

TEN NETWORK
HOLDINGS
LIMITED

ANNUAL
REPORT

For the year ended
31 August 2006

ABN 14 081 327 068

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 AUGUST 2006
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 2006

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 2006.

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 LS Freedman (Alternate Mr NG Falloon)^A
 Mr PV Gleeson (Alternate Mr NG Falloon)
 Mr PPA Harris
 Ms IYL Lee (Alternate Mr JB Studdy)
 Mr GH Levy (Alternate Mr PV Gleeson)
 Mr R Magid (Alternate Mr NG Falloon)^B
 Mr BM Sherman (Alternate Mr EP Sherman)^C
 Mr JB Studdy (Alternates Mr JJ Cowin and Mr AJ Peschar)
 Mr PD Viner (Alternates Mr LJ Asper, Mr TC Strike and Mr JE Maguire)^D

^A: Mr BG Sechos resigned as Alternate Director and Mr NG Falloon was appointed Alternate Director for Mr LS Freedman on 14 June 2006.

^B: Mr NG Falloon was appointed Alternate Director for Mr R Magid on 26 October 2005.

^C: Mr NG Falloon resigned as Alternate Director and Mr EP Sherman was appointed Alternate Director for Mr BM Sherman on 22 September 2005.

^D: Mr JE Maguire was appointed Alternate Director for Mr PD Viner on 28 November 2005.

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 TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (Perth), and out-of-home advertising.

Result

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

	2006	2005
	\$'000	\$'000
Earnings before interest, tax, depreciation and amortisation	251,971	341,452
Depreciation	(20,596)	(20,571)
Amortisation	(1,125)	(914)
Earnings before interest and tax	230,250	319,967
Subordinated debenture interest	(84,462)	(98,578)
Net interest expense – other	(32,161)	(27,931)
Profit before income tax	113,627	193,458
Income tax (expense)/revenue		
Normal	(59,180)	(89,388)
Non-recurring	-	18,427
Profit after income tax	54,447	122,497
Profit attributable to minority interest	(8,634)	(16,547)
Profit attributable to members of the Company	45,813	105,950

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Dividends

Since the end of the previous financial year a fully franked dividend of 12.0 cents per share (\$47,867,891) was paid on 12 January 2006 and a fully franked dividend of 7.5 cents per share (\$29,917,432), including a special dividend of 3.5 cents per share, was paid on 12 July 2006 in respect of the results for the period to 30 June 2006. Dividends in respect to the six months to 31 December 2006 will be paid during January 2007.

Review of Operations

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

Significant Changes in the State Of Affairs

During the year, Eye Corp Pty Limited, a controlled entity, successfully tendered for the advertising rights of Changi Airport, Singapore and the airports operated by the Manchester Airport Group. Additionally, Eye Corp Pty Limited acquired Outdoor Plus Pty Limited, the additional 50% of the Eye Outdoor joint venture as well as the acquisition of the operations of Media Choice in the USA.

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

On 20 September 2006, Eye Corp Pty Limited, a controlled entity, announced that it had acquired Ultimate Media Group Pty Limited which operates advertising concessions across 78 higher education campuses across Australia and New Zealand. The concession features 565 poster format panels. The acquisition is effective from 15 September 2006.

On 11 October 2006, Eye Corp Pty Limited announced that it had been appointed as the preferred media supplier for the Macerich Company for static and digital media offerings within 56 malls from their portfolio. The Macerich Company is one of the largest regional shopping groups in the United States. The Macerich contract takes effect on 1 January 2007.

Except for the matters referred to above, no other 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 2006 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2006 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.

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Information on Directors

Director	Responsibilities	Particulars of Directors' Interests in Shares and Options of The Company	
		Ordinary Shares	Options
Chairman - Executive			
NG Falloon	Executive Chairman of Board of Directors	-	-
Non-Executive Directors			
JJ Cowin		1,000,000	-
LS Freedman		507,347	-
PV Gleeson	Chairman of Audit Committee	15,048,608	-
PPA Harris	Member of Audit Committee	24,611	-
IYL Lee	Member of Audit Committee	10,000	-
GH Levy	Member of Audit Committee	33,000	-
R Magid		300,000	-
BM Sherman		8,016,105	-
JB Studdy		50,000	-
PD Viner		-	-

All Directors are members of the Nomination Committee.

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Information on Directors (continued)

Qualifications and Experience of Directors

The qualifications and experience of each Director are detailed below.

Nicholas G Falloon

BMS (Age 49)

Appointed Executive Chairman of Ten Network Holdings Limited and The Ten Group Pty Limited 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 Committee of Ten Network Holdings Limited and is Chairman of each of the Executive and Remuneration Committees and a member of the Corporate Development Committee of The Ten Group Pty Limited.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Jack J Cowin

BA (Age 64)

Director of Ten Network Holdings Limited and The Ten Group Pty Limited since April 1998. Previously a Director of The Ten Group Pty Limited from December 1992 to January 1997. Founder and Chairman of Competitive Foods Australia Limited and is on the Board of CIBC World Markets (Australia) Ltd.

Mr Cowin is a member of the Nomination Committee of Ten Network Holdings Limited and the Executive, Remuneration and Corporate Development Committees of The Ten Group Pty Limited.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Laurence S Freedman AM

ASA, F Fin, MAUSIMM (Age 63)

Director of Ten Network Holdings Limited since February 1998 and of The Ten Group Pty Limited since March 1994. Founder of The EquitiLink Group. Director of a number of investment companies listed on the American and Canadian stock exchanges. Chairman of The Freedman Foundation.

Mr Freedman is a member of the Nomination Committee of Ten Network Holdings Limited and the Executive, Remuneration and Corporate Development Committees of The Ten Group Pty Limited.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: Director of Aberdeen Leaders Limited from September 1987 to February 2004.

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Information on Directors (continued)

Paul V Gleeson

BEC, ACA (Age 53)

Director of Ten Network Holdings Limited since February 1998 and of The Ten Group Pty Limited since April 1998. Previously a Director of The Ten Group Pty Limited from December 1992 to March 1994. He is a member of the Institute of Chartered Accountants in Australia.

Mr Gleeson is Chairman of the Audit Committees of each of Ten Network Holdings Limited and The Ten Group Pty Limited. He is also a member of the Nomination Committee of Ten Network Holdings Limited and the Executive Committee of The Ten Group Pty Limited.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Paul P A Harris

MA, F Fin (Age 61)

Director of Ten Network Holdings Limited since February 1998 and of The Ten Group Pty Limited since December 1992. Mr Harris is a Director of Wilson HTM Limited and the World Wide Fund for nature.

Mr Harris is a member of each of the Audit Committees of Ten Network Holdings Limited and The Ten Group Pty Limited. He is also a member of the Nomination Committee of Ten Network Holdings Limited.

Other Current Australian Listed Company Directorships: Chairman of Multi Channel Solutions Ltd (since November 2004).

Former Australian Listed Company Directorships in Last 3 Years: None

Irene Y L Lee

BA, Barrister-at-Law (Age 53)

Director of Ten Network Holdings Limited and of The Ten Group Pty Limited since October 2000. She is also a member of the Takeovers Panel, the Advisory Council of JPMorgan Australia, and the Executive Council of the UTS Faculty of Business, as well as a Trustee of the Art Gallery of New South Wales. Ms Lee has held senior positions in investment banking and funds management over the past twenty years. Ms Lee was an executive director of Citicorp Investment Bank before becoming Head of Corporate Finance at the Commonwealth Bank of Australia and then Chief Executive Officer of Sealcorp Holdings Limited. Ms Lee is a Director of ING Bank (Australia) Limited.

Ms Lee is a member of each of the Audit Committees of Ten Network Holdings Limited and The Ten Group Pty Limited. She is also a member of the Nomination Committee of Ten Network Holdings Limited and the Remuneration Committee of The Ten Group Pty Limited.

Other Current Australian Listed Company Directorships: Director of Mariner Financial Limited (since September 1985), and Director of QBE Insurance Group (since May 2002).

Former Australian Listed Company Directorships in Last 3 Years: Director of Beyond International Limited from September 1986 to November 2004, Director of Record Funds Management Limited (as responsible entity for Record Realty) from December 2002 to August 2005, Director of Biotech Capital Limited from June 2000 to June 2004, and Director of Record Investments Group from January 2001 to June 2006.

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Information on Directors (continued)

Geoffrey H Levy AO

BComm, LLB, F Fin, MAICD (Age 47)

Director of Ten Network Holdings Limited and The Ten Group Pty Limited since April 1998. Previously a Director of The Ten Group Pty Limited from February 1995 to December 1996. Mr Levy is Executive Chairman of Investec Bank (Australia) Limited and its wholly owned subsidiary Investec Wentworth Pty Limited. He is also involved in not-for-profit and government organisations including being Deputy Chairman of the Australian Sports Anti-Doping Authority and he is a director of the Multiple Sclerosis Society. Geoffrey was formerly a partner of the law firm, Freehills, and has over twenty years experience in the corporate advisory environment.

Mr Levy is a member of each of the Audit Committees of Ten Network Holdings Limited and The Ten Group Pty Limited. He is also a member of the Nomination Committee of Ten Network Holdings Limited.

In 2005 Mr Levy was honoured in the Queen's Birthday Honours list by being appointed an Officer of the Order of Australia.

Other Current Australian Listed Company Directorships: Chairman of Millers Retail Limited (since April 2005) and Director of STW Group Limited (since November 1993).

Former Australian Listed Company Directorships in Last 3 Years: The Mirvac Group (appointed February 1997 and resigned March 2006).

Robert Magid

BSc, BA(Maths), MA(Econ) (Age 64)

Director of Ten Network Holdings Limited and The Ten Group Pty Limited since April 1998. Chairman and Managing Director of TMG Developments Pty Ltd and Pier One Developments Pty Limited. Director of Australia-Israel Chamber of Commerce.

Mr Magid is a member of the Nomination Committee of Ten Network Holdings Limited.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Brian M Sherman AM

B Comm, CTA, SA Fin (Age 63)

Director of Ten Network Holdings Limited since February 1998 and The Ten Group Pty Limited since March 1994. Mr Sherman is President of the Australian Museum Trust, Chairman of Sonic Communications Pty Limited and Pulse International Pty Limited and a Director of Voiceless, the fund for Animals. He is also a Director of a number of investment companies listed on the American and Canadian stock exchanges.

Brian is the former Chairman and Joint Managing Director of The EquitiLink Group (1981 to 2000), was previously a Director of the Sydney Organising Committee for the Olympic Games (SOCOG) and Chairman of SOCOG's Finance Committee.

Mr Sherman is a member of the Nomination Committee of Ten Network Holdings Limited and the Corporate Development Committee of The Ten Group Pty Limited.

Other Current Australian Listed Company Directorships: Chairman of Aberdeen Leaders Limited (Director since May 1987).

Former Australian Listed Company Directorships in Last 3 Years: None

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Information on Directors (continued)

John B Studdy AM

BEc, FCA (Age 77)

Director of Ten Network Holdings Limited since June 1998 and Director of The Ten Group Pty Limited since July 2005. Chairman of Ten Network Holdings Limited 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. Mr Studdy is an Honorary Vice President of the International Federation of MS Societies, Emeritus President of the MS Society of New South Wales and Chairman of the Pain Management Research Institute and of ING Australia Foundation.

Mr Studdy is Chairman of the Nomination Committee of Ten Network Holdings Limited.

Other Current Australian Listed Company Directorships: Director of Angus & Coote (Holdings) Limited (since March 1999), Director of Westfield Group (since July 2004), a stapled security which comprises Westfield Holdings Limited (since July 2004) and Westfield Management Limited as the responsible entity of Westfield Trust (since January 2004) and Westfield America Management Limited (since January 2004) as the responsible entity of Westfield America Trust, and Director of Westfield Management Limited (since January 2004) as the responsible entity of Carindale Property Trust.

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

Peter D Viner

(Age 61)

Director of Ten Network Holdings Limited since April 1998 and of The Ten Group Pty Limited since July 1997. Served as Chief Executive Officer of The Ten Group Pty Limited from 1993 to 1997. Currently Executive Vice-President of CanWest Global Communications Corp and President and Chief Executive Officer, Canadian Operations of Mediaworks Canada Inc.

Mr Viner is a member of the Nomination Committee of Ten Network Holdings Limited.

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.

Previously he held the position of General Counsel and Group Secretary at Advance Bank where he was employed from 1982 to 1996. Stephen 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
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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 2006, and the number of meetings attended by each Director were:

Director's Name Alternate name (if applicable)	Date appointed	Date resigned	No. of Meetings of Directors Held/Attended		Meetings of Committees Held/Attended			
					Audit	Nomination		
NG Falloon	13/02/02	Continuing	8	8	-	-	1	1
JJ Cowin	03/04/98	Continuing	8	8	-	-	1	1
LS Freedman	16/02/98	Continuing	8	8	-	-	1	1
PV Gleeson	16/02/98	Continuing	8	8	4	4	1	1
PPA Harris	16/02/98	Continuing	8	8	4	4	1	1
IYL Lee	13/10/00	Continuing	8	7	4	3	1	-
JB Studdy (Alternate)	22/10/03	Continuing		1		1		1
GH Levy	03/04/98	Continuing	8	7	4	2	1	-
PV Gleeson (Alternate)	06/07/04	Continuing		1		2		1
R Magid	03/04/98	Continuing	8	5	-	-	1	1
NG Falloon (Alternate)	26/10/05	Continuing		3				
BM Sherman	16/02/98	Continuing	8	7	-	-	1	1
EP Sherman (Alternate)	22/09/05	Continuing		1				
JB Studdy	04/06/98	Continuing	8	8	-	-	1	1
PD Viner	03/04/98	Continuing	8	-	-	-	1	-
LJ Asper (Alternate)	11/08/00	Continuing		1				
TC Strike (Alternate)	11/08/00	Continuing		4				1
JE Maguire (Alternate)	28/11/05	Continuing		2				

The number of meetings held refers to the period whilst a Director.

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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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Remuneration Report (continued)

Principles Used to Determine the Nature and Amount of Remuneration (continued)

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 long-term 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 The Ten Group Pty Limited 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.

Executive Pay

The executive pay and reward framework has four components:

- Base pay and benefits
- Short-term performance incentives through cash bonuses
- Long-term incentives through participation in the Performance Incentive Share 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.

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Remuneration Report (continued)

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 some 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. Variable Remuneration Incentive Plan ("VRIP") targets are established in each financial year with 25% of the incentive dependent on group EBIT targets, as approved by the Board, and 75% of the incentives based on achievement of specific individual and leadership related business drivers and objectives. 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) the maximum target bonus opportunity varies between 15-30% of fixed remuneration. The Executive Chairman can receive up to a maximum target bonus of 75% of fixed remuneration. Each year, the Remuneration Committee reviews both the prescribed business drivers for the forthcoming year and recommended payments for the completed year under the plan. Performance against VRIP objectives is measured via a confidential 360-degree feedback review. The Executive Chairman's performance is assessed by the Board Remuneration Committee annually against pre determined performance criteria.

Performance Incentive Share Plan

A limited number of senior Executives are invited to participate in a long-term incentive share plan. Ten Network Holdings Limited wishes to give eligible employees an opportunity to participate in the Ten Employee Performance Incentive Share Plan ("Performance Incentive Share 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 by the Remuneration Committee, currently equal to shares between the values of 15-20% of fixed remuneration per annum other than for the Chief Executive Officer and Executive Chairman (see service contracts below). The incentive amount is payable with reference to certain profit and personal targets.

Shares equal to the incentive amount are bought on market and paid in four equal tranches over 4 years. The first tranche is paid on or about 1 January of the following year with the next 3 tranches of shares provided on or about each successive anniversary of the first acquisition date.

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Remuneration Report (continued)

Performance Incentive Share Plan (continued)

If personal targets are not met then 25% of the incentive amount is not provided and all entitlements to that 25% will lapse. 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 were not met.

Whilst employed by the Company the shares are subject to a trading lock for 5 years from first acquisition date.

Long-Term Incentive 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 2006 are set out in the following tables.

