,778
Receivables	83,143	104,739
Program rights	183,966	154,025
Current tax assets	1,154	2,787
Other - prepayments	1,928	2,895
Total Current Assets	**285,460**	**279,224**
Non-Current Assets		
Program rights	3,068	2,735
Equity accounted investments	11,037	10,014
Property, plant and equipment	42,567	42,166
Intangible assets	131,995	346,518
Total Non-Current Assets	**188,667**	**401,433**
Total Assets	**474,127**	**680,657**
Current Liabilities		
Trade creditors	195,397	152,338
Borrowings	73,775	-
Derivative financial instruments	887	-
Provisions	14,940	16,308
Total Current Liabilities	**284,999**	**168,646**
Non-Current Liabilities		
Trade creditors	19,574	19,462
Borrowings	-	90,200
Derivative financial instruments	649	2,345
Deferred tax liabilities	1,290	1,257
Provisions	15,065	15,972
Total Non-Current Liabilities	**36,578**	**129,236**
Total Liabilities	**321,577**	**297,882**
Net Assets	**152,550**	**382,775**
Equity		
Contributed equity	2,927,864	2,927,864
Reserves	(1,205,117)	(1,206,772)
Accumulated losses	(1,571,124)	(1,338,933)
Capital and reserves attributable to equity holders of the Company	**151,623**	**382,159**
Non-controlling interests	927	616
Total Equity	**152,550**	**382,775**

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

STATEMENT OF CHANGES IN EQUITY

AS AT 28 FEBRUARY 2017

	CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	ACCUMULATED LOSSES $'000	TOTAL $'000	NON-CONTROLLING INTERESTS $'000	TOTAL EQUITY $'000
Balance at 1 September 2016	2,927,864	(1,206,772)	(1,338,933)	382,159	616	382,775
Profit for the half year	-	-	(232,191)	(232,191)	311	(231,880)
Other comprehensive income	-	601	-	601	-	601
Total comprehensive (loss) for the half year	-	601	(232,191)	(231,590)	311	(231,279)
Employee share plan expense	-	1,054	-	1,054	-	1,054
Dividends paid	-	-	-	-	-	-
Balance 28 February 2017	2,927,864	(1,205,117)	(1,571,124)	151,623	927	152,550
Balance at 1 September 2015	2,781,647	(1,188,778)	(1,182,127)	410,742	746	411,488
Profit for the half year	-	-	13,375	13,375	1,787	15,162
Other comprehensive income	-	(19,729)	-	(19,729)	-	(19,729)
Total comprehensive (loss) for the half year	-	(19,729)	13,375	(6,354)	1,787	(4,567)
Equity Raising	146,351	-	-	146,351	-	146,351
Employee share plan expense	-	1,031	-	1,031	-	1,031
Dividends paid	-	-	-	-	(746)	(746)
Balance 29 February 2016	2,927,998	(1,207,476)	(1,168,752)	551,770	1,787	553,557

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

CASH FLOW STATEMENT

FOR THE HALF YEAR ENDED 28 FEBRUARY 2017

	CONSOLIDATED	
	28 February 2017 $'000	29 February 2016 $'000
Net increase in cash and cash equivalents		
Cash on hand	87	77
Cash at bank	15,182	15,708
At end of the half year [B]	15,269	15,785
At beginning of the half year	14,778	14,370
Cash held by Out-of-Home business on disposal	-	1,955
Effects of exchange rate movements on cash and cash equivalents	138	40
Net cash inflows/(outflows) for the half year	**629**	**3,410**
Represented by:		
Cash Flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	396,916	397,671
Payments to suppliers and employees (inclusive of goods and services tax)	(366,539)	(425,360)
Interest received	196	382
Bank interest paid	(722)	(988)
Income tax received/(paid)		
Prior year refunds received	2,315	4,104
Current year payments	(1,050)	(3,534)
Net cash inflows/ (outflows) operating activities	31,116	(27,725)
Cash Flows from investment activities		
Proceeds from government grant	-	-
Acquisition of property, plant and equipment	(6,094)	(1,880)
Proceeds on disposal of property, plant and equipment	10	4
Dividends received	702	700
Payments for sale of investments	-	(414)
Payments for other investments	(105)	(1,000)
Net cash (outflows) from investment activities	(5,487)	(2,590)
Cash Flows from financing activities		
Net proceeds from issue of shares	-	146,351
Dividends paid	-	(746)
Proceeds from borrowings	175,000	136,034
Repayment of borrowings	(200,000)	(247,914)
Net cash (outflows)/ inflows from financing activities	(25,000)	33,725
Net cash inflows/(outflows) for the half year	**629**	**3,410**

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

[B]: Cash and cash equivalents includes $3.8m (Feb 2016: $6.1m) which is required to be spent on certain capital items under a government grant and cannot be used for other purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 28 FEBRUARY 2017

1 BASIS OF PREPARATION OF THE HALF YEAR REPORT

This general purpose Half Year Report for the reporting period ended 28 February 2017 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards *AASB 134 Interim Financial Reporting*, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

This Half Year Report does not include all the notes of the type normally included within the Full Financial Report. Accordingly, this Report should be read in conjunction with the Full Financial Report as at 31 August 2016 and any public announcements made by Ten Network Holdings Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in the preparation of this Half Year Report are consistent with those applied and disclosed in the 31 August 2016 Full Financial Report.

