Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

23 February 2017: Nine Entertainment Co. Holdings Limited [ASX:NEC] today announced the half yearly results for the six months ended 31 December 2016 (H1 FY17).

Attached are the following documents relating to the Nine Entertainment Co. Holdings Limited results for this period.

1. Appendix 4D
2. H1 FY17 Financial Report

Appendix 4D
For the half year ended 31 December 2016

Results for Announcement to the Market

Key Financial Information[1]		Dec 2016 $'000	Dec 2015 $'000
Revenue from ordinary continuing activities, excluding specific items	Down 4% to	662,740	692,185
(Loss)/profit from ordinary continuing activities after tax attributable to members	n/m	(236,883)	28,180
Net profit from continuing operations after tax, excluding specific items	Down 2% to	75,009	76,629

n/m means not meaningful

Dividends

A fully franked dividend of 4 cents per share amounting to $34,752,636 was paid in October 2016 (31 December 2015: $44,625,470).

Net Tangible Assets per Share

	Dec 2016 cents	June 2016 cents
Net tangible asset backing per ordinary share	24.8	28.8
Net asset backing per ordinary share	112.6	141.6

[1] Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2016 half year Financial Report.

Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

Financial Report for the half year ended 31 December 2016

Directors' Report

The Directors present their financial report for the half year ended 31 December 2016. The financial report includes the results of Nine Entertainment Co. Holdings Limited (the "Company") and the entities that it controlled during the period (the "Group").

Directors

The Directors of the Company in office during the half year and up to the date of this report unless stated otherwise are as follows:

Name	Title	Date Appointed	Date Resigned
Peter Costello	Independent Non-Executive Chairman	6 February 2013	
Hugh Marks	Chief Executive Officer	6 February 2013	
Elizabeth Gaines	Independent Non-Executive Director	1 March 2016	3 February 2017
David Gyngell	Non-Executive Director	25 November 2010	
Holly Kramer	Independent Non-Executive Director	6 May 2015	3 February 2017
Catherine West	Independent Non-Executive Director	9 May 2016	

Dividends

A fully franked dividend of 4.0 cents per share in respect of the year ending 30 June 2016 amounting to $34,752,636 was paid in the period ended 31 December 2016 (31 December 2015: $44,625,470).

Operating and Financial Review

Financial Results

For the period to 31 December 2016, the Group reported a consolidated net loss after income tax of $236,883,000 (31 December 2015: net profit of $320,836,000). This result is after a non-cash impairment of $260,000,000, recognition of the settlement of the Warner Bros output deal ($84,877,000, as disclosed as a subsequent event at 30 June 2016) and other specific net costs (refer to Note 3(iv)). The profit from continuing operations after income tax and before specific items was $75,009,000 (31 December 2015: $76,629,000).

The Group's revenues from continuing operations for the period to 31 December 2016 decreased by $29,445,000 (4%) to $662,740,000 (31 December 2015: $692,185,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) including share of associates' net profit and before specific items (refer to Note 3(iv)) for continuing operations for the period ended 31 December 2016 was $119,750,000 (31 December 2015: $127,883,000).

The Group's cash flows used in operations for the period to 31 December 2016 were $32,828,000 (31 December 2015: cash inflows from operations $66,463,000).

Acquisition

During the current period, the Group acquired a 59.22% interest in CarAdvice.com Ltd (refer to Note 6(b)(i) for further detail).

Segmental Results

Nine Network

Revenue decreased by $32.5 million (5%) from the comparative period. The decrease is primarily a result of softer short term advertising market conditions and a decline in Nine's share of market revenue, during a period when a competing network broadcast the Olympic Games.

The EBITDA result decreased by $11.0 million (9%) from the comparative period. The decrease reflects the impact of lower revenues partially offset by improved operational efficiencies and lower programming costs.

Nine Digital

Revenue decreased by $1.3 million (2%) and EBITDA increased by $1.6 million (13%) from the comparative period. This is a result of a focus on more profitable revenue streams as well as firm cost controls.

Directors' Report (continued)

Significant Events after the Balance Sheet Date

During the year to 30 June 2014, the Group recognised an expense of $10.7 million 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 Summer Olympic Games without deducting withholding tax. The Group subsequently paid $5.35 million in respect of the amount in order to reduce any potential interest or penalty charges; however the Group disputed the claim. In February 2017 the ATO notified the Group that the ATO had allowed the Group's objection in full. As a result, in accordance with accounting standards, the Group has reflected a reversal of the $10.7 million expense in the financial statements for the period to 31 December 2016. This has resulted in the recognition of a debtor for the amount previously paid to the ATO and a reduction in creditors for the remainder.

Other than noted above, 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.

Auditor's Independence

The Directors have received the Auditor's Independence Declaration, a copy of which is included on page 3.

Rounding

The amounts contained in this report and the financial statements have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Group under ASIC Class Order 2016/191. Nine Entertainment Co. Holdings Limited is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 23 February 2017

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the review of Nine Entertainment Co. Holdings Limited for the half year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Nine Entertainment Co. Holdings Limited and the entities it controlled during the financial period.

