# TEN NETWORK HOLDINGS LIMITED

ABN 14 081 327 068

# Appendix 4D

## Half Year Report

## Half Year ended: 28 February 2015

### Previous corresponding period: 28 February 2014

**Results for Announcement to the Market**

| | Half Year | | |
|---|---|---|---|
| | 2015<br>$'000 | 2014<br>$'000 | Change<br>% |
| **Revenue from ordinary activities** | 324,252 | 331,558 | -2.2% |
| **(Loss) for the period from ordinary activities after tax attributable to members** | (264,387) | (7,983) | -3211.9% |
| **(Loss) for the period attributable to members** | (264,387) | (7,983) | -3211.9% |

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 2015.

No interim dividend will be paid for the half year ending 28 February 2015.

The 2015 result included non-recurring expenses of $251.2m relating to the impairment of television licences as disclosed in Note 4.

| | Half year<br>28 February<br>2015 | Half year<br>28 February<br>2014 |
|---|---|---|
| Net tangible asset backing per ordinary share | ($0.01) | $0.04 |
| Net asset backing per ordinary share | $0.17 | $0.34 |

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 2015.

**Directors**

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

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

[A]: Resigned as a Director effective 29 November 2014.
[B]: Resigned as a Director effective 31 October 2014.
[C]: Appointed as a Director effective 3 November 2014.

**Results**

The consolidated loss after income tax for the half-year ended 28 February 2015 comprises:

| | 28 February 2015 $'000 | 28 February 2014 $'000 |
|---|---|---|
| Earnings before interest, tax, depreciation and amortisation | 7,467 | 10,056 |
| Depreciation | (7,316) | (7,455) |
| Earnings before interest, tax and amortisation | 151 | 2,601 |
| Impairment of television licences (Refer to note 4) | (251,157) | - |
| Net finance costs | (6,516) | (7,759) |
| (Loss) before income tax | (257,522) | (5,158) |
| Income tax (expense) / revenue | (3,812) | 408 |
| (Loss) for the period | (261,334) | (4,750) |
| Profit attributable to non-controlling interests | 3,053 | 3,233 |
| (Loss) attributable to members of Ten Network Holdings Limited | (264,387) | (7,983) |

Financial performance for the half year to February 2015 reflects the competitive trading conditions in the television advertising market. Ten has achieved ratings growth during the period. The decrease in revenue of 2.2% to $324.3m is primarily due to the Television segment whose revenue was down 1.8% to $310.6m.

The loss after tax for the half year to February 2015 was $261.3m ($10.2m loss excluding non-recurring expense items), compared to $4.8m loss in 2014.

**Review of Operations**

*Operational Highlights*
The ratings growth in the first half of the 2015 year resulted from the Company's strategy of focusing on Event TV, including new local programming and premium live sport, supported by a progressive 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 and support execution of the strategic plan. 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 launch of the new 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.
- An inability to operate within current funding parameters or to access additional debt or equity funding should that be required as a result of internal or external factors (refer Going Concern note below).

**Business Strategies and Outlook**

During the first half of the 2015 year, the Company continued to implement the programming strategy for the main TEN channel, targeting people aged 25 to 54.

The company has successfully launched new entertainment event TV programs *I'm a Celebrity … Get Me Out of Here!*, *Shark Tank* and *Gogglebox* with improved performance across *The Living Room*, *Family Feud* and *The Project*. 2015 has seen investment in premium sport event TV with *V8 Supercars* and *RPM* adding to *Formula One*, *MotoGP* and the *T20 Big Bash League* cricket competition.

Since the September 2013 launch, the Company's industry-leading digital platform, tenplay, has just under 2.0 million downloads across Android, iOS and Windows devices along with smart TVs and the Microsoft Xbox 360 and Xbox One platforms. tenplay is also available through FreeviewPlus, Apple TV and Fetch TV. tenplay is key to the success of the Company's 'TV Everywhere' strategy and continues to deliver significant growth in digital advertising revenue.

