

**TEN NETWORK**  
**HOLDINGS**  
**LIMITED**

**ANNUAL**  
**REPORT**

For the year ended  
31 August 2008

ABN 14 081 327 068

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES  
FOR THE YEAR ENDED 31 AUGUST 2008  
ABN 14 081 327 068**

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This financial report covers both Ten Network Holdings Limited as an individual entity and the consolidated entity consisting of Ten Network Holdings Limited and its controlled entities.

Ten Network Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
**31 AUGUST 2008**

The Directors of Ten Network Holdings Limited present their report on the consolidated entity, consisting of Ten Network Holdings Limited ("the Company") and its controlled entities, for the year ended 31 August 2008.

**Directors**

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

Mr NG Falloon (Chairman)  
 Mr JJ Cowin (Alternate Mr JB Studdy)  
 Mr PV Gleeson (Alternate Mr NG Falloon)  
 Mr JB Studdy (Alternates Mr JJ Cowin and Mr AJ Peschar)<sup>C</sup>  
 Mr PD Viner (Alternates Mr LJ Asper, Mr TC Strike and Mr JE Maguire)  
 Mr TC Strike (Alternate Mr LJ Asper)<sup>B</sup>  
 Mr LJ Asper<sup>B</sup>

<sup>A</sup>: Resigned as directors effective 25 October 2007.

Mr LS Freedman (Alternate Mr NG Falloon)<sup>A</sup>  
 Mr PPA Harris (Alternate Mr PV Gleeson)<sup>A</sup>  
 Ms IYL Lee (Alternate Mr JB Studdy)<sup>A</sup>  
 Mr GH Levy (Alternate Mr PV Gleeson)<sup>A</sup>  
 Mr R Magid (Alternate Mr NG Falloon)<sup>A</sup>  
 Mr BM Sherman (Alternate Mr B Sechos)<sup>A</sup>

<sup>B</sup>: Appointed as directors on 26 October 2007.

<sup>C</sup>: Mr A Peschar resigned as Alternate Director for Mr JB Studdy on 11 September 2007.

**Principal Activities**

The principal activity of Ten Network Holdings Limited is the investment in The Ten Group Pty Limited ("Ten Group") and controlled entities, whose principal activities are the operation of commercial television licences in Sydney, Melbourne, Brisbane, Adelaide and Perth, and out-of-home advertising.

**Results**

The consolidated profit after income tax for the year ended 31 August comprises:

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Earnings before interest, tax, depreciation and amortisation	215,026	248,346
Depreciation	(32,193)	(25,566)
Amortisation	(2,870)	(3,524)
Earnings before interest and tax	179,963	219,256
Subordinated debenture interest	-	(50,883)
Net interest expense – other	(48,916)	(42,698)
Profit before income tax	131,047	125,675
Income tax revenue/ (expense)	142,958	(47,152)
Profit after income tax	274,005	78,523
Profit attributable to minority interest	(523)	(12,392)
Profit attributable to members of the Company	273,482	66,131

## **Dividends**

Since the end of the previous financial year a fully franked dividend of 10.0 cents per share (\$92,214,908) was paid on 4 January 2008 and a fully franked dividend of 3.5 cents per share (\$32,465,475) was paid on 16 July 2008 in respect of the results for the period to 30 June 2008.

## **Review of Operations**

The Directors were satisfied with the results of the consolidated entity for the year.

## **Significant Changes in the State Of Affairs**

### **Exchange of minority shareholders in The Ten Group Pty Limited**

During February 2008, AMP Life Limited ("AMP") and Copplemere Pty Limited ("Copplemere") exchanged their remaining interests (totalling 5,435,916 shares) in The Ten Group Pty Limited into the equivalent number of new shares in Ten Network Holdings Limited. The value of the shares exchanged was recorded at the prevailing market value of \$13.1m in total.

### **Tax Consolidations**

Following the above exchange, Ten Network Holdings Limited now holds 100% of the shares in The Ten Group Pty Limited and as a result becomes the head of a new tax consolidated group. This triggers the requirement to reassess the tax cost bases of the tax consolidated group – broadly with reference to proportional market values. An income tax benefit of \$188.1m was booked to the income statement as a result of this calculation. Of this benefit, an amount of \$186.4m relates to a reduction to deferred tax liabilities arising from an uplift of \$621.4m in the tax cost base of television licences. The remaining benefit of \$1.6m relates to uplifts in the tax cost bases of other depreciable assets, particularly fixed assets such as plant and equipment.

### **Share Buybacks**

On 3 July 2008, Ten Network Holdings announced that it proposed to acquire up to 10% of the Company's issued shares via an on-market share buyback. As at 31 August 2008, Ten Network Holdings Limited has purchased 2,348,280 of issued shares valued at \$3,608,042. As a consequence, Canwest's interest in Ten Network Holdings Limited has now increased to 56.6% at 31 August 2008.

Other than the above, there were no significant changes in the state of affairs of the consolidated entity during the year.

## **Events Subsequent to Balance Date**

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

- the operations in financial years subsequent to 31 August 2008 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2008 of the consolidated entity.

## **Likely Developments**

Information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES  
DIRECTORS' REPORT  
31 AUGUST 2008**

**Information on Directors**

**Particulars of Directors' Interests  
in Shares and Options of The  
Company**

Director	Responsibilities	Ordinary Shares	Options
<b>Chairman - Executive</b>			
NG Falloon	Executive Chairman of Board of Directors. Member of Remuneration Committee	740,836	-
<b>Non-Executive Directors</b>			
JJ Cowin	Member of Audit and Chair of Remuneration Committee	1,000,000	-
PV Gleeson	Chair of Audit and Member of Remuneration Committee	15,228,608	-
JB Studdy	Member of Audit Committee and Chair of Nomination Committee	50,000	-
PD Viner <sup>A</sup>		-	-
TC Strike <sup>B</sup>	Member of Audit Committee.		
LJ Asper <sup>C</sup>	Member of Remuneration Committee.		

<sup>A</sup>: Mr Viner has 50,000 subordinate voting shares of CanWest Global Communications Corp., whose subsidiary, CanWest MediaWorks Ireland Holdings, has 56.6% ownership in Ten Network Holdings Limited.

<sup>B</sup>: Mr Strike has 57,981 subordinate voting shares of CanWest Global Communications Corp., whose subsidiary, CanWest MediaWorks Ireland Holdings, has 56.6% ownership in Ten Network Holdings Limited.

<sup>C</sup>: Mr Asper holds an interest in 1,361,773 subordinate voting shares plus 25,595,325 multiple voting shares in CanWest Global Communications Corp., whose subsidiary, CanWest MediaWorks Ireland Holdings, has 56.6% ownership in Ten Network Holdings Limited.

All Directors are members of the Nomination Committee.

## **Information on Directors (continued)**

### ***Qualifications and Experience of Directors***

The qualifications and experience of each Director are detailed below.

#### **Nicholas G Falloon**

BMS (Age 51)

Appointed Executive Chairman of the Company in February 2002. Previously served as Chief Executive Officer of Publishing and Broadcasting Limited from 1998 to 2001. Prior to that Mr Falloon held other senior executive positions within the PBL organisation. He has also been a Director of a number of companies including Foxtel, Fox Sports and ecorp.

Mr Falloon is a member of the Nomination and Remuneration Committees of the Company.

***Other Current Australian Listed Company Directorships:*** None

***Former Australian Listed Company Directorships in Last 3 Years:*** None

#### **Jack J Cowin**

BA (Age 66)

Director of the Company since April 1998. Founder and Chairman of Competitive Foods Australia Limited and is on the board of directors of SOPA.

Mr Cowin is Chairman of the Remuneration Committee and is a member of the Nomination and Audit Committees of the Company.

***Other Current Australian Listed Company Directorships:*** None

***Former Australian Listed Company Directorships in Last 3 Years:*** None

#### **Paul V Gleeson**

BEc, ACA (Age 55)

Director of the Company since February 1998. He is a member of the Institute of Chartered Accountants in Australia.

Mr Gleeson is Chairman of the Audit Committee and is also a member of the Nomination and Remuneration Committees of the Company.

***Other Current Australian Listed Company Directorships:*** None

***Former Australian Listed Company Directorships in Last 3 Years:*** None

#### **John B Studdy AM**

BEc, FCA (Age 79)

Director of the Company since June 1998. Chairman of the Company from 1998 to February 2002 and Chairman of The Ten Group Pty Limited from May 1993 to February 2002. Mr Studdy is also Director of IWPE Nominees Pty Limited. Recipient of Centenary Medal 2003. Mr Studdy is an Honorary Vice President of the International Federation of MS Societies, Emeritus President of the MS Society and Chairman of the Pain Management Research Institute and of ING Australia Foundation.

Mr Studdy is Chairman of the Nomination Committee and is also a member of the Audit Committee of the Company.

***Other Current Australian Listed Company Directorships:*** None

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
**31 AUGUST 2008**

**Information on Directors (continued)**

**Former Australian Listed Company Directorships in Last 3 Years:** Director of Angus & Coote (Holdings) Limited, Director of Westfield Group, a stapled security which comprises Westfield Holdings Limited and Westfield Management Limited as the responsible entity of Westfield Trust and Westfield America Management Limited as the responsible entity of Westfield America Trust, and Director of Westfield Management Limited as the responsible entity of Carindale Property Trust.

**Peter D Viner**

(Age 63)

Director of the Company since April 1998. Served as Chief Executive Officer of The Ten Group Pty Limited from 1993 to 1997. Currently Executive Vice-President of Canwest Global Communications Corp.

Mr Viner is a member of the Nomination Committee of the Company.

**Other Current Australian Listed Company Directorships:** None

**Former Australian Listed Company Directorships in Last 3 Years:** None

**Thomas C Strike**

BA, BCom (Hons), CA, CF (Age 54)

Director of the Company since October 2007. President, Corporate Development & Strategy Implementation of Canwest Global Communications Corp. Director of a number of media and entertainment companies associated with the Canwest Group.

Mr Strike is a member of the Audit Committee and Nomination Committee of the Company.

**Other Current Australian Listed Company Directorships:** None

**Former Australian Listed Company Directorships in Last 3 Years:** None

**Leonard J Asper**

BA, LLB (Age 44)

Director of the Company since 2007. President and Chief Executive and a director of Canwest Global Communications Corp. Director of a number of media and entertainment companies associated with the Canwest Group.

Mr Asper is a member of the Nomination and Remuneration Committees of the Company.

**Other Current Australian Listed Company Directorships:** None

**Former Australian Listed Company Directorships in Last 3 Years:** None

**Company Secretary**

Stephen Partington was appointed as Company Secretary of The Ten Group Pty Limited in October 1996 and as Company Secretary of Ten Network Holdings Limited in June 2001. He also holds the position of Group General Counsel.

Previously he held the position of General Counsel and Group Secretary at Advance Bank where he was employed from 1982 to 1996. Mr Partington graduated with a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales and Masters of Laws from each of Sydney University and University of Technology, Sydney.

He is a fellow of Chartered Secretaries Australia and has been admitted as a solicitor in New South Wales since 1980.

## Directors' Meetings

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 August 2008, and the number of meetings attended by each Director were:

Director's Name Alternate name (if applicable)	Date appointed	Date resigned	Meeting of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
			A	B	A	B	A	B	A	B
NG Falloon	13/02/02	Continuing	6	6	-	-	2	2	1	1
JJ Cowin	03/04/98	Continuing	6	5	2	2	2	2	1	1
JB Studdy (Alternate)	27/04/01	Continuing	-	1	-	-	-	-	-	-
LS Freedman	16/02/98	25/10/07	1	1	-	-	-	-	-	-
PV Gleeson	16/02/98	Continuing	6	6	3	3	2	2	1	1
PPA Harris	16/02/98	25/10/07	1	1	1	1	-	-	-	-
IYL Lee	13/10/00	25/10/07	1	-	1	-	-	-	-	-
JB Studdy (Alternate)	22/10/03	25/10/07	-	1	-	1	-	-	-	-
GH Levy	03/04/98	25/10/07	1	-	-	-	-	-	-	-
PV Gleeson (Alternate)	06/07/04	25/10/07	-	1	1	-	-	-	-	-
R Magid	03/04/98	25/10/07	1	1	-	1	-	-	-	-
BM Sherman	16/02/98	25/10/07	1	1	-	-	-	-	-	-
JB Studdy	04/06/98	Continuing	6	6	2	2	-	-	1	1
PD Viner	03/04/98	Continuing	6	6	-	-	-	-	1	-
TC Strike	26/10/07	Continuing	5	4	2	2	-	-	1	1
LJ Asper (Alternate)	26/10/07	Continuing	-	1	-	-	-	-	-	-
LJ Asper	26/10/07	Continuing	5	5	-	-	2	2	1	1

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

B Number of meetings attended

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
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**Remuneration Report**

*Principles Used to Determine the Nature and Amount of Remuneration*

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

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital management.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- Has economic profit (earnings before interest and tax – "EBIT") as a core component of plan design
- Focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives.

Alignment to program participants' interests:

- Rewards capability and experience
- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and deferred incentives. As Executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

***Non-Executive Directors***

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Nomination Committee has responsibility for reviewing and recommending the level of remuneration for non-executive Directors in relation to Board and Committee duties. The non-executive Directors do not participate in any share option plans.

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

Directors' fees have been determined on the basis that it will be attractive to proposed Board members and ensure the Company's Board is comprised of skilled and well-qualified Directors.

There are no retirement allowances for non-executive Directors.

## **Remuneration Report (continued)**

### ***Executive Pay***

The executive pay and reward framework has four components:

- Base pay and benefits
- Short-term performance incentives through cash bonuses
- Deferred incentives through participation in the Ten Deferred Incentive Plan, and
- Other remuneration such as superannuation.

Executives in the past have been granted share options under the Ten Executive Option Plan. This Plan is currently suspended.

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

### ***Base Pay***

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

External remuneration consultants periodically provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior Executives is reviewed annually to ensure the Executive's pay is competitive with the market. Some Executives have fixed annual base pay increases included as a term of their employment contract.

### ***Retirement Benefits***

Retirement benefits are delivered under defined contribution superannuation funds.

### ***Short-Term Incentives***

Short-term incentives are available through cash bonuses to certain Executives as determined by the Remuneration Committee. Short-Term Incentive Scheme ("STI") targets are established in each financial year with 25% of the incentive dependent on group EBIT targets, as approved by the Board, and the remainder based on achievement of specific individual and leadership related targets, objectives and measures plus a discretionary component based on individual contribution to the business. EBIT is deemed to be the most appropriate measure in determining incentive remuneration in line with company performance. Short-term incentives are payable in December of each year. Using a combination of financial and non-financial targets ensures variable reward is linked to shareholder value consistent with the business plan.

Each Executive has a target short-term incentive opportunity depending on the accountabilities of the role and impact on organisation or business unit performance. For senior Executives (other than the Executive Chairman, CEO – Television and CEO - Eye Corp) the maximum target bonus opportunity varies between 15-35% of fixed remuneration. The Executive Chairman can receive up to a maximum target bonus of 75% of fixed remuneration. The CEO - Television can receive up to a maximum target bonus of 50% of fixed remuneration and the CEO - Eye Corp can receive up to a maximum target bonus of 35% of fixed remuneration. Each year, the Remuneration Committee reviews both the prescribed targets for the forthcoming year and recommended payments for the completed year under the plan. Performance against STI objectives is measured via a confidential 360-degree feedback review plus a discretionary payment based on individual contribution to the business. The Executive Chairman's performance is assessed by the Board Remuneration Committee annually against pre-determined performance criteria weighted heavily to the performance of the Group.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
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**Remuneration Report (continued)**

***Ten Deferred Incentive Plan***

A limited number of senior Executives are invited to participate in a deferred incentive share plan. Ten Network Holdings Limited wishes to give eligible employees an opportunity to participate in the Ten Deferred Incentive Plan ("Ten Deferred Incentive Plan") to encourage retention of key employees, provide an incentive for future performance and align employee interests with shareholder value in the future.

For participants, a maximum "incentive amount" is determined at the Remuneration Committee's discretion. The incentive amount is payable with reference to certain profit and personal targets.

Shares equal to the incentive amount are bought on market upfront and vest in four equal tranches over three years. The first tranche vests on the date of purchase with the next three tranches of shares vesting on or about each successive anniversary of the first acquisition date.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

Whilst employed by the Company the tranches of shares are subject to a trading lock until the applicable anniversary of the first acquisition date.

***Ten Executive Share Option Plan***

Executives in the past have been granted share options under the Ten Executive Option Plan. This Plan is currently suspended.

***Details of Remuneration***

***Amounts of Remuneration***

Details of the nature and amount of each element of the emoluments of each Director of Ten Network Holdings Limited and each of the five Executives of the consolidated entity receiving the highest emoluments for the year ended 31 August 2008 are set out in the following tables.

***Executive Director of Ten Network Holdings Limited***

<b>2008</b>	Short-term Benefits				Post-Employment Benefits	Share-Based Payment	
Name	Cash Salary and Fees \$	Cash Bonus* \$	Motor Vehicle \$	Other \$	Super-annuation \$	Shares \$	Total \$
NG Falloon	2,170,768	2,196,250	-	-	13,232	1,424,999	5,805,249

\* Cash bonuses include one-off payments to the Executive Director and certain Other Executives totalling \$1,582,286. These payments were in relation to a proposed sale process and were reimbursed to the Consolidated Entity by CanWest.

