

TEN NETWORK HOLDINGS LIMITED

CONCISE FINANCIAL REPORT

**For the year ended
31 August 2012**

ABN 14 081 327 068

The Directors' Report, Concise Financial Report and Auditor's Statement contained within this document represents a Concise Report. The Concise Financial Report contained within this document has been derived from the Full Financial Report of Ten Network Holdings Limited for the financial year ended 31 August 2012 and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Report.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

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 2012.

Directors

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

Mr LK Murdoch ^A (Non-executive Chairman)
 Mr BJ Long ^B (Deputy Chairman) (Alternate DL Gordon ^F)
 Mr JJ Cowin (Alternate Mr PV Gleeson)
 Mr PV Gleeson (Alternate Mr JJ Cowin)
 Ms CW Holgate (Alternate Mr DL Gordon)
 Mr DL Gordon
 Mr DD Hawkins (Alternate Mr DL Gordon)
 Mr PR Mallam
 Ms GH Rinehart (Alternates Hon. C Edwardes ^E, Mr JJ Cowin)
 Mr JR Warburton ^C
 Ms SL McKenna ^D

^A: Appointed as Non-Executive Chairman effective 10 February 2012.

^B: Appointed as Deputy Chairman effective 10 February 2012.

^C: Appointed as Director effective 10 February 2012.

^D: Appointed as Director effective 26 June 2012.

^E: Resigned as Alternate Director effective 10 September 2012.

^F: Appointed as Alternate Director effective 21 June 2012.

Principal Activities

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

Results

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

	2012	2011
	\$'000	\$'000
Profit before income tax ⁽ⁱ⁾	16,322	21,212
Income tax (expense) ⁽ⁱⁱ⁾	(10,148)	(7,123)
Profit from continuing operations	6,174	14,089
(Loss)/ Profit from discontinued operations ⁽ⁱⁱⁱ⁾	(10,374)	3,562
(Loss)/ Profit for the year	(4,200)	17,651
Profit attributable to non-controlling interests	8,671	3,475
(Loss)/ Profit attributable to members of the Company	(12,871)	14,176

(i) Includes \$11.4m of non-recurring costs in 2012 (2011: \$85.4m).

(ii) Includes \$1.1m of non-recurring tax revenue in 2012 (2011: \$25.5m).

(iii) Includes impairment loss to write down the Eye Corp disposal group to estimated fair value less costs to sell (\$12.3m).

Dividends

The Company paid a final fully franked dividend of 5.25 cents per share on 30 November 2011 in respect to the 2011 profits.

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Review of Operations

The 2012 year has been another year of significant change for the Company including the commencement of a new Chief Executive Officer in January. The operating results for the year reflect the difficult trading conditions in the overall advertising market, the one off impact of the Olympic Games as well as a decline in ratings and revenue share for the network. The Company does not expect the overall trading conditions to improve in the near term, however, it continues to implement initiatives from the Operating and Strategic Review carried out in 2012 as well as undertaking additional initiatives in order to position the group for the future.

Significant Changes in the State Of Affairs

During the year, the Company announced it had entered into a Sale Purchase Agreement to sell Eye Corp Pty Limited to Outdoor Media Operations Pty Limited ("OMO"), the owner of oOh!Media Pty Limited. On 17 October 2012, the Company announced that it received formal notice from OMO purporting to terminate this Sale Purchase Agreement. While the Company has reserved its legal position regarding the purported termination, the Company and OMO remain in discussions with the aim of agreeing amended sale terms.

On 6 June 2012, the Company announced an underwritten 3-for-8 accelerated renounceable offer of new shares. This offer comprised an institutional and retail component. The total proceeds of approximately \$200 million were used to pay down debt, with the balance held as cash at bank, strengthening the company's balance sheet.

Events Subsequent to Balance Date

On 17 October 2012, the Company announced that it received formal notice from OMO purporting to terminate the Share Purchase Agreement relating to the sale of Eye Corp Pty Limited.

While the Company has reserved its legal position regarding the purported termination, the Company and OMO remain in discussions with the aim of agreeing amended sale terms.

The net assets of the disposal group are recorded at estimated fair value less costs to sell as set out in Note 7.

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 2012 of the consolidated entity; or
- the results of those operations; or the state of affairs in financial years subsequent to 31 August 2012 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 of The Company
		Ordinary Shares
Non-Executive Chairman		
LK Murdoch ^A	Non-Executive Chairman of Board of Directors, Member of Remuneration Committee, and Board Performance and Renewal Committee	128,455,877
Deputy Chairman		
BJ Long ^B	Deputy Chairman of Board of Directors, Chair of Board Performance and Renewal Committee, Member of Remuneration Committee and Audit/ Risk/ Treasury Committee	96,250
Directors		
JJ Cowin	Chair of Remuneration Committee, Member of Board Performance and Renewal Committee	1,375,000
PV Gleeson ^C	Chair of Audit/ Risk/ Treasury Committee	23,713,770
CW Holgate ^D	Member of Remuneration Committee	38,844
DL Gordon	Member of Remuneration Committee	137,500
DD Hawkins	Member of Audit/ Risk/ Treasury Committee	75,000
PR Mallam	Member of Audit/Risk/Treasury Committee	6,875
GH Rinehart	Member of Board Performance and Renewal Committee	143,720,049
JR Warburton		-
SL McKenna		-

^A: Mr Murdoch appointed as Non-executive Chairman effective 22 February 2012; Appointed Member of Board Performance and Renewal Committee effective 1 February 2012.

^B: Mr Long appointed as Deputy Chairman effective 22 February 2012; Appointed Member of Audit/Risk/Treasury Committee effective 22 February 2012.

^C: Mr Gleeson resigned as Member of Remuneration Committee effective 1 February 2012.

^D: Ms Holgate appointed Member of Remuneration Committee effective 22 February 2012; Resigned as Member of Board Performance and Renewal Committee effective 22 February 2012.

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Information on Directors (continued)

Qualifications and Experience of Directors

The qualifications and experience of each Director are detailed below.

Lachlan K Murdoch

(Age 41)

Director of the Company since 13 December 2010 and appointed Chairman of the Company on 10 February 2012.

Mr Murdoch is also an ex officio member of the Audit/Risk/Treasury Committee of the Company and a member of each of the Board Performance and Renewal Committee and also the Remuneration Committee.

Other Current Australian Listed Company Directorships: News Corporation (appointed 29 October 1996)

Former Australian Listed Company Directorships in Last 3 Years: Prime Media Group Limited (between 7 October – 9 November 2010)

Brian J Long

(Age 66)

Director of the Company since 1 July 2010.

Mr Long held the position of Chairman of the Company from 10 December 2010 to 9 February 2012.

On 10 February 2012, Mr Long was appointed Deputy Chairman and Lead Independent Director.

Mr Long is Chairman of the Board Performance and Renewal Committee of the Company and a member of each of the Audit/Risk/Treasury Committee and the Remuneration Committee.

Mr Long previously chaired the Global Governance and Advisory Council of Ernst & Young and also chaired the Council for the firm's Oceania Area. He was a Partner of Ernst & Young for almost 30 years and was one of the firm's most experienced audit partners. He retired from Ernst & Young on 30 June 2010. Mr Long is also a member of Council and Chairman of the Audit Committee of the National Library of Australia. He is Chairman of the Audit Committee of the University of New South Wales and is also a member of the University's Council. Mr Long is a non-executive Director of Cantarella Bros. Pty Ltd. He is Chairman of the charitable organisation, United Way Australia. Mr Long is a Fellow of the Institute of Chartered Accountants in Australia and has been a member since 1972.

Other Current Australian Listed Company Directorships: Commonwealth Bank of Australia (appointed 1 September 2010)

Former Australian Listed Company Directorships in Last 3 Years: None

Jack J Cowin

BA (Age 70)

Director of the Company since April 1998.

Mr Cowin is Chairman of the Remuneration Committee and a member of the Board Performance and Renewal Committee of the Company.

He is the founder and Chairman of Competitive Foods Australia Limited and is on the board of directors of Sydney Olympic Park Authority as well as BridgeClimb.

Other Current Australian Listed Company Directorships: Chandler Macleod Group (appointed 1 March 2011), and Fairfax Media Group (appointed 19 July 2012).

Former Australian Listed Company Directorships in Last 3 Years: None

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Information on Directors (continued)

Paul V Gleeson

BEC, ACA (Age 59)

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

Mr Gleeson is Chairman of the Audit/Risk/Treasury Committee of the Company.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Christine W Holgate

(Age 48)

Director of the Company since 1 April 2010.

Ms Holgate is a member of the Remuneration Committee of the Company.