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

**Going concern**

The Company and its controlled entities' ("the Group's") cash flow forecasts indicate that it will operate within the limits of its \$200m funding facility for the 12 month period following the signing of these financial statements. However, a reduction in revenue compared to forecast due to television advertising market volatility or an adverse impact on the Group's market share could result in these cash flow forecasts not being achieved. If this was to occur the Group will need to take appropriate actions, including raising debt or equity funding should that be required, in order to continue to operate within its existing \$200m funding facility.

As a result of these matters, 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 Group's ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the ability of the Group to successfully take appropriate actions including raising debt or equity finance should that be required.

The Directors believe that the Group will be successful in the above and, accordingly, have prepared the financial report on a going concern basis.

The Independent Auditor's Report contains an emphasis of matter paragraph in regards to the existence of this material uncertainty.

**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 2015 and up to the date of this report that have had a material impact on the Company's financial performance or position.

**Rounding of amounts**

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

Signed at Sydney on 30 April 2015 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 2015, 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
30 April 2015

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## Consolidated statement of comprehensive income

| | Half year 28 February 2015 $'000 | Half year 28 February 2014 $'000 |
|---|---|---|
| Revenue from continuing operations | 322,377 | 329,603 |
| Other income | 1,875 | 1,955 |
| Total revenue | 324,252 | 331,558 |
| Television costs | (309,635) | (311,531) |
| Out-of-home costs | (13,615) | (15,251) |
| Finance costs [D] | (7,857) | (9,114) |
| Impairment of television licences | (251,157) | - |
| Share of associates and joint ventures accounted for using the equity method | 490 | (820) |
| (Loss) before income tax | (257,522) | (5,158) |
| Income tax (expense) / revenue | (3,812) | 408 |
| (Loss) from ordinary activities after income tax | (261,334) | (4,750) |
| Profit attributable to non-controlling interests | 3,053 | 3,233 |
| **(Loss) attributable to members of Ten Network Holdings Limited** | **(264,387)** | **(7,983)** |

| | | |
|---|---|---|
| **(Loss) from ordinary activities after income tax** | **(261,334)** | **(4,750)** |
| **Other comprehensive income** | | |
| AASB139 hedge reserves | 55 | 817 |
| Exchange differences on translation of foreign operations | (2,966) | 155 |
| **Total comprehensive (loss) for the half-year after income tax** | **(264,245)** | **(3,778)** |
| Total comprehensive income attributable to non-controlling interests | - | - |
| **Total comprehensive (loss) attributable to members of Ten Network Holdings Limited** | **(264,245)** | **(3,778)** |

[D]: Finance costs for 2015 include a $0.4m (2014: $1.5m) notional non-cash interest charge in relation to the unwinding of the provision for onerous contracts. The 2015 finance costs also include a gain of $1.1m (2014: $0.4m) relating to the unwinding of the deferred consideration receivable which was recognised on the sale of Eye Corp Pty Limited in November 2012 and was received in December 2014.

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

## Earnings per share

| | Half year 28 February 2015 | Half year 28 February 2014 |
|---|---|---|
| Basic EPS | (10.22) cents | (0.31) cents |
| Diluted EPS [E] | (10.22) cents | (0.31) cents |

[E]: For the half year ended 28 February 2015 and 2014, the impacts of shares used in calculating diluted EPS are not included because they are anti-dilutive.

