



TEN NETWORK HOLDINGS LIMITED

ABN 14 081 327 068

Appendix 4E

Preliminary Final Report

Year ended: 31 August 2011

Previous corresponding period: 31 August 2010

Results for Announcement to the Market

| | | | | \$'000 |
|---|------|-------|----|---------------|
| Revenue from continuing operations | up | 1.0% | to | 1,001,768 |
| Profit for the period attributable to members | down | 90.5% | to | 14,176 |

The 2011 result included restructuring costs of \$85.4m (\$59.9m after tax) as disclosed in Note 2.

Dividends

| | Amount per security | Franked amount per security |
|--------------------------------|---------------------|--------------------------------|
| Dividends paid | | |
| November 2010 Dividend | 6.0 cents | - |
| November 2010 Special Dividend | 5.0 cents | - |

For details of proposed dividends, see Note 5.
Refer to attached Media Release for discussion of results.



Consolidated statement of comprehensive income

| | 31 August 2011 \$'000 | 31 August 2010 \$'000 |
|---|-----------------------------|-----------------------------|
| Revenue from ordinary activities | 998,711 | 990,472 |
| Other income | 3,057 | 1,588 |
| Total Revenue | 1,001,768 | 992,060 |
| Television costs | (713,434) | (658,040) |
| Out-of-Home costs | (137,516) | (153,716) |
| Finance costs ^A | (36,534) | (38,849) |
| Restructuring costs ^B | (85,436) | - |
| Share of net (loss) of joint ventures accounted for using the equity method ^C | (906) | - |
| Profit before income tax | 27,942 | 141,455 |
| Income tax (expense)/ revenue ^B | (10,291) | 8,552 |
| Net Profit from ordinary activities after income tax | 17,651 | 150,007 |
| Net Profit attributable to non-controlling interests | 3,475 | - |
| Net Profit attributable to members of Ten Network Holdings Limited | 14,176 | 150,007 |
| Net Profit from ordinary activities after income tax | 17,651 | 150,007 |
| Other comprehensive income | | |
| AASB 139 hedge reserves | (778) | (193) |
| Exchange differences on translation of foreign operations | 1,891 | 1,583 |
| Total comprehensive income after income tax | 18,764 | 151,397 |
| Total comprehensive income attributable to non-controlling interests | 3,475 | - |
| Total comprehensive income attributable to members of Ten Network Holdings Limited | 15,289 | 151,397 |

^A: Finance costs for 2011 include a \$3.7m (\$2.9m after tax) notional non-cash interest charge in relation to the unwinding of the provision for onerous contracts in the Out-of-Home segment (2010: \$5.1m or \$4.2m after tax).

^B: The Company had \$85.4m of restructuring costs incurred for the year ended 31 August 2011. These one-off charges are non-recurring and consist of staff redundancy costs for both the Television and Out-of-Home segments, restructuring charges incurred as part of the Operating and Strategic Review, and onerous contract provisions. It also includes legal costs which the Company has agreed to pay for the proceedings brought against, and by, its Chief Executive designate.

The income tax revenue associated with these costs was \$25.5m, bringing the net effect of restructuring costs to \$59.9m.

^C: Relates to the Company's 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 | 31 August 2011 \$'000 | 31 August 2010 \$'000 |
|---|-----------------------------|-----------------------------|
| Current Assets | | |
| Cash and cash equivalents | 19,069 | 12,998 |
| Receivables | 191,332 | 184,539 |
| Program rights & inventories | 177,947 | 162,402 |
| Current tax assets ^D | - | 18,930 |
| Other | 13,052 | 9,285 |
| Total Current Assets | 401,400 | 388,154 |
| Non-Current Assets | | |
| Receivables | - | 248 |
| Program rights & inventories | 3,545 | 6,338 |
| Other financial assets | 8,765 | 2,765 |
| Property, plant and equipment | 84,570 | 81,349 |
| Intangible assets | 1,171,411 | 1,172,931 |
| Deferred tax assets | 8,448 | 11,718 |
| Other | 1,138 | 339 |
| Total Non-Current Assets | 1,277,877 | 1,275,688 |
| Total Assets | 1,679,277 | 1,663,842 |
| Current Liabilities | | |
| Payables | 194,551 | 183,624 |
| Borrowings ^E | - | 10,000 |
| Derivative financial instruments ^E | 461 | 1,107 |
| Provision for Income Tax ^D | 7,247 | - |
| Provisions ^F | 54,680 | 32,425 |
| Total Current Liabilities | 256,939 | 227,156 |
| Non-Current Liabilities | | |
| Payables | 11,599 | 13,865 |
| Borrowings ^E | 348,153 | 300,636 |
| Derivative financial instruments ^E | 95,570 | 66,273 |
| Financial liabilities held at fair value ^G | - | 1,516 |
| Deferred tax liabilities | 84,442 | 102,122 |
| Provisions ^F | 74,736 | 49,974 |
| Total Non-Current Liabilities | 614,500 | 534,386 |
| Total Liabilities | 871,439 | 761,542 |
| Net Assets | 807,838 | 902,300 |
| Equity | | |
| Contributed equity | 2,356,548 | 2,355,888 |
| Reserves | (1,203,365) | (1,205,568) |
| Accumulated losses | (348,825) | (248,025) |
| Total parent entity interest | 804,358 | 902,295 |
| Non-controlling interest | 3,480 | 5 |
| Total Equity | 807,838 | 902,300 |