Ernst + Young

Ernst & Young

John Robinson
Partner
23 February 2017

Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2016

	Note	31 Dec 2016 $'000	31 Dec 2015 $'000
Continuing operations			
Revenues	3	662,740	692,185
Expenses	3	(896,794)	(632,688)
Finance costs	3	(6,454)	(6,638)
Share of profits of associate entities		268	1,264
(Loss)/profit from continuing operations before income tax expense		(240,240)	54,123
Income tax benefit/(expense)	5	3,357	(25,943)
Net (loss)/profit from continuing operations for the period attributable to equity holders		(236,883)	28,180
Discontinued operations			
Profit from discontinued operations after income tax – Live business	6(a)	–	292,656
Net (loss)/profit for the period attributable to equity holders		(236,883)	320,836
Earnings per share			
Basic (loss)/profit attributable to ordinary equity holders of the parent	19	($0.27)	$0.36
Diluted (loss)/profit year attributable to ordinary equity holders of the parent	19	($0.27)	$0.36
Earnings per share for continuing operations			
Basic (loss)/profit from continuing operations attributable to ordinary equity holders of the parent	19	($0.27)	$0.03
Diluted (loss)/profit from continued operations attributable to ordinary equity holders of the parent	19	($0.27)	$0.03

		$'000	$'000
Profit/(loss) for the year			
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		139	285
Reclassification of foreign currency translation reserve to profit from discontinued operations	6(a)	–	634
Items that will not be reclassified subsequently to profit or loss			
Fair value movement in investment in listed equities		14,584	(10,065)
Actuarial (loss)/gain on defined benefit plan		2,792	(989)
Other comprehensive income/(loss) for the period		17,515	(10,135)
Total comprehensive (loss)/ income for the period attributable to equity holders		(219,368)	310,701

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	31 Dec 2016 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents	15	123,339	42,860
Trade and other receivables		248,941	286,703
Program rights		153,992	139,203
Derivative financial instruments	18	4	31
Other assets		106,823	72,695
Property, plant and equipment held for sale		50,511	9,338
Total current assets		683,610	550,830
Non-current assets			
Receivables		81,173	59,067
Program rights		66,693	61,177
Investments in associates accounted for using the equity method	7	12,928	19,680
Investment in listed or unlisted equities	8	8,346	104,695
Property, plant and equipment		122,151	123,344
Licences	9	477,784	477,784
Other intangible assets	10	287,064	505,130
Property, plant and equipment held for sale		–	41,823
Other assets		74,663	61,210
Total non-current assets		1,130,802	1,453,910
Total assets		1,814,412	2,004,740
Current liabilities			
Trade and other payables	11	314,807	327,896
Interest-bearing loans and borrowings	12	–	60
Current income tax liabilities		13,294	30,567
Provisions	13	40,734	47,256
Total current liabilities		368,835	405,779
Non-current liabilities			
Payables	11	66,870	47,800
Interest-bearing loans and borrowings	12	300,803	220,425
Deferred tax liabilities	5(b)	19,033	38,902
Provisions	13	41,475	46,569
Derivative financial instruments	18	36,366	11,426
Total non-current liabilities		464,547	365,122
Total liabilities		833,382	770,901
Net assets		981,030	1,233,839
Equity			
Contributed equity	14	748,627	746,563
Reserves		2,874	6,446
Retained earnings		229,529	480,830
Total equity attributable to equity holders		981,030	1,233,839

Consolidated Statement of Cash Flows

For the half year ended 31 December 2016

	Note	31 Dec 2016 $'000	31 Dec 2015* $'000
Cash flows from operating activities			
Receipts from customers		749,205	835,739
Payments to suppliers and employees		(738,201)	(749,498)
Dividends received – associates		700	1,500
Interest received		833	1,092
Interest and other costs of finance paid		(5,436)	(12,003)
Income tax paid		(39,929)	(10,367)
Net cash flows (used in)/from operating activities		(32,828)	66,463
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,748)	(15,853)
Purchase of venue ticketing rights		–	(10,628)
Purchase of other intangible assets		(4,741)	(5,001)
Proceeds on disposal of property, plant and equipment		66	2,577
Acquisition of subsidiaries, net of cash acquired	6(b)(i)	(17,405)	(17,100)
Investment in listed equities and associates		–	(500)
Net proceeds from disposal of listed equities and associates	7&8	123,998	–
Net proceeds from sale of controlled entities, (net of cash acquired)	6(a)	–	534,880
Net cash flows from investing activities		88,170	488,375
Cash flows from financing activities			
Proceeds from borrowings		190,000	170,000
Repayment of borrowings		(110,060)	(750,010)
Share buy-back		–	(38,385)
Loans to associates		(20,050)	(19,100)
Dividends paid	4	(34,753)	(44,625)
Net cash flows used in financing activities		25,137	(682,120)
Net (decrease)/increase in cash and cash equivalents		80,479	(127,282)
Cash and cash equivalents at the beginning of the financial year		42,860	179,886
Cash and cash equivalents at the end of the period	15	123,339	52,604

*The consolidated statement of cash flows for the half year ended 31 December 2015 includes the cash flows relating to the discontinued operations.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2016

	Contributed equity $'000	Rights Plan Shares $'000	Foreign currency translation reserve $'000	Net unrealised gains reserve $'000	Share based payments reserve $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
At 1 July 2016	751,998	(5,435)	(1,279)	2,567	1,987	3,171	480,830	1,233,839
Loss for the period	–	–	–	–	–	–	(236,883)	(236,883)
Other comprehensive income for the period	–	–	139	17,376	–	–	–	17,515
Total comprehensive income/(expense) for the period	–	–	139	17,376	–	–	(236,883)	(219,368)
Vesting of Rights Plan shares (Note 17)	–	2,064	–	–	(2,064)	–	–	–
Share based payment expense (Note 17)	–	–	–	–	1,312	–	–	1,312
Dividends to shareholders	–	–	–	–	–	–	(34,753)	(34,753)
Transfer of fair value movement on disposal of listed equities				(20,335)			20,335	–
At 31 December 2016	751,998	(3,371)	(1,140)	(392)	1,235	3,171	229,529	981,030