Ms Holgate has had extensive international experience at senior executive and board levels and is presently Managing Director and Chief Executive Officer at Blackmores Limited. Ms Holgate was previously Managing Director, Business Sales at Telstra and Group Director of Strategy and Marketing at Energis, a European alternative network operator. Ms Holgate has also served as Managing Director, Head of Marketing and Communications for Europe, Middle East and Africa at JP Morgan, a leading global investment bank and as Director of Investor Relations at Cable & Wireless plc, a FTSE global telecommunications company.

Other Current Australian Listed Company Directorships: Blackmores Limited (appointed November 2008)

Former Australian Listed Company Directorships in Last 3 Years: None

David L Gordon

BCom LLB (Age 51)

Director of the Company since 1 April 2010.

Mr Gordon is also a member of the Remuneration Committee of the Company.

Mr Gordon is a former M&A partner at the Sydney law firm, Freehills, and subsequently at former corporate advisory firm, Wentworth Associates Pty Ltd, prior to founding Lexicon Partners Pty Ltd, an independent corporate advisory and investment firm based in Sydney and with a specialisation in technology, media and telecommunications. Mr Gordon has advised a number of Australia's major media businesses over the last 20 years. He is also a director of RCG Corporation Limited. He holds a Bachelor of Commerce and Bachelor of Laws degrees from the University of New South Wales.

Other Current Australian Listed Company Directorships: RCG Corporation Limited (appointed 19 October 2006)

Former Australian Listed Company Directorships in Last 3 Years: None

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Information on Directors (continued)

Dean D Hawkins

(Age 51)

Director of the Company since 1 April 2010.

Mr Hawkins is also a member of the Audit/Risk/Treasury Committee of the Company.

Mr Hawkins has led international businesses at the forefront of the broadband, digital media, television and sports industries in Australia and overseas for the past 16 years. Mr Hawkins is Chairman, Advisory Board at Skins Global Holdings AG, the manufacturer of Skins sports compression garments, a non-executive director of Leighton Contractors Pty Limited, and a strategic advisor to the media industry. He was previously an executive director of Video Networks Limited (VNL), UK's first IPTV platform, and an executive director of Chello Media, a European broadband ISP and digital media company. He is a member of the British Academy of Film and Television Arts, having received BAFTA and Emmy awards for TV channels created by his teams at VNL, was a director of Sydney Dance Company until August 2012 and was a founding board member of the Salvation Army Oasis Centre, a centre for homeless youths and suicide prevention services in Sydney. He is a chartered accountant, was previously an investment banker in Australia and Europe and holds a Bachelor of Commerce degree.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Paul R Mallam

(Age 55)

Director of the Company since 13 December 2010.

Mr Mallam is also a member of the Audit/Risk/Treasury Committee of the Company.

Mr Mallam has been one of Australia's leading Telecom/Media/Technology practitioners for 20 years. He was formerly a partner of Blake Dawson Lawyers before establishing his own boutique firm, Mallam Lawyers, in 2009.

He has advised on every major legal and commercial development in Australia's TMT sector over the past two decades.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Georgina H Rinehart

(Age 58)

Director of the Company since 13 December 2010.

Mrs Rinehart is also a member of the Board Performance and Renewal Committee of the Company.

Mrs Rinehart is Executive Chairman of the Hancock Prospecting Pty Ltd Group of companies and Chairman of the Roy Hill Holdings Pty Ltd Group. She is also currently a director of Hope Downs Marketing Company Pty Ltd, Hancock Coal Pty Ltd and Hancock Alpha West Pty Ltd. These companies are primarily involved in the exploration and mining of natural resources. She has wide-ranging philanthropic interests which includes being a non-executive director of South East Asia Investigations into Social and Humanitarian Activities (SISHA) and a long-term involvement with the Hancock Family Medical Foundation (Inc.), a medical foundation which supports the fight against cancer and heart conditions.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

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Information on Directors (continued)

James R Warburton

(Age 42)

James Warburton joined Ten Network Holdings Limited as Chief Executive Officer in January 2012.

He took on the additional role of Managing Director and joined the Company's Board of Directors on 10 February 2012.

Before his appointment to the Company, Mr Warburton was Chief Sales and Digital Officer at Seven Media Group, covering the Seven Network, Pacific Magazines and Yahoo!7.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: None

Siobhan L McKenna

(Age 40)

Director of the Company since 26 June 2012.

Ms McKenna is Managing Partner of Illyria Pty Ltd, a media investment company founded in 2005; Non-Executive Director of NBN Co; Non-Executive Director of DMG Radio; Commissioner of the Productivity Commission (currently on leave of absence); and Non-Executive Director of The Australian Ballet.

Ms McKenna is a former Partner of management consulting firm McKinsey & Company, a former Director of Prime Media Group and a former member of the Advisory Board of the Australian Bureau of Meteorology.

Other Current Australian Listed Company Directorships: None

Former Australian Listed Company Directorships in Last 3 Years: Prime Media Group Limited (20 August 2009 – 29 March 2012)

Company Secretary

Stephen Partington was appointed as Company Secretary of The Ten Group Pty Limited in October 1996 and as Company Secretary of Ten Network Holdings Limited in June 2001. He also held the position of Group General Counsel from 1996 to 2011.

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 the University of Technology, Sydney.

He is a fellow of Chartered Secretaries Australia and a member of the Australian Institute of Company Directors, the Law Society of New South Wales and Australian Corporate Lawyers Association and has been admitted as a solicitor in New South Wales since 1980.

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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 2012, and the number of meetings attended by each Director were:

Director's Name/ Alternate name (if applicable)	Date appointed	Date resigned	Meeting of Directors		Audit/ Risk/ Treasury Committee		Remuneration Committee		Board Performance and Renewal Committee	
			A	B	A	B	A	B	A	B
Meetings			A	B	A	B	A	B	A	B
LK Murdoch	13/12/10	Continuing	14	14	-	-	4	3	1	1
BJ Long	01/07/10	Continuing	14	13	3	3	4	4	1	1
DL Gordon (Alternate)	21/06/12	Continuing		1	-	-	-	-	-	-
JJ Cowin	03/04/98	Continuing	14	13	-	-	4	4	1	1
PV Gleeson (Alternate)	22/11/10	Continuing		1	-	-	-	-	-	-
PV Gleeson	16/02/98	Continuing	14	14	6	6	1	1	-	-
JJ Cowin (Alternate)	10/12/10	Continuing		-	-	-	-	-	-	-
CW Holgate	01/04/10	Continuing	14	12	-	-	3	3	-	-
DL Gordon (Alternate)	14/12/10	Continuing		2	-	-	-	-	-	-
DL Gordon	01/04/10	Continuing	14	14	-	-	4	4	-	-
DD Hawkins	01/04/10	Continuing	14	13	6	6	-	-	-	-
DL Gordon (Alternate)	24/11/10	Continuing		1	-	-	-	-	-	-
PR Mallam	13/12/10	Continuing	14	14	6	6	-	-	-	-
GH Rinehart	13/12/10	Continuing	14	8	-	-	-	-	1	1
C Edwardes (Alternate)	22/06/12	10/09/12		2	-	-	-	-	-	-
JJ Cowin (Alternate)	10/11/11	Continuing		4	-	-	-	-	-	-
JR Warburton	10/02/12	Continuing	10	10	-	-	-	-	-	-
SL McKenna	26/06/12	Continuing	2	2	-	-	-	-	-	-

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

B Number of meetings attended

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Remuneration Report

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Board Remuneration Committee

The Board has established a Remuneration Committee which reviews remuneration and incentive policies and practices and provides specific recommendations to the board on remuneration packages and other terms of employment for executive directors, and other senior executives. Reviews are undertaken annually, taking into account competitor practices and performance. The Board approves remuneration for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this Committee.

For the 2011/12 financial year, EBIT performance was significantly below expectations, as a result the Remuneration Committee recommended that no STI payments should be made to participants.

As set out later in this report the remuneration committee has engaged a remuneration consultant and is in the process of establishing a new executive plan that will replace the existing short term incentive plan and long term incentive plan and be effective for the year ending 31 August 2013. The committee's objective is to establish a single less complicated arrangement that better aligns the interests of the executives and shareholders.

Relationship Between Remuneration and Company Performance

Company performance is tabulated below:

	Ten Network Holdings Performance 2008 – 2012				
	2012	2011	2010	2009	2008
EBIT (\$m) *	68.4	146.9	178.9	117.6	180.0
Dividends Paid (cps)	5.25	11.0	0.0	2.0	13.5
Underlying EPS (cps) *	0.87	7.11	9.29	5.08	9.69
Share Price (As at 31 August)	0.39	0.94	1.37	1.25	1.70

* Earnings before interest and tax and underlying EPS is before non-recurring items in 2009, 2010, 2011 and 2012.

