NINE ENTERTAINMENT CO. HOLDINGS PTY LIMITED

(formerly PBL Media Holdings Pty Limited)

ACN 122 203 892

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011

DIRECTORS' STATUTORY REPORT

The Directors present the financial report for the year ended 30 June 2011. The financial report includes the results of Nine Entertainment Co. Holdings Pty Limited (formerly PBL Media Holdings Pty Limited) (the "Company") and the entities that it controlled during the year (the "Group"). The Directors of Nine Entertainment Co. Holdings Pty Ltd in office during the financial year and until the date of this Report and their appointment dates are:

Name	Date Appointed	Date Resigned
David Liam Gyngell	25 November, 2010	
Adrian Gordon MacKenzie	7 February, 2007	
Patrick Redmond O'Sullivan	16 October, 2006	
Timothy Charles Parker	21 January, 2008	
Andrew Cummins	27 October, 2008	
Peter Bush	1 April, 2011	
Ian Francis Law	16 October, 2006	2 November, 2010
Daniel Petre	25 November, 2010	1 September 2011

Principal Activities

The principal activities of the entities within the consolidated entity during the year were:

- Television broadcasting and program production
- Magazine publishing and distribution
- Ticketing
- Investments in the internet, subscription television, and other media and entertainment sectors

Trading Results

The consolidated net loss of the Group for the financial year after income tax was $427,793,000 (2010: profit $92,513,000).

Dividends

The Directors do not recommend payment of a dividend for the year ended 30 June 2011. No dividends have been declared or paid during the year ended 30 June 2011 (2010: nil).

Corporate Information

Nine Entertainment Co. Holdings Pty Limited is a proprietary company that is incorporated and domiciled in Australia. It is the parent entity of the Group.

The registered office address of Nine Entertainment Co. Holdings Pty Limited is Level 9, 54 Park Street, Sydney, NSW, 2000.

Operating and Financial Review

For the year to 30 June 2011, the Group reported a consolidated net loss after income tax of $427,793,000 (2010: profit $92,513,000).

The Group's Revenues from continuing operations for the year to 30 June 2011 were $1,959,692,000 (2010: $1,837,007,000).

The Group's Earnings before interest, tax, depreciation and amortisation (EBITDA) and before specific items (Note 2(iv)) from continuing operations for the year ended 30 June 2011 was $400,822,000 (2010: $341,411,000).

The Group's cash flows from operations for the year to 30 June 2011 were $44,947,000 (2010: $115,598,000).

Significant Changes in the State of Affairs

During the year the Group disposed of its ownership in one of its subsidiaries, Carsales.com Limited. The impact of this on the results and the state of affairs in the year are disclosed in the financial report.

There have been no other significant changes in the Group's state of affairs in the year ended 30 June 2011.

DIRECTORS' STATUTORY REPORT (continued)

Significant Events After the Balance Date

There has been no matter or circumstance arising between 30 June 2011 and the date of this report that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

Likely Developments and Expected Results

Other than the developments described in this report, the Directors are of the opinion that no other matter or circumstance will significantly affect the operations and expected results of the Group.

Share Plans and Options

During the year ended 30 June 2011 the Group did not have any share plans and had not issued any share options (2010: none), however certain management of the Group participate in the Management Equity Plan (described in Note 19 (b)).

Indemnification and Insurance of Directors and Officers

During or since the financial year, Nine Entertainment Co. Holdings Pty Limited has paid premiums in respect of a contract insuring all the directors and officers of the parent entity and its controlled entities against costs incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as director or officer of Nine Entertainment Co. Holdings Pty Limited. The insurance contract specifically prohibits disclosure of the nature of the insurance cover, the limit of the aggregate liability and the premiums paid.

Directors' and Senior Executive Officers' Remuneration

Details of directors' and key management personnel remuneration is included in Note 28.

Auditor's Independence Declaration

The Directors have received the Auditor's Independence Declaration, a copy of which is included on page 4.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided, during the year, by the auditor are outlined in Note 27.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rounding

The amounts contained in the financial statements have been rounded off to the nearest thousand dollars (where rounding is applicable) under the option available to the Group under ASIC Class Order 98/0100. Nine Entertainment Co. Holdings Pty Limited is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

A. MacKenzie
Director

D.L. Gyngell
Director

Sydney, 26th day of October, 2011

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Auditor's Independence Declaration to the Directors of Nine Entertainment Co. Holdings Pty Limited

In relation to our audit of the financial report of Nine Entertainment Co. Holdings Pty Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
26 October 2011

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Independent auditor's report to the members of Nine Entertainment Co. Holdings Pty Limited

Report on the financial report

We have audited the accompanying financial report of Nine Entertainment Co. Holdings Pty Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of Nine Entertainment Co. Holdings Pty Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Emphasis of Matter

Without qualification to the opinion expressed above, attention is drawn to the matters described in Note 1(c): "Going Concern". In order to meet its Mezzanine Note Interest Suspension covenant, the consolidated entity may require a renegotiation of terms, waiver, recapitalisation or the sale of assets. If the consolidated entity is unable to meet, or otherwise renegotiate, its Mezzanine Note Interest Suspension covenant, there is uncertainty whether the consolidated entity will be able to continue as a going concern, and therefore whether it is able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification or recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
26 October 2011

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Nine Entertainment Co. Holdings Pty Limited, we state that:

1. In the opinion of the Directors:

    (a) the financial statements and notes set out on pages 8 to 59 are in accordance with the *Corporations Act 2001*, including:

        i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of their performance for the financial year ended on that date; and

        ii) complying with Australian Accounting Standards and *Corporations Regulations 2001*; and

        iii) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1 (b); and

    (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable. Factors relevant to repayment of the Group's financing facilities are set out in Note 1(c).

2. In the opinion of the Directors, at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 31 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee. Factors relevant to repayment of the Group's financing facilities are set out in Note 1(c).

On behalf of the Board

A. MacKenzie
Director

D. L. Gyngell
Director

Sydney, 26th day of October, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Continuing Operations			
Revenues	2	**1,959,692**	1,837,007
Expenses	2	**(1,595,147)**	(1,573,969)
Finance costs	2	**(400,610)**	(399,869)
Reversal of impairment previously recognised / (Impairment) of assets	2	**(775,769)**	124,240
Share of profits of associate and joint venture entities	11	**17,613**	19,045
Profit/(loss) from continuing operations before income tax		**(794,221)**	6,454
Income tax (expense)/benefit	4	**26,260**	42,824
Profit/(loss) from continuing operations after income tax		**(767,961)**	49,278
Discontinued Operations			
Profit from discontinued operations after income tax	5	**340,168**	43,235
Net Profit/(loss) for the period		**(427,793)**	92,513
Other Comprehensive Income			
Foreign currency translation		**(3,372)**	(1,584)
Actuarial gain/(loss) on defined benefit plan		**854**	2,894
Fair value movement in cash flow hedges		**33,455**	29,343
Other comprehensive income for the period		**30,937**	30,653
Total comprehensive income for the period		**(396,856)**	123,166
Profit/(loss) for the period is attributable to:			
Equity holders of the parent		**(451,163)**	568,975
Non-controlling interest – third party		**23,370**	25,930
Non-controlling interest – stakeholder		**-**	(502,392)
		(427,793)	92,513
Total comprehensive income for the period is attributable to:			
Equity holders of the parent		**(420,226)**	590,868
Non-controlling interest – third party		**23,370**	25,930
Non-controlling interest - shareholder		**-**	(493,632)
		(396,856)	123,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	23	**290,705**	344,967
Trade and other receivables	6	**308,037**	353,914
Inventories	7	**19,149**	16,387
Program rights	8	**161,877**	162,562
Other assets	9	**9,955**	13,995
Assets classified as held for sale	10	**-**	17,046
Total current assets		**789,723**	908,871
Non-current assets			
Receivables	6	**3,301**	4,246
Program rights	8	**52,791**	27,811
Investments in associates accounted for using the equity method	11	**278,184**	283,010
Available for sale financial assets	12	**2,069**	-
Property, plant and equipment	13	**198,145**	165,489
Licences and mastheads	14	**1,533,229**	1,614,161
Other intangible assets	15	**1,347,087**	2,236,519
Deferred tax assets	4	**-**	62,662
Other assets	9	**8,531**	7,676
Total non-current assets		**3,423,337**	4,401,574
Total assets		**4,213,060**	5,310,445
Current liabilities			
Trade and other payables	16	**520,172**	631,818
Interest-bearing loans and borrowings	17	**108**	129
Current income tax liabilities		**8**	10,950
Provisions	18	**77,598**	70,674
Derivative financial instruments	32	**54,205**	50,895
Total current liabilities		**652,091**	764,466
Non-current liabilities			
Payables	16	**77,993**	78,992
Interest-bearing loans and borrowings	17	**3,662,551**	4,132,205
Deferred tax liabilities	4	**9,818**	-
Provisions	18	**34,867**	31,066
Derivative financial instruments	32	**40,124**	91,227
Total non-current liabilities		**3,825,353**	4,333,490
Total liabilities		**4,477,444**	5,097,956
Net assets/(liabilities)		**(264,384)**	212,489
Equity			
Attributable to equity holders of the parent			
Contributed equity	19	**1,331,381**	1,335,911
Reserves	20	**(71,453)**	(95,950)
Accumulated losses	20	**(1,526,453)**	(1,073,553)
Parent interests		**(266,525)**	166,408
Non-controlling interest – third party	21	**2,141**	46,081
Total equity / (deficiency)		**(264,384)**	212,489

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		**2,292,502**	2,141,443
Payments to suppliers and employees		**(1,955,324)**	(1,746,596)
Dividends received – associates		**16,940**	19,822
Interest received		**10,861**	8,253
Interest and other costs of finance paid		**(299,827)**	(293,760)
Income tax paid		**(20,205)**	(13,564)
Net cash flows from operating activities	23 (b)	**44,947**	115,598
Cash flows from investing activities			
Purchase of property, plant and equipment		**(65,002)**	(33,661)
Proceeds on disposal of property, plant and equipment		**49,647**	3,559
Proceeds on disposal of subsidiary		**531,916**	-
Purchase of magazine mastheads and licences		**(1,451)**	(2,615)
Purchase of venue ticketing rights		**(8,524)**	(13,503)
Purchase of available for-sale financial assets		**(2,000)**	-
Purchase of other intangible assets		**(2,769)**	(936)
Net cash flows from/(used in) investing activities		**501,817**	(47,156)
Cash flows from financing activities			
Issue of shares by controlled entity		**2,201**	2,091
Buy back of shares		**(4,530)**	(650)
Debt establishment/recapitalisation cost paid		**-**	(211)
Proceeds from borrowings		**1,850**	16,568
Repayment of borrowings		**(586,025)**	(18,815)
Distributions to Non-controlling interests		**(14,522)**	(20,795)
Net cash flows from/(used in) financing activities		**(601,026)**	(21,812)
Net increase/(decrease) in cash and cash equivalents		**(54,262)**	46,630
Cash and cash equivalents at the beginning of the financial year		**344,967**	298,337
Cash and cash equivalents at the end of the financial year	23(a)	**290,705**	344,967

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Equity $000	Foreign Currency Translation Reserve $000	Net Unrealised Gains Reserve $000	Cash Flow Hedge Reserve $000	Share based payments Reserve $000	Retained Earnings $000	Owners of the Parent - Total $000	Non-controlling Interest – 3rd Party $000	TOTAL $000
At 1 July 2010	1,335,911	(20,159)	3,140	(83,894)	4,963	(1,073,553)	**166,408**	46,081	212,489
Profit/(loss) for the year	-	-	-	-	-	(451,163)	**(451,163)**	23,370	(427,793)
Other Comprehensive Income for the year	-	(3,372)	854	33,455	-	-	**30,937**	-	30,937
Total Comprehensive Income for the year	**-**	**(3,372)**	**854**	**33,455**	**-**	**(451,163)**	**(420,226)**	**23,370**	**(396,856)**
Transactions with owners in their capacity as owners:									
Share buy-back	(4,530)	-	-	-		-	**(4,530)**	-	(4,530)
Acquisition of Non-controlling interest	-	-	-	-		-	**-**	(54,525)	(54,525)
Dividends paid	-	-	-	-		-	**-**	(14,522)	(14,522)
Transfer to parent	-	-	-	-		(1,737)	**(1,737)**	1,737	-
Share based payment	-	-	-	-	(511)	-	**(511)**	-	(511)
Transfer to profit for the year	-	-	-	(5,929)	-	-	(5,929)	-	(5,929)
At 30 June 2011	**1,331,381**	**(23,531)**	**3,994**	**(56,368)**	**4,452**	**(1,526,453)**	**(266,525)**	**2,141**	**(264,384)**