Executive Director of Ten Network Holdings Limited

2006	Short-term Benefits			Post Employment Benefits		Share-Based Payment		Total
	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Super-annuation \$	Retirement/ Termination Benefits \$	Shares \$	Options \$	
NG Falloon	1,987,770	1,000,000	-	12,230	-	-	-	3,000,000

Directors of Ten Network Holdings Limited

2006	Short-term Benefits			Post Employment Benefits		Share-Based Payment		Total
	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Super-annuation \$	Retirement/ Termination Benefits \$	Shares \$	Options \$	
JJ Cowin	73,692	-	-	6,632	-	-	-	80,324
LS Freedman	73,692	-	-	6,632	-	-	-	80,324
PV Gleeson	11,468	-	-	71,037	-	-	-	82,505
PPA Harris	71,193	-	-	6,407	-	-	-	77,600
IYL Lee	73,858	-	-	6,647	-	-	-	80,505
GH Levy	71,192	-	-	6,407	-	-	-	77,599
R Magid	66,526	-	-	5,987	-	-	-	72,513
BM Sherman	66,526	-	-	5,987	-	-	-	72,513
JB Studdy	70,655	-	-	-	-	-	-	70,655
PD Viner	70,655	-	-	-	-	-	-	70,655
Total	649,457	-	-	115,736	-	-	-	765,193

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Remuneration Report (continued)

Details of Remuneration (continued)

Other Executives of the Consolidated Entity

2006	Short-term Benefits			Post Employment Benefits		Share-Based Payment		Total
	Cash Salary and Fees	Cash Bonus	Motor Vehicle	Super-annuation	Retirement/Termination Benefits	Shares	Options	
Name	\$	\$	\$	\$	\$	\$	\$	\$
G Blackley Chief Executive Officer - Television	781,770	140,000	-	18,230	-	118,281	-	1,058,281
D Mott Chief Programming Officer	601,103	283,629 ^A	-	40,651	-	99,000	-	1,024,383
G Thorley Chief Executive Officer – Eye Corp	561,422	210,000	59,681	12,230	-	91,000	-	934,333
K Kingston Chief Operating Officer	456,318	107,250	-	39,349	-	75,327	-	678,244
D White General Manager - Sport	383,290	136,940 ^B	-	17,376	-	69,750	-	607,356
Total	2,783,903	877,819	59,681	127,836	-	453,358	-	4,302,597

^A: D Mott's cash bonus includes a \$200,000 sign-on bonus.

^B: D White's cash bonus includes a \$50,000 sign-on bonus.

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 36 to the financial statements. The Ten Executive Option Plan is currently suspended.

All short-term incentives were paid in full except for D Mott (83% paid) and David White (92% paid).

100% of shares granted as part of the Performance Incentive Share Plan were paid.

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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 allowances and participation when eligible, in the Ten Executive Option Plan and the Performance Incentive Share 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.

- Base salary of \$2,000,000 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 base salary may be paid against a set of targets and objectives heavily weighted to the financial performance of the group. For the year ended 31 August 2005, a STI of up to 50% of base salary may be paid against a set of targets and objectives heavily weighted to the financial performance of the group.
- Long-term 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 for a period of not less than 18 months from date of acquisition.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, is based on 12 months' notice plus 12 months' short and long-term incentive payments. Shares purchased under the Performance Incentive Share Plan on which the restriction on disposal has not lapsed may also be made available to the Executive.
- In addition, 100% of the eligible STI is paid on a pro-rated period remaining in the financial year.
- Termination benefit for resignation or breach of contract is restricted to base salary and leave unpaid at the date of termination.

Grant Blackley, *Chief Executive Officer – Television*

Term of agreement – commencing 1 July 2005 and expiring 1 September 2009.

- Effective 1 September 2005 base salary, inclusive of superannuation is \$800,000.
- Base salary will be reviewed each year with effect from 1 September 2006.
- For the financial year commencing from 1 September 2005 short-term incentives are available under a variable remuneration scheme equivalent to 30% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, prior to 1 July 2006 shall be 18 months' notice to the employee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, on or after 1 July 2006 shall be 12 months' notice 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 VRIP payment achieved in the previous financial year.
- Long-term incentives allocated but not acquired will be additionally delivered.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2006

Remuneration Report (continued)

Service Agreements (continued)

David Mott, *Chief Programming Officer*

Term of agreement – commencing 27 September 2002 and expiring 31 December 2005.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$540,000.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 6 months of base salary in lieu of any notice period not provided.

Term of agreement – 4 years commencing 1 January 2006

- Base salary, 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 variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

Gerry Thorley, *Chief Executive Officer – Eye Corp*

Term of agreement – 3 years commencing 1 January 2005.

- Effective 1 September 2005 base salary, inclusive of superannuation is \$600,000.
- Effective 1 January 2006 base salary, inclusive of superannuation, is \$650,000 increasing by no less than 4% on 1 January 2007.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Six month's notice may be given by Mr Thorley 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.

Kerry Kingston, *Chief Operating Officer*

Term of agreement – 1 year commencing 1 January 2005 and expiring 31 December 2005.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$429,000.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

Term of agreement – 3 years commencing 1 January 2006 and expiring 31 December 2008.

- Base salary, inclusive of superannuation, for the year ended 31 December 2006 of \$529,000, increasing by no less than 4% on 1 January 2007 and no less than 4% on 1 January 2008.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2006

Remuneration Report (continued)

Service Agreements (continued)

David White, *General Manager - Sport*

Term of agreement – 2 years commencing 1 January 2004 and expiring 31 December 2005.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$378,000.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

Term of agreement – 3 years commencing 1 January 2006 and expiring 31 December 2008.

- Base salary, inclusive of superannuation, for the year ended 31 December 2006 of \$412,000, increasing by no less than 5% on 1 January 2007 and subject to adjustment at Ten's absolute discretion on 1 January 2008.
- A sign on bonus of \$50,000 was payable upon commencement of this agreement.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

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.

Shares Under Option

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

Shares Issued on the Exercise of Options

During the year ended 31 August 2006, the following number of shares was issued on the exercise of options granted under the Ten Executive Option Plan.

	<i>Grant Date</i>	<i>Number</i>	<i>Issue Price of Shares</i>
The Ten Executive Option Plan	22 December 2000	250,000	\$2.25

Since year end and up to the date of this report, no shares have been issued on the exercise of options granted under the Ten Executive Option Plan.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2006

Remuneration Report (continued)

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 each of the five Executives of the consolidated entity receiving the highest emoluments for the year ended 31 August 2006, including their personally-related entities, are set out below.

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	1,875,000	-	-	(1,875,000)	-
JJ Cowin	1,000,000	-	-	-	1,000,000
LS Freedman	507,347	-	-	-	507,347
PV Gleeson	15,048,608	-	-	-	15,048,608
PPA Harris	24,611	-	-	-	24,611
IYL Lee	10,000	-	-	-	10,000
GH Levy	33,000	-	-	-	33,000
R Magid	150,000	-	-	150,000	300,000
BM Sherman	8,016,105	-	-	-	8,016,105
JB Studdy	50,000	-	-	-	50,000
PD Viner	-	-	-	-	-
<i>Other Executives of the consolidated entity</i>					
G Blackley	36,160	-	36,592 ¹	-	72,752
D Mott	35,494	-	30,626 ¹	-	66,120
G Thorley	23,668	-	28,280 ¹	-	51,948
K Kingston	25,772	-	23,304 ¹	-	49,076
D White	27,600	-	21,578 ¹	-	49,178

¹: Shares purchased under The Ten Employee Performance Incentive Plan and The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$3.2325 and \$3.2253 respectively.

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 5 years, the consolidated entity's normalised EBIT has grown at an average of around 15% per annum, and shareholder wealth (normalised earnings per share) has grown at an average rate of around 12% per annum. During the same period, average executive remuneration (Executive Director and the top five remunerated Executives) has grown by approximately 12% per annum.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2006

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 Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

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:

	Consolidated	
	2006	2005
	\$'000	\$'000
Audit and other assurance services:		
Auditors of the Company – PricewaterhouseCoopers		
- Audit or review of financial reports	550	483
- Other audit related work	201	66
- Other assurance services	51	84
Other Auditors – Gilbert Smith Johnson		
- Other audit related work	-	29
	802	662
Other services:		
Auditors of the Company – PricewaterhouseCoopers		
- Advisory services	52	11
- Taxation	471	437
Other Auditors – Gilbert Smith Johnson		
- Advisory services	-	10
	523	458
	1,325	1,120

Auditors' 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 21.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2006

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.

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 and accordingly the financial report has been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in Sydney on 18 October 2006 in accordance with a resolution of the Directors.



NG Falloon
Chairman

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT



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Auditors' Independence Declaration

As lead auditor for the audit of Ten Network Holdings Limited for the year ended 31 August 2006, 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.

A handwritten signature in black ink that reads 'DS Wiadrowski'.

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
18 October 2006

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

Introduction

The Boards of Directors of Ten Network Holdings Limited (“Ten Holdings”) and The Ten Group Pty Limited (“Ten Group”) (Ten Holdings and Ten Group referred to collectively as “Ten”) are committed to responsible corporate governance in accordance with community and shareholder expectations.

The principal operations of Ten Holdings are limited to the holding of a significant interest in Ten Group, which is the major operating entity within the Ten Holdings group of companies. Accordingly, the corporate governance practices have been structured having regard to these operations.

In determining the standards that Ten should seek to achieve, Ten Holdings and Ten Group reviewed, with the assistance of external advisers, its practices in terms of the ASX Corporate Governance Council’s *Principles of Good Corporate Governance and Best Practice Recommendations* (“the ASX Guidelines”).

Ten considers that its practices are largely consistent with those contained in the ASX Guidelines (except where referred 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
Principle 1:	Lay solid foundations for management and oversight	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Comply
Principle 2:	Structure the board to add value	
2.1	A majority of the board should be independent directors.	Comply
2.2	The chairperson should be an independent director.	Non-Comply
2.3	The roles of chairperson 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	Provide the information indicated in the ASX Guidelines to reporting on Principle 2.	Comply
Principle 3:	Promote ethical and responsible decision-making	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	
	3.1.1 the practices necessary to maintain confidence in the company’s integrity,	Comply
	3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Comply
3.3	Provide the information indicated in the ASX Guidelines to reporting on Principle 3.	Comply

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

Introduction (continued)

Principle 4:	Safeguard integrity in financial reporting	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Comply
4.2	The board should establish an audit committee.	Comply
4.3	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> • Only non-executive directors • A majority of independent directors • An independent chairperson, who is not chairperson of the board • At least three members 	Comply
4.4	The audit committee should have a formal charter.	Comply
4.5	Provide the information indicated in the ASX Guidelines to reporting on Principle 4.	Comply
Principle 5:	Make timely and balanced disclosure	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Comply
5.2	Provide the information indicated in the ASX Guidelines to reporting on Principle 5.	Comply
Principle 6:	Respect the rights of shareholders	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Comply
Principle 7:	Recognise and manage risk	
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Comply
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: <p>7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board,</p> <p>7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>	Comply
7.3	Provide the information indicated in the ASX Guidelines to reporting on Principle 7.	Comply

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

Introduction (continued)

Principle 8:	Encourage enhanced performance	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.	Comply
Principle 9:	Remunerate fairly and responsibly	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies, and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Comply
9.2	The board should establish a remuneration committee.	Comply
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Comply
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Comply
9.5	Provide the information indicated in the ASX Guidelines to reporting on Principle 9.	Comply
Principle 10:	Recognise the legitimate interests of stakeholders	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Comply

Ten is pleased to report in detail below on its performance in regard to the recommendations contained in the ASX Guidelines as they relate to Ten Holdings and Ten Group.

Principle 1: Lay solid foundations for management and oversight.

Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegated to management.

The role of the Board of Ten Holdings recognises that the Company was created as a limited purpose company principally to hold securities on issue from Ten Group.

Except in the limited circumstances provided under its Constitution, Ten Holdings is not permitted to:

- incur any borrowings or other liabilities;
- dispose of its interests in the securities that it holds in Ten Group;
- acquire any asset or investment or carry on any business other than in respect of securities in Ten Group.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

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

- (a) monitoring the investments held in Ten Group including the strategies and budgets to be approved by the Ten Group Board, through the representation by various of its Directors to the Board of Ten Group;
- (b) monitoring compliance with regulatory requirements and ethical standards;
- (c) monitoring compliance with the ASX Listing Rules continuous disclosure requirements;
- (d) assessment of Ten Holdings' Board performance;
- (e) determination of the membership and terms of reference of the Ten Holdings' Board committees;
- (f) appointment of the Company Secretary;
- (g) any matters in excess of discretions that it may have from time to time delegated to Ten Group or any one or more of the Ten Group Directors, company secretary of either Ten Holdings or Ten Group or the Ten Holdings' or Ten Group's share registrar or any them from time to time;
- (h) monitoring and enforcement of the provisions contained in Schedule 1 of the Constitution of Ten Holdings relating to compliance with the foreign ownership provisions of the *Broadcasting Services Act*;
- (i) approval of each of the following:
 - (i) the acquisition, disposal or cessation of any permitted assets or investments in Ten Group by Ten Holdings;
 - (ii) the issue of any shares, options, equity instruments or other securities in Ten Holdings;
 - (iii) payment of dividends in accordance with the Constitution of Ten Holdings;
 - (iv) the appointment of the external auditor and remuneration payable in connection with the audit of the financial statements;
 - (v) half yearly and annual financial statements and associated Directors' reports; and
 - (vi) any changes to the discretions delegated from the Board.

Ten Group, as the parent entity of the operating entities, has a more dynamic role, which is mirrored in the responsibilities that are assumed by its Board.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

These responsibilities include:

- (a) appointment of senior management of the Ten Group including its Chief Executive Officer (and his or her direct reports) and its Company Secretary, and the determination of their terms and conditions of appointment (including remuneration);
- (b) monitoring and evaluating the performance of senior management of Ten Group (including its Chief Executive Officer) in achieving any strategies and budgets approved by the Board;
- (c) reviewing on a regular and continuing basis:
 - (i) executive and Board succession planning (and in particular for the Chief Executive Officer); and
 - (ii) executive development activities.
- (d) appointment of the Chairperson;
- (e) determination of the membership and terms of reference of Board Committees;
- (f) adoption of, and monitoring compliance with, corporate governance policies;
- (g) monitoring compliance with the ASX Listing Rules requirements to ensure that timely disclosure is made to Ten Holdings in accordance with the undertaking provided by Ten Group to the ASX;
- (h) monitoring and enforcement of the provisions contained in Schedule 1 of the Constitution of Ten Group relating to compliance with the foreign ownership provisions of the *Broadcasting Services Act*;
- (i) determining any matters in excess of discretions that it may have, from time to time, delegated to the Chief Executive Officer and senior management/the Executive Committee; and
- (j) 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 Ten Group;
 - (iv) payment of dividends in accordance with the Constitution of Ten Group;
 - (v) the appointment of the external auditor and remuneration payable in connection with the audit of the financial statements;
 - (vi) the issue of any shares, options, equity instruments or other securities in Ten Group and any major debt obligations to be incurred by Ten Group;
 - (vii) annual financial statements and Directors' reports;
 - (viii) periodic news releases of the Ten Group's financial results;
 - (ix) any changes to the discretions delegated from the Board; and
 - (x) the risk management policies of Ten Group.

It is the role of senior management within Ten 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 of Ten Group is also responsible for reviewing the strategies proposed by its management for the growth and operations of the Ten companies.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

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

In each case, the Boards have adopted formal charters that detail the functions and responsibilities of the Board of each company. A copy of these charters appear on Ten's website.

Principle 2: Structure the board to add value.

Recommendation 2.1 A majority of the Board should be independent directors.

Size and composition of the Board of Ten Holdings

Details of the current Directors of Ten Holdings are set out on pages 5 to 9.

Ten Holdings considers that only two of its eleven Directors are not independent, being Nick Falloon (as an Executive Chairman) and Peter Viner (as an executive of CanWest, which holds a substantial economic interest in Ten Group).

In determining whether a Director is independent, the Boards of Ten Holdings and Ten Group have regard to whether the Director is considered to be one who:

- (a) has a material relationship as an adviser, supplier or customer or in any other contractual role with Ten Holdings or Ten Group (either directly, or as a partner, shareholder or executive officer of an organisation that has a material relationship with Ten Holdings or Ten Group);
- (b) is, or has been within the previous three years, employed by Ten Holdings or Ten Group or a subsidiary of Ten Group;
- (c) is, or has been within the previous three years employed by, or a partner in, any firm that in the past three years has been the external auditor to either Ten Holdings or Ten Group;
- (d) is a substantial shareholder of either Ten Holdings or Ten Group or otherwise associated with a substantial shareholder of either company;
- (e) has served on the Board of Ten Holdings or Ten Group 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 Ten Holdings or Ten 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 Ten Holdings or Ten Group, as appropriate.