The Company's current executive remuneration is related to performance through:

- A focus on financial indicators, measured primarily by EBIT before non-recurring items, and non-financial drivers of profit annually, plus relative total shareholder return and earnings per share growth over the longer term
- Providing a significant proportion of this remuneration in performance rights and shares
- Deferring the vesting of shares subject to continued service premised on executives continuing to maintain high performance standards.

Non-Executive Director Remuneration

Total remuneration for all non-executive Directors, last voted upon by shareholders at the 2007 AGM, is not to exceed \$1 million per annum. Actual total remuneration during 2011-12 was \$939,709.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The structure of these fees is shown in the table below.

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Remuneration Report (continued)

Non-Executive Director Remuneration (continued)

Effective 1 July 2011				Effective 1 September 2012			
	Chair	Deputy Chair	Member		Chair	Deputy Chair	Member
Board	\$200,000	\$110,000	\$90,000	Board	\$180,000	\$99,000	\$81,000
Audit	\$10,000	-	\$7,000	Audit	\$10,000	-	\$7,000
Remuneration	\$7,000	-	\$5,000	Remuneration	\$7,000	-	\$5,000

The Performance and Renewal Committee has responsibility for reviewing and recommending the level of remuneration for non-executive Directors in relation to Board and Committee duties. The Board approves remuneration for non-executive Directors.

The non-executive Directors do not participate in any share option plans or receive performance-related remuneration.

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

There are no retirement allowances for non-executive Directors.

Principles Used to Determine the Nature and Amount of Executive 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 and sustainability of profit and the creation of value for shareholders. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Performance linkage / alignment of executive compensation
- Transparency
- Capital management.

The Company has in previous years consulted with external remuneration consultants to structure an executive remuneration framework that is aligned with shareholders' and executives' interests.

Alignment to shareholders' interests was achieved by:

- Having earnings before interest and tax (EBIT) as a core component of plan design
- Including a focus on key non-financial drivers of value
- Requiring that a significant proportion of executive pay be received as performance rights
- Deferring vesting of most performance rights subject to continued service, market conditions and achievement of performance hurdles
- Only retaining the service of high performing Executives who continue to deliver results.

Alignment to executives' interests was achieved by:

- Establishing a rewards basis that is fair given capability and experience
- Reflecting individual and team performance
- Providing a transparent structure for earning rewards
- Providing recognition for contribution.

The framework currently provides a mix of fixed and variable pay, and a blend of deferred short and long term incentives. As Executives attain more accountability within the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

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Remuneration Report (continued)

Executive Pay Framework

The current executive pay and reward framework has three components:

- Base pay and benefits
- Short-term performance incentives, including deferred cash bonuses
- Deferred incentives through participation in the Ten Long Term Incentive Plan.

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

Base Pay and Benefits

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

Base pay for senior Executives is reviewed annually. External remuneration consultants periodically provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Preference is given to matching pay with market levels of direct competitors if this information is available, rather than a broad based group of comparator companies. Some Executives have fixed annual base pay increases included as a term of their employment contract. Retirement benefits are delivered under defined contribution superannuation funds.

Short-Term Incentives (Short Term Incentive Plan terminated 31 August 2012)

Short-term incentives are available through cash bonuses to certain Executives as determined by the Remuneration Committee.

STI targets are established in each financial year with 25% of the incentive dependent on group EBIT targets, as approved by the Board. The Board required EBIT must be achieved before payment of this 25%. The remainder is based on achievement of specific individual and leadership related targets, objectives and measures plus an assessment of individual contribution to the business. However, this remainder is paid out of an EBIT pool, so the potential that can be earned varies with the Company's capacity to pay. EBIT is deemed to be the most appropriate measure in determining incentive remuneration in line with Company performance. Using a combination of financial and non-financial targets ensures variable reward meets or exceeds shareholder and Board EBIT expectations for the fiscal year, while focussing on role specific non-financial targets that directly contribute to the overall EBIT result, as tabulated below.

Executive	Key performance measures for the 2012 Financial Year
CEO	Group EBIT, corporate development, financial management and revenue generation, ratings and digital performance, government policy, leadership and accountability objectives
CEO Eye Corp	Eye Corp EBIT, out of home performance and growth, cost control, business development
Chief Programming Officer	Television EBIT, network ratings performance, program development, financial management leadership and accountability objectives
Chief Operating Officer	EBIT performance, commercial and financial management, broadcast technology, sport, legal and digital management, leadership and accountability objectives
Group Chief Financial Officer	EBIT performance, cost management, management of company corporate financial performance, investor relations, human resources and leadership and accountability objectives

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Remuneration Report (continued)

Short-Term Incentives (continued)

Specific details regarding target requirements for each of these is commercially sensitive and is not to be disclosed.

Performance against specific financial and non-financial STI objectives for each Executive is measured following a review tailored to each Executive's performance requirements and an executive assessment.

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 Group CEO and CEO – Eye Corp) the maximum target bonus opportunity is 45% of fixed remuneration. 55% of the incentive is paid within 3 months of the end of the financial year and the remaining 45% of the incentive is paid in 2 equal tranches on or around the 12 and 24 month anniversary of the first payment date. The Group CEO can receive up to a maximum bonus of 50% of fixed remuneration paid within 3 months of the end of the financial year. The CEO - Eye Corp can receive up to a maximum bonus of 35% of fixed remuneration paid within 3 months of the end of the financial year.

Each year, the Remuneration Committee reviews both the prescribed targets for the forthcoming year and recommended payments for the completed year under the plan.

For the 2011/12 financial year, minimum EBIT requirements were not met due to company performance and difficult trading conditions and no STI payments were made to participants.

Long Term Incentive Plan (LTIP) (Long Term Incentive Plan terminated 31 August 2012)

The LTIP is provided to a limited number of executives and provides for awards of performance rights. These rights are subject to the following performance hurdles:

1. A relative Total Shareholder Returns (TSR) hurdle applies to 50% of the performance rights awarded. TSR measures change in the price of shares, plus dividends notionally re-invested. TEN's TSR is measured against a comparator group of companies which make up the ASX 200 Consumer Discretionary Index as at the start of the performance period, on the basis that these companies are affected by similar business and economic factors as TEN. In order for any part of the TSR grant to vest, TEN's TSR must be at or above the 51st percentile of the TSR of the companies in the comparator group. A sliding scale applies to the vesting of rights subject to this performance hurdle, with 50% of the rights vesting at the 51st percentile and 100% of the rights vesting at the 75th percentile, and straight-line vesting in between these points.
2. An Earnings per Share (EPS) hurdle applies to the remaining 50% of the rights awarded. The EPS performance condition is determined by reference to the cumulative basic earnings per share for TEN aggregated over the performance period and measured against a specified EPS aggregate target. The EPS target is determined by applying a compound growth percentage to TEN's EPS performance in the base year. Of the performance rights subject to the EPS performance condition, 50% vests in the event that the aggregate EPS performance for TEN over the performance period is equivalent to 4% compound growth and a sliding scale will apply to aggregate performance up to a cumulative growth in TEN's EPS of 8% over the performance period, at which point 100% of the performance rights subject to this hurdle will vest. For the purposes of the grants made for the purposes of the 2011 financial year, earnings per share of 9.29 cents was used as the base. For the purposes of grants made for the 2012 financial year, earnings per share of 7.11 cents was used as the base.

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Remuneration Report (continued)

Long Term Incentive Plan (LTIP) (continued)

The performance hurdles are tested after three years from the date of grant. The LTIP allows for the hurdles to be re-tested once over an extended four year period (based on the performance from the date of grant) if the entire award has not vested at the end of the three year performance period. The Board considers that the opportunity for one re-test of the hurdles is required due to the fluctuations that may impact TEN's performance associated with regular large events such as the broadcasts of the Olympic and Commonwealth games.

Rights which remain unvested after 4 years from the date of grant lapse immediately.

In the event the performance conditions are met, the LTIP performance rights will be automatically exercised and TEN shares allocated to participants. TEN will determine whether it will issue new TEN shares or acquire TEN shares on-market to satisfy the Rights.

If an executive resigns, or is dismissed for cause or poor performance, unvested awards will typically lapse. In other circumstances where the executive ceases employment, the awards will typically be pro-rated for the length of performance period the executive was employed. The unvested awards will then be tested in accordance with the original vesting schedule, although the Board retains the discretion to accelerate vesting.

New shares which may in the future be issued under the terms of any TEN employee share plan, in each case during the last five years, will not exceed 5% of TEN's issued capital from time to time.

