nine entertainment co.

annual report 2014

AGM: *the annual general meeting of the Company will take place at 10.00am (AEST) on Wednesday, 19 November at Level 37, 2 Park Street, Sydney NSW.*

touching 11.7m

With its pre-eminent suite of media assets, strong balance sheet and broad management expertise, Nine Entertainment is uniquely positioned as Australia's leading media and entertainment company.

A rich and vibrant history of media and entertainment in Australia

1956 Nine Network Established

1990 WIN affiliation agreement with Nine Network commenced

1992 NBN becomes Nine's affiliate in Northern New South Wales

1997 ninemsn joint venture established

2007 Acquired Ticketek and Sydney Superdome ^

2007 Acquired NBN

2009 Nine Network launched digital channel, Go!

2010 Nine Network launched digital channel, GEM

2011 Mi9 formed as umbrella to digital businesses

2011 New investment in Yellow Brick Road

^ with its long-term lease over Allphones Arena

australian lives

2012
Divestment of ACP Magazines

2013
Divestment of interest in iSelect

July 2013
Acquired Nine Adelaide

September 2013
Acquired Nine Perth

November 2013
Acquired Microsoft's 50% interest in Mi9

November 2013
Daily Mail Australia Joint Venture established

December 2013
Listed on the Australian Securities Exchange

January 2014
Move to 1 hour News

April 2014
Tipstone formed

June 2014
Debt refinancing completed

August 2014
SVOD Joint Venture with Fairfax Media established

Operational highlights

In FY14, our first result following the December 2013 IPO, NEC exceeded Prospectus forecasts at every level. Revenue was 0.8% ahead of Prospectus, while Group EBITDA was 2% higher. Net Profit after tax of $144.2m was 3.4% above our Prospectus forecasts, and was 5.5% ahead of FY13. Operating momentum was evidenced at each of our businesses, TV, Live and Digital, as our competitive position continues to improve. Closing Net Debt of $537m was below expectations which reflected our continued focus on Operating Free Cash Flow. Following completion of the IPO and the subsequent debt refinancing, we have a strong balance sheet with significant flexibility.

$m	Pro Forma FY14	Pro Forma FY13	Variance %	Pro Forma Prospectus Forecast FY14
Revenue	1,578.3	1,493.0	+5.8	1,565.9
Group EBITDA	311.0	297.2	+4.7	305.0
Depreciation and Amortisation	(51.7)	(47.1)	+9.8	(52.9)
EBIT	259.3	250.1	+3.7	252.1
Net interest (expense)/income	(54.3)	(56.6)	+4.1	(52.7)
Net Profit before Tax and Specific items	205.0	193.5	+5.9	199.3
Tax (Expense)/benefits	(60.8)	(56.8)	+7.0	(59.8)
Net Profit/(Loss) after Tax	144.2	136.7	+5.5	139.5
EPS, c	16.4	nm		15.8
Dividend per share, c	4.2	–		4.1

44% of Australians now participate in "social TV" behaviour

Listed on the Australian Securities Exchange in December 2013 with a recapitalised balance sheet and international investor base

FY14 result ahead of Prospectus forecasts

Fifth consecutive year of ratings improvement in calendar 2013, winning all key advertiser demographics with positive momentum in 2014

Integration of Adelaide and Perth TV acquisitions

Record year for Live business with strong contributions from each of its principal business lines

Reclaiming control of our digital future following 100% acquisition of Mi9 in November

Preparation to launch Australia's first mainstream Subscription Video on Demand service later this year in joint venture with Fairfax Media

Establishment of Nine Cares, which contributed more than $30m to the broader community in FY14

Restructuring of Group debt provides increased flexibility and c $20m p.a. interest cost savings from FY15

Operating Free Cash Flow up $38m to $272m (Pro Forma basis)

Net Debt at June year end of $537m reflects conservative Net Leverage of 1.7X

Maiden final dividend of 4.2 cents per share, consistent with the targeted payout ratio of 50–60% of NPAT

Financial Position

	Pro Forma 30 Jun 2014	Pro Forma 30 Jun 2013	Variance
Net Debt $m	537.3	601.7	–64.4
Net Leverage	1.7X	2.0X	–0.3X

Chairman's report

A portfolio of businesses that independently have momentum but that are increasingly inter-twined, and the ability to grow this portfolio

"Having emerged from a period where we were primarily focused on satisfying covenants, with a new shareholder base and conservative capital structure, we are now stronger than ever, with momentum across each of our business units and a focus on long-term shareholder value creation."

On behalf of the Board of Directors, I am pleased to present the Nine Entertainment Co. (NEC) Annual Report for the 2014 financial year, the first since listing on the Australian Securities Exchange in December 2013. NEC is one of Australia's premier media companies, with a portfolio of assets not replicated anywhere in the world: Australia's number 1 rating Free to Air television network across all key demographics, Australia's market leading ticketing services provider, Australia's largest indoor sports arena, a number of Australia's most trafficked digital news websites as well as being primed to launch Australia's first mainstream Subscription Video On Demand (SVOD) service.

NEC finished the 2014 financial year ahead of its Pro Forma Prospectus forecasts, reporting year-on-year growth in Pro Forma revenue of 6% and EBITDA of 5%, despite a marked softening in the advertising market over the second half of the year. Growth in profitability was underpinned by the improved operating performances of Nine Network and Nine Live, whilst the Pro Forma results for Nine Digital, somewhat distorted by the change in ownership structure and operating model for the business, were in line with expectations. Following the release of NEC's full year results, the Directors declared the Company's maiden dividend to shareholders of 4.2 cents per share.

This result is the first in the next chapter of NEC's evolution. Having emerged from a period where we were primarily focused on satisfying covenants, with a new shareholder base and conservative capital structure, we are now stronger than ever, with momentum across each of our business units. The Board's focus is now firmly on how we build long-term sustainable shareholder value, whilst ensuring operating performance is optimised and governance standards are maintained.

We believe we have the pre-eminent suite of media assets in Australia, and with our balance sheet and management expertise, we are well placed to build from this solid base. The boundaries between our traditional sectors of TV, Digital and Live Events are becoming increasingly blurred. The bringing together of our TV and Digital businesses reflects this change in mindset. They are both, after all, primarily advertising driven businesses which share the same client base. And much of the content that we pride ourselves on, can similarly reach across our different businesses.

Our planned launch of an SVOD business, currently internally referred to as "StreamCo", is an opportunity that has come out of this evolution. We are excited by the prospect of working with our joint venture partner, Fairfax Media, on this new business opportunity. With our long history in Australian commercial television, and Fairfax's strength in digital and subscription services, the Board believes that StreamCo is in a strong position to bring a mainstream SVOD service to all Australians. Moreover, as two of Australia's pre-eminent media companies, our ability to market and promote the service will be second to none.

The media sector in Australia continues to operate within the regulatory framework established in the 1990s. We remain supportive of the removal of outdated legislation, which will enable the industry to operate more efficiently and sustainably in light of the evolving industry transformation driven by digitisation. We consider that it is important that Australian media can operate without artificial barriers in a world where media consumption has become barrier free. With a low level of underlying leverage and a clear focus on enhancing shareholder value, the Board and management team will be looking for opportunities to expand the company's current portfolio of businesses in a deregulated environment.

However, like all things we do, the Board will ensure that any opportunities are pursued only after meeting strict strategic and economic return measures.

We are committed to internal policies and practices that reflect good corporate governance and comply with the requirements applicable to Australian listed companies. As an employer of more than 3,800 people around Australia, we are similarly focused on providing an inclusive workplace that attracts the very best employees, irrespective of gender, race or ethnicity. Further details of our corporate governance and diversity policies can be found on page 44 of this Annual Report.

In closing, I would like to thank all your company's management and staff for their ongoing commitment and focus. Listing on the Australian Securities Exchange requires an enormous amount of time and effort and during this period, the business did not miss a beat but continued to gain momentum. The management team, led by David Gyngell, now have the added responsibilities of being a listed company and the focus on shareholder value and lifting shareholder returns is tangible.

Thank you also to my fellow Board members who have supported the management team and myself throughout the year.

David Haslingden
Chairman

WIDE WORLD OF SPORTS

NEC reaches
93.4%
of Australians each week

Chief Executive's report

"It has been around ten years since Nine attracted more than 40% revenue share of the domestic Free to Air market and achieving this target will mark an extraordinary turnaround from the lows of 2007."

It has been a busy and exciting year for Nine Entertainment Co. (NEC) which has seen us complete the acquisitions of our Perth and Adelaide affiliates, take full control of the Mi9 business and list on the Australian Securities Exchange. At the same time, each of our operating businesses has maintained its own positive momentum across the year.

After a strong first half, when Metro Free to Air TV advertising revenue grew by 5%, the advertising market softened in the second half, the trend deteriorating as the half progressed, with the disruptive influences of Easter and ANZAC Day and uncertainty and conjecture relating to the Federal Budget and its associated austerity measures. This resulted in the Metro Free to Air TV market slowing markedly in the June quarter resulting in second half growth of only 1.7%. The September quarter has started weakly, with the Metro Free to Air TV market in decline in July and August, partially reflecting the challenging prior corresponding period which benefitted from spending relating to the 2013 Federal Election. Encouragingly, at the time of writing the Metro market looks to have returned to growth in September. Beyond that, visibility of market conditions is very limited and it is too early to predict market growth for the half or full year.

Nine's exposure to the advertising cycle has been somewhat insulated by positive share momentum with Nine's Metro advertising revenue share hitting a ten year high at 38.7% for the year. This improved revenue share reflects Nine's ongoing ratings momentum, and also the outstanding performance of the NEC sales team. Over the past six years, Nine's metro commercial audience share has been steadily building from a low of 30.8% in 2007 to a high of 37.9% in the December half of 2013. Nine was the clear number 1 ranked network in People 25-54s, 16-39s and 18-49s for the 12 months to June 2014.

Our programming teams have continued to outperform. The stalwarts of News, Sport, quality local drama and strong reality TV formats like The Block and The Voice are the heart of commercial Free to Air television today, and Nine has a consistent presence in all. This year, Nine added to this base with the new drama Love Child, Fat Tony, the latest instalment from the Underbelly franchise as well as Inside Story, resulting in a breadth and consistency that we have not experienced for a number of years.

From the start of 2014, we extended our 6pm News service from half an hour to an hour. News is one of the mainstays of Free to Air television with the quality of the offering, the ability to pick up on breaking stories at short notice and the commitment to 24 hour coverage driving viewers to the medium when big stories break – and importantly, driving more than 1m viewers Australia-wide to our service each night of the week. Moreover, News is a genre that we both own and control – in terms of the intellectual property and level of investment. As the gateway to the evening's entertainment programming, the promotional value of a strong lead-in from a superior News product should also not be underestimated.

During FY14, we acquired our affiliates in Adelaide and Perth from WIN Corporation. We now have a national metro Free to Air Network for the first time in the history of Channel Nine. The benefits of this are just starting to be realised as Nine consolidates its position as a truly National Network and brings the operating performances of Nine Adelaide and Perth more in line with those of their eastern state counterparts.

During the year, I stated a revenue share target of 40% by the end of 2015. This target is within our reach. The consistent and improving performance of the Nine schedule, the lift in Nine Adelaide and Perth, coupled with some major events next year will help us work towards this target. The best cricket teams in the world are coming to Australia this summer beginning with three T20s and five One Day Internationals (ODIs) Australia v South Africa, four Test matches Australia v India, followed by a seven match ODI Tri-Series between Australia, England and India. In February and March, the ICC Cricket World Cup comes to Australia and New Zealand for the first time in over 20 years with Nine broadcasting 10 prime time ODI matches including all of Australia's group matches and the Finals. In July and August Nine will exclusively broadcast live and in prime time, 30 days of The Ashes 2015. While in September-October 2015, Nine will broadcast the Rugby World Cup from England. It has been around 10 years since Nine attracted more than 40% revenue share of the domestic Free to Air market and this would mark an extraordinary turnaround from the lows of 2007.

I remain a firm believer in television and its position in the media landscape. In a period where traditional media's rites have been questioned, television has held its own. Over the past decade, television's share of the total advertising market has held between 28-30% and CEASA data for the 12 months to December 2013 reported television's share at 29.9%, its highest level since 2004. Nine is continually revisiting the structure and content of its schedule to reflect the changing patterns of viewership and ensure that we remain at the leading edge of programming innovation. And the viewers remain. Over the past 10 years, total audience and time spent watching Free to Air TV in Australia have increased by 4% and 4 minutes respectively[1].

1. Source: OzTAM data, 6am-midnight, 5 city metro data.

With 100% ownership of our digital business, Mi9, comes the opportunity to determine the direction of this business. Online continues to be the fastest growing advertising medium, and Mi9 is one of Australia's leading online media companies. As the relationship with Microsoft evolves to one of a commercial partner, there will be challenges, but we can also now exploit opportunities which at times in the past have not made sense when our digital business was partly owned. The Daily Mail joint venture was one of our early initiatives while the July 2014 relaunch of 9news.com.au broadens the brand and audience of our already leading Nine News product. The co-location of our Television and Digital teams reflects our vision of bringing together the marketing power of the NEC portfolio as a single point of contact with our core advertiser base.

We have announced plans to launch a Subscription Video on Demand service later this current financial year, with our joint venture partner, Fairfax Media. StreamCo, which is the current working title, plays to the strength of our combined businesses – television, marketing, brand promotion, digital, subscription and consumer preferences are all fundamental to our businesses. From what was initially a defensive strategy, extensive international and local market research has convinced us that there is a real market opportunity for a world-class streaming business to succeed in Australia, something we believe our joint venture is best placed to deliver.

After a particularly strong first half, Nine Live reported FY14 EBITDA growth of 18%. During the year, Ticketek consolidated its position as Australia's leading ticketing company with the re-signing of three major venues – the MCG, ANZ Stadium and the Melbourne Olympic Park Trust – to long-term exclusive ticketing contracts. Ticketek remains the core, and it is being increasingly helped by our ability, through Nine Touring and Events, to bring world class events to these venues.

Allphones Arena has continued to attract popular content, with strong growth in attendances across the year and a healthy pipeline into FY15.

The evolution of Nine Touring and Events continued in 2014. From a concept just three years ago, Nine Touring and Events has emerged as a mainstream player in live event promotion. Our pipeline continues to broaden as this business matures.

The importance of Nine Live within the NEC Group has also developed significantly over the past few years and I continue to be delighted at the Live management team's ability to think outside the box. The recent announcement of a four year deal to bring three of Europe's best soccer teams to Australia to play in a friendly round robin tournament at the Melbourne Cricket Ground in July 2015, is a great example.

We have been active in our support of a review of media ownership regulation and we remain hopeful that changes will be legislated during FY15. The ongoing health and vitality of the media industry overall remains dependent upon each company's ability to maximise its own business performance. As a leading diversified media company, I believe there is opportunity for us to benefit from the broadening of our broadcast base as well as potentially expanding into other complementary media.

In June, we successfully refinanced our debt with a consortium of local and international banks. The support we received from the banks, and the terms we were able to secure, reflect the progress we have made over the past two years. We now have a competitively priced and flexible financing structure that will serve us well with our current suite of assets but also give us room to pursue further opportunities.

After a couple of years of being focused on our balance sheet, our commitment to Nine Ventures has been reignited. Through Nine Ventures, we are looking for opportunities to invest in fast-growing, consumer facing businesses. Through our existing asset portfolio, we believe we have the ability to add significant marketing support to these assets, above and beyond our financial investment. In July 2014, we took a stake in Literacy Planet, a cloud based English literacy teaching and learning resource that currently reaches more than 85,000 students across Australia and international markets. We recently lifted our stake in wealth management company, Yellow Brick Road, to 20%. Through Nine and Mi9, we have significant capacity to help broaden the reach of Literacy Planet and Yellow Brick Road and we are constantly looking for other similar opportunities.

The successful IPO in December 2013 marked the end of a challenging period for NEC. Whilst the debt profile of the business for some time had been unsustainable, the underlying operating performance of the Group continued to strengthen. We have emerged a stronger company, and with low leverage, particularly in relation to our media peers. I would like to thank the Board for their unwavering support when so many tough decisions had to be made, and for their ongoing commitment. I would also like to thank all of our staff and employees for their continued focus and support throughout this period of uncertainty and I look forward to what 2015 will bring.

Thank you

David Gyngell
CEO

Summary financial performance

$m	Reported FY14	Reported FY13	Pro Forma FY14	Pro Forma FY13	Variance	Pro Forma Prospectus Forecast FY14
Revenue	1,550.4	1,270.1	1,578.3	1,493.0	+5.8%	1,565.9
Group EBITDA	309.7	261.9	311.0	297.2	+4.7%	305.0
Net Profit after Tax	57.9	1,200.8	144.2	136.7	+5.5%	139.5
Earnings Per Share, cents	15.7	(10.3)	16.4	nm	nm	15.8
Operating Free Cash Flow	299.8	134.2	271.9	234.1	+16.2%	232.5
Net Debt	537.3	517.0	537.3	601.7	–$64.4m	–
Leverage	1.7X	2.0X	1.7X	2.0X	-0.3X	–

On a Reported basis, Revenue increased by 22% to $1,550m, Group EBITDA improved 18% to $309.7m and Net Profit after Tax decreased from a profit of $1,201m to a profit of $58m. Reported results were significantly distorted by restructuring, and IPO related and debt refinancing costs incurred during both FY13 and FY14 and reflect the ownership structure of the Group as it evolved over those years.

On a Pro Forma basis, which adjusts for acquisitions and divestments, listed company costs, IPO and other one-off impacts including the start-up costs associated with StreamCo to provide a like-for-like comparison of operating results, on a basis consistent with that published in the NEC Prospectus dated November 2013, Revenue increased 5.8% to $1,578m, and Group EBITDA increased 4.7% to $311m. Pro Forma Net Profit after Tax was up 5.5% on the prior year at $144.2m compared with a Prospectus Forecast of $139.5m.

Pro Forma Operating Free Cash Flow of $272m was $38m higher than the prior corresponding period and $39m higher than the Prospectus forecast, reflecting the higher EBITDA result and a more favourable working capital outcome. The Operating Free Cash Flow conversion ratio of 87% compares with 79% in FY13.

Net Debt at 30 June 2014 of $537m was down $64m from the 30 June 2013 Pro Forma, with closing Net Leverage of 1.7X favourable to the 30 June 2013 Pro Forma of 2.0X.

Reconciliation of Reported Net Profit after Tax to Pro Forma Net Profit after Tax

$m	Actual FY14	Prospectus Forecast FY14	Variance
Reported Net Profit after Tax	**57.9**	**82.2**	**(24.3)**
IPO transaction costs	13.8	13.2	+0.6
Public Company costs	(1.0)	(1.0)	–
Net interest adjustment	7.3	8.9	(1.6)
Impact of historical divestments	5.7	–	+5.7
Impact of historical acquisitions	7.2	6.5	+0.7
Impact of Mi9 acquisition	(17.7)	(14.6)	(3.1)
Other current transaction costs	20.3	24.8	(4.5)
Other adjustments	10.7	10.7	–
IPO related remuneration adjustments	18.5	19.0	(0.5)
Debt restructure	31.8	–	+31.8
Mark to market on hedge derivatives	7.5	–	+7.5
StreamCo start-up costs	1.6	–	+1.6
Tax effect of Pro Forma adjustments	(19.4)	(10.0)	(9.4)
Pro Forma Net Profit after Tax	**144.2**	**139.5**	**+4.7**

At a Reported level, NPAT was $24m lower than the Prospectus. The key driver of this difference was the after tax cost of $28m associated with the Company's previous debt structure which was refinanced just before year end, which had not been contemplated at the time of the IPO. This was offset by a favourable outcome in relation to the wash up of acquisition, divestment and IPO related costs.

Pro Forma actual NPAT of $144m compares with the Prospectus forecast of $139m. This favourable result effectively represents the tax affected drop-through of the $6m outperformance in EBITDA.

Segmental Profit and Loss

	Reported		Pro Forma		Variance	Pro Forma Actual
$m	FY14	FY13	FY14	Prospectus Forecast	%	FY13
Revenue						
Network	1,215.1	1,099.2	1,227.6	1,231.4	–0.3	1,177.6
Live	228.0	170.9	228.0	211.8	+7.7	167.4
Digital	107.2	–	122.7	122.7	–	147.9
Total Revenue	**1,550.4**	**1,270.1**	**1,578.3**	**1,565.9**	**+0.8**	**1,493.0**
EBITDA						
Network	234.2	178.2	241.5	237.6	+1.6	221.0
Live	68.0	57.2	68.0	67.1	+1.4	57.2
Digital	20.5	–	15.6	15.6	–	33.1
Corporate	(20.2)^	(10.4)	(18.6)	(18.8)	–1.1	(18.2)
Total EBITDA	302.5	225.0	306.5	301.5	+1.7	293.1
Share of Associates	7.3	36.9	4.5	3.4	+32.4	4.1
Group EBITDA	**309.7**	**261.9**	**311.0**	**305.0**	**+2.0**	**297.2**

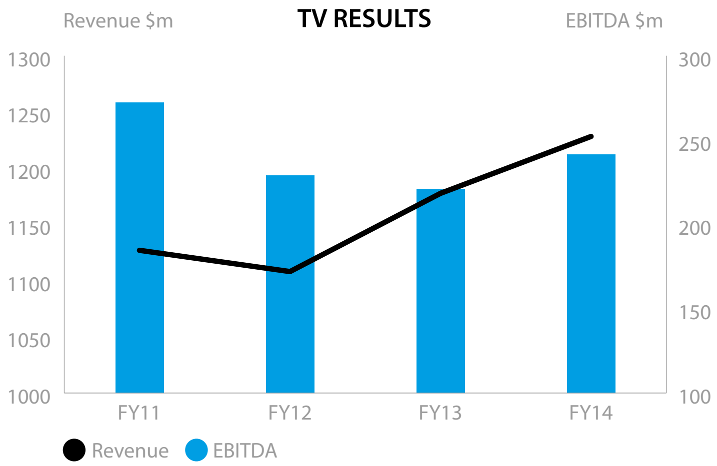
^ includes $1.6m start-up costs associated with StreamCo

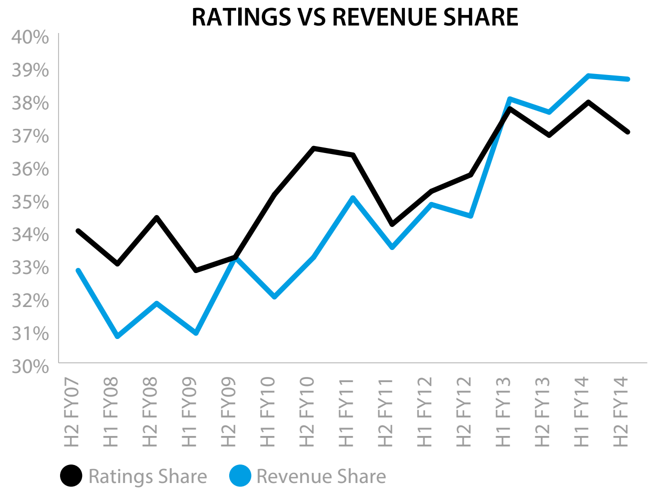
Reported segmental results are not reflective of the underlying operating performance of the business given the changes in the Group's operating structure over FY13 and FY14. Specifically, Reported results include Nine Adelaide and Nine Perth from their dates of acquisition in July and September 2013 respectively. Additionally, NEC's 50% stake in Mi9 was treated as an Associate until 1 November 2013, when agreement was reached for NEC to acquire the outstanding 50%, at which point the results of Mi9 were consolidated.

The divisional commentaries overleaf focus on the Pro Forma divisional results which are more reflective of the underlying operating performance of the Group.

Nine Network

Nine Network owns Free to Air (FTA) TV licences in Sydney, Melbourne, Brisbane, Adelaide (from July 2013) and Perth (from September 2013), as well as regional New South Wales. Revenue for these stations is primarily derived from the sale of advertising. Nine Network content is broadcast into the remainder of Australia through affiliate agreements, the main one of which is with WIN, which broadcasts to regional audiences in Southern New South Wales, Australian Capital Territory, Queensland, Victoria, South Australia, Western Australia and Tasmania. These affiliates pay Nine a fixed percentage of their advertising revenues.





Revenue share is Free TV data
Ratings share is OZTAM All People 6am-midnight

Financial Performance

In the year to June 2014, Nine Network reported Pro Forma revenue growth of 4% to $1,228m, which resulted in growth in EBITDA of almost 10% to $242m. After first half growth of 5%, the metro FTA advertising market slowed significantly over the second half, with the June quarter declining by 1.6%, resulting in market growth of 3.5% for the year. The seasonal disruption caused by Easter and ANZAC Day was exacerbated by the economic uncertainty created by a tight Federal Budget announced in May. Moreover, FY14 growth rates were boosted by a markedly higher contra (non-cash) market spend, which accounted for as much as one percentage point of the reported growth. In the regional markets, which account for around 23% of the total TV ad market, advertising revenue was flat for the year to June 2014. Against this backdrop, Nine's revenue growth of 4% reflected an increase in revenue share from 37.9% in FY13 to 38.7% in FY14, marginally ahead of our Prospectus estimate of 38.4%.

Pro Forma costs were up by 3% – a comparison which benefitted from the absence of the 2012 Olympic costs, but which fully reflected the increased costs associated with the new National Rugby League and Cricket Australia rights agreements.

Six year turnaround story

Nine's revenue share is primarily a reflection of the Group's underlying ratings performance. Since the December half of 2007, when metro FTA revenue share of 30.8% marked a nadir in the Group's history, Nine has successfully been refocusing and rebuilding its position in the Australian Free to Air market. Each year since, Nine has increased its ratings performance and now holds a leadership position across all key marketing demographics.

This success has been driven by an unwavering focus on the programming that works for Australians and a willingness to stray from the traditional path. Nine remains committed to the core genres of News, Sport, local drama and quality reality, and is constantly looking for offshore success stories and formats. The decision in early 2014 to extend the 6pm News to one hour has proven a game changer for early evening television. Nine's commitment to delivering Australians world class and local News and Current Affairs content is reflected in the dominance of the Network in the all important 6-7pm timeslot. In FY14, Nine News won 30 out of 41 survey weeks, with 14 out of 19 victories recorded since this move.

In sport, the Network's long-term commitment to broadcast the key summer and winter sports of cricket and rugby league to all Australians, week in week out, remains stronger than ever. And the Australian people's commitment to watch their sporting teams remains similarly strong. In November and December 2013, an average of 1.13m Australians tuned in to watch the Australian Cricket Team regain The Ashes, whilst the 2014 State of Origin series recorded the highest viewership of any State of Origins in the series' history. The Network's partnership broadcast deals with the Australian Cricket Board and National Rugby League ensure Australians see their weekly games and those of the Australian team on Free to Air television. Nine broadcast almost 200 hours of the National Rugby League competition over the past 12 months, and more than 400 hours of International Cricket to consistent audiences. These deals have a further three years to run and remain one of the mainstays of the Network.

Nine's hit new drama Love Child premiered in February 2014 to 1.6m metro market viewers or 2.2m nationally. Nine successfully built the viewer awareness on its network but also via an unprecedented pre-release on 9jump-in which allowed 20,000 Australians to download the first four episodes and enhanced awareness of the show prior to its launch on Nine.

Core franchises The Block, The Voice and offshoot The Voice Kids all performed well with The Block season audience up 13% to an average of more than 1.4m viewers, The Voice averaging 1.7m over the series and The Voice Kids averaging 1.2m.