**Remuneration Report (continued)****Details of Remuneration (continued)***Directors of Ten Network Holdings Limited*

2008	Short-term Benefits				Post-Employment Benefits	Share-Based Payment	Total
	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Other \$	Super-annuation \$	Shares \$	
JJ Cowin	85,026	-	-	-	986	-	86,012
LS Freedman	12,452	-	-	-	441	-	12,893
PV Gleeson	-	-	-	-	83,922	-	83,922
PPA Harris	12,076	-	-	-	407	-	12,483
IYL Lee	12,528	-	-	-	448	-	12,976
GH Levy	12,076	-	-	-	407	-	12,483
R Magid	11,322	-	-	-	339	-	11,661
BM Sherman	11,322	-	-	-	339	-	11,661
JB Studdy	79,366	-	-	-	-	-	79,366
PD Viner	75,114	-	-	-	-	-	75,114
TC Strike	71,475	-	-	-	-	-	71,475
LJ Asper	70,110	-	-	-	-	-	70,110
Total	452,867	-	-	-	87,289	-	540,156

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
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**Remuneration Report (continued)**

*Details of Remuneration (continued)*

*Other Executives of the Consolidated Entity*

2008	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment	
Name	Cash Salary and Fees \$	Cash Bonus* \$	Motor Vehicle \$	Other \$	Super-annuation \$	Shares \$	Total \$
G Blackley Chief Executive Officer - Television	1,100,897	569,188	-	-	49,103	277,600	1,996,788
G Thorley Chief Executive Officer – Eye Corp	666,102	396,938	65,000	-	13,232	207,040	1,348,312
D Mott Chief Programming Officer	686,768	182,720	-	5,607	13,232	192,558	1,080,885
K Kingston Chief Operating Officer	537,331	153,440	-	5,607	41,653	151,453	889,484
J Kelly Group Chief Financial Officer	492,913	320,321	25,420	5,069	50,000	152,230	1,045,953
S Partington Company Secretary and Group General Counsel	304,166	25,689	30,642	14,374	99,988	94,004	568,863
<b>Total</b>	<b>3,788,177</b>	<b>1,648,296</b>	<b>121,062</b>	<b>30,657</b>	<b>267,208</b>	<b>1,074,885</b>	<b>6,930,285</b>

\* Cash bonuses include one-off payments to the Executive Director and certain Other Executives totalling \$1,582,286. These payments were in relation to a proposed sale process and were reimbursed to the Consolidated Entity by CanWest.

**Remuneration Report (continued)****Details of Remuneration (continued)***Executive Director of Ten Network Holdings Limited*

2007	Short-term Benefits				Post-Employment Benefits	Share-Based Payment	Total	
	Name	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Other \$	Super-annuation \$		Shares \$
	NG Falloon	2,057,541	525,000	-	-	42,459	786,844	3,411,844

*Directors of Ten Network Holdings Limited*

2007	Short-term Benefits				Post-Employment Benefits	Share-Based Payment	Total	
	Name	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Other \$	Super-annuation \$		Shares \$
	JJ Cowin	78,372	-	-	-	7,053	-	85,425
	LS Freedman	78,372	-	-	-	7,053	-	85,425
	PV Gleeson	-	-	-	-	87,605	-	87,605
	PPA Harris	75,872	-	-	-	6,828	-	82,700
	IYL Lee	78,872	-	-	-	7,098	-	85,970
	GH Levy	75,872	-	-	-	6,828	-	82,700
	R Magid	70,872	-	-	-	6,378	-	77,250
	BM Sherman	-	-	-	-	77,250	-	77,250
	JB Studdy	75,000	-	-	-	-	-	75,000
	PD Viner	75,000	-	-	-	-	-	75,000
	Total	608,232	-	-	-	206,093	-	814,325

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**Remuneration Report (continued)**

*Details of Remuneration (continued)*

*Other Executives of the Consolidated Entity*

2007	Short-Term Benefits				Post-Employment Benefits	Share-Based Payment	
Name	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Other \$	Super-annuation \$	Shares \$	Total \$
G Blackley Chief Executive Officer - Television	821,240	85,500	-	5,607	18,760	282,894	1,214,001
G Thorley Chief Executive Officer – Eye Corp	636,883	204,750	50,357	-	12,760	192,569	1,097,319
D Mott Chief Programming Officer	657,240	88,816	-	5,607	12,760	185,840	950,263
K Kingston Chief Operating Officer	505,453	74,391	-	5,607	41,299	147,429	774,179
J Kelly Chief Financial Officer	436,925	58,605	28,883	4,757	43,654	131,075	703,899
<b>Total</b>	<b>3,057,741</b>	<b>512,062</b>	<b>79,240</b>	<b>21,578</b>	<b>129,233</b>	<b>939,807</b>	<b>4,739,661</b>

*Cash Bonuses and Options*

In the past, options have been granted to Executives under the Ten Executive Option Plan, details of which are set out in Note 33 to the financial statements. The Ten Executive Option Plan is currently suspended.

Shares granted as part of the Ten Deferred Incentive Plan were issued on a discretionary basis. The amounts disclosed above as part of "Share-Based Payment" represent the estimated amount accrued in line with the accounting requirements of AASB 2 *Share-Based Payment*.

## **Remuneration Report (continued)**

### ***Service Agreements***

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

Nicholas Falloon, *Executive Chairman*

*Term of agreement – 3 years commencing 1 September 2005.*

- Effective 1 September 2007 fixed remuneration of \$2,184,000 inclusive of superannuation, to be reviewed annually by the Remuneration Committee and increased by an amount not less than any rise in the annual CPI during the relevant period.
- A short-term incentive (STI) of up to 75% of current fixed remuneration may be paid against a set of targets and objectives heavily weighted to the financial performance of the Group.
- Deferred Incentives of up to a maximum of \$1,500,000 of Ten Network Holdings Limited shares may be paid against a set of targets to be determined annually and weighted heavily to the financial performance of the Group. Shares must be held by Mr Falloon for a period of not less than 18 months from date of acquisition.

*Variation Agreement – Initial term of 12 months commencing 1 September 2008, thereafter continuing until terminated by notice.*

- Effective 1 September 2008, fixed remuneration of \$1,135,680 inclusive of superannuation, to be reviewed annually by the Remuneration Committee and increased by an amount not less than any rise in the annual CPI during the relevant period.
- A three month notice period exists for Mr Falloon and the employer which may be given no earlier than 31 May 2009.
- A short-term incentive (STI) of up to 75% of current fixed remuneration may be paid against a set of targets and objectives heavily weighted to the financial performance of the Group.
- Deferred Incentive of up to \$750,000 to be used to acquire Ten Network Holdings shares.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, is based on fixed remuneration plus pro-rated short and deferred incentive payments.
- Termination benefit for resignation, immediate termination by the company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- One month's notice of termination may be given by Mr Falloon within ninety days after there is any diminution in the nature of the duties or responsibilities to be performed by him which results from a change in control. A payment equal to 12 months' fixed remuneration together with short-term and deferred incentive payments is required to be paid to Mr Falloon in such circumstances.

Grant Blackley, *Chief Executive Officer – Television*

*Term of agreement – commencing 1 September 2007 and expiring 1 September 2011.*

- Effective 1 September 2007 fixed remuneration salary, inclusive of superannuation is \$1,100,000 to be reviewed annually by the Executive Chairperson of the board of directors of The Ten Group Pty Limited (currently Mr Falloon), and increased by an amount not less than any rise in the CPI.
- Fixed remuneration will be reviewed each year with effect from 1 September 2008.
- For the financial year commencing from 1 September 2007 short-term incentives are available under a short-term incentive scheme equivalent to 50% of fixed remuneration on achievement of agreed STI targets.
- Deferred incentives of up to 50% of fixed remuneration are available through participation in the Ten Deferred Incentive Plan, subject to Mr Blackley satisfying individual and corporate performance criteria.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, prior to 1 September 2008 shall be 18 month's fixed remuneration to the employee or on or after 1 September 2008 shall be 12 month's fixed remuneration to the employee.
- In addition, 100% of the eligible STI is paid on a pro-rated period remaining in the financial year, such pro rata amount being calculated using the percentage of the maximum short term incentive payment achieved in the previous financial year.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
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**Remuneration Report (continued)**

*Service Agreements (continued)*

- Deferred incentives allocated but not vested will be additionally delivered.
- Immediate termination by the company for cause or breach of contract is restricted to fixed remuneration, any STI amount due and payable and leave unpaid at the date of termination.
- Six months' notice of termination may be given by Mr Blackley no earlier than six months prior to the expiration of the contract. A payment of fixed remuneration to date of termination and short term incentive payments is required to be paid to Mr Blackley in such circumstances.

Gerry Thorley, *Chief Executive Officer – Eye Corp*

*Term of agreement – commencing 1 January 2007.*

- Effective 1 January 2007 fixed remuneration, inclusive of superannuation is \$725,000 increasing to \$754,000 on 1 January 2008 and by no less than 4% annually.
- Short-term incentives are available under a short-term incentive scheme equivalent to 35% of fixed remuneration on achievement of specific STI targets weighted heavily to the financial performance of the Group.
- Deferred incentives equivalent to 20% of fixed remuneration are available through participation in the Ten Deferred Incentive Plan.
- The company may terminate the contract at any time by providing twelve months' fixed remuneration.
- Immediate termination by the company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- 21 days' notice may be given by the employee if there is a substantive change to his role.
- A payment equivalent to twelve months' fixed remuneration must be paid if there is a substantive change in his role leading to termination.
- Six months' notice of termination may be given by Mr Thorley on or after the fourth anniversary of the commencement date.

David Mott, *Chief Programming Officer*

*Term of agreement – 4 years commencing 1 January 2006.*

- Fixed remuneration, inclusive of superannuation, for the year ended 31 December 2006 of \$650,000, increasing to \$680,000 on 1 January 2007, \$710,000 on 1 January 2008 and \$740,000 on 1 January 2009.
- A sign on bonus of \$200,000 was payable upon commencement of this agreement.
- Short-term incentives are available under a short term incentive scheme equivalent to 25% of fixed remuneration on achievement of specific STI targets.
- Deferred incentives are available through participation in the Ten Deferred Incentive Plan.
- Immediate termination by the company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

Kerry Kingston, *Chief Operating Officer*

*Term of agreement – 3 years commencing 1 January 2006.*

- Fixed remuneration, inclusive of superannuation, for the year ended 31 December 2007 of \$555,450, increasing to \$577,668 on 1 January 2008.
- Short-term incentives are available under a short-term incentive scheme equivalent to 25% of fixed remuneration on achievement of specific STI targets.
- Deferred incentives are available through participation in the Ten Deferred Incentive Plan.
- Immediate termination by the company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

*Term of agreement – 3 years commencing 1 July 2008.*

- Fixed remuneration, inclusive of superannuation, for the year ended 30 June 2009 of \$630,000, increasing to \$665,000 on 1 July 2009 and \$700,000 on 1 July 2010.

## **Remuneration Report (continued)**

### ***Service Agreements (continued)***

- Short-term incentives are available under a short-term incentive scheme equivalent to 25% of fixed remuneration on achievement of specific STI targets.
- Deferred incentives are available through participation in the Ten Deferred Incentive Plan.
- Immediate termination by the company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

John Kelly, *Chief Financial Officer*

*Term of agreement – 4 years commencing 1 January 2007.*

- Fixed remuneration, inclusive of superannuation, for the year ended 31 December 2007 of \$550,000, increasing to \$577,500 on 1 January 2008, no less than 5% on 1 January 2009 and no less than 5% on 1 January 2010.
- Short-term incentives are available under a short-term incentive scheme equivalent to 25% of fixed remuneration on achievement of specific STI targets.
- Pro rata short-term incentive payment payable at end of contract based on completed calendar months in fiscal year.
- Deferred incentives are available through participation in the Ten Deferred Incentive Plan.
- Immediate termination by the company for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

Stephen Partington, *Group General Counsel and Company Secretary*

*Term of agreement – 3 years commencing 1 October 2007.*

- Fixed remuneration, inclusive of superannuation, for the year ended 30 September 2008 of \$375,000, with an increase of no less than the greater of 4% or CPI for years ended 30 September 2009 and 30 September 2010.
- Short-term incentives are available under a short term incentive scheme equivalent to 25% of base salary on achievement of specific STI targets.
- Deferred incentives are available through participation in the Ten Deferred Incentive Plan.

## **Equity instrument disclosures relating to Key Management Personnel**

### ***Options Provided As Remuneration***

No options over unissued ordinary shares of Ten Network Holdings Limited were granted during or since the end of the financial year to Directors of Ten Network Holdings Limited or any other Key Management Personnel of the consolidated entity as part of their remuneration.

### ***Shares Provided on Exercise of Remuneration Options***

During the year ended 31 August 2008, there were no ordinary shares in the Company provided as a result of the exercise of options held by the Key Management Personnel (2007: Nil).

### ***Option Holdings***

There were no option holdings for Key Management Personnel during the year ended 31 August 2008.

### **Loans to Directors and Executives**

No loans were made during the financial year to Directors of Ten Network Holdings Limited or to Executives of the consolidated entity, including their personally-related entities.

### **Share Options Granted to Directors and Executives**

The Ten Executive Option Plan is currently suspended. Therefore, no options over unissued ordinary shares of Ten Network Holdings Limited were granted during or since the end of the financial year to Directors or any of the five most highly remunerated officers of Ten Network Holdings Limited and consolidated entities as part of their remuneration.

## **Remuneration Report (continued)**

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
**31 AUGUST 2008**

*Service Agreements (continued)*

**Shares Under Option**

There are no unissued ordinary shares of Ten Network Holdings Limited under option at the date of this report.

**Share Holdings of Directors and Executives**

The number of ordinary shares in the Company held during the financial year by each Director of Ten Network Holdings Limited and key management personnel of the consolidated entity for the year ended 31 August 2008, including their personally-related entities, are set out below.

2008 Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Received During the Year as Remuneration	Other Changes During the Year	Balance at the End of the Year
<i>Directors of Ten Network Holdings Limited</i>					
NG Falloon	217,300	-	523,536 <sup>1</sup>	-	740,836
JJ Cowin	1,000,000	-	-	-	1,000,000
PV Gleeson	15,128,608	-	-	100,000	15,228,608
JB Studdy	50,000	-	-	-	50,000
LS Freedman	7,347	-	-	(7,347)	-
PPA Harris	24,611	-	-	-	24,611
IYL Lee	10,000	-	-	(10,000)	-
GH Levy	33,000	-	-	-	33,000
R Magid	300,000	-	-	-	300,000
BM Sherman	7,016,105	-	-	(3,780,000)	3,236,105
TC Strike <sup>3</sup>	-	-	-	-	-
LJ Asper <sup>4</sup>	-	-	-	-	-
PD Viner <sup>5</sup>	-	-	-	-	-
<i>Other Key Management Personnel of the consolidated entity</i>					
G Blackley	237,169	-	85,557 <sup>2</sup>	(126,700)	196,026
G Thorley	155,556	-	86,151 <sup>2</sup>	-	241,707
D Mott	164,699	-	76,319 <sup>2</sup>	(100,000)	141,018
K Kingston	125,693	-	58,184 <sup>2</sup>	-	183,877
J Kelly	105,525	-	65,844 <sup>2</sup>	-	171,369
S Partington	206,799	-	75,889 <sup>2</sup>	(200)	282,488

<sup>1</sup>: Shares purchased under The Ten Employee Savings Plan were acquired at the prevailing market price at the dates of acquisition, the average price being \$2.72.

<sup>2</sup>: Shares purchased under The Ten Deferred Incentive Plan were acquired at the prevailing market price at the date of acquisition being \$2.95.

<sup>3</sup>: Mr Strike has 57,981 subordinate voting shares of CanWest Global Communications Corp., whose subsidiary, CanWest MediaWorks Ireland Holdings, has 56.6% ownership in Ten Network Holdings Limited.

<sup>4</sup>: Mr Asper has 1,361,773 subordinate voting shares and 25,595,325 multiple voting shares of CanWest Global Communications Corp., whose subsidiary, CanWest MediaWorks Ireland Holdings, has 56.6% ownership in Ten Network Holdings Limited.

<sup>5</sup>: Mr Viner has 50,000 subordinate voting shares of CanWest Global Communications Corp., whose subsidiary, CanWest MediaWorks Ireland Holdings, has 56.6% ownership in Ten Network Holdings Limited.

## Remuneration Report (continued)

### Share Holdings of Directors and Executives (continued)

2007 Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Received During the Year as Remuneration	Other Changes During the Year	Balance at the End of the Year
<i>Directors of Ten Network Holdings Limited</i>					
NG Falloon	-	-	217,300 <sup>1</sup>	-	217,300
JJ Cowin	1,000,000	-	-	-	1,000,000
LS Freedman	507,347	-	-	(500,000)	7,347
PV Gleeson	15,048,608	-	-	80,000	15,128,608
PPA Harris	24,611	-	-	-	24,611
IYL Lee	10,000	-	-	-	10,000
GH Levy	33,000	-	-	-	33,000
R Magid	300,000	-	-	-	300,000
BM Sherman	8,016,105	-	-	(1,000,000)	7,016,105
JB Studdy	50,000	-	-	-	50,000
PD Viner <sup>4</sup>	-	-	-	-	-
<i>Other Key Management Personnel of the consolidated entity</i>					
G Blackley	72,752	-	164,417 <sup>2</sup>	-	237,169
G Thorley	51,948	-	100,608 <sup>3</sup>	3,000	155,556
D Mott	66,120	-	98,579 <sup>3</sup>	-	164,699
K Kingston	49,076	-	76,617 <sup>2</sup>	-	125,693
J Kelly	141,212	-	64,313 <sup>2</sup>	(100,000)	105,525
S Partington	146,881	-	39,918 <sup>3</sup>	20,000	206,799

<sup>1</sup>: Shares purchased under The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$3.5016 and \$3.31949.

<sup>2</sup>: Shares purchased under The Ten Deferred Incentive Plan were acquired at the prevailing market price at the date of acquisition being \$3.45602 and \$3.48014.

<sup>3</sup>: Shares purchased under The Ten Deferred Incentive Plan were acquired at the prevailing market price at the date of acquisition being \$3.45602 and \$3.45225.

<sup>4</sup>: Mr Viner has 50,000 subordinate voting shares of CanWest Global Communications Corp., whose subsidiary, CanWest MediaWorks Ireland Holdings, has 56.7% ownership in Ten Network Holdings Limited.

### Relationship Between Remuneration and Company Performance

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years. Over the past five years, the consolidated entity's normalised EBIT has grown at an average of around 2% per annum, and shareholder wealth (normalised earnings per share) has declined at an average rate of around 4% per annum. During the same period, average executive remuneration (Executive Director and the top five remunerated Executives) has grown by approximately 13% per annum. Excluding the Executive Director, remuneration for the top five remunerated Executives has grown by 9%. Details of changes to the remuneration of the Executive Director are detailed on page 16 of the financial statements. Executive remuneration includes the accounting impact of deferred incentives in line with AASB 2 *Share-Based Payment*.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**  
**31 AUGUST 2008**

**Non-Audit Services**

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

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

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

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

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

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit and other assurance services:		
Auditors of the Company – PricewaterhouseCoopers		
- Audit or review of financial reports	580	573
- Other audit related work	179	143
- Other assurance services	32	539
Other Auditors		
- Audit or review of financial reports – Horwath Clark Whitehill LLP	104	44
	895	1,299
Other services:		
Auditors of the Company – PricewaterhouseCoopers		
- Advisory services	36	186
- Taxation	594	415
Other Auditors – Horwath Clark Whitehill LLP		
- Taxation	-	5
	630	606
	1,525	1,905

**Auditor**

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

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

### **Contracts with Directors**

During the financial year, Competitive Foods Australia Limited entered into agreements in respect of the purchase of television airtime (through an advertising agency) from a controlled entity on normal commercial terms and conditions. Mr JJ Cowin, a Director of the Company, is Chairman of, and has a substantial interest in, Competitive Foods Australia Limited. The value of such transactions, which are at arm's-length, is not material to the consolidated entity.