In 2012, each performance right was valued by Ernst & Young. The TSR (market conditions based) portion was valued using the Monte-Carlo simulation method. The EPS (non-market based) portion was valued using an analytic approach involving the Binomial tree methodology. The value of the EPS performance rights to be expensed was then determined by assigning a probability percentage reflecting the likelihood of meeting the criteria set out above. This probability is re-assessed at each half year and the unexpensed value is expensed.

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Remuneration Report (continued)

Legacy Ten Deferred Incentive Plan

A limited number of senior Executives were invited to participate in a deferred incentive share plan. The Company gave eligible employees an opportunity to participate in the Ten Deferred Incentive Plan ("DIP") to encourage retention of high performing employees, provide a long term incentive to sustain and improve on prior performance and align employee interests with shareholder value.

Senior Executives have not received allocations under this Plan since 31 August 2010 due to their participation in the Long Term Incentive Plan. However, amounts allocated in prior years continue to vest in the current year in accordance with the conditions set out below.

Under the DIP rules, awards only vest subject to continued service premised on executives continuing to maintain high performance standards. Continued service is assessed annually with a view to terminating service if high levels of performance are not maintained. In assessing this, allowance is given to external systemic factors, over which the executive does not have control.

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

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

During employment by the Company the tranches of shares are subject to a trading lock and forfeiture conditions until vesting on the applicable anniversary of the first acquisition date. Following the vesting of any tranche of shares, executives may only deal with such shares subject to the approval of the Board Remuneration Committee and having regard to the Company's share trading policy.

Use of remuneration consultants

In July 2012, the Company's Remuneration Committee employed the services of Ernst & Young (EY) to review its existing remuneration policies and to provide recommendations in respect of both executive short-term and long-term incentive plan design.

These recommendations also covered the group's key management personnel. Under the terms of the engagement, EY provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid \$77,308 for these services. EY has confirmed that the above recommendations have been made free from undue influence by members of the group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- EY was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by EY directly to the chair of the remuneration committee; and
- EY was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

EY have been engaged to advise on the development of a revised plan for the 2012/13 year.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Remuneration Report (continued)

Details of Remuneration

Amounts of Remuneration

Details of the nature and amount of each element of the emoluments of each Director of the Company and Key Management Personnel of the consolidated entity for the year ended 31 August 2012 are set out in the following tables.

Short-Term Benefits (including cash bonuses) and Post-Employment Benefits shown in the tables below represent amounts accrued and payable in relation to the respective financial years.

In 2012, Senior Executives, other than the CEO – Eye Corp, received performance rights allocated under the Long Term Incentive Plan. The 2012 remuneration table discloses the value of performance rights which were expensed into the statement of comprehensive income for the year in accordance with accounting standards. The table also includes the amount of DIP shares expensed during the year.

DIP shares vest to the recipients in accordance with the terms of the Ten Deferred Incentive Plan (set out above).

Directors of the Company

2012 Name	Short-term Benefits				Post- Employment Benefits	Share-Based Payment		Total \$
	Cash Salary and Fees \$	Cash Bonus Payable \$	Motor Vehicle \$	Other \$	Super- annuation \$	Shares Granted \$	Other Shares \$	
LK Murdoch ^A	105,092	-	-	-	8,937	-	-	114,029
BJ Long	143,893	-	-	-	10,787	-	-	154,680
JJ Cowin	88,991	-	-	-	8,009	-	-	97,000
PV Gleeson	93,924	-	-	-	8,453	-	-	102,377
CW Holgate	84,975	-	-	-	7,648	-	-	92,623
DL Gordon	87,156	-	-	-	7,844	-	-	95,000
DD Hawkins	88,991	-	-	-	8,009	-	-	97,000
PR Mallam	88,991	-	-	-	8,009	-	-	97,000
GH Rinehart	82,569	-	-	-	7,431	-	-	90,000
SL McKenna ^B	-	-	-	-	-	-	-	-
Total	864,582	-	-	-	75,127	-	-	939,709

^{A:} For the period 1 September 2011 to 31 December 2011 whilst Mr. Murdoch was interim chief executive officer a \$1,300,000 management fee was paid to Illyria Pty Limited (wholly owned by Mr Murdoch), for the professional services of Mr LK Murdoch as Interim Chief Executive Officer to the Company. Mr LK Murdoch did not participate in any employee share plans or receive performance-related remuneration for his services as Interim Chief Executive Officer.

^{B:} Ms McKenna was appointed as director effective 26 June 2012 and will receive directors fees from 1 September 2012.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Remuneration Report (continued)

Details of Remuneration (continued)

Other Key Management Personnel of the Consolidated Entity

2012 Name	Short-Term Benefits					Post- Employment Benefits	Share-Based Payment			Total \$
	Cash Salary and Fees \$	Cash Bonus Paid ¹ \$	Cash Bonus Payable ¹ \$	Motor Vehicle \$	Other \$	Super- annuation \$	Perform- ance Rights Expensed ² \$	DIP Shares Expensed \$	Other Shares \$	
J Warburton ⁶ Chief Executive Officer	1,456,034	-	-	-	-	10,633	287,764	-	-	1,754,431
D Mott ³ Chief Programming Officer	1,181,799	-	-	-	1,433,921	15,593	213,913	42,512	-	2,887,738
K Kingston ⁴ Chief Operating Officer	452,000	-	-	-	908,649	33,333	103,302	12,132	-	1,509,416
G Thorley Chief Executive Officer – Eye Corp	812,851	-	-	43,333	-	15,891	-	4,713	-	876,788
P Anderson Group Chief Financial Officer	574,884	50,000	-	-	1,869	25,116	104,418	22,208	-	778,495
J Marquard ⁶ Chief Operating Officer	400,454	-	-	-	1,869	13,262	33,334	-	-	448,919
S Partington ⁵ Company Secretary	84,480	-	-	4,946	415	7,755	10,921	9,222	1,110	118,849
Total	4,962,502	50,000	-	48,279	2,346,723	121,583	753,652	90,787	1,110	8,374,636

¹ Only one cash bonus was paid early in the financial year.

² In 2012, no DIP shares were purchased under the Ten Deferred Incentive Plan. Instead, Key Management Personnel, other than the CEO – Eye Corp, received performance rights under the Long Term Incentive Plan.

The amounts disclosed in the table above represent the accounting impact recognised in the Statement of Comprehensive Income for the financial year ended 31 August 2012 and have been calculated in line with AASB 2 *Share-Based Payment*.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Remuneration Report (continued)

Details of Remuneration (continued)

³ For the year ended 31 August 2012, Mr D Mott held the position of Chief Programming Officer up until 24 August 2012. Included in Other Short-Term Benefits are payments in accordance with his contract inclusive of cash salary until date of termination, statutory entitlements, pro-rated deferred DIP allocations and pro-rated deferred long term incentive entitlements.

⁴ For the year ended 31 August 2012, Mr K Kingston held the position of Chief Operating Officer up until 30 April 2012. Included in Other Short-Term Benefits are payments in accordance with his contract inclusive of cash salary until date of termination, statutory entitlements, pro-rated deferred DIP allocations and pro-rated deferred long term incentive entitlements.

⁵ For the year ended 31 August 2012, Mr S Partington ceased to be a Key Management Personnel on 21 November 2011. Remuneration presented is for the period from 1 September 2011 to 21 November 2011.

⁶ Mr J Warburton commenced with the Company on 1 January 2012; Mr J Marquard commenced with the Company on 21 November 2011.

2011 Name	Short-term Benefits				Post- Employment Benefits	Share-Based Payment		Total \$
	Cash Salary and Fees \$	Cash Bonus Payable \$	Motor Vehicle \$	Other \$	Super- annuation \$	Shares Granted \$	Other Shares \$	
BJ Long	159,460	-	-	-	13,422	-	-	172,882
JJ Cowin	88,991	-	-	-	8,009	-	-	97,000
PV Gleeson	96,330	-	-	-	8,670	-	-	105,000
PD Viner ^B	59,918	-	-	-	-	-	-	59,918
CW Holgate	82,569	-	-	-	7,431	-	-	90,000
DL Gordon	89,478	-	-	-	8,053	-	-	97,531
DD Hawkins	88,991	-	-	-	8,009	-	-	97,000
PR Mallam ^D	63,368	-	-	-	5,703	-	-	69,071
JD Packer ^A	18,097	-	-	-	1,629	-	-	19,726
LK Murdoch ^C	17,585	-	-	-	1,583	-	-	19,168
GH Rinehart ^D	59,269	-	-	-	5,334	-	-	64,603
Total	824,056	-	-	-	67,843	-	-	891,899

^A Mr Packer was a director for the period 13 December 2010 to 2 March 2011. Mr Packer's remuneration was donated at his request to charity.

^B Mr Viner resigned as director effective 1 May 2011.