	Contributed equity $'000	Rights Plan Shares $'000	Foreign currency translation reserve $'000	Net unrealised gains reserve $'000	Share based payments reserve $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
At 1 July 2015	801,031	(8,027)	(2,171)	12,504	5,431	3,171	270,774	1,082,713
Profit for the period	–	–	–	–	–	–	320,836	320,836
Other comprehensive income/(expense) for the period	–	–	919	(11,054)	–	–	–	(10,135)
Total comprehensive income/(expense) for the period	–	–	919	(11,054)	–	–	320,836	310,701
Share buy-back (Note 14)	(38,385)	–	–	–	–	–	–	(38,385)
Vesting of Rights Plan shares (Note 17)	–	2,592	–	–	(4,809)	–	–	(2,217)
Share based payment expense (Note 17)	–	–	–	–	1,618	–	–	1,618
Dividends to shareholders	–	–	–	–	–	–	(44,625)	(44,625)
At 31 December 2015	762,646	(5,435)	(1,252)	1,450	2,240	3,171	546,985	1,309,805

Notes to the Consolidated Financial Statements for the half year ended 31 December 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nine Entertainment Co. Holdings Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded.

The consolidated financial statements of the Group for the half year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 23 February 2017.

a) Basis of preparation

The condensed consolidated financial statements for the half year ended 31 December 2016 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The financial report for the period does not include all notes of the type normally included within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as an annual financial report.

The financial report for the period should be read in conjunction with the annual financial report of Nine Entertainment Co. Holdings Limited as at 30 June 2016.

The financial report for the period 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 2016/191. The Company is an entity to which the class order applied.

Comparative information provided in the consolidated financial statements has been reclassified where necessary to provide consistency with the current financial period.

b) Changes in accounting policies and accounting standards

The accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2016 annual financial report. The Group has not early adopted any further standards, interpretations or amendments that have been issued but are not yet effective on the basis these are not material to the Group during the current half year period.

c) Use of estimates

In conforming with generally accepted accounting principles, the preparation of financial statements for the Group requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

2. 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.
- Digital – includes Nine Digital Pty Limited and other digital activities.

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 3(iv)) which are included in corporate costs or disclosed separately in the table below. Group finance costs, interest income and income taxes are managed on a Group basis and are not allocated to operating segments. 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.

Period ended 31 December 2016	Television $'000	Digital $'000	Consolidated $'000
(i) Segment revenue			
Operating revenue	578,248	78,289	656,537
Inter-segment revenue	371	–	371
Total segment revenue	578,619	78,289	656,908
Reconciliation of segment revenue from continuing operations to the Consolidated Statement of Comprehensive Income			
Interest income			3,335
Gain on sale of Australian News Channel Pty Ltd			180
Dividend received from investment in listed entity			2,688
Inter-segment eliminations			(371)
Segment revenue from continuing operations per the Consolidated Statement of Comprehensive Income			662,740
(ii) Segment result			
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	109,422	13,769	123,191
Depreciation and amortisation	(13,971)	(4,366)	(18,337)
Segment earnings before interest and tax (EBIT)	95,451	9,403	104,854
Share of associates' net profit after tax			268
EBIT after share of associates			105,122
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income			
Corporate costs			(3,711)
Interest income			3,335
Finance costs			(6,454)
Profit from Continuing operations before tax and before specific items			98,292
Tax			(23,283)
Profit from Continuing operations after tax and before specific items			75,009
Specific items (refer note 3(iv))			(338,532)
Tax on specific items			26,640
Loss from continuing operations after tax and specific items			(236,883)

2. SEGMENT INFORMATION (continued)

Period ended 31 December 2015	Television $'000	Digital $'000	Consolidated $'000
(i) Segment revenue			
Operating revenue	610,711	79,604	690,315
Inter-segment revenue	1,121	23	1,144
Total segment revenue	611,832	79,627	691,459
Reconciliation of segment revenue from continuing operations to the Consolidated Statement of Comprehensive Income			
Interest income			1,870
Inter-segment eliminations			(1,144)
Segment revenue from continuing operations per the Consolidated Statement of Comprehensive Income			692,185
(ii) Segment result			
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	120,467	12,198	132,665
Depreciation and amortisation	(13,484)	(2,077)	(15,561)
Segment earnings before interest and tax (EBIT)	106,983	10,121	117,104
Share of associates' net profit after tax			1,264
EBIT after share of associates			118,368
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income			
Corporate costs			(6,179)
Interest income			1,870
Finance costs			(5,161)
Profit from Continuing operations before tax and before specific items			108,898
Tax			(32,269)
Profit from Continuing operations after tax and before specific items			76,629
Specific items (refer note 3(iv))			(53,298)
Specific finance cost (refer note 3(v))			(1,477)
Tax on specific items			6,326
Profit from continuing operations after tax and specific items			28,180

	2016	2015
Earnings/(loss) per share from continuing operations		
Basic and diluted profit/(loss) before specific items	$0.09	$0.09
Basic and diluted profit/(loss) after specific items	($0.27)	$0.03

