TEN NETWORK HOLDINGS LIMITED

ABN 14 081 327 068

Appendix 4D

Half Yearly Report

Half Year ended: 28 February 2014

Previous corresponding period: 28 February 2013

Results for Announcement to the Market

	Half Year 2014 $'000	Half Year 2013 $'000	Change %
Revenue from ordinary activities	331,558	307,596	7.8%
(Loss) for the period from ordinary activities after tax attributable to members	(7,983)	(243,341)	96.7%
(Loss) for the period attributable to members	(7,983)	(243,341)	96.7%

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 2014.

No interim dividend will be paid for the half year ending 28 February 2014.

The 2013 result included non-recurring costs of $304.0m ($244.8m after tax) as disclosed in Note 13.

	Half year 28 February 2014	Half year 28 February 2013
Net tangible asset backing per ordinary share	$0.04	$0.05
Net asset backing per ordinary share	$0.34	$0.36

Refer to attached Media Release for discussion of results.

The Directors present their report together with the consolidated financial report of Ten Network Holdings Limited ("the Company") and its controlled entities for the half-year ended 28 February 2014.

Directors

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

Mr H McLennan (Executive Chairman [A])
Mr LK Murdoch [B]
Mr BJ Long (Deputy Chairman and alternate Mr DL Gordon)
Mr JJ Cowin (Alternate Mr PV Gleeson)
Mr PV Gleeson (Alternate Mr JJ Cowin)
Ms CW Holgate (Alternate Mr DL Gordon)
Mr DL Gordon (Alternate Mr BJ Long)
Mr DD Hawkins (Alternate Mr DL Gordon)
Mr PR Mallam
Ms GH Rinehart (Alternate Mr J Cowin & Mr J Klepec [C])
Ms SL McKenna

[A]: Appointed as Executive Chairman effective 26 March 2014.
[B]: Resigned as Non-Executive Chairman and Director effective 26 March 2014.
[C]: Appointed as Alternate Director effective 16 October 2013.

Results

The consolidated loss after income tax for the half-year ended 28 February 2014 comprises:

	28 February 2014 $'000	28 February 2013 $'000
Earnings before non-recurring items, interest, tax, depreciation and amortisation	10,056	34,920
Depreciation	(7,455)	(7,773)
Earnings before interest and tax	2,601	27,147
Non-recurring expense items (Refer Note 13)	-	(303,995)
Net interest expense	(7,759)	(11,377)
(Loss) before income tax	(5,158)	(288,225)
Income tax revenue/ (expense)		
Normal	408	(5,435)
Non-recurring tax items (Refer Note 13)	-	59,193
(Loss) from continuing operations	(4,750)	(234,467)
(Loss) from discontinued operations	-	(5,308)
(Loss) for the period	(4,750)	(239,775)
Profit attributable to non-controlling interests	3,233	3,566
(Loss) attributable to members of Ten Network Holdings Limited	(7,983)	(243,341)

Financial performance for the half year to February 2014 reflects the continued difficult trading conditions in the advertising market with only modest growth in ratings and revenue share during the period. The increase in revenue of 7.8% to $331.6m was in part due to EYE US being excluded from revenue in 2013 as it was considered discontinuing in that period – revenue for the Television segment was up 3.2% to $316.3m due to increased affiliate fees and other income.

The loss after tax for the half year to February 2014 was $4.8m. The 2013 loss after tax included $244.8m for impairment of television licences and restructure costs.

Review of Operations

Operational Highlights

During the first half of the 2014 year, the Company has continued to focus on implementing its strategy launching new local programs, premium sporting events, and a compelling digital platform.

Business and Strategic Risks

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

- An inability to secure content, including sporting rights, from both the domestic and overseas market, that generate cost effective ratings and in turn revenues. Effective diligence over the content acquisition process mitigates this risk to ensure that spend on content is aligned with the board approved strategy.
- A significant and sustained downturn in the free to air advertising market and/or the failure to monetise ratings. To mitigate this risk, the Company continues to expand the revenue base by targeting small and medium sized businesses through its INTENSIFY program and GENERATE content integration unit, and by improving the digital platform through the tenplay website and TV Everywhere strategy.
- A significant and sustained transmission failure. The Company continues to have robust controls in place to mitigate this risk, including redundancy, dual transmission sites, dual paths of carriage, backups and real-time incident monitoring. The Company also maintains prudent insurance coverage.
- The Company is unable to negotiate and secure funding to refinance debt as a result of internal and external influences or breaches of its debt covenants. The Company has completed a refinancing package that repaid the existing $150m Senior Unsecured Notes and relieved the Company from operating under financial banking covenants, providing necessary funds for investment in key programming initiatives.