### **Insurance of Officers**

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

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

### **Indemnification of Officers**

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

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

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

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

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

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

### **Environmental Regulations**

The consolidated entity is not subject to significant environmental regulations, with the exception that a controlled entity holds environmental licences for its manufacturing site in Victoria. The licenses require discharge to air and water to be below specified levels. These requirements arise under the Environmental Protection Authorities Regulations.

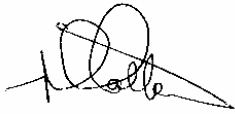
The Directors are not aware of any breaches to environmental regulations and are not aware of any infringement notices being issued.

### **Rounding of Amounts to Nearest Thousand Dollars**

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 directors report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES  
DIRECTORS' REPORT  
31 AUGUST 2008**

Signed in Sydney on 16 October 2008 in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'NG Falloon', with a long horizontal stroke extending to the right.

NG Falloon  
Chairman

### Auditor's Independence Declaration

As lead auditor for the audit of Ten Network Holdings Limited for the year ended 31 August 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



DS Wiadrowski  
Partner  
PricewaterhouseCoopers

Sydney  
16 October 2008

# TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

## Introduction

The Board of Directors of Ten Network Holdings Limited (“Ten”) is committed to responsible corporate governance in accordance with community and shareholder expectations.

In determining the standards that Ten should seek to achieve, Ten has reviewed, with the assistance of external advisers, its practices in terms of the revised *Corporate Governance Principles and Recommendations* which were issued by the ASX Corporate Governance Council in August 2007 and took effect for the first financial year commencing on or after 1 January 2008 (*“the ASX Guidelines”*). Ten has decided to make an early transition to the ASX Guidelines.

Ten considers that its practices were largely consistent with those contained in the ASX Guidelines (except where referred to below) and continued efforts have been directed throughout the year to attaining a greater level of compliance.

In summary, compliance with the ASX Guidelines has been achieved as follows:

	ASX Principle	Compliance
<b>Principle 1:</b>	<b>Lay solid foundations for management and oversight</b>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply
1.2	Companies should disclose the process of evaluating the performance of senior executives.	Comply
1.3	Companies should provide the information indicated in <i>Guide to reporting on Principle 1</i> .	Comply
<b>Principle 2:</b>	<b>Structure the board to add value</b>	
2.1	A majority of the board should be independent directors.	Non-Comply
2.2	The chair should be an independent director.	Non-Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Non-Comply
2.4	The board should establish a nomination committee.	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply
2.6	Companies should provide the information indicated in <i>Guide to reporting on Principle 2</i> .	Comply
<b>Principle 3:</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
3.1.1	the practices necessary to maintain confidence in the company’s integrity,	Comply
3.1.2	the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and	Comply

	<b>ASX Principle</b>	<b>Compliance</b>
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of the policy.	Comply
3.3	Companies should provide the information indicated in <i>Guide to reporting on Principle 3</i> .	Comply
<b>Principle 4:</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists only of non-executive directors.</li> <li>- consists of a majority of independent directors.</li> <li>- is chaired by an independent chair, who is not chair of the board.</li> <li>- has at least three members.</li> </ul>	Comply
4.3	The audit committee should have a formal charter.	Comply
4.4	Companies should provide the information indicated in <i>Guide to reporting on Principle 4</i> .	Comply
<b>Principle 5:</b>	<b>Make timely and balanced disclosure</b>	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply
5.2	Companies should provide the information indicated in <i>Guide to reporting on Principle 5</i> .	Comply
<b>Principle 6:</b>	<b>Respect the rights of shareholders</b>	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	Comply
6.2	Companies should provide the information indicated in <i>Guide to reporting on Principle 6</i> .	Comply
<b>Principle 7:</b>	<b>Recognise and manage risk</b>	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES  
CORPORATE GOVERNANCE STATEMENT**

	<b>ASX Principle</b>	<b>Compliance</b>
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply
7.4	Companies should provide the information indicated in <i>Guide to reporting on Principle 7</i> .	Comply
<b>Principle 8:</b>	<b>Remunerate fairly and responsibly</b>	
8.1	The board should establish a remuneration committee.	Comply
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply
8.3	Companies should provide the information indicated in <i>Guide to reporting on Principle 8</i> .	Comply

Ten is pleased to report in detail below on its performance in regard to the recommendations contained in the ASX Guidelines as they related to Ten and its subsidiaries ("the Group").

**Principle 1: Lay solid foundations for management and oversight.**

*Recommendation 1.1: Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

The key responsibilities and functions of the Board of Ten are as follows:

- (a) considering the strategic goals of the Group as developed by management, approving appropriate goals, and monitoring the performance of the Group against them;
- (b) appointment of senior management of the Group (and their direct reports) and the Company Secretary, and the determination of their terms and conditions of appointment (including remuneration);
- (c) monitoring and evaluating the performance of senior management of the Group in achieving any strategies and budgets approved by the Board;
- (d) reviewing on a regular and continuing basis:
  - (i) executive and Board succession planning; and
  - (ii) executive development activities.
- (e) appointment of the Chairperson;
- (f) determination of the membership and terms of reference of Board committees;

- (g) adoption of, and monitoring compliance with, corporate governance policies including the risk management policy and internal controls;
- (h) determining any matters in excess of discretions that it may have, from time to time, delegated to the senior management; and
- (i) approving each of the following:
  - (i) the financial and capital expenditure budgets;
  - (ii) significant changes to the organisational structure and the appointment of such senior officers as the Board may determine;
  - (iii) the acquisition, establishment, disposal or cessation of any significant business of the Group;
  - (iv) payment of dividends in accordance with the Constitution;
  - (v) the appointment of the external auditor and remuneration payable in connection with the audit of the financial statements and non-audit services;
  - (vi) the issue of any shares, options, equity instruments or other securities and any major debt obligations to be incurred by the Group;
  - (vii) annual financial statements and Directors' reports;
  - (viii) periodic news releases of the Group's financial results;
  - (ix) any changes to the discretions delegated from the Board; and
  - (x) the risk management policies of the Group.
- (j) monitoring compliance with regulatory requirements and ethical standards;
- (k) monitoring compliance with the ASX Listing Rules continuous disclosure requirements;
- (l) monitoring and enforcement of the provisions contained in Schedule 1 of the Constitution relating to compliance with the ownership and control provisions of the *Broadcasting Services Act*.

It is the role of senior management within the Group and its subsidiaries to manage the activities of those companies in accordance with the direction and delegations of the Board. It is the Board's responsibility to oversee the activities of management in carrying out those delegated duties. The Board is also responsible for reviewing the strategies proposed by its management for the growth and operations of the Group.

In carrying out its governance role, the task of the Board has been to drive the performance of the Group and its subsidiaries. The Board also seeks to ensure that these companies comply with all of their contractual, statutory and other legal obligations.

*Recommendation 1.2: Companies should disclose the process of evaluating the performance of senior executives*

In the case of senior executives of the Group, a formal performance evaluation process was conducted under the guidance of the Remuneration Committee. This process involves the mutual identification and agreement of performance criteria at the commencement of each financial year. At the end of each financial year, each senior executive meets with their direct manager in a performance evaluation interview. In the case of the Executive Chairman, such review is conducted by the Remuneration Committee. At the conclusion of these interviews, each senior executive is assigned a performance rating and given feedback. The performance criteria for senior executives are set out on page 9 of the Directors' Report.

*Recommendation 1.3: Companies should provide the information indicated in Guide to reporting on Principle 1.*

A performance evaluation for each of the senior executives has been undertaken. Each of these performance evaluations was in accordance with the process referred to in the discussion about Recommendation 1.2 immediately above.

## **TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT**

### **Principle 2: Structure the board to add value.**

*Recommendation 2.1* A majority of the board should be independent directors.

Details of the Directors in office during the 2008 financial year are set out on pages 5 to 8.

Ten considers that four of its seven Directors are not independent, being Nick Falloon (as an Executive Chairman), Leonard Asper, Tom Strike and Peter Viner (as executives of Canwest, which holds a controlling majority interest in Ten). Ten considers that the individual directors make valuable and appropriate decisions in the best interests of Ten, despite the majority of the Board not being independent directors.

Ten considers that John Studdy, Paul Gleeson and Jack Cowin are independent Directors. In determining whether a Director is independent, the Board has regard to whether a Director is considered to be one who:

- (a) has a material relationship as a supplier or customer or in any other contractual role with the Group (either directly, or as a partner, shareholder or executive officer of an organisation that has a material relationship with the Group);
- (b) is, or has been within the previous three years, employed by the Group;
- (c) is, or has been within the previous three years, a principal of a material professional adviser, the auditor, or a material consultant to the Group or an employee materially associated with the service provided;
- (d) is a substantial shareholder of Ten or an officer of, or otherwise associated with, a substantial shareholder of Ten;
- (e) has served on the Board of Ten for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group, as appropriate; and
- (f) is free from any interest and any business or other relationship that could, or could be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

The Board has previously determined that a material relationship is to be determined on the basis of fees paid or moneys received or paid to either a Director or a Director-related entity, which may impact the EBITDA of Ten in the previous financial year by more than 5%.

These criteria continue to apply in determining the independence of Directors of Ten.

In the case of the Canwest Group's representatives, the Board considers that, given the significant role played by the Canwest Group in the early 1990's in rescuing the Ten licensee companies from financial distress and the significant international media industry expertise and experience of the relevant Canwest Group Board members, these Directors provide substantial contributions to the Ten Board.

The Board considered that the independent Directors, who have served for a number of years, brought considerable skill, experience and expertise to Ten and they continued to review and challenge the performance of management and exercise independent judgement. Accordingly, the Board considered the length of service did not materially interfere with the ability of the respective Directors to act in the best interests of Ten during the last financial year.

Ten also considers that whilst Jack Cowin is the chairman of, and holds a substantial interest in Competitive Foods Australia Limited, which is an advertising client of the Group, his company is not a material customer.

The Constitution of Ten provides that generally one third of those Directors (other than a Managing Director, Alternate Directors and any Director who has been appointed to fill a casual vacancy or as an addition to the Board since the last annual general meeting) are required to retire and seek re-election each year and no Director can hold office for more than three years without seeking re-election.

The Directors may appoint persons to fill casual vacancies or as additions to the Board. Any person filling a casual vacancy or appointed as an additional Director holds office until the next annual general meeting, where they must retire but are eligible for re-election.

Nominations to fill a casual vacancy are reviewed by the Nomination Committee of the Board, with recommendations submitted to the Board of Directors for approval.

A person is only eligible to be elected as a Director (other than if his or her re-election arises from retirement by rotation) where both the nomination of the person by a member and a consent to nomination signed by the person, are received by Ten at least 35 business days before the relevant general meeting.

*Recommendation 2.2: The chair should be an independent director.*

*Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.*

Nick Falloon is the Executive Chairman of Ten and also holds the roles of the Chairman and Chief Executive Officer of The Ten Group Pty Limited. Mr Falloon was originally appointed to these roles in February 2002.

In considering the nominations for appointment of the Chairman at that time, the Boards of Ten and The Ten Group Pty Limited ("Ten Group") considered that Mr Falloon had an outstanding record and reputation in the media sector and was held in the highest regard across Australia's business community.

In addition, the Board believed that, given Mr Falloon's operational skills and experience in the media, it was appropriate for him to also assume executive responsibilities within the Group. The Board continues to consider Mr Falloon demonstrates these qualities.

While Mr Falloon holds the position of both Chairman and Chief Executive Officer of Ten Group, Mr Grant Blackley holds the position of Chief Executive Officer – Television and Mr Gerry Thorley occupies the position of Chief Executive Officer of Eye Corp, being the two operating divisions within Ten.

Ten considers that Mr Falloon makes valuable and appropriate decisions in the best interests of Ten, despite exercising these dual roles.

The Board is of the view that, as Executive Chairman, Mr Falloon is well positioned to ensure constructive dialogue between the Board and management. The Board is also of the view that Mr Falloon's performance indicates he is able to effectively discharge his dual roles.

*Recommendation 2.4: The board should establish a nomination committee.*

The Board maintains a Nomination Committee comprised of all of the Directors of Ten.

This Committee is chaired by John Studdy, who is an independent, non-executive Director.

A charter has been established which charges the Nomination Committee with responsibility for considering issues associated with Board composition and succession planning, including nomination of independent non-executive Directors to the Board. The Nomination Committee is in the process of formulating procedures and policies for the selection and appointment of new independent Directors and, once adopted, these procedures will be made available on the Company's website.

During the year, the Nomination Committee met on one occasion, with all members being represented.

Ten considers that the individual directors make valuable and appropriate decisions for the purposes of the Nomination Committee, despite the majority of the Committee not being independent directors.

## TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

*Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors*

The Nomination Committee has previously been delegated responsibility to review the performance of the Board, its Committees and individual Directors.

Agendas are set by the Board's Chairman to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year.

In order to assist the Board in the performance of its duties, reports are prepared by each of the relevant General Managers and submitted to Directors in advance of each regular Board meeting.

Additionally, key financial information reports are prepared and distributed to each Director at the end of each calendar month, with Directors having the opportunity to receive weekly pacing reports that show latest revenue and ratings performances.

Members of the Board and Board Committees are entitled to retain independent professional advisers from time to time as considered necessary.

Directors have access to the Company Secretary to assist in the provision of any information reasonably sought by Directors and the Company Secretary is accountable to the Board through the Chairman on all governance issues.

Under the Constitution, the Company Secretary is required to be appointed and removed by the Board as a whole.

*Recommendation 2.6: Companies should provide the information indicated in Guide to reporting on Principle 2.*

Information about the skills, experience and expertise of the Directors is contained at pages 6 to 7 of the Directors' report. This information also notes the period of office held by each Director in office at the date of the annual report.

The Board undertakes an informal review on an ad hoc basis of the Board, its committees and individual Directors through the use of internal surveys, regular Board discussions and interactions. As the composition of the Board altered significantly during the period, a formal review of performance of the Board was not undertaken.

A copy of the charter for the Nomination Committee appears on Ten's website.

### **Principle 3: Promote Ethical and Responsible Decision Making**

*Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code, as to:*

- *the practices necessary to maintain confidence in the Company's integrity;*
- *the practices necessary to take into account the legal obligations and reasonable expectations of their shareholders; and.*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices*

Ten has adopted a Code of Conduct that governs conflicts of interest, corporate opportunities, confidentiality, unethical behaviour and compliance with laws and regulations.

A copy of this Code appears on Ten's website.

The Group Chief Financial Officer has also undertaken to the Audit Committee that he will comply with the Group of 100 CFO Code of Conduct.

In addition, each Executive is bound by a written employment agreement that also contains provisions dealing with confidentiality, conflicts of interest, compliance with laws and other policies adopted by Ten.

*Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.*

Ten has implemented a policy in relation to dealings in the securities of Ten by Directors and employees of Ten. This policy provides that these persons should be aware of the insider trading provisions contained in the Corporations Act when considering any dealings in shares of Ten.

Directors and senior executives are also prohibited from dealing in securities in Ten during the period commencing at the conclusion of each six monthly financial period and concluding on the day following the release by Ten of its relevant half yearly announcement to the Australian Securities Exchange. This policy reflects the perception that, during these periods, Directors and senior executives may be in possession of significant financial information associated with the preparation of Ten's periodic financial disclosures to the market.

Ten has not adopted a policy to date in relation to dealings by Directors or senior executives in financial products issued or created over Ten's securities by third parties or trading in associated products. Under the terms of the relevant employee share plan rules, senior executives are not permitted to enter into transactions involving unvested share entitlements to Ten shares.

Directors are required to inform the Chairman when they wish to trade shares in Ten. Executives have been advised to contact the Company Secretary regarding any queries or concerns over share trading restrictions.

#### **Principle 4: Safeguard Integrity in Financial Reporting**

*Recommendation 4.1: The board should establish an audit committee.*

*Recommendation 4.2: The audit committee should be structured so that it:*

- *consists only non-executive directors*
- *consists a majority of independent directors*
- *is chaired by an independent chair who is not chair of the board*
- *has at least 3 members*

The Board of Ten has previously established an Audit Committee. The members of this Committee are:

- Paul V Gleeson (Chairman)
- Thomas C Strike
- John B Studdy
- Jack J Cowin

The Chairman of the Committee is a member of the Institute of Chartered Accountants and has significant experience in dealing with financial and accounting matters.

The details of the qualifications of the remaining members of this Committee may be found in their Director Profiles on page 6 to 7. Details of attendances at meetings of the Audit Committee are set out at page 8.

## **TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT**

*Recommendation 4.3: The audit committee should have a formal charter.*

The Audit Committee of Ten has a formal charter. The charter indicates that responsibilities of the Audit Committee include:

- reporting to the Board on their activities;
- reviewing the effectiveness of management systems, in areas of greatest financial risk;
- recommending to the Board on the appointment of the external auditor and on the auditor's remuneration;
- maintaining a policy for the provision of audit and non-audit services by the external auditor;
- reviewing and assessing the auditor's report and the actions proposed by management in response;
- being satisfied that the scope of the audit is adequate especially in relation to areas where the Audit Committee believes special attention is necessary;
- reviewing the accounting policies and practices of Ten;
- monitoring compliance with the Company's Statement of Corporate Governance;
- reviewing related party transactions that may involve Directors, management and employees giving rise to actual or potential conflicts of interest and providing appropriate advice as to any necessary disclosures to the Board; and
- reviewing the half yearly and annual financial statements.

The charter for the Audit Committee may be accessed on Ten's website.

In accordance with the Corporations Act, the lead and review audit partner is required to rotate at least every five years.