^C Mr Murdoch was appointed a director effective 13 December 2010. A \$1,614,018 management fee was paid to Illyria Pty Limited (wholly owned by Mr Murdoch), for the professional services of Mr LK Murdoch as Interim Chief Executive Officer to the Company since 23 February 2011. Mr LK Murdoch did not participate in any employee share plans or receive performance-related remuneration for his services as Interim Chief Executive Officer. Further details are provided in Note 29 *Key Management Personnel*.

^D Ms Rinehart and Mr Mallam were appointed as directors effective 13 December 2010.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Remuneration Report (continued)

Details of Remuneration (continued)

Other Key Management Personnel of the Consolidated Entity

2011 Name	Short-Term Benefits					Post- Employment Benefits	Share-Based Payment			Total \$
	Cash Salary and Fees \$	Cash Bonus Paid ¹ \$	Cash Bonus Payable ¹ \$	Motor Vehicle \$	Other \$	Super- annuation \$	Perform- ance Rights Expensed ² \$	DIP Shares Expensed \$	Other Shares \$	
N Falloon ⁶ Executive Chairman	330,801	-	-	-	3,367,582	19,384	-	-	205,479	3,923,246
D Mott Chief Programming Officer	959,846	174,413	142,702	-	5,607	15,295	92,537	100,592	-	1,490,992
K Kingston Chief Operating Officer	660,951	105,811	86,572	-	-	43,716	80,889	61,501	-	1,039,440
G Thorley Chief Executive Officer – Eye Corp	784,543	65,308	53,433	65,000	-	48,788	-	25,707	-	1,042,779
P Anderson Group Chief Financial Officer	455,115	79,939	65,405	-	5,607	25,000	46,865	51,981	-	729,912
S Partington Group General Counsel and Company Secretary	360,448	61,899	50,645	22,288	11,214	23,995	49,213	51,758	5,000	636,460
G Blackley ³ Chief Executive Officer	611,018	-	-	-	2,330,728	7,600	268,668	104,847	-	3,322,861
D White ⁵ General Manager Sport	341,893	-	-	-	620,357	33,333	196,851	47,581	5,000	1,245,015
J Kelly ⁴ Group Chief Financial Officer	298,079	-	-	18,319	930,862	12,500	110,360	30,439	-	1,400,559
Total	4,802,694	487,370	398,757	105,607	7,271,957	229,611	845,383	474,406	215,479	14,831,264

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Remuneration Report (continued)

Details of Remuneration (continued)

¹ Cash bonuses are in respect of the financial year ended 31 August 2011. Of this Short Term incentive, 55% was paid within three months of year end. The remaining 45% of the incentive is payable in 2 equal tranches on or around the 12 and 24 month anniversary of the first payment date.

² In 2011, no DIP shares were purchased under the Ten Deferred Incentive Plan. Instead, Key Management Personnel, other than the Interim CEO – Ten and the CEO – Eye Corp, received performance rights under the Long Term Incentive Plan.

The amounts disclosed in the table above represent the accounting impact recognised in the Statement of Comprehensive Income for the financial year ended 31 August 2012 and have been calculated in line with AASB 2 *Share-Based Payment*.

³ For the year ended 31 August 2011, Mr G Blackley held the position of Chief Executive Officer up until 24 February 2011. Included in Other Short-Term Benefits are payments in accordance with his contract following the Company giving notice of termination.

⁴ For the year ended 31 August 2011, Mr J Kelly held the position of Group Chief Financial Officer up until 18 March 2011. Included in Other Short-Term Benefits are payments in accordance with his contract following the Company giving notice of termination.

⁵ For the year ended 31 August 2011, Mr D White held the position of General Manager Sport up until 22 April 2011. Included in Other Short-Term Benefits are payments in accordance with his contract following the Company giving notice of termination.

⁶ For the year ended 31 August 2011, Mr N Falloon held the position of Executive Chairman up to 10 December 2010. Included in Other Short-Term Benefits are payments in accordance with his contract following the Company giving notice of termination.

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

Details of Remuneration (continued)

The proportion of incentives that were payable, vested and forfeited are as follows:

2012

Name	Short Term Incentives		Shares / Performance Rights				
	Payable %	Forfeited %	Year Granted	Vested %	Forfeited %	Minimum value (\$)	Maximum value (\$)
J Warburton	0%	100%	2012	0%	-	Nil	863,291
D Mott	0%	100%	2012	0%	-	Nil	376,709
			2011	0%	-	Nil	277,610
			2010	50%	-	Nil	100,100
			2009	75%	-	Nil	38,501
K Kingston	0%	100%	2012	0%	-	Nil	228,537
			2011	0%	-	Nil	242,666
			2010	50%	-	Nil	87,500
			2009	75%	-	Nil	33,251
P Anderson	0%	100%	2012	0%	-	Nil	172,658
			2011	0%	-	Nil	140,594
			2010	50%	-	Nil	50,695
			2009	75%	-	Nil	19,687
S Partington	0%	100%	2012	0%	-	Nil	-
			2011	0%	-	Nil	147,638
			2010	50%	-	Nil	51,187
			2009	75%	-	Nil	19,687
J Marquard	0%	100%	2012	0%	-	Nil	122,224

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

Details of Remuneration (continued)

From 2011 onward, Senior Executives, other than G Thorley, received performance rights under the Long Term Incentive Plan. Performance hurdles are tested 3 years after grant date with an opportunity to re-test 4 years after grant date. If the hurdles are met, the performance rights attached to the hurdles will vest at that time. Rights which remain unvested after 4 years from the date of grant are forfeited immediately.

Up until 2010, shares were granted to Senior Executives under the DIP plan. These shares vest equally each year over 3 years.

No amount of the unvested portion will vest if the service and market conditions are not satisfied, hence the minimum value of the shares and performance rights yet to vest is nil. The maximum value of the shares and performance rights yet to vest represents the grant fair value at the time of purchase.

The fair value of each performance right granted in 2011 was calculated by Ernst and Young to be \$0.80 for the market based portion and \$1.28 for the non-market based portion (an average value of \$1.04 for each performance right).

The fair value of each performance right granted in 2012 was calculated by Ernst and Young to be \$0.49 for the market based portion and \$0.75 for the non-market based portion (an average value of \$0.62 for each performance right). Refer to page 13 for more information.

Details of shares provided as remuneration are set out below:

Other Key Management Personnel of the Consolidated Entity

Name	Number of DIP Shares purchased during the year		Number of DIP Shares vested during the year	
	2012 ^A	2011 ^A	2012	2011
J Warburton	-	-	-	-
D Mott	-	-	113,600	132,680
K Kingston	-	-	105,442	119,988
G Thorley	-	-	52,412	73,950
P Anderson	-	-	60,505	69,485
S Partington	-	-	58,920	70,249
J Marquard	-	-	-	-
G Blackley	-	-	-	248,046
D White	-	-	-	78,715
J Kelly	-	-	-	93,000

^A: There were no DIP Shares granted for the 2012 and 2011 financial years. Instead, performance rights were allocated under the conditions set out on Page 13.

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

Details of Remuneration (continued)

Other Key Management Personnel of the Consolidated Entity

Name	Number of Performance Rights granted during the year		Number of Performance Rights vested during the year	
	2012 ^A	2011 ^B	2012	2011
J Warburton	1,392,405	-	-	-
D Mott	607,595	266,933	-	-
K Kingston	368,608	233,333	-	-
G Thorley	-	-	-	-
P Anderson	278,481	135,187	-	-
S Partington	-	141,960	-	-
J Marquard	197,136	-	-	-
G Blackley	-	515,515	-	-
D White	-	189,280	-	-
J Kelly	-	212,231	-	-

^A: The number of Performance Rights granted was for the year ended 31 August 2012.

^B: The number of Performance Rights granted was for the year ended 31 August 2011.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Remuneration Report (continued)

Service Agreements

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

James Warburton, Chief Executive Officer

Term of agreement – commencing 1 January 2012 and ending on 1 January 2015.

- Effective 1 January 2012 fixed remuneration, inclusive of superannuation is \$2,200,000.
- Short-term incentives are available under a short-term incentive scheme equivalent to 50% of fixed remuneration on achievement of specific STI targets weighted heavily to the financial performance of the Group and are also inclusive of leadership and corporate objectives.
- Long term incentives are available through participation in the Ten Long Term Incentive Plan equivalent to 50% of fixed remuneration on achievement of performance hurdles with a 3 year vesting period.
- Ten may terminate the contract at any time by providing twelve months' fixed remuneration.
- Immediate termination by Ten for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.

Gerry Thorley, Chief Executive Officer – Eye Corp

Term of agreement – commencing 1 January 2007.