Targeting 40%

Nine has a stated target of a 40% Free to Air advertising revenue share by the end of calendar 2015. The depth and consistency of Nine's programming schedule is the best it has been for many years, whilst the ownership of Nine Perth and Adelaide has given Nine a national footprint for the first time in its history. The NEC national sales team has been successfully converting Nine's improving ratings share into revenue share. In FY14, Nine's share of the Free to Air advertising pie reached 38.7%, up from 37.9% in FY13. Coupled with the anticipated ratings boost associated with the World Cups of Cricket and Rugby in 2015, as well as the UK Ashes, Nine remains confident of achieving this 40% target.

Regulatory change

The Government continues to consider the case for Media Ownership Reform in Australia. As delivery mechanisms have proliferated, media has evolved, and so too should the regulatory framework that governs the industry. Australia's media regulations have not changed since the 1990s, and the Government now appears committed to remove outdated legislation. Of specific interest to NEC is the anticipated repeal of the 75% reach rule, which currently restricts ownership of free-to-air television to licences that collectively reach less than 75% of the population.

We believe that removal of outdated rules is inevitable. This will allow media companies, which are universally facing ongoing structural challenges, to make rational, economic and return based decisions to expand their business, with an ongoing focus on maximising shareholder returns. With strong operating momentum, and a healthy balance sheet, we will be well positioned if and when this deregulation occurs.

#1

25–54s
38.0%
commercial share

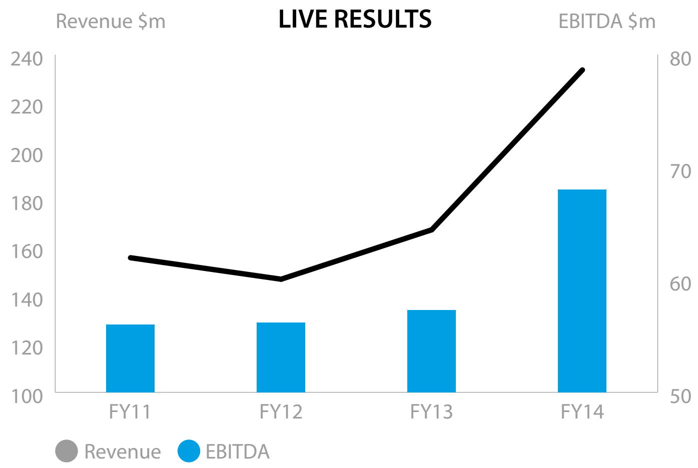
18–49s
37.9%
commercial share

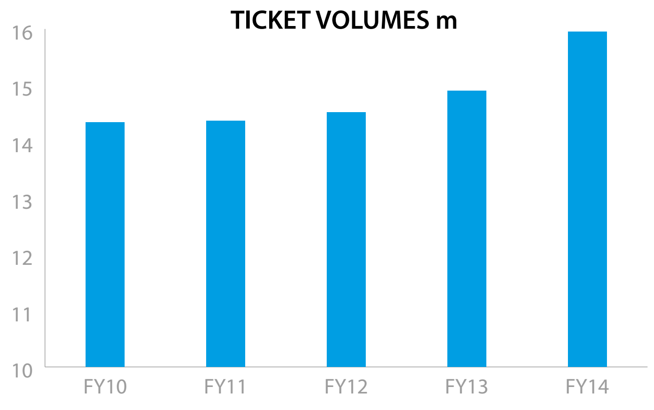
16–39s
38.0%
commercial share

OzTAM data, 12 months to end of June 2014, 6am-midnight

Nine Live

Nine Live is a live events business that aims to capture revenues across the life cycle of an event – with its main genres being sports, concerts, theatre, exhibitions and family. Nine Live operates Ticketek, Australia and NZ's leading ticketing services provider and has a long-term lease over Allphones Arena, Australia's largest indoor entertainment arena and a growing promotion and event management business, Nine Touring and Events. Softix licenses Nine Live's propietary owned software brand to offshore markets, while Nine Rewards provides a range of digital marketing and data services and Eventopia offers an online self-ticketing platform.





In July 2014, the Nine Events business was rebranded Nine Live, with the touring and events division (previously known as Nine Live) renamed Nine Touring and Events. The Nine Live business also continues to encompass the Ticketek, Eventopia, Softix, Nine Rewards and Allphones businesses.

Financial performance

Nine Live reported EBITDA growth of 19% to $68m on revenue of $228m, up 36%. Overall growth was underpinned by the consistent performance of Ticketek, which contributes just under 60% of Nine Live's revenue. Ticketek sold almost 16m tickets in FY14, up 7%, with average revenue per ticket up 2.5%. The decline in Nine Live's operating margin from 34.3% to 29.9% reflects the evolving business mix, with the lower margin Nine Touring and Events contributing an increasing proportion of Group revenue.

During the year, Ticketek renewed a number of its key ticketing contracts, namely the Melbourne Olympic Park Trust, the Melbourne Cricket Ground (MCG) and ANZ Stadium in Sydney. These give Ticketek the exclusive right to ticket all events at these venues, for a fixed period, and consolidate Ticketek's position as the leading ticketer in Australia, ticketing 19 of the top 20 venues by seating capacity.

Nine Touring and Events reported a more than doubling in revenue and was a significant contributor to Nine Live's revenue growth, as this relatively new business continued to evolve and refine its business model. Launched in 2011, Nine Touring and Events was formed to create incremental opportunities for the Live business via the promotion of certain Live Events within Australia and New Zealand and potentially internationally, and to capitalise on NEC's broad operating base. In FY14 Nine Touring and Events promoted (or co-promoted) One Direction, Ricky Martin and Keith Urban amongst others.

Life is Better Live™

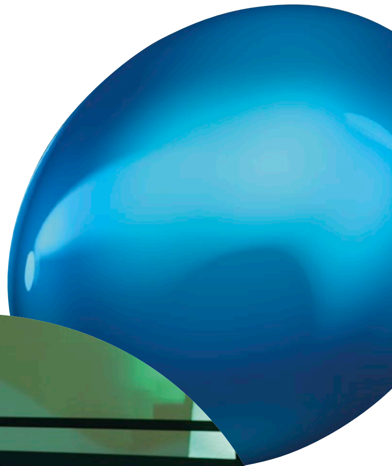
Allphones recorded strong profit growth on a particularly weak prior year. Total attendances were up by more than 50%, which underpinned growth across all related revenue streams.

Since the end of June, Nine Touring and Events has announced the formation of a key partnership which broadens the current operating base of the business: a four year agreement to bring the International Champions Cup to Australia for three pre-season games. New opportunities are assessed continually, but with clear hurdle rates required to support any investment.

Ticketek remains at the forefront of ticketing technology with in-house software brand, Softix now licensed in both Dubai and South Africa in addition to long-term relationships in South America and Europe.

The integration story

Whilst a separate business, Nine Live highlights the significant value of operating as a portfolio of apparently disparate but intertwined businesses. NEC continues to successfully build on the unique nature of its portfolio. There are increasing numbers of examples of this, with the phenomenally successful One Direction tour in 2013 and the associated marketing campaign with Coles the stand-out example. Our management teams are constantly looking for integration opportunities – those that help to reflect the true value of the NEC portfolio.



Nine Digital

Mi9 is one of Australia's leading online media companies, reaching approximately 10.8m active Australian online users each month[1] with an offering which spans publishing, online services, data strategies, consumer insights and advertising technologies. In October 2013, NEC agreed to acquire Microsoft's 50% interest in Mi9, giving NEC 100% of Mi9 and thereby the ability to track its own course in the digital landscape.

Financial results

On an underlying basis (which reflects the actual operating performance of 100% of Mi9), revenue increased by 7% year-on-year, driven by 90% growth in search revenues and 28% in video revenues. The online display advertising market continues to fragment and although the market was up around 12% for the year, growth was somewhat skewed to the smaller niche players, with Mi9's display advertising revenue down slightly. The EBITDA decline of 15% on an underlying basis predominantly reflects the adverse change in mix to lower margin third party inventory away from owned and operated channels in addition to incremental product investment costs.

During the year, and subsequent to the Microsoft sale, Mi9 announced the formation of a joint venture with DMG Media, to launch Daily Mail Australia. Dailymail.com.au will provide original Australian content while leveraging the global resources of the Daily Mail Group, Mi9 and NEC. Whilst the fully Australian-ised version of Daily Mail only launched in June 2014, early signs are promising.

In June 2014, Daily Mail Australia attracted 2.33m unique users[1], up from 1.4m in January 2014 (+67%) and up from 858k in June 2013 (+172% YoY) ranking it sixth by users in the News category. Moreover, the average time spent on the site is ~49 minutes[1], ranking it fourth in the News category after SMH, The Age (Fairfax) and News.com.au and indicating high engagement levels with its users.

The top five stories for the month were news related, rather than the TV/Showbiz stories per previous months, indicating the investment in the local news editorial team is resonating well with Australians.

Users are accessing content via a variety of devices, with mobile accounting for 33% of traffic and tablet 11%[2].

Nine's catch up service, 9jump-in was relaunched in November 2013 and offers a greatly enhanced user proposition. 9jump-in allows viewers to catch up on the latest episodes of their favourite programs on Nine, Go! and GEM as well as offering its users exclusive behind the scenes footage and extras and the ability to socially connect with each other. The relaunched service now boasts 798,436 downloads of the app in total and attracted 1.7m unique browser visits in June 2014[2], up 134% since November.

Since balance date, in July, together with Nine, the 9news.com.au website was launched which brings the spirit of fast breaking TV news and gives it a home on the web. Nine's competitive advantage through the depth of its content offering has been coupled with key features which include the ability of TV news reporters to tweet from the road directly into the news page and a news feed that updates as you are looking at it, reinforcing NEC's desire to be the pre-eminent News source for all Australians. 9news is focused on bringing a real sense of aliveness to the product, reinforced by big live streaming windows and a responsive design that shapes itself to whatever device you are on.

Throughout the year, Mi9's primary focus was on the bedding down of the changes associated with the acquisition of Microsoft's 50% stake. While a number of these changes will create challenges over the next 12 months, the business is prepared and focused on future opportunities. We have a strong and valuable core digital audience – our focus remains on new revenue and new audience opportunities, to complement this solid base.

1. *Nielsen, June 2014*
2. *Omniture, June 2014*

Growth Initiatives and Ventures

NEC has re-affirmed its commitment to broadening its ventures portfolio through new businesses opportunities. Nine Ventures is actively looking for new opportunities to invest in fast-growing consumer facing businesses.

Launching the future – SVOD

SVOD, or Subscription Video on Demand, is a pay television service that gives users unlimited access to a wide range of programs for a monthly flat rate. With no programming schedule, users can decide what to watch and when, and can also pause, fast forward, rewind and stop the show as required.

During the year, NEC announced plans to launch an Australian Subscription Video on Demand service to complement its core broadcast television business in joint venture with Fairfax Media. The soon-to-be-launched 'StreamCo' service will offer consumers an unprecedented array of both Australian and international programming for a low monthly fee, with no contracts. Content will be the driver and NEC and Fairfax are each making a significant investment to ensure the content has broad market appeal. The offering will include both exclusive and first run content from the major studios as well as extensive back catalogue programs. With two of Australia's pre-eminent media companies as its shareholders, StreamCo is well placed to stamp its mark on this new market opportunity.

Nine Ventures

Through Nine Ventures, NEC assesses opportunities to invest in fast-growing consumer facing businesses. Through its television, online and events network, NEC is able to add significant value beyond its direct financial investment. During FY14, Nine Ventures was responsible for the following assets:

- 33% of the Australian News Channel, a 3-way joint venture between NEC, Seven Network and British Sky Broadcasting. The Australian News Channel owns and operates Sky News, a leading 24-hour news platform in Australia and New Zealand; and
- 20% of Yellow Brick Road, an ASX listed full service, wealth management company.

Since balance date, Nine Ventures has made the following investments:

- In early July 2014, Nine Ventures announced the acquisition of a 30% strategic stake in Literacy Planet, an online English literacy education business which reaches more than 85,000 students across Australia and abroad.
- In late July, Nine Ventures acquired HBO's convertible preference shares in Quickflix. Quickflix is a listed movie and TV streaming business operating in Australia and New Zealand (ASX: QFX). Ownership of this stake has subsequently been transferred to the StreamCo joint venture.

Nine Cares

NEC remains committed to supporting its community, both directly and indirectly. In June 2014, NEC launched the Nine Cares initiative, which consolidates our extensive community involvement under one umbrella.

During FY14, NEC provided over $30m of fundraising assistance and broader exposure to charities, community groups and campaigns across the Group's portfolio of assets. Every year, Nine commits to donate significant amounts of Community Service Announcement airtime to not-for-profit or community announcements and in FY14, this totalled $23m.

Not only do we provide direct advertising and marketing support for a wide range of groups, through Nine Network we also provide invaluable editorial exposure for worthy causes. The nine genres specifically targeted by Nine Community are sport, kids, mental health, environment, indigenous issues, media, arts and culture, education, and health and families.

In its fifth year, Nine Network televised the Sydney Children's Hospital Gold Telethon, which raised a record $4.5m to support essential equipment, service and research at the Sydney Children's Hospital, Randwick. Some of Australia's top artists performed live on the telethon, whilst a number of Nine's key talent were involved, manning the phones and taking donations.

In 2014, the Channel Nine Children's Hospital Telethon was established to raise much needed funds for research, equipment and services to help sick kids throughout Queensland, with the first Telethon targeting $10m and taking place in October 2014.

In our newly owned markets of Adelaide and Perth, we have been very active engaging and supporting our local communities. In Adelaide in FY14, we were a key sponsor to the Adelaide Fringe Festival, WOMAdelaide, as well as the Adelaide Film Festival, while 9News is the National Media Sponsor for the Mothers Day Classic fun run and walk which raises funds for breast cancer research. In Perth, Nine now sponsors 14 Perth surf clubs, giving the sport and the services provided increased exposure, as well as the West Perth Football Club.

Through our TV programs, we provide invaluable editorial exposure and run on-air promotions for a range of charities which, this year, included the Starlight Children's Foundation, the McGrath Foundation, Lifeline Support Line, Red Kite and the Relay For Life amongst many others.

And on top of that, we spend more than $1m each year promoting and attending Council events around the country; sponsor the National Gallery of Australia and the Maritime Museum; and support a number of disadvantaged schools through donations as well as organising visits by talent and visits by the students.

In FY14, Mi9 provided more than $100,000 of targeted media campaign support across the ninemsn network. Specifically, Mi9's partnership with KidsXpress launched a brand new website and helped secure a venture capital grant to fund an innovative social enterprise, which will provide an ongoing revenue stream for KidsXpress.

In FY15, Nine Entertainment Co. intends to increase its community work even further, launching a dedicated Nine Cares website to celebrate the work that is done, but moreover, to provide further opportunities for community groups to connect with the public and maximise the reach of their message.


5 DAYS TO GO
#GoldTelethon

Board of Directors

David Haslingden

Independent Non-Executive Chairman

David was appointed to the Board in February 2013 as an independent, non-executive director and Chairman. David owns and operates a network of television production companies comprising NHNZ, Beach House Productions, Northern Pictures and Keshet Australia. These companies produce or license programming to broadcast and pay television networks around the world including Nine Network and other broadcasters. David is also Chairman of Wild Aid, a conservation organisation. Previously, David was President and Chief Operating Officer of Fox Networks Group. Prior to this appointment, David was Chief Executive Officer of Fox International Channels. David also served as Chief Executive Officer of the National Geographic Channels business.

David has sat on a number of industry boards in the United States including the National Cable and Telecommunications Association. David received a Bachelor of Arts and a Bachelor of Laws from Sydney University and a Master of Laws from Cambridge University.

David Gyngell

Chief Executive Officer

David was appointed as the Company's Chief Executive Officer in November 2010, having served as the Chief Executive Officer of Nine Network from September 2007. He has over 15 years of experience at the Company and over 25 years' overall media sector experience. Previously, David was Chief Executive Officer of Granada Television and also Director of International Management Group and Transworld Media International. He has also worked as Executive Director, Group Marketing and Communications for Publishing & Broadcasting Limited.

Peter Costello

Independent Non-Executive Director

Peter was appointed to the Board in February 2013 as an independent, non-executive director. Peter is currently Chairman of the Board of Guardians of Australia's Future Fund and serves on a number of advisory boards. He is a Trustee of Melbourne Cricket Ground. His business ECG Financial Pty Ltd is a boutique advisor on mergers and acquisitions, foreign investment, competition and regulatory issues which affect business in Australia. Peter served as a member of the House of Representatives from 1990 to 2009 and was Treasurer of the Commonwealth of Australia from March 1996 to December 2007.

Prior to entering Parliament, Peter was a barrister. He has a Bachelor of Arts and a Bachelor of Laws LLB (Hons) and a Doctorate of Laws (Honoris Causa) from Monash University. In 2011 Peter was appointed a Companion of the Order of Australia.

Kevin Crowe

Non-Executive Director

Kevin was appointed to the Board in February 2013 as a nominee of Apollo Management ("Apollo"). Kevin is currently a principal at Apollo. He also serves on the Board of Directors of Norwegian Cruise Lines and Prestige Cruise Holdings and previously served on the Board of Directors of Quality Distribution. Prior to joining Apollo, Kevin was a member of the Financial Sponsors Group in the Global Banking department of Deutsche Bank Securities.

Kevin graduated from Princeton University with a Bachelor of Arts major in Economics and a certificate in Finance.

Edgar Lee

Non-Executive Director

Edgar was appointed to the Board in February 2013 as a nominee of Oaktree Capital Management, LLC ("Oaktree"). Edgar is currently the Portfolio Manager of the Strategic Credit strategy at Oaktree. Previously, Edgar was a Managing Director in the firm's Distressed Debt Group where he led many of the strategy's investments in media, telecommunications and technology. Prior to joining Oaktree, Edgar worked in the TMT Investment Banking division at UBS Investment Bank. Before that, he was employed in the Fixed Income Division at Lehman Brothers Inc. His prior experience also includes work at Katzenbach Partners LLP and Urban Institute. Edgar was a director of Charter Communications Inc.

Edgar received a Bachelor of Arts in Economics from Swarthmore College and an M.P.P. with a concentration in Applied Economics from Harvard University.

Hugh Marks

Independent Non-Executive Director

Hugh was appointed to the Board in February 2013 as an independent, non-executive director. Hugh is currently the Chief Executive Officer of Media Venture Partners, a media strategy and investment business. He has 18 years of experience as a senior executive in content production and broadcasting in Australia and internationally. Hugh has material ownership interests in and is actively involved in the management of Wildbear Pty Limited, The Media Tribe Pty Limited and RGM Artists Pty Limited. Those companies operate in the independent television production sector and either produce or license programming, or manage the provision of on-screen talent, to broadcast and pay television networks around the world including Nine Network and other broadcasters.

Before joining the Board, Hugh was an authority member for the Australian Communications and Media Authority for over two years. Previously, Hugh was Chief Executive Officer of the Southern Star Group. Hugh has also worked with the Nine Network as legal counsel and then as director of Nine Films & Television for seven years.

Hugh received a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales.

Steve Martinez

Non-Executive Director

Steve was appointed to the Board in February 2013 as a nominee of Apollo. Steve is a Senior Partner and Head of Asia Pacific for Apollo, having joined in 2000. He is a member of Apollo's Senior Management Committee. Steve has led investments for Apollo in a variety of sectors including shipping, leisure, media and general industrial. Prior to joining Apollo, Steve was a member of the Mergers and Acquisitions Group of Goldman, Sachs & Co. Before that he worked in Asia at Bain & Company.

Steve received an MBA from the Harvard Business School and a BA and BS from the University of Pennsylvania and the Wharton School, respectively.

Joanne Pollard

Independent Non-Executive Director

Joanne was appointed to the Board in February 2013 as an independent, non-executive director. Joanne is a business strategy consultant specialising in media, marketing and digital. Her clients range from global multinational businesses to digital start-ups. She is also an independent, non-executive director of AMP Bank and 12WBT. She is a member of CEW (Chief Executive Women) and AICD. Joanne was previously Chief Executive Officer of Publicis Mojo and Chief Executive Officer of ninemsn. While at ninemsn she served as a board member for ninemsn, iSelect Limited, IAB (Interactive Advertising Bureau), the AANA (Australian Association of National Advertisers) and ABCN (Australian Business Community Network). She also worked as Sales and Marketing Director for the Nine Entertainment Group. Joanne previously worked for Nike Inc for 10 years as Global Director of Media, Digital and Content in the US and at Nike Japan as Marketing Director. Prior to Nike, she was a Media Director at J. Walter Thompson Advertising in Sydney and Hong Kong.

Rajath Shourie

Non-Executive Director

Rajath was appointed to the Board in February 2013 as a nominee of Oaktree. Rajath is currently a Managing Director of Oaktree and a co-portfolio manager of Oaktree's Distressed Debt funds. Rajath has worked with a number of Oaktree's portfolio companies and been active on various creditors' committees. He currently serves on the boards of Taylor Morrison and STORE Capital. Prior to joining Oaktree, Rajath worked in the Principal Investment Area at Goldman Sachs & Co., and as a management consultant at McKinsey & Company.

Rajath earned a Bachelor of Arts in Economics from Harvard College. He also received a Masters of Business Administration from Harvard Business School, where he was a Baker Scholar.

Directors' Report

The Directors present the financial report for the year ended 30 June 2014. The financial report includes the results of Nine Entertainment Co. Holdings Limited (the "Company") and the entities that it controlled during the year (the "Group").

Directors

The Directors of the Company at any time during the financial year or up to the date of this report are as follows.

Directors held office for the entire period unless otherwise stated.

Name	Date Appointed
David Haslingden	6 February 2013
David Gyngell	25 November 2010
Peter Costello	6 February 2013
Kevin Crowe Jr	6 February 2013
Edgar Lee	6 February 2013
Hugh Marks	6 February 2013
Steve Martinez	6 February 2013
Joanne Pollard	6 February 2013
Rajath Shourie	6 February 2013

See page 18 for Directors' biographies.

Remuneration Report

The Remuneration Report is set out on the pages that follow and forms part of this Directors' Report.

Directors' Interests

The relevant interests of each Director in the equity of the Company and related bodies corporate as at the date of this report are disclosed in the Remuneration Report.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year, and the number of meetings attended by each Director, were as follows:

	Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	Meetings held*	Meetings attended	Meetings held*	Meetings attended	Meetings held*	Meetings attended
David Gyngell	14	13	–	–	–	–
David Haslingden	14	13	–	–	3	3
Edgar Lee	14	11	3	3	–	–
Kevin Crowe Jr	14	12	3	3	–	–
Steve Martinez	14	12	–	–	3	3
Rajath Shourie	14	12	–	–	3	3
Peter Costello	14	12	–	–	–	–
Hugh Marks	14	14	3	3	–	–
Joanne Pollard	14	13	–	–	3	3

*The number of meetings held refers to the number of meetings held while the Director was a member of the Board or Committee.

Company Secretary

Simon Kelly *(Chief Operating Officer, Chief Financial Officer and Company Secretary)*

Mr Kelly, who was appointed Chief Operating Officer and Chief Financial Officer of Nine Entertainment Co. Holdings Limited in April 2012 and Company Secretary in May 2012, has over 10 years of media and entertainment sector (and over 25 years of general and financial management) experience.

Mr Kelly is responsible for the oversight of general operational management, strategy and business development and financial and risk management across the NEC Group.

Mr Kelly was previously Chief Financial Officer, Company Secretary and Board Director of ASX listed Aristocrat Leisure Limited and he also held a number of senior executive roles at ASX listed Goodman Fielder Limited including Chief Financial Officer (Consumer Foods), Chief Information Officer and General Manager (International).

Prior to this, Mr Kelly spent 10 years working at PricewaterhouseCoopers in London and Sydney. He holds a Bachelor of Arts (First Class Honours), is a fellow of the Institute of Chartered Accountants in England and Wales, a member of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.

Principal Activities

The principal activities of the entities within the Group during the year were:

- Television broadcasting and program production;
- Ticketing, promotion and event planning; and
- Digital, internet, subscription television, and other media sectors.

Trading Results

The consolidated net profit of the Group for the financial year after income tax was $57,872,000 (2013: $1,187,497,000).

Dividends

No dividends have been declared or paid during the year ended 30 June 2014 (2013: nil).

Corporate Information

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

The registered office of Nine Entertainment Co. Holdings Limited is 24 Artarmon Road, Willoughby NSW 2068.

Review of Operations

For the year to 30 June 2014, the Group reported a consolidated net profit after income tax of $57,872,000 (2013: profit $1,187,497,000).

The Group's Revenues from continuing operations for the year to 30 June 2014 increased by $274,133,000 (21%) to $1,546,556,000 (2013: $1,272,423,000).

The Group's Earnings before interest, tax, depreciation and amortisation (EBITDA) and before specific items (Note 2(b)(iv)) from continuing operations for the year ended 30 June 2014 was a profit of $309,716,000 (2013: profit of $261,898,000).

The Group's cash flows generated in operations for the year to 30 June 2014 were $196,287,000 (2013: $38,308,000 outflow).

Further information is provided in the Operating and Financial Review on pages 39 to 43.

Significant Changes in the State of Affairs

Initial Public Offering ("IPO")

On 6 December 2013, the Company completed an initial public offering ("IPO") with an issue of 134,146,341 million ordinary shares at a price of $2.05 raising $275.0 million and was listed on the Australian Stock Exchange. The cash raised from the IPO allowed the Company to repay debt and provided the Group with the financial capacity to execute its growth strategy.

Acquisitions

During the period, the Company completed the following acquisitions:

Company acquired	Acquisition date	Interest acquired %	Interest after acquisition %
Channel 9 South Australia Pty Limited	1 July 2013	100	100
Swan Television & Radio Broadcasters Pty Ltd	30 September 2013	100	100
ninemsn Pty Limited	1 November 2013	16.67[1]	66.67[1]

1. During the period, the Company agreed to acquire the remaining 50% interest in ninemsn Pty Limited ("Mi9") it did not already own to effectively gain control as of 1 November 2013 (refer to Note 5(b)(iii)). As a consequence, the results of Mi9 have been consolidated from 1 November 2013 with equity accounting ceasing at that time. The actual transfer of shares during the period was 16.67%, taking the legal ownership to 66.67% at the end of the period. A portion of the remaining shares have been transferred on 1 July 2014 with the final transfer due to occur on 1 July 2015.

Significant Events After the Balance Date

On 27 August 2014, the Company announced the formation of a joint venture with Fairfax Media (Fairfax) to launch an Australian Subscription Video on Demand (SVOD) service ("StreamCo"). StreamCo is expected to launch during the 2015 financial year. It will offer a broad range of local and international programming to subscribers for a fixed monthly subscription fee and no minimum term commitment. StreamCo will be owned 50:50 by the Company and Fairfax who have agreed to commit up to $50 million each to the venture over a multi-year period.

Other than this subsequent event, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future years.

Likely Developments and Expected Results

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

Unissued Shares and Options

As at the date of this report, there were no unissued ordinary shares or options. There have not been any share options issued during the year.

Indemnification and Insurance of Directors and Officers

During or since the financial year, Nine Entertainment Co. Holdings 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 Limited or its controlled entities. The insurance contract specifically prohibits disclosure of the nature of the insurance cover, the limit of the aggregate liability and the premiums paid.

Auditor's Independence Declaration

The Directors have received the Auditor's Independence Declaration, a copy of which is included on page 24.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided by the auditor during the year are set out in Note 26 of the financial statements.

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 Limited is an entity to which the Class Order applies.

Signed on behalf of the Directors in accordance with a resolution of the Directors.