Going concern

In December 2013 the Group established a $200m Revolving Cash Advance Facility ("Facility"). The Facility is due to expire on 23 December 2017 ("expiry date"). The Facility is guaranteed by three shareholder guarantors and the shareholder guarantors are entitled to receive a guarantee fee on the expiry date. Interest and commitment fees payable to the bank on drawn debt are capitalised and paid on maturity of the Facility.

As at balance date (28 February 2017), there was $45.5m drawn on the Group's Facility (including capitalised interest and commitment fees), which has increased to $66.2m as at the date of the Directors Report (26 April 2017). The Group had liabilities relating to shareholder guarantor fees of $29.0m at balance date, increasing to $31.0m at the date of the Directors Report. The facility is expected to be drawn to higher levels prior to the expiry date.

The Group is currently seeking to secure an amended or new borrowing facility with extended maturity and expanded size ("New Facility"). The size of the New Facility to be requested by the Group has the potential to be approximately $250m, but depends on the outcomes of a number of factors, some of which have been outlined below. In order to meet its repayment obligations under the existing Facility including associated capitalised interest and shareholder guarantor fees and other debts as and when they fall due, the Group needs a New Facility. The New Facility is also required as a result of expected future trading performance and volatility within the free-to-air television advertising market. In order to secure a New Facility of the size required, the Directors consider that the Group is reliant on the provision of sufficient further guarantees by shareholder guarantors and/or new financiers.

For the half year ended 28 February 2017 The Group recorded a loss for the period of $232.2m including an impairment of television licences of $214.5m and an underlying EBITDA loss (loss before depreciation, net finance costs, income tax expense and significant items) of $2.4m. At balance date the Group had net current assets of $0.5m. Although the Group has increased its market share by 2.7% since February 2014[1], this improved performance has not been sufficient to offset the deterioration in the advertising market in free-to-air television. EBITDA has reduced as sales performance has not fully offset the costs of increased investment in programming costs necessary to drive improved audience share.

The Group understands from discussions with shareholder guarantors that it needs to demonstrate the potential for improved future earnings in order for a New Facility to be guaranteed.

Management have identified the following key sources of improvements to future earnings:

- delivery of the cost and revenue initiatives identified in the transformation process currently underway;
- renegotiation of material programming contracts;
- reduction in Federal Government imposed licence fees.

[1] *Source: Standard Media Index (SMI)*

The transformation process is being undertaken with the assistance of specialised consultants and is well planned with cost savings and revenue initiatives being identified and detailed plans and activities being put in place to execute. Various discussions and negotiations have commenced with programming providers and are expected to take some time before the full financial impact is known. A decision on licence fees is expected in the Federal Budget during May 2017. It is expected that favourable outcomes from the above will be required to make a significant difference to the financial outlook of the Group.

As a result of the matters disclosed, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors consider that it is reasonable to expect that the Group will be successful in the matters as detailed, and accordingly, have prepared the financial report on a going concern basis such that no asset is likely to be realised for an amount less than the amount at which it is recorded in the interim financial report at 28 February 2017. As a result, no adjustments have been made to the financial report relating to the recoverability and classification of the assets' carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

The Directors have formed this view based on a number of factors, including:

- There are ongoing discussions with shareholder guarantors and their advisors to consider the necessary financing for the Group, the form and structure of which is not yet clear;
- The transformation program is Board approved and well developed with material revenue and cost saving opportunities being identified and detailed plans and activities being put in place to execute. Specialised consultants have been engaged to assist in planning and executing the transformation program; and
- Discussions have commenced with a view to renegotiating material programming contracts. To date, these discussions have been constructive toward finding new commercial arrangements for the Group.

Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. It is not expected that these amendments will significantly affect the disclosures in the 31 August 2017 full financial report.

The Company has not elected to apply any pronouncements before their operative date in the period ended 28 February 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 28 FEBRUARY 2017

2 SEGMENT INFORMATION

Management has determined operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. One reportable segment has been identified, Television. In 2016 there were two reportable segments Television and Out-of-home (Roads and Maritime Services contract ('RMS') and Eye US operations). The Out-of-home business was sold in December 2015.