Business Strategies and Outlook

During the first half of the 2014 year, the Company continued to implement the new programming strategy for the main TEN channel, targeting people aged 25 to 54. 2014 has seen strong investment in event TV programming including the *T20 Big Bash League* cricket competition, the *XXII Olympic Winter Games* in Sochi and the *V8 Supercars* (from 2015).

Since launching in September 2013, tenplay has established itself as one of the fastest growing and innovative media digital platforms in Australia, with a stream of new products including the *TEN Eyewitness News* and Sochi 2014 On Ten apps, tenplay Kids and tenplay Xbox One. The Company's 'TV Everywhere' strategy has delivered increases in video and page views, and digital revenue.

The television advertising market remains short, with limited visibility. The Company continues to expand its revenue base through tenplay, INTENSIFY, targeting non-traditional television advertisers, and GENERATE, a premium creative solutions division.

Auditors Independence Declaration

A copy of the Auditors Independence Declaration as required under s307 of the *Corporation Act 2001* is set out on page 5.

Subsequent Events

There have been no events that have occurred subsequent to 28 February 2014 and up to the date of this report that have had a material impact on the Ten Network Holding Limited's financial performance or position.

Rounding of amounts

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, 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.

Signed at Sydney on 10 April 2014 in accordance with a resolution of the Directors.

HR McLennan
Chairman

Auditor’s Independence Declaration

As lead auditor for the review of Ten Network Holdings Limited for the half-year ended 28 February 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

SG Horlin
Partner
PricewaterhouseCoopers

Sydney
10 April 2014

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

Consolidated statement of comprehensive income

	Half year 28 February 2014 $'000	Half year 28 February 2013 $'000
Revenue from continuing operations	329,603	301,973
Other income	1,955	5,623
Total Revenue	331,558	307,596
Television costs	(311,531)	(273,578)
Out-of-home costs	(15,251)	(1,193)
Finance costs [D]	(9,114)	(16,114)
Restructuring costs [E]	-	(11,873)
Impairment of intangible assets [E]	-	(292,122)
Share of associates and joint ventures accounted for using the equity method [F]	(820)	(941)
(Loss) before income tax	(5,158)	(288,225)
Income tax revenue	408	53,758
(Loss) from continuing operations	(4,750)	(234,467)
(Loss) from discontinued operations [E]	-	(5,308)
(Loss) from ordinary activities after income tax	(4,750)	(239,775)
Profit attributable to non-controlling interests	3,233	3,566
(Loss) attributable to members of Ten Network Holdings Limited	**(7,983)**	**(243,341)**

(Loss) from ordinary activities after income tax	**(4,750)**	**(239,775)**
Other comprehensive income		
AASB139 hedge reserves	817	1,556
Exchange differences on translation of foreign operations	155	388
Total comprehensive (loss) for the half-year after income tax	**(3,778)**	**(237,831)**
Total comprehensive income attributable to non-controlling interests	-	-
Total comprehensive (loss) attributable to members of Ten Network Holdings Limited	**(3,778)**	**(237,831)**
Continuing Operations	(3,778)	(232,911)
Discontinued Operations	-	(4,920)

[D]: Finance costs for 2014 include a $1.5m ($1.1m after tax) (2013: $1.6m ($1.1m after tax)) notional non-cash interest charge in relation to the unwinding of the provision for onerous contracts.

[E]: The half-year result for 2013 included non-recurring impairment and restructure costs in the television business. A net loss on sale of Out-of-home investments has been included within the loss from discontinued operations. See Note 13 for further information regarding the non-recurring items and discontinued operations.

[F]: Relates to the Company's 17.9% investment in zeebox Australia Pty Limited and 50% investment in OurDeal Pty Limited.