## Consolidated balance sheet

| | 28 February 2015 $'000 | 31 August 2014 $'000 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents [F] | 20,028 | 13,439 |
| Receivables | 96,370 | 100,677 |
| Program rights & inventories | 190,666 | 124,165 |
| Current tax assets | - | 1,093 |
| Other | 5,240 | 3,413 |
| **Total Current Assets** | **312,304** | **242,787** |
| **Non-Current Assets** | | |
| Program rights & inventories | 11,607 | 30,119 |
| Investments | 18,113 | 17,644 |
| Property, plant and equipment | 48,462 | 50,991 |
| Intangible assets | 481,697 | 732,854 |
| Other | - | 14,107 |
| **Total Non-Current Assets** | **559,879** | **845,715** |
| **Total Assets** | **872,183** | **1,088,502** |
| **Current Liabilities** | | |
| Payables | 197,824 | 154,439 |
| Derivative financial instruments | 78 | 482 |
| Provision for income tax | 354 | - |
| Provisions [G] | 36,985 | 42,320 |
| **Total Current Liabilities** | **235,241** | **197,241** |
| **Non-Current Liabilities** | | |
| Payables | 40,507 | 49,283 |
| Borrowings [H] | 117,513 | 95,185 |
| Derivative financial instruments | 4,354 | 4,166 |
| Deferred tax liabilities | 633 | 561 |
| Provisions [G] | 18,280 | 22,599 |
| **Total Non-Current Liabilities** | **181,287** | **171,794** |
| **Total Liabilities** | **416,528** | **369,035** |
| **Net Assets** | **455,655** | **719,467** |
| **Equity** | | |
| Contributed equity | 2,781,647 | 2,781,554 |
| Reserves | (1,194,779) | (1,193,821) |
| Accumulated losses | (1,134,266) | (869,879) |
| Total parent entity interest | 452,602 | 717,854 |
| Non-controlling interest | 3,053 | 1,613 |
| **Total Equity** | **455,655** | **719,467** |

[F-H]: Refer to following page for commentary.

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

## Consolidated balance sheet – Commentary

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

[G]: Current and non-current provisions include onerous contracts which total $23.2m (August 2014: $35.3m) in relation to contracts associated with sports broadcast rights, Roads and Maritime Services ('RMS') and Eye Corp US.

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

- A bank loan of $105m drawn on the $200m Revolving Cash Advance Facility with CBA.
- Capitalised interest and commitment fees of $7.3m.
- Shareholder guarantor fees of $7.7m.
- Capitalised transaction costs associated with the establishment of the new facility of $2.5m have been offset against the above.

## Consolidated statement of changes in equity

| | Contributed Equity | Other Reserves | Accumulated Losses | Total | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 1 September 2014** | **2,781,554** | **(1,193,821)** | **(869,879)** | **717,854** | **1,613** | **719,467** |
| (Loss)/ Profit for the half-year | - | - | (264,387) | (264,387) | 3,053 | (261,334) |
| Other comprehensive income | - | (2,911) | - | (2,911) | - | (2,911) |
| **Total comprehensive (loss)/ income for the half-year** | **-** | **(2,911)** | **(264,387)** | **(267,298)** | **3,053** | **(264,245)** |
| **Transactions with owners in their capacity as owners** | | | | | | |
| Issue of shares held by Employee Share Trust | 93 | (93) | - | - | - | - |
| Employee share plan expense | - | 2,046 | - | 2,046 | - | 2,046 |
| Dividends Paid | - | - | - | - | (1,613) | (1,613) |
| **Balance at 28 February 2015** | **2,781,647** | **(1,194,779)** | **(1,134,266)** | **452,602** | **3,053** | **455,655** |
| **Balance at 1 September 2013** | **2,781,103** | **(1,197,031)** | **(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** | **(1,195,679)** | **(709,547)** | **876,304** | **3,233** | **879,537** |

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

## Consolidated cash flow statement

| | Notes | 28 February 2015 $'000 | 28 February 2014 $'000 |
|---|---|---|---|
| **Cash and cash equivalents** | | | |
| Cash on hand | | 75 | 88 |
| Cash at bank | | 19,953 | 19,497 |
| At end of period | | 20,028 | 19,585 |
| At beginning of period | | 13,439 | 122,351 |
| Effects of exchange rate changes on cash and its equivalents | | (381) | 197 |
| **Net cash inflows / (outflows) for the period** | | **6,208** | **(102,569)** |
| Represented by: | | | |
| **Cash Flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | 359,716 | 388,415 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (374,592) | (370,670) |
| Interest received | | 368 | 1,360 |
| Bank interest paid | | (1,311) | (6,651) |
| Treasury costs paid | | - | (349) |
| Net income tax received / (paid) | | | |
| Prior year refunds received | | 2,037 | 5,786 |
| Current year payments | | (4,362) | (7,794) |
| Net cash flows from operating activities | | (18,144) | 10,097 |
| **Cash Flows from investment activities** | | | |
| Acquisition of property, plant and equipment | | (4,853) | (11,605) |
| Proceeds on disposal of property, plant and equipment | | 99 | 26 |
| Deferred consideration received | | 15,000 | - |
| Dividends received | | 500 | 600 |
| Repayments from investments | | 220 | - |
| Proceeds from sale of investment | | - | (53) |
| Payments for investments | | - | (480) |
| Net cash flows from investment activities | | 10,966 | (11,512) |
| **Cash Flows from financing activities** | | | |
| Dividend paid | 8 | (1,614) | (3,305) |
| Refinancing costs | | - | (2,849) |
| Proceeds from borrowings | | 165,000 | 55,000 |
| Repayment of borrowings | | (150,000) | (150,000) |
| Net cash flows from financing activities | | 13,386 | (101,154) |
| **Net cash inflows / (outflows) for the period** | | **6,208** | **(102,569)** |