David Haslingden
Chairman
Sydney, 28 August 2014

David Gyngell
Director

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

Building a better working world

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Nine Entertainment Co. Holdings Limited

In relation to our audit of the financial report of Nine Entertainment Co. Holdings Limited for the financial year ended 30 June 2014, 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

John Robinson
Partner
28 August 2014

Remuneration Report Audited

Dear Shareholders,

On behalf of the Board of Directors, I have pleasure in presenting the Company's inaugural Remuneration Report. Given the Company's move from private to public ownership, the 2014 financial year has been one of significant change and the Company's remuneration approach has been refreshed to reflect and align with this change. The primary objective of this report is to detail remuneration arrangements in place prior to the IPO and to provide a perspective on the remuneration framework and arrangements that have been implemented during the year to reflect the Company's new public ownership. The Remuneration Report also details the underlying philosophy, principles and governance that underpin the structure and design of remuneration arrangements for Key Management Personnel ("KMP"). In developing executive remuneration arrangements, the Board has sought, and will continue to seek, input from external parties including remuneration advisors, legal counsel, proxy advisors and institutional shareholders.

The Company's remuneration philosophy is to provide a clear link between shareholder returns and executive remuneration. The Company's remuneration structure and policies are designed to help build and retain a talented and motivated leadership team to deliver growing and sustainable total returns to shareholders.

Moving forward, fixed remuneration and the overall total remuneration opportunity for each KMP have been set at a competitive level relative to the Company's peer group and considering the individual experience of executives, the size and complexity of the Company's business and the particularly competitive and limited size of the media talent pool in Australia. This process has been undertaken in conjunction with assistance from an independent remuneration advisor.

Given the recent listing of the Company, the short-term incentive plan performance hurdles for the year were aligned to delivery of the forecasts included in the Company's Prospectus, while the overall executive remuneration mix has been designed to focus on maximising growth opportunities. The short-term incentive payments for 2014 reflect the financial outcomes achieved and the executives' individual performance during the year.

Joanne Pollard

Joanne Pollard
Chair of the Nomination and Remuneration Committee

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Introduction
2. Remuneration Governance
   - 2.1 Nomination and Remuneration Committee
   - 2.2 Use of Remuneration Consultants
   - 2.3 Associated Policies
3. Legacy Remuneration Arrangements – Pre-IPO
4. Executive remuneration principles – Post-IPO Remuneration Framework
   - 4.1 Remuneration Principles and Strategy
   - 4.2 Approach to Setting Remuneration
   - 4.3 Short-Term Incentives
   - 4.4 Long-Term Incentive Plan Considerations
   - 4.5 Employee Gift Plan
5. Executive Remuneration Outcomes for 2014 (including link to performance)
   - 5.1 Short-Term Incentives
   - 5.2 New Long-Term Incentive
   - 5.3 Employee Gift Offer
   - 5.4 Summary Remuneration Outcomes for the year ended 30 June 2014
   - 5.5 Executive Contracts
6. Non-Executive Director Remuneration Arrangements
7. Share Rights, Employee Gift Offer Shares and Share Interests of KMP
8. Loans to key management personnel and their related parties
9. Other transactions and balances with key management personnel and their related parties

1. Introduction

The Remuneration Report details the remuneration framework and arrangements for Key Management Personnel (KMP), as set out below. KMP are those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent.

The term "executive" includes the Chief Executive Officer (CEO) and other senior executives of Nine Entertainment Co. (NEC).

Non-Executive Directors (NEDs)	David Haslingden	Chairman (independent, non-executive)
	Peter Costello	Director (independent, non-executive)
	Kevin Crowe	Director (non-executive)
	Edgar Lee	Director (non-executive)
	Hugh Marks	Director (independent, non-executive)
	Steve Martinez	Director (non-executive)
	Joanne Pollard	Director (independent, non-executive)
	Rajath Shourie	Director (non-executive)
Executive Director	David Gyngell	Chief Executive Officer
Other KMP	Simon Kelly	Chief Operating Officer, Chief Financial Officer and Company Secretary
	Amanda Laing	Commercial Director and Group General Counsel
	Peter Wiltshire	Group Director Sales and Marketing

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration Governance

2.1 Nomination and Remuneration Committee ("NRC")

In accordance with its charter the NRC should, to the extent practicable given the size and composition of the Board from time to time, comprise:

i. At least three members each of whom must be non-executive directors; and

ii. A majority of directors who are independent.

Although the NRC charter and ASX Recommendation 8.1 suggest that the committee consist of a majority of independent directors, NEC believes that the current members of the committee (two out of the four are considered independent and all are non-executive directors) are the most appropriate to achieve its objectives given their skill set and experience. The Board is of the firm belief that the composition of the NRC does not hinder it in acting in the best interests of the Company and its shareholders generally.

The NRC assists the Board in fulfilling its responsibilities for corporate governance and oversight of NEC's nomination and remuneration policies and practices with the goal of enabling NEC to attract and retain senior management and appropriately align their interests with those of key stakeholders.

Specifically, the Board approves the remuneration arrangements of the CEO and other key executives and awards made under short-term incentive (STI) and any future long-term incentive (LTI) plans, following recommendations from the NRC. The Board also sets the remuneration levels of Non-Executive Directors (NEDs), subject to the aggregate pool limit approved by shareholders.

The NRC also assists the Board in discharging its responsibilities in relation to NEC's Board composition and performance and succession of the CEO and other key executives.

The NRC meets regularly through the year. The CEO and other senior executives attend certain NRC meetings by invitation, where management input is required. Management are not present during any discussions relating to their own remuneration arrangements.

Details of the membership, number and attendance at meetings held by the NRC are set out on page 20 of the Directors' Report.

Further information on the NRC's role, responsibilities and membership is included in the committee charter which is available at http://www.nineentertainment.com.au.

2.2 Use of remuneration consultants

From time to time, the NRC seeks external independent remuneration advice. Remuneration consultants are engaged by, and report directly to, the Committee. In selecting a remuneration consultant, the Committee considers potential conflicts of interest and requires the consultant's independence from management as part of their terms of engagement.

Where the consultant's engagement requires a remuneration recommendation, the recommendation is provided to the Chair of the NRC to ensure management cannot unduly influence the outcome.

Following the Company's initial public offering (IPO), the NRC appointed Egan Associates as the Company's remuneration consultant. The Company paid $9,650 (plus GST) to Egan Associates in respect of remuneration recommendations relating to the remuneration framework for key management executives including remuneration mix and incentive plans. Other services provided by Egan Associates included assistance with the preparation of the annual Remuneration Report. The fees paid for all other services were $14,500 (plus GST). Egan Associates provided no remuneration recommendations directly to management.

The remuneration consultant has confirmed in writing to the Chair of the NRC that their recommendations were made free from any undue influence by the Group's KMP. The Board is satisfied that remuneration advice provided is free from undue influence by members of KMP.

2.3 Associated Policies

The Company has established a number of policies to support reward and governance including a Disclosure Policy and Securities Trading Policy. These policies and procedures have been implemented to promote ethical behaviour and responsible decision making.

3. Legacy remuneration arrangements – Pre-IPO

The remuneration framework in place prior to the Company's listing in December 2013 ("Pre-IPO Remuneration Framework") was established by the Board and shareholders of the Company at the time to align with operational and strategic priorities under private ownership. Since listing, the Company has developed a remuneration framework ("Post-IPO Remuneration Framework") which is more appropriately aligned to the Company's new public company ownership status.

The following sets out legacy short- and long-term incentive arrangements established under the Pre-IPO Remuneration Framework.

	Short-term benefits		Long-term benefits	Share-based payments		
	Additional Short-Term Incentives[i] $	IPO Related Cash Incentives[ii] $	Deferred Cash Bonus[iii] $	Pre-IPO Share Rights[iv] $	IPO Related Share Incentives[v] $	Total Pre-IPO Components $
Executive Director						
David Gyngell	–	2,500,000	–	1,559,589	9,999,998	14,059,587
Other Key Management Personnel						
Simon Kelly	–	510,000	–	726,422	–	1,236,422
Amanda Laing	–	255,000	–	363,211	–	618,211
Peter Wiltshire	–	–	200,000	213,490	–	413,490

Notes:

i. Additional Short-Term Incentives

As disclosed in the Prospectus issued as part of the Company's listing in December 2013, each of the KMP (excluding Non-Executive Directors) and certain other senior managers are entitled to receive cash bonuses in circumstances where dividends are paid to shareholders, with such bonuses calculated by reference to the number of Share Rights held by the relevant KMP or senior manager under the pre-IPO Share Rights Plan (details of which are set out below) at the relevant dividend payment date multiplied by the dividend paid per share in the relevant period.

This is a one-off arrangement which formed part of the commitment to those executives at the time that contracts were re-negotiated prior to the Company's IPO. Amounts paid under the Additional Short-Term Incentive are recorded as remuneration in the year paid. As no dividends were declared and paid in the year to June 2014, no cash bonuses were paid under these arrangements during the year.

The Company will not be incorporating similar provisions in remuneration arrangements going forward.

ii. IPO Related Cash Incentives

Certain KMP were eligible for cash IPO incentives which were contracted under the Company's prior ownership. These incentives were awarded on the successful listing of the Company on the ASX.

iii. Deferred Cash Bonuses

Represent amounts paid under legacy retention arrangements contracted in November 2012. There were no other KMP deferred cash bonus retention arrangements outstanding at 30 June 2014.

iv. Pre-IPO Share Rights

As disclosed in the Prospectus issued as part of the Company's listing in December 2013, whilst in private ownership, the owners instigated a one-off pre-IPO Share Rights Plan. Grants under this plan were contingent on the Company's successful listing on the ASX. The vesting criteria of this one-off share-based plan is solely based on continued employment which was considered appropriate at the time given the intention of this plan to reward prior long-term business performance and shareholder value creation, create retention and align key executives to the IPO process.

In addition, participants were required to align their key contractual terms including notice and restraint periods and termination provisions to a set of standards based on the management level of each participant, in doing so reducing retention and competitor risk for the business. A total of 6,186,415 Share Rights were issued (valued at $12,676,000 at the IPO issue price of $2.05 per share) following the Company's listing on the ASX. No further grants under the Pre-IPO Share Rights Plan are proposed to be made.

Of the total Share Rights issued, 4,029,266 were issued (valued at $8,259,995 at the IPO issue price of $2.05 per share) to the following KMP on the Company's listing in December 2013. The rights were granted in three equal tranches, each vesting on the first, second and third anniversaries of completion of the Company's listing on the ASX (being 11 December 2014, 11 December 2015 and 11 December 2016). The fair value of Share Rights granted is amortised over the applicable vesting period for the purpose of statutory remuneration disclosures.

	Number of Share Rights Granted	Fair Value of Share Rights Granted
David Gyngell	2,195,121	$4,499,998
Simon Kelly	1,022,439	$2,096,000
Amanda Laing	511,219	$1,047,999
Peter Wiltshire	300,487	$615,998

Further details of the Pre-IPO Share Rights Plan are as follows:

Grant date	11 December 2013
Consideration	Nil
Share Rights	Each Share Right will, at the Company's election, convert to a Share on a one-for-one basis or entitle the Participant to receive cash to the value of a Share at the relevant Vesting Date. No amount is payable on conversion. These have no expiry date, as they are exercised on vesting date at the Company's election.
Vesting dates	Subject to the employment conditions described below, one-third of Share Rights held by each Participant will vest on the first, second and third anniversaries of completion of the Company's listing on the ASX (being 11 December 2014, 11 December 2015 and 11 December 2016).
Cessation of employment (employment condition)	If the Participant is not employed by NEC or any NEC Group member on a particular Vesting Date due to the Participant either: • having been summarily dismissed; or • having terminated his/her employment agreement otherwise than in accordance with the terms of that agreement, any unvested Share Rights held on or after the date of termination will lapse. If the Participant is not employed by NEC or any NEC Group member on a particular Vesting Date: • and NEC or an NEC Group member has terminated the Participant's employment agreement (other than summarily) and his/her salary is being paid out in lieu of notice, then the only unvested Share Rights that will lapse are those that would ordinarily have vested after the end of the later of the notice period and any other date nominated in the terms of grant (Minimum Period); or • the Participant has validly terminated his or her employment agreement and NEC or an NEC Group member has elected to pay the Participant his/her salary in lieu of notice, then the only unvested Share Rights that will lapse are those that would ordinarily have vested after the end of the notice period. Any unvested Share Rights that do not lapse in accordance with the above remain on foot until the relevant vesting date.

Disposal restrictions	Any Shares issued or transferred to the Participant upon vesting of any Share Rights will be subject to restrictions on disposal from the date of issue (or transfer) of the Shares until the release of NEC's financial results for either the half or full-year period immediately following the date of issue (or transfer, as applicable).
Change of control	The Board has the discretion to accelerate vesting of some or all of a Participant's Share Rights in the event of certain transactions which may result in a change of control of Nine Entertainment Co. Holdings. The discretion will be exercised having regard to all relevant circumstances at the time, including the extent to which any applicable vesting conditions have been met. Unvested Share Rights will remain in place unless the Board determines to exercise that discretion. Where a change of control occurs, Nine Entertainment Co. Holdings can agree with a Participant and the new controller that the Participant will receive shares in the new controller, rather than shares in Nine Entertainment Co. Holdings, on vesting of Share Rights, with appropriate adjustments to the number and type of shares to be issued on vesting of the Share Rights. Unless the Board decides otherwise, any restrictions on disposal of shares which have been issued on vesting of Share Rights will be lifted, if a change of control event occurs.
Restrictions	Without the prior approval of the Board, or unless required by law, Share Rights may not be sold, transferred, encumbered or otherwise dealt with. A Participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to their Share Rights.
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the Share Rights Plan. This includes varying the number of Share Rights or the number of Shares to which a Participant is entitled upon a reorganisation of capital of NEC.
Other terms	The Share Rights Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the Share Rights Plan.

v. IPO Related Share Incentives

As disclosed in the Prospectus issued as part of the Company's listing in December 2013, in accordance with his employment contract dated 1 November 2010, the CEO was entitled to receive an issue of shares to the value of $9,999,998 (calculated at the IPO issue price) subject to disposal restrictions for a period of three years on the successful listing of the Company. No consideration was payable in respect of this share issue. The full value of this incentive is shown as remuneration in the year.

4. Executive Remuneration Principles – Post-IPO Framework

4.1 Remuneration Principles and Strategy

The Post-IPO Remuneration Framework has been designed to attract and retain high performing individuals, align executive reward to NEC's business objectives and to create shareholder value. Changes have been made to the executive remuneration framework in place prior to the Company's listing and further changes will be made as the new remuneration framework is implemented over time.

The new framework aligns actual remuneration to guidelines set out in this document.

The NRC monitors and reshapes the remuneration framework to support changes in the Company's short- and long-term objectives, to respond to legislation and regulatory initiatives, changes in the business cycle, competitive environment and market practice.

The Board's objective is to ensure remuneration packages appropriately reflect employees' duties, responsibilities and levels of performance, as well as ensuring that remuneration attracts and motivates people of the highest calibre, having particular regard to the specialist nature and limited availability of key management talent in the Australian media marketplace.

Specifically, the Company's executive reward structure is designed to:

- Align rewards to the creation of shareholder value, implementation of business strategy and delivering results;
- Implement targeted goals that encourage high performance and establish a clear link between executive remuneration and performance, both at Company and individual business unit levels;
- Attract, retain and motivate high calibre executives for key business roles;
- Provide a balance between fixed remuneration and at-risk elements and short- and long-term outcomes that encourages appropriate behaviour to provide reward for short-term delivery and long-term sustainability; and
- Implement an industry competitive remuneration structure.

4.2. Approach to setting remuneration

The Group aims to reward executives with a level and mix (comprising fixed remuneration, short- and long-term incentives) of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with industry and market practice.

The Group's policy is to position Total Employment Cost for KMP principally within a competitive range of its direct industry peers in light of the small pool of executive talent with appropriate industry experience and skills and the particularly competitive nature of the media and entertainment industry, but also having regard to other Australian listed companies of a similar size, complexity and prominence. Total reward opportunities are intended to provide the opportunity to earn top quartile rewards for outstanding performance against the stretch targets set.

Remuneration levels are considered periodically and on a case-by-case basis through a remuneration review that considers industry insights, the performance of the Company and individual, and the broader economic environment, and (as required) advice from independent external advisors.

During the current year, the Company's executive remuneration framework was revised to reflect its move from private to public ownership. As a result, certain changes to remuneration structures were made during the financial year and the reported remuneration mix for 2014 represents a combination of the remuneration levels and mix prevailing under pre-existing arrangements for part of the year (under the Pre-IPO Remuneration Framework) and revised arrangements for the balance of the year (under the Post-IPO Remuneration Framework).

The following summarises the CEO's and executives' future target remuneration mix under the Post-IPO Remuneration Framework, which reflects the Company's remuneration positioning following consideration of industry and market practices and advice from independent external advisors. The Company intends to progressively adjust the actual remuneration mix of each executive KMP so that over time their remuneration mix moves more in line with these targets. The time taken to complete this re-alignment will vary depending on various matters.

Post-IPO Target Remuneration Mix	Fixed Remuneration %	Target Short-Term Incentive %	Long-Term Incentive %
Chief Executive Officer	33.3%	33.3%	33.3%
Other Key Management Personnel	40% – 50%	25% – 30%	25% – 30%

During the year, the Company's executive remuneration framework was revised to reflect its move from private to public ownership. As a result, certain changes to remuneration structures and contractual terms were made during the financial year. The CEO's contract was also revised by the Board as part of its implementation of the Post-IPO Remuneration Framework. Prior to the IPO, the CEO's fixed remuneration was $3,500,000 and his Target STI was $3,500,000. These were each reduced to $2,000,000 with effect from the Company's listing. In recognition of this reduction, the CEO was granted $4,499,998 of Pre-IPO Share Rights as detailed in section 3 (iv). A summary of the CEO and other KMP key contractual terms is set out in section 5.5.

4.3 Short-Term Incentives (STI)

The Group operates an annual STI program for certain executives that awards a cash bonus subject to the attainment of clearly defined Group, business unit and personal targets.

Actual STI payments awarded to each executive depend on the extent to which specific measures are met. The measures consist of key performance indicators (KPIs) covering financial and non-financial measures of performance at both a corporate and business unit level, as relevant for each participant. A summary of the measures and weightings for the 2014 financial year is set out below.

	Financial Measures Group EBITDA	Non-Financial Measures
Chief Executive Officer	75%	25%
Other Key Management Personnel	75%	25%

The financial performance measure for the 2014 financial year (Group EBITDA) was chosen as it represents the key driver of shareholder value and reflects the short-term success of the business. Financial performance measures for future years will be determined as appropriate annually.

The non-financial component of the STI plan is measured against a range of key performance indicators (KPIs) assigned on an individual basis to participants based on their specific area of responsibility. These personal KPIs are directly aligned to the Group's Board approved key operational and strategic objectives and include quantitative measures where appropriate.

On an annual basis, after consideration of actual performance against financial and non-financial measures, the Board determines the amount, if any, of the short-term incentive to be paid to each executive, seeking recommendations from the NRC and CEO as appropriate. In exceptional circumstances, individuals may be awarded an STI payment up to 187.5% of their target STI based on significant outperformance of financial measures and personal KPIs. This reflects the Company's desire to motivate executives to deliver outstanding results. In assessing the achievement of financial and non-financial measures the NRC may exercise its discretion to adjust outcomes for significant factors that contribute positively or negatively to results that are considered outside the control of management.

Financial Measures

% Financial Measure Delivery	% Payout (of Financial Component) vs Target Payout
<95%	Subject to Board consideration
95%	50%
100%	100%
105%	110%
110%	125%
115%	150%
>115%	200%

Non-Financial Measures

Performance Assessment based on delivery of Personal KPIs	% Payout (of Non-Financial Component) vs Target Payout
Unsatisfactory	Nil
Satisfactory	50 – 90%
Achieved	90 – 110%
Over-achieved	110 – 130%
Outstanding	130 – 150%

The STI plan is subject to annual review by the NRC and the structure, performance measures and weightings may therefore vary from year to year

4.4 Long-Term Incentive ("LTI") Plan Considerations

Following the Company's listing, the Board developed a revised remuneration framework consistent with market practice for listed companies and the Company's strategic and operational objectives. It is anticipated that an equity-based LTI component that seeks to align long-term remuneration outcomes with stakeholder interests benchmarked against the market and the delivery of the Company's strategic and operating goals will be implemented over time as part of this remuneration framework.

The Company has not as yet finalised the structure, participation or timing of implementation of the LTI component of remuneration.

4.5 Employee Gift Offer

All eligible employees, including KMP (excluding Directors) were entitled to participate in an Employee Gift Offer made at the time of the IPO. Under this offer, successful applicants received an allocation of $1,000 worth of shares (487 shares at the offer price of $2.05 per share) for nil consideration on the listing of the Company.

Shares issued under the Employee Gift Offer may not be sold, assigned, transferred or otherwise dealt with (including being assigned as security) before the earlier of the end of a three year period after issue or the time when a participant is no longer employed by NEC or any of its Group members, subject to a minimum holding period of 18 months after issue. Other than these restrictions, shares allocated under the Employee Gift Offer carry the same rights and entitlements, including dividend and voting rights, as other shares on issue.

The Company has not determined at this stage whether there will be any future Employee Gift Offers.

5. Executive remuneration outcomes (including link to performance)

The Board does not consider it meaningful to compare historic remuneration outcomes with Company performance as a result of the Company's prior private ownership.

The remuneration outcomes in the year resulting from one-off arrangements under the Pre-IPO Remuneration Framework are set out in section 5.4. Outcomes in relation to ongoing arrangements under the Post-IPO Remuneration Framework are set out below.

5.1 Short-Term Incentives (STI)

In the current year, financial STI targets were aligned with the Pro forma EBITDA forecasts included in the Company's Prospectus lodged with ASIC on 8 November 2013. Non-financial measures were determined on an individual-by-individual basis consistent with key operational and strategic objectives of the Company, as determined by the Company's Board.

The proportion of target and maximum STI that was earned and forfeited by each KMP in relation to the 2014 financial year is set out below:

	Proportion of Target STI in 2014 (%)		Proportion of Maximum STI in 2014 (%)	
Name	Earned %	Forfeited %	Earned %	Forfeited %
David Gyngell	100%	–	53%	47%
Simon Kelly	100%	–	60%	40%
Amanda Laing	100%	–	55%	45%
Peter Wiltshire	100%	–	55%	45%

5.2 New Long-Term Incentives (LTI)

Proposed post-IPO LTI arrangements have yet to be determined and accordingly, no grants were made in the year to June 2014. Grants under the Pre-IPO Share Rights Plan are set out in section 3(iv).

5.3 Employee Gift Offer

Simon Kelly participated in the Employee Gift Offer and received 487 shares. No other KMP participated in the Employee Gift Offer.

5.4 Summary Remuneration Outcomes for the year ended 30 June 2014

	Short-term Benefits				Post-Employment Benefits	Long-term Benefits			Share-based Payments					
				Pre-IPO[1]		Pre-IPO[1]				Pre-IPO[1]	Pre-IPO[1]			
	Salary and Fees $	Cash Bonus $	Non-Monetary Benefits[2] $	IPO Related Cash Incentives $	Super-annuation $	Deferred Cash Bonuses[3] $	Annual Leave $	Long Service Leave $	Employee Gift Offer[4] $	Pre-IPO Share Rights $	IPO Related Share Incentives $	Total $	Performance Related %	Total Excluding Pre-IPO Components $
Executive Director														
David Gyngell[5]	2,655,354	2,669,863	–	2,500,000	17,775	–	152,479	33,037	–	1,559,589	9,999,998	19,588,095	85	5,528,508
Other Key Management Personnel														
Simon Kelly	1,207,225	672,000	7,800	510,000	17,775	–	92,863	20,120	1,000	726,422	–	3,255,205	59	2,018,783
Amanda Laing	611,669	307,198	7,800	255,000	17,775	–	48,633	10,537	–	363,211	–	1,621,823	57	1,003,612
Peter Wiltshire	784,801	535,600	–	–	17,775	200,000	60,369	13,080	–	213,490	–	1,825,115	52	1,411,625
Total Executive KMP	**5,259,049**	**4,184,661**	**15,600**	**3,265,000**	**71,100**	**200,000**	**354,344**	**76,774**	**1,000**	**2,862,712**	**9,999,998**	**26,290,238**		**9,962,528**

1. Pre-IPO remuneration components relate to amounts contracted prior to the Company's IPO. These are detailed further in section 3.0.
2. Non-Monetary Benefits represent non-cashable benefits such as car parking and gym membership.
3. Deferred Cash Bonuses represent previously contracted deferred cash retention payments.
4. Gift Offer issues have been fully expensed as remuneration in the year of grant given their limited contingent nature.
5. The employment terms of the CEO were renegotiated during the year. Actual remuneration shown reflects a combination of the amounts received under his prior and current employment contracts. The CEO's fixed remuneration was reduced from $3.5 million to $2.0 million and his target STI from $3.5 million to $2.0 million with effect from the Company's listing. The key terms of current KMP employment contracts are set out in section 5.5.
6. In accordance with permitted exemptions applying to the first year in which a Company is required to comply with section 300A(1)(c) of the Corporations Act, the Company has not disclosed comparative remuneration information. In light of the changes in the Company's remuneration framework following its listing, the Board does not consider comparative remuneration information to be meaningful and has therefore determined that it is appropriate to apply this exemption.

5.5 Executive contracts

The remuneration and terms of the CEO and other KMP are formalised in their employment agreements. Each of these employment agreements, which have no fixed term, provide for the payment of fixed and performance-based remuneration, superannuation and other benefits such as statutory leave entitlements.

The key terms of Executive KMP contracts at 30 June 2014 were as follows:

	Fixed Remuneration[1]	Target STI	Notice Period by Executive	Notice Period by Company	Restraint	Termination Payment[2]
David Gyngell	$2,000,000	$2,000,000	12 months, but notice may not be given prior to 1 October 2015	12 months, but notice may not be given prior to 1 October 2015	12 months	Not specified
Simon Kelly	$1,225,000	$600,000	12 months, but notice may not be given prior to 1 April 2015	12 months, but notice may not be given prior to 1 April 2015	12 months	12 months fixed remuneration plus annual STI, as defined
Amanda Laing	$650,001	$325,000	12 months, but notice may not be given prior to 1 April 2015	12 months, but notice may not be given prior to 1 April 2015	12 months	Not specified
Peter Wiltshire	$801,271	$520,000	12 months	12 months	12 months	Not specified

1. Fixed Remuneration comprises base cash remuneration, superannuation and other benefits which can be sacrificed for cash at the employee's election. Excludes other non-cashable ancillary benefits such as car parking and gym membership.
2. David Gyngell, Simon Kelly and Amanda Laing are subject to exemptions in respect of termination payment caps provided by S200B of the Corporations Act. These exemptions were approved by the Company's shareholders on 28 June 2012.

6. Non-Executive Director (NED) remuneration arrangements

Remuneration policy

The Board seeks to set aggregate non-executive remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, at a cost that is acceptable to shareholders.

NED remuneration including base fees and committee chair and membership fees is reviewed annually against fees paid to NEDs of other Australian listed companies of a similar size, complexity and prominence. The Board considers advice from external consultants when undertaking the annual review process.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting (AGM) held on 21 October 2013 when shareholders approved an aggregate fee pool of $3,000,000 per year. The Board will not seek any increase to the NED remuneration pool at the 2014 AGM.

Structure

The remuneration of NEDs consists of directors' fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees. The Chairman of the Board does not receive any additional fees in addition to Board fees for being a member of any committee. All Board fees include any superannuation entitlements, as applicable.

Kevin Crowe, Edgar Lee, Steve Martinez and Rajath Shourie as nominee directors of major shareholders waived their rights to any remuneration during the year.

NED fees for the 2014 financial year were as follows:

Board fees	
Chairman	$425,000
Directors	$180,000
Committee fees	
Committee Chair	$15,000
Committee Member	$10,000

NEDs do not receive retirement benefits, nor do they participate in any incentive programs.