	Equity $000	Foreign Currency Translation Reserve $000	Net Unrealised Gains Reserve $000	Cash Flow Hedge Reserve $000	Share based payments Reserve $000	Retained Earnings $000	Owners of the Parent - Total $000	Non-controlling Interest – shareholders $000	Non-controlling Interest – 3rd Party $000	TOTAL $000
At 1 July 2009	1,336,561	(18,575)	246	(68,887)	3,312	(1,270,546)	**(17,889)**	91,906	39,171	113,188
Profit/(loss) for the year	-	-	-	-	-	568,975	**568,975**	(502,392)	25,930	92,513
Other Comprehensive Income for the year	-	(1,584)	2,894	20,583	-	-	**21,893**	8,760	-	30,653
Total Comprehensive Income for the year	**-**	**(1,584)**	**2,894**	**20,583**	**-**	**568,975**	**590,868**	**(493,632)**	**25,930**	**123,166**
Transactions with owners in their capacity as owners:										
Share buy-back	(650)	-	-	-	-	-	**(650)**	-	-	(650)
Acquisition of Non-controlling interest	-	-	-	-	-	-	**-**	-	1,818	1,818
Dividends paid	-	-	-	-	-	-	**-**	-	(20,795)	(20,795)
Transfer to parent	-	-	-	(29,701)	-	(371,982)	**(401,683)**	401,726	(43)	-
Share based payment	-	-	-	-	1,651	-	**1,651**	-	-	1,651
Transfer to profit for the year	-	-	-	(5,889)	-	-	**(5,889)**	-	-	(5,889)
At 30 June 2010	**1,335,911**	**(20,159)**	**3,140**	**(83,894)**	**4,963**	**(1,073,553)**	**166,408**	**-**	**46,081**	**212,489**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value and investments in associates which have been accounted for using the equity method.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

The financial report of Nine Entertainment Co. Holdings Pty Limited and its controlled entities for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 26 October 2011.

b) Statement of compliance

The financial report complies with Australian Accounting Standards. The consolidated financial report also complies with International Financial Reporting Standards (IFRS).

The accounting policies adopted are consistent with those of the previous financial year except as follows:

In May 2009 and June 2010 the AASB issued an omnibus of amendments to its standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- AASB 5 – Disclosures in relation to non-current assets (or changed groups) classified as held for sale or discontinued operations.
- AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation.
- AASB 139 – Financial Instruments: Recognition and Measurement

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 2 – Share Based Payment
- AASB 3 – Business Combinations
- AASB 7 – Financial Instruments: Disclosures
- AASB 8 – Operating Segments
- AASB 107 – Statement of Cashflows
- AASB 117 – Leases
- AASB 118 – Revenue
- AASB 121 – The Effects of Changes in Foreign Exchange Rates
- AASB 128 – Investments in Associates
- AASB 131 – Interests in Joint Ventures
- AASB 132 – Financial Instruments: Disclosure and Presentation
- AASB Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting year ended 30 June 2011. These are not expected to have a material impact on the Group's financial position or performance in subsequent reporting years.

c) Going Concern

The financial report has been prepared on a going concern basis.

In the year ended 30 June 2011 the Group's EBITDA from continuing operations was $400.8m (2010: $341.4m).

The Group's financial projections indicate that it will have sufficient free cash flow and available overdraft and other bank debt facilities to pay all creditors in the normal course and cover the Group's interest payments as they become due to lenders under its financing facilities over the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Going Concern (continued)

The Group has debt facilities including Senior Debt facilities and Mezzanine Note facilities as disclosed in note 23 to these accounts. There are no refinancing events due for the Senior debt until 7th February 2013 and until 7th April 2014 for the Mezzanine Notes. There is no amortisation of the Facilities over the next 12 months that would require any repayments to the lenders other than the normal interest payments.

As part of its financing facilities, the Group is subject to certain customary financial covenants measured on a quarterly basis as described in note 17 to these accounts. The Group has been in compliance with all of its financial covenant requirements for the full financial year ended 30 June 2011 and subsequently to date including the quarter ended 30 September 2011.

Based on the Group's current financial projections, but depending on the state of the overall economy and trends in the Australian and New Zealand advertising markets, a renegotiation of terms, waiver, recapitalisation, or the sale of assets could be necessary in order for the Group to meet its Mezzanine Note Interest Suspension covenant over the next 12 months. The consequence of failing to meet the Mezzanine Note Interest Suspension covenant is that interest payments due under the Mezzanine Notes would be suspended. If, for some reason, the renegotiation of terms, waiver, recapitalisation or asset sale options were not pursued and the Mezzanine Note Interest Suspension covenant test is not met, the Senior lenders could consent to the interest payments due under the Mezzanine notes being paid. If the senior lenders do not consent to interest being paid and if the Mezzanine interest payments remain unpaid for 180 days after notice from the Mezzanine Note holders, the Mezzanine Note holders could waive the resultant breach or elect to take no action, but have the right, by the agreement of two thirds of those lenders by value, to accelerate repayment of the Mezzanine debt facilities. If repayment of the Mezzanine Notes is accelerated, the directors do not believe that those Mezzanine Notes could be paid at that time solely out of the Group's operating cash flows. In that instance where the Mezzanine Notes are not able to be paid out of the Group's operating cash flows then that would result in an event of default under the Mezzanine Note Deed and at that time the Senior Lenders, by the agreement of two thirds of those lenders by value, could also demand repayment of the Senior Debt Facilities. In those circumstances the assets of the Group may not be realised and liabilities may not be discharged in the normal course of business.

Having regard to the factors described above however, the directors consider there are reasonable grounds to believe that the Group will have sufficient free cash flow and available overdraft and other bank debt facilities to pay all creditors in the normal course and cover the Group's scheduled payment of interest under its financing facilities over the next 12 months.

d) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Nine Entertainment Co. Holdings Pty Limited (the parent entity) and all entities that Nine Entertainment Co. Holdings Pty Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting year as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

e) Significant accounting estimates, judgements and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates, judgements and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Impairment of goodwill, television licences and magazine mastheads with indefinite useful lives.

The Group determines whether goodwill, television licences and magazine mastheads with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill, television licences and magazine mastheads with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill, television licences and magazine mastheads with indefinite useful lives are discussed in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Significant accounting estimates, judgements and assumptions (continued)

Onerous Contract Provisions
The Group has recognised an onerous contract provision in relation to its television program purchase commitments. Refer to Note 18 for disclosure of the assumptions included in the calculation of the provision.

f) Income tax

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities based on the current year's taxable income. The tax rules and tax laws used to complete the amount are those that are enacted at the balance date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:
- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except:
- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in other comprehensive income and not in the profit or loss for the year.

g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Foreign currency translation

Both the functional and presentation currency of Nine Entertainment Co. Holdings Pty Ltd and its Australian subsidiaries is Australian dollars (A$). Each foreign entity in the Group determines its own functional currency and items included in the financial statements of each foreign entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Nine Entertainment Co. Holdings Pty Ltd at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Comprehensive Income.

i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, and short-term deposits.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis at each division. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original trade terms. Factors considered as objective evidence of impairment include ageing and timing of expected receipts and the creditworthiness of counterparties. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows.

k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, Work in progress and Finished Goods for magazine inventory include the cost of direct editorial and production costs and a portion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

l) Program rights

Television programs which are available for use, including those acquired overseas, are recorded at cost less amounts charged to the statement of comprehensive income based on management's assessment of the future year of benefit, which is regularly reviewed with additional write downs made as considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Investments and Other Financial Assets

Certain of the Group's investments are categorised as available-for-sale financial assets under AASB139 – Financial Instruments: Recognition and Measurement.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and derecognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent Measurement
Available-for-sale financial assets are those non-derivative financial assets principally equity securities, that are designated as available-for-sale or are not classified as any of the other categories under AASB139. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

n) Investments in associates

The Group's investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Group has significant influence and which are neither subsidiaries or joint ventures.

The financial statements of the associates are used by the Group to apply the equity method.

The investment in the associates is carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associates' equity, the Group recognises its share of any movements directly in equity.

o) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation and amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings – 20 to 40 years
Leasehold improvements - lease term
Plant and equipment – 2 to 15 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted as appropriate each year end.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Property, plant and equipment (continued)

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected to arise from the continued use or disposal of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

p) Borrowing costs

Interest is recognised as an expense when it is incurred. Debt establishment costs are capitalised and expensed over the term of the loan.

q) Intangible assets

Licences and mastheads

Licences and mastheads are carried at cost less any accumulated impairment losses.

Television licences are renewable every five years under the provisions of the Broadcasting Services Act 1992. Whilst certain of the television licences continue to be subject to Government legislation and regulation by the Australian Communications and Media Authority, the directors have no reason to believe the licences will not be renewed.

The directors regularly assess the carrying value of licences and mastheads so as to ensure they are not carried at a value greater than their recoverable amount.

No amortisation is provided against these assets as the directors consider that the life of the licences and mastheads are indefinite life intangible assets.

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

q) Intangible assets (continued)

The useful lives of these intangible assets are assessed to be either finite or indefinite. Venue ticketing rights are amortised over their contractual period. Where amortisation is charged on assets with finite lives, this expense is taken to the Statement of Comprehensive Income.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the net asset is derecognised.

r) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

s) Trade and other payables

Trade and other payables are carried at amortised cost.

Liabilities are brought to account for amounts payable in relation to goods received and services rendered, whether or not billed to the Group at reporting date. The Group operates in a number of diverse markets, and accordingly the terms of trade vary by business.

t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method.

u) Provisions

Provisions are recognised when the Group has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other events, it is probable that a future sacrifice of economic benefit will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

v) Pensions and other post employment benefits

The Group contributes to a defined benefit superannuation fund which requires contributions to be made to a separately administered fund. Actuarial gains and losses on the defined benefits fund are recognised as a separate component of equity.

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit actuarial valuation method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date including related on-costs. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee.

The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after twelve months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

x) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or equipment or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

y) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

z) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in profit or loss for the year.

Any gain or loss attributable to the hedged risk on re-measurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in profit or loss for the year. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised the profit or loss for the year such that it is fully amortised by maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) Derivative financial instruments (continued)

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the profit or loss for the year. When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to profit or loss in the same year in which the hedged firm commitment affects net profit or loss, for example when the future sale actually occurs.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instruments effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

aa) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets original effective interest rate (ie: the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss for the year.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss for the year, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

ab) Contributed equity

Ordinary shares are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Company, less transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ac) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services
Control of the right to be compensated for the services can be reliably measured.

Interest
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

ad) Non-Controlling Interests

Non-Controlling Interests not held by the Group are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the Statement of Financial Position.