The Committee regularly meets with the external auditor in the absence of management so as to discuss potential issues associated with management controls, the preparation and audit of Ten's financial reports and the performance of management in relation to such issues.

The partner from PricewaterhouseCoopers responsible for the audit of the financial statements of Ten attends the annual general meeting of Ten to answer any questions that shareholders may wish to raise in relation to the conduct of the audit of the financial statements.

Shareholders may submit written questions to the auditor in relation to the content of the auditor's report and the conduct of the audit of the annual financial statements, no later than the 5<sup>th</sup> business day before the annual general meeting.

### **Principle 5: Make Timely and Balanced Disclosure**

*Recommendation 5.1: Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

Ten, as a listed company, is required to comply with the Listing Rules of the ASX.

The Board of Ten has previously established a policy to ensure that the Company Secretary, together with the Group Chief Financial Officer, will ensure that any information requiring disclosure by Ten will be referred to the Chairman for review prior to any disclosure being made.

A copy of this policy also appears on the Ten's website.

## **Principle 6: Respect the Rights of Shareholders**

*Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

Ten provides regular financial releases to the ASX in respect of its half-year (ending February) and full-year (ending August) financial results. These disclosures are generally made during March/April and October of each year.

Additionally, relevant high level financial information is also disclosed in relation to its first quarter (ending November) and third quarter (ending May) results each year.

The financial results are posted to Ten's website within 24 hours of disclosure to the ASX. Similarly, any other major disclosures to the ASX outside of the financial results are also posted to Ten's website. Those shareholders who wish to be advised of any announcements, may notify Ten's registry, who will arrange for an email to be sent to the shareholder advising that an announcement has been posted on Ten's website on each occasion that a major disclosure is made by Ten to the ASX.

Ten also posts copies of all presentations made to analysts and media representatives on its website and shareholders may communicate with the company by email. An audio file of presentations by senior executives in relation to Ten's half yearly and yearly results may be accessed at Ten's website.

Ten produces its annual review for dispatch to shareholders generally by early November each year. Shareholders are given the opportunity to "opt-in" to receive the annual review. In the event that a shareholder does not elect to opt-in to receive an annual review, they may alternatively elect to receive an email from Ten's share registry advising that the annual review has been posted to the Ten website or will be notified at the same time as the notice of annual general meeting is sent to shareholders.

The notice of annual general meeting for Ten is forwarded, together with a proxy form allowing shareholders unable to attend the annual general meeting to be able to vote (in the event of resolutions being put to a poll) on the matters contained in the notice of meeting. Shareholders may also elect to complete their proxy on-line via the website for Ten's share registry.

## **Principle 7: Recognise and Manage Risk**

*Recommendation 7.1: Companies should establish policies for the oversight and management of material business risk and disclose a summary of those policies.*

*Recommendation 7.2: The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

A copy of Ten's Risk Management Policy is available on Ten's website.

The policy identifies that:

- the Board of Ten is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems;
- the Audit Committee of Ten has been delegated the responsibility for receiving submissions from management regarding the management of business risks, including the formulation and review of the business risks policy and other risk management policies; and

## TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

- management is responsible for the design and implementation of risk management and internal control systems which provide a report to the Board on risk in accordance with the business risks policy through a formal organisation-wide risk management framework and other formal and informal risk specific frameworks and approaches.

Each of the operational areas are required to identify the material risks which they consider may arise and to determine the probability of any such occurrence and its potential financial impact. Measures are then developed to control such risks in conjunction with other risk measures including where appropriate relevant insurance cover.

This policy is supported by specific formal and informal analytical techniques to identify and evaluate risk, and integration strategies to improve/optimize Ten's risk profile.

Risks and the effectiveness of their management are reviewed and reported regularly to Ten's senior executive, the Audit Committee and the Board through various mechanisms depending upon the nature of this risk.

In reviewing the risk management and internal control systems of the Group, the Executive Chairman and the Group Chief Financial Officer have also confirmed in writing that the Group's risk management and internal control systems are operating effectively in relation to material business risks for the period.

*Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

The Board has traditionally required the Executive Chairman and the Group Chief Financial Officer to provide a representation letter for consideration in conjunction with the review of the half yearly financial and the yearly financial reports.

These representation letters have provided a sign-off in relation to various issues associated with the keeping of financial records generally, the preparation of the financial statements and the disclosures made and a specific requirement that the financial statements present a true and fair view.

In accordance with the Corporations Act, the directors may now only give their declaration in relation to the annual financial statements if the chief executive officer and the chief financial officer have made the declarations required pursuant to section 295A of the Corporations Act and otherwise as contained in their representation letters.

The Board has received assurance from the Executive Chairman and the Group Chief Financial Officer that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal controls and that the systems are operating effectively in all material respects in relation to financial reporting risks.

## **Principle 8: Remunerate Fairly and Responsibly**

*Recommendation 8.1: The Board should establish a remuneration committee.*

The Board has a Remuneration Committee, which is comprised of:

- Jack J Cowin (Chairman)
- Nick G Falloon
- Leonard J Asper
- Paul V Gleeson

During the year this Committee met on two occasions, with all members being represented on each occasion.

The role of the Remuneration Committee is to:

- review the remuneration policy for the Group;
- approve the remuneration of the Executive Chairman and the executives reporting to the Executive Chairman;
- review the performance and financial incentives of the Executive Chairman on an annual basis. The Executive Chairman does not participate in such reviews;
- review proposals for incentive plans prior to submission to the Board of Directors for approval; and
- review human resources planning with particular emphasis on succession planning for senior group executive positions.

Ten considers that the individual directors make valuable and appropriate decisions for the purposes of the Remuneration Committee, despite there not being a majority of independent directors on the Committee.

*Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

Disclosure of the remuneration for each Director and each of the five highest paid executives is set out on pages 9 to 20 of the Directors' Report.

Non-Executive Directors of the Company do not participate in any share or option plans offered by Ten.

Additionally, there are no retirement benefit plans available to non-Executive Directors of Ten. The Group does make contributions to approved superannuation funds on behalf of each eligible Australian resident non-Executive Director in accordance with the superannuation guarantee legislation.

As noted at 3.2 above, senior executives are not permitted, under the terms of the relevant employee share plan rules, to enter into transactions involving unvested share entitlements to Ten shares.

Note that in accordance with the announcement in October 2002, the Ten Executive Option Plan has been suspended and no issues of options have been made since December 2001.

### **Ten's Website**

Further information in relation to Ten is available on our websites at [www.tencorporate.com.au](http://www.tencorporate.com.au) and also at [www.eyecorp.com](http://www.eyecorp.com).

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**INCOME STATEMENTS**  
**AS AT 31 AUGUST 2008**

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from continuing operations	4	1,006,122	991,830	130,748	52,834
Other income	4	4	13,021	-	-
<b>Total revenue</b>		<b>1,006,126</b>	<b>1,004,851</b>	<b>130,748</b>	<b>52,834</b>
Television costs		(637,474)	(611,420)	-	-
Out-of-home costs		(184,541)	(172,281)	-	-
Corporate costs		(1,115)	(884)	(1,115)	(884)
Finance costs	5	(51,949)	(95,999)	-	-
Share of net profit of associates and joint ventures accounted for using the equity method	28	-	1,408	-	-
<b>Profit before income tax</b>	5	<b>131,047</b>	<b>125,675</b>	<b>129,633</b>	<b>51,950</b>
Income tax (expense)/revenue					
Continuing Operations	6(a)	(45,108)	(47,152)	309	(19)
Tax Consolidation	6(f)	188,066	-	-	-
		<b>142,958</b>	<b>(47,152)</b>	<b>309</b>	<b>(19)</b>
<b>Profit for the year</b>		<b>274,005</b>	<b>78,523</b>	<b>129,942</b>	<b>51,931</b>
Profit is attributable to:					
Profit attributable to members of the Company	26	273,482	66,131	129,942	51,931
Profit attributable to minority interest		523	12,392	-	-
		<b>274,005</b>	<b>78,523</b>	<b>129,942</b>	<b>51,931</b>
<b>Earnings Per Share</b>		<b>2008 Cents</b>	<b>2007 Cents</b>		
Basic earnings per share	29	29.57	16.29		
Diluted earnings per share	29	29.57	13.86		

*The above income statements should be read in conjunction with the accompanying notes.*

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	7	30,938	20,187	623	1,380
Receivables	8	159,055	186,227	-	-
Program rights and inventories	9	144,275	133,294	-	-
Current tax assets	6(c)	20,178	5,545	-	-
Assets of disposal group classified as held for sale	10	-	10,446	-	-
Other	11	9,510	12,315	42	52
<b>Total Current Assets</b>		<b>363,956</b>	<b>368,014</b>	<b>665</b>	<b>1,432</b>
<b>Non-Current Assets</b>					
Receivables	12	248	249	3,454	-
Program rights and inventories	14	798	2,693	-	-
Other financial assets	13	5,512	3,182	2,228,568	2,215,484
Property, plant and equipment	15	123,228	119,657	-	-
Intangible assets	16	1,204,626	1,210,602	-	-
Derivative financial instruments	22	3,356	5,389	-	-
Deferred tax assets	6(d)	11,326	8,812	45	56
Other	17	770	967	-	-
<b>Total Non-Current Assets</b>		<b>1,349,864</b>	<b>1,351,551</b>	<b>2,232,067</b>	<b>2,215,540</b>
<b>Total Assets</b>		<b>1,713,820</b>	<b>1,719,565</b>	<b>2,232,732</b>	<b>2,216,972</b>
<b>Current Liabilities</b>					
Payables	18	217,796	197,614	148	187
Income tax provision	6(c)	-	-	3,134	-
Provisions	19	19,133	21,042	-	-
Liabilities directly associated with assets of a disposal group classified as held for sale	10	-	5,878	-	-
<b>Total Current Liabilities</b>		<b>236,929</b>	<b>224,534</b>	<b>3,282</b>	<b>187</b>
<b>Non-Current Liabilities</b>					
Payables	20	12,948	14,178	316	2,389
Interest Bearing Liabilities	21	570,441	542,604	-	-
Derivative financial instruments	22	69,191	68,029	-	-
Deferred tax liabilities	6(e)	38,745	226,860	-	-
Provisions	23	19,292	16,032	-	-
<b>Total Non-Current Liabilities</b>		<b>710,617</b>	<b>867,703</b>	<b>316</b>	<b>2,389</b>
<b>Total Liabilities</b>		<b>947,546</b>	<b>1,092,237</b>	<b>3,598</b>	<b>2,576</b>
<b>Net Assets</b>		<b>766,274</b>	<b>627,328</b>	<b>2,229,134</b>	<b>2,214,396</b>

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**BALANCE SHEETS**  
**AS AT 31 AUGUST 2008**

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Equity</b>					
Contributed equity	24	2,220,704	2,212,271	2,224,960	2,215,484
Reserves	25	(1,222,192)	(1,208,715)	-	-
Accumulated losses	26	(232,243)	(381,045)	4,174	(1,088)
Capital and reserves attributable to equity holders of Ten Network Holdings Limited		766,269	622,511	2,229,134	2,214,396
Minority interest		5	4,817	-	-
<b>Total Equity</b>		766,274	627,328	2,229,134	2,214,396

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

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Changes in the fair value of cash flow hedges (net of tax)		(615)	4,292	-	-
Exchange differences on translation of foreign operations		(3,700)	(2,757)	-	-
Net income recognised directly in equity		(4,315)	1,535	-	-
Profit for the year		274,005	78,523	129,942	51,931
Total recognised income and expense for the year		269,690	80,058	129,942	51,931
Total recognised income and expense for the year is attributable to:					
Members of Ten Network Holdings Limited		269,147	66,879	129,942	51,931
Minority interest		543	13,179	-	-
		269,690	80,058	129,942	51,931

*The above statements of recognised income and expense should be read in conjunction with the accompanying notes.*

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2008**

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Net increase/(decrease) in cash and its equivalents</b>					
Cash on hand	7	88	88	-	-
Cash classified as held for sale	10	-	3,316	-	-
Cash at bank	7	30,850	20,099	623	1,380
At end of year		30,938	23,503	623	1,380
At beginning of year		23,503	21,995	1,380	378
Effects of exchange rate movements on cash and its equivalents		(109)	79	-	-
<b>Net cash inflows/(outflows) for the year</b>		<b>7,326</b>	<b>1,587</b>	<b>(757)</b>	<b>1,002</b>
Represented by:					
<b>Cash Flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		1,124,356	1,046,106	-	-
Payments to suppliers and employees (inclusive of goods and services tax)		(866,357)	(829,995)	(1,145)	(1,204)
Dividends received		-	-	125,421	52,574
Interest received		3,033	2,467	327	260
Bank interest paid		(51,221)	(39,515)	-	-
Income tax received/(paid)					
Prior year refunds received		12,995	6,409	-	-
Current year payments		(58,810)	(73,454)	-	-
Tax prepayment re tax consolidation		(17,576)	-	-	-
Net cash flows from operating activities	37	146,420	112,018	124,603	51,630
<b>Cash Flows from investment activities</b>					
Acquisition of property, plant and equipment		(35,383)	(57,488)	-	-
Proceeds on disposal of property, plant and equipment		5	8,295	-	-
Payments for purchase of controlled entities & operations net of cash acquired		-	(37,302)	-	-
Payments for other investments		(2,445)	(2,262)	-	-
Proceeds from the sale of investments		-	27,260	-	-
Guarantee refunded		894	-	-	-
Deferred consideration		(3,302)	(2,509)	-	-
Distributions from investments		55	108	-	-
Advances/(repayments) from/(to):					
Controlled entities		-	-	(680)	1,229
Other		1,280	624	-	-
Net cash flows from investment activities		(38,896)	(63,274)	(680)	1,229
<b>Cash Flows from financing activities</b>					
Dividends paid					
Normal dividend		(125,225)	(61,569)	(124,680)	(51,857)
Debenture interest paid					
Normal debenture interest		-	(59,969)	-	-
Share buyback		(3,608)	-	-	-
Financing establishment costs paid		(1,365)	-	-	-
Payments for conversion of debentures		-	(45)	-	-
Proceeds from borrowings		270,000	280,000	-	-
Repayment of borrowings		(240,000)	(205,574)	-	-
Net cash flows from financing activities		(100,198)	(47,157)	(124,680)	(51,857)
<b>Net cash inflows/(outflows) for the year</b>		<b>7,326</b>	<b>1,587</b>	<b>(757)</b>	<b>1,002</b>

*The above cash flow statements should be read in conjunction with the accompanying notes.*

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **(a) Basis of Preparation**

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

#### *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Ten Network Holdings Limited and its controlled entities comply with International Financial Reporting Standards (IFRS).

#### *Historical Cost Convention*

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

#### *Critical Accounting Estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### **(b) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by Ten Network Holdings Limited (“the Company”) as detailed in Note 27 to the financial statements. Ten Network Holdings Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The financial statements of controlled entities are included from the date control commences until the date control ceases.

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

Refer to Note 1(j) for the accounting treatment of investments in associates and joint ventures.

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**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Income Tax**

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

*Tax Consolidation Legislation*

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

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

During February 2008, AMP and Copplemere exchanged their remaining interests in The Ten Group Pty Limited into the equivalent number of new shares in Ten Network Holdings Limited.

Following the above exchange, Ten Network Holdings Limited now holds 100% of the shares in The Ten Group Pty Limited. As a result, Ten Group Pty Limited tax consolidated group joined the existing Ten Network Holdings Limited tax consolidated group. Ten Network Holdings Limited continues to be the head of this tax consolidated group. The impact of Ten Group Pty Limited joining this tax consolidated group is discussed in Note 6.

The head entity, Ten Network Holdings Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured under the group allocation method.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 6.

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(c) Income Tax (continued)**

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

### **(d) Trade Receivables and Revenue Recognition**

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

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

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

Other revenue includes bank interest earned.

All trade receivables are initially measured at fair value and subsequently at amortised cost, less provision for doubtful debts. The amount of the provision is recognised in the income statement.

Trade receivables are due for settlement no more than 45 days from date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

### **(e) Impairment of Assets**

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

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**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Inventories**

***Television Program Rights***

Television programs which are available for broadcast are recognised as an asset and stated at cost. Series programs are written off in full upon initial airing. Features are amortised over their estimated useful lives. Furthermore, the carrying values of television program rights are tested for impairment as set out in Note 1(e).

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

***Other Inventories***

All other inventories are carried at the lower of cost and net realisable value, where net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

**(g) Non-Current Assets Held For Sale (or Disposal Groups) and Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets (including those that are part of a disposal group) classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

**(h) Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost. Depreciation or amortisation is provided on property, plant and equipment other than freehold land so as to write off the cost of the assets progressively over their estimated remaining useful lives. The straight line method of calculating depreciation is applied. The cost of the freehold land and buildings is regularly assessed by Directors through impairment testing (Refer to Note 1(e)). Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	<b>2008</b>	<b>2007</b>
Buildings	40 years	40 years
Plant and Equipment	2 to 10 years	2 to 10 years

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

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(h) Property, Plant and Equipment (continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### **(i) Intangibles**

#### ***Television Licences***

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

No amortisation is provided against these assets as the Directors believe that the television licences do not have a limited useful life. Instead, the Directors regularly assess the carrying value of licences through impairment testing (Note 1(e)) so as to ensure that they are not carried at a value greater than their recoverable amount.

#### ***Other Licences***

Other licences represent capitalised outdoor site leases. These licences are being amortised on a straight line basis over the term of the site leases (approximately 20 to 40 years).

#### ***Goodwill***

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of these cash-generating units represents the consolidated entity's investment in each business segment.

### **(j) Investments**

#### ***Associates and Joint Ventures***

Associates comprise those investments where the consolidated entity exercises significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The consolidated entity's equity accounted share of the associates' and joint ventures' net profit or loss is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves from the date significant influence commences until the date significant influence ceases.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the consolidated entity and its associates are eliminated to the extent of its interest in the associates.

#### ***Other Investments***

Other investments are carried in the consolidated financial statements at their fair value.

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**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Business Combinations**

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment by the acquiree to restructure the acquired entity and a reliable estimate of the amount of the liability can be made.

**(l) Leases**

***Operating leases***

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

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

***Finance leases***

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

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

**(m) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(n) Employee Benefits**

#### ***Wages and Salaries, Annual Leave and Long Service Leave***

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels including related on-costs, experience of employee departures and periods of service.