The Boards of Ten Holdings and Ten Group have determined that a material relationship is determined on the basis of fees paid or moneys received or paid to either a Director or a Director-related entity, which would have impacted the EBITDA of Ten Group in the previous financial year by more than 5%.

The Boards consider that the independent Directors of each Company, who have served for a number of years, bring considerable skill, experience and expertise to Ten and they continue to review and challenge the performance of management and to exercise independent judgement. Accordingly, the Boards consider that the length of service does not materially interfere with the ability of the respective Directors to act in the best interests of their respective Companies.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

Each company 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 Ten Group, his company is not considered to be a material customer.

Also, Laurence Freedman and Brian Sherman were considered to be non-independent Directors because of their substantial shareholding in Ten Holdings. However, this changed in May 2004 when they disposed of the majority of their shareholding interests.

The Constitution of Ten Holdings 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.

A person is only eligible for appointment as a Director at an annual general meeting where a nomination of the person by a member, and a consent signed by the person are received at least 30 business days before the relevant general meeting.

Size and composition of the Board of Ten Group

The Constitution of Ten Group and the associated Director Appointment deeds (entered into between Ten Group and various parties at the time of the listing of Ten Holdings in 1998) provide that the Board of Ten Group shall at all times be comprised of 13 Directors, of whom:

- Mr Falloon, being a person appointed under the Constitution, is a Director and the Chairperson.
- The CanWest Group is entitled to appoint three persons as Directors (currently being Messrs Asper, Strike and Viner).
- Messrs Sherman and Freedman were jointly entitled to appoint two Directors (previously Messrs Sherman and Freedman) whilst they held a substantial interest in Ten Holdings. Having ceased to hold this substantial interest in May 2004, they subsequently resigned but the Ten Group Board appointed them to fill the vacancies caused as a result of their resignation. At the Annual General Meeting in 2004, they were elected as Directors in accordance with the constitution of Ten Group.
- Previously the remaining seven Directors were elected by the members of Ten Holdings. In light of the change of circumstances referred immediately above, the members of Ten Holdings will now elect the nine remaining Directors in the future.

The Constitution of Ten Group also stipulates that any Board committee shall have five members and shall be comprised of:

- the Chairperson or his nominee;
- one person nominated by the CanWest Group; and
- three persons appointed by the Board.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The Board is not allowed to nominate any person for election as a Director except for a casual vacancy. Any vacancies on the Board of Ten Group (except vacancies where one or more persons have a right to appoint the replacement under the Constitution of Ten Group) are elected by members of Ten Group at a general meeting (and thus the members of Ten Holdings under the see-through voting provisions).

Nominations to fill a casual vacancy are reviewed by Ten Group's Executive Committee of the Board, with recommendations submitted to its Board of Directors for approval.

A person is only eligible to be so appointed as a Director (even 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 Group at least 28 business days before the relevant general meeting.

Members of Ten Holdings may nominate a person to be a Director of Ten Group by delivering a form of nomination together with the consent of the person nominated, to Ten Holdings at least 30 business days before the relevant general meeting of Ten Group.

Each of the Directors of Ten Holdings is also a Director of Ten Group. Additionally, the following persons are also Directors of Ten Group:

Leonard J Asper

BA, LLB (Age 42)

Director of Ten Group since December 1998. Appointed Deputy Chairman of Ten Group in March 2000. 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 Chairman of the Corporate Development Committee of Ten Group.

Thomas C Strike

BA, BCom (Hons), CA (Age 52)

Director of Ten Group since July 2000. Executive vice president and a director of CanWest Global Communications Corp., President of CanWest MediaWorks International and Chair of CanWest MediaWorks (NZ) Limited. Director of a number of media and entertainment companies associated with the CanWest Group.

Mr Strike is a member of the Executive, Remuneration and Audit Committees of Ten Group.

Ten Group considers that, based upon the criteria referred to above relating to independent directors, its Board is composed of a majority of independent directors with only Nick Falloon (the Executive Chairman), Leonard Asper, Thomas Strike and Peter Viner (as appointees of CanWest, a substantial economic interest holder in Ten Group) being considered non-independent directors.

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 Group's Board.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The Board of Ten Group has also established an Executive Committee, which has five (5) members, each of whom must be a Ten Group Director.

The members are:

Nick G Falloon (Chairman)
Jack J Cowin
Laurence S Freedman
Thomas C Strike (CanWest nominee)
Paul V Gleeson

The Board has delegated its powers to the Executive Committee between Board meetings to facilitate the expeditious handling of matters that would otherwise be required to be dealt with by the Board.

The Constitution of Ten Group provides that the Executive Committee must not consider any proposal to:

- (a) approve or amend the annual budget or business plan of Ten Group;
- (b) approve the appointment or removal of the chief executive officer of Ten Group;
- (c) approve the disposal by Ten Group or any of its subsidiaries or any material asset or undertaking (including without limitation, a television station, broadcast licence or television network); and
- (d) exercise any power in relation to foreign shareholdings issues as laid down in Schedule 1 of the Constitution of Ten Group, unless delegated by the Board.

The quorum for meetings of the Executive Committee is 5 members, and all decisions of the Executive Committee must be unanimous.

During the year, this Committee met on two occasions with each of the members being present, either personally or by their alternate Director.

Recommendation 2.2: The Chairperson should be an independent director.

Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

Nick Falloon is the Chairman of Ten Holdings and the Chairman and Chief Executive Officer of Ten Group. Mr Falloon was appointed to these roles in February 2002.

In considering the nominations for appointment of the Chairman at that time, the Boards 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.

The decision to appoint him to the role as Chairman reflected the structure at that time under which John McAlpine headed Ten Group's television operations and Gerry Thorley, Ten Group's out-of-home advertising business, Eye Corp.

In addition, the Boards believed that, given Mr Falloon's operational skills and experience in the media, it was appropriate for him to also assume executive responsibilities within Ten Group.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

Recommendation 2.4: The Board should establish a nomination committee.

The Board of Ten Holdings has established a Nomination Committee comprised of all Directors of Ten Holdings.

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 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 Directors. These procedures will be developed in a timely fashion for consideration and adoption by the Nomination Committee and, once adopted, will be made available on the Company's website. The Committee has also adopted an appraisal system for reviewing the performance of the Board, its committees and individual Directors.

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

During the 2005/6 financial year, the Committee met on one occasion, with all Committee members being in attendance. At this meeting, the Committee reviewed its Terms of Reference and also the criteria regarding whether a Director is independent and reaffirmed the above-referred disclosures in each respect.

Principle 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1: Establish a code of conduct to guide the Directors, Chief Executive Officer, the Chief Financial Officer and any equivalent key executives.

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 Chief Financial Officer has also undertaken to the Audit Committees of each of Ten Holdings and Ten Group 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: Disclose the policy covering trading in company securities by directors, officers and employees.

A policy exists in relation to dealings in the securities of Ten Holdings by Directors and employees within Ten. This policy provides that such persons should be aware of the insider trading provisions contained in the Corporations Act when considering any dealings in shares of Ten Holdings.

The Board has also recently amended its securities dealing policy to prohibit Directors and employees from dealing in securities in the Company during the period commencing at the conclusion of each six monthly financial period and concluding on the day following the release by the Company of its relevant half yearly announcement to the Australian Stock Exchange. This change reflects the perception that during these periods Directors and employees may be in possession of significant financial information associated with the preparation of the Company's periodic financial disclosures to the market.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

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

Principle 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1: Require the Chief Executive Officer and the Chief Financial Officer to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Boards of Ten Holdings and Ten Group have traditionally required the Chief Executive Officer and the Chief Financial Officer to provide a representation letter for consideration in conjunction with the review of the yearly financial statements and, in the case of Ten Holdings, at the time the Board considers the half yearly financial reports.

These representation letters provide 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.

The representation letters were amended in 2004 to include 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 contained in their representation letters.

Recommendation 4.2: The board should establish an audit committee.

Recommendation 4.3: Structure the audit committee so that it consists of:

- *only non-executive directors*
- *a majority of independent directors*
- *an independent chairperson who is not chairperson of the board*
- *at least 3 members*

The Boards of Ten Holdings and Ten Group have each established an Audit Committee. The members of the Audit Committee of Ten Holdings are:

Paul V Gleeson (Chairman)
Geoff H Levy
Paul Harris
Irene Y Lee

The Ten Group Audit Committee includes each of the members of the Audit Committee of Ten Holdings, together with Thomas Strike (a CanWest nominee).

The Chairman of each of the above Committees 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 these Committees may be found in their Director Profiles on page 5 to 9. Details of attendances at meetings of the Audit Committees are set out at page 10.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

Recommendation 4.4: The Audit Committee should have a formal charter.

The Audit Committees of Ten Holdings and Ten Group have each adopted formal charters. The charters indicate that responsibilities of the Audit Committees include:

- reporting to the respective Boards on their activities;
- reviewing the effectiveness of management systems, in areas of greatest financial risk;
- recommending to the respective Boards on the appointment of the external auditor (which is subject to each Company's Constitution) and on the auditor's remuneration;
- 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 each Company; and
- reviewing the half yearly and annual financial statements.

The charters for the Audit Committees may be accessed on Ten's website.

Under the Constitution for each of Ten Holdings and Ten Group, the respective Companies must appoint PricewaterhouseCoopers as their auditor (subject to any rights of removal the members have under the Corporations Act or the Constitution of each company). In accordance with the Corporations Act, the lead and review audit partner will be required to rotate at least every five years.

Principle 5: Make Timely and Balanced Disclosure

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior management level for that compliance.

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

Ten Group has also undertaken to the ASX that it will comply with certain Listing Rules, including to ensure that information is provided to Ten Holdings in respect of any continuous disclosure requirements.

The Board of Ten Group has established a policy to ensure that any relevant information requiring disclosure is referred to the Company Secretary for review in conjunction with the Chairman of Ten Holdings.

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

Principle 6: Respect the Rights of Shareholders

Recommendation 6.1: Define and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

Ten Holdings 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, Ten Group publicly releases financial information in relation to its first quarter (ending November) and third quarter (ending May) results each year.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

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 Share Registrar of Ten Holdings, 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 Holdings to the ASX.

Ten Holdings also posts copies of all presentations made to analysts and media representatives on its website and shareholders may communicate with the company by email.

Ten Holdings produces its annual report for dispatch to shareholders generally by no later than the first week of November each year. The notices of annual general meeting for each of Ten Holdings and Ten Group are forwarded at the same time, together with proxy forms allowing shareholders unable to attend the annual general meetings to be able to vote (in the event of resolutions being put to a poll) on the matters contained in the notices of meeting.

Under the Constitution of both Ten Holdings and Ten Group, shareholders of Ten Holdings are generally entitled to attend and vote at general meetings of Ten Group as if they were shareholders of Ten Group.

In those circumstances, the shareholders in Ten Holdings may cast a vote on a poll on the basis of one vote for each share held by the shareholder in Ten Holdings.

Recommendation 6.2: Require the external auditor to attend the annual general meeting and be able to answer shareholder questions about the preparation and content of the auditor's report.

The partner from PricewaterhouseCoopers responsible for the audit of the financial statements of both Ten Holdings and Ten Group attends the annual general meetings of each Company to answer any questions that shareholders may wish to raise in relation to the financial statements.

Shareholders of Ten Holdings 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 5th business day before the annual general meeting.

Principle 7: Recognise and Manage Risk

Recommendation 7.1: The board or an appropriate board committee should establish policies on risk oversight and management.

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The policy identifies that:

- the Boards of Ten Holdings and Ten Group are responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems;
- the Audit Committees of Ten Holdings and Ten Group have 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
- management is responsible for the management of, and reporting 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.

Recommendation 7.2: The Chief Executive Officer and the Chief Financial Officer should state to the board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

In addition to regular reports provided by management to the Audit Committees of Ten Holdings and Ten Group, the representation letter which is provided by the Chief Executive Officer and the Chief Financial Officer to the Board of the Company at the time that the half-yearly and yearly financial statements are prepared (see Recommendation 4.1 above) includes statements which address the matters referred to in this recommendation.

Principle 8: Encourage Enhanced Performance

Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.

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

For this purpose, a questionnaire has been prepared and circulated to all Directors for completion. The Chairman of the Nomination Committee reviews responses to these questionnaires with the Board Chairman and, where considered necessary, conducts interviews with individual Directors.

The Boards of each of Ten Holdings and Ten Group meet at least 6 times a year. Agendas are set by the Boards' Chairman to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year.

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

Additionally, financial 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The Boards of Ten Holdings and Ten Group, and Board Committees may retain advisers as considered necessary.

Directors of both Companies also have access to the Company Secretary of the relevant Company to assist in the provision of any information reasonably sought by Directors and the Company Secretaries are accountable to the Board through the Chairman on all governance issues.

Under the Constitutions of both Ten Holdings and Ten Group, the Company Secretary of each Company is required to be appointed and removed by the Board as a whole.

In the case of senior executives of Ten Group, a formal performance evaluation process is conducted under the guidance of the Remuneration Committee of Ten Group. The performance criteria for senior executives are set out on pages 10 to 13 of the Directors' Report.

Principle 9: Remunerate Fairly and Responsibly

Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand:

- (i) the cost and benefits of those policies; and*
- (ii) the link between remuneration paid to directors and key executives and corporate performance.*

Recommendation 9.3: Clearly distinguish the structure of non-executive directors remuneration from that of executives.

Disclosure of the remuneration for each Director and each of the five highest paid executives is set out on pages 13 to 14 of the Directors' Report.

Non-Executive Directors of Ten Holdings and Ten Group do not participate in any share or option plans offered by those companies to the executives of Ten Group.

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

Recommendation 9.2: The Board should establish a Remuneration Committee.

Ten Group, has established a Remuneration Committee. During the year this Committee met on two occasions and all five members, shown below, attended, either personally or by their alternate Director, on each occasion:

Nick G Falloon (Chairman)
Jack J Cowin
Laurence S Freedman
Irene Y L Lee
Thomas C Strike (CanWest nominee)

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES CORPORATE GOVERNANCE STATEMENT

The role of the Remuneration Committee is to:

- review the remuneration policy for Ten Group;
- approve the remuneration of the Chief Executive Officer and the executives reporting to the Chief Executive Officer of Ten Group;
- 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.

Recommendation 9.4: Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The various share schemes operated for the benefit of executives of Ten Group are disclosed on pages 12 to 13 of the Directors' Report.

In the case of the Ten Executive Option Plan, thresholds based on the performance of the Ten Holdings' accumulation share price against the all industrials accumulation share index, have been established. Prior to executives being able to exercise options under this Plan, reports are received from S&P Australia to confirm that the thresholds have been achieved.

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.

Principle 10: Recognise the Legitimate Interests of Stakeholders

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

As noted above, each Company 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 of Conduct appears on Ten's website.

Ten has traditionally indicated that its goal as a television broadcaster is to be the number one choice of viewers in the 16-39 year old demographic. Ten's program acquisitions and schedules are focused on achieving this goal.

Ten targets this demographic as it is seen to be particularly attractive to major advertisers.

The television operations conducted by Ten Group also have achieved minimal operating cost increases since Ten Holdings' listing in 1998 and as a result Ten delivers the highest operating profit margins of any of the major commercial television broadcasters. These strategies aim to ensure growth in shareholder value through increased distributions and growth in the Ten Holdings' share price.

Ten Group has developed policies in relation to equal employment opportunity and affirmative action, occupational health and safety, privacy, internet usage, sexual harassment and trade practices.

Regular training sessions, at which employees of Ten Group are required to attend, are held to promote an understanding of compliance and also to provide updates on regulatory developments affecting the operations of Ten Group.

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

Executives of Ten Group also enter into a written contract that sets out the terms of their employment. The contracts include provisions that deal with compliance with the above-mentioned policies of Ten Group, together with restricting employees engaging in business activities that are in competition with Ten Group and ensuring appropriate confidentiality is maintained in relation to Ten's business affairs.