Nine Entertainment Co. Holdings Trust (the "Trust") is included as a controlled entity as a result of a special capital unit held by the Group. The special capital unit allows the Group to control the trust, however does not provide the Group with an economic interest in the Trust or its controlled entities. The economic interest in the Trust and the entities which it controlled during the year is held by the shareholders of the company in the same ownership percentages as the company. The amounts described as Non-Controlling Interest - Shareholders represents the economic interest in the Trust and its controlled entities. During 2010, as part of a restructure of the Group, Nine Entertainment Co. Holdings Pty Limited acquired the entities previously held (either directly or indirectly) by the Trust at market value. Following this restructure the Trust has net assets of nominal value and the accumulated losses attributable to the Trust were transferred to the Parent. Amounts described as Non-Controlling Interest - Third parties represent the economic interests in controlled entities not owned by shareholders of the company.

ae) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuations methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any Non-Controlling interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets required.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

af) Share-based payments

The Group provides benefits to senior executives in the form of share-based payments, whereby executives render services in exchange for shares or rights over shares (equity-settled transactions). The plan in place to provide these benefits is the Management Equity Plan (MEP).

The cost of these equity-settled transactions with executives is measured by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by an external valuer using the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant executives become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting dates reflects:

(i) the extent to which the vesting period has expired and
(ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

	2011 $'000	2010 $'000
2. REVENUE AND EXPENSES		
Profit before income tax expense includes the following revenues and expenses:		
(i) Revenues from continuing operations		
Revenue from sale of goods	**356,934**	388,039
Revenue from rendering services	**1,562,823**	1,438,413
Profit on sale of non current assets	**28,112**	1,991
Interest	**11,823**	8,564
	1,959,692	1,837,007
(ii) Expenses from continuing operations		
Cost of sales	**467,759**	495,129
Television activities	**835,012**	808,154
Magazine activities (not included in cost of sales above)	**139,315**	131,579
Other activities	**153,061**	139,107
	1,595,147	1,573,969
(iii) Other Expense Disclosures		
Depreciation of non-current assets *(included in total comprehensive income)*		
Buildings	**1,204**	893
Plant and equipment	**25,022**	28,300
	26,226	29,193
Amortisation of non-current assets (included in total comprehensive income)		
Plant and equipment under finance lease	**69**	68
Leasehold property	**1,562**	1,673
Ticketing rights	**13,050**	13,589
Other assets	**3,547**	3,468
	18,228	18,798
Total depreciation and amortisation expense *(included in total comprehensive income)*	**44,454**	47,991
Minimum lease payments – operating lease *(included in expenses above)*	**37,393**	31,204
Salary and employee benefit expense *(included in expenses above)*	**442,679**	437,873
Inventory *(included in expenses above)*	**71,575**	93,949
Program rights *(included in expenses above)*	**362,976**	318,679
(iv) Specific items		
From continuing operations:		
Net (profit) on sale of assets	**(28,112)**	(1,944)
Restructuring costs	**21,325**	9,860
Writedown of other assets	**-**	20,030
Provision for onerous contracts	**9,588**	1,199
Project related costs	**2,618**	12,103
Specific items included in expenses above	**5,419**	41,248
(Reversal of impairment previously recognised)/Impairment of assets	**775,769**	(124,240)
Total specific items from continuing operations	**781,188**	(82,992)
Profit on sale of discontinued operations	**(388,394)**	-
Net (Profit) / Loss on specific items	**392,794**	(82,992)
(v) Finance Costs from continuing operations		
Finance costs expensed:		
Interest on Debt facilities	**379,002**	378,257
Amortisation of Debt Facility establishment costs	**21,588**	21,588
Finance leases	**20**	24
	400,610	399,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. DIVIDENDS PAID AND PROPOSED

(a) Dividends appropriated during the financial year

Nine Entertainment Co. Holdings Pty Ltd did not declare or pay any dividends during the reporting year and has not declared any dividend subsequent to 30 June 2011.

(b) Franking credits

Nine Entertainment Co. Holdings Pty Ltd had a franking account balance as at the end of the financial year of $54,169,547 (2010: $43,038,000).

	2011 $'000	2010 $'000
4. INCOME TAX		
(a) Income tax expense		
The prima facie tax expense, using tax rates applicable in the country of operation, on profit differs from income tax provided in the financial statements as follows:		
Profit/(Loss) from continuing operations	**(794,221)**	6,454
Profit/(Loss) from discontinued operations	**441,992**	62,053
Profit/(Loss) before income tax	**(352,229)**	68,507
Prima facie income tax expense on profit at the Australian rate of 30%	**(105,669)**	20,552
Tax effect of:		
Share of associates' net (profits)	**(5,284)**	(5,714)
Reversal of impairment previously recognised	**-**	(39,049)
Impairment	**232,731**	1,779
Gain on disposal of investments and assets	**(39,206)**	587
Tax losses brought to account	**(13,669)**	-
Other items – net	**6,661**	(2,161)
Income tax expense/(benefit)	**75,564**	(24,006)
Current tax expense/(benefit)	**59,129**	(27,256)
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	**16,435**	3,250
	75,564	(24,006)
Aggregate income tax expense/(benefit) is attributable to:		
Continuing operations	**(26,260)**	(42,824)
Discontinued operations	**101,824**	18,818
	75,564	(24,006)
(b) Deferred income taxes		
Deferred income tax assets	**97,728**	166,841
Deferred income tax liabilities	**(107,546)**	(104,179)
Net deferred income tax assets/(liabilities)	**(9,818)**	62,662

	2011 $'000	2010 $'000	P&L Expense Movement $'000
4. INCOME TAX (continued)			
(c) Deferred income tax assets and liabilities at the end of the financial year			
TV licence fees accrued	**16,064**	19,095	(3,031)
Employee benefits provision	**14,320**	13,962	358
Other provisions and accruals	**32,527**	43,051	(10,524)
Income tax losses carried forward	**-**	41,707	-
Investments in associates	**(2,385)**	(2,385)	-
Accelerated depreciation for tax purposes	**(94,978)**	(91,310)	(3,668)
Derivative instruments	**28,299**	42,637	-
Other	**(3,665)**	(4,095)	430
Net deferred income tax assets/(liabilities)	**(9,818)**	62,662	(16,435)

	2011 $'000	2010 $'000
(d) Deferred income tax assets not brought to account		
Income tax losses	**81,623**	77,047

The income tax benefit includes deferred income tax of $14,338,000 charged (2010: $12,575,000 credited) directly to equity in relation to the fair value movement on cash flow hedges.

(e) Tax consolidation

Effective 6 June 2007, for the purposes of income taxation, Nine Entertainment Co. Holdings Pty Ltd and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Nine Entertainment Co. Holdings Pty Ltd.

The parent entity has recognised the current tax liability of the tax consolidated group.

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current and deferred taxes to members of the tax consolidated group in accordance with their taxable income for the year. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries intercompany accounts with the head entity, Nine Entertainment Co. Holdings Pty Limited. The group has applied the group allocation approach to determine the appropriate amount of current and deferred tax to allocate to each member of the tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
5. DISCONTINUED OPERATIONS		
On 7 March 2011 the Group sold its 49.1% shareholding in Carsales.com Limited.		
(a) Financial performance of the operations disposed: *The results of the discontinued operations for the year until disposal are presented below:*		
Revenue	**98,691**	123,614
Expenses	**(45,091)**	(60,889)
Gain on disposal	**388,394**	-
Finance Costs	**(2)**	(672)
Profit before tax	**441,992**	62,053
Income tax expense	**(101,824)**	(18,818)
Profit for the year from discontinued operations	**340,168**	43,235

	2011 $'000
(b) Assets and liabilities and cashflow information of disposed entity *Details of the disposal of Carsales.com Limited are as follows:* *The major classes of assets and liabilities of Carsales.com Limited at the date of disposal were as follows:*	
Assets	
Intangibles	**80,565**
Property plant and equipment	**2,097**
Trade and other receivables	**18,018**
Cash and cash equivalents	**31,226**
	131,906
Liabilities	
Trade and other payables	**(19,768)**
Net assets attributable to discontinued operations	**112,138**
Net assets attributable to equity holders of the Parent	**55,026**
Net assets attributable to third party shareholder	**57,112**
	112,138
The net cashflows of Carsales.com Limited are as follows:	
Operating activities	**35,413**
Investing activities	**(2,231)**
Financing activities	**(15,560)**
Net cash inflow	**17,622**
Consideration received or receivable:	
Cash (net of expenses) attributable to the sale	**563,142**
Less net assets disposed of	**(55,026)**
Less goodwill on consolidation	**(119,722)**
Gain on disposal before income tax	**388,394**
Income tax expense	**(85,745)**
Gain on disposal after income tax	**302,649**
Net Cash inflow on disposal	
Cash consideration	**563,142**
Less cash and cash equivalents balance disposed of	**(31,226)**
Reflected in the consolidated statement of cash flows	**531,916**

	2011 $'000	2010 $'000
6. TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables[1]	**290,788**	334,808
Provision for doubtful debts	**(4,914)**	(6,802)
	285,874	328,006
Loans to associated entities[2]	**1,812**	5,002
Other receivables	**20,351**	20,906
	22,163	25,908
	308,037	353,914
Non Current		
Loans to associated entities[3]	**3,210**	3,488
Other receivables	**91**	758
	3,301	4,246

[1] Trade receivables are non-interest bearing and are generally on 30-60 day terms.
[2] Current loans to associated entities are non-interest bearing and are repayable at call.
[3] Non-current loans to associated entities are non-interest bearing and are repayable at call.

(a) Allowance for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A gain on reversal of impairment of $742,000 (2010: loss $782,000) has been recognised by the Group in the current period.

Operating divisions each have follow up procedures including contact with debtors to discuss collection of outstanding debts. Impairment provisions are recorded for those debtors where the likelihood of collection is remote.

Related Party and Other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

Movements in the provision for impairment loss were as follows:

	2011 $000	2010 $000
Balance at the beginning of the year	**(6,802)**	(7,279)
Credit / (charge) for the year	**742**	(782)
Discontinued operations	**1,016**	-
Amounts written off to bad debts expense	**130**	1,259
Balance at the end of the year	**(4,914)**	(6,802)

At 30 June 2011, the ageing analysis of trade receivables is as follows:

		Total	Current	Current CI*	0-30 Days PDNI*	0-30 Days CI*	31-60 Days PDNI*	31-60 Days CI*	61+ Days PDNI*	61+ Days CI*
2011	Consolidated	290,788	181,583	271	93,798	114	6,998	130	3,495	4,399
2010	Consolidated	334,808	225,986	-	90,688	2,204	6,498	1,962	4,834	2,636

* Past due but not impaired ('PDNI') or Considered impaired ('CI')

The trade receivables which are past due but not impaired are considered to be recoverable in full.

(b) Credit risk

The maximum exposure to credit risk is the carrying amount of current receivables. For those non-current receivables, the maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
7. INVENTORIES		
Current		
Raw materials (at cost)	**12,816**	10,100
Finished goods (at cost)	**5,775**	6,310
Prov. for diminution in value of Finished Goods	**(244)**	(476)
Work in progress (at cost)	**802**	453
	19,149	16,387
8. PROGRAM RIGHTS		
Current		
Program rights	**161,877**	162,562
Non Current		
Program rights	**52,791**	27,811
9. OTHER ASSETS		
Current		
Prepayments	**4,875**	3,229
Other	**5,080**	10,766
	9,955	13,995
Non Current		
Defined Benefit Fund Asset	**8,450**	7,596
Other	**81**	80
	8,531	7,676
10. ASSETS CLASSIFIED AS HELD FOR SALE		
Current		
Land and buildings	**-**	17,046

The land and buildings were disposed of on 31 March 2011. The gain on sale is included within "Profit on sale of Non Current Assets" in Note 2 (iv).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
a) Non Current		
Investments at equity accounted amount:		
Associated entities – unlisted shares	**278,184**	283,010
Total investments in associates	**278,184**	283,010

b) Investments in Associates	Reporting Date	Principal Activity	Country of Incorporation or Residence	% Interest' 2011	% Interest' 2010
ninemsn Pty Ltd	30 June	Provider of online content and services	Australia	50	50
Australian News Channel Pty Ltd	30 June	Pay TV news service	Australia	33	33
Northern & Shell Pacific Ltd	30 June	Magazine Publishing	Australia	50	50
Hi-5 Operations Pty Ltd	30 June	Television production & merchandising	Australia	50	50
TX Australia Pty Ltd	30 June	Television transmission	Australia	33	33
XChangeIT Software Pty Limited	30 June	Electronic Data Transfer Services	Australia	33	33
Post ACP Company Limited	30 June	Magazine Publishing	Thailand	49	49

'The proportion of ownership interest is equal to the proportion of voting power held.