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

## Notes to the consolidated financial statements

### Note 1: Basis of preparation of the half year report

This general purpose Half Year Report for the reporting period ended 28 February 2015 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards *AASB 134 Interim Financial Reporting*, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

This Half Year Report does not include all the notes of the type normally included within the Annual Financial Report. Accordingly, this Report should be read in conjunction with the Annual Financial Report as at 31 August 2014 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 2014 Annual Financial Report.

***Going concern***

The Company and its controlled entities' ("the Group's") cash flow forecasts indicate that it will operate within the limits of its $200m funding facility for the 12 month period following the signing of these financial statements. However, a reduction in revenue compared to forecast due to television advertising market volatility or an adverse impact on the Group's market share could result in these cash flow forecasts not being achieved. If this was to occur the Group will need to take appropriate actions, including raising debt or equity funding should that be required, in order to continue to operate within its existing $200m funding facility.

As a result of these matters, 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 Group's ability to continue as a going concern and meet its debts and commitments as they fall due is dependent upon the ability of the Group to successfully take appropriate actions including raising debt or equity finance should that be required.

The Directors believe that the Group will be successful in the above and, accordingly, have prepared the financial report on a going concern basis.

***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 2015 annual report.

The Company has not elected to apply any pronouncements before their operative date in the period ended 28 February 2015.

## Note 2: Revenues and expenses

| | 28 February 2015 $'000 | 28 February 2014 $'000 |
|---|---|---|
| **2.1 Revenues from ordinary activities** | | |
| Sales revenue | 322,377 | 329,603 |
| Other revenue | | |
| - Interest income | 328 | 1,355 |
| - Gain on sale of non-current assets | 34 | - |
| - Dividend income | 500 | 600 |
| - Foreign exchange income | 1,013 | - |
| **Total revenues from ordinary activities** | 324,252 | 331,558 |
| | | |
| **2.2 Expenses from ordinary activities** | | |
| Details of relevant expenses | | |
| - Television activities | (309,635) | (311,531) |
| - Out-of-Home activities | (13,615) | (15,251) |
| - Finance costs | (7,857) | (9,114) |
| | | |
| ***Non-recurring expense items (Refer note 4)*** | | |
| *Television* | | |
| - Impairment of intangible assets | (251,157) | - |
| | | |
| **Total expenses from ordinary activities** | (582,264) | (335,896) |

## 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).

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

| **Half year to 28 February 2015** | Television $'000 | Out-of-home $'000 | Consolidated $'000 |
|---|---|---|---|
| ***Revenue*** | | | |
| Sales to external customers | 308,762 | 13,615 | 322,377 |
| Other revenue | 1,875 | - | 1,875 |
| **Total revenue** | **310,637** | **13,615** | **324,252** |
| ***Segment Result*** | | | |
| **EBITDA** | **7,467** | **-** | **7,467** |
| Depreciation | (7,316) | - | (7,316) |
| **Adjusted EBIT** | **151** | **-** | **151** |
| Finance costs | | | (7,857) |
| Finance revenue | | | 1,341 |
| Underlying Loss before tax | | | (6,365) |
| Income tax (expense) | | | (3,812) |
| **Underlying Loss from continuing operations** | | | **(10,177)** |
| Profit attributable to non-controlling interests | | | 3,053 |
| **Underlying Loss attributable to members** | | | **(13,230)** |
| Impairment of television licences (Refer note 4) | | | (251,157) |
| **Loss attributable to members** | | | **(264,387)** |

| **Half year to 28 February 2014** | Television $'000 | Out-of-home $'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) |
| Finance revenue | | | 1,355 |
| Loss before tax | | | (5,158) |
| Income tax revenue | | | 408 |
| **Loss from continuing operations** | | | **(4,750)** |
| Profit attributable to non-controlling interests | | | 3,233 |
| **Loss attributable to members** | | | **(7,983)** |