- Effective 1 January 2007 fixed remuneration, inclusive of superannuation is \$725,000 increasing to \$754,000 on 1 January 2008, \$784,160 on 1 January 2009, \$848,147 on 1 January 2011 and \$873,591 on 1 January 2012.
- Short-term incentives are available under a short-term incentive scheme equivalent to 35% of fixed remuneration on achievement of specific STI targets weighted heavily to the financial performance of the Group and are also inclusive of leadership and corporate development objectives.
- Deferred incentives equivalent to 20% of fixed remuneration are available through participation in the Ten Deferred Incentive Plan.
- Eye Corp may terminate the contract at any time by providing twelve months' fixed remuneration.
- Immediate termination by Eye Corp for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- 21 days notice may be given by the employee if there is a substantive change to his role.
- A payment equivalent to twelve months' fixed remuneration must be paid if there is a substantive change in his role leading to termination.
- Six months notice of termination may be given by Mr Thorley on or after the fourth anniversary of the commencement date.

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

Service Agreements (continued)

Paul Anderson, Group Chief Financial Officer

Term of agreement – 2 years commencing 1 January 2011.

- Fixed remuneration, inclusive of superannuation, for the year commencing 1 January 2011 of \$450,000, increasing to \$550,000 on 21 March 2011. Short-term incentives are available under a deferred short-term incentive scheme equivalent to 45% of fixed remuneration on achievement of specific STI targets. These targets include EBIT performance, cost management, commercial and strategic management and leadership objectives.
- Deferred incentives are available through past participation in the Ten Deferred Incentive Plan.
- Long term incentives are available through participation in the Ten Long Term Incentive Plan equivalent to 40% of fixed remuneration on achievement of performance hurdles with a 3 year vesting period.
- Immediate termination for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- Payment of termination benefit on early termination by the employer shall be the lesser of 12 months' notice or the balance of the contract.
- 100% of the eligible STI is paid on a pro rata basis by reference to the period not worked in the Financial Year and subject to same performance targets that apply.
- 100% of the eligible LTI is paid on a pro rata basis by reference to the period not worked in the vesting period and subject to same performance conditions and vesting dates that apply.

Term of agreement – 2 years and 10 months commencing 1 March 2012.

- Fixed remuneration, inclusive of superannuation, for the year commencing 1 March 2012 of \$650,000, increasing to \$700,000 on 1 January 2013 and \$735,000 on 1 January 2014. Short-term incentives are available under a deferred short-term incentive scheme equivalent to 45% of fixed remuneration on achievement of specific STI targets. These targets include EBIT performance, cost management, commercial and strategic management and leadership objectives.
- Deferred incentives are available through past participation in the Ten Deferred Incentive Plan.
- Long term incentives are available through participation in the Ten Long Term Incentive Plan equivalent to 40% of fixed remuneration on achievement of performance hurdles with a 3 year vesting period.
- Immediate termination for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- Payment of termination benefit on early termination by the employer shall be the lesser of 12 months' notice or the balance of the contract.
- 100% of the eligible STI is paid on a pro rata basis by reference to the period not worked in the Financial Year and subject to same performance targets that apply.
- 100% of the eligible LTI is paid on a pro rata basis by reference to the period not worked in the vesting period and subject to same performance conditions and vesting dates that apply.

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

Service Agreements (continued)

Jon Marquard, Chief Operating Officer

Term of agreement – Rolling contract commencing 21 November 2011.

- Fixed remuneration, inclusive of superannuation, for the year ending 31 December 2012 of \$500,000,
- Short-term incentives are available under a deferred short-term incentive scheme equivalent to 45% of fixed remuneration on achievement of specific STI targets. These targets include EBIT performance, cost management, commercial and legal management and leadership objectives.
- Long term incentives are available through participation in the Ten Long Term Incentive Plan equivalent to 40% of fixed remuneration on achievement of performance hurdles with a 3 year vesting period.
- Immediate termination for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- Payment of termination benefit on termination by the employer and employee shall be 3 months' notice.
- 100% of the eligible STI is paid on a pro rata basis by reference to the period not worked in the Financial Year and subject to same performance targets that apply.
- 100% of the eligible LTI is paid on a pro rata basis by reference to the period not worked in the vesting period and subject to same performance conditions and vesting dates that apply.

Term of agreement – 3 years commencing 19 March 2012.

- Fixed remuneration, inclusive of superannuation, for the year commencing 19 March 2012 of \$550,000, increasing to \$600,000 on 19 March 2013 and subject to review on 19 March 2014
- Short-term incentives are available under a deferred short-term incentive scheme equivalent to 45% of fixed remuneration on achievement of specific STI targets. These targets include EBIT performance, commercial and financial management, broadcast technology, sport, legal and digital management and leadership and accountability objectives
- Long term incentives are available through participation in the Ten Long Term Incentive Plan equivalent to 40% of fixed remuneration on achievement of performance hurdles with a 3 year vesting period.
- Immediate termination for cause or breach of contract is restricted to fixed remuneration and leave unpaid at the date of termination.
- Payment of termination benefit on early termination by the employer shall be the lesser of 6 months' notice or the balance of the contract.
- 100% of the eligible STI is paid on a pro rata basis by reference to the period not worked in the Financial Year and subject to same performance targets that apply.
- 100% of the eligible LTI is paid on a pro rata basis by reference to the period not worked in the vesting period and subject to same performance conditions and vesting dates that apply.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Non-Audit Services

The consolidated entity 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/ Risk/ Treasury 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/ Risk/ Treasury Committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

	Consolidated	
	2012	2011
	\$	\$
(a) PricewaterhouseCoopers Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	480,500	541,330
Other audit related services	257,374	120,615
 <i>Taxation Services</i>		
Tax compliance services	162,750	283,547
Other tax services	140,022	-
 <i>Other services</i>		
Advisory services	72,125	92,625
Total remuneration of PricewaterhouseCoopers Australia	1,112,771	1,038,117
 (b) Related practices of PricewaterhouseCoopers Australia		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	46,947	68,073
Other audit related services	8,387	12,110
 <i>Other services</i>		
Taxation services	83,412	117,376
Total remuneration of related practices of PricewaterhouseCoopers Australia	138,746	197,559
Total auditors' remuneration	1,251,517	1,235,676

Auditor

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT
31 AUGUST 2012

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 29.

Contracts with Directors

During the financial year, various agreements in respect of the sale of television airtime (through an advertising agency), sale of Out-of-Home advertising space, purchase of program rights, provision of consultancy services were entered into by Director related entities on normal commercial terms and conditions.

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.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in Sydney on 18 October 2012 in accordance with a resolution of the Directors.



LK Murdoch
Chairman



Auditor's Independence Declaration

As lead auditor for the audit of Ten Network Holdings Limited for the year ended 31 August 2012, 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, appearing to read 'S. Horlin', written in a cursive style.

SG Horlin
Partner
PricewaterhouseCoopers

Sydney
18 October 2012

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**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**FIVE YEAR SUMMARY
FOR THE YEAR ENDED 31 AUGUST 2012**

Results as reported	2012	2011	2010	2009	2008
REVENUE (\$m)					
Television	728.0	851.8	833.4	744.4	826.2
Out of Home	137.2	148.5	158.1	158.1	177.8
	865.2	1,000.3	991.5	902.5	1,004.0
EXPENSES (\$m)					
Television	645.6	697.7	640.3	603.5	618.3
Out of Home	125.6	130.1	143.1	148.0	170.7
	771.2	827.8	783.4	751.5	789.0
EBITDA (\$m)					
Television	82.4	154.1	193.1	140.9	207.9
Out of Home	11.6	18.4	15.0	10.1	7.1
	94.0	172.5	208.1	151.0	215.0
TV EBITDA MARGINS	11.3%	18.1%	23.2%	18.9%	25.2%
EBIT (\$m)					
Television	64.0	136.1	174.7	119.5	186.9
Out of Home	4.4	10.8	4.2	(1.9)	(6.9)
	68.4	146.9	178.9	117.6	180.0

UNDERLYING EARNINGS PER SHARE (cents per share)

Basic EPS	0.87	7.11	9.29	5.08	9.69
Diluted EPS	0.87	7.10	9.27	5.06	9.69

DIVIDENDS PER SHARE (cents per share)

Normal	5.3	6.0	0.0	2.0	13.5
Special	0.0	5.0	0.0	0.0	0.0
Total	5.3	11.0	0.0	2.0	13.5

NET DEBT (\$m)	263.1	415.9	357.0	444.7	604.1
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TOTAL SHAREHOLDERS' EQUITY (\$m)	941.8	807.8	902.3	748.2	766.3
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**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2012**

DISCUSSION AND ANALYSIS OF THE STATEMENT OF COMPREHENSIVE INCOME

In July 2012, the Company announced it had entered into a Share Purchase Agreement to sell Eye Corp Pty Limited to Outdoor Media Operations Pty Limited (“OMO”). On 17 October 2012, the Company announced that it received formal notice from OMO purporting to terminate this Sale Purchase Agreement. While the Company has reserved its legal position regarding the purported termination, the Company and OMO remain in discussions with the aim of agreeing amended sale terms.