The Chief Executive Officer assesses the performance of the operating segments based on underlying EBITDA.

Half Year Ended 28 February 2017	TELEVISION $'000	OUT-OF-HOME $'000	CONSOLIDATED $'000s
Revenue			
Sales to external customers	339,735	-	339,735
Interest	163		163
Dividend	700	-	700
Total revenue and other income	**340,598**	-	**340,598**
Segment Result			
Adjusted EBITDA [C]	**(2,441)**	-	**(2,441)**
Depreciation			(5,626)
Adjusted EBIT			**(8,067)**
Finance costs			(9,265)
Finance income			163
Underlying Loss before tax			**(17,169)**
Income tax (expense)			(143)
Underlying Loss from continuing operations			**(17,312)**
Profit attributable to non-controlling interests			311
Underlying Loss attributable to members			**(17,623)**
Significant items (details below)			
Revenue			1,255
Expense			(215,823)
Loss attributable to members			**(232,191)**

[C] Before Significant items

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 28 FEBRUARY 2017

Half Year Ended 29 February 2016	TELEVISION $'000	OUT-OF-HOME $'000	CONSOLIDATED $'000
Revenue			
Sales to external customers	333,537	14,947	348,484
Interest	392		392
Dividend	700	-	700
Total revenue and other income	**334,629**	**14,947**	**349,576**
Segment Result			
Adjusted EBITDA [C]	10,144	-	10,144
Depreciation			(6,863)
Adjusted EBIT			3,281
Finance costs			(9,672)
Finance income			392
Underlying Loss before tax			**(5,999)**
Income tax (expense)			(2,110)
Underlying Loss from continuing operations			**(8,109)**
Profit attributable to non-controlling interests			1,787
Underlying Loss attributable to members			**(9,896)**
Significant items (details below)			
Revenue			24,825
Expense			(1,554)
Profit attributable to members			**13,375**

[C] Before Significant items

Significant items
Items which are individually significant in nature for 2017 and 2016 are as follows:

	Half year 28 February 2017 $'000	Half year 29 February 2016 $'000
Net gain on sale of Out-of-home business	-	24,825
Legal Settlement receipt	1,255	-
Impairment of intangible asset	(214,523)	-
Restructuring costs	(1,300)	(1,554)
Total significant items [D]	**(214,568)**	**23,271**

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

A cash amount was received for the settlement of proceedings brought by the Company for enforcement of a completion guarantee relating to non-delivery of television program rights which were written off in 2014.

An impairment review was performed as at February 2017 to ensure that television licences were being carried at their recoverable amount. An impairment loss of $214.5m for television licences was recognised in the current period. Further details are provided in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 28 FEBRUARY 2017

Restructuring costs in the current period include charges incurred for the transformation program currently underway. This process will continue into the remainder of the 2017 reporting year and it is anticipated that further significant items of the same nature will be recognised at the full year.

A non-cash gain on sale of the Out-of-home business was recognised in the previous period.

	CONSOLIDATED	
	Half year 28 February 2017 CENTS	Half year 29 February 2016 CENTS
Underlying Earnings per Share [E, F]		
Basic earnings per share	(4.88)	(3.16)
Diluted earnings per share	(4.88)	(3.16)

[E] Excludes the significant items disclosed above.

[F] Due to the Company reporting an underlying loss for the half years ended 28 February 2017 and 29 February 2016, the impacts of potential shares are not included in calculating diluted EPS because they are anti-dilutive.

3 IMPAIRMENT OF TELEVISION LICENCES

Television licences are not amortised as the Directors believe that the television licences do not have a limited useful life. Instead, the recoverable amount of television licences are tested at the cash generating unit (CGU) level either annually or when there is an indicator of potential impairment in the CGU.

At 28 February 2017, it was assessed that indicators of impairment existed for the television CGU. These indicators included a higher than expected decline in the free-to-air (FTA) television advertising market, internal financial performance shortfalls and the reflection of these in a sustained reduction in market capitalisation.

Impairment testing was performed to determine if the carrying value of television licences (as part of the television CGU) was being carried in excess of its recoverable amount. The recoverable amount was based on the higher of its fair value less costs to sell (FVLCTS) and value in use (VIU).

As a result of this testing, in the period ended 28 February 2017, an impairment loss of $214.5m was recorded. Following the recognition of the impairment loss, the estimated recoverable amount of the television CGU equals its carrying amount.

The estimated recoverable amount of the CGU has been determined by its FVLCTS using discounted cash flow projections based on the key assumptions set out below. This fair value measurement has been classified within Level 3 of the fair value hierarchy, where the inputs to the valuation are not based on observable market data.