Ten's Website

Further information in relation to each of Ten Holdings and Ten Group is available on Ten's website at www.tencorporate.com.au.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue from continuing operations	4	891,445	954,577	78,680	86,982
Television costs		(550,862)	(538,307)	-	-
Out-of-home costs		(110,407)	(96,430)	-	-
Corporate costs		(1,178)	(1,097)	(1,178)	(1,097)
Finance costs	5(a)	(118,732)	(127,891)	-	-
Share of net profit of associates and joint ventures accounted for using the equity method	31	3,361	2,606	-	-
Profit before income tax		113,627	193,458	77,502	85,885
Income tax (expense)/revenue	6(a)	(59,180)	(70,961)	16	(2)
Profit for the year		54,447	122,497	77,518	85,883
Profit attributable to minority interest		(8,634)	(16,547)	-	-
Profit attributable to members of the Company	28	45,813	105,950	77,518	85,883
Earnings Per Share		2006	2005		
		Cents	Cents		
Basic earnings per share	32	11.49	26.63		
Diluted earnings per share	32	11.49	26.36		

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
BALANCE SHEETS
AS AT 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current Assets					
Cash and cash equivalents	7	21,995	17,881	378	3,963
Receivables	8	143,516	149,496	-	-
Program rights & inventories	9	150,414	135,955	-	-
Non-current assets classified as held for sale	10	3,605	-	-	-
Other	11	6,721	4,458	46	46
Total Current Assets		326,251	307,790	424	4,009
Non-Current Assets					
Receivables	12	686	1,646	-	-
Program rights & inventories	15	1,915	1,523	-	-
Investments accounted for using the equity method	13	12,927	10,418	-	-
Other financial assets	14	2,528	2,528	860,770	860,208
Property, plant and equipment	16	88,607	86,548	-	-
Intangible assets	17	1,178,355	1,166,569	-	-
Derivative financial instruments	24	3,248	-	-	-
Deferred tax assets	6(d)	2,622	2,196	75	57
Other	18	1,526	2,007	-	-
Total Non-Current Assets		1,292,414	1,273,435	860,845	860,265
Total Assets		1,618,665	1,581,225	861,269	864,274
Current Liabilities					
Payables	19	181,408	202,571	245	189
Interest bearing liabilities	20	543	1,387	-	-
Current tax liabilities	6(c)	3,468	49,365	-	-
Provisions	21	19,798	22,705	-	-
Total Current Liabilities		205,217	276,028	245	189
Non-Current Liabilities					
Payables	22	24,058	30,591	17,617	20,973
Interest bearing liabilities	23	524,308	436,227	-	-
Derivative financial instruments	24	58,935	-	-	-
Deferred tax liabilities	6(e)	232,988	224,182	-	-
Provisions	25	9,284	8,213	-	-
Total Non-Current Liabilities		849,573	699,213	17,617	20,973
Total Liabilities		1,054,790	975,241	17,862	21,162
Net Assets		563,875	605,984	843,407	843,112
Equity					
Contributed equity	26	844,569	844,007	844,569	844,007
Reserves	27	(4,184)	(111)	-	-
Accumulated losses	28	(394,118)	(362,146)	(1,162)	(895)
Total parent entity interest		446,267	481,750	843,407	843,112
Minority interest in controlled entities		117,608	124,234	-	-
Total Equity		563,875	605,984	843,407	843,112

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total equity at the beginning of the year		605,984	579,656	843,112	837,206
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
Reserves		(4,328)	-	-	-
Exchange differences on translation of foreign operations		(530)	(110)	-	-
Net income recognised directly in equity		(4,858)	(110)	-	-
Profit for the year		54,447	122,497	77,518	85,883
Total recognised profit for the year before minority interest		49,589	122,387	77,518	85,883
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity		562	5,729	562	5,729
Dividends paid		(77,785)	(85,706)	(77,785)	(85,706)
Minority interest		(14,475)	(16,082)	-	-
Total equity at the end of the year		563,875	605,984	843,407	843,112
Total recognised profit for the year is attributable to:					
Members of Ten Network Holdings Limited		41,740	105,840	77,518	85,883
Minority interest		7,849	16,547	-	-
		49,589	122,387	77,518	85,883

The above statements of changes in equity 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 2006

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
Cash and its equivalents					
Cash on hand	7	87	82	-	-
Cash at bank	7	21,908	17,799	378	3,963
At end of year		21,995	17,881	378	3,963
At beginning of year		17,881	20,632	3,963	2,790
Net cash inflows/(outflows) for the year		4,114	(2,751)	(3,585)	1,173
Represented by:					
Cash Flows from operating activities					
Receipts from customers		995,433	1,038,264	-	150
Payments to suppliers and employees		(782,275)	(702,439)	(1,124)	(1,102)
Dividends received		890	1,265	78,304	86,636
Interest received		2,099	1,207	376	211
Bank interest paid		(29,982)	(27,459)	-	-
Income tax received/(paid)					
Prior year refunds received		-	3,583	-	-
Current year payments		(96,537)	(50,391)	-	-
Net cash flows from operating activities	40	89,628	264,030	77,556	85,895
Cash Flows from investment activities					
Acquisition of property, plant and equipment		(24,351)	(16,902)	-	-
Proceeds on disposal of property, plant and equipment		21	9	-	-
Payments for purchase of controlled entities & operations net of cash acquired		(14,791)	(18,259)	-	-
Deferred consideration		(3,099)	-	-	-
Advances/(repayments) from/(to):					
Controlled entities		-	-	(3,356)	984
Other		-	327	-	-
Net cash flows from investment activities		(42,220)	(34,825)	(3,356)	984
Cash Flows from financing activities					
Dividends paid					
Normal Dividend		(75,709)	(101,769)	(63,824)	(85,706)
Special Dividend		(16,540)	-	(13,961)	-
Debenture interest paid					
Normal Debenture interest		(73,392)	(139,498)	-	-
Special Debenture interest		(15,925)	-	-	-
Financing establishment costs paid		(848)	-	-	-
Proceeds from exercise of options		562	5,727	-	-
Proceeds from borrowings		405,000	345,000	-	-
Repayment of borrowings		(266,442)	(341,416)	-	-
Net cash flows from financing activities		(43,294)	(231,956)	(77,785)	(85,706)
Net cash inflows/(outflows) for the year		4,114	(2,751)	(3,585)	1,173

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

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 Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) Interpretations and the Corporations Act 2001.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Ten Network Holdings Limited financial statements to be prepared in accordance with AIFRS. The transition to AIFRS is accounted for in accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 September 2004 as the date of transition. An explanation of how the transition from Australian Generally Accepted Accounting Principles (AGAAP) to AIFRS has affected the consolidated entity's financial position and financial performance is discussed in Note 44.

When preparing Ten Network Holdings Limited financial statements for the year ended 31 August 2006, management has amended certain accounting policies applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The consolidated entity has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 September 2005.

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 29 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

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 differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability.

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 distributions from controlled entities and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The Ten Group Pty Limited, as the head entity in the tax consolidation group, recognises current tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current tax amounts arising in relation to its own transactions, events and balances. In addition to its own deferred tax amounts, The Ten Group Pty Limited also recognises the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/revenue.

In accordance with UIG 1052 *Tax Consolidation Accounting*, the controlled entities in the tax consolidated group account for their own deferred tax balances, except for those relating to tax losses.

(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). 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trade Receivables and Revenue Recognition (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables.

(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.

(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 and Discontinued Operations

Non-current assets are classified as held for sale and stated 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 through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset 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, 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 is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

	2006	2005
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.

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

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 3 *Business Combinations* only from 1 September 2004. AASB 3 will not apply retrospectively to business combinations before this date.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments (continued)

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 the lower of cost and recoverable amount.

(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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leases

Operating leases

Operating leases are those leases under which the lessor effectively retains substantially all the risks and benefits incident 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.

(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, and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave expected to be settled more than 12 months from reporting date are recognised, 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee Benefits (continued)

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 36.

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 amounts disclosed for remuneration of Directors and other Key Management Personnel in Note 33 included the assessed fair values of options at the date they were granted.

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.

Performance Incentive Share Plan

The market value of shares to be purchased for employees for no cash consideration under the Performance Incentive Share Plan is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares.

(o) Intercompany Loans

Loans between members of the consolidated entity have no specified terms of repayment but where it is unlikely that such amounts will be repayable within 12 months the advances have been included, as appropriate, in non-current assets or liabilities.

(p) 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 interest bearing liabilities in current liabilities on the balance sheet.

(q) Interest Bearing Loans and Borrowings

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

(r) Borrowing Costs

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

(s) Provisions

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, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions (continued)

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.

(t) 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.

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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Earnings Per Share

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 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. This method also reflects the potential conversion of options over ordinary shares in Ten Network Holdings Limited during the year.

(v) 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.

(w) Derivatives

From 1 September 2004 to 31 August 2005

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 September 2005. The consolidated entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Adjustments on transition date: 1 September 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition, changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Derivatives (continued)

From 1 September 2005

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.

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.

For further information concerning the adjustments on transition date reference should be made to:

- Derivative financial instruments – Note 24
- Reserves and retained earnings – Notes 27 and 28
- Explanation of transition to AIFRS – Note 44

(x) Segment Note

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.

(y) Contributed Equity

Ordinary shares are classified as equity.

(z) 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 August 2006 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 2005-1 Amendments to Australian Accounting Standard [AASB 130]: Cash Flow Hedge Accounting of Forecast Intra-Group Transactions

The consolidated entity has no forecast intra-group transactions qualifying as a hedged item. Application of this standard will not affect the consolidated entity's financial statements.

AASB 2005-4 Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]: Fair Value Option

AASB 2005-4 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not elected to adopt the amendments early. It will apply the revised standards in its 2007 financial statements. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

UIG 4 Determining Whether an Asset Contains a Lease

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements. The consolidated entity will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 September 2006. Implementation of UIG 4 is not expected to change the accounting for any of the consolidated entity's current arrangements.

AASB 2005-6 Amendments to Australian Accounting Standards [AASB 3]: Business Combinations Involving Entities Under Common Control

AASB 2005-6 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not undertaken any business combinations involving entities under common control. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]: Financial Guarantee Contracts

AASB 2005-9 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not elected to adopt the amendments early. It will apply the revised standards in its 2007 financial statements. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendment to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]: Consequential Amendments Arising From the Issue of AASB 7

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The consolidated entity has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the consolidated entity's financial instruments.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) New Accounting Standards and UIG Interpretations (continued)

AASB 2006-1 Amendments to Australian Accounting Standards [AASB 121]: Clarification Regarding Monetary Items Forming Part of the Net Investment in a Foreign Operation

AASB 2006-1 is applicable to annual reporting periods ending on or after 31 December 2006. The consolidated entity has not elected to adopt the amendments early. Implementation of the standard is not expected to change the accounting for any of the consolidated entity's current arrangements.

UIG 8 Scope of AASB 2

UIG 8 is applicable to annual periods beginning on or after 1 May 2006. Implementation of UIG 8 is not expected to change the accounting for any of the consolidated entity's current arrangements.

UIG 9 Reassessment of Embedded Derivatives

UIG 9 is applicable to annual periods beginning on or after 1 June 2006. Implementation of UIG 9 is not expected to change the accounting for any of the consolidated entity's current arrangements.

AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]: Consequential Amendments Arising as a Result of the Release of AASB 7

AASB 2005-10 is applicable to annual periods beginning on or after 1 January 2007. The consolidated entity has not elected to adopt the amendments early. It will apply the revised standards in its 2007 financial statements. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

2 FINANCIAL RISK MANAGEMENT

The consolidated entity'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 consolidated entity'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 to hedge certain risk exposures.

Risk management is carried out under a Treasury Policy approved by the Board of Directors. This Treasury Policy covers specific areas, such as mitigating foreign exchange, interest rate, credit and liquidity risks and the use of derivative financial instruments.

(a) Market Risk

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 consolidated entity has some exposure to foreign exchange risk arising from certain agreements being denominated in US dollars and also from a number of foreign operations.

To date, the foreign exchange exposure has not been significant and therefore hedging has not been required.

Fair Value Interest Rate Risk

Refer to (d) below.

(b) Credit Risk

The consolidated entity has no significant concentrations of credit risk. The consolidated entity has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

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. Due to the dynamic nature of the underlying businesses, the consolidated entity aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash Flow and Fair Value Interest Rate Risk

As the consolidated entity has no significant interest bearing assets, the consolidated entity's income and operating cash flows are not materially exposed to changes in market interest rates.

The consolidated entity's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to cash flow interest-rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest-rate risk. The consolidated entity's policy is to have no fixed rate borrowings. The fixed rate USD Private Placement entered into in March 2003 has been swapped to a floating rate via a cross currency interest rate swap. The consolidated entity has no other fixed rate debt.

The consolidated entity manages its cash flow interest-rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the consolidated entity raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the consolidated entity borrowed at fixed rates directly. Under the interest-rate swaps, the consolidated entity 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.

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 have 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 17 for details of these assumptions and the potential impact of changes to the assumptions.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
4 REVENUE					
Revenue from continuing operations					
Sales revenue		889,336	953,195	-	-
Dividends					
Controlled entity	37	-	-	78,304	86,636
Interest					
Controlled entity	37	-	-	-	136
Other		2,109	1,382	376	210
		<u>891,445</u>	<u>954,577</u>	<u>78,680</u>	<u>86,982</u>
5 EXPENSES					
(a) Profit before income tax includes the following specific items:					
Net loss on sale of property, plant and equipment		63	9	-	-
Net foreign exchange losses		34	6	-	-
Net bad and doubtful debts, including movements in provision for doubtful debts		73	290	-	-
Employee benefits expense		117,112	111,132	-	-
Operating lease rentals					
Minimum lease payments		55,036	39,537	-	-
Contingent rental expense		20,524	27,802	-	-
Sub-leases		100	-	-	-
Finance costs					
Subordinated debentures	37	84,462	98,578	-	-
Other		34,270	29,313	-	-
		<u>118,732</u>	<u>127,891</u>	<u>-</u>	<u>-</u>
Depreciation and amortisation of property, plant and equipment:					
Plant and equipment		19,923	19,724	-	-
Leasehold improvements		384	373	-	-
Buildings		250	258	-	-
Leased plant and equipment		198	484	-	-
Amortisation					
Licences		712	712	-	-
Other intangibles		413	202	-	-
		<u>1,125</u>	<u>914</u>	<u>-</u>	<u>-</u>

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
6 INCOME TAX					
(a) Income tax expense					
Current income tax expense		51,142	89,298	-	-
Deferred income tax expense ^A		8,178	(18,337)	(16)	2
Prior year adjustments		(140)	-	-	-
		<u>59,180</u>	<u>70,961</u>	<u>(16)</u>	<u>2</u>
Attributable to:					
Profit from continuing operations		<u>59,180</u>	<u>70,961</u>	<u>(16)</u>	<u>2</u>
Deferred income tax expense/(revenue) included in income tax expense comprises:					
(Increase)/decrease in deferred tax asset		(426)	209	(16)	2
Increase/(decrease) in deferred tax liabilities ^A		8,604	(18,546)	-	-
		<u>8,178</u>	<u>(18,337)</u>	<u>(16)</u>	<u>2</u>
^A : In 2005, income tax expense included a non-recurring tax benefit of \$18.4m. This was a result of the enactment during the year of further changes to the tax consolidations legislation which increased the tax cost bases of television licences. As a result, the deferred tax liability attributed to television licences reduced by \$18.4m. This non-cash gain was only recognised at the Ten Network Holdings Limited consolidated level.					
(b) Reconciliation of income tax to prima facie tax payable					
Profit before tax		113,627	193,458	77,502	85,885
Tax at the Australian tax rate 30%		34,088	58,037	23,251	25,766
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:					
Debenture interest		25,339	29,573	-	-
Amortisation		338	275	-	-
Non-assessable income		(1,002)	(981)	-	-
Other		64	933	-	7
Prior year adjustments		(140)	1,551	-	-
Tax losses not recognised		493	-	-	-
Dividend rebate		-	-	(23,267)	(25,771)
		<u>59,180</u>	<u>89,388</u>	<u>(16)</u>	<u>2</u>
Deferred income tax revenue arising from the resetting of the tax values of assets as a result of further changes to the tax consolidation legislation (See ^A above)		-	(18,427)	-	-
Income tax expense/(revenue)		<u>59,180</u>	<u>70,961</u>	<u>(16)</u>	<u>2</u>
(c) Current tax liabilities					
Provision for income tax		<u>3,468</u>	<u>49,365</u>	-	-
(d) Deferred tax assets					
The balance comprises temporary differences attributable to:					
Trade debtors		169	204	-	-
Property, plant and equipment		(143)	(183)	-	-
Trade creditors and accruals		522	768	75	57
Lease Liabilities		162	595	-	-
Provisions		1,912	812	-	-
Deferred tax assets		<u>2,622</u>	<u>2,196</u>	<u>75</u>	<u>57</u>

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
6 INCOME TAX (continued)					
(e) Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
Provision for doubtful debts and advertising credits		(1,455)	(2,042)	-	-
Interest receivable		15	12	-	-
Television licences		189,671	189,671	-	-
Program rights		51,420	43,200	-	-
Property, plant and equipment		2,854	3,147	-	-
Capitalised costs		(370)	(442)	-	-
Trade creditors and accruals		(3,479)	(3,877)	-	-
Provisions		(5,668)	(5,066)	-	-
Tax losses		-	(421)	-	-
Deferred tax liability		232,988	224,182	-	-

The potential deferred tax asset not brought to account is:

Tax losses	493	521	-	-
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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.