#### ***Retirement Benefit Obligations***

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

#### ***Equity-Based Compensation Benefits***

##### ***Ten Executive Option Plan***

In previous years, equity-based compensation benefits had been provided to employees via the Ten Executive Option Plan. Information relating to this scheme is set out in Note 33.

No accounting entries are made in relation to the Ten Executive Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the balance sheet as share capital. The Ten Executive Option Plan is not accounted under AASB 2 *Share-based Payment* because options were granted before 7 November 2002.

The amount disclosed for emoluments relating to options is the assessed fair value at grant date of options granted to Executives, allocated equally over the period from grant date to vesting date. Fair values at grant date have been independently determined by Mercer Financing and Risk Consulting using the Monte-Carlo option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The Ten Executive Option Plan is currently suspended.

##### ***Ten Deferred Incentive Plan***

The market value of shares purchased for employees for no cash consideration under the Ten Deferred Incentive Plan is recognised as part of employee benefit costs evenly across the total period over which they vest.

Shares purchased, but which have not yet vested to the employee as at reporting date are classified as Treasury Shares and offset the contributed equity of the consolidated entity. Any differences in the timing of the vesting and expensing of shares are recognised within a share-based payment reserve in equity.

### **(o) Cash and Cash Equivalents**

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

### **(p) Interest Bearing Loans and Borrowings**

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

### **(q) Borrowing Costs**

Borrowing costs are recognised as expenses in the period when incurred.

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(r) Provisions**

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

***Dividends***

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

***Deferred Settlement Costs***

The consolidated entity has provided for payment of additional consideration in relation to the original acquisition of a lease. The timing and amount of payment are subject to the extension of the lease over the site.

Provision has also been made in relation to acquisitions during the period where further consideration is anticipated but dependent on future events.

***Make good***

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

***Straight-lining***

Lease payments are recognised as an expense on a straight-line basis over the lease term for contracts which include fixed annual increases. Cash costs relating to certain contracts will be lower than reported costs in earlier years and higher than reported costs in later years of each contract term. In the earlier years of the lease term, a provision is created which will in effect be unwound over the lease term.

**(s) Foreign Currency Translation**

***Functional and Presentation Currency***

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

***Transactions and Balances***

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

***Consolidated Companies***

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

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

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(s) Foreign Currency Translation (continued)**

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

### **(t) Earnings Per Share**

#### ***Basic Earnings per Share***

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### ***Diluted Earnings per Share***

In 2007, diluted earnings per share has been calculated on the basis that the convertible debentures in The Ten Group Pty Limited (a controlled entity) had been converted and the subordinated debentures had been redeemed for the full year. The consolidated entity no longer has any diluted shares on issue.

### **(u) Goods and Services Tax (GST)**

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

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

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

### **(v) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

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

#### ***Fair Value Hedge***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Derivatives (continued)**

*Cash Flow Hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

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

**(w) Segment Reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

**(x) Contributed Equity**

Ordinary shares are classified as equity.

If the consolidated entity reacquires its own equity instruments, eg under the Ten Deferred Incentive Plan, those instruments are deducted from equity.

**(y) 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.

**(z) New Accounting Standards and UIG Interpretations**

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 August 2008 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

*AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 requires adoption of a 'management approach' to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. Application of the revised standard will likely not have an impact on the consolidated entity's financial statements.

*Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does already capitalise borrowing costs relating to qualifying assets.

*Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*

## **1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(z) New Accounting Standards and UIG Interpretations (continued)**

The revised AASB 101 was issued in September 2007 and is applicable to annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of recognised income and expense but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or a reclassification of items in the financial statements, it will also need to disclose a third balance sheet, this one being as at the beginning of the comparative period. The consolidated entity intends to apply the revised standard from 1 September 2009.

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.

Revised accounting standards for business combinations and consolidated financial statements were issued in March 2008 and are operative for annual reporting periods beginning on or after 1 July 2009, but may be applied earlier. The Group has not yet decided when it will apply the revised standards. However, the new rules generally apply only prospectively to transactions that occur after the application date of the standard. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application. For example, under the new rules:

- all payments (including contingent consideration) to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured at fair value through income
- all transaction costs will be expensed
- the Group will need to decide whether to continue calculating goodwill based only on the parent's share of net assets or whether to recognise goodwill also in relation to the non-controlling (minority) interest, and
- when control is lost, any continuing ownership interest in the entity will be remeasured to fair value and a gain or loss recognised in profit or loss.

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**2 FINANCIAL RISK MANAGEMENT**

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

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as interest rate swaps and cross currency interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, the Group does not acquire or issue derivative financial instruments for trading or speculative purposes.

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

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

**(a) Market Risk**

*(i) Foreign Exchange Risk*

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

The Group operates internationally and has some exposure to foreign exchange risk arising from agreements being denominated in US dollars and from foreign operations, particularly in the US Out-Of-Home business. In the Television segment, the vast majority of international program agreements are denominated in Australian dollars

The Group's risk management policy (set out in the group's Treasury Policy) is to hedge identified transactional risk on foreign exchange capital expenditure spend within a \$10m p.a. Earnings at Risk tolerance level.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	<b>2008</b>	<b>2007</b>
	<b>USD</b>	<b>USD</b>
	<b>\$'000</b>	<b>\$'000</b>
Borrowings	125,000	125,000
Cross Currency Interest rate swaps	(125,000)	(125,000)

The carrying amounts of the parent entity's financial assets and liabilities are denominated in Australian dollars.

*Consolidated entity sensitivity*

Based on the financial instruments held at 31 August 2008 and 31 August 2007, there would have been no impact on the entity's post-tax profit for the year or equity balances had the Australian dollar weakened / strengthened against any foreign currencies.

The borrowings held in foreign currency were the USD Senior Unsecured Notes. This USD debt has been fully swapped into AUD with a cross currency interest rate swap.

Foreign subsidiaries of the group have all balances denominated in functional currency and are not subject to transaction risk. They therefore are not exposed to foreign currency risk.

## 2 FINANCIAL RISK MANAGEMENT (continued)

### (ii) Cash Flow and Fair Value Interest Rate Risk

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

The fixed rate USD Private Placement entered into in March 2003 was fully swapped into variable rate borrowings at inception via a cross currency interest rate swap. The Group has no other fixed rate debt.

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

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

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

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

	31 August 2008		31 August 2007	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$'000	%	\$'000
Borrowings <sup>^</sup>	8.2%	635,084	7.3%	605,084
Interest rate swaps *	7.8%	<u>(320,000)</u>	6.5%	<u>(255,000)</u>
		<u>315,084</u>		<u>350,084</u>
<sup>^</sup> Made up of:				
Bank Loans		275,000		245,000
USD senior unsecured notes <sup>#</sup>		210,084		210,084
AUD senior unsecured notes		<u>150,000</u>		<u>150,000</u>
		<u>635,084</u>		<u>605,084</u>

<sup>#</sup> Represents principal of notes. \$64.64m (2007: \$62.48m) difference to carrying amount of USD senior unsecured notes is revaluation in accordance with AASB 139.

\* Notional principal amounts.

An analysis by maturities is provided in (c) below.

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**2 FINANCIAL RISK MANAGEMENT (continued)**

*Consolidated entity sensitivity*

At 31 August 2008, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been \$1.85m higher / \$1.89m lower (2007 – +/- 100 bps: \$2.28m higher / \$2.29m lower), mainly as a result of lower / higher interest expense from borrowings.

Other components of equity would have been \$4.88m lower / \$4.68m higher (2007: \$2.73m lower / \$2.62m higher) mainly as a result of an increase / decrease in the fair value of the cash flow hedges of borrowings.

*Parent entity sensitivity*

The parent entity's main interest rate risk arises from cash and cash equivalents with variable interest rates. The parent entity would not have been materially impacted if interest rates had reasonably changed from the year end rates.

**(b) Credit Risk**

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

*Credit risk related to receivables*

Customer credit risk is managed by each business segment subject to a policy and controls related to customer credit risk management.

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

As at 31 August 2008 the Group had 10 customers totalling \$106.5m (2007: 10 customers - \$134.4m) that owed the Group more than \$5 million each which accounted for 66.9% (2007: 72.1%) of all receivables owing.

*Credit risk related to financial instruments*

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

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

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

## 2 FINANCIAL RISK MANAGEMENT (continued)

### (c) Liquidity Risk

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

#### *Financing arrangements*

The consolidated entity had access to the following undrawn borrowing facilities at the reporting date:

	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Floating rate</b>				
Expiring within one year (bank overdraft)	5,000	5,000	-	-
Expiring beyond one year (bank loans)	355,000	455,000	-	-
	<u>360,000</u>	<u>460,000</u>	-	-

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have any average maturity of 2.7 years (2007 – 1.3 years).

#### *Maturities of financial liabilities*

The tables below analyse the Group's and the parent entity's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cashflows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date. USD cashflows relating to the USD senior unsecured notes and the CCIRS have been translated at the spot rate applicable at reporting date.

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**2 FINANCIAL RISK MANAGEMENT (continued)**

<b>Consolidated entity At 31 August 2008</b>	<b>1 year or less</b>	<b>Between 1 and 2 Years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying Amount (assets) / liabilities</b>
<b>Non-derivatives</b>						
Non-interest bearing	217,796	12,948	-	-	230,744	230,744
Variable rate	34,450	31,730	324,025	176,551	566,756	425,000
Fixed rate	7,803	7,803	168,455	-	184,061	145,441
Total non-derivatives	<u>260,049</u>	<u>52,481</u>	<u>492,480</u>	<u>176,551</u>	<u>981,561</u>	<u>801,185</u>
<b>Derivatives</b>						
Interest rate swaps (net-settled)	(1,995)	(167)	275	182	(1,705)	(3,356)
Cross Currency interest rate Swaps (gross-settled)						
(Inflow)	(7,803)	(7,803)	(168,455)	-	(184,061)	-
Outflow	15,682	14,464	249,872	-	280,018	69,191
Total derivatives	<u>5,884</u>	<u>6,494</u>	<u>81,692</u>	<u>182</u>	<u>94,252</u>	<u>65,835</u>

<b>Consolidated entity At 31 August 2007</b>	<b>1 year or less</b>	<b>Between 1 and 2 Years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying Amount (assets) / liabilities</b>
<b>Non-derivatives</b>						
Non-interest bearing	197,614	14,178	-	-	211,792	211,792
Variable rate	270,492	11,688	33,756	187,448	503,384	395,000
Fixed rate	8,217	8,217	24,652	160,954	202,040	147,604
Total non-derivatives	<u>476,323</u>	<u>34,083</u>	<u>58,408</u>	<u>348,402</u>	<u>917,216</u>	<u>754,396</u>
<b>Derivatives</b>						
Interest rate swaps (net-settled)	(3,069)	(2,163)	(2,437)	(316)	(7,985)	(5,389)
Cross Currency interest rate Swaps (gross-settled)						
(Inflow)	(8,217)	(8,217)	(24,652)	(160,954)	(202,040)	-
Outflow	17,893	15,682	43,473	220,863	297,911	68,029
Total derivatives	<u>6,607</u>	<u>5,302</u>	<u>16,384</u>	<u>59,593</u>	<u>87,886</u>	<u>62,640</u>

## 2 FINANCIAL RISK MANAGEMENT (continued)

The Company At 31 August 2008	No maturity <sup>^</sup>	1 year or less	Between 1 and 2 Years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets) / liabilities
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### Non-derivatives

Non-interest bearing	316	148	-	-	-	464	464
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The Company At 31 August 2007	No maturity <sup>^</sup>	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets) / liabilities
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### Non-derivatives

Non-interest bearing	2,389	187	-	-	-	2,576	2,576
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<sup>^</sup> The amount in the “no maturity” time bucket represents an intercompany loan for which there is no contractual agreement on repayment terms. It is not management’s intention to recall the loan within 12 months of the reporting date, therefore it is classified as non-current in the balance sheet.

### (d) Fair Value of Financial Instruments

The fair value of financial instruments (for example, over-the-counter derivatives) are determined using valuation techniques. The Group 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 carrying value of the Group’s financial instruments is their fair value.

## 3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

### *Estimated Impairment of Intangible Assets With Indefinite Lives and Goodwill*

The consolidated entity tests annually or when circumstances indicate impairment, whether indefinite lived intangibles and goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(e). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 16 for details of these assumptions and the potential impact of changes to the assumptions.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>4 REVENUE</b>					
<b>Revenue from continuing operations</b>					
Sales revenue		1,003,089	989,412	-	-
Other revenue					
Dividends - Controlled entity	34	-	-	130,421	52,574
Interest		3,033	2,418	327	260
		<u>1,006,122</u>	<u>991,830</u>	<u>130,748</u>	<u>52,834</u>
<b>Other income</b>					
Net gain on sale of investment – Big Tree Outdoor Sdn Bhd (Equity accounted associate) <sup>A</sup>		-	8,924	-	-
Net gain on disposal of property, plant and equipment		4	4,097	-	-
		<u>4</u>	<u>13,021</u>	<u>-</u>	<u>-</u>
<b>Total revenue</b>		<u>1,006,126</u>	<u>1,004,851</u>	<u>130,748</u>	<u>52,834</u>

<sup>A</sup> 2007: Proceeds from the sale of shares in Big Tree Outdoor Sdn Bhd were \$15.5m. The carrying value of the investment at disposal was \$4.2m, the carrying value of licences was \$2.7m, and the foreign exchange effect was \$0.3m.

**5 EXPENSES**

**(a) Profit before income tax includes the following specific items:**

Net loss on sale of property, plant and equipment	1	-	-	-
Net foreign exchange losses	162	53	-	-
Net bad and doubtful debts, including movements in provision for doubtful debts	763	103	-	-
Employee benefits expense	151,509	141,513	-	-
Operating lease rentals				
Minimum lease payments	81,514	78,711	-	-
Contingent rental expense	32,503	26,970	-	-
Sub-leases	186	174	-	-
Finance costs				
Subordinated debentures	-	50,883	-	-
Other	51,949	45,116	-	-
	<u>51,949</u>	<u>95,999</u>	<u>-</u>	<u>-</u>
Depreciation and amortisation of property, plant and equipment:				
Plant and equipment	31,239	24,864	-	-
Leasehold improvements	719	534	-	-
Buildings	235	223	-	-
Leased plant and equipment	-	145	-	-
Amortisation				
Licences	575	647	-	-
Other intangibles	2,295	2,877	-	-
	<u>2,870</u>	<u>3,524</u>	<u>-</u>	<u>-</u>

Note	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>6 INCOME TAX</b>				
<b>(a) Income tax expense</b>				
Current income tax expense/(revenue)	46,816	53,446	(320)	-
Deferred income tax (revenue)/expense	(190,364)	(6,052)	11	19
Prior year adjustments	590	(242)	-	-
	<u>(142,958)</u>	<u>47,152</u>	<u>(309)</u>	<u>19</u>
Attributable to:				
Profit from continuing operations	45,108	47,152	(309)	19
Tax Consolidations (Note 6f)	(188,066)	-	-	-
	<u>(142,958)</u>	<u>47,152</u>	<u>(309)</u>	<u>19</u>
Deferred income tax expense/(revenue) included in income tax expense comprises:				
(Increase)/decrease in deferred tax asset	(2,514)	62	11	19
(Decrease) in deferred tax liabilities	(187,850)	(6,114)	-	-
	<u>(190,364)</u>	<u>(6,052)</u>	<u>11</u>	<u>19</u>
<b>(b) Reconciliation of income tax to prima facie tax payable</b>				
Profit before tax	131,047	125,675	129,633	51,950
Tax at the Australian tax rate 30%	39,314	37,702	38,890	15,585
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Debenture interest	-	15,265	-	-
Non deductible depreciation and amortisation	557	591	-	-
Sale of Property Plant and Equipment	1,084	(1,200)	-	-
Sale of equity accounted investment	-	(2,450)	-	-
Non-assessable income	-	(234)	-	-
Realised foreign exchange losses	(829)	(1,846)	-	-
Other	195	(434)	(135)	-
Tax Consolidations	(188,066)	-	-	-
Write off of deferred tax asset for previously recognised tax losses	2,088	-	-	-
Unrecognised deferred tax assets arising from tax losses and timing differences	2,109	-	-	-
Prior year adjustments	590	(242)	-	-
Dividend rebate	-	-	(39,064)	(15,566)
Income tax expense/(revenue)	<u>(142,958)</u>	<u>47,152</u>	<u>(309)</u>	<u>19</u>

Consolidated

The Company

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	Note	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>6 INCOME TAX (continued)</b>					
<b>(c) Current tax (assets) / liabilities</b>					
(Income tax receivable) / Provision for income tax		(20,178)	(5,545)	3,134	-
<b>(d) Deferred tax assets</b>					
The balance comprises temporary differences attributable to:					
Trade debtors		188	39	-	-
Prepaid expenses and deposits		(142)	(601)	-	-
Property, plant and equipment		(18)	(75)	-	-
Trade creditors and accruals		555	639	45	56
Provisions		3,532	2,782	-	-
Tax losses		7,211	6,028	-	-
Deferred tax assets		11,326	8,812	45	56
<b>(e) Deferred tax liabilities</b>					
The balance comprises temporary differences attributable to:					
Provision for doubtful debts and advertising credits		(474)	(398)	-	-
Television licences		3,247	189,671	-	-
Program rights		46,067	45,100	-	-
Property, plant and equipment		(239)	2,091	-	-
Capitalised costs		(578)	(295)	-	-
Trade creditors and accruals		(2,491)	(3,680)	-	-
Provisions		(6,507)	(5,614)	-	-
Hedge reserve		(280)	(15)	-	-
Deferred tax liability		38,745	226,860	-	-

All movements in deferred tax assets and liabilities are taken to the income statement, except for the movement in hedge reserve, which is taken directly to equity.

The potential deferred tax asset not brought to account is:

Tax losses		3,609	-	-	-
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The benefit for tax losses will only be obtained if:

- (i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

**6 INCOME TAX (continued)**

**(f) Tax consolidation legislation**

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

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

During February 2008, AMP and Copplemere exchanged their remaining interests in The Ten Group Pty Limited into the equivalent number of new shares in Ten Network Holdings Limited. Following the above exchange, Ten Network Holdings Limited now holds 100% of the shares in The Ten Group Pty Limited. As a result, Ten Group Pty Limited tax consolidated group joined the existing Ten Network Holdings Limited tax consolidated group. Ten Network Holdings Limited continues to be the head of this tax consolidated group.