3. REVENUE AND EXPENSES

	31 Dec 2016 $'000	31 Dec 2015 $'000
Profit before income tax expense includes the following revenues and expenses:		
(i) Revenues and income from continued operations		
Revenue from rendering services	656,537	690,315
Interest income	3,335	1,870
Dividend received from investment in listed entity	2,688	–
Gain on disposal of Australian News Channel Pty Ltd	180	–
Total revenues and income from continuing operations	662,740	692,185
(ii) Expenses from continuing operations		
Television activities	820,039	549,411
Other activities	76,755	83,277
Total expenses from continuing operations	896,794	632,688
(iii) Other expense disclosures from continuing operations (included in expenses (ii) above)		
Depreciation of non-current assets		
Buildings	989	1,394
Plant and equipment	12,668	11,742
Total depreciation	13,657	13,136
Amortisation of non-current assets		
Plant and equipment under finance lease	11	21
Leasehold property	857	912
Other assets	3,814	1,625
Total amortisation	4,682	2,558
Total depreciation and amortisation expense	18,339	15,694
Salary and employee benefit expense (included in expenses (ii) above)	172,587	172,567
Program rights (included in expenses (ii) above)	220,012	230,057
(iv) Specific items from continuing operations included in income (i) and expenses (ii) above:		
Goodwill impairment (Note 10)	260,000	17,227
Licence impairment (Note 9)	–	16,086
Program stock provision/write-down[1]	84,877	12,128
Write-off of loans to DailyMail.com Australia Pty Ltd (Note 7(b))	–	5,905
Withholding tax (Note 21)	(10,700)	–
Mark to market of derivatives	26	376
Other	4,509	1,576
Gain on disposal of Australian News Channel Pty Ltd (Note 7(b))	(180)	–
Total specific items included in income (i) and expenses (ii) above	338,532	53,298
(v) Finance costs		
Finance costs expensed:		
Interest on debt facilities	5,755	4,507
Write-off of debt establishment fees for debt cancelled	–	1,477
Amortisation of debt facility establishment costs and non-cash interest on derivatives	694	650
Finance leases	5	4
Total finance costs	6,454	6,638

[1] Refer to Note 11.

4. DIVIDENDS PAID AND PROPOSED

Nine Entertainment Co. Holdings Limited paid a final fully franked dividend of 4.0 cents per share in respect of the year ending 30 June 2016 amounting to $34,752,636 during the period (31 December 2015: $44,625,470). The Company has not declared any dividend subsequent to 31 December 2016.

5. INCOME TAX

	31 Dec 2016 $'000	31 Dec 2015 $'000
a) Income tax expense		
The prima facie tax expense, using tax rates applicable in the country of operation, on profit or loss differs from income tax provided in the financial statements as follows:		
(Loss)/profit from continuing operations	(240,240)	54,123
Profit from discontinued operations	–	415,333
(Loss)/profit before income tax	(240,240)	469,456
Prima facie income tax (benefit)/expense at the Australian rate of 30%	(72,072)	140,837
Tax effect of:		
Share of associates' net profits	(80)	(379)
Difference between tax and accounting profit from disposal of Live	–	(2,161)
Gain on disposal of investments and assets	(54)	424
Deferred tax liability movement in investment	(63)	–
Impairment and write down of investments	78,008	10,107
Withholding tax	(3,210)	–
Recognition of research and development tax offset in respect of prior years	(4,474)	–
Other items – net	(1,412)	(208)
Income tax (benefit)/expense	(3,357)	148,620
Current tax expense	14,405	177,572
Deferred tax benefit relating to the origination and reversal of temporary differences	(17,762)	(28,952)
Income tax (benefit)/expense	(3,357)	148,620
Aggregate income tax (benefit)/expense is attributable to:		
Continuing operations	(3,357)	25,943
Discontinued operations	–	122,677
Income tax (benefit)/expense	(3,357)	148,620

5. *INCOME TAX (continued)*

	31 Dec 2016 $'000	30 June 2016 $'000
b) Deferred income taxes		
Total deferred income tax assets	105,711	85,614
Total deferred income tax liabilities	(124,744)	(124,516)
Net deferred income tax liabilities	(19,033)	(38,902)

	31 Dec 2016 $'000	30 June 2016 $'000	P&L Expense/ (Benefit) Movement $'000
c) Deferred income tax assets and liabilities at the end of the period			
TV licence fees accrued	17,835	12,676	(5,159)
Employee benefits provision	14,336	14,418	82
Other provisions and accruals	52,615	32,328	(20,287)
Investments in associates	(1,734)	(3,841)	–
Accelerated amortisation for tax purposes	(118,241)	(118,474)	(233)
Other	16,156	23,991	7,835
Net deferred income tax liabilities	(19,033)	(38,902)	(17,762)

During the period to 31 December 2016, an income tax effect of $6.6m (30 June 2016: $2.1 million) was taken directly to equity in relation to the fair value movement in listed equities, prior to their disposal (Note 8).

As at 31 December 2016, there were no deferred income tax assets not brought to account in respect of carried forward income or capital losses (June 2016: nil).

5. INCOME TAX (continued)

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.

6(a) DISCONTINUED OPERATIONS – LIVE BUSINESS

On 31 July 2015, the Group disposed of 100% of its Live business for an enterprise value of $640 million subject to normal completion adjustments.

	31 Dec 2016 $'000	31 Dec 2015 $'000
(i) Results of the discontinued operation:		
The results of the discontinued operation for the period are presented below:		
Revenue	–	57,260
Expenses	–	(52,144)
Results from operating activities	–	5,116
Income tax expense	–	(1,773)
Results from operating activities, net of tax	–	3,343
Gain on sale of discontinued operation	–	410,217[1]
Income tax expense on gain on sale of discontinued operation	–	(120,904)
Profit for the year from discontinued operation[2]	–	292,656
(ii) Earnings per share		
Basic and diluted, profit for the year from the discontinued operation	–	$0.33

[1] The profit on disposal includes the recycling of the foreign currency translation reserve loss of $634,000 through profit and loss.

[2] The profit from the discontinued operation of $292.7 million is attributable entirely to the owners of the Company.