^{D-G}: Refer to following page for commentary.

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



Consolidated balance sheet – Commentary

^D: The 2010 tax balances included a \$26.6m receivable for restated tax returns for 2008 and 2009 (due to the change in tax consolidation legislation). This refund was received in November 2010.

^E: The total drawn debt (Bank loan and Private Placement) at the end of the period was \$435m. This is comprised of the Non-Current Borrowings (\$348.2m) and the mark to market of the cross-currency swap embedded with the \$USD125m Private Placement Loan (\$86.8m). The remainder of the derivative financial instrument balance relates to the mark to market of the interest rate hedge derivatives.

In February 2011, the Company completed its refinancing process and signed a new \$350m revolving cash advance facility, expiring February 2014. As a result, this portion of drawn debt is now disclosed as part of Non-Current Borrowings.

^F: Current and Non-Current Provisions include a provision for restructuring charges that are yet to be paid. These include staff redundancy costs for both the Television and Out-of-Home segments, restructuring charges incurred as part of the Operating and Strategic Revenue, and onerous contract provisions. It also includes legal costs which the Company has agreed to pay for the proceedings brought against, and by, its Chief Executive designate.

^G: Financial liabilities held at fair value at end of period are nil as a result of previously undesignated interest rate swaps being designated during the period.



Consolidated statement of changes in equity

| | Contributed Equity \$'000 | Equity Reserve \$'000 | Other Reserves \$'000 | Accumulated Losses \$'000 | Total \$'000 | Non- controlling Interest \$'000 | Total Equity \$'000 |
|--|---------------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------|---|---------------------------|
| Balance at 1 September 2010 | 2,355,888 | - | (1,205,568) | (248,025) | 902,295 | 5 | 902,300 |
| Profit for the year | - | - | - | 14,176 | 14,176 | 3,475 | 17,651 |
| Other comprehensive income | - | - | 1,113 | - | 1,113 | - | 1,113 |
| Total comprehensive income for the year | - | - | 1,113 | 14,176 | 15,289 | 3,475 | 18,764 |
| Transaction with Non-controlling interest ^H | - | 1,840 | - | - | 1,840 | - | 1,840 |
| Issue of shares held by Employee Share Trust | 660 | - | (3,119) | - | (2,459) | - | (2,459) |
| Employee share plan expense | - | - | 2,369 | - | 2,369 | - | 2,369 |
| Dividends paid | - | - | - | (114,976) | (114,976) | - | (114,976) |
| Balance at 31 August 2011 | 2,356,548 | 1,840 | (1,205,205) | (348,825) | 804,358 | 3,480 | 807,838 |
| Balance at 1 September 2009 | 2,353,403 | - | (1,207,226) | (398,032) | 748,145 | 5 | 748,150 |
| Profit for the year | - | - | - | 150,007 | 150,007 | - | 150,007 |
| Other comprehensive income | - | - | 1,390 | - | 1,390 | - | 1,390 |
| Total comprehensive income for the year | - | - | 1,390 | 150,007 | 151,397 | - | 151,397 |
| Contributions of equity, net of transaction costs | 36 | - | - | - | 36 | - | 36 |
| Issue of shares held by Employee Share Trust | 2,449 | - | (3,199) | - | (750) | - | (750) |
| Employee share plan expense | - | - | 3,467 | - | 3,467 | - | 3,467 |
| Dividends paid | - | - | - | - | - | - | - |
| Balance at 31 August 2010 | 2,355,888 | - | (1,205,568) | (248,025) | 902,295 | 5 | 902,300 |

^H: Represents cash received from the non-controlling interest in ElevenCo Pty Limited.