As a result of the Ten Group Pty Limited tax consolidated group joining the Ten Network Holdings Limited tax consolidated group, the tax bases of the group were reassessed – broadly with reference to proportional market values. As a result, an income tax benefit of \$188.1m was booked to the income statement. Of this benefit, \$186.4m relates to a reduction to deferred tax liabilities arising from an uplift of \$621.4m in the tax cost base of television licences. The remaining benefit of \$1.6m relates to uplifts in the tax cost bases of other depreciable assets, particularly fixed assets such as plant and equipment.

The accounting policy in relation to tax consolidation legislation is set out in Note 1(c).

Following Ten Group Pty Limited joining the Ten Network Holdings Limited tax consolidated group, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Ten Network Holdings Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Ten Network Holdings Limited for any current tax payable assumed and are compensated by Ten Network Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ten Network Holding Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

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	Note	Consolidated		The Company	
		2008	2007	2008	2007
		\$'000	\$'000	\$'000	\$'000
<b>7 CASH AND CASH EQUIVALENTS</b>					
Cash on hand		88	88	-	-
Cash at bank		30,850	20,099	623	1,380
		30,938	20,187	623	1,380

At 31 August 2008, cash at bank is bearing a floating interest rate of 7.56% (2007: 6.35%).  
Cash on hand is non-interest bearing.

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 2.

**8 RECEIVABLES (CURRENT)**

Trade debtors		161,570	188,129	-	-
Provision for impairment of receivables		(1,474)	(1,131)	-	-
Provisions for advertising credits		(1,128)	(879)	-	-
		158,968	186,119	-	-
Loans and advances					
Associated companies	34	2	2	-	-
Other		85	106	-	-
		87	108	-	-
		159,055	186,227	-	-

All receivables are non-interest bearing.

**(a) Impaired trade receivables**

As at 31 August 2008 current trade receivables of the consolidated entity with a nominal value of \$930k (2007: \$682k) were impaired. The amount of the provision was \$1,474k (2007: \$1,131k). The individually impaired receivables are in the Out of Home business segment and relate to a number of individual debtors for which these amounts are considered not recoverable.

There were no trade receivables for the Company in 2008 or 2007.

The ageing of these receivables is as follows:

	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
1 to 30 days	4	-	-	-
31 to 60 days	100	-	-	-
61 to 90 days	116	-	-	-
Over 90 days	710	682	-	-
	930	682	-	-

Movements in the provision for impairment of receivables are as follows:

	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
At 1 September	1,131	4,149	-	-
Provision for impairment recognised during the year	763	337	-	-
Receivables written off during the year as uncollectible	(325)	(107)	-	-
Unused amount reversed	(95)	(3,248)	-	-
	1,474	1,131	-	-

The creation and release of the provision for impaired receivables has been included in “other expenses” in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

**(b) Past due but not impaired**

As of 31 August 2008, trade receivables in the consolidated entity of \$15.5m (2007: \$9.9m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing of these trade receivables by business segment are as follows:

	<b>Consolidated - 2008</b>		
	<b>TV</b>	<b>EYE</b>	<b>TOTAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Up to 30 days overdue	2,854	1,323	4,177
31 to 60 days overdue	860	2,641	3,501
61 to 90 days overdue	568	926	1,494
Over 90 days overdue	4,495	1,789	6,284
	<u>8,777</u>	<u>6,679</u>	<u>15,456</u>

	<b>Consolidated – 2007</b>		
	<b>TV</b>	<b>EYE</b>	<b>TOTAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Up to 30 days overdue	761	2,726	3,487
31 to 60 days overdue	911	783	1,694
61 to 90 days overdue	34	1,050	1,084
Over 90 days overdue	1,989	1,638	3,627
	<u>3,695</u>	<u>6,197</u>	<u>9,892</u>

The consolidated entity does not hold any collateral in relation to these receivables.

**(c) Other loans and advances**

Other loans and advances do not contain impaired assets and are not past due.

**(d) Foreign exchange and interest rate risk**

Information about the Group and the company's exposure to foreign currency risk and interest rate risk in relation to receivables is provided in Note 2.

**(e) Credit risk**

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

**9 PROGRAM RIGHTS & INVENTORIES (CURRENT)**

Program rights	144,275	133,294	-	-
	<u>144,275</u>	<u>133,294</u>	<u>-</u>	<u>-</u>

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**10 ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE / LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE**

As at 31 August 2007, Eye Corp Pty Limited, a controlled entity, had classified the balances of their Indonesian operations and Adval Australia Pty Limited (a controlled entity) as held for sale. As at 31 August 2008, neither of these are considered as held for sale.

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(a) Fair value of assets and liabilities relating to the Indonesian operations</b>					
Cash and cash equivalents		-	306	-	-
Trade and other receivables		-	200	-	-
Plant and equipment		-	122	-	-
Other assets		-	960	-	-
Total assets		-	1,588	-	-
Trade and other payables		-	984	-	-
Other liabilities		-	1,410	-	-
Provisions		-	111	-	-
Total liabilities		-	2,505	-	-
Net liabilities		-	(917)	-	-
<b>(b) Fair value of assets and liabilities relating to Adval Australia Pty Limited</b>					
Cash and cash equivalents		-	3,010	-	-
Trade and other receivables		-	2,871	-	-
Inventories		-	509	-	-
Plant and equipment		-	2,190	-	-
Deferred tax assets		-	278	-	-
Total assets		-	8,858	-	-
Trade and other payables		-	2,686	-	-
Provisions		-	687	-	-
Total liabilities		-	3,373	-	-
Net assets		-	5,485	-	-
<b>Total assets of disposal group classified as held for sale</b>		-	10,446	-	-
<b>Total liabilities directly associated with assets of a disposal group classified as held for sale</b>		-	5,878	-	-
<b>11 OTHER ASSETS (CURRENT)</b>					
Prepayments		9,285	11,518	42	52
Capitalised costs		149	344	-	-
Sundry debtors		76	453	-	-
		9,510	12,315	42	52

Note	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

## 12 RECEIVABLES (NON-CURRENT)

Loans and advances				
Associated companies	34	248	249	3,454
		<u>248</u>	<u>249</u>	<u>3,454</u>

All receivables are non-interest bearing.

### (a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

### (b) Risk exposure

Information about the Group's and the Company's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 2.

## 13 OTHER FINANCIAL ASSETS

Investments in unlisted securities				
Controlled entities	34	-	-	2,228,568
Associated companies	34	2,119	2,119	-
Other		<u>3,393</u>	<u>1,063</u>	<u>-</u>
		<u>5,512</u>	<u>3,182</u>	<u>2,228,568</u>

## 14 PROGRAM RIGHTS & INVENTORIES (NON-CURRENT)

Program rights		<u>798</u>	<u>2,693</u>	<u>-</u>
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## 15 PROPERTY, PLANT AND EQUIPMENT

Freehold land				
At cost		<u>2,740</u>	<u>2,740</u>	<u>-</u>
Freehold buildings				
At cost		7,578	7,195	-
Accumulated depreciation		<u>(2,317)</u>	<u>(2,081)</u>	<u>-</u>
		<u>5,261</u>	<u>5,114</u>	<u>-</u>
Leasehold improvements				
At cost		13,488	11,788	-
Accumulated depreciation		<u>(2,770)</u>	<u>(2,101)</u>	<u>-</u>
		<u>10,718</u>	<u>9,687</u>	<u>-</u>
Plant and equipment				
At cost		230,695	218,930	-
Accumulated depreciation		<u>(126,186)</u>	<u>(116,814)</u>	<u>-</u>
		<u>104,509</u>	<u>102,116</u>	<u>-</u>
Total property, plant and equipment				
Net book value		<u>123,228</u>	<u>119,657</u>	<u>-</u>

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	Note	Consolidated 2008 \$'000	2007 \$'000	The Company 2008 \$'000	2007 \$'000
<b>15 PROPERTY, PLANT AND EQUIPMENT (continued)</b>					
<b>Reconciliations</b>					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
Freehold land					
Balance at beginning of year		2,740	2,738	-	-
Additions		-	2	-	-
Balance at end of year		<u>2,740</u>	<u>2,740</u>	-	-
Freehold buildings					
Balance at beginning of year		5,114	5,292	-	-
Additions		382	10	-	-
Transfer from other assets		-	35	-	-
Depreciation		(235)	(223)	-	-
Balance at end of year		<u>5,261</u>	<u>5,114</u>	-	-
Leasehold improvements					
Balance at beginning of year		9,687	6,199	-	-
Additions		1,811	4,059	-	-
Disposals		-	(22)	-	-
Foreign currency exchange differences		(65)	(11)	-	-
Depreciation		(719)	(534)	-	-
Reclassified from/(to) as held for sale		4	(4)	-	-
Balance at end of year		<u>10,718</u>	<u>9,687</u>	-	-
Plant and equipment					
Balance at beginning of year		102,116	73,555	-	-
Additions		33,193	53,806	-	-
Acquisitions through entity acquired		-	2,278	-	-
Disposals		(151)	(409)	-	-
Transfer from other assets		-	643	-	-
Foreign currency exchange differences		(1,718)	(585)	-	-
Depreciation		(31,239)	(24,864)	-	-
Reclassified from/(to) as held for sale		2,308	(2,308)	-	-
Balance at end of year		<u>104,509</u>	<u>102,116</u>	-	-
Leased plant and equipment					
Balance at beginning of year		-	823	-	-
Additions		-	-	-	-
Disposals		-	-	-	-
Transfer to other assets		-	(678)	-	-
Depreciation		-	(145)	-	-
Balance at end of year		<u>-</u>	<u>-</u>	-	-

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>16 INTANGIBLE ASSETS</b>					
Television licences – cost		1,077,822	1,077,822	-	-
Other licences – cost		23,000	23,838	-	-
Accumulated amortisation		(4,430)	(4,693)	-	-
		18,570	19,145	-	-
Opening net book amount		19,145	22,452	-	-
Amortisation		(575)	(647)	-	-
Other – sale of shares in Big Tree Outdoor Sdn Bhd.		-	(2,664)	-	-
Foreign exchange		-	4	-	-
Closing net book amount		18,570	19,145	-	-
Goodwill – cost		88,538	90,390	-	-
Opening net book amount		90,390	70,781	-	-
Additions – current year acquisitions		3	20,208	-	-
Prior year acquisitions		(977) <sup>B</sup>	723 <sup>A</sup>	-	-
Foreign exchange		(878)	(1,322)	-	-
Closing net book amount		88,538	90,390	-	-
Other identifiable intangibles – cost		25,483	26,736	-	-
Accumulated amortisation		(5,787)	(3,491)	-	-
		19,696	23,245	-	-
Opening net book amount		23,245	7,300	-	-
Additions – current year acquisitions		1	19,197	-	-
Prior year acquisitions		(419) <sup>B</sup>	194 <sup>A</sup>	-	-
Amortisation		(2,295)	(2,877)	-	-
Foreign exchange		(836)	(569)	-	-
Closing net book amount		19,696	23,245	-	-
Total Intangible Assets		1,204,626	1,210,602	-	-

<sup>A</sup>: Additional invoices relating to prior year acquisitions were capitalised during 2007.

<sup>B</sup>: Final adjustment of deferred settlement provision relating to prior year acquisitions.

**(a) Impairment tests for 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.

Television licences are allocated to cash-generating units (CGUs) identified according to business segments.

Television licences allocation is as below:

Television Licences	Television CGU \$'000
2008	1,077,822
2007	1,077,822

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**16 INTANGIBLE ASSETS (continued)**

**(a) Impairment tests for Television licences (continued)**

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

*Cash flow forecasts and growth rates*

Cash flow forecasts are based on three year financial forecasts approved by management. Another two years are forecast based on a 4% growth rate having regard to past performance and management's expectations for future performance. Cash flows beyond the five-year period are extrapolated using these same growth rates.

*Discount rates*

Post tax discount rates of 11.3% are the weighted average cost of capital (after tax) for the consolidated entity and risk adjusted.

*Impact of Possible Changes in Key Assumptions*

There are no reasonable possible changes to key assumptions which would cause the recoverable amount of the television licences included in the television CGU to be lower than carrying value.

**(b) Impairment tests for Goodwill**

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Goodwill is allocated to cash-generating units (CGUs) identified according to business segments.

Goodwill allocation is as below:

<b>Goodwill</b>	<b>Out-of-home CGU</b>
	<b>\$'000</b>
2008	88,538
2007	90,390

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

*Cash flow forecasts and growth rates*

The weighted average growth rate used to extrapolate cash flows beyond the budget period is 3% earnings before interest, tax and depreciation of the final forecast year with the exception of the US for which a rate of 19% was used. The cash flows used in the calculations relate to 5 years of forecast results plus a terminal value based on the Gordon's Growth Model with the exception of the US. Cash flow projections based on forecasts have been extrapolated beyond 5 years on the basis of the start -up nature of the US using growth rates greater than 3% also reflecting higher growth in this market.

*Discount rates*

Post tax discount rates for Eyecorp range from 11.14% to 11.54%, depending on tax jurisdiction, are the weighted average cost of capital used to discount future cash flows.

*Impact of Possible Changes in Key Assumptions*

There are no reasonably possible changes to key assumptions which would cause the recoverable amount of the goodwill included in the out-of-home CGU to be lower than carrying value.

Note	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

### 17 OTHER ASSETS (NON-CURRENT)

Capitalised costs	524	725	-	-
Other	246	242	-	-
	<u>770</u>	<u>967</u>	-	-

### 18 PAYABLES (CURRENT)

Trade creditors	210,175	186,877	148	187
Unearned income	1,215	1,372	-	-
Other	6,406	9,365	-	-
	<u>217,796</u>	<u>197,614</u>	<u>148</u>	<u>187</u>

### 19 PROVISIONS (CURRENT)

Employee entitlements	17,737	15,679	-	-
Deferred settlement	472	4,454	-	-
Other	924	909	-	-
	<u>19,133</u>	<u>21,042</u>	-	-

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

	Deferred settlement \$'000	Other \$'000	Total \$'000
<b>Consolidated – 2008</b>			
<b>Current</b>			
Carrying amount at beginning of year	4,454	909	5,363
Additional provisions recognised	-	80	80
Payments	(3,302)	-	(3,302)
Unused amounts reassessed	(680)	(65)	(745)
Carrying amount at end of year	<u>472</u>	<u>924</u>	<u>1,396</u>

(i) Deferred settlement provision relates to the contractual obligation for an outdoor advertising site and future consideration on acquisitions.

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	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>20 PAYABLES (NON-CURRENT)</b>					
Trade creditors		12,948	14,178	-	-
Controlled entity	34	-	-	316	2,389
		<u>12,948</u>	<u>14,178</u>	<u>316</u>	<u>2,389</u>

**21 BORROWINGS (NON-CURRENT)**

Bank loan		275,000	245,000	-	-
USD senior unsecured notes		145,441	147,604	-	-
AUD senior unsecured notes		<u>150,000</u>	<u>150,000</u>	-	-
		<u>570,441</u>	<u>542,604</u>	-	-

**(a) Bank Loan**

In April 2008, The Ten Group Pty Limited refinanced its \$700m Syndicated Loan Facility with a three year Multi-Currency Revolving Cash Facility of \$630m expiring April 2011. The undrawn facility is disclosed in Note 2c.

**(b) USD Senior Unsecured Notes**

In 2003, The Ten Group Pty Limited raised funds through USD \$125m Senior Unsecured Notes (due March 2013) in the US Private Placement market. The notes have been fully swapped by the use of foreign currency and interest rate swaps into an AUD floating exposure of \$210.084m. This amount will be required to be repaid to noteholders upon maturity in March 2013. This has been offset by a \$64.64m retranslation as required under AASB 121 The Effects of Changes in Foreign Exchange Rates. The net carrying amount at 31 August 2008 is \$145.441m.

**(c) AUD Senior Unsecured Notes**

In December 2005, The Ten Group Pty Limited raised funds through AUD \$150m Senior Unsecured Notes. This amount will be required to be repaid to noteholders upon maturity in December 2015.

**(d) Risk Exposures**

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in Note 2.

Consolidated		The Company	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000

## 22 DERIVATIVE FINANCIAL INSTRUMENTS

### Non-Current Assets

Cross-currency interest rate and Interest rate swaps	3,356	5,389	-	-
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### Non-Current Liabilities

Cross-currency interest rate and Interest rate swaps	(69,191)	(68,029)	-	-
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	(65,835)	(62,640)	-	-
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#### (a) Instruments used by the consolidated entity

The consolidated entity is party to derivative financial instruments in the normal course of the business in order to hedge exposure to fluctuations in interest and foreign exchange rates (refer to Note 2 Financial Risk Management policies).

##### (i) Cross currency interest rate swap (CCIRS)

In 2003, The Ten Group Pty Limited, a controlled entity, raised funds through USD \$125m Senior Unsecured Notes (due March 2013) in the US Private Placement market. This has been fully swapped by the use of foreign currency and interest rate swaps into an AUD floating exposure of \$210.084m. This amount will be required to be repaid to note holders upon maturity in March 2013.

This debt is hedged by a combination of fair value and cash flow hedges. Interest rate swaps have been designated to this debt as cash flow hedges (see (ii) below). For the periods of time where interest rate swaps have not been designated, the debt is in a fair value hedge relationship where changes in the fair value of the debt are effectively offset by changes in the mark-to-market of the CCIRS.

As at balance date, the hedges in relation to the USD Senior Unsecured Notes have a net fair value of \$64.5m liability (\$2.3m hedge asset and \$66.9m hedge liability). The majority of this liability is offset by a \$65.8m revaluation of debt to fair value, the remainder being in an equity reserve representing the movement in the fair value of effective hedges. A loss of \$55k was recognised in relation to the ineffective portion.

##### (ii) Interest rate swap contracts

The bank loan and unsecured notes of the consolidated entity bear an average variable interest rate of approximately 8.2%. It is policy to protect part of these loans from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 50% (2007: 40%) of loan principals outstanding. The fixed interest rates range between 5.53% and 7.64% (2007: 5.04% and 6.17%) and the variable rates are at BBSW, which at balance date was 7.265% (2007: 6.8567%).