	31 Dec 2016 $'000	31 Dec 2015 $'000
(iii) Cash flows of the discontinued operation were as follows:		
Operating activities	–	1,120
Investing activities	–	(11,293)
Financing activities	–	–
Net cash (outflow)/inflow	–	(10,173)
Net cash inflow on disposal		
Cash consideration (net of associated costs)	–	642,501
Less cash held on Trust transferred on disposal	–	(107,621)
Net cash inflow associated with the discontinued operation for the year	–	534,880

6(a) DISCONTINUED OPERATIONS – LIVE BUSINESS (continued)

	30 June 2015 $'000
(iv) Assets and liabilities of the discontinued operation:	
The major assets and liabilities of the Live Group held for sale as at 30 June 2015 and subsequently disposed of were as follows:	
Assets	
Cash and cash equivalents	129,031
Trade and other receivables	24,477
Inventories	845
Other assets	1,762
Property, plant and equipment	17,473
Other intangibles	250,519
Total assets	424,107
Liabilities	
Trade and other payables	(181,508)
Deferred tax liabilities	(43,207)
Provisions	(5,761)
Total liabilities	(230,476)
Net assets associated with the discontinued operation	193,631

6(b) BUSINESS COMBINATIONS

(i) Acquisition of CarAdvice.com Ltd

On 11th September 2016, the Group acquired 59.22% of the shares and voting interests in CarAdvice.com Ltd ("CarAdvice") for cash consideration of $17.3 million plus acquisition costs of $153,150.

Launched in 2006, CarAdvice is a leading publisher of online automotive editorial content. The acquisition of CarAdvice was completed to expand the Group's presence in the automotive sector.

There are put and call options for the remaining 40.78% of shares not owned by the Group that can be exercised in 2018 and 2019 and within 20 days of CarAdvice approving the financial statements for the years ending 30 June 2018 and 30 June 2019. The option exercise price is to be determined at the date of the exercise of the option based on EBITDA of CarAdvice adjusted for working capital at that time. The Board consists of seven Directors with NEC nominating four Directors.

The Group has completed a preliminary assessment to determine the fair value of the assets acquired and liabilities assumed and whether any of the intangible assets arising from the acquisition are amortising in nature. Goodwill of $40 million has been recognised, as the purchase price (including put and call option) exceeds the tangible and intangible assets and liabilities identified, and is allocated to the Digital segment. An assessment on the deductibility of the amortisation of intangible assets recognised as part of the sale for income tax purposes is to be completed. The option liability has been valued at $24.8 million and has been included as a non-current derivative financial instrument on the balance sheet. This valuation is based on forecast EBITDA after two and three years, multiplied by an agreed multiple and discounted to current values. The valuation represents the Group's best estimate of amounts payable under the option, noting that total consideration paid will vary based on changes to EBITDA of CarAdvice for the 2018 and 2019 years. Any changes to the expected value for the option exercise will be accounted for through the Statement of Comprehensive Income.

CarAdvice has been 100% consolidated and a derivative liability has been recognised in respect of CarAdvice issued capital not acquired on the date of acquisition, as the Group has gained effective control and it is highly probable that the Group will acquire the remaining 40.78% interest due to the put and call options; accordingly no non-controlling interest has been recorded in equity.

There were no other material business combinations for the half year ended 31 December 2016.

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

a) Investments at equity accounted amount:

	31 Dec 2016 $'000	30 June 2016 $'000
Associated entities – unlisted shares	12,928	19,680

b) Investments in associates and Joint ventures

	31 Dec 2016 % interest [1]	30 June 2016 % interest [1]
Australian News Channel Pty Ltd[2]	–	33
Darwin Digital Television Pty Ltd	50	50
Intrepica Pty Ltd	32	32
Oztam Pty Ltd	33	33
RateCity Pty Limited	50	50
Stan Entertainment Pty Ltd	50	50
TX Australia Pty Ltd	33	33

[1] The proportion of ownership interest is equal to the proportion of voting power held.

[2] On 1 December 2016, the Company disposed of its interest in Australian News Channel Pty Ltd for consideration of $6,500,000, realising a gain on disposal of $180,000. The share of associate profit attributable to Australian News Channel Pty Ltd was a loss of $180,000 in the period (Dec 2015: profit of $908,000).

On 1 February 2016, the Company disposed of its interest in DailyMail.com Australia Pty Ltd.

c) Carrying amount of investments in associates

	31 Dec 2016 $'000	30 June 2016 $'000
Balance at the beginning of the period	19,680	19,081
Acquired during the period	–	1,500
Share of associates' net profit for the period	268	2,111
Dividends received or receivable	(700)	(2,500)
Disposal of Australian News Channel Pty Ltd	(6,320)	–
Write-down of investments	–	(512)
Carrying amount of investments in associates at the end of the period	12,928	19,680

8. INVESTMENT IN LISTED EQUITIES

	31 Dec 2016 $'000	30 June 2016 $'000
Balance at the beginning of the period	104,695	23,813
Acquired during the period	–	88,448
Mark to market of investment in listed equities	21,917	(7,566)
Disposal of investment in listed equities	(118,266)	–
Carrying amount of investments in listed equities at the end of the period	8,346	104,695

On 30 September 2016 the Group disposed of its shares in Southern Cross Media Group Ltd (ASX: SXL) for a gross consideration of $118,265,514 less transaction costs resulting in net proceeds of $117,497,556. A gain on disposal of Southern Cross Media Group Ltd of $20,335,000 was included in the net unrealised gains reserve and was subsequently transferred to retained earnings during the period. During the period the Group received dividends from Southern Cross Media Group Ltd of $2,687,853 (Dec 2015: Nil). Additionally, the Group holds 17.65% of the ordinary issued capital of Yellow Brick Road Limited (ASX: YBR).