Accordingly, the results relating to the operation to be sold have been reported separately as “Profit from discontinued operations”. The operations to remain with Ten Network Holdings Limited are considered to be “Profit from continuing operations”. Included in discontinued operations is a non-recurring impairment loss of \$12.3m to write down the Eye Corp disposal group to estimated fair value less costs to sell.

The consolidated entity’s revenue from continuing operations for the year ended 31 August 2012 was \$726.7m, a decrease of 14.7% on 2011 revenue of \$851.7m.

The 2012 result from continuing operations included \$11.4m of restructuring costs. These charges are non-recurring and relate primarily to the write down of the Company’s investment in OurDeal Pty Limited (\$7.8m). They also include redundancy costs in the Television segment (\$3.6m).

The income tax revenue associated with these costs was \$1.1m, bringing the net effect of restructuring costs to \$10.3m.

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

The income tax revenue associated with these costs was \$25.5m, bringing the net effect of restructuring costs to \$60.0m.

Finance costs for 2012 include a \$5.5m notional non-cash interest charge in relation to the unwinding of the provision for onerous contracts.

Excluding non-recurring items, underlying net profit after tax for the year ended 31 August 2012 was \$9.7m, down 86.9% from \$74.1m in 2011.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2012

	Note	Consolidated 2012 \$'000	2011 \$'000
Revenue from continuing operations	3	726,707	851,660
Other income	3	2,253	2,964
Television costs		(658,537)	(714,690)
Restructuring costs	4	(3,585)	(83,357)
Write-down of investments	4	(7,843)	-
Finance costs		(37,501)	(34,459)
Share of net loss of joint ventures accounted for using the equity method		(5,172)	(906)
Profit before income tax		16,322	21,212
Income tax (expense)/ revenue		(10,148)	(7,123)
Profit from continuing operations		6,174	14,089
(Loss)/ Profit from discontinued operations		(10,374)	3,562
(Loss)/ Profit for the year		(4,200)	17,651
 (Loss)/ Profit is attributable to:			
(Loss)/ Profit attributable to members of the Company		(12,871)	14,176
Profit attributable to non-controlling interests		8,671	3,475
		(4,200)	17,651
 (Loss)/ Profit for the year		 (4,200)	 17,651
Other comprehensive income			
AASB 139 hedge reserves		(748)	(778)
Exchange differences on translation of foreign operations		(418)	1,891
Total comprehensive (loss)/ income for the year, net of tax		(5,366)	18,764
Total comprehensive (loss)/ income attributable to members of Ten Network Holdings Limited		(14,037)	15,289
Total comprehensive income attributable to non-controlling interests		8,671	3,475
		(5,366)	18,764
Total comprehensive (loss)/ income attributable to members of Ten Network Holdings Limited			
Continuing Operations		(3,190)	9,837
Discontinued Operations		(10,847)	5,452
		(14,037)	15,289

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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
AS AT 31 AUGUST 2012

DISCUSSION AND ANALYSIS OF THE BALANCE SHEET

Significant balance sheet items were:

- On July 2012, the Company announced it had entered into an agreement to sell Eye Corp Pty Limited to Outdoor Media Operations Pty Limited (“OMO”). On 17 October 2012, the Company announced that it received formal notice from OMO purporting to terminate this Sale Purchase Agreement. While the Company has reserved its legal position regarding the purported termination, the Company and OMO remain in discussions with the aim of agreeing amended sale terms.

Accordingly, the assets and liabilities of the operation to be sold have been separately classified as held for sale.

- Current borrowings include the USD Private Placement loan which matures in March 2013. The derivative financial instruments associated with this loan have also been classified as current.
- Non-current borrowings consist of the AUD Private Placement loan which matures in December 2015.
- The movement in contributed equity is the result of the recent equity raising. The gross proceeds of approximately \$200m were offset by ancillary costs to the raising and the net of these amounts has been recognised in contributed equity.

The proceeds were used to repay drawn bank debt to the maximum extent possible with the balance held as cash at bank.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
AS AT 31 AUGUST 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	93,297	19,069
Receivables	113,349	191,332
Program rights and inventories	149,021	177,947
Current tax assets	7,522	-
Other	3,192	13,052
Assets classified as held for sale	159,389	-
Total Current Assets	525,770	401,400
Non-Current Assets		
Program rights and inventories	3,203	3,545
Other financial assets	4,882	8,765
Property, plant and equipment	62,065	84,570
Intangible assets	1,077,822	1,171,411
Deferred tax assets	-	8,448
Other	335	1,138
Total Non-Current Assets	1,148,307	1,277,877
Total Assets	1,674,077	1,679,277
Current Liabilities		
Payables	137,613	194,551
Borrowings	123,261	-
Derivative financial instruments	91,206	461
Provision for Income Tax	-	7,247
Provisions	42,646	54,680
Liabilities directly associated with assets classified as held for sale	47,975	-
Total Current Liabilities	442,701	256,939
Non-Current Liabilities		
Payables	17,791	11,599
Borrowings	150,000	348,153
Derivative financial instruments	6,042	95,570
Deferred tax liabilities	70,926	84,442
Provisions	44,827	74,736
Total Non-Current Liabilities	289,586	614,500
Total Liabilities	732,287	871,439
Net Assets	941,790	807,838

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
BALANCE SHEET
AS AT 31 AUGUST 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
Equity		
Contributed equity	2,555,527	2,356,548
Reserves	(1,205,788)	(1,203,365)
Accumulated losses	(420,047)	(348,825)
Capital and reserves attributable to equity holders of the Company	929,692	804,358
Non-controlling interests	12,098	3,480
Total Equity	941,790	807,838

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

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2012**

	Contributed Equity \$'000	Equity Reserve \$'000	Other Reserves \$'000	Accumu- -lated Losses \$'000	Total \$'000	Non- controlling interest \$'000	Total Equity \$'000
Balance at 1 September 2011	2,356,548	1,840	(1,205,205)	(348,825)	804,358	3,480	807,838
(Loss)/ Profit for the year	-	-	-	(12,871)	(12,871)	8,671	8,063
Other comprehensive (loss)/ income	-	-	(1,113)	-	(1,113)	(53)	(1,166)
Total comprehensive(loss)/ income for the year	-	-	(1,113)	(12,871)	(13,984)	8,618	(5,366)
Contributions of equity net of transaction costs	197,171	-	-	-	197,171	-	197,171
Issue of shares held by Employee Share Trust	1,808	-	(2,374)	-	(566)	-	(566)
Employee share plan expense	-	-	1,064	-	1,064	-	1,064
Dividends paid	-	-	-	(58,351)	(58,351)	-	(58,351)
Balance at 31 August 2012	2,555,527	1,840	(1,207,628)	(420,047)	929,692	12,098	941,790
Balance at 1 September 2010	2,355,888	-	(1,205,568)	(248,025)	902,295	5	902,300
Profit for the year	-	-	-	14,176	14,176	3,475	17,651
Other comprehensive income	-	-	1,113	-	1,113	-	1,113
Total comprehensive income for the year	-	-	1,113	14,176	15,289	3,475	18,764
Transaction with Non-controlling interest	-	1,840	-	-	1,840	-	1,840
Issue of shares held by Employee Share Trust	660	-	(3,119)	-	(2,459)	-	(2,459)
Employee share plan expense	-	-	2,369	-	2,369	-	2,369
Dividends paid	-	-	-	(114,976)	(114,976)	-	(114,976)
Balance at 31 August 2011	2,356,548	1,840	(1,205,205)	(348,825)	804,358	3,480	807,838

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

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012**

DISCUSSION AND ANALYSIS OF THE CASH FLOW STATEMENT

Total cash and its equivalents of \$93.3m as at 31 August 2012 was \$74.2m higher than the prior year.

Cash inflows from operating activities of \$41.8m are \$54.7m lower than the prior year. 2012 cash inflows were impacted by a decrease in earnings. Additionally, the 2011 cash flows included a tax refund of \$26.6m relating to the restatement of prior year tax returns to reflect changes in tax consolidations.

Cash outflows from investment activities of \$26.1m are \$14.4m lower than the prior year, reflecting a decrease in capital expenditure during the current year.