Cash flow forecasts and growth rates

Cash flow forecasts are based on the following key assumptions:

- 6.5 year forecast based on management's latest expectations for future performance of the business, including benefits from operational and structural changes currently underway, which have been included on a risk adjusted basis.
- Revenue growth rates used over the 6.5 year forecast vary from year to year and average at an annual revenue growth rate of 0.7% (Aug 2016: 4.8%) over this period. Management expectation is for the FTA market to continue to decline in the short to medium term, before recovering to a long term growth rate of 1%. Revenue growth in the Company is a combination of both market growth and market share.
- Operational and structural changes relate predominantly to a significant transformation program and negotiations of material programming contracts to reduce the cost of programming. Given that these initiatives have commenced, but are still in progress, a risk-weighting has been applied and only a portion of these potential savings have been included in the forecasts.
- Terminal growth rate of 1.0% (Aug 2016: 1.5%).

Discount rates

The pre-tax discount rate of 13.68% and post-tax discount rate of 10.5% (Aug 2016: pre-tax 13.35% and post-tax 10.17%) are the risk adjusted weighted average cost of capital ("WACC") rates for the consolidated entity.

Sensitivity

A change in any of the key assumptions identified above or the WACC could cause a change in the recoverable amount of the television licences. The estimated impact on impairment has been set out below:

Assumption	Potential Change	Estimated impact on recoverable amount for each factor in isolation
Revenue	+/- 1.0%	Increase / decrease by $47m
Risk adjusted potential operational and structural cost savings	+/- 5.0%	Increase / decrease by $40m
Terminal growth rate	+/- 0.5%	Increase / decrease by $11m
WACC	+/- 0.3%	Decrease / increase by $14m

4 BORROWINGS

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

	CONSOLIDATED	
	28 February 2017 $'000	31 August 2016 $'000
Bank Loan - Drawn [G]	40,000	65,000
Bank Loan - Capitalised Interest and Commitment fees [G]	5,473	3,319
Shareholder Guarantor Fees	29,041	23,068
Capitalised transaction costs	(739)	(1,187)
	73,775	90,200

[G] Amounts are drawn on a $200m Revolving Cash Advance Facility. Undrawn facilities at reporting date were $154.5m (Aug 2016: $131.7m)

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 Group is currently seeking to extend and enlarge the facility, and further information can be found in the Directors Report and in Note 1 (page 13).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 28 FEBRUARY 2017

5 RECONCILIATION OF INCOME TAX EXPENSE

The consolidated entity's loss before income tax was $231.7m. The difference between the statutory income tax benefit of $69.5m (at 30% of loss before tax) and the actual tax expense of $0.1m includes the tax impact of the non-deductible impairment of television licenses as well as unrecognised tax losses which are in excess of the increase in the deferred tax liability arising from the temporary differences. The remaining tax expense is primarily attributable to ElevenCo Pty Limited.

Unrecorded tax losses remain available for utilisation by the entity for offset against future taxable profits, subject to continuing to meet the statutory tax tests.

6 CONTINGENT LIABILITIES

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.

7 DIVIDENDS

No dividends/distributions were declared or paid to the members of the Company during or subsequent to the half year ended 28 February 2017.

No dividend was paid to CBS Studios Inc. relating to its equity interest in ElevenCo Pty Ltd (2016: $0.7m).

8 CHANGES IN THE COMPOSITION OF THE CONSOLDIATED ENTITY

There were no material changes in the composition of the consolidated entity in the half year to 28 February 2017.

9 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 28 February 2017 of the consolidated entity; or
- the results of those operations, or the state of affairs, in financial years subsequent to 28 February 2017 of the consolidated entity.

Commentary on results

Refer to attached Media Release.

DIRECTORS DECLARATION

In the Directors' opinion:

(a) The financial statements and notes set out on pages 9 to 20 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 28 February 2017 and of its performance, for the half year ended on that date; and

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

Signed at Sydney on 26 April 2017 in accordance with a resolution of the Directors

DL Gordon
Chairman

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

Report on the Half Year Financial Report

We have reviewed the accompanying half-year financial report of Ten Network Holdings Limited (the Company), which comprises the balance sheet as at 28 February 2017, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for Ten Network Holdings Limited Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 28 February 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ten Network Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

a) giving a true and fair view of the consolidated entity's financial position as at 28 February 2017 and of its performance for the half year ended on that date;

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

Material uncertainty relating to going concern
We draw attention to Note 1 in the financial report, which highlights that the consolidated entity is seeking to secure an amended or new borrowing facility with extended maturity and expanded size relative to the existing borrowing facility which is due to expire on 23 December 2017; and that to agree new borrowing facilities beyond 23 December 2017, the consolidated entity is reliant on the provision of sufficient further guarantees by shareholder guarantors and/or new financiers. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

PricewaterhouseCoopers

Scott Walsh
Partner

Sydney
26 April 2017