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

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
7 CASH AND CASH EQUIVALENTS					
Cash on hand		87	82	-	-
Cash at bank		21,908	17,799	378	3,963
		21,995	17,881	378	3,963

At 31 August 2006, cash at bank is bearing a floating interest rates of 5.73% (2005: 5.13%).

Cash on hand is non-interest bearing.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
8 RECEIVABLES (CURRENT)					
Trade debtors		147,352	155,426	-	-
Provisions for doubtful debts and advertising credits		(5,500)	(6,191)	-	-
		<u>141,852</u>	<u>149,235</u>	-	-
Loans and advances					
Associated companies	37	2	2	-	-
Other		1,662	259	-	-
		<u>1,664</u>	<u>261</u>	-	-
		<u>143,516</u>	<u>149,496</u>	-	-

All receivables are non-interest bearing.

9 PROGRAM RIGHTS & INVENTORIES (CURRENT)

Program rights		149,642	135,556	-	-
Other inventories		772	399	-	-
		<u>150,414</u>	<u>135,955</u>	-	-

10 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Land and buildings		3,605	-	-	-
		<u>3,605</u>	-	-	-

11 OTHER ASSETS (CURRENT)

Prepayments		5,920	3,564	46	46
Capitalised costs		344	344	-	-
Sundry debtors		457	550	-	-
		<u>6,721</u>	<u>4,458</u>	<u>46</u>	<u>46</u>

12 RECEIVABLES (NON-CURRENT)

Other receivables		-	-	-	-
Loans and advances					
Associated companies	37	686	686	-	-
Other		-	960	-	-
		<u>686</u>	<u>1,646</u>	-	-

All receivables are non-interest bearing.

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associates	31(a),37	12,927	10,367	-	-
Joint ventures	31(b),37	-	51	-	-
		<u>12,927</u>	<u>10,418</u>	-	-

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
14 OTHER FINANCIAL ASSETS					
Investments in unlisted securities					
Controlled entities	37	-	-	860,770	860,208
Associated companies	37	2,119	2,119	-	-
Other		409	409	-	-
		<u>2,528</u>	<u>2,528</u>	<u>860,770</u>	<u>860,208</u>

15 PROGRAM RIGHTS & INVENTORIES (NON-CURRENT)

Program rights		<u>1,915</u>	<u>1,523</u>	-	-
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16 PROPERTY, PLANT AND EQUIPMENT

Freehold land					
At cost		<u>2,738</u>	<u>5,188</u>	-	-
Freehold buildings					
At cost		7,150	8,552	-	-
Accumulated depreciation		<u>(1,858)</u>	<u>(1,855)</u>	-	-
		<u>5,292</u>	<u>6,697</u>	-	-
Leasehold improvements					
At cost		7,905	6,925	-	-
Accumulated depreciation		<u>(1,706)</u>	<u>(1,322)</u>	-	-
		<u>6,199</u>	<u>5,603</u>	-	-
Plant and equipment					
At cost		176,728	149,924	-	-
Accumulated depreciation		<u>(103,173)</u>	<u>(82,296)</u>	-	-
		<u>73,555</u>	<u>67,628</u>	-	-
Leased plant and equipment					
At cost		6,405	6,817	-	-
Accumulated depreciation		<u>(5,582)</u>	<u>(5,385)</u>	-	-
		<u>823</u>	<u>1,432</u>	-	-
Total property, plant and equipment					
Net book value		<u>88,607</u>	<u>86,548</u>	-	-

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Freehold land					
Balance at beginning of year		5,188	5,188	-	-
Additions		-	-	-	-
Reclassified as held for sale		<u>(2,450)</u>	-	-	-
Balance at end of year		<u>2,738</u>	<u>5,188</u>	-	-
Freehold buildings					
Balance at beginning of year		6,697	6,955	-	-
Additions		-	-	-	-
Depreciation		<u>(250)</u>	<u>(258)</u>	-	-
Reclassified as held for sale		<u>(1,155)</u>	-	-	-
Balance at end of year		<u>5,292</u>	<u>6,697</u>	-	-

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
16					
PROPERTY, PLANT AND EQUIPMENT (continued)					
Reconciliations (continued)					
Leasehold improvements					
Balance at beginning of year		5,603	4,535	-	-
Additions		976	1,452	-	-
Foreign currency exchange differences		4	(11)	-	-
Depreciation		(384)	(373)	-	-
Balance at end of year		<u>6,199</u>	<u>5,603</u>	-	-
Plant and equipment					
Balance at beginning of year		67,628	66,072	-	-
Additions		26,974	21,379	-	-
Disposals		(912)	(30)	-	-
Foreign currency exchange differences		(212)	(69)	-	-
Depreciation		(19,923)	(19,724)	-	-
Balance at end of year		<u>73,555</u>	<u>67,628</u>	-	-
Leased plant and equipment					
Balance at beginning of year		1,432	1,916	-	-
Additions		4	-	-	-
Disposals		(415)	-	-	-
Depreciation		(198)	(484)	-	-
Balance at end of year		<u>823</u>	<u>1,432</u>	-	-
17					
INTANGIBLE ASSETS					
Television licences – cost		<u>1,077,822</u>	<u>1,077,822</u>	-	-
Other licences – cost		26,500	26,500	-	-
Accumulated amortisation		<u>(4,048)</u>	<u>(3,336)</u>	-	-
		<u>22,452</u>	<u>23,164</u>	-	-
Opening net book amount		23,164	26,876	-	-
Additions		-	-	-	-
Amortisation		(712)	(712)	-	-
Other - reclassification		-	(3,000)	-	-
Closing net book amount		<u>22,452</u>	<u>23,164</u>	-	-
Goodwill – cost		<u>70,781</u>	<u>61,342</u>	-	-
Opening net book amount		61,342	47,976	-	-
Additions		9,439	10,366	-	-
Other - reclassification		-	3,000	-	-
Closing net book amount		<u>70,781</u>	<u>61,342</u>	-	-

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
17 INTANGIBLE ASSETS (continued)					
Other identifiable intangibles – cost		7,915	4,443	-	-
Accumulated amortisation		(615)	(202)	-	-
		<u>7,300</u>	<u>4,241</u>		
Opening net book amount		4,241	-	-	-
Additions		3,472	4,443	-	-
Amortisation		(413)	(202)	-	-
Closing net book amount		<u>7,300</u>	<u>4,241</u>	-	-
Total Intangible Assets		<u>1,178,355</u>	<u>1,166,569</u>	-	-

(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
2006	1,077,822
2005	1,077,822

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 estimated growth rates 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

Discount rates used are the weighted average cost of capital (after tax) for the consolidated entity, risk adjusted as applicable.

Impact of Possible Changes in Key Assumptions

There are no reasonably 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:

Goodwill	Out-of-home CGU \$'000
2006	70,781
2005	61,342

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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17 INTANGIBLE ASSETS (continued)

(b) Impairment tests for Goodwill (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 estimated growth rates 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

Discount rates used are the weighted average cost of capital (after tax) for the consolidated entity, risk adjusted as applicable.

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	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

18 OTHER ASSETS (NON-CURRENT)

Capitalised costs	1,075	1,419	-	-
Other	451	588	-	-
	1,526	2,007	-	-

19 PAYABLES (CURRENT)

Trade creditors	160,555	178,642	245	189
Unearned income	1,976	1,636	-	-
Accrued interest				
Related entity	37	13,124	17,978	-
Other		5,753	4,315	-
		181,408	202,571	245
				189

20 INTEREST BEARING LIABILITIES (CURRENT)

Lease liabilities	543	1,387	-	-
	543	1,387	-	-

Details of the consolidated entity's exposure to interest rate risk are set out in Note 23.

21 PROVISIONS (CURRENT)

Employee entitlements	14,264	13,714	-	-
Surplus lease space	57	153	-	-
Deferred settlement	2,992	3,000	-	-
Onerous contracts	-	3,210	-	-
Other	2,485	2,628	-	-
	19,798	22,705	-	-

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

21 PROVISIONS (CURRENT) (continued)

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

	Surplus lease space \$'000	Deferred settlement \$'000	Onerous contracts \$'000	Other \$'000	Total \$'000
Consolidated – 2006					
Current					
Carrying amount at beginning of year	153	3,000	3,210	2,628	8,991
Additional provisions recognised	-	1,792	-	-	1,792
Payments	(96)	(1,800)	-	(143)	(2,039)
Unused amounts reassessed	-	-	(3,210)	-	(3,210)
Carrying amount at end of year	<u>57</u>	<u>2,992</u>	<u>-</u>	<u>2,485</u>	<u>5,534</u>

(i) Surplus lease space provision relates to the excess cost of surplus leased premises.

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

(iii) Provisions for onerous contracts relate to concession agreements where the future estimated costs exceed the future estimated revenues.

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
22 PAYABLES (NON-CURRENT)					
Trade creditors		23,546	30,072	-	-
Loans					
Related entities	37	512	519	-	-
Other creditors and accruals					
Controlled entity	37	-	-	17,617	20,973
		<u>24,058</u>	<u>30,591</u>	<u>17,617</u>	<u>20,973</u>

23 INTEREST BEARING LIABILITIES (NON-CURRENT)

Bank loan		170,000	180,000	-	-
USD senior unsecured notes		158,763	210,084	-	-
AUD senior unsecured notes		150,000	-	-	-
Debentures					
Subordinated	37	45,500	45,500	-	-
Convertible	37	45	45	-	-
Lease liabilities		-	598	-	-
		<u>524,308</u>	<u>436,227</u>	<u>-</u>	<u>-</u>

(a) Bank Loan

In December 2003, The Ten Group Pty Limited, a controlled entity, refinanced its \$700m Syndicated Loan Facility to expire December 2008.

(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 \$51.321m revaluation to fair value as required under AASB 139 *Financial Instruments: Recognition and Measurement*. The net carrying amount at 31 August 2006 is \$158.763m.

(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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

23 INTEREST BEARING LIABILITIES (NON-CURRENT) (continued)

(d) Debentures

The 45,500,000 subordinated debentures of \$1 each fully paid have a base interest rate of 15%. The rate of interest paid will be adjusted to the rate of dividend distribution should the dividend distribution amount exceed the base rate in any year. An equivalent amount of interest is also payable in the same proportion to any additional dividend distributions that may be paid from retained earnings. The notes cannot be redeemed until 30 December 2042, unless done in conjunction with the convertible debentures.

The 455,000 convertible debentures of \$1.01 each partly paid to 10 cents have a market linked interest rate and can each be converted to 1,000 ordinary shares at the option of the debenture holder in certain circumstances within 45 years from date of issue. The new ordinary shares would need to be subscribed for at the price of \$0.10 per share.

(e) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bank guarantee facilities				
Total facilities	8,204	12,465	-	-
Used at balance date	8,204	2,576	-	-
Unused at balance date	-	9,889	-	-
Bank loan facilities				
Total facilities	700,000	700,000	-	-
Used at balance date	170,000	180,000	-	-
Unused at balance date	530,000	520,000	-	-

(f) Interest Rate Risk Exposures

The following table sets out the consolidated entity's exposure to interest rate risk by maturity periods.

Fixed interest maturing in:

2006 – Consolidated

	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Bank overdrafts and loans	170,000	-	-	-	-	-	-	170,000
USD senior unsecured notes [^]	210,084	-	-	-	-	-	-	210,084
AUD senior unsecured notes	150,000	-	-	-	-	-	-	150,000
Subordinated debentures	45,500	-	-	-	-	-	-	45,500
Convertible debentures	45	-	-	-	-	-	-	45
Lease liabilities	-	543	-	-	-	-	-	543
Interest rate swaps *	(260,000)	35,000	85,000	30,000	20,000	60,000	30,000	-
	315,629	35,543	85,000	30,000	20,000	60,000	30,000	576,172
Weighted average interest rate	6.36%	5.85%	5.57%	5.86%	5.71%	5.75%	5.81%	

* Notional principal amounts

[^] Represents principal of notes. \$51.321m difference to carrying amount is revaluation in accordance with AASB 139.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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23 INTEREST BEARING LIABILITIES (NON-CURRENT) (continued)

(f) Interest Rate Risk Exposures (continued)

2005 – Consolidated	Fixed interest maturing in:							Total \$'000
	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	Over 3 to 4 years \$'000	Over 4 to 5 years \$'000	Over 5 years \$'000	
	Bank overdrafts and loans	180,000	-	-	-	-	-	
USD senior unsecured notes	210,084	-	-	-	-	-	-	210,084
Subordinated debentures	45,500	-	-	-	-	-	-	45,500
Convertible debentures	45	-	-	-	-	-	-	45
Lease liabilities	-	1,387	598	-	-	-	-	1,985
Interest rate swaps *	(255,000)	25,000	35,000	85,000	30,000	20,000	60,000	-
	<u>180,629</u>	<u>26,387</u>	<u>35,598</u>	<u>85,000</u>	<u>30,000</u>	<u>20,000</u>	<u>60,000</u>	<u>437,614</u>
Weighted average interest rate	6.30%	5.95%	5.84%	5.55%	5.86%	5.75%	5.79%	

* Notional principal amounts

(g) Fair value

The fair value of interest bearing liabilities of the consolidated entity is their carrying value.

Consolidated		The Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

24 DERIVATIVE FINANCIAL INSTRUMENTS

Non-Current Assets

Cross-currency interest rate swap	3,248	-	-	-
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Non-Current Liabilities

Cross-currency interest rate swap	(58,935)	-	-	-
	<u>(55,687)</u>	-	-	-

(a) Transition to AASB 132 and AASB 139

The consolidated entity has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 September 2005.

The effect of AASB 139 on the opening balance sheet as at 1 September 2005 (before minority interest calculations) was the recognition of \$54.5m non-current derivative financial liabilities and a \$7.7m reduction in equity. The difference of \$46.8m was a reduction in the USD Private Placement loan.

There was no impact for the parent entity.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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24 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) 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 \$56.3m liability (\$2.6m hedge asset and \$58.9m hedge liability). The majority of this liability is offset by a \$51.3m 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 \$38k 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 around 7%. 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% (2005: 65%) of loan principals outstanding. The fixed interest rates range between 5.04% and 5.95% (2005: 5.03% and 5.95%) and the variable rates are at BBSW, which at balance date was 6.1267% (2005: 5.6433%).

At 31 August 2006, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	2006	2005
	\$'000	\$'000
Less than 1 year	35,000	25,000
1 – 2 years	85,000	35,000
2 – 3 years	30,000	85,000
3 – 4 years	20,000	30,000
4 – 5 years	60,000	20,000
More than 5 years	30,000	60,000
	260,000	255,000

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 2006 a loss of \$38k was transferred to the income statement, all of which result from cash flow hedges of the USD Private Placement in (i) above.

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 \$0.6m recognised as hedge assets.

(c) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date, the amounts receivable for the consolidated entity from interest rate swap contracts are immaterial.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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24 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk exposures

Refer to Note 2(d) and Note 23 for the consolidated entity's exposure to interest rate risk on interest rate swaps.

Consolidated		The Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

25 PROVISIONS (NON-CURRENT)

Employee entitlements	2,796	1,978	-	-
Make good provisions	6,488	6,235	-	-
	9,284	8,213	-	-
	9,284	8,213	-	-

26 CONTRIBUTED EQUITY

(a) Paid up capital				
398,899,094 ordinary shares fully paid				
(2005: 398,649,094)	844,569	844,007	844,569	844,007
	844,569	844,007	844,569	844,007

(b) Movements in issued and paid up ordinary share capital during the past year were as follows:

Date	Details	Notes	Number of Shares	Issue Price	\$'000
31.08.05	Balance 31 August 2005		398,649,094		844,007
16.11.05	Exercise of Options	(d)	250,000	2.25	562
31.08.06	Balance 31 August 2006		398,899,094		844,569

(c) The CanWest Group has rights under the exchange deeds entered into with the Company in April 1998 to have 523,249,990 ordinary shares allotted to it, and other remaining shareholders in The Ten Group Pty Limited have similar rights to have allotted to them 5,435,916 ordinary shares.