Cash inflows from financing activities of \$62.3m are \$112.0m higher than the prior year outflow of \$49.7m. This is primarily the result of the equity raising where net proceeds of \$196m was received (\$200m of gross proceeds from the placement of shares were offset by \$4.0m of ancillary costs). These net proceeds were used to pay drawn bank debt to the maximum extent possible with the remainder being held as cash at bank. Additionally, there was a reduction in the dividends paid for 2012 compared to the prior year.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2012**

	Consolidated	
	2012	2011
	\$'000	\$'000
Net increase in cash and cash equivalents		
Cash on hand	90	90
Cash at bank	93,207	18,979
At end of year	93,297	19,069
At beginning of year	19,069	12,998
Cash held by discontinued operation	3,640	-
Effects of exchange rate movements on cash and cash equivalents	81	238
Net cash inflows for the year	77,949	6,309
Cash Flows from operating activities		
Receipts from customers (inclusive of GST)	993,851	1,080,455
Payments to suppliers and employees (inclusive of GST)	(888,779)	(955,015)
Interest received	1,218	2,968
Bank interest paid	(30,499)	(30,708)
Treasury costs paid	(3,392)	(2,859)
Income tax received/(paid)		
Prior year refunds received	-	26,645
Current year payments	(30,609)	(24,949)
Net cash inflows from operating activities	41,790	96,537
Cash Flows from investment activities		
Acquisition of property, plant and equipment	(23,150)	(34,157)
Proceeds on disposal of property, plant and equipment	455	17
Dividends received	1,000	-
Proceeds from sale of investment	1,410	530
Payments for other investments	(5,855)	(6,907)
Net cash outflows from investment activities	(26,140)	(40,517)
Cash Flows from financing activities		
Net proceeds from issue of shares	196,000	-
Dividends paid	(58,351)	(114,976)
Proceeds from non-controlling interest	-	1,840
Proceeds from borrowings	415,000	435,350
Repayment of borrowings	(490,350)	(370,000)
Refinancing costs	-	(1,925)
Net cash inflows/ (outflows) from financing activities	62,299	(49,711)
Net cash inflows for the year	77,949	6,309

The above statement of cash flows should be read in conjunction with the accompanying notes.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

1 BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1039: *Concise Financial Reports* and applicable Urgent Issues Group Consensus Views.

The accounting policies adopted are consistent with those of the previous year. A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's Full Financial Report.

2 PRESENTATION CURRENCY

The presentation currency used in this concise financial report is Australian dollars.

3 REVENUE

Revenue from continuing operations

	Consolidated	
	2012	2011
	\$'000	\$'000
Sales revenue	726,707	851,660
	726,707	851,660

Other income

Interest	1,253	2,964
Dividend	1,000	-
	2,253	2,964

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

4 NON-RECURRING ITEMS

Included in Television and Out-of-home costs in the income statement are the following non-recurring expense and tax items:

	2012	2011
	\$'000	\$'000
Non-recurring expense items		
Restructuring costs	3,585	85,436
Writedown of Investment	7,843	-
Impairment loss of discontinued operations	12,263	-
Non-recurring tax items		
Tax impact of Non-recurring expense items	(1,075)	(25,483)
	<u>22,616</u>	<u>59,953</u>

The company had \$23.7m of non-recurring costs during the year ended 31 August 2012. These charges are one off and relate to an impairment loss to writedown the Eye Corp disposal group to estimated fair value less costs to sell (\$12.3m), the writedown of the Company's investment in OurDeal Pty Limited (\$7.8m) and redundancy costs in the Television segment (\$3.6m).

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

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

5 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
2012					
November dividend paid					
Ordinary Dividend	5.25	54,875	30 November 2011	30%	100%
2011					
November dividend paid					
Ordinary Dividend	6.0	62,714	19 November 2010	0%	0%
Special Dividend	5.0	52,262	19 November 2010	0%	0%

A dividend of \$3,475,754 was paid to CBS Studio Inc. on 19 December 2011 which is their share of ElevenCo Pty Limited's 2011 net profit.

No dividend for 2012 is expected to be paid.

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

6 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions. In 2012, due to the sale of EYE, the Out-of-Home segment has been removed from both the current year and comparative segment disclosure and has been classified as a discontinued operation. The Chief Executive Officer assesses the performance of the operating segments based on Adjusted EBITDA.

Inter-segment transactions

Segment revenues, expenses and results include transactions between segments. Such transactions are priced on an "arms length" basis and are eliminated on consolidation.

Geographical segments

The consolidated entity operates principally within Australia.

Segment information provided to the CEO

2012	Television \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue			
Sales to external customers	726,707	-	726,707
Inter-segment sales	277	(277)	-
Total sales revenue	726,984	(277)	726,707
Other revenue	2,253	-	2,253
Total revenue	729,237	(277)	728,960
Segment Result			
Adjusted EBITDA *	82,412	-	82,412
Depreciation	(18,414)	-	(18,414)
Adjusted EBIT *	63,998	-	63,998
Non-recurring expense items (Note 4)	-	-	(11,428)
Finance costs			(37,501)
Interest revenue			1,253
Profit before tax			16,322
Income tax (expense)/ revenue			
Normal			(11,223)
Non-recurring tax items			1,075
Profit from continuing operations			6,174
Assets			
Segment assets	1,505,598	9,090	1,514,688
Liabilities			
Segment liabilities	684,312	-	684,312
Acquisitions of non-current assets	15,858	-	15,858

*: Before non-recurring items

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

6 SEGMENT INFORMATION (continued)

2011	Television \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue			
Sales to external customers	851,660	-	851,660
Inter-segment sales	179	(179)	-
Total sales revenue	851,839	(179)	851,660
Other revenue	2,964	-	2,964
Total revenue	854,803	(179)	854,624
Segment Result			
Adjusted EBITDA *	154,095	-	154,095
Depreciation	(18,031)	-	(18,031)
Adjusted EBIT *	136,064	-	136,064
Non-recurring expense items (Note 4)	(83,357)		(83,357)
Finance costs			(34,459)
Interest revenue			2,964
Profit before tax			21,212
Income tax (expense)/ revenue			
Normal			(32,055)
Non-recurring tax items			24,932
Profit from continuing operations			14,089
Assets			
Segment assets	1,507,563	9,090	1,516,653
Liabilities			
Segment liabilities	801,593	-	801,593
Acquisitions of non-current assets	23,998	-	23,998

*: Before non-recurring items

**TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2012**

7 SUBSEQUENT EVENTS

On 17 October 2012, the Company announced that it received formal notice from Outdoor Media Operations Pty Limited (“OMO”) purporting to terminate the Share Purchase Agreement relating to the sale of Eye Corp Pty Limited.

While the Company has reserved its legal position regarding the purported termination, the Company and OMO remain in discussions with the aim of agreeing amended sale terms.

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 2012 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2012 of the consolidated entity.

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES
CONCISE FINANCIAL REPORT
DIRECTORS' DECLARATION

In the opinion of the Directors of Ten Network Holdings Limited the accompanying Concise Financial Report of the consolidated entity, comprising Ten Network Holdings Limited and its controlled entities, for the year ended 31 August 2012, set out on pages 31 to 44:

- (a) has been derived from or is consistent with the Full Financial Report for the financial year; and
- (b) complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The Concise Financial Report is an extract from the full financial report for the year ended 31 August 2012. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report.

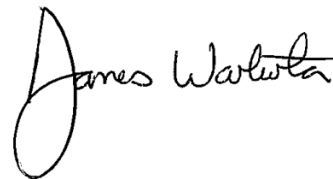
The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Report, which is available on request.

SIGNED at Sydney on 18 October 2012 in accordance with a resolution of the Directors.



LK Murdoch
Chairman

Sydney
18 October 2012



JR Warburton
Chief Executive Officer

Sydney
18 October 2012



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

Report on the concise financial report

We have audited the accompanying concise financial report of Ten Network Holdings Limited (the company) which comprises the balance sheet as at 31 August 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and related notes, derived from the audited financial report of the company for the year ended 31 August 2012 for the Ten Network Holdings Limited Group (the consolidated entity). The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' responsibility for the concise financial report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Ten Network Holdings Limited (the consolidated entity) for the year ended 31 August 2012. We expressed an unmodified audit opinion on that financial report in our report dated 18 October 2012. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Our procedures include testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 Concise Financial Reports.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Ten Network Holdings Limited would be in the same terms if given to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion, the concise financial report of the consolidated entity for the year ended 31 August 2012 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the remuneration report

The following paragraphs are copied from our report on the remuneration report for the year ended 18 October 2012.

We have audited the remuneration report included in pages 10 to 26 of the directors' report for the year ended 31 August 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

The PricewaterhouseCoopers logo is written in a cursive, handwritten style.

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A handwritten signature in black ink, appearing to read 'S. Horlin'.

SG Horlin
Partner

18 October 2012