	2011 $'000	2010 $'000
c) Share of associates' revenue and profits		
Share of associates':		
Revenue	**130,732**	114,640
Operating profit before income tax	**25,434**	27,228
Income tax expense	**(7,821)**	(8,183)
Share of associates' net profit after income tax	**17,613**	19,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)		
d) Carrying amount of investments in associates		
Balance at the beginning of the financial year	**283,010**	291,785
Carrying amount of investments in associates acquired during the year		-
Share of associates' net profit for the year	**17,613**	19,045
Dividends received or receivable	**(16,940)**	(19,822)
Impairment and write down of investments	**(11,062)**	(7,633)
Reclassification to amounts due from associates	**5,673**	-
Other movements	**(110)**	(365)
Carrying amount of investments in associates at the end of the financial year	**278,184**	283,010
Represented by:		
Investments at equity accounted amount:		
ninemsn Pty Ltd	**232,656**	229,596
Australian News Channel Pty Ltd	**29,803**	36,186
Northern & Shell Pacific Ltd (OK!)	**10,500**	15,300
Other	**5,225**	1,928
	278,184	283,010
e) The consolidated entity's share of the assets and liabilities of associates in aggregate		
Current assets	**38,609**	40,424
Non-current assets	**43,390**	44,946
Current liabilities	**(24,293)**	(23,585)
Non-current liabilities	**(8,548)**	(11,009)
Net assets	**49,158**	50,776
f) Retained profits/(Accumulated losses) of the consolidated entity attributable to associates		
Balance at the beginning of the financial year	**(43,463)**	(54,875)
Share of associates' net profits	**17,613**	19,045
Writedown of investment in associate	**(11,062)**	(7,633)
Balance at the end of the financial year	**(36,912)**	(43,463)

g) Impairment

Australian News Channel Pty Ltd (Sky News) / ninemsn Pty Ltd / Northern & Shell Pacific Ltd

The key assumptions on which management has based its cash flow projections when determining the value-in-use calculations for Australian News Channel, ninemsn and Northern & Shell Pacific Ltd are:

- cashflow projections as approved by the board;
- a post-tax discount rate applied to the cash flow projections of 11.2% (2010: 12.5%) for ninemsn, 11.2% (2010: 11.2%) for Australian News Channel and 12% (2010:12%) for Northern & Shell Pacific which reflects management's best estimate of the time value of money and the risks specific to the internet services market not already reflected in the cash flows; and
- terminal value using EBITDA multiples that are based upon recent market transactions and directors' assessments.

	2011 $'000	2010 $'000
12. AVAILABLE FOR SALE FINANCIAL ASSETS		
Shares – Australian unlisted	**2,069**	-

The available-for-sale financial assets are held at cost as the Directors believe that this is equivalent to the fair value.

	Freehold land and buildings $'000	Leasehold improvements $'000	Plant & equipment $'000	Construction work in progress $'000	Leased plant & equipment $'000	Total property, plant and equipment $'000
13. PROPERTY, PLANT AND EQUIPMENT						
Year ended 30 June 2011						
At 30 June 2010, net of accumulated depreciation and impairment	**46,715**	**5,076**	**95,205**	**18,259**	**234**	**165,489**
Additions	**644**	**11,205**	**18,779**	**34,893**	**115**	**65,636**
Transfer from construction work in progress	**3**	**-**	**6,788**	**(6,791)**	**-**	**-**
Disposals	**-**	**(1,311)**	**(3,468)**	**(284)**	**(60)**	**(5,123)**
Depreciation expense	**(1,204)**	**-**	**(25,022)**	**-**	**-**	**(26,226)**
Amortisation expense	**-**	**(1,562)**	**-**	**-**	**(69)**	**(1,631)**
At 30 June 2011, net of accumulated depreciation and impairment	**46,158**	**13,408**	**92,282**	**46,077**	**220**	**198,145**
Year ended 30 June 2010						
At 30 June 2009, net of accumulated depreciation and impairment	43,004	6,595	96,413	18,695	270	164,977
Additions	4,824	167	20,918	9,697	32	35,638
Transfer from construction work in progress	-	-	10,133	(10,133)	-	-
Transfer to assets classified as held for sale	-	-	(2,745)	-	-	(2,745)
Disposals	(220)	(13)	(1,214)	-	-	(1,447)
Depreciation expense	(893)	-	(28,300)	-	-	(29,193)
Amortisation expense	-	(1,673)	-	-	(68)	(1,741)
At 30 June 2010, net of accumulated depreciation and impairment	46,715	5,076	95,205	18,259	234	165,489
At 30 June 2011						
Cost (gross carrying amount)	**57,991**	**25,225**	**367,189**	**46,077**	**381**	**496,863**
Accumulated depreciation and impairment	**(11,833)**	**(11,817)**	**(274,907)**	**-**	**(161)**	**(298,718)**
Net carrying amount	**46,158**	**13,408**	**92,282**	**46,077**	**220**	**198,145**
At 30 June 2010						
Cost (gross carrying amount)	57,344	17,117	401,567	18,259	378	494,665
Accumulated depreciation and impairment	(10,629)	(12,041)	(306,362)	-	(144)	(329,176)
Net carrying amount	46,715	5,076	95,205	18,259	234	165,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Television licences $'000	Magazine mastheads $'000	Magazine licences $'000	Total $'000
14. LICENCES AND MASTHEADS				
Year ended 30 June 2011				
At 30 June 2010, net of accumulated depreciation and impairment	**1,104,669**	**498,130**	**11,362**	**1,614,161**
Net purchases/(disposals)	**-**	**1,451**	**-**	**1,451**
Impairment	**(41,000)**	**(40,000)**		**(81,000)**
Amortisation expense	**-**	**-**	**(1,383)**	**(1,383)**
At 30 June 2011, net of accumulated amortisation and impairment	**1,063,669**	**459,581**	**9,979**	**1,533,229**
Year ended 30 June 2010				
At 30 June 2009, net of accumulated depreciation and impairment	429,669	998,516	22,879	1,451,064
Net purchases/(disposals)	-	2,614	-	2,614
Reversal of impairment previously recognised	675,000	-	-	675,000
Impairment	-	(503,000)	(9,127)	(512,127)
Amortisation expense	-	-	(2,390)	(2,390)
At 30 June 2010, net of accumulated amortisation and impairment	1,104,669	498,130	11,362	1,614,161
At 30 June 2011				
Cost (gross carrying amount)	**1,201,669**	**2,044,581**	**25,303**	**3,271,553**
Accumulated depreciation and impairment	**(138,000)**	**(1,585,000)**	**(15,324)**	**(1,738,324)**
Net carrying amount	**1,063,669**	**459,581**	**9,979**	**1,533,229**
At 30 June 2010				
Cost (gross carrying amount)	1,201,669	2,043,130	25,303	3,270,102
Accumulated depreciation and impairment	(97,000)	(1,545,000)	(13,941)	(1,655,941)
Net carrying amount	1,104,669	498,130	11,362	1,614,161

	Goodwill $'000	Venue Ticketing Rights $'000	Other [1] $'000	Total $'000
15. OTHER INTANGIBLE ASSETS				
Year ended 30 June 2011				
At 30 June 2010, net of accumulated depreciation and impairment	**2,191,233**	**37,566**	**7,720**	**2,236,519**
Net purchases/(disposals)	**(197,054)**	**7,223**	**(1,387)**	**(191,218)**
Impairment	**(683,000)**	**-**	**-**	**(683,000)**
Amortisation expense	**-**	**(13,050)**	**(2,164)**	**(15,214)**
At 30 June 2011, net of accumulated amortisation and impairment	**1,311,179**	**31,739**	**4,169**	**1,347,087**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Goodwill $'000	Venue Ticketing Rights $'000	Other[1] $'000	Total $'000
15. OTHER INTANGIBLE ASSETS (continued)				
Year ended 30 June 2010				
At 30 June 2009, net of accumulated depreciation and impairment	2,223,155	31,963	4,465	2,259,583
Net purchase / (disposals)	(922)	19,192	1,588	19,858
Transfer from property, plant and equipment	-	-	2,745	2,745
Impairment	(31,000)	-	-	(31,000)
Amortisation expense	-	(13,589)	(1,078)	(14,667)
At 30 June 2010, net of accumulated amortisation and impairment	2,191,233	37,566	7,720	2,236,519
At 30 June 2011				
Cost (gross carrying amount)	**2,293,179**	**82,738**	**10,278**	**2,386,195**
Accumulated depreciation and impairment	**(982,000)**	**(50,999)**	**(6,109)**	**(1,039,108)**
Net carrying amount	**1,311,179**	**31,739**	**4,169**	**1,347,087**
At 30 June 2010				
Cost (gross carrying amount)	2,490,233	75,515	11,665	2,577,413
Accumulated depreciation and impairment	(299,000)	(37,949)	(3,945)	(340,894)
Net carrying amount	2,191,233	37,566	7,720	2,236,519

(1) This includes capitalised development costs being an internally generated intangible asset.

(a) Allocation of non-amortising intangibles and goodwill

The consolidated entity has allocated goodwill, licences and mastheads to the following cash generating units ("CGU"):

	2011 $'000	2010 $'000
Nine Network	**1,063,669**	1,104,669
ACP Magazines	**459,581**	498,130
Total licences and mastheads	**1,523,250**	1,602,799

	2011 $'000	2010 $'000
Nine Network	**984,167**	1,056,167
ACP Magazines	**92,086**	703,195
NBN	**64,543**	64,543
Ticketek	**168,353**	168,353
Allphones Arena (previously Acer Arena)	**2,030**	2,030
carsales	**-**	196,945
Total Goodwill	**1,311,179**	2,191,233

(b) Determination of recoverable amount

The recoverable amount of the following CGUs is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by the Directors covering a five-year period and with a terminal value:

- Nine Network;
- ACP Magazines;
- NBN
- Ticketek
- Allphones Arena

Management has estimated terminal value using EBITDA multiples that are based upon recent market transactions and director's assessments.

15. OTHER INTANGIBLE ASSETS (continued)

(c) Impairment losses recognised

An impairment loss of $41m on TV licences was recognised in the specific items within expenses in the year ended 30 June 2011 (2010: write up $675m).

An impairment loss of $40m on magazine mastheads was recognised in the specific items within expenses in the year ended 30 June 2011 (2010: $503m and $9m on magazine mastheads and magazine licences respectively).

An impairment loss of $683m on goodwill was recognised in the specific items within expenses in the year ended 30 June 2011 (2010: loss $31m). The impaired goodwill related to ACP Magazines and NINE Network.

(d) Key assumptions used for value-in-use calculations

The key assumptions on which management has based its cash flow projections when determining the value-in-use calculations for the Nine Network are as follows:

- The East Coast Free-To-Air advertising market is anticipated to show growth of CPI for 2011/12 financial year followed by a period of growth at a rate which is consistent with CPI which does not exceed the long term industry growth rate.
- The Nine Network's share of the East Coast Free-To-Air advertising market for calendar year 2012 is expected to be consistent with the ratings share achieved by the Nine Network in calendar year 2011. In future years management expects the Nine Network's share of the market to remain stable over the forecast period.
- The post-tax discount rate applied to the cash flow projections was 11.2% (2010: 11.2%) which reflects management's best estimate of the time value of money and the risks specific to the Free-To-Air television market not already reflected in the cash flows.

The key assumptions on which management has based its cash flow projections when determining the value-in-use calculations for ACP Magazines are as follows:

- Management expects circulation revenues to decline in the short term before stabilising.
- Management expects advertising revenues to grow above CPI in the year to 30 June 2012 before stabilising and then increasing at a rate consistent with CPI forecasts later in the forecast period which does not exceed the long term industry growth rate.
- The post-tax discount rate applied to the cash flow projections was 12% (2010: 12.0%) which reflects management's best estimate of the time value of money and the risks specific to the publishing industry not already reflected in the cash flows.