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

Consolidated balance sheet

	28 February 2014 $'000	31 August 2013 $'000
Current Assets		
Cash and cash equivalents [G]	19,585	122,351
Receivables	105,034	129,290
Program rights & inventories	205,452	166,318
Current tax assets	-	2,233
Other	3,847	7,478
Total Current Assets	**333,918**	**427,670**
Non-Current Assets		
Program rights & inventories	25,107	30,773
Other financial assets	6,783	6,994
Property, plant and equipment	58,359	54,238
Intangible assets	785,701	785,701
Other	13,664	13,473
Total Non-Current Assets	**889,614**	**891,179**
Total Assets	**1,223,532**	**1,318,849**
Current Liabilities		
Payables	155,930	142,480
Borrowings [H]	-	150,000
Derivative financial instruments	240	-
Provision for income tax	456	-
Provisions [I]	45,629	44,148
Total Current Liabilities	**202,255**	**336,628**
Non-Current Liabilities		
Payables	55,046	43,832
Borrowings [H]	53,374	-
Derivative financial instruments	4,888	6,676
Deferred tax liabilities	5,218	9,951
Provisions [I]	23,214	35,949
Total Non-Current Liabilities	**141,740**	**96,408**
Total Liabilities	**343,995**	**433,036**
Net Assets	**879,537**	**885,813**
Equity		
Contributed equity	2,781,530	2,781,103
Reserves	(1,195,679)	(1,197,031)
Accumulated losses	(709,547)	(701,564)
Total parent entity interest	876,304	882,508
Non-controlling interest	3,233	3,305
Total Equity	**879,537**	**885,813**

[G-I]: Refer to following page for commentary.

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

Consolidated balance sheet – Commentary

[G]: The large cash balance at 31 August 2013 was the result of an equity raising undertaken during the 2013 reporting year. Details are contained in Note 15.

On 26 February 2014, the Company's AUD $150m Senior Unsecured Notes were repaid in full. The majority of this repayment was from existing cash reserves. $55m was drawn from a $200m Revolving Cash Advance Facility that the Company holds with Commonwealth Bank of Australia ("CBA") (further details in note [H] below).

[H]: Total non-current borrowings at the end of the period include:

- A bank loan of $55m drawn on the $200m Revolving Cash Advance Facility with CBA.
- Capitalised interest, commitment fees and shareholder guarantor fees of $1.2m.
- Capitalised transaction costs associated with the establishment of the new facility of $2.8m have been offset against the above.

On 26 February 2014, Ten Network Holdings Limited commenced to drawdown the $200m Revolving Cash Advance facility which will mature on 23 December 2017 (4 years). This facility replaced the A$80m Revolving Cash Advance Facility with CBA, which was originally scheduled to mature in November 2015.

This facility is 'covenant-lite', with no financial covenants. The facility is guaranteed by Shareholder Guarantors. Further details are provided in Note 5.

[I]: Provisions include onerous contracts of $27.3m current and $17.3m non-current (2013: $27.9m current and $30.4m non-current) in relation to sport contracts, Roads and Maritime Services ('RMS') contract and EYE US.

Consolidated statement of changes in equity

	Contributed Equity	Equity Reserve	Reserves	Accumulated Losses	Total	Non-Controlling Interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 September 2013	**2,781,103**	**1,840**	**(1,198,871)**	**(701,564)**	**882,508**	**3,305**	**885,813**
(Loss)/ Profit for the half-year	-	-	-	(7,983)	(7,983)	3,233	(4,750)
Other comprehensive income	-	-	972	-	972	-	972
Total comprehensive (loss)/ income for the half-year	**-**	**-**	**972**	**(7,983)**	**(7,011)**	**3,233**	**(3,778)**
Transactions with owners in their capacity as owners							
Issue of shares held by Employee Share Trust	427	-	(427)	-	-	-	-
Employee share plan expense	-	-	807	-	807	-	807
Dividends Paid	-	-	-	-	-	(3,305)	(3,305)
Balance at 28 February 2014	**2,781,530**	**1,840**	**(1,197,519)**	**(709,547)**	**876,304**	**3,233**	**879,537**
Balance at 1 September 2012	**2,555,527**	**1,840**	**(1,207,622)**	**(416,571)**	**933,174**	**8,616**	**941,790**
(Loss)/ Profit for the year	-	-	-	(243,341)	(243,341)	3,566	(239,775)
Other comprehensive income	-	-	1,944	-	1,944	-	1,944
Total comprehensive (loss)/ income for the half-year	**-**	**-**	**1,944**	**(243,341)**	**(241,397)**	**3,566**	**(237,831)**
Reversal of foreign currency translation reserves on disposal of offshore operations	-	-	5,330	-	5,330	-	5,330
Contributions of equity net of transaction costs	225,262	-	-	-	225,262	-	225,262
Issue of shares held by Employee Share Trust	612	-	(612)	-	-	-	-
Employee share plan expense	-	-	(334)	-	(334)	-	(334)
Dividends Paid	-	-	-	-	-	(8,616)	(8,616)
Balance at 28 February 2013	**2,781,401**	**1,840**	**(1,201,294)**	**(659,912)**	**922,035**	**3,566**	**925,601**