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**22 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

(ii) Interest rate swap contracts (continued)

At 31 August 2008, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Less than 1 year	30,000	85,000
1 – 2 years	35,000	30,000
2 – 3 years	130,000	35,000
3 – 4 years	15,000	60,000
4 – 5 years	80,000	15,000
More than 5 years	30,000	30,000
	<u>320,000</u>	<u>255,000</u>

The contracts require settlement of net interest receivable or payable each 90 days.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion, if any, is recognised in the income statement immediately. In the year ended 31 August 2008 a loss of \$152k was transferred to the income statement. A loss of \$55k was from cash flow hedges of the USD Private Placement in (i) above. A loss of \$97k was recognised from cash flow hedges of floating rate debt. The amount released from the cashflow hedge reserve during the period was (\$3.2m) (2007: (\$1.4m)).

The hedges relating to the USD Senior Unsecured Notes are discussed in (i) above. Remaining cash flow hedges relate to floating rate debt and have a fair value of \$1.3m recognised as hedge assets.

**(b) Risk exposures**

Information about the Group's and the Company's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 2.

<b>Consolidated</b>		<b>The Company</b>	
<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**23 PROVISIONS (NON-CURRENT)**

Employee entitlements	3,395	2,700	-	-
Make good provisions	8,396	7,658	-	-
Provision for straight-lining of rental expense	7,501	5,186	-	-
Deferred settlement	-	488	-	-
	<u>19,292</u>	<u>16,032</u>	<u>-</u>	<u>-</u>

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

	<b>Make Good</b>	<b>Straight-</b>	<b>Deferred</b>	<b>Total</b>
	<b>\$'000</b>	<b>Lining</b>	<b>settlement</b>	<b>\$'000</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated – 2008</b>				
<b>Current</b>				
Carrying amount at beginning of year	7,658	5,186	488	13,332
Additional provisions recognised	435	2,701	-	3,136
Charged to the income statement – unwinding of discount	426	-	-	426
Unused amounts reassessed	(123)	(386)	(488)	(997)
Carrying amount at end of year	<u>8,396</u>	<u>7,501</u>	<u>-</u>	<u>15,897</u>

		Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>24 CONTRIBUTED EQUITY</b>	<b>Notes</b>				
(a) Share capital					
925,236,720 ordinary shares fully paid (2007: 922,149,084)	(c)	2,224,220	2,215,484	2,224,960	2,215,484
(b) Other equity securities					
Treasury shares	(e)				
928,661 ordinary shares full paid		(3,516)	(3,213)	-	-
		<u>2,220,704</u>	<u>2,212,271</u>	<u>2,224,960</u>	<u>2,215,484</u>

(c) Movements in ordinary share capital during the past year were as follows:

Date	Details	Notes	Number of Shares	Issue Price	\$'000
31.08.07	Balance 31 August 2007		922,149,084		2,215,484
01.02.08	Debenture Conversion Costs				(740)
19.02.08	Copplemere Exchange		749,998	\$2.45	1,837
20.02.08	AMP Exchange		4,685,918	\$2.40	11,247
24.07.08	Share Buyback		(250,266)	\$1.54	(387)
25.07.08	Share Buyback		(190,000)	\$1.52	(290)
28.07.08	Share Buyback		(253,710)	\$1.49	(378)
29.07.08	Share Buyback		(300,000)	\$1.45	(433)
30.07.08	Share Buyback		(168,932)	\$1.46	(247)
01.08.08	Share Buyback		(300,000)	\$1.47	(442)
05.08.08	Share Buyback		(250,000)	\$1.49	(372)
07.08.08	Share Buyback		(35,372)	\$1.55	(55)
12.08.08	Share Buyback		(300,000)	\$1.67	(501)
13.08.08	Share Buyback		(300,000)	\$1.68	(503)
31.08.08	Balance 31 August 2008		<u>925,236,720</u>		<u>2,224,220</u>

(d) During February 2008, AMP and Copplemere exchanged their remaining interests (totalling 5,435,916 shares) in The Ten Group Pty Limited into the equivalent number of new shares in Ten Network Holdings Limited. Following the exchange, CanWest owned 56.6% of shares in Ten Network Holdings Limited and Ten Network Holdings Limited owns 100.0% of shares in The Ten Group Pty Limited.

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**24 CONTRIBUTED EQUITY (continued)**

(e) Treasury Shares

Treasury shares are shares in Ten Network Holdings Limited that are held by the Ten Employee Share Plans Pty Limited for the purpose of issuing shares under the Ten Deferred Incentive Plan.

Date	Details	Number of Shares	\$'000
31.08.07	Balance 31 August 2007	928,661	3,213
20.11.07	Acquisition of shares	132,000	359
21.11.07	Acquisition of shares	130,000	355
22.11.07	Acquisition of shares	130,000	355
23.11.07	Acquisition of shares	131,536	356
19.12.07	Acquisition of shares	1,012,372	2,982
22.12.07	Employee share scheme issue	(1,118,790)	(3,936)
08.01.08	Sale of shares	(38,615)	(123)
28.03.08	Sale of shares	(13,043)	(45)
31.08.08	Balance 31 August 2008	<u>1,294,121</u>	<u>3,516</u>

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

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

(g) Share Buy-back

During July to August 2008 the company purchased 2,348,280 ordinary shares on-market in order to maximise shareholders' returns. The shares were acquired at an average price of \$1.50 per share, with prices ranging from \$1.45 to \$1.68.

(h) Capital risk management

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

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

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

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

The Group has recently renewed its Syndicated Loan facility for another three years for \$630m. The debt maturity profile of all debt is contained in note 2(c).

	Consolidated		The Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>25 RESERVES</b>				
Foreign currency translation	(7,120)	(3,400)	-	-
Hedging reserve	(652)	(36)	-	-
Share-based payment reserve	3,225	4,067	-	-
Conversion reserve	(1,217,645)	(1,209,346)	-	-
	<u>(1,222,192)</u>	<u>(1,208,715)</u>	-	-
<b>Movements during the year</b>				
Foreign currency translation				
Balance at beginning of year	(3,400)	(531)	-	-
Net translation adjustment	(3,720)	(2,869)	-	-
Balance at end of year	<u>(7,120)</u>	<u>(3,400)</u>	-	-
Hedging reserve				
Balance at beginning of year	(36)	(3,653)	-	-
Revaluation	(616)	3,617	-	-
Balance at end of year	<u>(652)</u>	<u>(36)</u>	-	-
Share-based payment reserve				
Balance at beginning of year	4,067	-	-	-
Issue of shares to employees	(3,936)	(1,421)	-	-
Employee share plan expense	3,070	5,512	-	-
Minority interest	24	(24)	-	-
Balance at end of year	<u>3,225</u>	<u>4,067</u>	-	-
Conversion reserve				
Balance at beginning of year	(1,209,346)	-	-	-
Exchange of debentures shares	-	(1,325,415)	-	-
Minority interest/conversion of shares	(8,299)	116,069	-	-
Balance at end of year	<u>(1,217,645)</u>	<u>(1,209,346)</u>	-	-

### Nature and purpose of reserves

#### *Foreign currency translation*

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in accounting policy Note 1(s). The reserve is recognised in profit and loss when the net investment is disposed of.

#### *Hedging reserve*

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in accounting policy Note 1(v). Amounts are recognised in profit and loss when the associated hedge transaction affects profit and loss.

#### *Share-based payment reserve*

The share-based payment reserve recognises the fair value of shares vesting to employees and the expense pattern of shares held by The Ten Employee Share Plans Pty Limited which has yet to vest, as described in accounting policy Note 1(n).

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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**25 RESERVES (continued)**

*Conversion reserve*

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

The above treatment reflects the economic entity method of accounting for minority interests.

<b>Consolidated</b>		<b>The Company</b>	
<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**26 ACCUMULATED LOSSES**

Accumulated losses at beginning of year	(381,045)	(394,118)	(1,088)	(1,162)
Adjustment to opening accumulated losses	-	(1,201)	-	-
Profit attributable to members of the Company	273,482	66,131	129,942	51,931
Dividends paid	(124,680)	(51,857)	(124,680)	(51,857)
Accumulated losses at end of year	(232,243)	(381,045)	4,174	(1,088)

AASB 117 *Leases* requires lease costs to be recognised on a straight line basis for contracts with fixed annual increases. In previously reported results, site lease costs were expensed as incurred. Opening retained earnings in 2007 have been adjusted by \$1.2m to reflect this treatment.

**27 CONTROLLED ENTITIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

<b>Ordinary Share</b>	
<b>Consolidated Entity Interest</b>	
<b>2008</b>	<b>2007</b>
<b>%</b>	<b>%</b>

**Parent entity**

Ten Network Holdings Limited

**Controlled entities**

The Ten Group Pty Limited	100.0	99.4
Network Ten Pty Limited (iv)	100.0	99.4
Network Ten (Sydney) Pty Limited (iv)	100.0	99.4
Network Ten (Melbourne) Pty Limited (iv)	100.0	99.4
Network Ten (Brisbane) Pty Limited (iv)	100.0	99.4
Television & Telecasters (Properties) Pty Limited (iv)	100.0	99.4
Caprice Pty Limited (iv)	100.0	99.4
Network Ten (Adelaide) Pty Limited (iv)	100.0	99.4
Chartreuse Pty Limited (iv)	100.0	99.4
Network Ten (Perth) Pty Limited (iv)	100.0	99.4
Ten Employee Share Plans Pty Limited	100.0	99.4
Ten Ventures Pty Limited	100.0	99.4
Ten Online Pty Limited	100.0	99.4
Eye Corp Pty Limited	100.0	99.4
Eye Corp Australia Pty Limited (i)	100.0	99.4
Eye Drive Sydney Pty Limited (i)	100.0	99.4

Olympic Murals 2000 Pty Limited (i)	100.0	99.4
Australian Airport Advertising Pty Limited	100.0	99.4
Eye Corp Airport Advertising Pty Limited	100.0	99.4
Eye Fly Sydney Pty Limited (i)	100.0	99.4
Eye Mall Media Pty Limited (i)	100.0	99.4
Eye Corp Media Pty Limited (iii)	100.0	99.4
Adval Holdings Pty Limited (iii)	100.0	99.4
Adval Australia Pty Limited (iii)	100.0	99.4
Eye Shop Pty Limited (iii)	100.0	99.4
Eye Corp In-Store Pty Ltd (iii)	100.0	99.4
Eye Drive Melbourne Pty Limited (iii)	100.0	99.4
Eye Outdoor Pty Limited (iii)	100.0	99.4
Outdoor Plus Pty Limited (iii)	100.0	99.4
Eye Study Pty Limited (iii)	100.0	99.4
PT Netra Estha Muda (ii)	100.0	99.4
PT Agung Bali (ii)	70.0	69.6
Eye Corp New Zealand Limited	100.0	99.4
Eye Shop New Zealand Limited	100.0	99.4
Eye Study New Zealand Limited	100.0	99.4
Eye Corp (USA) Inc	100.0	99.4
Eye Corp (NY) LLC	100.0	99.4
Eye Mall Media (USA) LLC	100.0	99.4
Foxmark Media LLC	100.0	99.4
Eye Corp (UK) Limited	100.0	99.4
Airport Advertising (UK) Limited	100.0	99.4
Eye Shop (UK) Limited	50.1	49.8
Eye Corp Asia Pte Limited	100.0	99.4
Eye Corp Pte Limited	100.0	99.4
Eye Corp Hong Kong Limited	100.0	99.4
EyeOOH (Canada) Inc	100.0	99.4
Eye Fly (USA) LLC	100.0	-
Eye Fly (Miami) LLC	95.0	-

All the above controlled entities are incorporated in Australia, except for the following:

- PT Netra Estha Muda and PT Agung Bali (incorporated in Indonesia);
- Eye Corp New Zealand Limited (incorporated in New Zealand on 31 August 2004);
- Eye Shop New Zealand Limited (incorporated in New Zealand on 7 December 2000);
- Eye Study New Zealand Limited (incorporated in New Zealand on 5 February 2003);
- Eye Corp (USA) Inc (incorporated in USA on 3 January 2006);
- Eye Corp (NY) LLC (incorporated in USA on 28 March 2006);
- Eye Mall Media (USA) LLC (incorporated in USA on 27 January 2006);
- Foxmark Media LLC (incorporated in USA on 30 July 1997);
- Eye Fly (USA) LLC (incorporated in USA on 14 December 2007);
- Eye Fly (Miami) LLC (incorporated in USA on 22 January 2008);
- EyeOOH (Canada) Inc (incorporated in Canada on 16 June 2006);
- Eye Corp (UK) Limited (incorporated in UK on 28 October 2005);
- Airport Advertising (UK) Limited (incorporated in UK on 1 November 2005);
- Eye Shop (UK) Limited (incorporated in UK on 18 October 2006);
- Eye Corp Asia Pte Limited (incorporated in Singapore on 2 September 2005);
- Eye Corp Pte Limited (incorporated in Singapore on 2 September 2005); and
- Eye Corp Hong Kong Limited (incorporated in Hong Kong on 28 September 2005).

## 27 CONTROLLED ENTITIES (continued)

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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- (i) These subsidiaries have been granted relief from the necessity to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ("ASIC"). For more information refer to note 38.
- (ii) Eye Corp Pty Limited owns 100% of the beneficial ownership interest in PT Netra Estha Muda and a 70% beneficial ownership interest in PT Agung Bali.
- (iii) By Assumption Deed dated 29 July 2008, Eye Corp Media Pty Ltd ACN 091 136 168, Adval Holdings Pty Ltd ACN 081 798 405, Adval Australia Pty Ltd ACN 006 114 843, Eye Drive Melbourne Pty Ltd ACN 006 468 391, Outdoor Plus Pty Ltd ACN 003 443 463, Eye Shop Pty Ltd ACN 083 817 912, Eye Outdoor Pty Ltd ACN 097 413 351, Eye Study Pty Ltd ACN 093 233 768 and Eye Corp In-Store Pty Ltd ACN 113 789 263 were joined as parties to the Deed of Cross Guarantee. These companies are now entitled to the relief afforded by Class Order 98/1418.
- (iv) Refer to Note 38 for details of The Ten Group Pty Limited and Eye Corp Pty Limited Deed of Cross Guarantee.

## 28 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Share of profits accounted for using the equity method included in the income statement					
Associates	(a)	-	1,408	-	-
		-	1,408	-	-

### (a) Investments in equity accounted associates

As at 31 August 2008, Ten Network Holdings does not have equity accounted associates. On 30 March 2007, Eye Corp Asia Limited sold its 30% interest in Big Tree Outdoor Sdn Bhd. On 5 January 2007, The Ten Group Pty Limited sold its 24.3% interest in Global Television Limited.

	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Movements in carrying amounts</b>				
Carrying amount at the beginning of the financial year	-	12,927	-	-
Investments in associates disposed during the year	-	(14,438)	-	-
Share of profits after income tax	-	1,408	-	-
Foreign exchange on carrying amount of investment	-	103	-	-
Carrying amount at the end of the financial year	-	-	-	-
<b>Share of associates' profits</b>				
Profit before income tax	-	1,742	-	-
Income tax expense	-	(334)	-	-
Profit after income tax	-	1,408	-	-
<b>Summarised financial information of associates</b>				
Consolidated entity's share of:				
Revenues	-	11,441	-	-

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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**29 EARNINGS PER SHARE**

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	29.57	16.29 <sup>^</sup>
Diluted earnings per share	29.57	13.86

***Basic Earnings per Share***

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Ten Network Holdings Limited by the weighted average number of ordinary shares outstanding during the financial year.

***Diluted Earnings per Share***

Diluted earnings per share in 2007 has been calculated on the basis that the convertible debentures in The Ten Group Pty Limited (a controlled entity) had been converted and the subordinated debentures had been redeemed for the full year. On 28 August 2007 convertible debentures were converted and subordinated debentures redeemed. Therefore, in future years there will be no difference between basic and diluted earnings per share. This method also reflects the potential conversion of options over ordinary shares in Ten Network Holdings Limited during the year.

<sup>^</sup> As a result of the exchange by CanWest of convertible debentures and shares in The Ten Group Pty Limited for new shares issued by Ten Network Holdings Limited and the redemption of the subordinated debentures previously held by CanWest in The Ten Group Pty Limited, debenture interest was accrued to June 2007. If debenture interest had been accrued to August 2007, basic and diluted earnings per share would have been 13.92 cents.

On 23 and 24 February 2008 AMP and Copplemere exchanged their remaining interests (totalling 5,435,916 shares) in the Ten Group Pty Limited into the equivalent number of new shares in Ten Network Holdings Limited.

On 3 July 2008, Ten Network Holdings commenced an on-market share buyback. As at 31 August 2008, Ten Network Holdings Limited has purchased 2,348,280 of issued shares valued at \$3,608,042.

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>
<b>Weighted Average Number of Shares Used as a Denominator</b>		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	924,846,778	405,950,981
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	924,846,778	405,950,981

**Reconciliations of Earnings Used in Calculating Earnings Per Share**

***Basic Earnings per Share***

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit from continuing operations	274,005	78,523
Profit from continuing operations attributable to minority interest	(523)	(12,392)
Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	273,482	66,131

## 29 EARNINGS PER SHARE (continued)

### Reconciliations of Earnings Used in Calculating Earnings Per Share

#### *Diluted Earnings per Share*

	<b>Consolidated</b>
	<b>2007</b>
	<b>\$'000</b>
Profit from continuing operations	78,523
Exclude earnings of the Company:	
Corporate Costs	884
Corporate Revenue	(260)
Tax expense attributable to the Company	19
Non-recurring tax revenue from tax consolidations	
Profit attributable to minority interest in Out-of-home	(58)
Profit after tax for The Ten Group Pty Limited	79,108
Debtore interest expense	50,883
Profit after tax, before debenture interest for The Ten Group Pty Limited	129,991
The Company's share of The Ten Group Pty Limited	43.77%
The Company's share of The Ten Group Pty Limited earnings	56,897
Include earnings of the Company:	
Corporate Costs	(884)
Corporate Revenue	260
Tax expense attributable to the Company	(19)
Non-recurring tax revenue from tax consolidations	
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	56,254

In 2008, the profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share was the same as that used to calculate basic earnings per share. The consolidated entity no longer has any diluted securities on issue.

### Information Concerning the Classification of Securities

#### (a) *Options*

Options granted to Executives under the Ten Executive Option Plan are considered to be potential ordinary shares and have been included in the determination of basic fully diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details of the options are set out in the Remuneration Report.