## Note 4: Impairment of television licences

Television licences are not amortised as the Directors believe that the television licences do not have a limited useful life. 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 2015 an impairment loss of $251.2m was recorded. The television impairment charge is mainly the result of a reduction in revenue forecasts in the Company's value in use model to reflect recent advertising market volatility, as well as a reassessment of the long term market growth forecast in the model.

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

Following the recognition of the impairment loss, the estimated recoverable amount of the Television CGU, based on value-in-use, equals its carrying amount. The following describes each key assumption used in performing the value-in-use 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 5.4% (Aug 2014: 7.5%) over this period. Revenue growth is a combination of both market growth and market share.
- The terminal value is based on the Gordon's Growth Model using a 2.0% (Aug 2014: 3.0%) growth rate.

*Discount rates*

Pre-tax discount rate of 13.15% and post discount rate of 10.17% (Aug 2014: pre-tax 12.86% and post-tax 10.17%) is the weighted average cost of capital ("WACC") 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 5: Reconciliation of income tax expense

The consolidated entity's loss before income tax was $257.5m. The difference between the statutory income tax benefit of $77.3m (at 30% of loss before tax) and the actual tax expense of $3.8m 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 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.

## Note 6: Contingent liabilities

As part of the sale of the out-of-home business in 2013, the company retained responsibility for parent guarantees in relation to certain concessions with a maximum value of $6m.

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. A cash outflow in relation to these guarantees is not probable.

## Note 7: Fair value of financial instruments

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

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

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

The following tables present the consolidated entity's assets and liabilities measured and recognised at fair value at 28 February 2015 and 31 August 2014.

| At 28 February 2015 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Assets - Investment in unlisted securities | - | - | 13,230 | 13,230 |
| Liabilities - Derivatives | - | 4,432 | - | 4,432 |

| At 31 August 2014 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| Assets - Investment in unlisted securities | - | - | 13,230 | 13,230 |
| Liabilities - Derivatives | - | 4,648 | - | 4,648 |

The Consolidated entity did not hold any level 1 instruments as at 28 February 2015. There have been no transfers between levels in the current period. Valuation techniques for Level 2 and 3 instruments are discussed below.

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

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The carrying amounts of non-current borrowings is assumed to approximate its fair value.

### *(i) Level 2 Instruments*

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

### *(ii) Level 3 Instruments*

The level 3 available-for-sale financial asset, being an unlisted investment, was acquired during the 2014 year. The valuation of the investment is based on the transacted acquisition price between willing buyers and sellers in a transaction that occurred close to the 2014 year end and business performance to date. There is no indication of the fair value having changed as at 28 February 2015.

## 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 2015.

A dividend of $1.6m was paid to CBS Studios Inc on 15 December 2014, which represents their share of ElevenCo Pty Limited's net profit for the six months to August 2014.

## Note 9: 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 2015.

## Note 10: Subsequent events

There have been no events that have occurred subsequent to 28 February 2015 and up to the date of this report that have had a material impact on the Company's financial performance or position.

## Commentary on results

Refer to attached Media Release.

# DIRECTORS DECLARATION

In the Directors' opinion:

(a) The financial statements and notes set out on pages 6 to 16 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 2015 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 30 April 2015 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 (the company), which comprises the consolidated balance sheet as at 28 February 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the 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 (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 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 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 2015 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 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 2015 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 regarding continuation as a going concern*

Without qualifying our review report, we draw attention to Note 1 in the half-year financial report which highlights that a reduction in revenue compared to current cash flow forecasts could result in the consolidated entity needing to take appropriate actions, including raising debt or equity funding should that be required. The matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horl

SG Horlin
Partner

Sydney
30 April 2015