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

Consolidated cash flow statement

	Notes	28 February 2014 $'000	28 February 2013 $'000
Cash and cash equivalents			
Cash on hand		88	85
Cash at bank		19,497	146,598
At end of period		19,585	146,683
At beginning of period		122,351	93,297
Cash held by discontinued operation at end of period		-	2,051
Cash held by discontinued operation at beginning of period		-	3,640
Effects of exchange rate changes on cash and its equivalents		197	(45)
Net cash (outflows)/ inflows for the period		**(102,569)**	**51,752**
Represented by:			
Cash Flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		388,415	401,461
Payments to suppliers and employees (inclusive of goods and services tax)		(370,670)	(436,369)
Interest received		1,360	4,238
Bank interest paid		(6,651)	(12,873)
Treasury costs paid		(349)	(2,022)
Net income tax received/ (paid)			
Prior year refunds received		5,786	23,982
Current year payments		(7,794)	(17,089)
Net cash flows from operating activities		10,097	(38,672)
Cash Flows from investment activities			
Acquisition of property, plant and equipment		(11,605)	(5,843)
Proceeds on disposal of property, plant and equipment		26	364
Dividends Received		600	670
Proceeds from sale of investment		(53)	92,040
Payments for investments		(480)	(720)
Net cash flows from investment activities		(11,512)	86,511
Cash Flows from financing activities			
Net proceeds from issue of shares	15	-	223,253
Dividend paid	8	(3,305)	(8,616)
Refinancing costs		(2,849)	(640)
Proceeds from borrowings		55,000	-
Repayment of borrowings		(150,000)	(210,084)
Net cash flows from financing activities		(101,154)	3,913
Net cash (outflows)/ inflows for the period		**(102,569)**	**51,752**

The consolidated cash flow statement includes continuing operations (and discontinued operations in 2013) and should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

Note 1: Basis of Preparation of the Half Yearly Report

This general purpose Half Yearly Report for the reporting period ended 28 February 2014 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 Yearly Report does not include all the notes of the type normally included within the Annual Financial Report. Accordingly, this Report should be read in conjunction with the Annual Financial Report as at 31 August 2013 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*.

These 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 though profit or loss.

The accounting policies adopted in the preparation of this Half Yearly Report are consistent with those applied and disclosed in the 31 August 2013 Annual Financial Report except as set out below.

Certain items in prior periods have been restated to ensure consistent disclosure across the years reported. Such restatements are not considered material and do not affect the results in the statement of comprehensive income or the balance of net assets reported.

Adoption of new and revised accounting standards

During the current half year, the following standards became mandatory and have been adopted retrospectively by the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

The accounting policies have been updated to reflect changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards is discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Company has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Company has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer’s share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in Note 12.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits. The Company reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefit for the purpose of measuring the leave under AASB 119, the effect of discounting was not material.

The Company has not elected to apply any pronouncements before their operative date in the period ended 28 February 2014.

Note 2: Revenues and Expenses

	28 February 2014 $'000	28 February 2013 $'000
2.1 Revenues from ordinary activities		
Sales revenue	329,603	301,973
Other revenue		
- Interest income	1,355	4,737
- Dividend income	600	670
- Foreign exchange income	-	216
Total revenues from ordinary activities	331,558	307,596
2.2 Expenses from ordinary activities		
Details of relevant expenses		
- Television activities	(311,531)	(273,578)
- Out-of-Home activities	(15,251)	(1,193)
- Finance costs	(9,114)	(16,114)
Non-Recurring Expense items (Refer Note 13)		
Television		
- Restructuring expense	-	(11,873)
- Impairment of intangible assets	-	(292,122)
Discontinued operations		
- Trading loss	-	(1,933)
- Restructuring expense	-	(118)
- Sale of investments	-	(5,091)
Total expenses from ordinary activities	(335,896)	(602,022)

Note 3: Segment Note

Management has determined operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. Two reportable segments have been identified. These are Television and Out-of-home (Roads and Maritime Services contract ('RMS') and Eye US operations). In February 2013, the Out-of-home segment only included RMS, with the Eye US operation classified as a discontinued operation at that time.