#### (b) *Convertible Debentures*

Convertible debentures on issue in a controlled entity are considered to be potential ordinary shares of the controlled entity and accordingly would impact the earnings after tax included in the consolidated result of the consolidated entity and therefore in the determination of basic fully diluted earnings per share. The notes have not been included in the determination of basic earnings per share. On 28 August 2007, these convertible debentures were converted and therefore will not form a category of diluted securities in future years.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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**30 KEY MANAGEMENT PERSONNEL DISCLOSURES**

**a) Key management personnel compensation**

	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Short-term employee benefits	10,408	6,861	-	-
Post-employment benefits	368	378	-	-
Share-based payments	2,500	1,727	-	-
	13,276	8,966	-	-

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 20.

**Loans to Directors and Other Key Management Personnel**

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

**Other Transactions with Directors and Other Key Management Personnel**

***Contracts with Directors***

During the financial year, Competitive Foods Australia Limited entered into agreements in respect of the purchase of television airtime (through an advertising agency) from a controlled entity on normal commercial terms and conditions. Mr JJ Cowin, a Director of the Company, is Chairman of, and has a substantial interest in, Competitive Foods Australia Limited. The value of such transactions are at arm's-length and are not material to the consolidated entity.

***Other Key Management Personnel of the Consolidated Entity***

There were no transactions with other Key Management Personnel in the current or prior financial year.

	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

**31 AUDITORS' REMUNERATION**

Audit and other assurance services:

Auditors of the Company – PricewaterhouseCoopers				
- Audit or review of financial reports	580	573	63	59
- Other audit related work	169	143	-	-
- Other assurance services	42	539	-	-
Other Auditors				
- Audit or review of financial reports – Horwath Clark Whitehill LLP	99	44	-	-
	890	1,299	63	59

Other services:

Auditors of the Company – PricewaterhouseCoopers				
- Advisory services	36	186	-	-
- Taxation	594	415	-	-
Other Auditors – Horwath Clark Whitehill LLP				
- Advisory services	115	-	-	-
- Taxation	-	5	-	-
	745	606	-	-
	1,635	1,905	63	59

The auditors' remuneration for other services attributable to the Company is borne by a controlled entity.

Consolidated		The Company	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000

## 32 COMMITMENTS

### (a) Capital expenditure commitments

Amounts contracted but not provided for:

Within one year	12,664	8,404	-	-
Later than one year and not later than five years	-	4,700	-	-
	<u>12,664</u>	<u>13,104</u>	-	-

### (b) Program expenditure commitments

Amounts contracted but not provided for:

Within one year	136,211	150,265	-	-
Later than one year and not later than five years	507,139	522,467	-	-
Later than five years	427,539	532,451	-	-
	<u>1,070,889</u>	<u>1,205,183</u>	-	-

### (c) Non-cancellable operating lease commitments

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

Minimum lease payments contracted but not provided for:

No later than one year	83,847	77,706	-	-
Later than one year and not later than five years	257,058	267,792	-	-
Later than five years	103,480	146,196	-	-
	<u>444,385</u>	<u>491,694</u>	-	-
	<u>444,385</u>	<u>491,694</u>	-	-

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

### (d) Superannuation

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

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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**33 SHARE-BASED PAYMENTS**

**The Ten Executive Option Plan**

The Ten Executive Option Plan involves the issue of options in Ten Network Holdings Limited to Executives and senior management of the Company and its controlled entities. The total number of options that may be issued have been limited to 5% of the issued capital of The Ten Group Pty Limited. All issued options are also subject to various vesting date arrangements. At balance date no options remain on issue and this plan is currently suspended.

**The Ten Employee Award Plan**

This plan was established as a reward and incentive plan for employees of The Ten Group Pty Limited and its controlled entities. A controlled entity contributed \$1,000 per eligible employee in each of calendar years 1998, 2003, 2004 and 2005 for the on-market purchase of shares of Ten Network Holdings Limited. Although the shares are registered in the name of each employee, these shares are restricted from being traded for a period of three years from the date of grant, except for the termination of the employee or hardship circumstances. The plan is also designed to accommodate further contributions by The Ten Group Pty Limited and its controlled entities, however there is no commitment by the Company to make future contributions.

**The Ten Employee Savings Plan**

The Ten Employee Savings Plan was established as a mechanism for employees of the Company and its controlled entities for the purchase of shares in Ten Network Holdings Limited. Employees may set aside amounts from their remuneration and reward arrangements for the on-market purchase of such shares.

**The Ten Deferred Incentive Plan**

A limited number of senior Executives are invited to participate in a deferred incentive share plan.

For participants a maximum "incentive amount" is determined at the Remuneration Committee's discretion. The incentive amount is payable with reference to certain profit and personal targets.

Shares equal to the incentive amount are bought on market upfront and vests in four equal tranches over 3 years. The first tranche vests on the date of purchase in each year with the next 3 tranches of shares vesting or about each successive anniversary of the first acquisition date.

If the Ten Network Holdings Limited performance target is not met the Remuneration Committee may in its discretion determine the incentive amount the employees will receive, having regard for the reasons why the performance target was not met.

Whilst employed by the Company the tranches of shares are subject to a trading lock until issued on the applicable anniversary of the first acquisition date.

Further details of the deferred incentive share plan are set out in the Remuneration Report.

### 33 SHARE-BASED PAYMENTS (continued)

#### The Ten Deferred Incentive Plan (continued)

Set out below is a summary of shares granted under the plan:

Grant Date	Share Price	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested at end of the year Number
3 Nov 2006	\$3.45	154,252	-	(10,098)	144,154	60,228
22 Nov 2006	\$3.50	149,519	-	-	149,519	-
11 Dec 2006	\$3.48	110,491	-	-	110,491	63,643
22 Dec 2006	\$3.32	50,836	-	-	50,836	48,307
22 Dec 2006	\$3.46	463,563	-	(20,832)	442,731	169,981
20 Nov 2007	\$2.72	-	132,000	-	132,000	132,000
21 Nov 2007	\$2.73	-	130,000	-	130,000	130,000
22 Nov 2007	\$2.73	-	130,000	-	130,000	130,000
23 Nov 2007	\$2.71	-	131,536	-	131,536	131,536
19 Dec 2007	\$2.95	-	1,012,372	(20,728)	991,644	253,095
<b>Total</b>		<b>928,661</b>	<b>1,535,908</b>	<b>(51,658)</b>	<b>2,412,911</b>	<b>1,118,790</b>

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

	Consolidated		The Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee share rights expense	3,070	5,512	-	-
	<u>3,070</u>	<u>5,512</u>	<u>-</u>	<u>-</u>

#### Fair Value of Shares

The fair value of shares is the price at which the shares were purchased.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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**34 RELATED PARTY INFORMATION**

**Parent Entity**

The parent entity within the consolidated entity is Ten Network Holdings Limited. The ultimate parent entity and controlling party is CanWest Global Communications Corp. (incorporated in Canada) which at 31 August 2008 owns 56.6% (2007: 56.7%) of the issued ordinary shares of Ten Network Holdings Limited.

**Controlled Entities**

Interests in controlled entities are set out in Note 27.

**Key Management Personnel**

Key Management Personnel disclosures relating to key management personnel are set out in Note 30.

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Ownership interest in related entities</b>					
Controlled entities	13	-	-	2,228,568	2,215,484
Associated Companies	13	2,119	2,119	-	-
Associated Companies		<u>2,119</u>	<u>2,119</u>	<u>2,228,568</u>	<u>2,215,484</u>
<b>Dividends</b>					
Dividends from controlled entities	4	-	-	130,421	52,574
<b>Amounts receivable from/(payable to) related entities</b>					
Controlled entities					
Payable	20	-	-	(316)	(2,389)
Associated companies					
Receivable	8,12	<u>250</u>	<u>251</u>	<u>3,454</u>	<u>-</u>

### 34 RELATED PARTY INFORMATION (continued)

#### Financial transactions with related entities

Entity's name	Note	Nature of transaction at normal commercial terms	2008 \$'000	2007 \$'000
<b>With related entities:</b>				
CanWest Global Communications Corp. (Group)		Interest on subordinated and convertible debentures accrued by The Ten Group Pty Limited	-	50,883
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited (Non-Current)	180,481	160,665
Eye Corp Pty Limited		Purchase of Out-of-Home advertising by Network Ten Pty Limited	678	444
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited	187	173

### 35 CONTINGENT LIABILITIES

#### General

As part of its normal operations as a television broadcaster, the consolidated entity has received writs for defamation and various claims for damages. At balance date, the aggregate of all such claims will not give rise to any material liability.

Details and estimates of other maximum amounts of contingent liabilities are as follows:

	Note	Consolidated		The Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Unsecured guarantees by a controlled entity and consolidated entity in respect of leases of controlled entities in the group		40,238	42,643	-	-
		<u>40,238</u>	<u>42,643</u>	<u>-</u>	<u>-</u>

No material losses are anticipated in respect of any of the above contingent liabilities.

#### Claims

Claims for damages are made against the consolidated entity from time to time in the ordinary course of business. The directors are not aware of any claim that is expected to result in material costs or damages.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
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**36 SEGMENT INFORMATION**

**Business segments**

The consolidated entity is organised into the following divisions by service type.

**Television**

Operation of commercial television licences in Sydney, Melbourne, Brisbane, Adelaide and Perth.

**Out-of-home**

Advertising media outside the home environment.

**Geographical segments**

The consolidated entity operates principally within Australia.

**Inter-segment transactions**

Segment revenues, expenses and results include transactions between segments. Such transactions are priced on an “arm’s-length” basis and are eliminated on consolidation.

**Primary reporting – Business segments**

2008	Television \$'000	Out-of-home \$'000	Eliminations /Unallocated \$'000	Consolidated \$'000
<b>Revenue</b>				
Sales to external customers	825,986	177,103	-	1,003,089
Inter-segment sales	187	678	(865)	-
Total sales revenue	826,173	177,781	(865)	1,003,089
Other revenue	1,933	777	327	3,037
Total revenue	<u>828,106</u>	<u>178,558</u>	<u>(538)</u>	<u>1,006,126</u>
<b>Segment Result</b>				
EBITDA	209,011	7,130	(1,115)	215,026
Depreciation	(20,984)	(11,209)	-	(32,193)
Amortisation	-	(2,870)	-	(2,870)
EBIT	188,027	(6,949)	(1,115)	179,963
Finance costs				(51,949)
Interest revenue				3,033
Profit before tax				131,047
Income tax expense				
Normal tax expense				(45,108)
Tax Consolidation				188,066
Profit after tax				<u>274,005</u>
Depreciation and amortisation	20,984	14,079	-	35,063
<b>Assets</b>				
Segment assets	1,467,438	249,383	(3,001)	1,713,820
<b>Liabilities</b>				
Segment liabilities	898,739	45,016	3,791	<u>947,546</u>
Acquisitions of non-current assets	20,084	15,299	-	<u>35,386</u>

### 36 SEGMENT INFORMATION (continued)

2007	Television \$'000	Out-of-home \$'000	Eliminations /Unallocated \$'000	Consolidated \$'000
<b>Revenue</b>				
Sales to external customers	826,412	163,000	-	989,412
Inter-segment sales	173	444	(617)	-
Total sales revenue	826,585	163,444	(617)	989,412
Other revenue	5,610	9,569	260	15,439
Total revenue	832,195	173,013	(357)	1,004,851
<b>Segment Result</b>				
Result	236,395	11,427	(884)	246,938
Share of associates' and joint ventures' profit	629	779	-	1,408
EBITDA	237,024	12,206	(884)	248,346
Depreciation	(17,555)	(8,011)	-	(25,566)
Amortisation	-	(3,524)	-	(3,524)
EBIT	219,469	671	(884)	219,256
Finance costs				(95,999)
Interest revenue				2,418
Profit before tax				125,675
Income tax expense				(47,152)
Profit after tax				78,523
Depreciation and amortisation	17,555	11,535	-	29,090
<b>Assets</b>				
Segment assets	1,470,010	251,799	(2,244)	1,719,565
Investments in associates and joint ventures	-	-	-	-
Consolidated total assets				1,719,565
<b>Liabilities</b>				
Segment liabilities	1,046,330	45,723	184	1,092,237
Acquisitions of non-current assets	31,863	26,014	-	57,877

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2008**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**37 NOTES TO THE STATEMENTS OF CASH FLOWS**

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

Profit after income tax	274,005	78,523	129,942	51,931
Non-cash revenue	-	(1,650)	-	-
Non-cash expenses	35,458	29,440	-	-
Non-cash expenses – Tax consolidation adjustment	(188,066)	-	-	-
Dividends from associates	-	-	-	-
Set up costs for loan facility	1,365	-	-	-
Profit on sale of Adelaide land and buildings	-	(4,001)	-	-
Loss/(Profit) on sale of other non-current assets	4	(96)	-	-
Profit on sale of Big Tree Outdoor Sdn Bhd	-	(8,924)	-	-
Debenture interest accrued	-	50,883	-	-
Net increase in provisions	1,969	598	-	-
Net decrease in tax provisions	(15,360)	(19,893)	-	-
Net decrease in accrued revenue and expense items in payables/(receivables)	37,045	(12,862)	(5,339)	(301)
Net cash flows from operating activities	146,420	112,018	124,603	51,630

**38 DEED OF CROSS GUARANTEE**

There are two separate Deeds of Cross Guarantee within the consolidated entity. The Ten Group Pty Limited is the holding company under the first of the Deeds and those wholly owned subsidiaries party to The Ten Group Pty Limited Deed are listed in Note 27.

The controlled entities party to the Deeds of Cross Guarantee have been granted relief from the necessity to prepare a financial report and directors' report under Class Order 98/1418 issued by the Australian Securities and Investments Commission. Under the Deeds of Cross Guarantee each of the companies party to each of the Deeds guarantees the debts of the other named companies.

Eye Corp Pty Limited and a number of controlled entities identified in note 27 are party to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

By Deed of Revocation dated 25 July 2008, Australian Airport Advertising Pty Ltd ACN 002 646 282 and Eye Corp Airport Advertising Pty Ltd ACN 054 614 630 were removed as parties to the Deed of Cross Guarantee. These companies are no longer entitled to the relief afforded by Class Order 98/1418.

By Assumption Deed dated 29 July 2008, Eye Corp Media Pty Ltd ACN 091 136 168, Adval Holdings Pty Ltd ACN 081 798 405, Adval Australia Pty Ltd ACN 006 114 843, Eye Drive Melbourne Pty Ltd ACN 006 468 391, Outdoor Plus Pty Ltd ACN 003 443 463, Eye Shop Pty Ltd ACN 083 817 912, Eye Outdoor Pty Ltd ACN 097 413 351, Eye Study Pty Ltd ACN 093 233 768 and Eye Corp In-Store Pty Ltd ACN 113 789 263 were joined as parties to the Deed of Cross Guarantee. These companies are now entitled to the relief afforded by Class Order 98/1418.

### 38 DEED OF CROSS GUARANTEE (continued)

An abridged consolidated income statement and consolidated balance sheet, comprising The Ten Group Pty Limited and controlled entities which are a party to The Ten Group Pty Limited Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August is set out below:

	Consolidated	
	2008	2007
	\$'000	\$'000
<b>Abridged Income Statement</b>		
<i>Profit before income tax</i>	152,285	189,923
Income tax expense	(45,526)	(41,164)
<i>Profit after income tax</i>	106,759	148,759
Retained profits at the beginning of year	137,502	51,030
Dividends provided or paid	(130,966)	(62,287)
<i>Retained earnings at the end of year</i>	113,295	137,502
<b>Balance Sheet</b>		
Cash assets	12,969	6,060
Receivables	126,551	159,514
Inventories	143,914	133,295
Current tax assets	24,405	5,555
Other	3,449	3,189
<i>Total current assets</i>	311,288	307,613
Receivables	194,807	177,572
Inventories	798	2,693
Other financial assets	204,051	202,065
Property, plant and equipment	68,975	69,874
Intangibles	326,422	326,422
Derivative financial instruments	3,356	5,389
Other	14,616	15,731
<i>Total non-current assets</i>	813,025	799,746
<i>Total assets</i>	1,124,313	1,107,359
Payables	190,877	176,009
Provisions	16,855	15,792
<i>Total current liabilities</i>	207,732	191,801
Borrowings	570,441	542,604
Derivative financial instruments	69,191	68,029
Deferred tax liabilities	35,498	37,189
Provisions	3,397	2,935
<i>Total non-current liabilities</i>	678,527	650,757
<i>Total liabilities</i>	886,259	842,558
<i>Net assets</i>	238,054	264,800
Contributed equity	125,700	126,439
Reserves	(941)	860
Retained earnings	113,295	137,502
<i>Total Equity</i>	238,054	264,801

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2008**

**39 DIVIDENDS**

Dividends proposed or paid by the Company are:

	Cents per share	Total amount \$'000	Date of Payment	Tax rate for franking credit	Percentage franked
<b>2008</b>					
December dividend paid	10.0	92,215	4 January 2008	30%	100%
June dividend paid	3.5	32,465	16 July 2008	30%	100%
<b>2007</b>					
December dividend paid	9.0	35,901	11 January 2007	30%	100%
June dividend paid	4.0	15,956	11 July 2007	30%	100%

<b>The Company</b>	
<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>

**Dividend franking account**

Franking credits (30%) available for the subsequent financial year	28,516	15,226
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The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision of income tax;
- (b) franking debits that will arise from the payment of dividends proposed or provided as at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at reporting date.

**40 SUBSEQUENT EVENTS**

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

- the operations in financial years subsequent to 31 August 2008 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2008 of the consolidated entity.

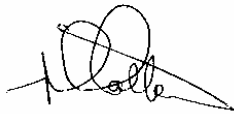
**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES**  
**DIRECTORS' DECLARATION**  
**31 AUGUST 2008**

In the directors' opinion:

- a) the financial statements and notes set out on pages 41 to 92 are in accordance with the Corporations Act 2001, including:
  - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the company's and consolidated entity's financial position as at 31 August 2008 and of their performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 38 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 38.

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

SIGNED at Sydney on 16 October 2008 in accordance with a resolution of the Directors.



NG Falloon  
Chairman

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

### Report on the financial report

We have audited the accompanying financial report of Ten Network Holdings Limited (the company), which comprises the balance sheet as at 31 August 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Ten Network Holdings Limited and the Ten Network Holding Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of Ten Network Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 August 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 20 of the Directors' report for the year ended 31 August 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the Remuneration Report of Ten Network Holding Limited for the year ended 31 August 2008, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



DS Wiadrowski  
Partner

Sydney  
16 October 2008