The investment in listed equities is classified as a Level 1 instrument as described in Note 18. Fair value was determined with reference to a quoted market price.

9. LICENCES

	31 Dec 2016 $'000	30 June 2016 $'000
Balance at the beginning of the period, net of accumulated impairment	477,784	493,870
Impairment loss[1]	–	(16,086)
Balance at the end of the period, net of accumulated impairment	477,784	477,784
Cost (gross carrying amount)	1,450,353	1,450,353
Accumulated impairment	(972,569)	(972,569)
Net carrying amount	477,784	477,784

[1] Refer to Note 10 for further detail on the recoverable amount of licences.

10. OTHER INTANGIBLE ASSETS

	Goodwill $'000	Other[1] $'000	Total $'000
Period ended 31 December 2016			
At 1 July 2016, net of accumulated amortisation and impairment	488,788	16,342	505,130
Purchases	40,000	4,741	44,741
Transfers in on acquisition of group entity (Note 6(b)(i))	–	1,007	1,007
Amortisation expense	–	(3,814)	(3,814)
Impairment loss	(260,000)	–	(260,000)
At 31 December 2016, net of accumulated amortisation and impairment	268,788	18,276	287,064
Year ended 30 June 2016			
At 1 July 2015, net of accumulated amortisation and impairment	506,015	8,011	514,026
Purchases	–	12,912	12,912
Amortisation expense	–	(4,581)	(4,581)
Impairment loss	(17,227)	–	(17,227)
At 30 June 2015, net of accumulated amortisation and impairment	488,788	16,342	505,130
At 31 December 2016			
Cost (gross carrying amount)	1,375,949	32,183	1,408,132
Accumulated amortisation and impairment	(1,107,161)	(13,907)	(1,121,068)
Net carrying amount	268,788	18,276	287,064
At 30 June 2016			
Cost (gross carrying amount)	1,335,949	37,379	1,373,328
Accumulated amortisation and impairment	(847,161)	(21,037)	(868,198)
Net carrying amount	488,788	16,342	505,130

[1] Includes capitalised development costs being an internally generated intangible asset.

10. 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"):

	31 Dec 2016 $'000	30 June 2016 $'000
Nine Network	466,784	466,784
NBN	11,000	11,000
Total licences	477,784	477,784

	31 Dec 2016 $'000	30 June 2016 $'000
Nine Network	161,913	421,913
Digital	106,875	66,875
Total goodwill	268,788	488,788

(b) Determination of recoverable amount

At 31 December 2016 a review was performed for indicators of impairment in order to determine whether a formal impairment assessment was required. Indicators were identified, including that the market capitalisation of the Group was below the book value of its equity and the decline in free-to-air television market activity arising in the period.

The Group assessed whether there were indicators of impairment for each of its cash generating units ("CGUs") being Nine Network, NBN and Digital. Management has determined that there are no impairment indicators for NBN and Digital as at 31 December 2016. Impairment testing on Nine Network determined that an impairment loss in Nine Network's goodwill of $260 million was required and this has been recognised in the period. The recent decline in market activity and resulting fall in EBITDA has led to this impairment of the Nine Network CGU during the period.

The recoverable amount of the CGUs, which are classified within Level 3 of the fair value hierarchy, is determined based on fair value less cost of disposal calculations using discounted cash flow projections based on financial forecasts covering a five-year period with a terminal growth rate applied thereafter.

The cash flow projections which are used in determining any impairment require management to make significant estimates and judgements. Key assumptions in preparing the cash flow projections for NBN and Digital are set out in the annual financial report as at 30 June 2016.

(c) Key assumptions

The key assumptions on which management has based its cash flow projections when determining the fair value less cost of disposal calculations for Nine Network are as follows:

- The advertising market for metro free-to-air television reflects management's expectation of a low single-digit decline in short term market activity, and a flat market in the medium term.
- Nine Network's share of the metro free-to-air advertising market for the remainder of the 2017 financial year and in future years is assumed to return to recent historical levels of share which have been achieved.
- Expenditure is assumed to remain broadly flat in nominal terms over the life of the model, reflecting known increases in committed expenditure being largely offset by cost saving initiatives and operational efficiencies.
- Terminal growth rate of 1.5% (30 June 2016: 1.5%).
- The pre-tax discount rate applied to the cash flow projections was 13.5% (30 June 2016: 13.6%) which reflects management's best estimate of the time value of money and the risks specific to the free-to-air television metro market not already reflected in the cash flows.

10. OTHER INTANGIBLE ASSETS (continued)

(d) Sensitivity

The estimated recoverable amount of the Nine Network CGU of $1,010.6 million is in line with the sum of the carrying amounts of intangible and tangible assets of the CGU. An adverse movement in discount rate of 0.5%, or a decrease in forecast revenue (beyond the initial 5 year period) of 1.0% will, if occurring in isolation, result in a further impairment of intangible assets of $56 million and $55 million respectively. Any changes to any of the key assumptions in note 10(c) are likely to affect the recoverable amount of intangible assets within the Nine Network CGU, although there are certain steps that management can take to mitigate the detrimental impact of individual assumptions.

11. TRADE AND OTHER PAYABLES

	31 Dec 2016 $'000	30 June 2016 $'000
Current – unsecured		
Trade and other payables[1]	182,695	152,619
Program contract payables[2]	112,474	137,784
Deferred income	19,638	37,493
Total current trade and other payables	314,807	327,896
Non-current – unsecured		
Program contract payables[2]	66,870	25,875
Other[3]	–	21,925
Total non-current trade and other payables	66,870	47,800

[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.