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

Half year to 28 February 2014	Television $'000	Out-of-home $'000	Eliminations/ Corporate $'000	Consolidated $'000
Revenue				
Sales to external customers	314,352	15,251	-	329,603
Other revenue	1,955	-	-	1,955
Total revenue	**316,307**	**15,251**	**-**	**331,558**
Segment Result				
EBITDA	**10,056**	**-**	**-**	**10,056**
Depreciation	(7,455)	-	-	(7,455)
EBIT	**2,601**	**-**	**-**	**2,601**
Finance costs				(9,114)
Interest revenue				1,355
(Loss) before tax				(5,158)
Income tax revenue/ (expense)				
Normal				408
(Loss) from continuing operations				**(4,750)**

Note 3: Segment Note (continued)

Half year to 28 February 2013	Television $'000	Out-of-home $'000	Eliminations/ Corporate $'000	Consolidated $'000
Revenue				
Sales to external customers	300,780	1,193	-	301,973
Other revenue	5,623	-	-	5,623
Total revenue	**306,403**	**1,193**	**-**	**307,596**
Segment Result				
Adjusted EBITDA [J]	**34,920**	**-**	**-**	**34,920**
Depreciation	(7,773)	-	-	(7,773)
Adjusted EBIT [J]	**27,147**	**-**	**-**	**27,147**
Non-recurring expense items (Refer Note 13)				(303,995)
Finance costs				(16,114)
Interest revenue				4,737
(Loss) before tax				(288,225)
Income tax (expense)/ revenue				
Normal				(5,435)
Non-recurring tax items (Refer Note 13)				59,193
(Loss) from continuing operations				**(234,467)**

[J]: Before non-recurring items. Out-of-home Adjusted EBITDA is $1.3m for the half year ended 28 February 2013. Therefore consolidated Adjusted EBITDA is $36.2m. The Out-of-home result is included within the loss from discontinued operations line in the statement of comprehensive income. The result reflects operations of Eye Corp Australia, New Zealand and Indonesia until 31 October 2012, and Eye Corp US and UK operations for the full period.

Note 4: Reconciliation of Income Tax Expense

	28 February 2014 $'000	28 February 2013 $'000
(Loss) before income tax	(5,158)	(288,225)
Tax at the Australian tax rate of 30% (2013: 30%)	1,547	86,467
Deferred tax asset not recognised on Television licence impairment	-	(31,588)
Share of net loss of equity accounted investments	(246)	(282)
Non-assessable / (non-deductible items)	(767)	(252)
Prior period adjustments	-	(160)
Other changes in recognition of deferred tax assets and liabilities	(126)	(427)
Income tax revenue/ (expense)	**408**	**53,758**
Effective tax rate	7.9%	18.7%
Tax revenue/ (expense) attributable to:		
Normal operations	408	(5,435)
Non-recurring items	-	59,193
Total income tax revenue/ (expense)	**408**	**53,758**

In February 2013, recoverability of a deferred tax asset arising on the television licences intangible asset was not considered to be probable, as its realisation would require sale of the licence, and an associated capital gain against which to offset the capital loss that the deferred tax asset represents. As such, a $31.5m deferred tax asset was not recorded in the balance sheet, and there are no longer any remaining deferred tax balances recorded in relation to the television licence.

Note 5: Refinancing Package

The Refinancing Package commenced drawdown on 26 February 2014. It comprises a $200m Revolving Cash Advance Facility ("Facility") with the Commonwealth Bank of Australia which is guaranteed by three major shareholders associated with Mr L Murdoch, Mr J Packer and Mr B Gordon ("Shareholder Guarantors").

The key features of the approved and executed refinancing package are consistent with the details reported as at 31 August 2013. These are set out below.