The key assumptions on which management has based its cash flow projections when determining the value-in-use calculations for NBN are as follows:

- Management expects the advertising market to show growth which is consistent with industry expectations.
- The post-tax discount rate applied to the cash flow projections was 11.2% (2010: 11.2%) which reflects management's best estimate of the time value of money and the risks specific to the Free-To-Air television market not already reflected in the cash flows.

The key assumptions on which management has based its cash flow projections when determining the value-in-use calculations for Ticketek and Allphones Arena are as follows:

- Management expects the events industry to show growth which is consistent with industry expectations.
- The post-tax discount rate applied to the cash flow projections was 11% which affects management's best estimate of the time value of money and the risks specific to the Ticketing and Events industries. In the prior year the recoverable amounts of goodwill relating to Ticketek and Acer Arena were based on fair value less cost to sell using independent valuations.

(e) Sensitivity

No reasonable change in key assumptions would result in impairment of the CGUs which have not been impaired. Any reasonable adverse change in key assumptions would result in further impairment of the CGUs where the assets have already been impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
16. TRADE AND OTHER PAYABLES		
Current – unsecured		
Trade and other payables[1]	**436,891**	519,702
Program contract payables[2]	**43,754**	56,340
Deferred income	**39,527**	55,776
	520,172	631,818
Non Current – unsecured		
Program contract payables[2]	**69,141**	69,158
Other	**8,852**	9,834
	77,993	78,992

[1] Terms of trade in relation to trade payables are, on average, 30 to 60 days from the date of invoice. The Group operates in a number of diverse markets and accordingly, the terms of trade vary by country and business.
[2] Program contract creditors are settled according to the contract negotiated with the program supplier.

	2011 $'000	2010 $'000
17. INTEREST-BEARING LOANS AND BORROWINGS		
Current – secured		
Lease liabilities[1] - Note 22	**108**	129
	108	129
Non Current		
Bank facilities secured – Note 23 (c)	**3,662,449**	4,132,098
Lease liabilities secured[1] - Note 22	**102**	107
	3,662,551	4,132,205

[1] The lease and hire purchase liabilities are secured by a charge over the assets.

[2] The bank facility includes unamortised financing costs of $40,040,000 (2010: $61,628,000).

There are no refinancing events due for the Senior Debt until 7th February 2013 and until 7th April 2014 for the Mezzanine Notes. There are no mandatory repayments of these facilities in the 12 months to 30 June 2012.

As part of its financing facilities, the Group is subject to certain customary financial covenants measured on a quarterly basis. The Group has been in compliance with its financial covenant requirements to date including the quarter ended 30 June 2011 and subsequently the quarter ended 30 September 2011.

Throughout the year the Group was subject to four covenants being a Debt Service Cover Ratio, an Interest Cover Ratio, a Senior Leverage Ratio and a Mezzanine Note Interest Suspension Covenant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Assets pledged as security
In addition to assets pledged as security over unsecured bank facilities (Note 23 (c)), the carrying amounts of assets pledged as security for interest bearing liabilities are:

	2011 $'000	**2010** $'000
Finance lease		
Plant and equipment - Note 13	**220**	234
Total assets pledged as security	**220**	234

	Employee entitlements $'000	**Onerous contracts** $'000	**Other** $'000	**Total** $'000
18. PROVISIONS				
At 30 June 2010	**56,385**	**21,512**	**23,843**	**101,740**
(Utilised)/arising during the period	**1,865**	**10,320**	**(1,460)**	**10,725**
At 30 June 2011	**58,250**	**31,832**	**22,383**	**112,465**
At 30 June 2009	52,075	51,824	22,100	125,999
(Utilised)/arising during the period	4,310	(30,312)	1,743	(24,259)
At 30 June 2010	56,385	21,512	23,843	101,740
Current 2011	**35,277**	**24,860**	**17,461**	**77,598**
Non-current 2011	**22,973**	**6,972**	**4,922**	**34,867**
	58,250	**31,832**	**22,383**	**112,465**
Current 2010	32,896	18,341	19,437	70,674
Non-current 2010	23,489	3,171	4,406	31,066
	56,385	21,512	23,843	101,740

Employee Entitlements
Refer to Note 1 (w) for a description of the nature and expected timing of provision for employee entitlements.

Onerous contracts
The provision for onerous contracts represents contracts, that due to changes in market conditions the income is lower than cost for which the Group is currently obligated under the contract. The net obligation under the contracts has been provided for. The provision is calculated as the net of estimated revenue and the estimate of committed program purchase commitments discounted to present values

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
19. CONTRIBUTED EQUITY		
Issued share capital		
Ordinary shares fully paid	**1,325,183**	1,325,183
B Class shares fully paid	**6,198**	10,728
	1,331,381	1,335,911
Movements in issued share capital		
Ordinary Shares		
Carrying amount at the beginning of the financial year	**1,325,183**	1,325,183
Issue of shares	**-**	-
Carrying amount at the end of the financial year	**1,325,183**	1,325,183
B Class Shares		
Carrying amount at the beginning of the financial year	**10,728**	11,378
Buy back of shares	**(4,530)**	(650)
Carrying amount at the end of the financial year	**6,198**	10,728

	2011 No.	2010 No.
Issued share capital		
Ordinary shares fully paid	**381,653,647,017**	381,653,647,017
B class shares fully paid	**45,183,747**	77,343,716
Movements in issued share capital		
Ordinary Shares		
Balance at the beginning of the financial year	**381,653,647,017**	381,653,647,017
Issue of shares	**-**	-
Balance at the end of the financial year	**381,653,647,017**	381,653,647,017
B Class Shares		
Balance at the beginning of the financial year	**77,343,716**	81,907,614
Share buyback	**(32,159,969)**	(4,563,898)
Balance at the end of the financial year	**45,183,747**	77,343,716

a) Terms and Conditions of Contributed Equity

Ordinary and B class shares entitle the holder to participate in dividends and the proceeds on winding up or sale of the Company in proportion to the number of shares held. The allocation of dividends or proceeds between Ordinary and B class shares is as follows:

- First, the B class shares paid in amount is returned pro-rata with the first $335 million returned to the ordinary class shareholders;
- Then, an amount equivalent to twice the B class shares paid in amount is returned pro-rata with the next $1,526.9 million returned to the ordinary class shareholders;
- Then, an amount equivalent to twice the B class shares paid in amount is returned;
- Then, any remaining proceeds are split 95% ordinary shares and 5% B class shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19. CONTRIBUTED EQUITY (continued)

b) Management Equity Plan

The B class shares described above were issued under the Management Equity Plan (MEP).

Under the MEP executives are invited to acquire B class shares. Generally executives are required to contribute 50% of the value of the share, with the remaining 50% being supported by an interest free loan that is repayable only in the event of dividends or proceeds being received sufficient to recoup the ordinary share capital contributions and the cash contributed by the executives. These limited recourse loans represent an equity settled share based payment.

At 30 June 2011, $6,435,000 of a possible $15,000,000 of shares were on issue under the MEP. The fair value at the grant date of the limited recourse loan component of the MEP was calculated using a Black-Scholes model at $5,071,400.

The key assumption used in the valuation was a realisation of the shares 4 years after the grant date.

The amount credited to the Statement of Comprehensive Income during the year was $511,000 (2010: expense $1,651,000). The credit in the year arose as a result of the reversal of charges from prior years for employees who left the MEP during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
20. RESERVES AND ACCUMULATED LOSSES		
Foreign currency translation reserve	**(23,531)**	(20,159)
Net unrealised gains reserve	**3,994**	3,140
Cash flow hedge reserve	**(56,368)**	(83,894)
Share based payment reserve	**4,452**	4,963
	(71,453)	(95,950)
Accumulated losses	**(1,526,453)**	(1,073,553)
FOREIGN CURRENCY TRANSLATION RESERVE		
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.		
Balance at the beginning of the financial year	**(20,159)**	(18,575)
Net exchange difference on translation of overseas controlled entities	**(3,372)**	(1,584)
Balance at the end of the financial year	**(23,531)**	(20,159)
NET UNREALISED GAINS RESERVE		
The net unrealised gains reserve records the actuarial gains and losses relating to the net surplus/(deficit) in the employer sponsored defined benefit superannuation fund.		
Balance at the beginning of the financial year	**3,140**	246
Movement in defined benefit superannuation fund	**854**	2,894
Balance at the end of the financial year	**3,994**	3,140
CASH FLOW HEDGE RESERVE		
The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.		
Balance at the beginning of the financial year	**(83,894)**	(68,887)
Revaluation of cash flow hedges to fair value	**27,526**	14,694
Transfer from Non-controlling interests	**-**	(29,701)
Balance at the end of the financial year	**(56,368)**	(83,894)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
20. RESERVES AND ACCUMULATED LOSSES (continued)		
SHARE BASED PAYMENT RESERVE		
The share based payment reserve is used to record share based remuneration to executives in relation to B class shares.		
Balance at the beginning of the financial year	**4,963**	3,312
Share based payment (credit)/expense for the year	**(511)**	1,651
Balance at the end of the financial year	**4,452**	4,963
ACCUMULATED LOSSES		
Balance at the beginning of the financial year	**(1,073,553)**	(1,270,546)
Net profit/(loss) for the period	**(451,163)**	568,975
Transfer from Non-controlling interests	**(1,737)**	(371,982)
Balance at the end of the financial year	**(1,526,453)**	(1,073,553)

	Third Party 2011 $'000	Share-holders 2011 $'000	Total 2011 $'000	Third Party 2010 $'000	Share-holders 2010 $'000	Total 2010 $'000
21. NON-CONTROLLING INTERESTS						
Reconciliation of non-controlling interests:						
Balance at the beginning of the financial period	**46,081**	-	**46,081**	39,171	91,906	131,077
Non-controlling interests acquired by Third Party	**(54,525)**	-	**(54,525)**	1,818	-	1,818
Share of operating profit/(loss)	**23,370**	-	**23,370**	25,930	(502,392)	(476,462)
Share of reserves	-	-	-	-	8,760	8,760
Less dividends/distributions	**(14,522)**		**(14,522)**	(20,795)	-	(20,795)
Transfer of reserves to Parent	-	-	-	-	29,701	29,701
Transfer of losses to Parent	**1,737**	-	**1,737**	(43)	372,025	371,982
Balance at the end of the financial year	**2,141**	-	**2,141**	46,081	-	46,081

During 2010 as part of a restructure of the Group, Nine Entertainment Co. Holdings Pty Ltd acquired the entities previously held (either directly or indirectly) by Nine Entertainment Co. Holdings Trust at market value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
22. EXPENDITURE COMMITMENTS		
(a) Capital expenditure commitments		
(i) Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
• within one year	**6,868**	4,994
(ii) Program rights contracted for at balance date, but not provided for, payable:		
• within one year	**43,305**	53,000
• after one year but not more than five years	**72,224**	70,114
• later than five years	**4,551**	2,562
	120,080	125,676

(b) Lease expenditure commitments

(i) Finance lease commitments:	2011 $'000	2011 $'000	2010 $'000	2010 $'000
Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:	**Minimum lease payments**	**Present value of lease payments**	**Minimum lease payments**	**Present value of lease payments**
Consolidated				
• within one year	**122**	**108**	143	129
• after one year but not more than five years	**77**	**71**	93	87
• more than five years	**37**	**31**	21	20
Total minimum lease payments	**236**	**210**	257	236
Less amounts representing finance charges	**(26)**	**-**	(21)	-
Present value of minimum lease payments	**210**	**210**	236	236

At 30 June 2011, the Group has finance leases principally relating to various items of equipment and motor vehicles.