Prior to the Company's listing, NEDs (excluding Kevin Crowe, Edgar Lee, Steve Martinez and Rajath Shourie as nominee directors of major shareholders) received part of their remuneration in the form of Share Rights which vested progressively over the year. These Share Rights were not subjected to performance conditions for their vesting given they were granted in lieu of cash remuneration. In recognition of the additional workload on NEDs associated with the Company's listing, the balance of unvested Share Rights were determined to have vested effective the Company's listing and NED remuneration from that time was paid in cash. At the time of listing, all Share Rights held by NEDs were converted to ordinary shares and each NED entered into escrow arrangements with the Company whereby they agreed that those shares received on conversion would not be disposed of before the release of the Company's full year 2014 results.

The Company does not intend issuing any further Share Rights or other share-based payments to NEDs in future.

The number and value of Share Rights received by NEDs during the year under their legacy remuneration arrangements are as follows:

Ordinary Shares	Number of Share Rights at beginning of Year[1]	Number of Share Rights Vested in Year	Value of Share Rights Vested in Year $[2]	Number of Share Rights Converted in Year[3]	Number of Share Rights Granted in Year	Number of Share Rights at end of Year
David Haslingden	109,588	66,353	136,024	109,588	–	–
Peter Costello	27,396	16,587	34,003	27,396	–	–
Kevin Crowe Jr	–	–	–	–	–	–
Edgar Lee	–	–	–	–	–	–
Hugh Marks	27,396	16,587	34,003	27,396	–	–
Steve Martinez	–	–	–	–	–	–
Joanne Pollard	27,396	16,587	34,003	27,396	–	–
Rajath Shourie	–	–	–	–	–	–

1. After adjusting for the share split which took effect on 21 October 2013.
2. Valued at $2.05 per share, the value of a share on the date of conversion of Share Rights to ordinary shares.
3. Includes Share Rights which had vested prior to the commencement of the 2014 financial year.

NED remuneration for the year ended 30 June 2014

Non-Executive Directors	Salary and fees $	Superannuation $	Share-based payments $	Total $
David Haslingden	319,657	17,775	121,094	458,526
Peter Costello	144,460	13,363	30,271	188,094
Kevin Crowe Jr	–	–	–	–
Edgar Lee	–	–	–	–
Hugh Marks	172,823	–	30,271	203,094
Steve Martinez	–	–	–	–
Joanne Pollard	158,190	14,633	30,271	203,094
Rajath Shourie	–	–	–	–
Total Non-Executive Directors	**795,130**	**45,771**	**211,907**	**1,052,808**

7. Share Rights, Employee Gift Offer Shares and Share Interests of KMP

	Share Rights Granted and Outstanding No.	Award date	Fair value per Share Right at Award date $	Vesting date	Vested during the year No.	Lapsed during the year No.
Executive Director						
David Gyngell	731,707	11-Dec-13	2.05	11-Dec-14	–	–
	731,707	11-Dec-13	2.05	11-Dec-15	–	–
	731,707	11-Dec-13	2.05	11-Dec-16	–	–
Other KMP						
Simon Kelly	340,813	11-Dec-13	2.05	11-Dec-14	–	–
	340,813	11-Dec-13	2.05	11-Dec-15	–	–
	340,813	11-Dec-13	2.05	11-Dec-16	–	–
Amanda Laing	170,406	11-Dec-13	2.05	11-Dec-14	–	–
	170,406	11-Dec-13	2.05	11-Dec-15	–	–
	170,407	11-Dec-13	2.05	11-Dec-16	–	–
Peter Wiltshire	100,162	11-Dec-13	2.05	11-Dec-14	–	–
	100,162	11-Dec-13	2.05	11-Dec-15	–	–
	100,163	11-Dec-13	2.05	11-Dec-16	–	–

For details of Share Rights granted to NEDs refer to section 6.

Share Rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met.

Employee Gift Offer Shares

	Employee Gift Offer Shares Granted and Outstanding No.	Award date	Fair value per Share at Award date $	Restricted Until	Restriction lifted during the year No.
Executive Director					
David Gyngell	–	–	–	–	–
Other Key Management Personnel					
Simon Kelly	487	11 Dec 2013	2.05	11 Dec 2016	–
Amanda Laing	–	–	–	–	–
Peter Wilshire	–	–	–	–	–

Employee Gift Offer Shares issued in the year were valued at $1,000 per participant. Refer to section 3 for details on the Employee Gift Offer.

Shareholdings of Key Management Personnel

Shares held in Nine Entertainment Co. Holdings Limited by KMP and their related parties are as follows:

	As at 1 July 2013 Ord	Granted on IPO Ord	Granted under Employee Gift Offer Ord	Granted on conversion of Share Rights Ord	Other Net Changes Ord	As at 30 June 2014 Ord	Held nominally as at 30 June 2014 Ord
Non-Executive Directors							
David Haslingden	–	–	–	109,588	–	109,588	–
Peter Costello	–	–	–	27,396	–	27,396	24,390
Kevin Crowe Jr	–	–	–	–	–	–	–
Edgar Lee	–	–	–	–	–	–	–
Hugh Marks	–	–	–	27,396	–	27,396	–
Steve Martinez	–	–	–	–	–	–	–
Joanne Pollard	–	–	–	27,396	–	27,396	24,390
Rajath Shourie	–	–	–	–	–	–	–
Executive Director							
David Gyngell	–	4,878,048	–	–	–	4,878,048	487
Other Key Management Personnel							
Simon Kelly	–	–	487	–	–	487	121,951
Amanda Laing	–	–	–	–	–	–	–
Peter Wiltshire	–	–	–	–	–	–	–
Total	**–**	**4,878,048**	**487**	**191,776**	**–**	**5,070,311**	**171,218**

8. Loans to Key Management Personnel and their related parties

No loans have been made to KMP or their related parties.

9. Other transactions and balances with Key Management Personnel and their related parties

The following related party arrangements have been entered into by an NEC Group member:

- Leila McKinnon, the wife of David Gyngell, is employed by Nine Network as a journalist and news presenter; and
- Sebastian Costello, the son of Peter Costello, is employed by the Nine Network as a reporter.

These arrangements are on commercial and arm's length terms.

Certain Directors have interests in television production, advertising or other media-related business concerns. From time to time, one or more of the Directors (or the companies or entities that they control, have an interest in, or are employed by) may provide services or sell products to NEC. Should such sales occur or services be provided, they are on commercial and arm's length terms. The monetary value of such transactions during the year with Directors or their related entities is not material.

Operating and Financial Review

Review of Operations

This commentary reflects the reported Statutory results. Commentary on Pro Forma results and a comparison of those results to the Initial Public Offering (IPO) Prospectus forecasts are included in separate filings with the Australian Securities Exchange.

	2014 $m	2013 $m	Variance $m	Variance %
Revenue	1,546.6	1,272.4	+274.2	+21.6
Group EBITDA (before Specific Items)[1]	309.7	261.9	+47.8	+18.3
Specific Items	(97.5)	1,212.1	–1,309.6	nm
Finance Costs	(66.4)	(246.6)	+180.2	+73.1
Profit from Continuing Operations after Income Tax	57.9	1,200.8	–1,142.9	–57.9
Net Cash Flows from Operating Activities	189.0	(38.3)	nm	nm
Net Debt	509.8	517.0	–20.2	–3.9
Leverage[2]	1.6X	1.9X	–0.2X	–

1. EBITDA plus share of associates, less Corporate Costs.
2. Net Debt/Group EBITDA (before Specific Items).
nm not meaningful

Revenue increased by 22% to $1,547 million while Group EBITDA before Specific Items improved $48 million (18%) to $309.7 million. In both the current and prior years Specific Items and Net Interest Expense had significant impacts on the bottom line result with Profit from Continuing Operations after Income Tax of $58 million in the current year compared with $1,201 million in the prior year.

In the current year, Specific Items included one-off costs and accounting adjustments associated with the acquisitions of Nine Adelaide, Nine Perth and ninemsn Pty Limited as well as costs associated with the Group's IPO, debt refinancing and the provisioning against a withholding tax claim which was previously disclosed as a contingent liability.

Specific Items in the prior year result included asset impairments and write downs and a significant gain on restructure.

A full analysis of Specific Items from Continuing Operations is set out below:

Specific items from Continuing Operations	2014 $m	2013 $m
Reversal of previous impairment of Mi9	9.5	–
Mark to market of derivatives	(6.6)	–
Acquisition related costs	(18.5)	–
Withholding tax provision	(10.7)	–
Transaction costs for IPO related activities	(31.1)	–
Debt refinancing costs	(31.8)	–
Restructuring costs	(1.8)	(5.0)
Provision for onerous contracts	–	(10.5)
Impairment of assets and other asset write-downs	–	(120.9)
Net gain on restructure	–	1,348.5
Other	(6.5)	–
Total	**(97.5)**	**1,212.1**

Finance costs declined from $247 million in the prior year to $63 million in the current year reflecting the impact of lower debt levels and more favourable interest margins following the Group's restructure in February 2013.

Operating Cash Flow improved year on year as a result of significantly lower interest costs following the Group's balance sheet restructure and improved business operating performance. At balance sheet date, Net Debt decreased to $510 million from $517 million with the benefit of Operating Cash Flows and cash raised as part of the IPO partially offset by the acquisition costs of Nine Adelaide, Nine Perth and 50% of ninemsn. Net Leverage at 30 June 2014 was a conservative 1.6X.

Segmental Results

	2014 $m	2013 $m	$m	Variance %
Revenue[1]				
Network	1,215.1	1,099.2	+115.9	+10.5
Live	228.0	170.9	+57.1	+33.4
Digital	107.2	–	+107.2	–
Total Revenue[1]	**1,550.3**	**1,270.1**	**+280.2**	**+22.1**
EBITDA				
Network	234.2	178.2	+56.0	+31.5
Live	68.0	57.3	+10.7	+18.7
Digital	20.4	–	+20.4	–
Corporate	(20.2)	(10.5)	–9.7	–92.4
Total EBITDA	**302.4**	**225.0**	**+77.4**	**+34.4**
Share of Associates	7.3	36.9	–29.6	–80.3
Group EBITDA	**309.7**	**261.9**	**+47.8**	**+18.3**

1. Prior to elimination of inter-segment revenue and interest income.

Reported segmental results reflect the actual business ownership that existed through each year. In particular Nine Network results include the results of Nine Adelaide from 1 July 2013 and the results of Nine Perth from 30 September 2013. Digital results reflect the consolidated results of Mi9 from 1 November 2013, the date that the Company gained control. Prior to this date Mi9's results were accounted for as an associate.

A summary of each division's performance is set out below.

Nine Network

	2014 $m	2013 $m	$m	Variance %
Revenue	1,215.1	1,099.2	+115.9	+10.5
EBITDA	234.2	178.2	+56.0	+31.5
Margin	19.3%	16.2%		+3.1 pts

Nine Network recorded revenue growth of 11% to $1,215 million, and growth in EBITDA of 32% to $234 million compared to the prior year. This improvement reflects a combination of the contributions from Nine Adelaide and Perth, an improving FTA advertising market and Nine's revenue share growth.

After a solid rebound in the December half, when the Metro Free to Air (FTA) television advertising market grew by 5%, the June half was more subdued. The timing of the Easter and ANZAC Day breaks coupled with uncertainty relating to the 2014 Federal Budget, resulted in a June half Metro Free to Air television advertising market that grew by just 1.7%. After adjusting for an increase in contra under new sport contracts, which is estimated to have contributed around 1.0 percentage point of market growth, the underlying current year Metro Free to Air television advertising market is estimated to have grown c2.5% over the year. In regional markets, which account for around 23% of the national total, Free to Air television advertising was flat for the year.

Over the year, Nine continued to increase its ratings performance and in the current year, held a commercial network leadership position across all core marketing demographics – #1 in 25-54s, 18-49s and 16-39s, across both All Day and Primetime ratings periods.

Nine's ratings performance is underpinned by the core genres of news, sport, local drama and quality reality. The ratings performance has continued to gain in both breadth and consistency, which has underpinned Nine's share gains during the year. Key drivers of the year's ratings performance include the extended 6pm News service, strong audiences across sport – NRL, Cricket, the Ashes and the State of Origins – new drama Love Child as well as core franchises The Block and The Voice.

Improved ratings supported an increase in Metro revenue share from 37.9% in the prior year to 38.7% in the current year.

Costs were up by 6.8% on the prior year, a comparison which reflected the acquisitions of Nine Adelaide and Nine Perth, and which benefitted from the absence of the 2012 Olympic costs, but which fully reflects the increased costs associated with the new National Rugby League and Cricket Australia rights agreements.

Nine Live (previously Nine Events)

	2014 $m	2013 $m	Variance $m	Variance %
Revenue	228.0	170.9	+57.1	+33.4%
EBITDA	68.0	57.3	+10.7	+18.7%
Margin	29.8%	33.5%		–3.7 pts

In July 2014, the Nine Events business was rebranded "Nine Live", with the touring and events division (previously known as Nine Live) renamed "Nine Touring and Events".

Nine Live reported EBITDA growth of 19% to $68 million on revenue of $228 million, up 33%. Overall growth was underpinned by the consistent performance of Ticketek, which contributes approximately 60% of Nine Live's revenue. Ticketek sold almost 16 million tickets in the year, up 7%, with average revenue per ticket up 2.5%.

During the year, Ticketek renewed a number of its key ticketing contracts, including the Melbourne Olympic Park Trust, the Melbourne Cricket Ground and ANZ Stadium. These give Ticketek the exclusive right to ticket all events at these venues, for a fixed period, and consolidate Ticketek's position as the leading ticketing agency in Australia, ticketing 19 of the top 20 venues by seating capacity.

Nine Touring and Events reported a more than doubling in revenue and was a significant contributor to Nine Live's revenue growth, as this relatively new business continued to evolve and refine its business model. Launched in 2011, Nine Touring and Events was formed to create incremental opportunities for the Live business via the promotion of certain live events in Australia and potentially offshore, and to capitalise on the Group's broad operating base. During the year, Nine Touring and Events promoted (or co-promoted) One Direction, Ricky Martin and Keith Urban amongst others.

Allphones recorded strong profit growth following a particularly weak prior year. Total attendances were up by more than 50%, which underpinned growth across all related venue revenue streams – primarily food and beverage, venue rental, suite leases and ticket rebates.

The decline in Nine Live's operating margin from 33% to 30% reflects the evolving business mix, with the low margin Nine Touring and Events contributing an increasing proportion of Group revenue, diluting overall reported margins.

Nine Digital

	2014 $m	2013 $m	Variance $m	Variance %
Revenue	107.2	–	+107.2	–
EBITDA	20.4	–	+20.4	–
Margin	19.1%	–	–	–

Digital results reflect the results of Mi9 from 1 November 2013, the date that the Group gained control. Prior to this date Mi9's results were accounted for as an associate.

For the period post acquisition of a controlling interest, the digital business tracked to expectations. Search and video revenues posted solid growth, however as the online display advertising market continues to fragment, much of the growth was skewed to the smaller niche players, while Mi9's display advertising revenue was down slightly following Microsoft product changes.

As previously announced, as a result of the ownership change, certain aspects of the relationship between Mi9 and Microsoft have changed or will progressively change, which has resulted in an evolving operating model. This will have a significant impact on the nature and level of future revenue streams for the business which will play out over the 2015 financial year.

Share of Associates profit

Share of Associates profit declined from $36.9 million to $7.3 million. The key driver of this decline was the change in ownership of Mi9 which ceased being an associate with effect from 1 November 2013. In addition, in the prior year, the Group's Share of Associates had included the Group's share of Mi9's profit on the sale of iSelect.

Review of Financial Position

At 30 June 2014 the Net Assets of the Group were $1,823 million which is approximately $340 million higher than as at 30 June 2013. This improvement reflects a combination of the retained profits for the year and the $275 million of new equity raised in the year as part of the Group's listing. During the year, the Group acquired Nine Adelaide, Nine Perth and the remaining 50% interest in Mi9. The cash cost of acquisitions in the year was $329 million. The Review of Operations details changes in the Group's net debt and its debt leverage.

Underlying Drivers of Performance

The Group operates across a number of businesses and industries, each of which have their own underlying drivers of performance. These are summarised below:

- Nine Network – size of the advertising market and the share attributed to Free to Air television, Nine's share of the Free to Air advertising market, the regulatory environment and the ability to secure key programming contracts.
- Nine Live – the renewal and securing of new venue ticketing contracts and the number of tours and events coming to Australia/New Zealand.
- Nine Digital – size of the advertising market and the share attributed to online and Nine Digital's share of the online advertising market.

The impacts of changes in underlying drivers of performance on the current year result are set out in the Review of Operations, as applicable.

Business Strategies and Future Prospects

The Group is focusing on the following business growth strategies.

Continue strong momentum and consolidate position as a leading FTA TV network

The Group intends to achieve consistent performance across Sydney, Melbourne and Brisbane and to increase its audience and revenue share in Adelaide and Perth, with an overall aim of developing a leading position in audience and advertising revenue share across the five capital cities. The Group also plans to use its digital channels to grow its total share of audience and revenue. The Group is also focused on optimising content returns through improved broadcast rights deals and affiliate arrangements, and maintaining disciplined cost management.

In programming, the Group recognises the importance of broadcasting leading news and current affairs and sports content and audience demand for local content, and is focused on continuing to make targeted investments in content to reflect audience preferences.

Utilise the Group's content and audience reach through its integrated platform to grow returns

The combined ownership of Nine Network, Nine Live and Nine Digital provides the Group with various cross-promotional and cross-selling opportunities for all of its business divisions. The Group will continue to identify and pursue opportunities where it can utilise its content or audience reach to generate returns and cross-selling opportunities across its integrated platform. This includes investments through Nine Ventures, as well as commercial relationships with other businesses.

The Group intends to improve financial returns by improving alignment and integration across its businesses, including its sales and marketing functions.

Maintain strong industry position and expand the Nine Live business

The Group intends to expand revenue streams and maintain the industry position of its core ticketing business via innovation, technology and business development. This includes successfully renewing major Ticketek contracts, increasing tours via Nine Touring and Events, and using its integrated business model to access talent and a variety of revenue streams. The Group will use the content and media from other parts of the Group to support growth in Nine Live. The Group will also seek to explore new ways to utilise its online assets to grow online and data revenues.

Continue to grow Mi9 and other digital media assets

The Group intends to build on Mi9's position as a leading online network in Australia to grow audience and advertising revenue. The Group plans to expand its audience by increasing its content and the ways customers find and access this content, including via tablets and mobile devices. Mi9 expects to make changes in the user interface of Mi9's websites to support the development of content for tablets and mobile, and to support advertising growth in these areas.

Mi9's goal is to increase its advertising revenue through growth in audience, and inventory, as well as making use of its data assets to improve yields and effectiveness of advertising.

The Group is confident that the successful execution of these business strategies will enable the Group to grow in the future.

The key risks which could prevent the Group from optimising its growth in the future are set out below:

- Nine Network – significant changes to advertising market conditions, Nine's share of the advertising market, viewer preferences, the regulatory environment and/or a loss of key programming contracts.
- Nine Live – the loss of ticketing venues, a reduction in the number of tours and events coming to Australia/New Zealand and/or any innovation in ticketing distribution methods.
- Nine Digital – significant changes to advertising market conditions, Nine Digital's share of the advertising market, internet user preferences and/or the regulatory environment. In addition, as Mi9 separates from Microsoft, there are a number of specific risks which include the reduction in traffic directed to Mi9 by Microsoft. Mi9 in time will also lose its entitlement to use the ninemsn and msn brands, and will therefore need to develop and launch new branding for the ninemsn websites, which may or may not prove successful.

Share Price Performance

NEC was listed on the Australian Stock Exchange on 6 December 2013, with an IPO price of $2.05. Since listing, the Group has traded in the range of $1.87 to $2.39 and closed on 30 June 2014 at $2.16.

Corporate Governance Statement

The Board of Directors of Nine Entertainment Co. Holdings Limited (NEC) is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of NEC on behalf of its shareholders by whom they are elected and to whom they are accountable.

The corporate governance practices that were in place prior to the Company's listing in December 2013 were established to align with the business operational and strategic priorities under private ownership. Since listing, the Company has developed and implemented corporate governance practices as set out below. Details on compliance with the ASX CGC guidelines and recommendations relate to the period since the Company's listing, unless specified otherwise.

Recommendation		Comply	Reference
Principle 1: Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	Yes	Pg 46–48
1.2	Disclose the process for evaluating the performance of senior executives	Yes	Pg 30–32
1.3	Provide the information indicated in the Guide to reporting on Principle 1	Yes	above
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent Directors	No	Pg 47
2.2	The chair should be an independent Director	Yes	Pg 47
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual	Yes	Pg 47
2.4	The Board should establish a nomination committee	Yes	Pg 50–51
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors	Yes	Pg 35–36
2.6	Provide the information indicated in the Guide to reporting on Principle 2	Yes	above
Principle 3: Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account legal obligations and the reasonable expectations of shareholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	NEC website
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy	Yes	Pg 54
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	Yes	Pg 54
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	Yes	Pg 54
3.5	Provide the information indicated in the Guide to reporting on Principle 3	Yes	above
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee	Yes	Pg 49–50
4.2	Structure the audit committee so that it:		
	• consists of only non-executive Directors;	Yes	Pg 47
	• consists of a majority of independent Directors;	Yes[1]	Pg 47
	• is chaired by an independent chair, who is not chair of the Board; and	Yes	Pg 47
	• has at least three members.	Yes	Pg 47
4.3	The audit committee should have a formal charter	Yes	Pg 49–50
4.4	Provide the information indicated in the Guide to reporting on Principle 4	Yes	above

Recommendation		Comply	Reference
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	Yes	NEC website
5.2	Provide the information indicated in the Guide to reporting on Principle 5	Yes	above
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of the policy	Yes	NEC website
6.2	Provide the information indicated in the Guide to reporting on Principle 6	Yes	above
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Yes	Pg 51–52
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	Yes	Pg 51–52
7.3	The Board should disclose whether it has received assurance from the Chief Executive (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	Yes	Pg 51–52
7.4	Provide the information indicated in the Guide to reporting on Principle 7	Yes	above
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee	Yes	Pg 50–51
8.2	The remuneration committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent Director and has at least three members	No	Pg 27
8.3	Clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives	Yes	Pg 30–38
8.4	Provide the information indicated in the Guide to reporting on Principle 8	Yes	above

1. Effective 1 July 2014, the composition of the Audit and Risk Management Committee changed such that a majority of members were independent Directors. Prior to this date, the Committee comprised one independent and two non-independent Directors.

The Company's key corporate governance practices are discussed within this statement. Further information on corporate governance policies adopted by the Company is set out at: www.nineentertainment.com.au/overview.aspx.

Board of Directors

The Board of Directors of NEC is responsible for, and oversees the governance of, the Company. The Board strives to build sustainable value for shareholders whilst protecting the assets and reputation of NEC. The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements. Under the Board Charter, the functions of the Board are to:

i. approve NEC's strategies, budgets and business plans;

ii. approve NEC's annual report including the financial statements, Directors' Report, Remuneration Report and corporate governance statement, with advice from the Nomination and Remuneration Committee and the Audit and Risk Management Committee, as appropriate;

iii. approve major borrowing and debt arrangements, the acquisition, establishment, disposal or cessation of any significant business of the Company, any significant capital expenditure and the issue of any shares, options, equity instruments or other securities in NEC;

iv. assess performance against strategies to monitor both the performance of the Chief Executive Officer and other individuals as determined from time to time by the Nomination and Remuneration Committee (collectively "Senior Management") of the NEC Group;

v. ensure that the Company acts legally and responsibly on all matters and that the highest ethical standards are maintained;

vi. maintain a constructive and ongoing relationship with the Australian Securities Exchange and regulators, and approve policies regarding disclosure and communications with the market and NEC's shareholders; and

vii. monitor and approve changes to internal governance including delegated authorities, and monitor resources available to Senior Management.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

The responsibility for the operation and administration of the Group is delegated, by the Board, to Senior Management. The Board ensures that this team is appropriately qualified and experienced to discharge its responsibilities and has in place procedures to assess the performance of the Senior Management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of specialist sub-committees which are able to focus on a particular responsibility and provide informed feedback to the Board.

With the guidance of the Board's Nomination and Remuneration Committee, the Board is responsible for:

i. evaluating and approving the remuneration packages of the Chief Executive Officer, Directors and other members of Senior Management;

ii. monitoring compliance with the Non-Executive Director remuneration pool as established by the Constitution, or as subsequently amended by shareholders, and recommending any changes to the pool;

iii. administering short- and long-term incentive plans (including any equity plans) and engaging external remuneration consultants, as appropriate;

iv. appointing, evaluating or removing the Chief Executive Officer, and approving appointments or removal of all other members of Senior Management and Directors;

v. regularly assessing the independence of all Directors;

vi. reviewing succession planning for Directors and Senior Management; and

vii. monitoring the mix of skills, experience, expertise and diversity on the Board and, when necessary, appointing new Directors, for approval by shareholders.

With the guidance of the Audit and Risk Management Committee, the Board is responsible for:

i. preparing and presenting NEC's financial statements and reports;

ii. overseeing NEC's financial reporting, which, without limitation, includes:

    a. reviewing the suitability of NEC's accounting policies and principles, how they are applied, and ensuring they are used in accordance with the statutory financial reporting framework;

    b. assessing significant estimates and judgements in financial reports; and

    c. assessing information from external auditors to ensure the quality of financial reports;

iii. overseeing NEC's financial controls and systems;

iv. reviewing, monitoring and approving NEC's risk management policies, procedures and systems; and

v. managing audit arrangements and auditor independence.

The Board has delegated to the Chief Executive Officer the authority and power to manage NEC and its businesses within levels of authority specified by the Board from time to time. The Chief Executive Officer may delegate aspects of his or her authority and power but remains accountable to the Board for NEC's performance and is required to report regularly to the Board on the progress being made by NEC's business units.

The Chief Executive Officer's role includes:

i. responsibility for the effective leadership of the management team;
ii. the development of strategic objectives for the business; and
iii. the day-to-day management of NEC's operations.

Membership of Board committees during the year and as at the date of this report is set out below.

Committee Membership

Director		Audit and Risk Management	Nomination and Remuneration
David Haslingden	Independent Non-Executive Chair	Member (from 1 July 2014)	Member
David Gyngell	Chief Executive Officer	–	–
Peter Costello	Independent Non-Executive Director	–	–
Kevin Crowe Jr	Non-Executive Director	Member	–
Edgar Lee	Non-Executive Director	Member (to 30 June 2014)	–
Hugh Marks	Independent Non-Executive Director	Chair	–
Steve Martinez	Non-Executive Director	–	Member
Joanne Pollard	Independent Non-Executive Director	–	Chair
Rajath Shourie	Non-Executive Director	–	Member

The qualifications and experience of each member of the Board are set out in the Directors' Report. Between them, the Directors bring to the Board relevant experience and skills, including industry and business knowledge, and financial management, legal, regulatory and corporate governance experience.

The composition, structure and proceedings of the Board are primarily governed by NEC's constitution (a copy of which can be found on the Company's website) and the laws governing corporations in jurisdictions where the Company operates. The Board, with the assistance of the Nomination and Remuneration Committee, regularly reviews the composition and structure and performance of the Board.

With guidance from the Nomination and Remuneration Committee and, where necessary, external consultants, the Board identifies candidates with appropriate skills, experience, expertise and diversity in order to discharge its mandate effectively and to maintain the necessary mix of expertise on the Board.

The Nomination and Remuneration Committee assesses nominations of new Directors against a range of criteria including the candidate's background, experience, gender, professional skills, personal qualities and whether their skills and experience will complement the existing Board.

The criteria to assess nominations of new Directors is reviewed periodically and the Nomination and Remuneration Committee at least annually compares the skill base of existing Directors with that required for the future strategy of NEC to enable identification of attributes required in new Directors. Before appointment to the Board, candidates must confirm that they will have sufficient time to meet their obligations to NEC, in light of other commitments. Letters of appointment for each new appointment to the Board set out the key terms and conditions relative to the appointment.