- 4 year $200m Revolving Cash Advance Facility with the Commonwealth Bank of Australia which 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 fee being convertible into shares at their election at that time).
- the margin for the Refinancing Package, inclusive of the Shareholder Guarantors' fee, is fixed until 31 August 2015. The margin then reverts to a variable fee based on the debt to EBITDA ratio of the Company for the remaining term of the Facility.
- a portion of the drawdown proceeds along with existing cash reserves were used to repay the existing $150m Senior Unsecured Notes prior to maturity (26 February 2014). At this time the undrawn $80m Revolving Cash Advance Facility was extinguished.
- the remainder of the proceeds have been and will 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.

Note 6: Intangibles

Television licences are not amortised as the Directors believe that the television licences do not have a limited useful life. Instead, television licences are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

In the period ended 28 February 2014, Management and the Directors reviewed the carrying values of television licences to ensure they are not being carried at a value greater than their recoverable amounts. No impairment losses have been incurred or reversed during the current half year ended 28 February 2014.

Television licences are allocated to the Television CGU, identified in line with reporting segments.

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

Cash flow forecasts and growth rates

Cash flow forecasts are based on the following assumptions:

- Five year forecast based on management's latest expectations for future performance.
- Revenue growth rates used over the five year forecast vary from year to year and average at an annual revenue growth rate of 5.3% (Aug 2013: 6.0%) over this period. Revenue growth is a combination of both market growth and market share.
- The terminal value is based on the Gordon's Growth Model using a 3% (Aug 2013: 3%) growth rate, which approximates long term CPI growth.

Discount rates

Pre-tax discount rate of 12.9% (Aug 2013: 13.6%) is the weighted average cost of capital for the consolidated entity and risk adjusted.

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.

Note 7: Contingent liabilities

As part of the sale of the out-of-home business in the prior year, the company retained responsibility for parent guarantees in relation to certain concessions.

Should the new owner of the out-of-home business default under its agreements with the concession owners, the Company would be required to meet the commitments under these guarantees.

Other than a possible call under a guarantee of up to a maximum of $8.5m, the likelihood of a cash outflow in relation to these guarantees is remote.

Note 8: Dividends

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 2014.

A dividend of $3.3m was paid to CBS Studios Inc on 19 December 2013, which represents their share of ElevenCo Pty Limited's 2013 net profit.

Note 9: Earnings per share

		Half year 28 February 2014	Half year 28 February 2013
Reported			
(a)	Basic EPS (Refer Note (i) below)	(0.31) cents	(13.30) cents
(b)	Diluted EPS (Refer Note (ii) below) [L]	(0.31) cents	(13.30) cents
(c)	Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	2,586,841,553	1,830,254,601
Underlying [K]			
(a)	Basic EPS (Refer Note (i) below)	(0.31) cents	0.27 cents
(b)	Diluted EPS (Refer Note (ii) below) [L]	(0.31) cents	0.27 cents

[K]: Excludes the non-recurring items discussed in Note 13.

[L]: The number of shares used in calculating diluted EPS includes the potential impact of new shares issued under the Ten Executive Incentive Plan which commenced in the 2014 year as well as treasury shares (which represent awards to certain senior executives under the Ten Deferred Incentive Plan and are disclosed as an offset in contributed equity in the balance sheet). Performance rights are not considered to be dilutive based on the assumption that associated shares will be purchased on-market.

i) Basic Earnings per Share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of Ten Network Holdings Limited.
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

ii) 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.

Note 10: Net tangible assets per share

	Half year 28 February 2014	Half year 28 February 2013
Net tangible asset backing per ordinary share	$0.04	$0.05
Net asset backing per ordinary share	$0.34	$0.36

Note 11: Changes in the Composition of the Consolidated Entity

There were no material changes in the composition of the Consolidated Entity in the half year to 28 February 2014.

Material changes that affected the composition of the Consolidated Entity in the half year to 28 February 2013 are detailed in Note 14.

Note 12: Fair value of financial instruments

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

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

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

The following table sets out the derivative financial liabilities that were held at fair value at 28 February 2014 and 31 August 2013.

These are all level 2 instruments which are not traded in an active market. The fair value is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Techniques, such as estimated discounted cash flows, are used to determine fair value for financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The consolidated entity does not hold any level 1 and level 3 instruments.