These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

(ii) Non-cancellable operating lease commitments:	2011 $'000	2010 $'000
Payable within one year	**37,630**	32,036
Payable after one year but not more than five years	**139,508**	118,338
Payable more than five years	**58,698**	61,987
	235,836	212,361

The Group has entered into non-cancellable operating leases. The leases vary in contract year depending on the asset involved but generally have an average lease term of approximately 5 years. Operating leases include telecommunications rental agreements and leases on assets including motor vehicles, land and buildings and items of plant and equipment. Renewal terms are included in certain contracts, whereby renewal is at the option of the specific entity that holds the lease. On renewal, the terms of the leases are usually renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 $'000	2010 $'000
23. RECONCILIATION OF THE STATEMENT OF CASH FLOWS		
(a) Cash balance represents:		
• cash on hand and at bank	**73,496**	123,380
• deposits at call	**166,687**	131,110
• cash held on Trust	**50,522**	90,477
	290,705	344,967
(b) Reconciliation of the profit after tax to the net cash flows from operations		
Profit/(loss) after tax	**(427,793)**	92,513
Depreciation and amortisation		
• Property, plant and equipment	**27,857**	30,934
• Amortisation of ticketing rights	**13,050**	13,589
• Amortisation of other assets	**3,547**	3,468
• Amortisation of financing costs	**21,588**	21,588
Share of associates' net (profit)	**(17,613)**	(19,045)
Reversal of impairment loss previously recognised	**-**	(675,000)
Impairment of assets	**775,769**	568,965
Provision for doubtful debts	**(1,888)**	(477)
Profit on sale of discontinued operations	**(388,394)**	-
Profit on sale of property, plant and equipment	**(27,925)**	(739)
Management and employee share accounting expense	**449**	1,651
Investment distributions from associates	**16,940**	19,822
Non-cash interest expense	**87,009**	84,909
Changes in assets and liabilities:		
Trade and other receivables	**26,412**	(36,252)
Inventories	**(2,762)**	22,142
Program rights	**(24,295)**	(14,532)
Prepayments	**(1,645)**	835
Other assets	**5,683**	2,542
Deferred income tax asset	**52,674**	(37,827)
Payables relating to cash held on Trust	**(53,701)**	21,175
Other Payables	**(49,221)**	47,600
Provision for income tax	**(4,193)**	6,037
Provision for employee entitlements	**3,692**	(249)
Other provisions	**9,845**	(24,193)
Deferred income tax liability	**3,366**	(12,625)
Foreign currency movements in assets and liabilities of overseas controlled entities	**(3,504)**	(1,233)
Net cash flows from operating activities	**44,947**	115,598

23. RECONCILIATION OF STATEMENT OF CASH FLOWS (continued)

(c) Credit facilities	Facility Type	Maturity	Committed Facility Amount	Facility drawn at 30 June 2011
Senior Bank Facilities			$ million	$ million
Senior Secured Syndicated Facility A	Cash advance	7 Feb 2013	-	-
Senior Secured Syndicated Facility B	Cash advance	7 Feb 2013	2,268	2,268
Senior Secured Syndicated Facility C	Cash advance	7 Feb 2013	67	-
Senior Secured Syndicated Facility D	Cash advance	7 Feb 2013	460	460
Working Capital Facility Bilateral Facility	Cash Advance and other Transactional banking facilities including bank guarantees	7 Feb 2013	33	16
Subordinated Debt				
Secured Mezzanine Note Facility	Senior guaranteed notes	7 April 2014	975	975
Other Bank Guarantees	Bank Guarantees	Various	16	16
Total Debt			**3,819**	**3,735 ***

The senior secured syndicated facility is provided by a syndicate of banks and financial institutions led by UBS as Deed agents.

The senior working capital facility is provided on a bilateral basis by ANZ.

The subordinated guaranteed notes are provided by Goldman Sachs and other financial institutions.

All tranches of debt are supported by security over the Group's assets and cashflows and group guarantees from the majority of the Company's wholly owned subsidiaries. Details of the assets and liabilities that form this security are included in the External Closed Group disclosures in Note 31. These facilities impose various affirmative covenants on the Company and the Group, including compliance with certain ratios and covenants, various negative covenants, including restrictions on encumbrances, and customary events of default, including a payment default, breach of covenants, cross-default and insolvency events.

*** Reconciliation to Statement of Financial Position**

	$ million
Total debt drawn (above)	3,735
Unamortised balance of establishment costs	(40)
Bank guarantees	(32)
Debt per Statement of Financial Position	**3,663**

24. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after balance sheet date to note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25. SUPERANNUATION COMMITMENTS

Accounting Policy
A portion of actuarial gains or losses are recognised in profit and loss using the corridor approach. The portion recognised is the excess of the unrecognised gain/loss at the start of the year over the greater of 10% of the value of Plan assets and 10% of the Defined Benefit Obligation at the start of the year, divided by the expected future service of defined benefit members.

Plan Information
Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits.

Valuation
The actuarial valuation of the defined benefits fund for the year ended 30 June 2011 was performed by Darren Wickham FIAA of Mercer Investment Nominees Limited for the purpose of satisfying accounting requirements

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ended	30 June 2011 $'000	30 June 2010 $'000
Present value of defined benefit obligations at beginning of year	**51,671**	49,243
(+) Current service cost	**1,420**	1,474
(+) Interest cost	**2,549**	2,545
(+) Contributions by Plan participants	**823**	952
(+) Actuarial (gains)/losses	**(3,400)**	1,982
(-) Benefits paid/settlements	**(4,655)**	(3,740)
(-) Taxes, premiums & expenses paid	**(455)**	(785)
Present value of defined benefit obligations at 30 June	**47,953**	51,671

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded

Reconciliation of the Fair Value of Plan Assets

Financial year ended	30 June 2011 $'000	30 June 2010 $'000
Fair value of Plan assets at beginning of the year	**48,750**	41,572
(+) Expected return on Plan assets	**3,480**	2,827
(+) Actuarial gains/(losses)	**363**	3,122
(+) Employer contributions	**2,429**	4,802
(+) Contributions by Plan participants	**823**	952
(-) Benefits paid	**-**	(3,740)
(-) Taxes, premiums & expenses paid	**(455)**	(785)
(+) Settlements	**(4,655)**	-
Fair value of planned assets obligations at 30 June	**50,735**	48,750

Reconciliation of the Assets and Liabilities Recognised in the statement of financial position

As at	30 June 2011 $'000	30 June 2010 $'000
Defined benefit obligation^	**47,953**	51,671
(-) Fair value of Plan assets	**(50,735)**	(48,750)
Deficit/(surplus)	**(2,782)**	2,921
(-) Unrecognised net (gain)/loss	**(5,668)**	(10,517)
Net benefit liability/(asset)	**(8,450)**	(7,596)

^ Includes contributions tax provision

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25. SUPERANNUATION COMMITMENTS (continued)

Expense Recognised in Statement of Comprehensive Income

Financial year ended	30 June 2011 $000	30 June 2010 $'000
Service cost	**1,420**	1,474
Interest cost	**2,549**	2,545
Expected return on assets	**(3,480)**	(2,827)
Actuarial loss/(gain)	**540**	716
Effect of curtailments/settlements	**546**	-
Superannuation expense included in salary and employee benefit expense	**1,575**	1,908

Amounts Recognised in the Statement of Comprehensive Income

Financial year ended	30 June 2011 $'000	30 June 2010 $'000
Actuarial (gains)/losses	**(854)**	(2,894)

Cumulative Amount Recognised in the Statement of Comprehensive Income

Financial year ended	30 June 2011 $'000	30 June 2010 $'000
Cumulative amount of actuarial (gains)/losses	**(3,994)**	(3,140)

Plan Assets
The percentage invested in each asset class at the reporting date:

As at	30 June 2011	30 June 2010
Australian Equity	**29%**	30%
International Equity	**25%**	26%
Fixed Income	**18%**	20%
Property	**6%**	7%
Alternatives/Other	**19%**	15%
Cash	**3%**	2%

Fair Value of Plan Assets

The fair value of Plan assets includes no amounts relating to:

- any of the Company's own financial instruments;
- any property occupied by, or other assets used by, the Company.

Expected Rate of Return on Plan Assets
The expected return on assets assumption is determined by weighting the expected long-term return for each class by the target allocation of assets to each class and allowing for the correlations of the investment returns between asset classes. The returns used for each class are net of investment tax and investment fees.

Actual Return on Plan Assets

Financial year ended	30 June 2011 $'000	30 June 2010 $'000
Actual return on Plan assets	**3,843**	5,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

25. SUPERANNUATION COMMITMENTS (continued)

Principal Actuarial Assumptions at the Reporting Date

Financial year ended	30 June 2011 $'000	30 June 2010 $'000
Discount rate	**5.2%**	5.1%
Expected rate of return on Plan assets	**7.1%**	7.1%
Expected salary increase rate	**4.0%**	4.0%

Historical Information

Financial year ended	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000	30 June 2008 $'000	30 June 2007 $'000
Present value of defined benefit obligation	**47,953**	51,671	49,243	51,025	50,813
Fair value of Plan assets	**50,735**	48,750	41,572	57,750	68,618
(Surplus)/deficit in Plan	**(2,782)**	2,921	7,671	(6,725)	(17,805)
Experience adjustments (gain)/loss – Plan assets	**(363)**	(3,122)	13,068	9,737	(5,118)
Experience adjustments (gain)/loss – Plan liabilities	**(2,985)**	283	1,548	2,306	568

Expected Contributions

Financial year ending	30 June 2012 $'000
Expected employer contributions	**1,102**

	Consolidated	
	2011 $'000	2010 $'000
26. CONTINGENT LIABILITIES AND RELATED MATTERS		
Contingent liabilities are unsecured and related primarily to the following: Controlled Entities		
(i) Under the terms of a deed entered into in accordance with ASIC Class Order 98/1418, the parent entity has undertaken to meet any shortfall which might arise on the liquidation of controlled entities which are party to the deed of cross guarantee (Note 31).	-	-
(ii) The consolidated entity has made certain guarantees regarding contractual, performance and other commitments	**23,704**	16,481
The probability of having to meet these contingent liabilities is remote, and therefore it is not practicable to disclose an indication of the uncertainties relating to each amount or the timing of any outflows.		

	2011 $	2010 $
27. AUDITORS' REMUNERATION		
Amounts received, or due and receivable, by the auditor of the parent entity for:		
Auditing the accounts	**402,300**	362,300
Taxation services	**955,453**	1,099,256
Assurance related services	**428,768**	81,585
Other non-audit services	**278,988**	257,400
	2,065,509	1,800,541
Amounts received, or due and receivable, by other member firms of Ernst & Young International for:		
Auditing the accounts of controlled entities	**147,000**	167,000
	2,212,509	1,967,541
Amounts received, or due and receivable, by auditors other than the auditors of the parent entity for:		
Auditing the accounts of controlled entities	**168,000**	217,848
Taxation services	**76,667**	88,317
Due diligence	**119,333**	110,940
	2,576,509	2,384,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

28. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors

Executive Directors

David Liam Gyngell	Appointed 25 November 2010
Patrick Redmond O'Sullivan	
Ian Francis Law	From 16 October 2006, Resigned 2 November 2010

Non-Executive Directors

Andrew Cummins	
Adrian MacKenzie	
Timothy Charles Parker	
Daniel Petre	From 25 November 2010, Resigned 1 September 2011
Peter Bush	Appointed 1 April 2011

(ii) Executives

Phillip Scott	Managing Director, ACP Magazines Australia (from 10 November 2010)
Geoff Jones	Chief Executive Officer, Nine Events (from 1 January 2011)
Robert Blackwell	Chief Executive Officer, Nine Events (from 19 April 2010, resigned 31 December 2010)

(b) Remuneration of key management personnel

Total remuneration for key management personnel for the Group and Parent Entity during the financial year are set out below:

Remuneration by category	2011 $	2010 $
Short term	**11,416,579**	9,723,551
Post employment	**95,954**	86,217
Termination benefits	**7,292,896**	-
Share based payments	**1,515,812**	987,676
	20,321,241	10,797,444

(c) Other transactions with director, key management personnel and their personally related entities

Nine Entertainment Co. Holdings Pty Ltd paid various costs on behalf of CVC Capital Partners and CVC Asia Pacific including travel and accommodation totalling $175,114 for the financial year (2010: $115,000).