All Directors (other than the Chief Executive Officer) are subject to re-election by rotation at least every three years. Newly appointed Directors must seek re-election at the first general meeting of shareholders following their appointment.

The Nomination and Remuneration Committee carries out a review of the performance of the Board, its committees, and each Non-Executive Director at least once each year. This review considers and assesses:

i. the effectiveness of the Board and each committee in meeting the requirements of its charter;
ii. whether the Board and each committee has members with the appropriate mix of skills and experience to properly perform their functions;
iii. whether adequate time is being allocated to NEC matters, taking into account each Director's other commitments; and
iv. the independence of each Non-Executive Director, taking into account the Director's other interests, relationships and directorships.

The Nomination and Remuneration Committee periodically reviews the performance of the Chief Executive Officer and other senior executives.

The Chair is elected by the Board but must be an independent Director. The Chair must not hold, and must not have held within the previous three years, the office of Chief Executive Officer of NEC. The Chair's role includes:

i. providing effective leadership to the Board in relation to all Board matters;
ii. representing the views of the Board to the public; and
iii. presiding over meetings of the Board and general meetings of shareholders.

The Board appoints and removes the Company Secretary. All Directors have direct access to the Company Secretary who supports the effectiveness of the Board by monitoring that Board policy and procedures are followed, and co-ordinates the completion and despatch of Board agendas and briefing papers. The Company Secretary is accountable to the Chief Executive Officer, and to the Board through the Chair, on all corporate governance matters.

New Directors will be briefed on their roles and responsibilities and the minutes and papers of Board and committee meetings will be made available to them. Board papers are distributed, where possible, within a reasonable period of time before each meeting.

Directors may obtain independent professional advice at NEC's expense on matters arising in the course of their Board and committee duties, after obtaining the Chair's approval. The other Directors must be advised if the Chair's approval is withheld.

Non-Executive Directors are required to meet periodically with no management present, to review management performance.

Independent Directors

The Board considers an independent Director to be a Non-Executive Director who is not a member of NEC's management team and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

Individuals would, in the absence of evidence or convincing argument to the contrary, be judged to be not independent if they were:

i. employed, or had previously been employed, in an executive capacity by NEC or any of its subsidiaries in the three years prior to becoming a Director; or
ii. directly involved in the audit of NEC or any of its subsidiaries; or
iii. a substantial shareholder of NEC, or an officer of, or otherwise associated directly with, a substantial shareholder of NEC; or
iv. a principal of a professional advisor or consultant to NEC where the amount paid to that advisor or consultant in the three years prior to becoming a Director was material or the relationship with the advisor or consultant was otherwise material to NEC, or an employee materially associated with the service provided; or
v. a supplier, or an officer of or otherwise associated directly or indirectly with a supplier, to NEC where the amount paid during the year by NEC to that supplier was material (to either NEC or the supplier) or the relationship between NEC and the supplier was otherwise material to NEC or the supplier; or
vi. a customer, or an officer of or otherwise associated directly or indirectly with a customer, of NEC where the amount paid during the year by that customer to NEC was material (to either NEC or the customer) or the relationship between NEC and the customer was otherwise material to NEC or the customer; or
vii. in a material contractual relationship with NEC or another Group member other than as a Director of NEC.

Any potential change in the nature of the independence status of a Non-Executive Director must be promptly notified to the Chair and Company Secretary and the Board will review that Director's independence status.

The Board considers qualitative principles of materiality for the purpose of determining "independence" on a case-by-case basis. The Board will consider whether there are any factors or considerations which may mean that the Director's ability to act in the best interests of NEC is impaired.

The Board considers that each of David Haslingden, Peter Costello, Hugh Marks and Joanne Pollard is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their Director's judgement and is able to fulfil the role of independent Director.

David Gyngell, Kevin Crowe Jr, Edgar Lee, Steve Martinez and Rajath Shourie are currently considered by the Board not to be independent. David Gyngell is the Chief Executive Officer of NEC. Messrs Crowe, Lee, Martinez and Shourie are nominees of substantial shareholders of NEC (Kevin Crowe Jr and Steve Martinez of Apollo and Edgar Lee and Rajath Shourie of Oaktree).

Although the composition of the Board does not comply with Recommendation 2.1 of the ASX Recommendations, which requires that the majority of the Board should be comprised of independent Directors, the Board believes that independent judgement is achieved and maintained in respect of its decision-making processes. The Board has elected not to increase its size by the addition of further Directors in order to achieve a majority of independent Directors, because it considers that at nine members, the Board is an appropriate size.

Eight of the nine members of the Board are Non-Executive Directors and are independent of management. The four (being those Directors who were nominated by Apollo and Oaktree) of those Directors who are not considered to be independent add significant value to Board deliberations with their considerable experience and skills. The Board is satisfied that each of these four Directors brings objective and independent judgement to the Board's deliberations.

The Directors believe that they are able to objectively analyse the issues before them in the best interests of all shareholders and in accordance with their duties as Directors.

Committees

The Board operates two committees:

i. the Audit and Risk Management Committee; and
ii. the Nomination and Remuneration Committee.

When appointing members of each committee, the Board takes into account the skills and experience appropriate for that committee as well as any statutory or regulatory requirements. The Chair of the Audit and Risk Management Committee may not be the Chair of the Board and should be an independent Director.

The committees operated by the Board consider and determine the matters for which they are responsible in accordance with their respective charters. Copies of the charter of each committee are published on NEC's website. The Board may establish other committees as and when required.

All proceedings of the Board, including Board papers, presentations and other information provided to the Board, are maintained under strict confidentiality except as required by law or as agreed by the Board.

Audit and Risk Management Committee

The Audit and Risk Management Committee meets at least two times a year or as frequently as is required to undertake its role effectively. The Committee operates in accordance with a Charter which sets out its role and functions. In summary, the Committee's role is to assist the Board in fulfilling its responsibilities for corporate governance and oversight of NEC's financial reporting, internal control structure, risk management systems and external audit functions.

The Committee's key responsibilities and functions are to assist the Board in discharging its responsibilities:

i. to prepare and present NEC's financial statements and reports;
ii. in relation to NEC's financial reporting, which includes:
    a. reviewing the suitability of NEC's accounting policies and principles, how they are applied and ensuring they are used in accordance with the statutory financial reporting framework;
    b. assessing significant estimates and judgements in financial reports;
    c. assessing information from internal and external auditors to ensure the quality of financial reports; and
    d. recommending to the Board whether the financial and associated non-financial statements should be signed based on the Committee's assessment of them;
iii. in relation to the entry into, approval, or disclosure, of related party transactions (if any);
iv. in overseeing NEC's financial controls and systems;
v. to review, monitor and approve NEC's risk management policies, procedures and systems; and
vi. to manage audit arrangements and auditor independence.

Under its Charter, the Committee comprises:

i. at least three members each of whom must be Non-Executive Directors; and
ii. a majority of Directors who are independent (and it must satisfy this description if required by statute or regulation).

The Chair of the Committee should be an independent Non-Executive Director who does not chair the Board. All Committee members should be financially literate and have a reasonable understanding of NEC's businesses and the industry in which they participate. Members are appointed for a fixed period of no more than three years, with Committee members generally being eligible for re-appointment for so long as they meet the relevant criteria. The appointment and removal of Committee members is the responsibility of the Board. Members may resign as a Committee member upon reasonable notice in writing to the Committee Chair. If a Committee member ceases to be a Director of the Company their appointment as a member of the Committee is automatically terminated with immediate effect. The Company Secretary is secretary to the Committee.

Members of the Committee and details of their attendance at Committee meetings are set out in the Directors' Report.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee meets at least annually or as frequently as is required to undertake its role effectively. The Committee operates in accordance with a Charter which sets out its role and functions. In summary, the Committee's role is to assist the Board in fulfilling its responsibilities for corporate governance and oversight of NEC's nomination and remuneration policies and practices which enable it to attract and retain senior management of the NEC Group and appropriately align their interests with those of key stakeholders. The Committee also ensures that the Board continues to operate within established guidelines, including (when necessary) selecting candidates for Director positions.

The Committee's key responsibilities and functions are to assist the Board in discharging its responsibilities:

i. Remuneration policies, including:
   a. evaluating and approving the remuneration packages (including fixed remuneration, short-term and long-term incentives and any other benefits or arrangements) of the Chief Executive Officer, executive Directors and other members of Senior Management;
   b. evaluating and approving the remuneration arrangements for Non-Executive Directors;
   c. monitoring compliance with the Non-Executive Director remuneration pool as established by the Constitution, or as subsequently amended by shareholders, and recommending any changes to the pool; and
   d. engagement of external remuneration consultants.
ii. Short- and long-term incentive plans, including:
   a. plan terms and conditions;
   b. performance hurdles, if any;
   c. invitations to participate in offers and the terms of participation; and
   d. achievement of performance criteria (if any) and the final level of any payments, grants or allocations.
iii. Equity plans, including:
   a. amendments to the terms of existing plans within the parameters of those plans; and
   b. administration and operation of plans, including but not limited to determining disputes and resolving questions of fact or interpretation concerning the various plans.
iv. Board composition and performance, considering:
   a. the appropriate size, composition and diversity of the Board;
   b. the appropriate criteria (necessary and desirable skills and experience) for appointment of Directors;
   c. recommendations for the appointment, composition, re-election and removal of Directors;
   d. the terms and conditions of appointment to and retirement from the Board;
   e. the evaluation of the performance of the Board, its committees and Directors;
   f. the time Non-Executive Directors are expected to devote to NEC's affairs and whether Directors are meeting that requirement; and
   g. review of Board succession plans.

v. Succession of the Chief Executive Officer and his or her direct reports, considering:
   a. guidelines for management development; and
   b. review of the Chief Executive Officer and other members of Senior Management succession and development plans.
vi. The Committee also oversees remuneration related disclosures required in annual statutory reporting, if any, and provides advice to the Board on approval of those disclosures.

Under its Charter, the Committee should, to the extent practicable given the size and composition of the Board from time to time, comprise:

i. at least three members each of whom must be Non-Executive Directors; and
ii. a majority of Directors who are independent.

Members are appointed for a fixed period of no more than three years, with Committee members generally being eligible for re-appointment for so long as they meet the relevant criteria. The appointment and removal of Committee members is the responsibility of the Board. Members may resign as a Committee member upon reasonable notice in writing to the Committee Chair. If a Committee member ceases to be a Director of the Company their appointment as a member of the Committee is automatically terminated with immediate effect. The Company Secretary is secretary to the Committee.

Risk

The Audit and Risk Management Committee oversees the effectiveness of NEC's financial controls and systems, and the risk management function; and evaluates the structure and adequacy of the Group's insurance coverage periodically.

The risks faced by NEC include regulatory and compliance risk, investment risk, legal risk, financial risk, reputational risk, operational and execution risk and strategic risk. Responsibility for risk management is shared across the organisation. Key responsibilities include:

i. The Board is responsible for overseeing the establishment of, and approving, the risk management strategy and policies of the Company.
ii. The Board has delegated to the Audit and Risk Management Committee responsibility for:
   a. identifying major risk areas;
   b. reviewing, monitoring and approving NEC's risk management policies, procedures and systems to provide assurance that major business risks are identified, consistently assessed and appropriately addressed;
   c. ensuring that risk considerations are incorporated into strategic and business planning;
   d. providing risk management updates to the Board and any supplementary information required to provide the Board with confidence that key risks are being appropriately managed;
   e. reviewing reports from management concerning compliance with key laws, regulations, licences and standards which NEC is required to satisfy in order to operate;
   f. overseeing tax compliance and tax risk management; and
   g. reviewing any significant findings of any examinations by regulatory agencies.

NEC management is responsible for establishing NEC's risk management framework, including identifying major risk areas and developing NEC's policies and procedures, which are designed effectively to identify, treat, monitor, report and manage key business risks.

Each employee and contractor is expected to understand and manage the risks within their responsibility and boundaries of authority when making decisions and undertaking day-to-day activities.

Reporting is an important part of the risk management function. It is the responsibility of the Audit and Risk Management Committee to report to the Board about NEC's adherence to policies and guidelines approved by the Board for the management of risks.

The Chief Executive Officer and Chief Financial Officer are each responsible for reporting to the Audit and Risk Management Committee any proposed changes to the risk management framework. Any exposures or breaches of key policies or incidence of risks, where significant, must be reported to the Audit and Risk Management Committee and the Board.

The Board has in place the following to ensure that management's objectives and activities are aligned with the risks identified:

i. Board approval of an annual strategic plan, which encompasses the Company's vision, mission and strategy, designed to meet stakeholders' needs and manage business risk.
ii. Implementation of Board approved operating plans and budgets, periodic re-forecasting and monitoring of progress against these budgets and forecasts, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

The Chief Executive Officer and Chief Financial Officer are required to provide to the Board declarations in accordance with section 295A of the Corporations Act which confirm:

- their view that the Company's financial reporting is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the Chief Executive Officer and Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not (and cannot be) designed to detect all weaknesses in control procedures.

In response to this, internal control questions are required to be completed by the key management personnel of all significant business units, including finance managers, in support of these written statements.

Code of Conduct

All Directors, managers and employees are required to act honestly and with integrity.

The Company has developed and communicated to all employees and Directors the NEC Code of Conduct. This Code assists in upholding ethical standards and conducting business in accordance with applicable laws. The Code also sets out the responsibility of individuals for reporting Code breaches.

The NEC Code of Conduct aims to:

i. provide clear guidance on the Company's values and expectations while acting as a representative of NEC;

ii. promote minimum ethical behavioural standards and expectations across the Group, all business units and locations;

iii. offer guidance for shareholders, customers, suppliers and the wider community on our values, standards and expectations, and what it means to work for NEC; and

iv. raise employee awareness of acceptable and unacceptable behaviour and provide a means to assist in avoiding any real or perceived misconduct.

The Code of Conduct is a set of general principles relating to employment with NEC, covering the following areas:

i. business integrity – conducting business with honesty, integrity and fairness; reporting concerns without fear of punishment; making public comments about the Company; and disclosing real or potential conflicts of interest;

ii. professional practice – dealings in NEC shares; disclosing financial interests; protecting Company assets and property; maintaining privacy and confidentiality; undertaking employment outside NEC; personal advantage, gifts and inducements; recruitment and selection; and Company reporting;

iii. health, safety and environment;

iv. Equal Employment Opportunity and anti-harassment;

v. compliance with Company policies; and

vi. implementation of, and compliance with, the Code of Conduct.

Supporting the Code of Conduct is the Company's range of guidelines and policies. These policies are posted on the Company website, are communicated to employees at the time of employment and are reinforced by training programs.

Securities Trading Policy

Under the Company's Securities Trading Policy, Directors and senior management must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. The policy establishes blackout periods during which shares cannot be traded, except as outlined in the policy, and raises awareness of the insider trading laws. In addition to the policy, individual Directors are required to sign a disclosure of interests upon their appointment to the Board. This document specifically requires Directors to advise the Company Secretary of all transactions in the Company's shares.

As required by the ASX listing rules, the Company notifies the ASX of any transactions conducted by Directors in the securities of the Company.

Market Disclosure and Shareholder Communications

The Company has both a Market Disclosure Policy and a Shareholder Communication Policy. The Disclosure policy sets out requirements aimed to ensure full and timely disclosure to the market of material issues relating to the Group to ensure that all stakeholders have an equal opportunity to access information.

The Disclosure Policy reflects the ASX Listing Rules and Corporations Act continuous disclosure requirements.

The Disclosure Policy requires that the Company notify the market, via the ASX, of any price sensitive information (subject to the exceptions to disclosure under the Listing Rules). Information is price sensitive if a reasonable person would expect the information to have a material effect on the price or value of the Company's securities or if the information would, or would be likely to, influence investors in deciding whether to buy, hold or sell NEC securities.

The Board has established a disclosure committee which is responsible for reviewing potential disclosures and deciding what information should be disclosed. The Committee comprises the following executives:

i. Chief Executive Officer;

ii. Chief Financial Officer;

iii. Company Secretary (who, for administrative convenience only, is primarily responsible for overseeing and coordinating all communication with the ASX, investors, analysts, brokers, the media and the public) (Disclosure Officer); and

iv. Commercial Director and Group General Counsel.

The Company recognises the right of shareholders to be informed of matters which affect their investment in the Company and has adopted a Shareholder Communication Policy.

The only NEC Persons authorised to speak on behalf of NEC to investors, analysts or the media are:

i. the Chair;

ii. the Chief Executive Officer;

iii. the Chief Financial Officer; and

iv. such other NEC Persons approved by the Chair, the Chief Executive Officer or the Chief Financial Officer.

This safeguards the premature disclosure of confidential information and aims to ensure proper disclosure is made in accordance with the law. ASX and press releases of a material nature must be approved by the Disclosure Committee.

The Disclosure Committee is authorised to determine whether a trading halt will be requested from the ASX to prevent trading in an uninformed market.

The onus is on all staff to inform a Disclosure Committee member of any price sensitive information as soon as becoming aware of it. Under the Code of Conduct, staff are required to understand and comply with the Disclosure Policy.

As well as complying with the Listing Rules and its statutory reporting obligations, the Company actively encourages timely and ongoing shareholder communications. The Group has a Shareholder Communication Policy to promote effective communication with Shareholders and other stakeholders and to encourage effective participation at NEC's General Meetings. The Shareholder Communication Policy ensures ready access for shareholders to information about the Company via the ASX, the NEC website www.nineentertainmentco.com.au, NEC's annual and half-yearly reports and the Annual General Meeting. Company announcements, annual reports, analyst and investor briefings, financial results and other information useful to investors (such as press releases) are placed on the Company's website as soon as practical after their release to the ASX.

At the Annual General Meeting, shareholders are encouraged to ask questions and are given a reasonable opportunity to comment on matters relevant to the Company. The external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the audit report.

Diversity

Diversity at NEC

The Company recognises the importance and value of creating a workplace that is inclusive and respectful of diversity. To this end, the Company supports the recommendations contained in the ASX Corporate Governance Principles and Recommendations. The Company's diversity policy acknowledges the positive outcomes that can be achieved through a diverse workforce, and recognises and utilises the contribution of diverse skills and talent from its Directors, officers and employees, including contractors and consultants. The Company believes its diverse workforce is the key to its continued growth, improved productivity and performance.

In the context of this policy, diversity includes (but is not limited to) gender, age, ethnicity, cultural background, religion, sexual orientation, disability and mental impairment. The policy is approved by the Board and overseen by the Nomination and Remuneration Committee.

Key principles

NEC will endeavour to ensure:

- that NEC's corporate culture at all levels supports diversity in the workplace whilst maintaining a commitment to a high performance culture;
- that consideration is given to programs and processes for the development of skills of its employees and support for an individual's domestic responsibilities;
- the policy for selection and appointment of new Directors is transparent; and
- the Board establishes objectives on an annual basis to identify ways in which the achievement of gender diversity at NEC is measured, and in relation to other aspects of this diversity policy.

The Board is responsible for setting, regularly reviewing and monitoring the policy's effectiveness. The Board will set measurable FY15 objectives for achieving gender diversity and assess at least annually both the objectives and the Company's progress in achieving them. The Board is committed to disclosing either the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation, and/or its Gender Equality Indicators (as defined in the Workplace Equality Act 2012) in its next annual report.

Female representation

At 30 June 2014, the proportion of women employed by the Company was as follows:

Board of Directors	11%
Leadership roles	32%
Total NEC workforce	44%

Objectives for FY15

- As part of the annual remuneration review process, NEC will undertake a gender pay equity review;
- The recruitment process for all senior management appointments to include a diverse pool of candidates; and
- Continue to assist Indigenous Australians to access employment opportunities within our business through our partnership with Media Ring and Aboriginal Employment Strategies (AES).

In addition to the Company's Diversity policy other activities that support a fair and inclusive workplace include:

- Flexible work options to assist employees to balance their work, family and other responsibilities;
- Ensuring employees have access to opportunities within the Company based on merit;
- Updating performance review tools and objectives to support a diverse workforce; and
- Implementing policies that create a culture free from discrimination, harassment and bullying.

Consolidated Statement of Comprehensive Income

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenues	2(b)	**1,546,556**	1,272,423
Expenses	2(b)	**(1,388,235)**	(1,099,781)
Finance costs	2(b)	**(66,371)**	(246,589)
Impairment of assets	2(b)	**–**	(120,635)
Net gain on restructure	2(b)	**–**	1,348,512
Share of profits of associate entities	10	**7,255**	36,896
Profit from continuing operations before income tax		**99,205**	**1,190,826**
Income tax (expense)/benefit	4	**(41,333)**	9,991
Profit from continuing operations after income tax		**57,872**	**1,200,817**
Discontinued operations			
Loss from discontinued operations after income tax – Australian Consolidated Press Limited Group	5(a)	**–**	(13,320)
Net profit for the period		**57,872**	**1,187,497**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**7**	636
Reclassification of foreign currency translation reserve to loss from discontinued operations	5(a)	**–**	22,089
Fair value movement in investment in listed equities	11	**3,534**	8,285
Fair value movement in cash flow hedges		**(12,752)**	74,486
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit plan	24	**6,590**	98
Other comprehensive (loss)/income for the period		**(2,621)**	**105,594**
Total comprehensive income for the period		**55,251**	**1,293,091**
Profit for the period is attributable to:			
Equity holders of the parent		**57,872**	1,187,857
Non-controlling interest		**–**	(360)
Total profit for the period		**57,872**	**1,187,497**
Comprehensive income for the period is attributable to:			
Equity holders of the parent		**55,251**	1,293,451
Non-controlling interest		**–**	(360)
Total comprehensive income for the period		**55,251**	**1,293,091**
Earnings per share			
Basic profit attributable to ordinary equity holders of the parent	33	**$0.07**	$3.76
Diluted profit attributable to ordinary equity holders of the parent	33	**$0.07**	$3.76
Earnings per share for continuing operations			
Basic profit from continuing operations attributable to ordinary equity holders of the parent	33	**$0.07**	$3.81
Diluted profit from continuing operations attributable to ordinary equity holders of the parent	33	**$0.07**	$3.81

Consolidated Statement of Financial Position

	Note	30 June 2014 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	22	**219,767**	392,450
Trade and other receivables	6	**325,039**	263,974
Inventories	7	**803**	742
Program rights	8	**196,224**	172,187
Derivative financial instruments	31	**1,481**	9,085
Other assets	9	**26,747**	20,590
Total current assets		**770,061**	859,028
Non-current assets			
Receivables	6	**4,170**	3,066
Program rights	8	**57,087**	67,092
Investments in associates accounted for using the equity method	10	**38,081**	136,507
Investment in listed equities	11	**20,883**	17,349
Property, plant and equipment	12	**189,208**	161,160
Licences	13	**593,353**	344,669
Other intangible assets	14	**1,401,695**	1,222,243
Derivative financial instruments	31	**–**	91,448
Other assets	9	**93,055**	86,466
Total non-current assets		**2,397,532**	2,130,000
Total assets		**3,167,593**	2,989,028
Current liabilities			
Trade and other payables	15	**504,732**	401,393
Interest bearing loans and borrowings	16	**106**	32,940
Current income tax liabilities		**3,327**	7
Provisions	17	**55,489**	57,769
Derivative financial instruments	31	**203**	–
Total current liabilities		**563,857**	492,109
Non-current liabilities			
Payables	15	**87,306**	70,195
Interest bearing loans and borrowings	16	**602,968**	865,310
Deferred tax liabilities	4	**44,368**	21,462
Provisions	17	**45,444**	56,311
Total non-current liabilities		**780,086**	1,013,278
Total liabilities		**1,343,943**	1,505,387
Net assets		**1,823,650**	1,483,641
Equity			
Contributed equity	18	**862,725**	2,773,295
Reserves	19	**19,176**	17,278
Retained earnings/(accumulated losses)	19	**941,749**	(1,306,932)
Total equity attributable to equity holders of the parent		**1,823,650**	1,483,641

Consolidated Statement of Cash Flows

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		**1,631,677**	1,656,765
Payments to suppliers and employees		**(1,357,802)**	(1,550,987)
Dividends received – associates	10	**2,887**	25,270
Interest received		**4,552**	5,419
Interest and other costs of finance paid		**(69,607)**	(174,775)
Income tax paid		**(22,681)**	–
Net cash flows from/(used in) operating activities	22(b)	**189,026**	(38,308)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(32,587)**	(17,817)
Proceeds on disposal of property, plant and equipment		**97**	46
Acquisition of entities, net of cash acquired		**(329,046)**	–
Proceeds on disposal of subsidiary		**–**	500,715
Purchase of venue ticketing rights		**(23,920)**	(21,174)
Sale of investments in listed equities		**–**	317
Purchase of other intangible assets		**(113)**	(3,043)
Net cash flows from/(used in) investing activities		**(385,569)**	459,044
Cash flows from financing activities			
Recapitalisation costs paid		**–**	(48,351)
Proceeds of share issue		**275,001**	–
Payment of share issue costs		**(27,529)**	–
Buy-back of shares		**–**	(1,555)
Proceeds from borrowings, net of costs		**801,281**	832,427
Repayment of borrowings		**(1,024,893)**	(1,082,153)
Distributions to non-controlling interests		**–**	(762)
Net cash flows from/(used in) financing activities		**23,860**	(300,394)
Net increase/(decrease) in cash and cash equivalents		**(172,683)**	120,342
Cash and cash equivalents at the beginning of the financial year		**392,450**	272,108
Cash and cash equivalents at the end of the period	22(a)	**219,767**	392,450

Consolidated Statement of Changes in Equity

	Contributed equity $'000	Foreign currency translation reserve $'000	Net unrealised gains reserve $'000	Cash flow hedge reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Retained earnings/ accumulated losses $'000	Owners of the parent – total $'000	Non-controlling interest $'000	Total equity $'000
At 1 July 2013	2,773,295	(2,852)	4,918	12,041	–	3,171	(1,306,932)	**1,483,641**	–	**1,483,641**
Profit for the period	–	–	–	–	–	–	57,872	**57,872**	–	**57,872**
Other comprehensive income for the period	–	7	10,124	(12,752)	–	–	–	**(2,621)**	–	**(2,621)**
Total comprehensive income for the period	–	7	10,124	(12,752)	–	–	57,872	55,251	–	55,251
Transactions with owners in their capacity as owners:										
Issue of shares	275,001	–	–	–	–	–	–	275,001	–	275,001
Transaction costs, net of tax	(7,367)	–	–	–	–	–	–	(7,367)	–	(7,367)
Issue of shares to employees and Directors	12,605	–	–	–	–	–	–	12,605	–	12,605
Share-based payment expense	–	–	–	–	4,519	–	–	4,519	–	4,519
Capital reduction	(2,190,809)	–	–	–	–	–	2,190,809	–	–	–
At 30 June 2014	862,725	**(2,845)**	**15,042**	**(711)**	**4,519**	**3,171**	941,749	1,823,650	–	1,823,650
At 1 July 2012	1,329,981	(25,577)	(3,465)	(62,445)	3,965	–	(2,494,789)	**(1,252,330)**	774	**(1,251,556)**
Profit/(loss) for the period	–	–	–	–	–	–	1,187,857	**1,187,857**	(360)	**1,187,497**
Other comprehensive income for the period	–	22,725	8,383	74,486	–	–	–	**105,594**	–	**105,594**
Total comprehensive income for the period	**–**	**22,725**	**8,383**	**74,486**	**–**	**–**	**1,187,857**	**1,293,451**	**(360)**	**1,293,091**
Transactions with owners in their capacity as owners:										
Share buy-back	(1,627)	–	–	–	–	–	–	**(1,627)**	–	**(1,627)**
Dividends paid	–	–	–	–	–	–	–	**–**	(762)	**(762)**
Issuance of shares	1,460,000	–	–	–	–	–	–	**1,460,000**	–	**1,460,000**
Transaction costs, net of tax	(11,888)	–	–	–	–	–	–	**(11,888)**	–	**(11,888)**
Transfer to other reserve	(3,171)	–	–	–	–	3,171	–	**–**	–	**–**
Share-based payment	–	–	–	–	(3,965)	–	–	**(3,965)**	–	**(3,965)**
Transfer to parent	–	–	–	–	–	–	–	**–**	348	**348**
At 30 June 2013	**2,773,295**	**(2,852)**	**4,918**	**12,041**	**–**	**3,171**	**(1,306,932)**	**1,483,641**	**–**	**1,483,641**

Notes to the Consolidated Financial Statements
for the year ended 30 June 2014

1. Summary of Significant Accounting Policies

The financial report includes the consolidated entity consisting of Nine Entertainment Co. Holdings Limited and its controlled entities (collectively, the Group) for the year ended 30 June 2014 and was authorised for issue in accordance with a resolution of the Directors on 28 August 2014.