The shares issued to the CanWest Group under the exchange deeds would represent 56.4% of the issued capital of the Company on a fully diluted basis, excluding any shares issued pursuant to employee options.

The Australian Securities & Investments Commission has, by an instrument dated 16 June 2000, exempted the CanWest Group from compliance with section 606 of the Corporations Act 2001 in relation to an acquisition of shares in the Company by virtue of an allotment pursuant to the CanWest exchange deeds.

Accordingly, if the Broadcasting Services Act and foreign investment law or policy in relation to media were to change such that CanWest could exchange part or all of its securities in The Ten Group Pty Limited for new shares, CanWest would be entitled to acquire new shares beyond an entitlement of 14.99% of shares in the Company without the need to seek shareholder approval or to make a takeover bid for shares in the Company.

(d) No options to take up ordinary shares in the capital of Ten Network Holdings Limited remain on issue, having been granted under the Ten Executive Option Plan ("the Plan") to senior management of a controlled entity, Network Ten Pty Limited. During the year ended 31 August 2006, options were exercised as set out in Note 26(b). On the date of exercise, the share price was \$3.42.

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.

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
27 RESERVES				
Foreign currency translation	(531)	(111)	-	-
Hedging reserve	(3,653)	-	-	-
	<u>(4,184)</u>	<u>(111)</u>	<u>-</u>	<u>-</u>
Movements during the year				
Foreign currency translation				
Balance at beginning of year	(111)	-	-	-
Net translation adjustment	(420)	(111)	-	-
Balance at end of year	<u>(531)</u>	<u>(111)</u>	<u>-</u>	<u>-</u>
Hedging reserve				
Balance at beginning of year	-	-	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	(3,653)	-	-	-
Balance at end of year	<u>(3,653)</u>	<u>-</u>	<u>-</u>	<u>-</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(t). 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(w). Amounts are recognised in profit and loss when the associated hedge transaction affects profit and loss.

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
28 RETAINED EARNINGS/(ACCUMULATED LOSSES)				
Retained earnings/(accumulated losses) at beginning of year	(362,146)	(382,390)	(895)	(1,072)
Profit attributable to members of the Company	45,813	105,950	77,518	85,883
Dividends paid	(77,785)	(85,706)	(77,785)	(85,706)
Retained earnings/(accumulated losses) at end of year	<u>(394,118)</u>	<u>(362,146)</u>	<u>(1,162)</u>	<u>(895)</u>

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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29 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):

	Ordinary Share	
	Consolidated Entity Interest	
	2006	2005
	%	%
<i>Parent entity</i>		
Ten Network Holdings Limited		
<i>Controlled entities</i>		
Telecasters North Queensland Pty Limited*	100.0	100.0
Selli Pty Limited*	100.0	100.0
The Ten Group Pty Limited	84.4	84.4
Network Ten Pty Limited (i)	84.4	84.4
Network Ten (Sydney) Pty Limited (i)	84.4	84.4
Network Ten (Melbourne) Pty Limited (i)	84.4	84.4
Network Ten (Brisbane) Pty Limited (i)	84.4	84.4
Television & Telecasters (Properties) Pty Limited (i)	84.4	84.4
Network Ten Nominees Pty Limited	84.4	84.4
Caprice Pty Limited (i)	84.4	84.4
Network Ten (Adelaide) Pty Limited (i)	84.4	84.4
Chartreuse Pty Limited (i)	84.4	84.4
Network Ten (Perth) Pty Limited (i)	84.4	84.4
Ten Employee Share Plans Pty Limited	84.4	84.4
Ten Ventures Pty Limited	84.4	84.4
Ten Online Pty Limited	84.4	84.4
Eye Corp Pty Limited	84.4	84.4
Eye Corp Australia Pty Limited (ii)	84.4	84.4
Eye Fly Sydney Pty Limited (ii)	84.4	84.4
Eye Drive Melbourne Pty Limited	84.4	84.4
Eye Drive Sydney No. 2 Pty Limited (vi)	-	84.4
Pimington Pty Limited (vi)	-	84.4
Outdoor Plus Pty Limited	84.4	-
Olympic Murals 2000 Pty Limited (ii)	84.4	84.4
Australian Airport Advertising Pty Limited (ii)	84.4	84.4
Eye Corp Airport Advertising Pty Limited (ii)	84.4	84.4
Eye Drive Sydney Pty Limited (ii)	84.4	84.4
Eye Mall Media Pty Limited (ii)	84.4	84.4
Eye Shop Pty Limited	84.4	84.4
Eye Shop New Zealand Limited	84.4	84.4
Eye Outdoor Pty Limited (iv)	84.4	42.2
Eye Corp New Zealand Limited	84.4	84.4
Eye Corp Asia Limited	84.4	84.4
PT Netra Estha Muda (iii)	80.2	80.2
PT Agung Bali	56.1	56.1
PT Estha Yudha Ekatama (iii)	-	-
Eye Corp Media Pty Limited	84.4	84.4
Adval Holdings Pty Limited	84.4	84.4
Adval Australia Pty Limited	84.4	84.4
Eye Corp In-Store Pty Limited (v)	84.4	84.4

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

29 CONTROLLED ENTITIES (continued)

	Ordinary Share	
	Consolidated Entity Interest	
	2006	2005
	%	%
<i>Controlled entities (continued)</i>		
Eye Corp (USA) Inc	84.4	-
Eye Corp (NY) LLC	84.4	-
Eye Mall Media (USA) LLC	84.4	-
EyeOOH (Canada) Inc	84.4	-
Eye Corp (UK) Limited	84.4	-
Airport Advertising (UK) Limited	84.4	-
Eye Corp Asia Pte Limited	84.4	-
Eye Corp Pte Limited	84.4	-
Eye Corp Hong Kong Limited	84.4	-

*: In liquidation

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

- Eye Corp Asia Limited (incorporated in Mauritius on 12 April 2000);
- PT Netra Estha Muda, PT Agung Bali and PT Estha Yudha Ekatama (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 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);
- 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 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).

(i) Refer to Note 41 for details of The Ten Group Pty Limited Deed of Cross Guarantee.

(ii) Refer to Note 41 for details of the Eye Corp Pty Limited Deed of Cross Guarantee.

(iii) Eye Corp Asia Limited has a 100% beneficial ownership interest in PT Estha Yudha Ekatama and PT Netra Estha Muda.

(iv) On 1 July 2006 Eye Corp Pty Limited acquired the remaining 50% of the Eye Outdoor Joint Venture. In prior years, this investment was equity accounted.

(v) Eye Corp In-Store Pty Limited was formerly named Eye Corp Asia Pty Limited.

(vi) Eye Drive Sydney No. 2 Pty Limited and Pimington Pty Limited were deregistered on 23 March 2006.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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30 BUSINESS COMBINATIONS

(a) Summary of acquisitions

In the period from 1 September 2005 to 31 August 2006 there have been three acquisitions:

- i. On 1 July 2006, Eye Corp Pty Limited, a controlled entity, acquired the remaining 50% of the issued capital of Eye Outdoor Pty Limited.
- ii. On 1 July 2006, Eye Corp Pty Limited acquired 100% of the issued capital of Outdoor Plus Pty Limited.
- iii. On 14 June 2006, Eye Corp Pty Limited acquired the operations of Media Choice LLC.

The acquired businesses contributed revenues of \$0.7m and net loss after tax of \$0.4m to the consolidated entity for the period from the acquisition dates to 31 August 2006. If the acquisitions had occurred on 1 September 2005, consolidated revenue and consolidated loss after tax for the year ended 31 August 2006 would have been \$2.8m and \$1.0m respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration (refer to (b) below):	
Cash paid	13,667
Deferred consideration	2,481
Direct costs relating to the acquisition	1,124
Total purchase consideration	17,272
Fair value of net identifiable assets acquired (refer to (c) below)	4,111
	13,161
Made up of:	
Goodwill	9,613
Intangibles	3,548
	13,161

(b) Purchase consideration

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	17,272	21,239	-	-
Cash acquired	-	1,436	-	-
	17,272	19,803	-	-
Deferred consideration	(2,481)	(1,544)	-	-
Outflow of cash	14,791	18,259	-	-

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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30 BUSINESS COMBINATIONS (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Property, plant and equipment	4,102	4,102
Receivables	65	65
Other liabilities	(56)	(56)
Net assets	<u>4,111</u>	<u>4,111</u>
Minority interest		-
Net identifiable assets acquired		<u><u>4,111</u></u>

At the date of this financial report, no additional consideration is anticipated. If it becomes probable that additional consideration will be payable it will be brought to account as a component of intangibles or goodwill arising on acquisition when the amount can be reliably measured.

The goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the companies' acquisition. No acquisition provisions were created. The fair value of net assets acquired were assessed and are equal to the carrying values of net assets.

31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Share of profits accounted for using the equity method included in the income statement					
Associates	31(a)	3,312	2,546	-	-
Joint ventures	31(b)	49	60	-	-
		<u>3,361</u>	<u>2,606</u>	<u>-</u>	<u>-</u>

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investments in equity accounted associates

Name	Principal Activity/ Note	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
			2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held by Eye Corp Asia Limited								
Big Tree Outdoor Sdn Bhd	(i)	31 Dec	30.0	30.0	3,310	2,931	-	-
Held by The Ten Group Pty Limited								
Global Television Limited	(ii)	30 Jun	24.3	24.3	9,617	7,436	-	-
					<u>12,927</u>	<u>10,367</u>	-	-

The principal activities of the associated companies are:

- (i) Outdoor advertising
- (ii) Television, studio, and field production services.

Big Tree Outdoor Sdn Bhd is incorporated in Malaysia.

Global Television Limited is incorporated in Australia.

	Consolidated		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Movements in carrying amounts				
Carrying amount at the beginning of the financial year	10,367	9,312	-	-
Investments in associates acquired during the year	-	-	-	-
Share of profits after income tax	3,312	2,546	-	-
Dividends received/receivable	(855)	(1,235)	-	-
Share of decrement in associates' reserve	103	(256)	-	-
Carrying amount at the end of the financial year	<u>12,927</u>	<u>10,367</u>	-	-
Share of associates' profits				
Profit before income tax	3,804	3,027	-	-
Income tax expense	(492)	(481)	-	-
Profit after income tax	<u>3,312</u>	<u>2,546</u>	-	-
Summarised financial information of associates				
Consolidated entity's share of:				
Assets	17,592	16,193	-	-
Liabilities	7,435	8,813	-	-
Revenues	19,871	17,635	-	-
Share of associates' expenditure commitments (some as at 30 June)				
Capital commitments	835	142	-	-
Lease commitments	6,293	9,323	-	-
	<u>7,128</u>	<u>9,465</u>	-	-

At 31 August 2006, the share price of Global Television Limited was \$0.76.

There were no contingencies in respect of associates at the end of the financial year.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investments in joint venture companies

Name	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
		2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held by Eye Corp Pty Limited							
Eye Outdoor Pty Limited*	31 Aug	100.0	50.0	-	51	-	-
				-	51	-	-

The principal activity of joint venture is outdoor advertising. Eye Outdoor Pty Limited was incorporated in Australia.

* On 1 July 2006, Eye Corp Pty Limited acquired the remaining 50% of the Eye Outdoor Joint Venture. This investment is now consolidated under AASB 3. Refer Notes 29 and 30.

	Consolidated		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Share of joint ventures' revenue, expenses and results				
Revenues	166	218	-	-
Expenses	(96)	(137)	-	-
Profit before income tax	70	81	-	-
Income tax expense	(21)	(21)	-	-
Profit after income tax	49	60	-	-

Financial position of joint ventures

The consolidated entity's share of aggregate assets and liabilities of associates is as follows:

Current assets	-	63	-	-
Non-current assets	-	29	-	-
Total assets	-	92	-	-
Current liabilities	-	(41)	-	-
Non-current liabilities	-	-	-	-
Total liabilities	-	(41)	-	-
Net assets	-	51	-	-

Share of joint ventures' expenditure commitments

Capital commitments	-	-	-	-
Lease commitments	-	182	-	-
	-	182	-	-

There were no contingencies in respect of joint ventures at the end of the financial year.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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32 EARNINGS PER SHARE

	Consolidated	
	2006 Cents	2005 Cents
Basic earnings per share	11.49	26.63
Diluted earnings per share	11.49*	26.36

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 has been calculated on the basis that the convertible debentures in The Ten Group Pty Limited had been converted and the subordinated debentures had been redeemed. This method also reflects the potential conversion of options over ordinary shares in Ten Network Holdings Limited during the year.

* Diluted Earning per share: Potential ordinary shares are not considered to be dilutive in the current year.

	Consolidated	
	2006 Number	2005 Number
Weighted Average Number of Shares Used as a Denominator		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	398,844,149	397,894,314
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	N/A	398,899,094

Reconciliations of Earnings Used in Calculating Earnings Per Share

Basic Earnings per Share

	Consolidated	
	2006 \$'000	2005 \$'000
Profit from continuing operations	54,447	122,497
Profit from continuing operations attributable to minority interest	(8,634)	(16,547)
Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	45,813	105,950

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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32 EARNINGS PER SHARE (continued)

Reconciliations of Earnings Used in Calculating Earnings Per Share

Diluted Earnings per Share

	Consolidated	
	2006 \$'000	2005 \$'000
Profit from continuing operations	N/A	122,497
Exclude earnings of the Company:		
Corporate Costs	N/A	1,097
Corporate Revenue	N/A	(344)
Non-recurring income tax revenue attributable to the Company	N/A	(18,427)
Loss attributable to minority interest in Out-of-home	N/A	13
Profit after tax for The Ten Group Pty Limited	N/A	104,836
Debt interest expense	N/A	98,578
Profit after tax, before debt interest for The Ten Group Pty Limited	N/A	203,414
The Company's share of The Ten Group Pty Limited	N/A	43.00%
The Company's share of The Ten Group Pty Limited earnings	N/A	87,468
Include earnings of the Company:		
Corporate Costs	N/A	(1,097)
Corporate Revenue	N/A	344
Non-recurring income tax revenue attributable to the Company	N/A	18,427
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	N/A	105,142

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 economic and fully diluted earnings per share. The options have not been included in the determination of shareholding earnings per share. Details of the options are set out in Note 36.

(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 economic and fully diluted earnings per share. The notes have not been included in the determination of shareholding earnings per share. Details relating to the notes are set out in Note 23.

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

Directors

The following persons were Directors of Ten Network Holdings Limited during the financial year:

Mr NG Falloon, Chairman
 Mr JJ Cowin (Alternate Mr JB Studdy)
 Mr LS Freedman (Alternate Mr NG Falloon)^A
 Mr PV Gleeson (Alternate Mr NG Falloon)
 Mr PPA Harris
 Ms IYL Lee (Alternate Mr JB Studdy)
 Mr GH Levy (Alternate Mr PV Gleeson)
 Mr R Magid (Alternate Mr NG Falloon)^B
 Mr BM Sherman (Alternate Mr EP Sherman)^C
 Mr JB Studdy (Alternates Mr JJ Cowin and Mr AJ Peschar)
 Mr PD Viner (Alternates Mr LJ Asper, Mr TC Strike and Mr JE Maguire)^D

^A: Mr BG Sechos resigned as Alternate Director and Mr NG Falloon was appointed Alternate Director for Mr LS Freedman on 14 June 2006.

^B: Mr NG Falloon was appointed Alternate Director for Mr R Magid on 26 October 2005.

^C: Mr NG Falloon resigned as Alternate Director and Mr EP Sherman was appointed Alternate Director for Mr BM Sherman on 22 September 2005.

^D: Mr JE Maguire was appointed Alternate Director for Mr PD Viner on 28 November 2005.