All transactions between the Group and its director related entities are conducted under normal commercial terms and conditions unless otherwise noted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

29. RELATED PARTY DISCLOSURES

Parent entity
Nine Entertainment Co. Holdings Pty Limited is the ultimate parent entity of the Group incorporated within Australia and is the most senior parent in the Group which produces financial statements available for public use.

Controlled entities, associates and joint ventures
Interests in significant controlled entities are set out in Note 30.
Investments in associates and joint ventures are set out in Note 11.

Entity with significant influence over the Group
At the date of this report, Red Earth Holdings B.V., an entity incorporated in the Netherlands and ultimately owned and controlled by funds advised by CVC Capital Partners and CVC Asia Pacific, holds 99.93% of the Company's fully paid ordinary shares. Red Earth Holdings B.V. holds an option to acquire the remaining shares which it does not currently hold.

Key management personnel
Disclosures relating to key management personnel are set out in Note 28.

Transactions with related parties
The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year end, refer to Notes 6 and 16):

	Consolidated	
	2011 $'000	**2010** $'000
Rendering of services to and other revenue from -		
Associates of Nine Entertainment Co.		
ninemsn Pty Ltd	8,843	6,102
Australian News Channel Pty Ltd	-	1
Receiving of services from related parties -		
Associates of Nine Entertainment Co.		
ninemsn Pty Ltd	4,624	4,749
Entities with significant influence over the Group		
CVC Asia Pacific and CVC Capital Partners	175	115
Dividends received from -		
Associates of Nine Entertainment Co.		
ninemsn Pty Ltd	13,500	16,000
Australian News Channel Pty Ltd	2,833	3,250
Post ACP Company Limited	607	572

Terms and conditions of transactions with related parties

All of the above transactions were conducted under normal commercial terms and conditions.

For the year ended 30 June 2011, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history has been excellent. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

30. INVESTMENT IN CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Nine Entertainment Co. Holdings Pty Limited and its controlled entities. Significant controlled entities and those included in a class order with the parent entity are:

	Footnote	Place of Incorporation	Beneficial Interest Held by the Consolidated Entity 2011 %	Beneficial Interest Held by the Consolidated Entity 2010 %
Nine Entertainment Co. Holdings Pty Ltd		**Australia**	**Parent Entity**	Parent Entity
ACP Action Sports Holdings Pty Ltd	A	Australia	**100**	100
ACP Action Sports Pty Ltd	A	Australia	**100**	100
ACP Colour Graphics Pty Ltd	A	Australia	**100**	100
ACP Entertainment Magazines Pty Ltd	A	Australia	**100**	100
ACP Magazines Limited	A	Australia	**100**	100
ACP Masthead Nominees Pty Ltd	C	Australia	**100**	100
ACP Mastheads Pty Limited	A	Australia	**100**	100
ACP Media (UK) Investments Limited	B,C	UK	**100**	100
ACP Media (UK) Limited	B,C	UK	**100**	100
ACP Media Limited	B,C	New Zealand	**100**	100
ACP NS Pacific Pty Ltd	A	Australia	**100**	100
Australian Consolidated Press Limited	A	Australia	**100**	100
Bass New Zealand Limited	B	New Zealand	**100**	100
Bounty Services Pty Ltd	C	Australia	**100**	100
carsales.com Limited	D	Australia	**-**	49.1
ecorp Limited	A	Australia	**100**	100
Events Management Catering Pty Limited	A	Australia	**100**	100
General Television Corporation Pty Limited	A	Australia	**100**	100
NBN Enterprises Pty Limited	A	Australia	**100**	100
NBN Investments Pty Limited	C	Australia	**100**	100
NBN Ltd	A	Australia	**100**	100
NBN Productions Pty Ltd	C	Australia	**100**	100
Nine Films & Television Pty Ltd	A	Australia	**100**	100
Nine Network Australia Holdings Pty Ltd	A	Australia	**100**	100
Nine Network Australia Pty Ltd	A	Australia	**100**	100
Nine Network Productions Pty Limited	A	Australia	**100**	100
Pay TV Holdings Pty Limited	A	Australia	**100**	100
PBL Marketing Pty Ltd	A	Australia	**100**	100
Nine Entertainment Co. Debenture Co Pty Ltd	A	Australia	**100**	100
Nine Entertainment Co. Finance (1) Pty Ltd	C	Australia	**100**	100
Nine Entertainment Co. Finance (3) Pty Ltd	A	Australia	**100**	100
Nine Entertainment Co. Finance Holdings Pty Ltd	A	Australia	**100**	100
Nine Entertainment Co. Group Limited	C	Australia	**100**	100
Nine Entertainment Co. Holdings Trust	E	Australia	**-**	-
Nine Entertainment Co. Mastheads Pty Ltd	A	Australia	**100**	100
Nine Entertainment Co. Pty Ltd	A	Australia	**100**	100
Petelex Pty Limited	A	Australia	**100**	100
Queensland Television Holdings Pty Ltd	A	Australia	**100**	100
Queensland Television Ltd	A	Australia	**100**	100
Shertip Pty Ltd	A	Australia	**100**	100
Softix Pty Ltd	C	Australia	**100**	100
Staflex Pty Ltd	A	Australia	**100**	100
Sydney Superdome Pty Ltd	A	Australia	**100**	100
TCN Channel Nine Pty Ltd	A	Australia	**100**	100
Television Holdings Darwin Pty Limited	A	Australia	**100**	100
Territory Television Pty. Ltd.	A	Australia	**100**	100
Ticketek New Zealand Limited	B,C	New Zealand	**100**	100
Ticketek Queensland Pty Ltd	C	Australia	**100**	100
Ticketek Services Limited	B,C	New Zealand	**100**	100
Ticketek Victoria Pty Ltd	C	Australia	**100**	100
Ticketek Insights Pty Ltd	C	Australia	**100**	50
Ticketek Pty Ltd	A	Australia	**100**	100
White Whale Pty Ltd	A	Australia	**100**	100
Zacchaeus Pty Ltd	C	Australia	**100**	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

30. INVESTMENT IN CONTROLLED ENTITIES (continued)

A. These controlled entities have entered into a deed of cross guarantee with the parent entity under ASIC Class Order 98/1418 - the "Closed Group" (refer Note 31).
B. Controlled entities which are audited by other member firms of Ernst & Young International.
C. Members of the "Extended Closed Group" only
D. Controlled entities not audited by Ernst & Young
E. Entity controlled by the company as a result of a Special Capital Unit

31. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 and various deeds of cross guarantee entered into with the parent entity, certain controlled entities of Nine Entertainment Co. Holdings Pty Ltd have been granted relief from the Corporations Act 2001 requirements for preparation, audit and publication of accounts.

The consolidated statement of comprehensive income and statement of financial position of the entities which are members of the "Closed Group" and the "Extended Closed Group" for the year ended 30 June 2011 are:

	Closed Group[1]		Extended Closed Group[2]	
	2011 $'000	**2010** $'000	**2011** $'000	**2010** $'000
Consolidated Statement of Comprehensive Income				
Profit/(Loss) before income tax	**(338,081)**	535,661	**(407,625)**	24,346
Income tax (expense)/benefit	**(51,793)**	45,770	**(72,557)**	44,755
Net profit/(loss) after income tax	**(389,874)**	581,431	**(480,182)**	69,101
Net (profit)/loss attributable to non-controlling interests	**-**	-	**-**	502,392
Net profit/(loss) attributable to members of the parent	**(389,874)**	581,431	**(480,182)**	571,493
Transfer from non-controlling interests	**-**	-	**-**	(372,025)
Transfer from other reserves	**58,639**	-	**78,430**	-
Accumulated losses at the beginning of the financial year	**(643,893)**	(1,225,324)	**(963,640)**	(1,163,108)
Accumulated losses at the end of the financial year	**(975,128)**	(643,893)	**(1,365,392)**	(963,640)

[1] Closed Group are those entities party to the Deed of Cross Guarantee.

[2] Extended Closed Group are those entities in the Closed Group and members of the Obligor group that have collectively agreed to guarantee the senior bank facilities and subordinated debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Closed Group		Extended Closed Group	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
31. DEED OF CROSS GUARANTEE (continued)				
Consolidated Statement of Financial Position				
Current Assets				
Cash and cash equivalents	**111,680**	180,443	**281,693**	322,125
Receivables	**281,854**	306,005	**294,786**	319,258
Inventories	**14,417**	11,205	**16,737**	14,468
Program rights	**161,877**	162,562	**161,877**	162,562
Assets classified as held for sale	**-**	17,046	**-**	17,046
Other	**6,750**	13,099	**7,306**	13,819
Total Current Assets	**576,578**	690,360	**762,399**	849,278
Non Current Assets				
Receivables	**3,301**	4,246	**3,301**	4,246
Program rights	**52,791**	27,811	**52,791**	27,811
Investment in associates	**277,269**	282,276	**277,269**	282,276
Other financial assets	**86,969**	182,170	**43,959**	158,647
Property, plant and equipment	**195,998**	160,390	**197,681**	161,973
Licences and mastheads	**1,079,431**	1,126,038	**1,533,229**	1,614,161
Other intangible assets	**1,415,149**	2,135,701	**1,438,925**	2,159,586
Deferred tax assets	**-**	54,022	**-**	61,419
Other	**8,531**	7,676	**8,531**	7,676
Total Non Current Assets	**3,119,439**	3,980,330	**3,555,686**	4,477,795
Total Assets	**3,696,017**	4,670,690	**4,318,085**	5,327,073
Current Liabilities				
Payables	**375,320**	461,239	**500,092**	595,547
Interest-bearing loans and borrowings	**108**	129	**108**	129
Income tax payable	**-**	-	**-**	982
Provisions	**75,061**	66,046	**76,126**	67,501
Derivatives	**39,096**	35,701	**54,205**	50,895
Total Current Liabilities	**489,585**	563,115	**630,531**	715,054
Non Current Liabilities				
Payables	**77,993**	78,992	**92,206**	96,991
Interest-bearing loans and borrowings	**2,748,229**	3,310,099	**3,662,551**	4,132,205
Deferred tax liability	**4,651**	-	**10,367**	-
Provisions	**34,515**	29,483	**34,656**	29,627
Derivatives	**28,145**	63,991	**40,124**	91,227
Total Non Current Liabilities	**2,893,533**	3,482,565	**3,839,904**	4,350,050
Total Liabilities	**3,383,118**	4,045,680	**4,470,435**	5,065,104
Net Assets/(liabilities)	**312,899**	625,010	**(152,350)**	261,969

32. FINANCIAL INSTRUMENTS

Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash and short-term deposits and credit facilities (see Note 23(c). The main purpose of these financial instruments is to manage liquidity and to raise finance for the Group's operations. The Group has various other financial instruments, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group uses derivatives in accordance with Board approved policies to reduce the Group's exposure to adverse fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation to or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative instruments that the Group uses to hedge risks such as interest rate, foreign currency and commodity price movements include –

- Interest rate swaps
- Forward foreign currency contracts

The Group's risk management activities are carried out centrally by the Nine Entertainment Co. Holdings Group Treasury department. The Group Treasury department operates under policies as approved by the Board. The Group Treasury department operates in co-operation with the Group's operating units so as to maximise the benefits associated with centralised management of Group risk factors.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of net debt and total equity balances.

Capital risk management focuses on the maturity profile and stability of debt facilities. The Group's capital structure was established in 2007 and early 2008, when the majority of acquisitions occurred, and is reviewed to maintain:

- sufficient finance for the business at a reasonable cost; and
- sufficient funds available to the business to implement its capital expenditure and business acquisition strategies.

The Group continuously reviews the capital structure.

Refer to Note 1(z) for a description of the current status of capital management and Note 17 for a description of externally imposed capital requirements.