Nine Entertainment Co. Holdings Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report. Information on the Group's structure is provided in Note 29. Information on other related party relationships is provided in Note 28.

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 and other authoritative pronouncements of the Australian Accounting Standards Board. 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 consolidated financial statements provide comparative information in respect of the previous period.

b. Statement of compliance

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c. Changes in accounting policies

AASB 119 Employee Benefits

In September 2011, a Revised AASB 119 Employee Benefits ("AASB 119") was issued and is effective for the Group for the year ending 30 June 2014. Management has reviewed the impact from adoption of this standard. AASB 119 includes a number of amendments to the accounting for defined benefit plans, including the removal of the corridor approach to valuation; the fact that actuarial gains and losses that are now recognised in Other Comprehensive Income and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation; and unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised.

The revisions to AASB 119 have been applied during the current period as the changes were not material to prior periods, as such there was not an impact to the profit or loss in the comparative period in relation to the change in the accounting for the interest expense or the unvested past service costs of the defined benefit plan. This has no impact on the Group's consolidated basic and diluted EPS.

Other accounting standards adopted

In addition, the following accounting standards are effective for the year ended 30 June 2014 and have been adopted by the Group for the year. Adoption of these standards did not have a material impact on the Group's financial position or financial performance:

- AASB 10 Consolidated Financial Statements – replaces parts of AASB 127 Consolidated and Separate Financial Statements, changing the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The application of this standard does not impact the Group's consolidated financial statements.
- AASB 11 Joint Arrangements – replaces AASB 131 Interests in Joint Ventures removing the option to account for jointly controlled entities using proportionate consolidation, instead accounting for joint ventures using the equity method. The application of this standard does not impact the Group's consolidated financial statements.
- AASB 12 Disclosure of Interests in Other Entities – disclosure requirements only relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.
- AASB 13 Fair Value Measurement – provides guidance on how to measure fair value when fair value is required or permitted. The application of AASB 13 has not materially impacted the fair value measurements carried out by the Group. Additional disclosures required under the standard are included in Note 31.

1. Summary of Significant Accounting Policies continued

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle – addresses a range of improvements including permitting the repeat application of AASB 1 and clarification of the comparative information requirements when an entity provides a third balance sheet as required per AASB 101 Presentation of Financial Statements. The application of this standard does not impact the Group's consolidated financial statements.

The Group has not included disclosures of new and amended standards and interpretations that do not have any impact on the financial statements.

The Group has early adopted AASB 2013-3 Amendments to AASB 136 – Recoverable Amounts Disclosures for Non-Financial Assets – which amends the disclosure requirements in AASB 136 Impairment of Assets. The application of this standard does not have a material impact on the Group's consolidated financial statements.

All other 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 period ending 30 June 2014. These include IFRS 15 Revenue and IFRIC 20 Levies. The Group has not yet assessed the impact of these standards.

Accounting policies

Apart from the adoption of the accounting standards discussed above, the accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2013 annual financial report.

d. Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Nine Entertainment Co. Holdings Limited (the parent entity) and all entities that Nine Entertainment Co. Holdings 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 and television licences with indefinite useful lives

The Group determines whether goodwill and television licences 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 and television licences with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and television licences with indefinite useful lives are discussed in Note 14.

Onerous contract provisions

The Group has recognised an onerous contract provision in relation to its television program purchase commitments. Refer to Note 17 for disclosure of the assumptions included in the calculation of the provision.

Recognition of income tax losses

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 4.

Valuation and hedging assessment of derivatives

Fair values of hedging instruments are determined using valuation techniques which require a degree of judgement to establish inputs for utilisation in the models. See Note 31(a) for further discussion.

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 Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are 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.

h. Foreign currency translation

Both the functional and presentation currency of Nine Entertainment Co. Holdings Limited 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 re-translated 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, with the exception of those items that are designated as hedges which are recognised in other 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.

1. Summary of Significant Accounting Policies continued

h. Foreign currency translation continued

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Nine Entertainment Co. Holdings Limited 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.

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.

m. Investments and Other Financial Assets

Certain of the Group's investments are categorised as investments in listed equities under AASB9 Financial Instruments.

When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not recorded 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 or sell 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

Investments in listed equities are those non-derivative financial assets, principally equity securities that are designated as not classified under AASB9. After initial recognition, investments in listed equities are measured at fair value with gains or losses being recognised as a separate component of equity.

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 and joint arrangements

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 nor joint ventures.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

The investment in the associates or joint venture 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. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. 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' or joint ventures' equity, the Group recognises its share of any movements directly in equity. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as "Share of profit of an associate" in the statement of profit or loss.

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.

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 derecognition 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.

1. Summary of Significant Accounting Policies continued

q. Intangible assets

Licences

Licences 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 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 licences 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.

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 life 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.

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

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to a separate component of equity in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "expenses" in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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 12 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.

1. Summary of Significant Accounting Policies continued

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 through the profit or loss for the year such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts and cross currency principal and interest rate swaps and options) 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 instrument's 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 asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. 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.

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:

Television

Revenue for advertising and media activities is recognised when the advertisement has been broadcast/displayed or the media service has been performed.

Live

Revenue from ticketing operations primarily consists of booking and service/delivery fees charged at the time a ticket for an event is sold and is recorded on a net basis (net of the face value of the ticket). This revenue is recognised at the time of the sale.

Revenue from the promotion and production of an event is recognised in the month the performance occurs (event maturity).

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.

Amounts described as Non-Controlling Interest – third party represent the economic interests in controlled entities not owned by shareholders of the Company.

1. Summary of Significant Accounting Policies continued

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.

af. Share-based payments

The Group provided benefits to certain members of the Board of Directors in the form of Share Rights.

The cost of the Share Rights is measured by reference to the fair value of the equity instruments at the date which they are granted. The cost of the transactions is recognised, together with a corresponding increase in equity, over the period in which the timing conditions are fulfilled, ending on the date on which the relevant Directors become fully entitled to the award (the vesting period).

The Group provides remuneration to senior management in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost for equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in share-based payment reserves, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. Refer Note 27(c). The cumulative expense recognised at each reporting date, until vesting dates, reflects the extent to which the vesting period has expired. The share-based payments can be settled with either cash or equity at the election of the Group.

2(a). Segment Information

The Chief Operating Decision Makers (determined to be the Board of Directors) review and manage the business based on the following reportable segments:

- Television – includes free to air television activities.
- Live – includes Ticketek, a ticketing partner to the sports and live entertainment industry; the operation of Allphones Arena, a multi-purpose indoor facility; and a number of other event related businesses.
- Digital – includes ninemsn Pty Limited and other digital activities. The Company accounted for ninemsn Pty Limited as an associate until a controlling interest was acquired effective 1 November 2013 and the results were consolidated into the Group from that date (refer to Note 5(b)(iii)).

No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on continuing operations segment EBITDA before specific items (refer to Note 2(b)(iv)) which are included in corporate costs or disclosed separately in the table below. Group finance costs, finance income and income taxes are managed on a Group basis and are not allocated to operating segments.

Australian Consolidated Press Limited was disposed of in September 2012 and was included as discontinued operations in the consolidated Statement of Comprehensive Income. It was not classified as part of the segments identified above.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties and are eliminated on consolidation.

Year ended 30 June 2014	Television $'000	Live $'000	Digital $'000	Consolidated $'000
i. Segment revenue				
Operating revenue	1,208,673	225,997	107,161	1,541,831
Inter-segment revenue	6,469	2,011	43	8,523
Total segment revenue	**1,215,142**	**228,008**	**107,204**	**1,550,354**
Reconciliation of segment revenue from continuing operations to the consolidated statement of comprehensive income				
Corporate interest income				4,725
Inter-segment eliminations				(8,523)
Segment revenue from continuing operations per the consolidated statement of comprehensive income				1,546,556
ii. Segment result				
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	234,196	68,029	20,399	**322,624**
Depreciation and amortisation	(24,035)	(25,589)	(1,463)	**(51,087)**
Segment earnings before interest and tax (EBIT)	210,161	42,440	18,936	**271,537**
Share of associates' net profit after tax				**7,255**
Segment EBIT after share of associates	210,161	42,440	18,936	**278,792**
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax in statement of comprehensive income				
Corporate costs				**(20,428)**
Specific items (refer to Note 2(b))				**(97,513)**
Finance income				**4,725**
Finance costs				**(66,371)**
Profit from continuing operations before tax per the consolidated statement of comprehensive income				**99,205**

2(a). Segment Information continued

Year ended 30 June 2013	Television $'000	Live $'000	Digital $'000	Consolidated $'000
iii. Segment revenue				
Operating revenue	1,097,241	167,383	–	1,264,624
Inter-segment revenue	1,983	3,513	–	5,496
Total segment revenue	**1,099,224**	**170,896**	**–**	**1,270,120**
Reconciliation of segment revenue from continuing operations to the consolidated statement of comprehensive income				
Corporate interest income				7,799
Inter-segment eliminations				(5,496)
Segment revenue from continuing operations per the consolidated statement of comprehensive income				**1,272,423**
iv. Segment result				
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	178,165	57,283	–	235,448
Depreciation and amortisation	(21,012)	(23,340)	–	(44,352)
Segment earnings before interest and tax (EBIT)	**157,153**	**33,943**	**–**	**191,096**
Share of associates' net profit after tax	–	–	36,896	36,896
Segment EBIT after share of associates	**157,153**	**33,943**	**36,896**	**227,992**
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax in statement of comprehensive income				
Corporate costs				(10,471)
Specific items (refer to Note 2(b))				1,212,095
Finance income				7,799
Finance costs				(246,589)
Profit from continuing operations before tax per the consolidated statement of comprehensive income				**1,190,826**

Geographic information

A majority of the Group's external revenues arise out of sales to customers within Australia.

Major customers

The Group did not have any customers which accounted for more than 10% of operating revenue for the year (2013: nil).

2(b). Revenues and Expenses

	2014 $'000	2013 $'000
Profit before income tax expense includes the following revenues and expenses:		
i. Revenues and income from continuing operations		
Revenue from rendering services	**1,541,802**	1,264,577
Profit on sale of non-current assets	**29**	47
Interest	**4,725**	7,799
	1,546,556	1,272,423
ii. Expenses from continuing operations		
Television activities	**1,030,688**	955,468
Other activities	**357,547**	144,313
	1,388,235	1,099,781
iii. Other Expense Disclosures from continuing operations		
Depreciation of non-current assets		
Buildings	**2,899**	2,719
Plant and equipment	**24,254**	20,820
	27,153	23,539
Amortisation of non-current assets		
Plant and equipment under finance lease	**66**	97
Leasehold property	**1,740**	1,352
Ticketing rights	**19,270**	17,720
Other assets	**3,124**	1,669
	24,200	20,838
Total depreciation and amortisation expense	**51,353**	44,377
Salary and employee benefit expense (included in expenses above)	**353,184**	281,362
Program rights (included in expenses above)	**459,775**	472,504
iv. Specific items from continuing operations included in expenses ii. above:		
Reversal of previous impairment of Mi9	**(9,547)**	–
Mark to market of derivatives (refer to Note 31)	**6,601**	–
Acquisition related costs	**18,484**	–
Withholding tax provision (refer to Note 17)	**10,700**	–
Transaction costs for IPO related activities	**31,084**	–
Debt refinancing costs (refer to Note 16)	**31,798**	–
Restructuring costs	**1,772**	5,002
Other	**6,621**	–
Write-down of other assets	**–**	285
Provision for onerous contracts (refer to Note 17)	**–**	10,495
Impairment of assets	**–**	120,635
Net gain on restructure (refer to Note 18)	**–**	(1,348,512)
Total specific items included in expenses (b) above	**97,513**	(1,212,095)

2(b). Revenues and Expenses continued

	2014 $'000	2013 $'000
v. Finance Costs from continuing operations		
Finance costs expensed:		
Interest on Debt facilities	**62,654**	232,803
Amortisation of Debt Facility establishment costs	**3,699**	13,763
Finance leases	**18**	23
	66,371	246,589

3. Dividends Paid and Proposed

a. Dividends appropriated during the financial year

Nine Entertainment Co. Holdings Limited did not declare or pay any dividends during the reporting year and has not declared any dividend subsequent to 30 June 2014.

b. Franking credits

Nine Entertainment Co. Holdings Limited had a franking account balance as follows:

	2014 $'000	2013 $'000
Franking account balance as at the beginning of the financial year	**75,257**	64,405
Franking credits that arise from the receipt of dividends recognised as revenue during the year – prior to initial public offering (IPO)	**21**	10,852
Franking credits transferred to exempting account upon IPO	**(75,278)**	–
Franking credits that arise from the receipt of dividends recognised as revenue during the year – post IPO	**1,237**	–
Franking account balance at the end of the financial year	**1,237**	75,257

Nine Entertainment Co. Holdings Limited had an exempting account balance as follows:

	2014 $'000	2013 $'000
Exempting account balance as at the beginning of the financial year	**–**	–
Franking credits transferred to exempting account upon IPO	**75,278**	–
Exempting account balance at the end of the financial year	**75,278**	–

Nine Entertainment Co. Holdings Limited became a former exempting entity as a consequence of the IPO in December 2013. As a result, the Company's franking account balance at that time was transferred to an exempting account.

The Company can choose to frank future dividends with exempting credits. These exempting credits will generally only be of benefit to certain foreign resident shareholders by providing an exemption from Australian dividend withholding tax. The exempting credits will generally not give rise to a tax offset for Australian resident shareholders.

4. Income Tax

	2014 $'000	2013 $'000
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 from continuing operations	**99,205**	1,190,826
Loss from discontinued operations – Australian Consolidated Press Limited	**–**	(10,299)
Profit before income tax	**99,205**	1,180,527
Prima facie income tax expense at the Australian rate of 30%	**29,762**	354,158
Tax effect of:		
Share of associates' net profits	**(2,176)**	(11,051)
Impairment	**–**	36,191
Gain on disposal of investments and assets	**–**	(8,565)
Transaction costs associated with acquisition of investments	**6,239**	–
Withholding tax/potential disputes	**4,920**	–
Share-based payments	**3,863**	–
Net gain on restructure	**–**	(367,889)
Tax losses brought to account	**–**	(5,874)
Deferred tax liability movement in investment	**188**	–
Other items – net	**(1,463)**	(3,940)
Income tax expense/(benefit)	**41,333**	(6,970)
Current tax expense/(benefit)	**45,426**	(21,317)
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	**(4,093)**	14,347
	41,333	(6,970)
Aggregate income tax expense/(benefit) is attributable to:		
Continuing operations	**41,333**	(9,991)
Discontinued operations	**–**	3,021
	41,333	(6,970)
b. Deferred income taxes		
Deferred income tax assets	**115,864**	134,950
Deferred income tax liabilities	**(160,232)**	(156,412)
Net deferred income tax liabilities	**(44,368)**	(21,462)

4. Income Tax continued

	2014 $'000	2013 $'000	P&L Expense Movement $'000
c. Deferred income tax assets and liabilities at the end of the financial year			
TV licence fees accrued	**18,138**	14,585	**(3,553)**
Employee benefits provision	**13,491**	10,917	**(2,574)**
Other provisions and accruals	**28,411**	32,944	**4,533**
Income tax losses carried forward	**37,685**	64,684	**–**
Investments in associates	**(2,057)**	(1,869)	**188**
Accelerated depreciation for tax purposes	**(154,025)**	(153,493)	**532**
Derivative instruments	**–**	22	**22**
Other	**13,989**	10,748	**(3,241)**
Net deferred income tax liabilities	**(44,368)**	(21,462)	**(4,093)**

	2014 $'000	2013 $'000
d. Deferred income tax assets not brought to account		
Capital losses	**127,437**	126,535

The income tax effect of the item taken directly to equity was $3,158,000 (2013: $3,812,000 debited) in relation to the fair value movement in cash flow hedges, fair value movement in investments in listed equities, and transaction costs for the issuance of capital.

e. Tax consolidation

Effective 6 June 2007, for the purposes of income taxation, Nine Entertainment Co. Holdings Limited 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 Limited.

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 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.

5(a). Discontinued Operations – Australian Consolidated Press Limited Group

On 30 September 2012, the Group sold its 100% shareholding in its subsidiary, Australian Consolidated Press Limited Group. During the current year, there were no discontinued operations.

	2014 $'000	2013 $'000
i. Financial performance of the operations disposed:		
The results of the discontinued operations for the period prior to disposal are presented below:		
Revenue	–	149,277
Expenses	–	(139,515)
Finance Costs	–	(55)
Share of associated entity profit/(loss)	–	(60)
Loss on disposal[1]	–	(19,946)
Loss before tax	–	(10,299)
Income tax expense	–	(3,021)
Loss for the year from discontinued operations	–	(13,320)

1. The loss on disposal includes the recycling of the foreign currency translation reserve loss of $22,089,000 through profit and loss.

	2014	2013
ii. Earnings per share		
Basic and diluted, loss for the period to disposal from discontinued operation	–	$(0.03)

	2014 $'000	2013 $'000
iii. The net cash flows of Australian Consolidated Press Limited Group were as follows:		
Operating activities	–	13,686
Investing activities	–	(20)
Financing activities	–	(762)
Net cash inflow	–	12,904
Net cash inflow on disposal		
Cash consideration (net of associated costs)	–	500,715
Less cash and cash equivalents balance disposed of	–	–
Reflected in the consolidated statement of cash flows	–	500,715

5(b). Business Combinations

i. Acquisition of Channel 9 South Australia Pty Limited

On 1 July 2013, the Company completed the acquisition of a 100% interest in Channel 9 South Australia Pty Limited ("Adelaide") for cash consideration of $139.5 million. The acquisition of Adelaide was completed to consolidate the Group's presence in the five metro Free to Air markets in Australia.

The Group has recognised the fair values of identifiable assets and liabilities as follows:

	Fair value at acquisition date $'000
Cash	10
Receivables	14,348
Property, plant and equipment	13,712
Licences	72,306
Deferred tax asset	701
Other assets	105
Total assets	**101,182**
Trade and other payables	10,069
Provisions	1,802
Total liabilities	**11,871**
Fair value of identifiable net assets	**89,311**
Goodwill arising on acquisition	50,189
Total purchase consideration	**139,500**
Cash outflow on acquisition	
Net cash acquired	10
Cash paid	(139,500)
Acquisition costs paid	(3,766)
Net cash outflow	**(143,256)**

The fair value of receivables amounts to $14.3 million and the gross amount of receivables is $14.8 million. $0.5 million of the receivables has been impaired and for the remaining receivables it is expected that the full contractual amount will be collected.

Goodwill of $50.2 million has been recognised as the purchase price exceeds the tangible and intangible assets and liabilities identified and is allocated to the television segment. None of the goodwill recognised is expected to be deductible for tax purposes.

Revenue and net profit before tax from the date of acquisition cannot practically be disclosed for the individual entity due to integration of the business within the wider Television CGU.

Acquisition costs of $3.8 million in relation to the acquisition are included in the Statement of Comprehensive Income (refer to Note 2(b)(iv)) during the year ended 30 June 2014.

ii. Acquisition of Swan Television & Radio Broadcasters Pty Ltd

At the time of the acquisition of Adelaide, the Company also acquired an option, for consideration of $10.5 million, to acquire Swan Television & Radio Pty Ltd. On 30 September 2013, the Company completed the acquisition of a 100% interest in Swan Television & Radio Broadcasters Pty Ltd ("Perth") for cash consideration of $223 million. In conjunction with the acquisition of Adelaide, the acquisition of Perth was completed to consolidate the Group's presence in the five metro Free to Air markets in Australia.

At the completion of the transaction the payment of $10.5 million to acquire the option for Perth was written off through the Statement of Comprehensive Income within acquisition related costs (refer to Note 2(b)(iv)).

The Group has recognised the fair values of identifiable assets and liabilities as follows:

	Fair value at acquisition date $'000
Cash	18
Receivables	21,256
Property, plant and equipment	7,370
Licences	176,378
Deferred tax asset	650
Other assets	622
Total assets	**206,294**
Trade and other payables	18,625
Provisions	1,652
Total liabilities	**20,277**
Fair value of identifiable net assets	**186,017**
Goodwill arising on acquisition	37,162
Total purchase consideration	**223,179**
Cash outflow on acquisition	
Net cash acquired	18
Cash paid	(223,179)
Acquisition costs paid	(12,805)
Net cash outflow	**(235,966)**

The fair value of receivables amounts to $21.3 million and the gross amount of receivables is $21.5 million. $0.2 million of the receivables has been impaired and for the remaining receivables it is expected that the full contractual amount will be collected.

Goodwill of $37.2 million has been recognised as the purchase price exceeds the tangible and intangible assets and liabilities identified and is allocated to the television segment. None of the goodwill recognised is expected to be deductible for tax purposes.

Revenue and net profit before tax from the date of acquisition cannot practically be disclosed for the individual entity due to integration of the business within the wider Television CGU.

Acquisition costs of $12.8 million, including the payment for the option, in relation to the acquisition, are included in the Statement of Comprehensive Income (refer to Note 2(b)(iv)) during the year ended 30 June 2014.

5(b). Business Combinations continued

iii. Acquisition of remaining 50% of ninemsn Pty Ltd

Effective 1 November 2013, the Company agreed with Microsoft to acquire the 50% of shares in ninemsn Pty Limited ("Mi9") which it did not already own for total cash consideration of US$39.4 million (A$40.8 million). The acquisition of the 50% interest in Mi9 will allow the Group better flexibility to realise its digital growth strategy.

The payments of consideration and transfer of shares are to be completed in three equal tranches. The first tranche was completed on 1 November 2013 with the second tranche on 1 July 2014 and the remaining tranche to be completed on 1 July 2015. The payments due to be paid on 1 July 2014 and 1 July 2015 are recorded as liabilities in the balance sheet and forward foreign currency contracts have been entered into for the USD amounts.

Prior to the acquisition of the remaining 50% share of Mi9, the Company held 50% of the interest of Mi9 and the investment was accounted for using the equity method. Mi9 has been 100% consolidated from 1 November 2013 and equity accounting ceased at that time. As the remaining consideration and transfer of shares has been agreed upon and the Company has effective control of Mi9, no non-controlling interest has been recorded. Refer to Note 10.

At the time of the acquisition, the Company completed an assessment to determine the fair value of the assets acquired and liabilities assumed. This resulted in a $9.5 million reversal of previously recognised impairment.

The Group has recognised the fair values of identifiable assets and liabilities as follows:

	Fair value at acquisition date $'000
Cash and cash equivalents	64,092
Receivables	34,993
Property, plant and equipment	937
Goodwill	9,771
Other intangible assets	6,361
Deferred tax assets	3,672
Other assets[1]	30,198
Total assets	**150,024**
Trade and other payables	19,807
Tax payable	16,945
Provisions	6,985
Other liabilities	637
Total liabilities	**44,374**
Fair value of identifiable net assets	**105,650**
Goodwill arising on acquisition	47,567
Purchase consideration	**153,217**
Made up of:	
Cash paid	13,854
Accrued consideration	26,979
Fair value of equity accounted investment (refer to Note 10(c))	112,384
Total purchase consideration	**153,217**
Cash inflow on acquisition	
Net cash acquired	64,092
Cash paid	(13,854)
Acquisition costs paid	(62)
Net cash inflow	**50,176**

1. Other assets includes a $27.5 million loan receivable from the Group; upon consolidation this balance is eliminated.

iii. Acquisition of remaining 50% of ninemsn Pty Ltd continued

The fair value of the receivables amounts to $35.0 million and the gross amount of receivables is $36.5 million. $1.5 million of the receivables has been impaired and for the remaining receivables it is expected that the full contractual amount will be collected.

Goodwill of $47.6 million has been recognised, as the purchase price exceeds the tangible and intangible assets and liabilities identified, and is allocated to the digital segment. None of the goodwill recognised is expected to be deductible for tax purposes.

From the date control was obtained on 1 November 2013, Mi9 has contributed $107.2 million of revenue and $21.9 million to the net profit before tax of the Group.

Acquisition costs of $0.4 million in relation to the acquisition of Mi9 are included in the Statement of Comprehensive Income (refer to Note 2(b)(iv)) during the year ended 30 June 2014.

iv. Impact of acquisitions

Had these acquisitions taken place at 1 July 2013, the impact to the Group's profit after income tax would have been an additional profit of $14.0 million and an increase to revenue of $109.7 million.

6. Trade and Other Receivables

	2014 $'000	2013 $'000
Current		
Trade receivables[1]	**314,696**	250,446
Provision for doubtful debts	**(3,969)**	(1,151)
	310,727	249,295
Loans to related parties[2]	**542**	–
Other receivables	**13,770**	14,679
	14,312	14,679
	325,039	263,974
Non-Current		
Loans to related parties[2]	**4,170**	3,066
	4,170	3,066

1. Trade receivables are non-interest bearing and are generally on 30 to 60 day terms.
2. Current and non-current loans to associated entities are non-interest bearing and are repayable at call. Refer to Note 28.

6. Trade and Other Receivables continued

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 loss on impairment of $755,000 (2013: impairment $187,000) 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 unlikely.

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:

	2014 $000	2013 $000
Balance at the beginning of the year	**(1,151)**	(1,152)
Charge for the year	**(755)**	(187)
Acquisition of controlled entities	**(2,293)**	–
Amounts written off to bad debts expense	**230**	188
Balance at the end of the year	**(3,969)**	(1,151)

The ageing analysis of trade receivables is as follows:

		Total	Current	Current CI[1]	0–30 Days PDNI[1]	0–30 Days CI[1]	31–60 Days PDNI[1]	31–60 Days CI[1]	61+ Days PDNI[1]	61+ Days CI[1]
2014	**Consolidated**	**314,696**	**276,529**	**–**	**20,413**	**–**	**2,603**	**3**	**11,182**	**3,966**
2013	Consolidated	250,446	218,195	–	20,455	–	3,021	–	7,624	1,151

1. 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.