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



Consolidated cash flow statement

| | 31 August 2011 \$'000 | 31 August 2010 \$'000 |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents | | |
| Cash at hand | 90 | 75 |
| Cash at bank | 18,979 | 12,923 |
| At end of year | 19,069 | 12,998 |
| At beginning of year | 12,998 | 5,318 |
| Effects of exchange rate changes on cash and its equivalents | 238 | 150 |
| Net cash inflows for the year | 6,309 | 7,830 |
| Represented by: | | |
| Cash Flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 1,080,455 | 1,056,130 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (955,015) | (921,797) |
| Interest received | 2,968 | 1,444 |
| Bank interest paid | (30,708) | (30,665) |
| Treasury costs paid | (2,859) | (1,741) |
| Net income tax received/(paid) | | |
| Prior year refunds received | 26,645 | 19,461 |
| Current year payments | (24,949) | (17,119) |
| Net cash flows from operating activities (refer Note 9) | 96,537 | 105,713 |
| Cash Flows from investment activities | | |
| Acquisition of property, plant and equipment | (34,157) | (17,929) |
| Proceeds on disposal of property, plant and equipment | 17 | 46 |
| Proceeds from sale of investment | 530 | - |
| Payment for other investments | (6,907) | - |
| Advances from other entities | 350 | - |
| Net cash flows from investment activities | (40,167) | (17,883) |
| Cash Flows from financing activities | | |
| Dividend paid | (114,976) | - |
| Proceeds from non-controlling interest | 1,840 | - |
| Proceeds from borrowings | 435,000 | 395,000 |
| Repayment of borrowings | (370,000) | (475,000) |
| Refinancing costs | (1,925) | - |
| Net cash flows from financing activities | (50,061) | (80,000) |
| Net cash inflows for the year | 6,309 | 7,830 |

The above 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 Preliminary Final Report

This general purpose Preliminary Final Report for the reporting year ended 31 August 2011 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards (AASB), which include Australian equivalents to International Financial Reporting Standards (AIFRS).

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 through profit or loss.

The accounting policies adopted are consistent with those of the previous year except for the change in accounting policy disclosed below.

Change in Accounting Policy

The consolidated entity has changed its accounting policy for the recognition, measurement and disclosure of television program rights to account for these under AASB 102 *Inventories*. Previously, the consolidated entity applied the provisions of AASB 138 *Intangible Assets* and AASB 136 *Impairment of Assets* to recognise and measure the recoverable amount of television program rights as part of the Television business cash generating unit. The alignment of the accounting policy with industry practice and management's focus in terms of individual program profitability will provide more relevance and reliability to the consolidated entity's financial statements.

In accordance with the provisions of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the changed accounting policy has been retrospectively applied. The application of the changed accounting policy has no material impact on the financial results, the carrying value of program rights inventory, equity, cash flows or earnings per share presented in the prior periods.

Note 2: Underlying Results

In line with Finsia (Financial Services Institute of Australasia) and the AICD (Australian Institute of Company Directors) underlying profit reporting principles, the following tables reconcile 2011 and 2010 underlying net profit for the year to reported net profit.

| Year to 31 August 2011 | | |
|--|---------------|---------------|
| Gross \$'000 | Tax \$'000 | Net \$'000 |
| | | 14,176 |
| Reported Net Profit after income tax attributable to members | | |
| Restructuring costs | 85,436 | (25,483) |
| | | 59,953 |
| | | 74,129 |
| Underlying Net Profit after income tax attributable to members | | |

The restructuring costs are non-recurring charges and consist of staff redundancy costs for both the Television and Out-of-Home segments, restructuring charges incurred as part of the Operating and Strategic Review, and onerous contract provisions. The charges also include legal costs which the Company has agreed to pay for the proceedings brought against, and by, its Chief Executive designate.

| Year to 31 August 2010 | | |
|--|---------------|-----------------|
| Gross \$'000 | Tax \$'000 | Net \$'000 |
| | | 150,007 |
| Reported Net Profit after income tax attributable to members | | |
| Tax refund receivable arising from change in tax consolidation legislation | - | (53,156) |
| | | (53,156) |
| Underlying Net Profit after income tax attributable to members | | 96,851 |

The tax refund receivable arose from recent tax consolidation amendments which enables a claim in respect of certain assets.



Underlying – Earnings per share

Basic EPS (cents per share)
Diluted EPS (cents per share) ¹

| | 31 August 2011 | 31 August 2010 |
|--|-------------------|-------------------|
| Basic EPS (cents per share) | 7.11 cents | 9.29 cents |
| Diluted EPS (cents per share) ¹ | 7.10 cents | 9.27 cents |

¹: The number of shares used in calculating diluted EPS includes the potential impact of 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.