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

Name	Position	Employer
Mr G Blackley	Chief Executive Officer – Television	Network Ten Pty Limited
Mr D Mott	Chief Programming Officer	Network Ten Pty Limited
Mr G Thorley	Chief Executive Officer – Eye Corp	Eye Corp Pty Limited
Mr K Kingston	Chief Operating Officer	Network Ten Pty Limited
Mr J Kelly	Chief Financial Officer	Network Ten Pty Limited
Mr S Partington	Group General Counsel & Company Secretary	Network Ten Pty Limited

All of the above persons were also key management persons during the year ended 31 August 2005. Mr J McAlpine, Chief Executive Officer – Television was a key management person in the year ended 31 August 2005. He retired on 1 July 2005.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
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33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration of Key Management Personnel

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 long-term 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 The Ten Group Pty Limited 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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
- Long-term incentives through participation in the Performance Incentive Share 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 some 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. Variable Remuneration Incentive Plan ("VRIP") targets are established in each financial year with 25% of the incentive dependent on group EBIT targets, as approved by the Board, and 75% of the incentives based on achievement of specific individual and leadership related business drivers and objectives. 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) the maximum target bonus opportunity varies between 15-30% of fixed remuneration. The Executive Chairman can receive up to a maximum target bonus of 75% of fixed remuneration. Each year, the Remuneration Committee reviews both the prescribed business drivers for the forthcoming year and recommended payments for the completed year under the plan. Performance against VRIP objectives is measured via a confidential 360-degree feedback review. The Executive Chairman's performance is assessed by the Board Remuneration Committee annually against pre determined performance criteria.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration Report (continued)

Performance Incentive Share Plan

A limited number of senior Executives are invited to participate in a long-term incentive share plan. Ten Network Holdings Limited wishes to give eligible employees an opportunity to participate in the Ten Employee Performance Incentive Share Plan (“Performance Incentive Share 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 by the Remuneration Committee, currently equal to shares between the values of 15-20% of fixed remuneration per annum other than for the Chief Executive Officer and Executive Chairman (see service contracts below). The incentive amount is payable with reference to certain profit and personal targets.

Shares equal to the incentive amount are bought on market and paid in four equal tranches over 4 years. The first tranche is paid on or about 1 January of the following year with the next 3 tranches of shares provided on or about each successive anniversary of the first acquisition date.

If personal targets are not met then 25% of the incentive amount is not provided and all entitlements to that 25% will lapse. 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 were not met.

Whilst employed by the Company the shares are subject to a trading lock for 5 years from first acquisition date.

Long-Term Incentive Share Option Plan

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

Options are only exercisable:

- If at the First Exercise Date for the relevant Options, the Accumulation Index for Ten Network Holdings Limited shares (being the growth in the share price for Ten Network Holdings Limited, together with the reinvestment of dividends) (“the TEN Index”) measured from the Date of Grant is equal to or greater than the Australian Stock Exchange All Industrial Accumulation Index, excluding the Banks and Finance Index (“Comparator Index”); or
- If at any time after the First Exercise Date for the relevant Options but prior to the Last Exercise Date, the TEN Index measured from the Date of Grant is equal to or greater than the Comparator Index measured from the Date of Grant; or
- The TEN Index is equal to or greater than, the Comparator Index as measured over any uninterrupted three year period commencing on or after the Date of Grant and ending after the First Exercise Date and prior to the Last Exercise Date.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration Report (continued)

Details of Remuneration

Details of the remuneration of each Director of Ten Network Holdings Limited and the other Key Management Personnel of the consolidated entity are set out in the following tables.

2006	Short-Term Benefits			Post Employment Benefits		Share-Based Payment		
Name	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Super-annuation \$	Retirement/ Termination Benefits \$	Shares \$	Options \$	Total \$
<i>Executive Director of Ten Network Holdings Limited</i>								
NG Falloon	1,987,770	1,000,000	-	12,230	-	-	-	3,000,000
<i>Non-Executive Directors of Ten Network Holdings Limited</i>								
JJ Cowin LS	73,692	-	-	6,632	-	-	-	80,324
Freedman	73,692	-	-	6,632	-	-	-	80,324
PV Gleeson	11,468	-	-	71,037	-	-	-	82,505
PPA Harris	71,193	-	-	6,407	-	-	-	77,600
IYL Lee	73,858	-	-	6,647	-	-	-	80,505
GH Levy	71,192	-	-	6,407	-	-	-	77,599
R Magid BM	66,526	-	-	5,987	-	-	-	72,513
Sherman	66,526	-	-	5,987	-	-	-	72,513
JB Studdy	70,655	-	-	-	-	-	-	70,655
PD Viner	70,655	-	-	-	-	-	-	70,655
<i>Other Key Management Personnel of the Consolidated Entity</i>								
G Blackley	781,770	140,000	-	18,230	-	118,281	-	1,058,281
D Mott	601,103	283,629 ^A	-	40,651	-	99,000	-	1,024,383
G Thorley	561,422	210,000	59,681	12,230	-	91,000	-	934,333
K Kingston	456,318	107,250	-	39,349	-	75,327	-	678,244
J Kelly	316,408	99,225	53,989	39,778	-	64,181	-	573,581
S Partington	252,898	63,516	38,342	14,297	-	34,950	-	404,003
Total	5,607,146	1,903,620	152,012	292,501	-	482,739	-	8,438,018

^A: D Mott's cash bonus includes a \$200,000 sign-on bonus.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Details of Remuneration (continued)

2005 Name	Short-Term Benefits			Post Employment Benefits	Share-Based Payment		Total \$	
	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Super-annuation \$	Retirement/ Termination Benefits \$	Shares \$		Options \$
<i>Executive Director of Ten Network Holdings Limited</i>								
NG Falloon	1,564,621	772,500	25,938	11,677	-	-	92,458	2,467,194
<i>Non-Executive Directors of Ten Network Holdings Limited</i>								
JJ Cowin	64,372	-	-	5,793	-	-	-	70,165
LS Freedman	64,372	-	-	5,793	-	-	-	70,165
PV Gleeson	65,842	-	-	5,925	-	-	-	71,767
PPA Harris	61,872	-	-	5,568	-	-	-	67,440
IYL Lee	63,872	-	-	5,748	-	-	-	69,620
GH Levy	61,872	-	-	5,568	-	-	-	67,440
R Magid	57,872	-	-	5,208	-	-	-	63,080
BM Sherman	57,872	-	-	5,208	-	-	-	63,080
JB Studdy	52,038	-	-	-	-	-	-	52,038
PD Viner	62,530	-	-	-	-	-	-	62,530
<i>Other Key Management Personnel of the Consolidated Entity</i>								
J McAlpine ^B	895,925	861,000	-	9,654	2,373,669	-	-	4,140,248
G Blackley	541,271	283,278	-	18,677	-	68,281	-	911,507
G Thorley	514,285	137,500	59,681	11,677	-	58,500	-	781,643
D Mott	521,656	128,945	-	11,677	-	66,500	-	728,778
K Kingston	373,755	79,292	-	37,011	-	48,877	-	538,935
J Kelly	303,167	56,081	28,568	38,794	-	43,343	1,970	471,923
S Partington	218,859	70,974	38,334	24,077	-	28,824	985	382,053
Total	5,546,053	2,389,570	152,521	208,055	2,373,669	314,325	95,413	11,079,606

^B: Mr J McAlpine retired on 1 July 2005.

Retirement/Termination Benefits include both contracted and statutory entitlements.

Cash Bonus includes short-term incentives paid on retirement.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (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 allowances and participation when eligible, in the Ten Executive Option Plan and the Performance Incentive Share 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.

- Base salary of \$2,000,000 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 base salary may be paid against a set of targets and objectives heavily weighted to the financial performance of the group. For the year ended 31 August 2005, a STI of up to 50% of base salary may be paid against a set of targets and objectives heavily weighted to the financial performance of the group.
- Long-term 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 for a period of not less than 18 months from date of acquisition.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, is based on 12 months' notice plus 12 months' short and long-term incentive payments. Shares purchased under the Performance Incentive Share Plan on which the restriction on disposal has not lapsed may also be made available to the Executive.
- In addition, 100% of the eligible STI is paid on a pro-rated period remaining in the financial year.
- Termination benefit for resignation or breach of contract is restricted to base salary and leave unpaid at the date of termination.

Grant Blackley, *Chief Executive Officer - Television* (Appointed 1 July 2005), previously *General Manager – Network Sales*

Term of agreement – commencing 1 July 2005 and expiring 1 September 2009.

- Effective 1 September 2005 base salary, inclusive of superannuation is \$800,000.
- Base salary will be reviewed each year with effect from 1 September 2006.
- For the financial year commencing from 1 September 2005 short-term incentives are available under a variable remuneration scheme equivalent to 30% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, prior to 1 July 2006 shall be 18 months' notice to the employee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, on or after 1 July 2006 shall be 12 months' notice 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 VRIP payment achieved in the previous financial year.
- Long-term incentives allocated but not acquired will be additionally delivered.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Service Agreements (continued)

David Mott, *Chief Programming Officer*

Term of agreement – commencing 27 September 2002 and expiring 31 December 2005.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$540,000.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 6 months of base salary in lieu of any notice period not provided.

Term of agreement – 4 years commencing 1 January 2006

- Base salary, 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 variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

Gerry Thorley, *Chief Executive Officer – Eye Corp*

Term of agreement – 3 years commencing 1 January 2005.

- Effective 1 September 2005 base salary, inclusive of superannuation is \$600,000.
- Effective 1 January 2006 base salary, inclusive of superannuation, is \$650,000 increasing by no less than 4% on 1 January 2007.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Six month's notice may be given by Mr Thorley 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.

Kerry Kingston, *Chief Operating Officer*

Term of agreement – 1 year commencing 1 January 2005 and expiring 31 December 2005.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$429,000.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

Term of agreement – 3 years commencing 1 January 2006 and expiring 31 December 2008.

- Base salary, inclusive of superannuation, for the year ended 31 December 2006 of \$529,000, increasing by no less than 4% on 1 January 2007 and no less than 4% on 1 January 2008.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

John Kelly, *Chief Financial Officer*

Term of agreement – 3 years commencing 1 January 2005 and expiring on 31 December 2007.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$396,900, increasing to \$416,745 on 1 January 2006.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Pro rata short-term incentive payment payable at end of contract based on completed calendar months in fiscal year.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Service Agreements (continued)

Stephen Partington, *Group General Counsel & Company Secretary*

- Rolling contract.
- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$298,088.
- Base salary, inclusive of superannuation, for the year ended 31 December 2006 of \$310,012.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Thirteen week notice period.

Share-Based Compensation - Options

Options have been granted to Executives under the Ten Executive Option Plan, details of which are set out in Note 36 to the financial statements.

The terms and conditions of each grant of options affecting remuneration in the current or previous year, or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Value Per Option at Grant Date	Date Exercisable
15 March 2000	15 March 2005	\$2.41	\$0.4763	15 March 2004
22 December 2000	22 December 2005	\$2.25	\$0.5093	22 December 2004
21 December 2001	21 December 2011	\$1.90	\$0.4821	21 December 2004

Options are granted under the Plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Equity instrument disclosures relating to Key Management Personnel

Options Provided As Remuneration

Details of options over ordinary shares in the Company provided as remuneration to Directors of Ten Network Holdings Limited and other Key Management Personnel of the consolidated entity are set out below.

Name	Number of Options Vested During the Year	
	2006	2005
<i>Directors of Ten Network Holdings Limited</i>		
NG Falloon	-	1,875,000
<i>Other Key Management Personnel of the consolidated entity</i>		
J Kelly	-	50,000
S Partington	-	25,000

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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Equity instrument disclosures relating to Key Management Personnel (continued)

Shares Provided on Exercise of Remuneration Options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each Director of Ten Network Holdings Limited and other Key Management Personnel of the consolidated entity are set out below.

During the year ended 31 August 2006, there were no ordinary shares in the Company provided as a result of the exercise of options held by the Key Management Personnel.

2005 Name	Date of Exercise of Options	Amount Paid Per Share	Number of Ordinary Shares Issued on Exercise of Options During the Year
<i>Directors of Ten Network Holdings Limited</i>			
NG Falloon	21 December 2004	\$1.90	1,875,000
<i>Other Key Management Personnel of the consolidated entity</i>			
G Blackley	15 October 2004	\$2.41	120,000
G Thorley	13 October 2004	\$2.41	120,000
J Kelly	13 October 2004	\$2.41	125,000
	22 December 2004	\$2.25	100,000
S Partington	1 July 2005	\$2.25	25,000

No amounts are unpaid on any shares issued on the exercise of options.

Option Holdings

The number of options over ordinary shares in the Company held during the financial year by Directors of Ten Network Holdings Limited and other Key Management Personnel of the consolidated entity, including their personally-related entities, are set out below.

There were no option holdings for Key Management Personnel during the year ended 31 August 2006.

No options are vested and unexercisable at the end of the year.

2005 Name	Balance at the Start of the Year	Granted During the Year as Remuneration	Exercised During the Year	Expired During the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
<i>Directors of Ten Network Holdings Limited</i>						
NG Falloon	1,875,000	-	(1,875,000)	-	-	-
<i>Other Key Management Personnel of the consolidated entity</i>						
G Blackley	120,000	-	(120,000)	-	-	-
G Thorley	120,000	-	(120,000)	-	-	-
J Kelly	225,000	-	(225,000)	-	-	-
S Partington	25,000	-	(25,000)	-	-	-

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Share Holdings

The number of ordinary shares in the Company held during the financial year by each Director of Ten Network Holdings Limited and other Key Management Personnel of the consolidated entity, including their personally-related entities, are set out below.

2006 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	1,875,000	-	-	(1,875,000)	-
JJ Cowin	1,000,000	-	-	-	1,000,000
LS Freedman	507,347	-	-	-	507,347
PV Gleeson	15,048,608	-	-	-	15,048,608
PPA Harris	24,611	-	-	-	24,611
IYL Lee	10,000	-	-	-	10,000
GH Levy	33,000	-	-	-	33,000
R Magid	150,000	-	-	150,000	300,000
BM Sherman	8,016,105	-	-	-	8,016,105
JB Studdy	50,000	-	-	-	50,000
PD Viner	-	-	-	-	-
<i>Other Key Management Personnel of the consolidated entity</i>					
G Blackley	36,160	-	36,592 ¹	-	72,752
D Mott	35,494	-	30,626 ¹	-	66,120
G Thorley	23,668	-	28,280 ¹	-	51,948
K Kingston	25,772	-	23,304 ¹	-	49,076
J Kelly	138,357	-	19,855 ¹	(17,000)	141,212
S Partington	135,606	-	10,657 ¹	618	146,881

¹: Shares purchased under The Ten Employee Performance Incentive Plan and The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$3.2325 and \$3.2253 respectively.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

33 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Share Holdings (continued)

2005 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	5,625,000	1,875,000	-	(5,625,000)	1,875,000
JJ Cowin	1,000,000	-	-	-	1,000,000
LS Freedman	2,007,347	-	-	(1,500,000)	507,347
PV Gleeson	15,048,608	-	-	-	15,048,608
PPA Harris	24,611	-	-	-	24,611
IYL Lee	10,000	-	-	-	10,000
GH Levy	33,000	-	-	-	33,000
R Magid	150,000	-	-	-	150,000
BM Sherman	8,016,105	-	-	-	8,016,105
JB Studdy	50,000	-	-	-	50,000
PD Viner	-	-	-	-	-
<i>Other Key Management Personnel of the consolidated entity</i>					
J McAlpine	70,000	-	-	(70,000)	-
G Blackley	20,566	120,000	15,594 ¹	(120,000)	36,160
G Thorley	9,863	120,000	13,360 ^{1,2}	(119,555)	23,668
D Mott	27,892	-	15,187 ¹	(7,585)	35,494
K Kingston	14,713	-	11,059 ¹	-	25,772
J Kelly	24,175	225,000	9,682 ¹	(120,500)	138,357
S Partington	103,873	25,000	6,733 ^{1,3}	-	135,606

¹: Shares purchased under The Ten Employee Performance Incentive Plan and The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$4.3786 and \$4.3715 respectively.

²: Shares purchased under The Ten Employee Performance Incentive Plan were acquired at the prevailing market price at the date of acquisition being \$4.14.

³: Shares purchased under The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$4.3859 and \$3.58.