7. Inventories

	2014 $'000	2013 $'000
Current		
Raw materials (at cost)	**803**	742

8. Program Rights

	2014 $'000	2013 $'000
Current		
Program rights	**201,652**	182,168
Stock provision	**(5,428)**	(9,981)
	196,224	172,187
Non-Current		
Program rights	**58,737**	67,092
Stock provision	**(1,650)**	–
	57,087	67,092

9. Other Assets

	2014 $'000	2013 $'000
Current		
Prepayments	**8,094**	5,642
Other	**18,653**	14,948
	26,747	20,590
Non-Current		
Prepayment	**80,000**	80,000
Defined Benefit Fund Asset (refer to Note 24)	**12,976**	6,386
Other	**79**	80
	93,055	86,466

10. Investments Accounted for using the Equity Method

a. Non-Current

	2014 $'000	2013 $'000
Investments at equity accounted amount:		
Associated entities – unlisted shares	**38,081**	136,507
Total investments in associates	**38,081**	136,507

b. Investments in Associates and Joint Ventures

Interests in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

	Reporting Date	Principal Activity	Country of Incorporation	% Interest[1] 2014	2013
ninemsn Pty Ltd[2]	30 June	Provider of online content and services	Australia	–	50
Australian News Channel Pty Ltd	30 June	Pay TV news service	Australia	33	33
TX Australia Pty Ltd	30 June	Television transmission	Australia	33	33
Oztam Pty Ltd	30 June	Television audience measurement	Australia	33	33
DailyMail Australia.com Pty Ltd	30 June	Provider of online news content	Australia	50	–
Darwin Digital Television Pty Ltd	30 June	Television transmission	Australia	50	50

1. The proportion of ownership interest is equal to the proportion of voting power held.
2. ninemsn Pty Ltd became a controlled entity on 1 November 2013 and was consolidated from this point onwards. Prior to this date, the entity was accounted for as an investment in associate.

c. Carrying amount of investments in associates

	2014 $'000	2013 $'000
Balance at the beginning of the financial year	**136,507**	245,516
Share of associates' net profit for the year	**7,255**	36,896
Dividends received or receivable	**(2,887)**	(25,270)
Impairment reversal and write down of investments	**9,547**	(120,635)
Reclassification of associate to consolidated entity	**(112,384)**	–
Acquired during the period	**43**	–
Carrying amount of investments in associates at the end of the financial year	**38,081**	136,507
Represented by:		
Investments at equity accounted amount:		
ninemsn Pty Ltd	**–**	100,000
Australian News Channel Pty Ltd	**32,069**	31,165
Other	**6,012**	5,342
	38,081	136,507

d. Financial information

The following table illustrates the summarised financial information of the Group's investment in Australian News Channel Pty Ltd:

	2014 $'000	2013 $'000
Current assets	**18,101**	16,846
Non-current assets	**7,326**	7,630
Current liabilities	**(8,669)**	(10,418)
Non-current liabilities	**(526)**	(536)
Net Assets	**16,232**	13,522
Share of associates' Net Assets	**5,410**	4,506
Goodwill on acquisition	**26,659**	26,659
Reconciliation of share of assets to carrying value	**32,069**	31,165
Revenue	**52,558**	50,712
Operating profit before income tax	**12,153**	10,248
Income tax expense	**(3,688)**	(3,119)
Net profit after income tax from continuing operations	**8,465**	7,129
Other comprehensive income	**–**	–
Total comprehensive income	**8,465**	7,129
Group's share of profit for the year	**2,821**	2,376

Dividends received during the year total $1,917,000, (2013: $1,230,000).

The following table illustrates the summarised aggregate share of the Group's other associates and joint ventures: During the year, ninemsn Pty Ltd contributed $2,837,000 Net profit after income tax from continuing operations while it was an associate in addition to the amounts shown below.

	2014 $'000	2013 $'000
Current assets	**4,730**	59,424
Non-current assets	**10,623**	42,678
Current liabilities	**(3,381)**	(30,690)
Non-current liabilities	**(4,992)**	(8,615)
Net Assets	**6,980**	62,797
Share of associates' revenue and profits		
Revenue	**2,374**	96,872
Operating profit before income tax	**1,656**	50,364
Income tax expense	**(59)**	(13,468)
Net profit after income tax from continuing operations	**1,597**	36,896

10. Investments Accounted for using the Equity Method continued

e. Impairment

Australian News Channel Pty Ltd (Sky News)

The key assumptions on which management has based its cash flow projections when determining the value-in-use calculations for Australian News Channel are:

- a pre-tax discount rate applied to the cash flow projections of 15.9% (2013: 15.4%) for Australian News Channel which reflects management's best estimate of the time value of money and the risks specific to the investment's market not already reflected in the cash flows; and
- terminal growth rate of 3% for Australian News Channel.

Any reasonable adverse change in key assumptions may result in impairment of the investment.

11. Investment in Listed Equities

	2014 $'000	2013 $'000
Opening balance at 1 July	**17,349**	8,060
Disposal of Australian shares	**–**	(278)
Mark to market of investment in listed equities	**3,534**	9,567
Closing balance at 30 June	**20,883**	17,349

The investment in listed equities is classified as a Level 1 instrument as described in Note 31(a). Fair value was determined with reference to a quoted market price.

12. Property, Plant and Equipment

	Freehold land and buildings $'000	Leasehold improve-ments $'000	Plant and equipment $'000	Construction work in progress $'000	Leased plant and equipment $'000	Total property, plant and equipment $'000
Year ended 30 June 2014						
At 1 July 2013, net of accumulated depreciation and impairment	**53,959**	**10,171**	**77,062**	**19,778**	**190**	**161,160**
Additions	**54**	**–**	**19,271**	**15,999**	**114**	**35,438**
Acquisition of subsidiaries (Note 5(b))	**11,007**	**160**	**10,852**	**–**	**–**	**22,019**
Transfer from construction work in progress	**15**	**–**	**19,346**	**(19,361)**	**–**	**–**
Disposals	**–**	**–**	**(19)**	**–**	**(59)**	**(78)**
Depreciation expense	**(2,899)**	**–**	**(24,254)**	**–**	**–**	**(27,153)**
Amortisation expense	**–**	**(1,740)**	**–**	**–**	**(66)**	**(1,806)**
Exchange differences	**–**	**–**	**(372)**	**–**	**–**	**(372)**
At 30 June 2014, net of accumulated depreciation and impairment	**62,136**	**8,591**	**101,886**	**16,416**	**179**	**189,208**
Year ended 30 June 2013						
At 1 July 2012, net of accumulated depreciation and impairment	54,560	11,378	86,742	16,241	317	169,238
Additions	2,118	145	7,653	7,024	–	16,940
Transfer from construction work in progress	–	–	3,487	(3,487)	–	–
Disposals		–	–		(30)	(30)
Depreciation expense	(2,719)	–	(20,820)	–	–	(23,539)
Amortisation expense	–	(1,352)	–	–	(97)	(1,449)
At 30 June 2013, net of accumulated depreciation and impairment	53,959	10,171	77,062	19,778	190	161,160
At 30 June 2014						
Cost (gross carrying amount)[1]	**89,235**	**15,683**	**439,500**	**16,416**	**473**	**561,307**
Accumulated depreciation and impairment	**(27,099)**	**(7,092)**	**(337,614)**	**–**	**(294)**	**(372,099)**
Net carrying amount	**62,136**	**8,591**	**101,886**	**16,416**	**179**	**189,208**
At 30 June 2013						
Cost (gross carrying amount)	70,152	14,508	359,237	19,778	474	464,149
Accumulated depreciation and impairment	(16,193)	(4,337)	(282,175)	–	(284)	(302,989)
Net carrying amount	53,959	10,171	77,062	19,778	190	161,160

1. As a result of acquisitions in the current year, the gross carrying amount of plant and equipment has increased by $42,036,000 and accumulated depreciation of plant and equipment has increased by $31,184,000.

13. Licences

	Television licences $'000	Total $'000
Year ended 30 June 2014		
At 1 July 2013, net of accumulated impairment	**344,669**	**344,669**
Acquisition of subsidiaries (Note 5(b))	248,684	248,684
At 30 June 2014, net of accumulated amortisation and impairment	**593,353**	**593,353**
Year ended 30 June 2013		
At 1 July 2012, net of accumulated impairment	344,669	344,669
At 30 June 2013, net of accumulated amortisation and impairment	344,669	344,669
At 30 June 2014		
Cost (gross carrying amount)	1,450,353	1,450,353
Accumulated impairment	(857,000)	(857,000)
At 30 June 2014, net carrying amount	**593,353**	**593,353**
At 30 June 2013		
Cost (gross carrying amount)	1,201,669	1,201,669
Accumulated impairment	(857,000)	(857,000)
At 30 June 2013, net carrying amount	344,669	344,669

14. Other Intangible Assets

	Goodwill $'000	Venue Ticketing Rights $'000	Other[1] $'000	Total $'000
Year ended 30 June 2014				
At 1 July 2013, net of accumulated amortisation and impairment	1,186,095	30,186	5,962	1,222,243
Purchases	–	45,418	5,378	50,796
Acquisition of subsidiaries (Note 5(b))	144,689	–	6,361	151,050
Amortisation expense	–	(19,270)	(3,124)	(22,394)
At 30 June 2014, net of accumulated amortisation and impairment	**1,330,784**	**56,334**	**14,577**	**1,401,695**
Year ended 30 June 2013				
At 1 July 2012, net of accumulated amortisation and impairment	1,186,095	30,559	4,588	1,221,242
Purchase	–	17,347	3,043	20,390
Amortisation expense	–	(17,720)	(1,669)	(19,389)
At 30 June 2013, net of accumulated amortisation and impairment	**1,186,095**	**30,186**	**5,962**	**1,222,243**
At 30 June 2014				
Cost (gross carrying amount)	1,663,784	96,124	26,354	1,786,262
Accumulated amortisation and impairment	(333,000)	(39,790)	(11,777)	(384,567)
Net carrying amount	**1,330,784**	**56,334**	**14,577**	**1,401,695**
At 30 June 2013				
Cost (gross carrying amount)	1,519,095	80,446	13,627	1,613,168
Accumulated amortisation and impairment	(333,000)	(50,260)	(7,665)	(390,925)
Net carrying amount	1,186,095	30,186	5,962	1,222,243

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

There were no disposals of intangible assets during the year.

14. Other Intangible Assets continued

a. Allocation of non-amortising intangibles and goodwill

The consolidated entity has allocated goodwill and licences to the following cash-generating units ("CGUs"):

	2014 $'000	2013 $'000
Nine Network	**466,784**	218,100
NBN	**126,569**	126,569
Total licences	**593,353**	344,669

	2014 $'000	2013 $'000
Nine Network	**1,071,518**	984,167
NBN	**31,545**	31,545
Live	**170,383**	170,383
Digital	**57,338**	–
Total goodwill	**1,330,784**	1,186,095

b. Determination of recoverable amount

The recoverable amount of the following CGUs is determined based on value-in-use calculations using discounted cash flow projections based on financial forecasts covering a five year period:

- Nine Network
- NBN
- Live
- Digital

c. Impairment losses recognised

No impairment of TV licences was recognised in the year ended 30 June 2014 (2013: $nil).

No impairment of goodwill was recognised in the year ended 30 June 2014 (2013: $nil).

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 advertising market grows consistent with industry expectations in the 2015 financial year followed by growth at a rate which is consistent with the long-term industry historic growth rate.
- The Nine Network's share of the Metro Free to Air advertising market for the 2015 financial year is moderately higher than its share in the 2014 financial year. In future years Nine Network's share of the market is assumed to remain stable.
- The pre-tax discount rate applied to the cash flow projections was 15.9% (2013: 15.4%) 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.
- Terminal growth rate of 3%.

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

- The advertising market grows consistent with industry expectations in the 2015 financial year followed by growth at a rate which is consistent with the long-term industry historic growth rate.
- The NBN's share of the Regional Free to Air advertising market for the 2015 financial year is moderately higher than its share in the 2014 financial year. In future years NBN's share of the market is assumed to remain stable.
- The pre-tax discount rate applied to the cash flow projections was 15.9% (2013: 15.4%) 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.
- Terminal growth rate of 2.0%.

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

- The Live industry in terms of the number of concerts, sporting events and ticket sales grows consistent with industry expectations.
- The pre-tax discount rate applied to the cash flow projections was 15.3% (2013: 16.0%) which reflects management's best estimate of the time value of money and the risks specific to the Live industries.
- Terminal growth rate of 2.5%.

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

- The digital industry in terms of digital advertising grows consistent with industry expectations.
- The pre-tax discount rate applied to the cash flow projections was 20.1% (2013: n/a) which reflects management's best estimate of the time value of money and the risks specific to the Digital industries.
- Terminal growth rate of 2.0%.

For the purpose of impairment testing, intangible assets with indefinite lives, including goodwill, are allocated to the Group's operating divisions which represent the lowest level within the Group at which the assets are monitored for internal management purposes.

e. Sensitivity

The estimated recoverable amounts of the Nine Network and Digital CGUs are in line with the carrying amount of intangibles. Any reasonable adverse change in key assumptions would lead to impairment.

The estimated recoverable amounts of the NBN and Live CGUs significantly exceed the carrying amount, and as such, management is of the opinion that no reasonable changes in key assumptions would lead to impairment.

15. Trade and Other Payables

	2014 $'000	2013 $'000
Current – unsecured		
Trade and other payables[1]	**376,844**	300,007
Program contract payables[2]	**114,786**	90,033
Deferred income	**13,102**	11,353
	504,732	401,393
Non-current – unsecured		
Program contract payables[2]	**59,389**	64,427
Other	**27,917**	5,768
	87,306	70,195

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 business.
2. Program contract creditors are settled according to the contract negotiated with the program supplier.

16. Interest bearing Loans and Borrowings

	2014 $'000	2013 $'000
Current		
Bank facilities secured[1]	–	5,255
Loans from associate unsecured	–	27,550
Lease liabilities[2] secured – Note 21(b)	**106**	135
	106	32,940
Non-current		
Bank facilities secured[1]	–	865,225
Bank facilities unsecured[1]	**602,885**	–
Lease liabilities secured[2] – Note 21(b)	**83**	85
	602,968	865,310

1. Bank facilities include unamortised financing costs of $5,653,000 (2013: $24,399,000).
2. Lease liabilities are secured by a charge over the assets.

Credit facilities	Facility type	Maturity	Committed Facility Amount $'000	Facility drawn at 30 June 2014 $'000
Bank facilities				
– Tranche A Syndicated facility	Revolving syndicated facility	16 June 2019	412,500	412,500
– Tranche B Syndicated facility	Revolving syndicated facility	16 June 2018	412,500	196,038
Bank guarantees	Bank guarantees	5 February 2015	13,118	8,841
Working capital facility bilateral facility	Cash advance and other transactional banking facilities	5 February 2015	1,000	–
Total Debt			**839,118**	**617,379***

* Reconciliation to Statement of Financial Position.

	$'000
Total debt drawn (above)	**617,379**
Unamortised balance of establishment costs	**(5,653)**
Bank guarantees	**(8,841)**
Lease liabilities	**189**
Total Debt per Statement of Financial Position	**603,074**

Corporate facility

The corporate facility entered into by the Group in June 2014 to refinance its previous senior secured Term Loan B syndicated facility is provided by a syndicate of banks and financial institutions.

These facilities are supported by Group guarantees from most of the Company's wholly owned subsidiaries but are otherwise provided on an unsecured basis. Details of the assets and liabilities that form this Group guarantee are included in the Extended Closed Group disclosures in Note 30. These facilities impose various affirmative and negative covenants on the Company and the Group, including restrictions on encumbrances, and customary events of default, including a payment default, breach of covenants, cross-default and insolvency events.

As part of the corporate facility, the Group is subject to certain customary financial covenants measured on a six-monthly basis. The Group has been in compliance with its financial covenant requirements to date including the period ended 30 June 2014.

Debt refinance

A one-off pre-tax cost of $31.8 million has been recognised in the profit and loss account consisting of the expensing of unamortised borrowing costs of $21.2 million, the recycling of the hedge reserve of $10.0 million and costs of $0.6 million in relation to the termination of the previous Term Loan B facility.

Assets pledged as security

The carrying amounts of assets pledged as security for interest bearing liabilities are:

	2014 $'000	2013 $'000
Finance lease		
Plant and equipment – Note 12	**179**	190
Total assets pledged as security	**179**	190

17. Provisions

	Employee entitlements $'000	Onerous contracts $'000	Other $'000	Total $'000
At 1 July 2013	**40,325**	**17,505**	**56,250**	**114,080**
(Utilised)/arising during the period	**13,886**	**(9,801)**	**(17,232)**	**(13,147)**
At 30 June 2014	**54,211**	**7,704**	**39,018**	**100,933**
At 1 July 2012	37,066	47,695	10,670	95,431
(Utilised)/arising during the period	3,259	(30,190)	45,580	18,649
At 30 June 2013	40,325	17,505	56,250	114,080
Current 2014	**32,022**	**6,065**	**17,402**	**55,489**
Non-current 2014	**22,189**	**1,639**	**21,616**	**45,444**
	54,211	**7,704**	**39,018**	**100,933**
Current 2013	21,413	10,314	26,042	57,769
Non-current 2013	18,912	7,191	30,208	56,311
	40,325	17,505	56,250	114,080

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 where, 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.

Other

During the year, a provision of $10.7 million was recognised relating to a dispute with the Australian Taxation Office ("ATO") regarding payments the Group made to the International Olympic Committee in relation to the exclusive Australian television broadcast rights for the 2010 Vancouver Winter Olympics and 2012 London Summer Olympic Games without deducting withholding tax. The Group has subsequently paid $4.7 million in respect of the amount in order to reduce any potential interest or penalty charges; however this claim is still ongoing and the Group is still in dispute of the claim. The other provision also includes provisions related to the services required to be provided to Australian Consolidated Press Limited as part of the disposal agreement. These are expected to be incurred on a straight-line basis over the next three-and-a-quarter years.

18. Contributed Equity

	2014 $'000	2013 $'000
Issued share capital		
Ordinary Shares fully paid	**862,725**	2,773,295
	862,725	2,773,295
Movements in issued share capital – Ordinary Shares		
Carrying amount at the beginning of the financial year	**2,773,295**	1,325,183
Capital reduction	**(2,190,809)**	
Issuance of shares	**275,001**	1,460,000
Transaction costs due to the issuance of shares	**(10,525)**	(16,982)
Deferred tax asset in relation to transaction costs	**3,158**	5,094
Issue of shares to employees and Directors	**12,212**	–
Conversion of Share Rights	**393**	–
Carrying amount at the end of the financial year	**862,725**	2,773,295
Movements in issued share capital – B Class Shares		
Carrying amount at the beginning of the financial year	**–**	4,798
Buy-back of shares	**–**	(1,627)
Transfer to other reserve	**–**	(3,171)
Carrying amount at the end of the financial year	**–**	–

	2014 Number	2013 Number
Issued share capital		
Ordinary Shares fully paid	**940,295,023**	199,999,958
Movements in issued share capital – Ordinary Shares		
Balance at the beginning of the financial year	**199,999,958**	381,653,647,017
Consolidation of shares	**–**	(381,653,647,016)
Share spilt	**599,999,874**	–
Issue of shares	**134,146,341**	199,999,957
Issue of shared to employees and Directors	**5,957,074**	–
Conversion of Share Rights	**191,776**	–
Balance at the end of the financial year	**940,295,023**	199,999,958
Movements in issued share capital – B Class Shares		
Balance at the beginning of the financial year	**–**	35,352,853
Share buy-back	**–**	(35,352,853)
Balance at the end of the financial year	**–**	–

18. Contributed Equity continued

Capital reduction

The Company completed a capital reduction in the amount of $2,190.8 million during the period, with a corresponding increase to retained earnings as approved at the Company's Annual General Meeting on 21 October 2013.

Share split

At the Company's Annual General Meeting on 21 October 2013, a resolution was passed to approve the conversion of each ordinary share into four ordinary shares, resulting in an increase in the number of ordinary shares to 799,999,832 at the time.

Initial Public Offering

On 6 December 2013, the Company completed an initial public offering ("IPO") raising $275.0 million in funds by issuing 134.1 million shares at an issue price of $2.05 per share. Funds received were offset by $10.5 million in transaction costs incurred in relation to the issue of new shares in the Company.

In conjunction with the IPO, some of the existing shareholders sold a portion of their shares to new investors. The Company incurred transaction costs of $13.8 million in relation to the sale of these shares which were expensed through the Statement of Comprehensive Income (refer to Note 2(b)).

Additional costs, including management bonuses and share issues to employees and Directors (discussed below), were incurred in relation to the IPO which were disclosed as part of "Transaction costs for IPO related activities" in Note 2(b).

Employee Gift Offer

As part of the completion of the IPO, the Company issued certain employees with ordinary shares in the Company to a value of $1,000 per employee for nil consideration. This resulted in the issue of 883,905 shares at an issue price of $2.05 for a cost of $1.8 million which is included in the Statement of Comprehensive Income as "Transaction costs for IPO related activities" in Note 2(b).

Senior Management Share Offer

As part of the completion of the IPO, the Company issued two senior managers with ordinary shares in the Company. This resulted in the issue of 5,073,169 shares at an issue price of $2.05 for a cost of $10.4 million which is included in the Statement of Comprehensive Income as "Transaction costs for IPO related activities" in Note 2(b). These shares are subject to disposal restrictions for a period of three years from the date of issue.

Conversion of Share Rights

At the completion date of the IPO, the Share Rights issued to certain of the Directors in February 2013 were converted to ordinary shares. Each Share Right was converted into four ordinary shares with a total of 191,776 ordinary shares issued at an issue price of $2.05.

Terms and Conditions of Contributed Equity

Ordinary 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. In the prior year a net gain on restructure of $1,348.5 million was recognised on forgiveness of debt and debt conversion to equity.

19. Reserves and Accumulated Losses

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. During the year $nil (2013: $22,089,000) was reclassified through profit and loss.

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 and the gains and losses relating to the investment in listed equities.

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. Refer to Note 31(b)(iv) for analysis of the effectiveness of the cash flow hedges.

Share-based payment reserve

The share-based payment reserve was used to record share rights issued to certain senior management. During the year $4,519,000 (2013: $3,965,000 reversed) was recorded through profit and loss. In the prior year, the share-based payment reserve was used to record share-based remuneration to executives in relation to B class shares. Refer to Note 27(c) for additional information.

Other reserve

The other reserve is used to record the issued capital for B class shares which were bought back and cancelled in the prior year.

20. Non-Controlling Interests

	Total 2014 $'000	Total 2013 $'000
Reconciliation of non-controlling interests:		
Balance at the beginning of the financial period	–	774
Share of disposal in controlled entities	–	348
Share of operating loss	–	(360)
Less dividends/distributions	–	(762)
Balance at the end of the financial year	–	–

21. Expenditure Commitments

a. Capital expenditure commitments

	2014 $'000	2013 $'000
i. Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
• within one year	**8,310**	4,910
ii. Television program and sporting broadcast rights contracted for at balance date, but not provided for, payable:		
• within one year	**261,989**	224,124
• after one year but not more than five years	**483,101**	619,140
• later than five years	**–**	–
	745,090	843,264
iii. Live contracts for venue rights and tour promotions contracted for at balance date, but not provided for, payable:		
• within one year	**28,325**	11,810
• after one year but not more than five years	**83,196**	–
• later than five years	**–**	–
	111,521	11,810

b. Lease expenditure commitments

	Minimum lease payments 2014 $'000	Present value of lease payments 2014 $'000	Minimum lease payments 2013 $'000	Present value of lease payments 2013 $'000
i. Finance lease commitments:				
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:				
Consolidated				
• within one year	**117**	**106**	149	135
• after one year but not more than five years	**92**	**83**	87	85
• more than five years	**–**	**–**	–	–
Total minimum lease payments	**209**	**189**	236	220
Less amounts representing finance charges	**(20)**	**–**	(16)	–
Present value of minimum lease payments	**189**	**189**	220	220

b. Lease expenditure commitments continued

At 30 June 2014, 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.

	2014 $'000	2013 $'000
ii. Non-cancellable operating lease commitments:		
Payable within one year	**27,878**	24,009
Payable after one year but not more than five years	**87,260**	74,644
Payable more than five years	**43,127**	34,063
	158,265	132,716

The Group has entered into non-cancellable operating leases. The leases vary in remaining duration but generally have an average lease term of approximately five 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.

22. Reconciliation of the Statement of Cash Flows

	2014 $'000	2013 $'000
a. For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash on hand and at bank	**93,310**	191,263
Deposits at call	**–**	90,256
Cash held on Trust	**126,457**	110,931
	219,767	392,450
b. Reconciliation of profit after tax to net cash flows from operations:		
Profit after tax	**57,872**	1,187,497
Depreciation and amortisation		
• Property, plant and equipment	**28,959**	26,954
• Amortisation of ticketing rights	**19,270**	17,720
• Amortisation of other assets	**3,124**	2,015
• Amortisation of financing costs	**3,699**	13,763
Share of associates' net profit	**(7,255)**	(36,836)
(Reversal of impairment)/impairment of assets	**(9,548)**	120,635
Provision for doubtful debts	**1,968**	(2,032)
Loss on sale of discontinued operations	**–**	19,947
Profit on sale of investment in listed or unlisted equities	**–**	(39)
(Profit)/loss on sale of property, plant and equipment	**(22)**	44
Management and employee share accounting expense	**4,519**	–
Investment distributions from associates	**2,887**	25,270
Non-cash interest expense	**–**	81,294
Non-cash gain on restructuring	**–**	(1,369,233)
Mark to market on derivatives	**6,601**	285
IPO costs	**31,084**	–
Acquisition costs of consolidated entities	**16,975**	–
Debt refinance costs	**31,798**	–
Changes in assets and liabilities:		
Trade and other receivables	**6,461**	(25,508)
Inventories	**(61)**	2,060
Program rights	**(14,032)**	(19,290)
Prepayments	**(1,801)**	(79,008)
Other assets	**(1,630)**	(3,871)
Payables relating to cash held on Trust	**15,685**	44,950
Other payables	**(7,730)**	11,740
Provision for income tax	**(13,016)**	(330)
Provision for employee entitlements	**8,412**	3,670
Other provisions	**(26,659)**	(50,156)
Deferred income tax liability	**31,086**	(9,329)
Foreign currency movements in assets and liabilities of overseas controlled entities	**380**	(520)
Net cash flows from/(used in) operating activities	**189,026**	(38,308)

23. Events after the Balance Sheet Date

On 27 August 2014, the Company announced the formation of a joint venture with Fairfax Media (Fairfax) to launch an Australian Subscription Video-On-Demand (SVOD) service ("StreamCo"). StreamCo is expected to launch during the 2015 financial year. It will offer a broad range of local and international programming to subscribers for a fixed monthly subscription fee and no minimum term commitment. StreamCo will be owned 50:50 by the Company and Fairfax who have agreed to commit up to $50 million each to the venture over a multi-year period. Other than this subsequent event, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future years.

24. Superannuation Commitments

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.

Regulatory framework

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions.

Responsibilities for the governance of the Plan

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- Administration of the Plan and payment to the beneficiaries from Plan assets when required in accordance with Plan rules;
- Management and investment of the Plan assets; and
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licenses and supervises regulated superannuation plans.

Risks

There are a number of risks to which the Plan exposes the Company. The more significant risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and the Company will need to increase contributions to offset this shortfall;
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk – The risk that legislative changes could be made which could increase the cost of providing the defined benefits.

The defined benefit assets are invested in the AMP Future Directions Balanced investment option. The assets have a 57% weighting to equities and therefore the Plan has a significant concentration of equity market risk. However, within the equity investments, the allocation both globally and across the sectors is diversified.

The assets held to support accumulated benefits, including the accumulation accounts in respect of defined benefit members, are held in the investment options selected by the member.

Significant events

There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

24. Superannuation Commitments continued

Valuation

The actuarial valuation of the defined benefits fund for the year ended 30 June 2014 was performed by Darren Wickham FIAA of Mercer Investment Nominees Limited for the purpose of satisfying accounting requirements.