Note 3: Revenues and Expenses

3.1 Revenues from ordinary activities

Sales Revenue
Other revenue
- Interest revenue
- Foreign exchange gain

Total revenues from ordinary activities

3.2 Expenses from ordinary activities

Details of relevant expenses
- Television activities
- Out Of Home activities

Non-Recurring Restructuring Costs (Refer Note 2)

Television
Out Of Home

Total expenses from ordinary activities

3.3 Income tax (expense)/ revenue

Normal
Non-recurring tax items (Refer Note 2)
Tax refund receivable arising from change in tax consolidation legislation
Tax effect of non-recurring expense items

Total income tax (expense)/ revenue

| | 31 August 2011 \$'000 | 31 August 2010 \$'000 |
|--|-----------------------------|-----------------------------|
| Sales Revenue | 998,711 | 990,472 |
| Other revenue | | |
| - Interest revenue | 3,057 | 1,444 |
| - Foreign exchange gain | - | 144 |
| Total revenues from ordinary activities | 1,001,768 | 992,060 |
| Details of relevant expenses | | |
| - Television activities | (713,434) | (658,040) |
| - Out Of Home activities | (137,516) | (153,716) |
| Non-Recurring Restructuring Costs (Refer Note 2) | | |
| Television | (83,357) | - |
| Out Of Home | (2,079) | - |
| Total expenses from ordinary activities | (936,386) | (811,756) |
| Normal | (35,774) | (44,604) |
| Non-recurring tax items (Refer Note 2) | | |
| Tax refund receivable arising from change in tax consolidation legislation | - | 53,156 |
| Tax effect of non-recurring expense items | 25,483 | - |
| Total income tax (expense)/ revenue | (10,291) | 8,552 |



Note 4: Reconciliation of Income Tax Expense

The normal tax expense in the year to August 2011 represents 31.6% (2010: 31.5%) of profit before tax and non-recurring items.

Note 5: Dividends

Details of dividends/distributions declared or paid to the members of Ten Network Holdings Limited during or subsequent to the year ended 31 August 2011 are as follows:

| Payment date | Type | Amount per security | Total dividend \$ | Franked amount per security | Foreign sourced dividend amount per security |
|------------------|--------------------------|---------------------|-------------------|-----------------------------|--|
| 19 November 2010 | 1 st Dividend | 6.0 cents | 62,714,203.20 | - | - |
| 19 November 2010 | Special Dividend | 5.0 cents | 52,261,836.00 | - | - |

The Company has determined that a final fully franked dividend of 5.25 cents per share will be payable on 30 November 2011. The record date for payment of the 2011 final dividend is 15 November 2011.

Following changes to the Corporations Act from June 2010, the Australian Taxation Office (ATO) has released a draft Fact Sheet in June 2011 expressing its views on when dividends can be franked. The draft Fact Sheet does not consider the Company's case where dividends are paid out of current year profits, however states dividends likely cannot be franked where net assets are less than share capital. The ATO is currently reviewing its interpretation and if its view does not change prior to the Dividend payment date, the Company will undertake alternate measures to ensure it meets currently accepted practice of the ATO for franking the dividend.

Note 6: Earnings per share

| | 31 August 2011 | 31 August 2010 |
|---|----------------|----------------|
| Reported | | |
| (a) Basic EPS (Refer Note (i) below) | 1.36 cents | 14.40 cents |
| (b) Diluted EPS (Refer Note (ii) below) ^K | 1.36 cents | 14.35 cents |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS | 1,042,541,225 | 1,042,023,286 |
| Underlying^J | | |
| (a) Basic EPS (Refer Note (i) below) | 7.11 cents | 9.29 cents |
| (b) Diluted EPS (Refer Note (ii) below) ^K | 7.10 cents | 9.27 cents |

^J: Excludes the non-recurring items disclosed in Note 2.