[3] Relates to a deposit in respect of the sale of the Willoughby, Sydney site. This is included in current trade and other payables at 31 December 2016.

The Group has entered into a non-binding heads of agreement with Warner Bros, is operating under this agreement and is in the process of finalising a binding contract, in relation to its life of series obligations. Under the original contract, the Group was obliged to purchase a number of US drama and comedy series as they became available, for as long as new seasons were released and irrespective of how this content performed in the Australian market. To the extent that such content was loss-making, it was impaired as it became available.

The agreement reached enables the Group to exit the life of series obligations in exchange for foregoing the relevant rights to certain content. As compensation for exiting those life of series obligations in the original contract, the Group agreed to make financial payments to Warner Brothers, of approximately $101 million. As the Group is operating under this agreement and expects a formal contract to be signed in the near future, it has recognised an expense of $86.6m in respect of future seasons not available for broadcast at 30 June 2016. The remaining $14.7 million was recognised in the year to 30 June 2016. In accordance with the agreement, $86 million is payable over 3 financial years and is reflected in current payables and non-current payables (net of discounting to net present value of approximately $1.7 million).

12. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2016 $'000	30 June 2016 $'000
Current		
Lease liabilities – secured [1]	–	60
Total current interest-bearing loans and borrowings	–	60
Non-current		
Bank facilities – unsecured [2]	300,803	220,425
Total non-current interest-bearing loans and borrowings	300,803	220,425

[1] Lease liabilities are secured by a charge over the assets.

[2] As at 31 December 2016 bank facilities include unamortised financing costs of $1,697,000 (30 June 2016 $2,075,000).

13. PROVISIONS

	Employee entitlements $'000	Onerous contracts $'000	Other $'000	Total $'000
Period ended 31 December 2016				
At 1 July 2016	53,206	7,802	32,817	93,825
Arising during the period	16,820	–	23	16,843
(Utilised) during the period	(19,238)	(2,569)	(5,829)	(27,636)
Transferred to inventory	–	(823)	–	(823)
At 31 December 2016	50,788	4,410	27,011	82,209
Year ended 30 June 2016				
At 1 July 2015	52,925	2,218	24,489	79,632
Arising during the period	281	5,584	8,328	14,193
At 30 June 2016	53,206	7,802	32,817	93,825
At 31 December 2016				
Current	26,488	1,213	13,033	40,734
Non-current	24,300	3,197	13,978	41,475
Total at 31 December 2016	50,788	4,410	27,011	82,209
At 30 June 2016				
Current	28,708	4,606	13,942	47,256
Non-current	24,498	3,196	18,875	46,569
Total at 30 June 2016	53,206	7,802	32,817	93,825

14. CONTRIBUTED EQUITY

	31 Dec 2016 $'000	30 June 2016 $'000
Issued share capital		
Ordinary shares fully paid	748,627	746,563
Issued share capital	748,627	746,563
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the period	746,563	793,004
Vesting of Rights Plan shares (Note 17)	2,064	2,592
Share buy-back	–	(49,033)
Carrying amount at the end of the period	748,627	746,563

	31 Dec 2016 Number	30 June 2016 Number
Issued share capital		
Ordinary shares fully paid	871,373,191	871,373,191
Movements in issued share capital – ordinary shares		
Number at the beginning of the period	871,373,191	903,997,035
Share buy-back	–	(32,623,844)
Number at the end of the period	871,373,191	871,373,191

At 31 December 2016, a trust controlled by the Company held 1,341,576 (30 June 2016: 2,703,073) ordinary fully paid shares in the Company. These were purchased during the years ended 30 June 2015 and 2016 for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 17 for further details.

During the period there were no on-market share buy backs. During the year ending 30 June 2016, the Group completed an on-market share buy-back of 32,623,844 ordinary shares. The ordinary shares were purchased at an average share price of $1.50 per share. The cost of the share buy-back comprised a purchase consideration of $49,033,220 and associated transaction costs of $80,905.

15. CASH AND CASH EQUIVALENTS

	31 Dec 2016 $'000	30 June 2016 $'000
Cash balances representing continuing operations:		
- Cash on hand and at bank	123,339	42,860
Total cash and cash equivalents	123,339	42,860

16. CONTINGENT LIABILITIES AND RELATED MATTERS

	31 Dec 2016 $'000	30 June 2016 $'000
Contingent liabilities are unsecured and relate primarily to the following:		
The consolidated entity has made certain guarantees regarding contractual leases, performance and other commitments	10,828	11,192

The probability of having to meet these contingent liabilities is less than probable, and therefore it is not practicable to disclose an indication of the uncertainties relating to each amount or the timing of any outflows.

17. SHARE-BASED PAYMENTS

Performance rights

On 10 December 2013, the Company granted 6,183,414 performance rights ("Rights") to certain senior management following the Company's listing on the ASX. The Rights were issued at fair value of $2.05 per share, resulting in a cost of $72,774 for the period ended 31 December 2016 (30 June 2016: $1,288,569) which has been expensed in the profit and loss for the period and included in the share-based payments reserve in equity during the period.

During the year to 30 June 2015, 6,003,083 shares in the parent entity to the value of $12,192,321 were purchased by a trust on behalf of the Company. These shares have been used by the trust to satisfy grants to holders of the Rights on vesting in lieu of the Company issuing new shares. The consideration paid to the trust to acquire these shares has been deducted from total shareholders' equity. During the year to 30 June 2016, 280,000 shares in the parent entity to the value of $441,420 were purchased by the Trust to satisfy short term incentives of executives. As at 31 December 2016 the Trust held 1,341,576 shares in the parent entity and these have been, and will continue to be, used by the Trust to satisfy shares provided to certain senior management as part of their short term incentive and will also be used to satisfy New Rights (see below) which vest in the future.