Reconciliation of the Net Defined Benefit Liability/(Asset)

Financial year ended	30 June 2014 $'000	30 June 2013 $'000
Net defined benefit liability/(asset) at start of year	**(6,386)**	5,608
Current service cost	**966**	1,386
Net interest	**(166)**	151
Actual return on Plan assets less interest income	**(2,818)**	(5,204)
Actuarial gains arising from changes in financial assumptions	**(2,467)**	(2,573)
Actuarial gains arising from liability experience	**(1,420)**	(5,022)
Employer contributions	**(685)**	(732)
Net defined benefit asset at end of year	**(12,976)**	(6,386)

Reconciliation of the Fair Value of Plan Assets

Financial year ended	30 June 2014 $'000	30 June 2013 $'000
Fair value of Plan assets at beginning of the year	**44,898**	43,043
Interest income	**1,541**	1,154
Actual return on Plan assets less Interest income	**2,818**	5,204
Employer contributions	**685**	732
Contributions by Plan participants	**707**	778
Benefits paid	**(1,796)**	–
Taxes, premiums and expenses paid	**(221)**	(202)
Settlements	**–**	(5,811)
Fair value of Plan assets obligations at 30 June	**48,632**	44,898

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ended	30 June 2014 $'000	30 June 2013 $'000
Present value of defined benefit obligations at beginning of year	**38,512**	48,651
Current service cost	**966**	1,386
Interest cost	**1,375**	1,305
Contributions by Plan participants	**707**	778
Actuarial losses arising from changes in financial assumptions	**(2,467)**	(2,573)
Actuarial losses arising from liability experience	**(1,420)**	(5,022)
Benefits paid/settlements	**(1,796)**	(5,811)
Taxes, premiums and expenses paid	**(221)**	(202)
Present value of defined benefit obligations at 30 June	**35,656**	38,512

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

The asset ceiling has no impact on the net defined benefit liability.

Fair value of Plan assets

As at 30 June 2014, total Plan assets of $48,632,000 are held in AMP Future Directions Balanced investment option.

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

As at	30 June 2014[1]	30 June 2013[2]
Australian Equity	**29%**	28%
International Equity	**28%**	29%
Fixed Income	**15%**	16%
Property	**7%**	6%
Alternatives/Other	**18%**	17%
Cash	**3%**	4%

1. Asset allocation as at 30 June 2014 is currently unavailable. Asset allocation at 31 May 2014 has been used.
2. Asset allocation as at 31 May 2013, consistent with the allocation shown in last year's report.

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

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

Significant Actuarial Assumptions

As at	30 June 2014	30 June 2013
Assumptions to Determine Benefit Cost		
Discount rate	**3.6% p.a.**	2.9% p.a.
Expected salary increase rate	**4.0% p.a.**	4.0% p.a.
Assumptions to Determine Defined Benefit Obligation		
Discount rate	**3.6% p.a.**	3.6% p.a.
Expected salary increase rate	**3.0% p.a.**	4.0% p.a.

Sensitivity Analysis

The defined benefit obligation as at 30 June 2014 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to salary increase rate sensitivity.

- Scenario A: 0.5% p.a. lower discount rate assumption.
- Scenario B: 0.5% p.a. higher discount rate assumption.
- Scenario C: 0.5% p.a. lower salary increase rate assumption.
- Scenario D: 0.5% p.a. higher salary increase rate assumption.

% p.a.	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		−0.5% p.a. discount rate	+0.5% p.a. discount rate	−0.5% p.a. salary increase rate	+0.5% p.a. salary increase rate
Discount rate	3.6% p.a.	3.1% p.a.	4.1% p.a.	3.6% p.a.	3.6% p.a.
Salary increase rate	3.0% p.a.	3.0% p.a.	3.0% p.a.	2.5% p.a.	3.5% p.a.
Defined benefit obligation ($'000s)[1]	35,656	37,100	34,333	34,532	36,859

1. Includes defined benefit contributions tax provision.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

24. Superannuation Commitments continued

Funding arrangements

The financing objective adopted at the 30 June 2012 actuarial investigation of the Plan, in a report dated 27 June 2013, is to maintain the value of the Plan's assets at least equal to:

- 100% of accumulation account balances (including additional accumulation accounts of defined benefit members); plus
- 110% of defined benefit Leaving Service Benefits.

In that valuation, it was recommended that the Company contributes to the Plan as follows:

Defined Benefit members:

Category	Employer Contributions Rate (% of Salaries)
A	**9.2% until 30 June 2013, nil thereafter**
A1	**3.6% until 30 June 2013, nil thereafter**

Plus any compulsory or voluntary member pre-tax (salary sacrifice) contributions.

For A1 members, Employers should also make the relevant Superannuation Guarantee contributions to members' chosen funds.

Accumulations members:

- The Superannuation Guarantee rate of Ordinary Time Earnings (or such lesser amount as required to meet the Employer's obligations under Superannuation Guarantee legislation or employment agreements); plus
- Any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

Expected Contributions

Financial year ending	30 June 2015 $'000
Expected employer contributions	–

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2014 is nine years.

Expected benefit payments for the financial year ending on:

	$'000
30 June 2015	1,987
30 June 2016	2,406
30 June 2017	3,949
30 June 2018	3,599
30 June 2019	2,943
Following five years	19,344

25. Contingent Liabilities and Related Matters

	Consolidated	
	2014 $'000	**2013 $'000**
Contingent liabilities are unsecured and related primarily to the following:		
Controlled Entities		
i. The consolidated entity has made certain guarantees regarding contractual, and other, commitments	**8,841**	16,862

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.

26. Auditors' Remuneration

	2014 $	2013 $
Amounts received, or due and receivable, by the auditor of the parent entity for:		
Audit and review of the financial report of the entity	**565,693**	411,966
Taxation services	**1,838,770**	2,114,281
Assurance related services	**407,566**	72,250
	2,812,029	2,598,497

27. Key Management Personnel Disclosures and Share-Based Payments

a. 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. The Key Management Personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly, including the Directors of Nine Entertainment Co. Holdings Limited:

Remuneration by category	2014 $	2013 $
Short-term	**13,519,440**	18,720,322
Post-employment	**116,869**	82,686
Long-term benefits	**631,118**	–
Share-based payments	**13,075,618**	138,082
	27,343,045	18,941,090

Detailed remuneration disclosures are provided in the Remuneration Report on pages 25 to 38.

b. Other transactions with Key Management Personnel and their personally related entities

All transactions between the Group and its Key Management Personnel and their personally related entities are conducted under normal commercial terms and conditions unless otherwise noted.

27. Key Management Personnel Disclosures and Share-Based Payments continued

c. Share-based payments

Under the executive long-term incentive, Share Rights under the Share Rights Plan have been granted to executives and other senior management who have an impact on the Group's performance. Upon satisfaction of any vesting conditions, each Share Right will convert to a share on a one-for-one basis or entitle the Participant to receive cash to the value of a share. Subject to employment vesting conditions detailed below, one-third of Share Rights held by each Participant will vest over three years on the anniversary of the Company listing (being 11 December 2014, 11 December 2015 and 11 December 2016).

Employment vesting conditions are as follows:

- If the Participant is not employed by the Company on a particular vesting date the Participant either:
  - having been summarily dismissed; or
  - having terminated his/her employment agreement otherwise than in accordance with the terms of that agreement, any unvested Share Rights held on or after the date of termination will lapse.
- If the Participant is not employed by the Company on a particular vesting date:
  - and the Company has terminated the Participant's employment agreement (other than summarily) and his/her salary is being paid out in lieu of notice, then the only unvested Share Rights that will lapse are those that would ordinarily have vested after the end of the later of the notice period and any other date nominated in the terms of grant; or
  - the Participant has validly terminated his or her employment agreement and the Company has elected to pay the Participant his/her salary in lieu of notice, then the only unvested Share Rights that will lapse are those that would ordinarily have vested after the end of the notice period.

Any shares issued or transferred to the Participant upon vesting of any Share Rights will be subject to restrictions on disposal from the date of issue of the Shares until the release of the Company's financial results for either the half or full-year period immediately following the date of issue.

On 10 December 2013, the Company granted 6,183,414 Share Rights to certain senior management following the Company's listing on the ASX. The Share Rights were issued at fair value of $2.05 per share, which reflected the Group's share price at that time, resulting in a cost of $4.5 million for the year ended 30 June 2014 which has been included in the share-based payments reserve in equity. The Share Rights vest according to the following schedule:

Vesting date	% vesting	No. of Share Rights vesting
11 December 2014	33%	2,061,138
11 December 2015	33%	2,061,138
11 December 2016	33%	2,061,138

Share Rights

On 6 February 2013, certain Directors were issued with Share Rights which convert to ordinary shares (or a cash payment in lieu) under certain circumstances. All outstanding Share Rights issued in February 2013 were converted into ordinary shares during the period. Refer to Note 18.

28. Related Party Disclosures

Parent entity

Nine Entertainment Co. Holdings 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 arrangements

Interests in significant controlled entities are set out in Note 29.

Investments in associates and joint arrangements are set out in Note 10.

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 27.

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	
	2014 $'000	2013 $'000
Rendering of services to and other revenue from –		
Associates of Nine Entertainment Co.		
ninemsn Pty Ltd	**1,729**	3,613
DailyMail.com Australia Pty Ltd	**429**	–
Receiving of services from related parties –		
Associates of Nine Entertainment Co.		
ninemsn Pty Ltd	**322**	4,068
Dividends received from –		
Associates of Nine Entertainment Co.		
ninemsn Pty Ltd	**–**	23,000
Australian News Channel Pty Ltd	**1,917**	1,230
Oztam Pty Ltd	**970**	1,040
Loans to other related parties –		
Darwin Digital Television Pty Ltd	**2,560**	2,360
DailyMail.com Australia Pty Ltd	**926**	–
Ratecity Pty Ltd	**542**	–
Other	**684**	706
Loan from associate –		
Associate of Nine Entertainment Co.		
ninemsn Pty Ltd	**–**	27,550

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 2014, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties. 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.

29. Investment in Controlled Entities

The consolidated financial statements include the financial statements of Nine Entertainment Co. Holdings 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 2014 %	Beneficial Interest Held by the Consolidated Entity 2013 %
Nine Entertainment Co. Holdings Ltd		**Australia**	**Parent Entity**	Parent Entity
Bass New Zealand Limited	B	New Zealand	**100**	100
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	B	Australia	**100**	100
NBN Ltd	A	Australia	**100**	100
NBN Productions Pty Ltd	B	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	A	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	A	Australia	**100**	100
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
Pink Platypus	B	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
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
Swan Television & Radio Broadcasters Pty Ltd	A	Australia	**100**	–
Channel 9 South Australia Pty Ltd	A	Australia	**100**	–
Ticketek New Zealand Limited	B	New Zealand	**100**	100
Ticketek Services Limited	B	New Zealand	**100**	100
Ticketek Victoria Pty Ltd	B	Australia	**100**	100
Ticketek Insights Pty Ltd	B	Australia	**100**	100
Ticketek Pty Ltd	A	Australia	**100**	100
Nine Live Pty Ltd	A	Australia	**100**	100

	Footnote	Place of Incorporation	Beneficial Interest Held by the Consolidated Entity 2014 %	Beneficial Interest Held by the Consolidated Entity 2013 %
White Whale Pty Ltd	A	Australia	**100**	100
Ninemsn Pty Ltd[1]	B	Australia	**100**	–
Ninemsn Investment Pty Ltd[1]	B	Australia	**100**	–
Tipstone Australia Pty Ltd[1]	B	Australia	**100**	–
Mi9 New Zealand Limited[1]	B	New Zealand	**100**	–
5th Finger Pty Ltd[1]	B	Australia	**100**	–
HWW Pty Ltd[1]	B	Australia	**100**	–
Streamco Media Pty Ltd[1]	B	Australia	**100**	–

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 to Note 30).
B Members of the "Extended Closed Group" only (refer to Note 30).
1. Legal holding at 30 June 2014 is 66.67%, however beneficial holding is 100%. Refer to Note 5(b).

30. 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 Limited 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 2014 are:

	Closed Group[1]		Extended Closed Group[2]	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Consolidated Statement of Comprehensive Income				
(Loss)/Profit before income tax	**(59,576)**	2,054,539	**99,205**	1,190,826
Income tax (expense)/benefit	**(32,476)**	(11,470)	**(41,333)**	9,991
Net (Loss)/profit after income tax	**(92,052)**	2,043,069	**57,872**	1,200,817
Net (loss)/profit attributable to members of the parent	**(92,052)**	2,043,069	**57,872**	1,200,817
Transfer from other reserves	**–**	(1,485,207)	**–**	(56,512)
Capital reduction	**2,190,809**	–	**2,190,809**	–
Accumulated losses at the beginning of the financial year	**(1,196,932)**	(1,754,794)	**(1,306,932)**	(2,451,237)
Accumulated profits/(losses) at the end of the financial year	**901,825**	(1,196,932)	**941,749**	(1,306,932)

1. Closed Group are those entities party to the Deed of Cross Guarantee.
2. As at 30 June 2014, all wholly owned trading companies are included in the Extended Closed Group, therefore the continuing operations within the Consolidated Statement of Comprehensive Income represents the Extended Closed Group for 2014.

30. Deed of Cross Guarantee continued

Financial Statements for the year ended 30 June 2014

	Closed Group		Extended Closed Group[1]	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Consolidated Statement of Financial Position				
Current Assets				
Cash and cash equivalents	**198,831**	378,953	**219,767**	392,450
Receivables	**278,676**	257,489	**325,039**	263,974
Inventories	**787**	771	**803**	742
Program rights	**196,224**	172,128	**196,224**	172,187
Derivative financial instruments	**–**	8,137	**1,481**	9,085
Other	**25,321**	19,050	**26,747**	20,590
Total Current Assets	**699,839**	836,528	**770,061**	859,028
Non-Current Assets				
Trade and other receivables	**4,170**	165,652	**4,170**	3,066
Program rights	**57,087**	67,092	**57,087**	67,092
Investment in associates	**38,008**	136,507	**38,081**	136,507
Other financial assets	**169,709**	6,907	**20,883**	17,349
Property, plant and equipment	**184,006**	159,602	**189,208**	161,160
Licences and mastheads	**593,353**	344,669	**593,353**	344,669
Other intangible assets	**1,334,659**	1,222,243	**1,401,695**	1,222,243
Derivative financial instruments	**–**	91,448	**–**	91,448
Other	**93,055**	86,466	**93,055**	86,466
Total Non-Current Assets	**2,474,047**	2,280,586	**2,397,532**	2,130,000
Total Assets	**3,173,886**	3,117,114	**3,167,593**	2,989,028
Current Liabilities				
Payables	**461,190**	383,757	**504,732**	401,400
Interest bearing loans and borrowings	**106**	32,940	**106**	32,940
Current tax liabilities	**–**	–	**3,327**	–
Provisions	**51,792**	56,973	**55,489**	57,769
Derivatives	**203**	–	**203**	–
Total Current Liabilities	**513,291**	473,670	**563,857**	492,109
Non-Current Liabilities				
Payables	**171,550**	70,195	**87,306**	70,195
Interest bearing loans and borrowings	**602,968**	865,310	**602,968**	865,310
Deferred tax liability	**60,295**	59,909	**44,368**	21,462
Provisions	**44,520**	54,390	**45,444**	56,311
Total Non-Current Liabilities	**879,333**	1,049,804	**780,086**	1,013,278
Total Liabilities	**1,392,624**	1,523,474	**1,343,943**	1,505,387
Net Assets/(Liabilities)	**1,781,262**	1,593,640	**1,823,650**	1,483,641

1. As at 30 June 2014, all companies are included in the Extended Closed Group, therefore the Consolidated Statement of Financial Position represents the Extended Closed Group for 30 June 2014.

31. Financial Instruments

Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash and short-term deposits and credit facilities (refer to Note 16). 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 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;
- cross currency principal and interest rate swaps and options ("cross currency hedges"); and
- forward foreign currency contracts.

The Group's risk management activities are carried out centrally by the Nine Entertainment Co. Holdings Group Treasury. Group Treasury operates under policies as approved by the Board. Group Treasury operates in cooperation 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 restructured during the year 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.

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	22(a)
Trade and other receivables	6
Trade and other payables	15

The Group uses various methods in estimating the fair value of a financial asset or liability. 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, through valuation techniques including forward pricing and swap models and using present value calculations. The models incorporate various inputs including credit quality of counterparties and foreign exchange spot, forward rates and listed share prices. Fair values of the Group's interest bearing borrowings and loans are determined by using a DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Fair values hierarchy has been determined as follows for financial assets and financial liabilities of the Group at 30 June 2014.

Level 1: Investment in listed equities (refer to Note 11).

Level 2: Forward foreign exchange contracts, interest bearing borrowings and options over listed equities.

There were no transfers between the Level 1 and Level 2 fair value measurements during the year.

The Term B loan facility of $894,879,000 measured using Level 2 fair value measurements at 30 June 2013 was refinanced during the current year resulting in a $nil balance at the end of the year.

31. Financial Instruments continued

The following table lists the carrying values and fair values of the Group's financial assets and financial liabilities at balance date:

	Refer Note	2014 Carrying Amount $'000	2014 Fair Value $'000	2013 Carrying Amount $'000	2013 Fair Value $'000
Derivative financial assets					
Cross currency cash flow hedges – current			–	8,137	8,137
Option over listed entities – current		**1,481**	**1,481**	948	948
Cross currency cash flow hedges – non-current		–	–	91,448	91,448
Total derivative financial instruments – assets		**1,481**	**1,481**	100,533	100,533
Derivative financial liabilities					
Cross currency cash flow hedges – current		**203**	**203**		
Total derivative financial instruments – liabilities		**203**	**203**	–	–
Loan facilities – Current					
Senior secured syndicated facilities – at amortised cost	16			–	–
Term Loan B facility secured – at amortised cost	16	–	–	8,949	8,949
Loan from associate unsecured	16	–	–	27,550	27,550
Total loan facilities – Current		–	–	36,499	36,499
Loan facilities – Non-current					
Term Loan B facility secured – at amortised cost	16	–	–	885,930	885,930
Syndicated facility secured – at amortised cost	16	**608,538**	**608,538**	–	–
Total loan facilities – Non-current		**608,538**	**608,538**	885,930	885,930
Total loan facilities		**608,538**	**608,538**	922,429	922,429

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 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 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.

	Contractual maturity (nominal cash flows)							
	2014				2013			
	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]								
Cross currency hedges – receive USD[2,4]	**–**	**–**	**–**	**–**	31,228	30,952	193,623	786,390
Derivatives – outflows[1]								
Cross currency hedges – pay AUD[2]	**203**	**–**	**–**	**–**	58,792	58,881	255,418	734,205
Other financial assets[1]								
Cash assets	**219,767**	**–**	**–**	**–**	392,450	–	–	–
Trade and other receivables[3]	**325,039**	**926**	**2,560**	**684**	263,974	536	2,360	170
Other financial liabilities[1]								
Trade and other payables[3]	**504,732**	**50,518**	**31,159**	**5,629**	401,393	35,348	34,847	–
Other interest bearing loans and borrowings	**106**	**83**	**–**	**–**	135	85	–	–
Debt facilities (including interest)[4]	**26,816**	**26,816**	**672,601**	**–**	77,433	39,643	117,050	858,360

1. For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date. These instruments were cancelled during the year.
2. Net amount for cross currency hedges for which net cash flows are exchanged. Categorisation of inflows and outflows is based on current variable rates at the reporting date.
3. Excluding amounts due from/to subsidiaries.
4. Cash flows retranslated at foreign exchange rate at the balance date.

31. Financial Instruments continued

ii. Interest rate risk

Interest rate risk refers to the risk 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 are 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 Group maintains a mix of long-term and short-term debt to manage these risks as deemed appropriate. 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 interest rate that is reset as market rates change.

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

	2014				2013			
	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	**3.10**	**219,767**	**–**	**219,767**	3.13	392,450	–	392,450
Trade and other receivables	**N/A**	**N/A**	**329,209**	**329,209**	N/A	N/A	267,040	267,040
Financial liabilities								
Trade and other payables	**N/A**	**N/A**	**592,038**	**592,038**	N/A	N/A	471,588	471,588
Interest bearing liabilities –								
Syndicated facilities – at amortised cost	**4.41**	**608,538**	**–**	**608,538**	–	–	–	–
Term B loan facility – at amortised cost	**–**	**–**	**–**	**–**	7.33	894,879	–	894,879
Loan from associate	**–**	**–**	**–**	**–**	3.55	27,550	–	27,550

Interest rate sensitivity analysis

The table below shows the effect on net profit after income tax if interest rates at balance date had been 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.

The following sensitivities have been assumed in this analysis:

	2014	2013
USD interest rates	n/a	+/– 0.25% (25 basis points)
AUD interest rates	+/– 1% (100 basis points)	+/– 1% (100 basis points)

The sensitivities above have been selected as they are considered reasonable given the current level of both short-term and long-term Australian market. In 2014, 100% (2013: 3%) of the Group's debt was denominated in Australian Dollars with the remaining debt denominated in United States Dollars in 2013.

Sensitivities are based on financial instruments held at the balance date assumed to have been in place since the beginning of the period.

Based on the sensitivity analysis, if interest rates changed as described above, net profit and equity would have been impacted as follows:

	Net Profit After Tax		Post-tax Equity (Cash flow hedge reserve) as at 30 June	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
If interest rates were higher with all other variables held constant – decrease	**(4,260)**	(3,856)	**–**	(25,456)
If interest rates were lower with all other variables held constant – increase	**4,260**	3,856	**–**	38,816

iii. 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; and
- manages exposures to individual entities it either transacts with or with which it enters into derivative contracts (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 customer 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 creditworthiness 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:

	2014 $'000	2013 $'000
Advertising	**225,270**	186,952
Television stations	**12,632**	28,466
Other	**76,794**	35,028
	314,696	250,446

iv. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates related primarily to the Group's interest bearing debt facilities that were refinanced during the year. The Group's exposure also includes trade payables and receivables from contractual payments.

The Group manages this foreign currency risk by entering into cross currency hedges.

Cash flow hedges

During the year an amount of $7,135,000 ($975,000 in 2013) was recognised through profit or loss in relation to hedge ineffectiveness.

During the year, $12,752,000 income ($74,486,000 in 2013) was included in other comprehensive income in relation to these hedges. The opening balance at the beginning of the year related to cross currency hedges which were closed out as part of the restructure. During the year a $12,752,000 reversal was reclassified from other comprehensive income to profit or loss in respect of these cross currency hedges.

Foreign currency sensitivity analysis

The following tables demonstrate the sensitivity to a reasonably possible change in the USD and AUD exchange rates, with all other variables held constant. Sensitivities are based on financial instruments held at the balance date assumed to have been in place since the beginning of the period.

	Net Profit After Tax		Post-tax Equity (Cash flow hedge reserve) as at 30 June	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
If AUD:USD exchange rates were 10% higher with all other variables held constant – increase/(decrease)	–	11,507	–	(11,998)
If AUD:USD exchange rates were 10% lower with all other variables held constant – increase/(decrease)	–	(7,428)	–	14,710

32. Parent Entity Disclosures

	Parent Entity	
	2014 $'000	2013 $'000
a. Financial Position		
Current assets	**58**	–
Non-current assets	**850,968**	602,968
Total assets	**851,026**	602,968
Current liabilities	**1,393**	14,432
Non-current liabilities	**2,356**	2,879
Total liabilities	**3,749**	17,311
Net assets/(liabilities)	**847,277**	585,657
Contributed equity	**862,725**	2,773,295
Reserves	**7,689**	3,171
Retained earnings	**(23,137)**	(2,190,809)
Total equity/(deficiency)	**847,277**	585,657
b. Comprehensive Income		
Net profit/(loss) for the year	**2,167,672**	(854,058)
Total comprehensive income (loss) for the year	**2,167,672**	(854,058)

c. Commitments and Contingencies

The parent entity was a party to the Deed of Cross Guarantee entered into with various Group companies. Refer to Note 30 for further details.

Refer to Note 25 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.

33. Earnings Per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014 $'000	2013 $'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**57,872**	1,201,177
Loss attributable to ordinary equity holders of the parent from discontinued operations	**–**	(13,320)
Net profit attributable to ordinary equity holders of the parent for basic and diluted earnings	**57,872**	1,187,857

	2014	2013 (Restated)[1]
Weighted average number of ordinary shares for basic earnings per share	**876,988,351**	315,616,373
Effect of dilution:		
Share Rights	**3,498,465**	4,642
Weighted average number of ordinary shares adjusted for the effect of dilution	**880,486,816**	315,621,015

1. Restated 2013 weighted average number of ordinary shares for share spilt resulting in each ordinary share being converted into four ordinary shares, that occurred on 21 October 2013. Refer to Note 18.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

To calculate the earnings per share amounts for discontinued operations (see Note 5), the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above.

Directors' Declaration

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

1. In the opinion of the Directors:
   a. the financial statements and notes of Nine Entertainment Co. Holdings Limited for the financial year ended 30 June 2014 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 2014 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b); and
   c. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
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 30 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.

On behalf of the Board

David Haslingden
Chairman

David Gyngell
Director

Sydney, 28 August 2014

Independent Auditor's Report to the Members of Nine Entertainment Co. Holdings Limited

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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

Report on the financial report

We have audited the accompanying financial report of Nine Entertainment Co. Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

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Opinion

In our opinion:

a. the financial report of Nine Entertainment Co. Holdings 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 2014 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).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Nine Entertainment Co. Holdings Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst + Young

John Robinson
Partner
Sydney
28 August 2014

Shareholder Information

Twenty Largest Holders of Securities at 1 September 2014

Ordinary Shares (NEC)	Number of Securities	%
1. AIF VII Singapore Pte Ltd	152,203,872	16.19
2. Oaktree Netherlands Entertainment Holdings B.V.	133,579,656	14.21
3. HSBC Custody Nominees (Australia) Limited	122,955,089	13.08
4. Citicorp Nominees Pty Limited	106,977,844	11.38
5. J P Morgan Nominees Australia Limited	101,837,734	10.83
6. National Nominees Limited	89,733,178	9.54
7. RBC Investor Services Australia Nominees Pty Limited	44,853,621	4.77
8. BNP Paribas Noms Pty Ltd	33,431,116	3.56
9. Apollo Credit Singapore Pte Ltd	22,276,836	2.37
10. Erste Abwicklungsanstalt	21,706,192	2.31
11. Apollo Spn Investments I (Credit) LLC	14,014,060	1.49
12. Apollo Special Opportunities Managed Account L.P.	11,804,964	1.26
13. AMP Life Limited	10,733,927	1.14
14. Citicorp Nominees Pty Limited	9,511,337	1.01
15. RBC Investor Services Australia Nominees Pty Limited	7,439,740	0.79
16. UBS Nominees Pty Ltd	6,348,859	0.68
17. David Gyngell	4,878,048	0.52
18. Apollo Centre Street Partnership L.P.	4,842,788	0.52
19. HSBC Custody Nominees (Australia) Limited	4,047,757	0.43
20. HSBC Custody Nominees (Australia) Limited – A/C 2	3,136,745	0.33

Options

There were no options exercisable at the end of the financial year.

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 1 September 2014 are:

	Ordinary Shares fully paid	%
Apollo Group	205,142,520	21.82
Oaktree	133,579,656	14.21
Perpetual Limited	109,199,883	11.61
BT Investment Management Limited	68,587,814	7.29
Challenger Limited	47,186,468	5.02

Distributions of Holdings at 28 August 2014

No. of Securities	No. of Ordinary Shareholders
1 – 1,000	2,115
1,001 – 5,000	463
5,001 – 10,000	156
10,001 – 100,000	167
100,001 and over	56
Total number of holders	2,957
Number of holders holding less than a marketable parcel	30

Voting rights

On a show of hands, every member present, in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

Corporate Directory

ABN 122 203 892

Annual General Meeting

The Annual General Meeting will be held at 10.00am
on Wednesday, 19 November 2014
at Level 37, 2 Park St, Sydney NSW 2000

Financial Calendar 2015

Interim result February 2015
Preliminary final result August 2015
Annual General Meeting November 2015

Company Secretary

Simon Kelly

Registered Office

Nine Entertainment Co. Holdings Limited
24 Artarmon Road
Willoughby NSW 2068

Share Registry

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Ph: 1300 888 062 (toll free within Australia)
Ph: +61 2 8280 7670
Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Securities Exchange Listing

The Company's ordinary shares are listed on
the Australian Securities Exchange as NEC.

Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

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entertainment co.