(a) Carrying Value and Fair Values of Financial Assets and Financial Liabilities

The carrying value of a financial asset or liability will approximate its fair value where the balances are predominantly short term in nature; can be traded in highly liquid markets and incur little or no transaction costs. The carrying values of the following accounts approximate their fair value:

Account	Note
Cash and cash equivalents	23(a)
Trade and other receivables	6
Derivative liabilities – fair value through profit	1(z)

The Group uses various methods in estimating the fair value of a financial instrument. The different methods have been defined as follows:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data which includes discounted cash flows, the maturity date and interest rates.

The fair value of the senior secured syndicated facilities and interest rate swaps are determined as Level 2 and the secured mezzanine note facility is assessed as Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32. FINANCIAL INSTRUMENTS (continued)

The following table lists the carrying values and fair values of the Group's bank facilities at balance date:

		2011		2010	
	Refer Note	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Bank facilities secured – Current					
Senior secured syndicated facilities – at amortised cost	23(c)	-	-	-	-
Total bank facilities secured – Current		-	-	-	-
Bank facilities secured – Non-current					
Senior secured syndicated facilities – at amortised cost	23(c)	**2,727,876**	**2,318,695**	3,312,052	2,649,642
Secured Mezzanine note facility – at amortised cost	23(c)	**974,613**	**779,691**	881,674	705,340
Total bank facilities secured – Non-current		**3,702,489**	**3,098,386**	4,193,726	3,354,982
Total bank facilities secured		**3,702,489**	**3,098,386**	4,193,726	3,354,982

(b) Market risk factors

The key risk factors that arise from the Group's activities, including the Group's policies for managing these risks are outlined below. Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The market risk factors to which the Group is exposed to are discussed in further detail below.

(i) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial commitments as and when they fall due. To help reduce this risk, the Group ensures it has readily accessible funding arrangements in available.

The contractual maturity of the Group's fixed and floating rate derivatives, other financial assets and other financial liabilities are shown in the following tables. The amounts presented represent the future undiscounted principal and interest cash flows and therefore do not equate to the values shown in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32. FINANCIAL INSTRUMENTS (continued)

	2011				2010			
	Contractual maturity (nominal cash flows)							
	Less than 1 year $'000	1 to 2 year(s) $'000	2 to 5 years $'000	Over 5 years $'000	Less than 1 year $'000	1 to 2 year(s) $'000	2 to 5 years $'000	Over 5 years $'000
Derivative – inflows[1]								
Interest rate swaps – receive variable[2]	256,543	177,347	41,880	-	251,950	251,950	221,667	-
Forward foreign currency contracts[3]	-	-	-	-	-	-	-	-
Derivatives – outflows[1]								
Interest rate swaps – pay fixed[2]	251,194	181,629	56,687	-	251,194	251,194	238,315	-
Forward foreign currency contracts[3]	40,481	-	-	-	-	-	-	-
Other financial assets[1]								
Cash assets	290,705	-	-	-	344,967	-	-	-
Trade and other receivables[4]	308,037	-	3,301	-	353,914	-	4,246	-
Other financial liabilities[1]								
Trade and other payables[4]	520,172	49,981	23,626	4,386	631,818	39,746	36,683	2,563
Other interest bearing loans and borrowings	108	21	50	31	129	21	66	20
Debt facilities (including interest)	304,166	2,952,670	1,052,807	-	334,405	334,405	4,869,995	-

[1] For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date
[2] Net amount for interest rate swaps for which net cash flows are exchanged. Categorisation of inflows and outflows is based on current variable rates at the reporting date
[3] Contractual amounts to be exchanged representing cash flows to be exchanged
[4] Excluding amounts due from/to subsidiaries

(ii) Interest rate risk

Interest rate risk refers to the risks that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from interest bearing financial assets and liabilities that the Group utilises. Non-derivative interest bearing assets is predominantly cash. The Group's debt facilities are all floating rate liabilities, which gives rise to cash flow interest rate risks.

The Group's risk management policy for interest rate risk seeks to minimise the effects of interest rate movements on its asset and liability portfolio through active management of the exposures. The policy prescribes minimum and maximum average fixed rate maturity profiles for both asset and liability portfolios.

The Group maintains a mix of long term and short term debt and enters into interest rate swaps to manage these risks. The Group designates which of its financial assets and financial liabilities are exposed to a fair value or cash flow interest rate risk, such as financial assets and liabilities with a fixed interest rate or financial assets and liabilities with a floating rate interest that is reset as market rates change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32. FINANCIAL INSTRUMENTS (continued)

At balance date, the Group had the following mix of financial assets and financial liabilities exposed to Australian floating interest rate risk that not designated in cash flow hedges:

	2011				2010			
	Average interest rate p.a %	Floating rate $'000	Non-interest bearing $'000	Total $'000	Average interest rate p.a %	Floating rate $'000	Non-interest bearing $'000	Total $'000
Financial assets								
Cash and cash equivalents	**4.67**	**290,705**	**-**	**290,705**	3.69	344,967	-	344,967
Trade and other receivables	**N/A**	**N/A**	**311,338**	**311,338**	N/A	N/A	358,160	358,160
Financial liabilities								
Trade and other payables	**N/A**	**N/A**	**598,165**	**598,165**	N/A	N/A	710,809	710,809
Derivative liabilities (interest rate swaps and collars)	**Various**	**N/A**	**90,728**	**90,728**	Various	N/A	142,122	142,122
Forward foreign currency contracts	**Various**	**N/A**	**3,601**	**3,601**	-	-	-	-
Interest bearing liabilities –								
Senior secured syndicated facilities – at amortised cost	**7.43**	**2,727,876**	**-**	**2,727,876**	7.09	3,312,052	-	3,312,502
Secured Mezzanine note facility – at amortised cost	**10.42**	**974,613**	**-**	**974,613**	11.28	881,674	-	881,674

Sensitivity Analysis

The table below shows the effect on net profit after income tax if interest rates at balance date had been 10% higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Concurrent movement in interest rates and parallel shifts in the yield curves are assumed.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian interest rates. A 10% sensitivity would move short term interest rates at 30 June 2011 from around 7.09% to 7.80% representing a 71 basis point shift. This would represent two to three rate increases in the official cash rate. In 2011, 100% (2010: 100%) of the Group's debt was denominated in Australian Dollars; therefore only the movement in Australian interest rates is used in this sensitivity analysis.

Based on the sensitivity analysis, if interest rates were 10% higher, net profit would be impacted by the interest expense being higher on the Group's net floating rate Australian Dollars positions during the year.

	Net Profit After Tax		Post-tax Equity (Cash flow hedge reserve) As at 30 June	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
If interest rates were 10% higher with all other variables held constant – increase/(decrease)	**(3,334)**	(5,772)	**9,073**	(4,207)
If interest rates were 10% lower with all other variables held constant – increase/(decrease)	**3,334**	5,772	**(9,073)**	4,207

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32. FINANCIAL INSTRUMENTS (continued)

(iii) Foreign currency risk

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group's foreign currency exchange risk arises primarily from –

- borrowings denominated in foreign currency; and
- firm commitments and/or highly probable forecast transactions for receipts and payments settled in foreign currencies and prices dependent on foreign currencies respectively.

The Group is exposed to foreign exchange risk from various currency exposures, primarily with respect to paper purchases in ACP Magazines –

- United States Dollars ("USD")
- Euros

Forward foreign exchange contracts are used to hedge a portion of the Group's anticipated foreign currency risks. These contracts have maturities of less than 12 months after the reporting date and consequently the net fair values of the gains and losses on these contracts will be transferred from the cash flow hedge reserve to profit or loss at various dates during this period when the underlying exposure impacts earnings. The derivative contracts are carried at fair value, being the market value as quoted in an active manner.

The Group's risk management policy for foreign exchange permits hedging of the Group's underlying foreign exchange exposures. The policy prescribes minimum and maximum hedging parameters linked to actual and forecast transactions involving foreign currencies.

Benefits or costs arising from currency hedges for revenue and expense transactions that are designated and documented in a hedge relationship are brought to account in profit or loss over the lives of the hedge transactions depending on the effectiveness testing outcomes and when the underlying exposure impacts earnings. Fore transactions entered into that hedge specific capital or borrowing commitments, any cost or benefit resulting from the hedge forms part of the initial asset or liability carrying value.

When entered into, the Group formally designates and documents the financial instrument as a hedge of the underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. The Group formally assesses both at the inception and at least half-yearly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair value or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognised in the profit or loss for the year and this is mainly attributable to financial instruments in a fair value hedge relationship. Derivatives entered into and not documented in a hedge relationship are re-valued with the changes in fair value recognised in profit or loss. Virtually all of the Group's derivatives are straightforward over-the-counter instruments in liquid markets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

32. FINANCIAL INSTRUMENTS (continued)

Sensitivity Analysis

The first table below shows the effect on net profit and equity after income tax as at balance date from a 25% favourable/25% unfavourable movement in exchange rates at that date on a total derivative portfolio basis with all other variables held constant. The Group had foreign exchange derivatives totalling $40m at 30 June 2011.

The Group's foreign currency risk from the Group's long term borrowings denominated in foreign currency has no significant impact on profit from foreign currency movements as they are effectively hedged.

	Net Profit After Tax		Post-tax Equity (Cash flow hedge reserve) As at 30 June	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
If foreign currency rates (USD v AUD) were 25% higher with all other variables held constant – increase/(decrease)	-	-	(4,814)	-
If foreign currency rates (USD v AUD) were 25% lower with all other variables held constant – increase/(decrease)	-	-	4,814	-
If foreign currency rates (EUR v AUD) were 25% higher with all other variables held constant – increase/(decrease)	-	-	(2,271)	-
If foreign currency rates (EUR v AUD) were 25% lower with all other variables held constant – increase/(decrease)	-	-	2,271	-

(iv) Credit risk exposures

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Group to make a financial loss. The Group has exposure to credit risk on all financial assets included in the Group's statement of financial position. To help manage this risk, the Group –

- has a policy for establishing credit limits
- manages exposures to individual entities it either transacts with or enters into derivative contracts with (through a system of credit limits)

The Group's credit risk is mainly concentrated across a number of customers and financial institutions. The Group does not have any significant credit risk exposure to a single or group of customers or individual institutions.

Financial assets are considered impaired where there is objective evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if impairment exists include ageing and timing of expected receipts and the credit worthiness of counterparties. An allowance for doubtful debts is created for the difference between the assets carrying value and the present value of estimated future cash flows. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

Refer to Note 6 for an ageing analysis of trade receivables and the movement in the allowance for doubtful debts. All other financial assets are not impaired and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due.

Trade receivables include the following credit concentration:

	2011 $'000	2010 $'000
Advertising	**208,061**	236,360
Magazine distributions	**36,344**	43,789
Television stations	**19,526**	20,305
Other	**26,857**	34,354
	290,788	334,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

33. PARENT ENTITY DISCLOSURES

a) Financial Position	Parent Entity	
	2011 $'000	2010 $'000
Current assets	-	-
Non-current assets	-	665,874
Total assets	-	665,874
Current liabilities	**3,707**	8,039
Non-current liabilities	-	-
Total liabilities	**3,707**	8,039
Net assets/(liabilities)	**(3,707)**	657,835
Contributed equity	**1,331,381**	1,335,911
Reserves	**4,452**	4,963
Retained earnings	**(1,339,540)**	(683,039)
Total equity/deficiency)	**(3,707)**	657,835

b) Comprehensive Income	Parent Entity	
	2011 $'000	2010 $'000
Net profit / (loss) for the year	**(656,501)**	2,574
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	**(656,501)**	2,574

c) Commitments and Contingencies

The parent entity was a party of the Deed of Cross Guarantee entered into with various Group companies. Refer to Note 31 for further details.

Refer to Note 22 for disclosure of the Group's commitments and contingencies. The operation of the Deed of Cross Guarantee has the effect of joining the parent entity as a guarantor to the Group's commitments and contingencies.