	28 February 2014	31 August 2013
Current Liabilities	240	-
Non-current Liabilities	4,888	6,676

Note 13: Underlying Results in the prior year

In line with Finsia (Financial Services Institute of Australasia) and the AICD (Australian Institute of Company Directors) underlying profit/(loss) reporting principles, the following table reconciles 2013 underlying net profit for the period to reported net loss. There was no difference between reported and underlying net profit for the 2014 result.

	Half year to 28 February 2013		
	Gross $'000	**Tax $'000**	**Net $'000**
Reporting Net Loss after income tax attributable to members			**(243,341)**
Television			
Restructuring expense	11,873	(3,144)	8,729
Impairment of intangible assets	292,122	(56,049)	236,073
Total Non-Recurring Items - Television	303,995	(59,193)	244,802
Discontinued Operations			
Trading loss	1,933	(137)	1,796
Restructuring expense	118	(35)	83
Sale of investments (Note 14 below)	5,091	(1,662)	3,429
Total Discontinued Operations	7,142	(1,834)	5,308
Total non-recurring items and discontinued operations	**311,137**	**(61,027)**	**250,110**
Underlying profit attributable to members			**6,769**

The non-recurring items in Television relate to impairment of television licences, redundancy costs arising from a news and operations restructure and termination payments made to senior executives.

Discontinued operations include a $7.5m loss on disposal of the Eye Corp ANZ and Indonesian businesses, offset by a $2.4m profit on disposal of the Eye Corp UK business. Discontinued Operations also include trading losses up to the date of disposal for these businesses. Also included are trading losses and restructuring costs for Eye Corp's US business incurred during the half.

Note 14: Discontinued Operations in the prior year

Sale of Investments

On 1 November 2012, Ten Network Holdings Limited completed the sale of Eye Corp Pty Limited to Outdoor Media Operations Pty Limited ("OMO").

On 22 February 2013, Ten Network Holdings Limited completed the on-sale of the Eye Corp UK operations in the United Kingdom to Airport Partners.

Details of these disposals are set out below.

	Half year 28 February 2013 $'000
Consideration received or receivable:	
Cash	98,919
Fair value of contingent consideration	12,349
Transaction costs	(6,881)
Total disposal consideration	104,387
Carrying amount of net assets sold	104,139
Foreign currency translation reserve	5,339
	109,478
(Loss) on sale before income tax	**(5,091)**
Income tax benefit	1,662
(Loss) on sale after income tax	**(3,429)**

Note 15: Equity Raising in the prior year

On 6 December 2012, Ten Network Holdings Limited announced an underwritten 4-for-5 accelerated non-renounceable entitlement offer of new shares at an offer price of $0.20 per share. This offer comprised an institutional and retail component. On 18 December 2012, the institutional component was completed, which involved the placement of 875.1 million shares with gross proceeds of $175.0m. The retail component was completed on 29 January 2013 which involved the placement of 274.6 million shares with gross proceeds of $54.9m.

The gross proceeds of $230.0m were offset by ancillary costs to the raising and the net of these amounts has been recognised in contributed equity. Most of the funds were used to repay the USD $125m Private Placement loan (swapped into A$210m) on 25 February 2013. The balance was used to fund further restructuring costs and as working capital for general purposes.

Note 16: Subsequent Events

There have been no events that have occurred subsequent to 28 February 2014 and up to the date of this report that have had a material impact on the Ten Network Holding Limited's financial performance or position.

Commentary on results

Refer to attached Media Release.

In the Directors' opinion:

(a) The financial statements and notes set out on pages 6 to 20 are in accordance with the Corporations Act 2001, including:

   (i) complying with Accounting Standards, the Corporate 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 2014 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, 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 10 April 2014 in accordance with a resolution of the Directors

HR McLennan
Chairman

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ten Network Holdings Limited, which comprises the balance sheet as at 28 February 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Ten Network Holdings Limited (the consolidated entity). The consolidated entity comprises both Ten Network Holdings Limited (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 (including the Australian Accounting Interpretations) 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 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 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 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ten Network Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 28 February 2014 and of its performance for the half-year ended on that date; and

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 28 February 2014 included on Ten Network Holdings Limited web site. The company's directors are responsible for the integrity of the Ten Network Holdings Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

SG Horlin
Partner

Sydney
10 April 2014