^K: The number of shares used in calculating Diluted EPS includes the potential impact of treasury shares (which represent awards to certain senior executives under the Ten Deferred Incentive Plan and are disclosed as an offset to 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 7: NTA Backing

| | 31 August 2011 | 31 August 2010 |
|---|-------------------|-------------------|
| Net tangible asset backing per ordinary share | (\$0.35) | (\$0.26) |
| Net asset backing per ordinary security | \$0.77 | \$0.87 |

Note 8: Reconciliation of Profit After Income Tax to Net Cash Flows From Operating Activities

| | 31 August 2011 \$'000 | 31 August 2010 \$'000 |
|---|-----------------------------|-----------------------------|
| Profit/ (Loss) after income tax | 17,651 | 150,007 |
| Non-cash expenses | 26,109 | 29,349 |
| Non-cash expenses – Non recurring items | 3,139 | - |
| Loss/ (Profit) on sale of other non-current assets | - | (4) |
| Loss on sale of investments | 281 | - |
| Net increase in provisions ^L | 62,813 | 5,048 |
| Net increase/ (decrease) in tax provisions | 11,987 | (6,451) |
| Net increase/ (decrease) in accrued revenue and expense items in payables/ (receivables) | (25,443) | (72,236) |
| Net cash flows from operating activities | 96,537 | 105,713 |

^L: 2011: Includes the creation of provisions for restructuring costs.

Note 9: Changes in the Composition of the Consolidated Entity

There were no material changes in the composition of the consolidated entity for the years ended 31 August 2011 and 2010.



Note 10: Segment Note

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

| 2011 | Television \$'000 | Out of Home \$'000 | Eliminations/ Unallocated \$'000 | Consolidated \$'000 |
|--|----------------------|-----------------------|--|------------------------|
| Revenue | | | | |
| Sales to external customers | 851,660 | 147,051 | - | 998,711 |
| Inter-segment sales | 179 | 1,436 | (1,615) | - |
| Total sales revenue | 851,839 | 148,487 | (1,615) | 998,711 |
| Other revenue | 2,964 | 93 | - | 3,057 |
| Total revenue | 854,803 | 148,580 | (1,615) | 1,001,768 |
| Segment Result | | | | |
| EBITDA | 154,095 | 18,400 | - | 172,495 |
| Depreciation | (18,031) | (6,089) | - | (24,120) |
| Amortisation | - | (1,520) | - | (1,520) |
| EBIT | 136,064 | 10,791 | - | 146,855 |
| Non-recurring expense items (Refer Note 2) | (83,357) | (2,079) | - | (85,436) |
| Finance costs | | | | (36,534) |
| Interest revenue | | | | 3,057 |
| Profit before tax | | | | 27,942 |
| Income tax (expense)/ revenue | | | | |
| Normal | | | | (35,774) |
| Non-recurring tax items (Refer Note 2) | | | | 25,483 |
| Profit after tax | | | | 17,651 |



Note 10: Segment Note (continued)

| 2010 | Television \$'000 | Out of Home \$'000 | Eliminations/ Unallocated \$'000 | Consolidated \$'000 |
|--|----------------------|-----------------------|--|------------------------|
| Revenue | | | | |
| Sales to external customers | 833,242 | 157,230 | - | 990,472 |
| Inter-segment sales | 185 | 893 | (1,078) | - |
| Total sales revenue | 833,427 | 158,123 | (1,078) | 990,472 |
| Other revenue | 1,583 | 5 | - | 1,588 |
| Total revenue | 835,010 | 158,128 | (1,078) | 992,060 |
| Segment Result | | | | |
| EBITDA | 193,038 | 15,026 | - | 208,064 |
| Depreciation | (18,396) | (9,288) | - | (27,684) |
| Amortisation | - | (1,520) | - | (1,520) |
| EBIT | 174,642 | 4,218 | - | 178,860 |
| Finance costs | | | | (38,849) |
| Interest revenue | | | | 1,444 |
| Profit before tax | | | | 141,455 |
| Income tax (expense)/ revenue | | | | |
| Normal | | | | (44,604) |
| Non-recurring tax items (Refer Note 2) | | | | 53,156 |
| Profit after tax | | | | 150,007 |



Note 11: Issued and Quoted Securities at End of Current Period

| Category of securities | Total number | Number quoted | Issue price per security | Amount paid up per security |
|-------------------------------------|---------------|---------------|--------------------------|-----------------------------|
| Ordinary securities | 1,045,236,720 | 1,045,236,720 | - | - |
| Changes during current period: None | | | | |

Note 12: Events Occurring After Reporting Date

No matter, item, transaction or event of a material nature has occurred between 31 August 2011 and the date of this report.



Commentary on Results

Refer to attached Media Release.

Annual Meeting

The annual meeting will be held as follows:

Place

| |
|--|
| Wesley Centre, 220 Pitt Street, Sydney NSW |
| Friday 9 December 2011 |
| 10.00am |
| Tuesday 8 November 2011 |

Date

Time

Approximate date the annual report will be available

Audit

This report is based on accounts which have been audited.