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

During the prior financial year, a controlled entity of Ten Network Holdings Limited entered into a consultancy agreement with Memwane Pty Limited on normal commercial terms and conditions. Mr J McAlpine, a Key Management Person during the year ended 31 August 2005, is the Director of Memwane Pty Limited. The value of this agreement is not material to the consolidated entity.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
34 AUDITORS' REMUNERATION				
Audit and other assurance services:				
Auditors of the Company – PricewaterhouseCoopers				
- Audit or review of financial reports	550	483	53	50
- Other audit related work	201	66	12	-
- Other assurance services	51	84	13	-
Other Auditors – Gilbert Smith Johnson				
- Other audit related work	-	29	-	-
	802	662	78	50
Other services:				
Auditors of the Company – PricewaterhouseCoopers				
- Advisory services	52	11	-	-
- Taxation	471	437	-	-
Other Auditors – Gilbert Smith Johnson				
- Advisory services	-	10	-	-
	523	458	-	-
	1,325	1,120	78	50

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

35 COMMITMENTS

(a) Capital expenditure commitments

Amounts contracted but not provided for:

Within one year	4,456	3,807	-	-
Later than one year and not later than five years	-	-	-	-
	4,456	3,807	-	-

(b) Program expenditure commitments

Amounts contracted but not provided for:

Within one year	76,580	69,673	-	-
Later than one year and not later than five years	431,239	121,424	-	-
Later than five years	467,884	-	-	-
	975,703	191,097	-	-

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
35 COMMITMENTS (continued)				
(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	63,042	40,176	-	-
Later than one year and not later than five years	211,265	110,104	-	-
Later than five years	147,193	83,831	-	-
	421,500	234,111	-	-
Less: Total future minimum sub lease payments receivable	-	-	-	-
	421,500	234,111	-	-
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) Finance lease commitments				
Finance lease commitments are payable:				
No later than one year	574	1,497	-	-
Later than one year and not later than five years	-	624	-	-
	574	2,121	-	-
Less: Total future finance charges	31	136	-	-
	543	1,985	-	-
Represented by:				
Current	20	543	1,387	-
Non-current	23	-	598	-
		543	1,985	-

(e) 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

36 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.

During the year ended 31 August 2006, 250,000 options were exercised at a price of \$2.25 per share.

Directors have had regard to the particular capital structure of The Ten Group Pty Limited and Ten Network Holdings Limited and have implemented arrangements to ensure that dilution arising from the issue of new shares in Ten Network Holdings Limited under the terms of the Plan are matched at The Ten Group level.

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 Employee Performance Incentive Share Plan

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

For participants the maximum target incentive opportunity is shares to the value of 20% of total remuneration per annum. These shares are bought on market and paid in four equal tranches provided specified performance targets are met. The first tranche is paid on or about 1 January of the following year with the next 3 tranches of shares being provided on or about each successive anniversary of the first acquisition date. The issue of each tranche of shares is subject to the Executive still being employed by the Company at that date and they must have met their short-term incentive plan targets for the relevant financial year. Whilst employed by the Company the shares are subject to a trading lock for 5 years from first acquisition date. Further details of the performance incentive share plan are set out in Note 33.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

37 RELATED PARTY INFORMATION

Parent Entity

The parent entity within the consolidated entity is Ten Network Holdings Limited.

Controlled Entities

Interests in controlled entities are set out in Note 29.

Key Management Personnel

Key Management Personnel disclosures relating to key management personnel are set out in Note 33.

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Ownership interest in related entities					
Controlled entities	14	-	-	860,770	860,208
Associated companies - equity accounted	13,31(a)	12,927	10,367	-	-
- other	14	2,119	2,119	-	-
Joint venture companies	13,31(b)	-	51	-	-
		<u>15,046</u>	<u>12,537</u>	<u>860,770</u>	<u>860,208</u>
Dividends					
Dividends from controlled entities	4	-	-	78,304	86,636
Interest					
Interest from controlled entities	4	-	-	-	136
Amounts receivable from/(payable to) related entities					
Controlled entities					
Payable	22	-	-	(17,617)	(20,973)
Associated companies					
Receivable	8,12	688	688	-	-
Related entities					
Payable*	19	(13,124)	(17,978)	-	-
Subordinated debentures	23	(45,500)	(45,500)	-	-
Convertible debentures	23	(45)	(45)	-	-
Other	22	(512)	(519)	-	-
		<u>(59,181)</u>	<u>(64,042)</u>	-	-

*: The amount of interest ultimately payable is dependent on the amount of any dividend paid by the controlled entity, The Ten Group Pty Limited.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

37 RELATED PARTY INFORMATION (continued)

Financial transactions with related entities

Entity's name	Note	Nature of transaction at normal commercial terms	2006 \$'000	2005 \$'000
With related entities:				
CanWest Global Communications Corp. (Group)	5	Interest on subordinated and convertible debentures accrued by The Ten Group Pty Limited	84,462	98,578
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited (Non-Current)	102,751	83,910
Eye Corp Pty Limited		Purchase of Out-of-Home advertising by Network Ten Pty Limited	328	322
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited	172	106
Global Television Limited (Equity accounted associate)		Facilities, Crew and Studio Hire	16,736	22,114

38 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	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unsecured guarantees by a controlled entity and consolidated entity in respect of leases of controlled entities in the group		44,915	40,885	-	-
Secured guarantees by a controlled entity and consolidated entity in respect of leases of controlled entities in the group (i)		1,097	2,371	-	-
		46,012	43,256	-	-

(i) The Eye Corp Pty Limited consolidated entity has granted a fixed and floating charge over all assets.

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

39 SEGMENT INFORMATION

Business segments

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

Television

Operation of commercial television licences TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (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

2006	Television \$'000	Out-of-home \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	762,313	127,023	-	889,336
Inter-segment sales	169	329	(498)	-
Total sales revenue	762,482	127,352	(498)	889,336
Other revenue	1,356	377	376	2,109
Total revenue	763,838	127,729	(122)	891,445
Segment Result				
Result	226,930	22,858	(1,178)	248,610
Share of associates' and joint ventures' profit	2,179	1,182	-	3,361
EBITDA	229,109	24,040	(1,178)	251,971
Depreciation	(15,639)	(4,957)	-	(20,596)
Amortisation	-	(1,125)	-	(1,125)
EBIT	213,470	17,958	(1,178)	230,250
Finance costs				(118,732)
Interest revenue				2,109
Profit before tax				113,627
Income tax expense				(59,180)
Profit after tax				54,447
Depreciation and amortisation	15,639	6,082	-	21,721
Assets				
Segment assets	1,425,820	179,934	(16)	1,605,738
Investments in associates and joint ventures	9,617	3,310	-	12,927
Consolidated total assets				1,618,665
Liabilities				
Segment liabilities	1,026,347	27,937	506	1,054,790
Acquisitions of non-current assets	13,946	10,651	-	24,597

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

39 SEGMENT INFORMATION (continued)

2005	Television \$'000	Out-of-home \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	838,036	115,159	-	953,195
Inter-segment sales	106	322	(428)	-
Total sales revenue	838,142	115,481	(428)	953,195
Other revenue	971	200	211	1,382
Total revenue	839,113	115,681	(217)	954,577
Segment Result				
Result	314,917	25,026	(1,097)	338,846
Share of associates' and joint ventures' profit	1,372	1,234	-	2,606
EBITDA	316,289	26,260	(1,097)	341,452
Depreciation	(15,405)	(5,166)	-	(20,571)
Amortisation	-	(914)	-	(914)
EBIT	300,884	20,180	(1,097)	319,967
Finance costs				(127,891)
Interest revenue				1,382
Profit before tax				193,458
Income tax (expense)/revenue				
Normal				(89,388)
Non-recurring				18,427
Profit after tax				122,497
Depreciation and amortisation	15,405	6,080	-	21,485
Assets				
Segment assets	1,416,801	148,336	3,551	1,568,688
Investments in associates and joint ventures	9,555	2,982	-	12,537
Consolidated total assets				1,581,225
Liabilities				
Segment liabilities	940,678	34,114	449	975,241
Acquisitions of non-current assets	9,691	13,140	-	22,831

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

40 NOTES TO THE STATEMENTS OF CASH FLOWS

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

Profit after income tax	54,447	122,497	77,518	85,883
Non-cash revenue	(3,361)	(2,446)	-	-
Non-cash expenses	22,065	22,661	-	-
Dividends from associates	890	1,265	-	-
Loss on sale of non-current assets	63	8	-	-
Non-cash tax benefit due to tax consolidations	-	(18,427)	-	-
Debenture interest accrued	84,462	98,578	-	-
Amount paid from provisions	885	769	-	-
Net increase in tax provisions	(37,357)	42,580	-	-
Net decrease in accrued revenue and expense items in payables/(receivables)	(32,466)	(3,455)	38	12
Net cash flows from operating activities	89,628	264,030	77,556	85,895

41 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 29, reference note (i).

Eye Corp Pty Limited is the holding company under the second Deed of Cross Guarantee and those wholly owned subsidiaries party to the Eye Corp Pty Limited Deed are listed in Note 29, reference note (ii).

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 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248, 02/1017, 04/663, 04/682, 04/1624 and 05/542) 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.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

41 DEED OF CROSS GUARANTEE (continued)

An abridged consolidated statement of financial performance and consolidated statement of financial position, 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	
	2006	2005
	\$'000	\$'000
Abridged Income Statement		
<i>Profit/(loss) before income tax</i>	151,649	182,158
Income tax benefit/(expense)	(53,443)	(83,531)
<i>Profit/(loss) after income tax</i>	98,206	98,627
Retained profits at the beginning of year	45,593	49,665
Dividends provided or paid	(92,769)	(102,699)
<i>Retained earnings at end of year</i>	51,030	45,593
Balance Sheet		
Cash assets	8,622	4,730
Receivables	117,226	129,080
Inventories	149,642	135,556
Non-current assets held for sale	3,605	-
Other	3,446	3,130
<i>Total current assets</i>	282,541	272,496
Receivables	108,497	83,044
Inventories	1,915	1,523
Investments accounted for using the equity method	9,617	7,436
Other financial assets	146,979	91,777
Property, plant and equipment	55,989	61,466
Intangibles	326,422	326,423
Derivative financial instruments	3,248	-
Other	5,388	2,481
<i>Total non-current assets</i>	658,055	574,150
<i>Total assets</i>	940,596	846,646
Payables	165,553	186,433
Current tax liabilities	1,939	48,392
Provisions	15,754	14,917
<i>Total current liabilities</i>	183,246	249,742
Payables	-	-
Interest bearing liabilities	524,309	435,630
Derivative financial instruments	58,935	-
Deferred tax liabilities	43,317	32,372
Provisions	3,148	2,932
<i>Total non-current liabilities</i>	629,709	470,934
<i>Total liabilities</i>	812,955	720,676
<i>Net assets</i>	127,641	125,970
Contributed equity	80,939	80,377
Reserves	(4,328)	-
Retained earnings	51,030	45,593
<i>Total Equity</i>	127,641	125,970

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

42 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
2006					
December dividend paid	12.0	47,868	12 January 2006	30%	100%
June dividend paid					
Ordinary dividend	4.0	15,956	12 July 2006	30%	100%
Special dividend	3.5	13,961	12 July 2006	30%	100%
2005					
December dividend paid	12.5	49,828	10 January 2005	30%	100%
June dividend paid	9.0	35,878	15 July 2005	30%	100%

The Company	
2006	2005
\$'000	\$'000

Dividend franking account

Franking credits (30%) available for the subsequent financial year	14,918	14,696
--	--------	--------

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.

43 SUBSEQUENT EVENTS

On 20 September 2006, Eye Corp Pty Limited, a controlled entity, announced that it had acquired Ultimate Media Group Pty Limited which operates advertising concessions across 78 higher education campuses across Australia and New Zealand. The concession features 565 poster format panels. The acquisition is effective from 15 September 2006.

On 11 October 2006, Eye Corp Pty Limited announced that it had been appointed as the preferred media supplier for the Macerich Company for static and digital media offerings within 56 malls from their portfolio. The Macerich Company is one of the largest regional shopping groups in the United States. The Macerich contract takes effect on 1 January 2007.

Other than the above, 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 2006 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2006 of the consolidated entity.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

44 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (AIFRS)

(a) Reconciliation of total equity reported under previous AGAAP to equity under AIFRS

	Note	Consolidated		The Company	
		31 August 2005 \$'000	1 September 2004 \$'000	31 August 2005 \$'000	1 September 2004 \$'000
Total equity under AGAAP		606,310	582,664	843,112	837,206
Write-back of goodwill amortisation	(i)	3,540	-	-	-
Amortisation of separately identifiable intangible assets	(ii)	(202)	-	-	-
Make good assets	(iii)	2,571	2,972	-	-
Make good provisions	(iii)	(6,235)	(5,980)	-	-
Total equity under AIFRS		605,984	579,656	843,112	837,206

(b) Reconciliation of profit reported under previous AGAAP to profit under AIFRS

	Note	Consolidated 31 August 2005 \$'000	The Company 31 August 2005 \$'000
Profit attributable to members under AGAAP		100,622	85,883
Write-back of goodwill amortisation	(i)	3,540	-
Amortisation of separately identifiable intangible assets	(ii)	(202)	-
Depreciation of make good assets	(iii)	(401)	-
Restatement of make good provisions	(iii)	(255)	-
Minority interest	(v)	2,646	-
Profit attributable to members under AIFRS		105,950	85,883

(c) Reconciliation of cash flow statement under previous AGAAP to cash flow statement under AIFRS

The adoption of AIFRS has not resulted in any material changes to the cash flow statement.

(d) Notes to the reconciliations

(i) Goodwill Amortisation

Under AASB 3 *Business Combinations*, goodwill is no longer amortised, but instead is subject to impairment testing on an annual basis or more frequently if events or changes in circumstances indicate that it might be impaired.

This adjustment reverses all goodwill amortisation recognised post 1 September 2004 and also the goodwill relating to the acquisition of associate investments. Under previous AGAAP, the goodwill relating to associate investments was amortised and recognised in the consolidated entity's share of associates' profit.

(ii) Amortisation of Separately Identifiable Intangible Assets

AASB 3 *Business Combinations* requires the separate identification of intangible assets where they meet the definition of an intangible asset under AASB 138 *Intangible Assets* and if fair value can be measured reliably. These separately identifiable intangible assets are then amortised over their assessed useful lives.

Eye Corp Pty Limited, a controlled entity, has elected to apply AASB 3 to business combinations occurring after 1 September 2004 (date of transition) only. These include the purchase of Eye Shop Pty Limited on 1 September 2004 and Eye Drive Melbourne Pty Limited on 1 July 2005. Separately identifiable intangible assets were recognised in relation to rights associated with leases acquired. These had previously been classified as goodwill.

This adjustment recognises the amortisation of these separately identifiable intangible assets over their estimated useful lives.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

44 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (AIFRS)
(continued)

(iii) Make Good Assets and Provisions

AASB 116 *Property plant and equipment* requires the cost of dismantling and removing items and restoring sites to be included as a cost of an asset. This includes the effect of make good clauses in lease contracts. These assets are then to be depreciated over the term of the lease.

Costs associated with make good clauses are also recognised as provisions and accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The adjustments to total equity represent the recognition of make good assets (net of depreciation) and make good provisions (at present value).

The adjustment to net profit includes the depreciation of the make good asset as well as the expense associated with restating the provision at present value at each reporting date.

(iv) Foreign Currency Translation Reserve

Ten Network Holdings has adopted the election under AASB 1 and reset the balance of the foreign currency translation reserve to zero as at the date of transition. This adjustment has had no impact on equity, but reduces the value of the foreign currency translation reserve and increases retained earnings by \$0.6m.

(v) Minority interest

The changes in minority interest are derived from AIFRS adjustments made in the consolidated accounts of The Ten Group Pty Limited which is 84.4% owned by Ten Network Holdings Limited.

An adjustment on transition to AIFRS was made to the minority interest reported on balance sheet which increased balance sheet minority interest and reduced retained earnings by \$32.2m (as at 1 September 2004). The bulk of this adjustment arises from the minority interest's share in changes to net assets and reserves arising from the reversal of television licence revaluations at the Ten Group Pty Limited level.

The adjustment for 31 August 2005 is predominantly the effect on minority interest of the AIFRS adjustments, the most significant being the reversal of a tax consolidation entry which was recorded under previous AGAAP but is adjusted under AIFRS.

These adjustments had no impact on equity.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION
31 AUGUST 2006

The Directors declare that the financial statements and notes set out on pages 39 to 101:


- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 31 August 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; 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 Company and the subsidiaries identified in Note 29, reference note (i), will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

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 18 October 2006 in accordance with a resolution of the Directors.



NG Falloon
Chairman

Independent audit report to the members of Ten Network Holdings Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report and remuneration disclosures of Ten Network Holdings Limited (the Company) and Ten Network Holdings Group (defined below) for the financial year ended 31 August 2006 included on Ten Network Holdings Limited's web site. The Company's directors are responsible for the integrity of the Ten Network Holdings Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion

The financial report of Ten Network Holdings Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Ten Network Holdings Limited and Ten Network Holdings Limited Group (defined below) as at 31 August 2006, and of their performance for the year ended on that date,
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*; and

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Ten Network Holdings Limited (the company) and Ten Network Holdings Limited Group (the consolidated entity), for the year ended 31 August 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and their performance as represented by the results of their operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



DS Wiadrowski
Partner

Sydney
18 October 2006