On 11 December 2014, 2,031,864 Rights vested and the shares were issued to senior management. On 11 December 2015, 1,996,091 Rights vested, resulting in 1,264,384 shares being transferred to employees.

During the period, 1,805,852 Rights vested on 11 December 2016, resulting in 633,169 shares being transferred to employees. 186,177 Rights were forfeited in the period as employees left the Group (31 December 2015: 138,210).

In accordance with the Performance Rights Plan terms and his termination agreement, the 731,707 Rights which David Gyngell held on the termination of his employment and which had not been yet settled, were cash settled on vesting on 11 December 2016, at a cost of $728,048, reflecting the volume weighted average price of the Company in the five days immediately preceding vesting. The cost of the Rights were expensed in the Statement of Comprehensive Income in prior periods.

In accordance with the Performance Rights Plan terms and his termination agreement, the 340,813 Rights which Simon Kelly held on the termination of his employment and which had not been yet settled, were cash settled on vesting on 11 December 2016, at a cost of $339,109, reflecting the volume weighted average price of the Company in the five days immediately preceding vesting. The cost of the Rights were expensed in the Statement of Comprehensive Income in prior periods

In accordance with the Performance Rights Plan terms and his termination agreement, the 100,163 Rights which Peter Wiltshire held on the termination of his employment and which had not been yet settled, were cash settled on vesting on 11 December 2016, at a cost of $99,662, reflecting the volume weighted average price of the Company in the five days immediately preceding vesting. The cost of the Rights were expensed in the Statement of Comprehensive Income in prior periods. In accordance with his termination agreement, the 82,639 New Rights which Peter Wiltshire held on the termination of his employment will vest on 30 June 2018 (subject to performance conditions being met) at a price to be determined based on a volume weighted average price of the shares of the Company in the 5 days immediately preceding vesting.

During the year ended 30 June 2016, the Company granted or agreed to grant 2,952,588 performance rights ("New Rights") to certain senior management, with effective grant dates of 1 July 2015 or on the date of commencement of employment, where later. 334,025 rights were forfeited in the period to 30 June 2016 as employees left the Group. The New Rights will vest on 1 July 2018 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2015 to 30 June 2018. As at 31 December 2016, it has been assumed that none of these New Rights will vest, resulting in no cost for the period to 31 December 2016 (31 December 2015 $382,791). Each of these New Rights has been valued at an average of $1.09.

17. SHARE-BASED PAYMENTS (continued)

During the period ended 31 December 2016, the Company granted or agreed to grant a further 4,450,980 New Rights to certain senior management, with effective grant dates of 1 July 2016 or on the date of commencement of employment, where later. These New Rights will vest on 1 July 2019 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2016 to 30 June 2019. As at 31 December 2016 it is expected that all of these New Rights will vest, resulting in a cost of $473,226 for the period to 31 December 2016. Each of these New Rights has been valued at an average of $0.61.

During the period ended 31 December 2016, the Company granted Greg Barnes 582,556 shares as part of his employment agreement. The shares are held in escrow for a period of two years from his commencement date. Each share has been valued at an average of $1.06 and a cost of $617,510 was expensed for the period to 31 December 2016.

During the period ended 31 December 2016, the Company granted 145,772 shares to senior management as part payment of their short term incentive for the year ended 30 June 2016. Each share has been valued at an average of $1.02 and a cost of $148,687 was expensed for the period to 31 December 2016.

18. FINANCIAL INSTRUMENTS

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 cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair value.

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.

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The fair value of the option over the controlled entity is determined based on a multiple of the controlled entity's EBITDA at a future date. As such, the fair value of the financial liability moves based on the EBITDA of the controlled entity and a significant increase/(decrease) in the EBITDA of the controlled entity would result in higher/(lower) fair value of the financial liability.

Fair values hierarchy has been determined as follows for financial assets and financial liabilities of the Group at 31 December 2016.

Level 1: Investment in listed equities.
Level 2: Forward foreign exchange contracts, interest-bearing borrowings and options over listed equities.
Level 3: Options over unlisted shares.

There were no transfers between the Level 1, Level 2 and Level 3 fair value measurements during the period.

18. FINANCIAL INSTRUMENTS (continued)

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

	31 December 2016		30 June 2016	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Option over listed entities – current	4	4	31	31
Total financial instruments - assets	4	4	31	31
Financial liabilities				
Lease liabilities - current	–	–	60	60
Option over controlled entities – non current	36,366	36,366	11,426	11,426
Total financial instruments - liabilities	36,366	36,366	11,486	11,486
Investments in listed equities	8,346	8,346	104,695	104,695
Loan facilities – non-current				
Syndicated facility unsecured – at amortised cost	300,803	300,803	220,425	220,425
Total loan facilities	300,803	300,803	220,425	220,425

19. EARNINGS PER SHARE

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

	31 Dec 2016 $'000	31 Dec 2015 $'000
Net (loss)/profit attributable to ordinary equity holders for basic and diluted earnings		
- Continuing operations	(236,883)	28,180
- Discontinued operations	–	292,656
Net (loss)/profit for the period	(236,883)	320,836

	31 Dec 2016 No. '000	31 Dec 2015 No. '000
Weighted average number of ordinary shares for basic earnings per share	868,996	886,241
Effect of dilution:		
Rights Plan shares[1]	5,483	5,070
Weighted average number of ordinary shares adjusted for the effect of dilution	874,479	891,311

[1] Rights Plan shares have been calculated as the full year impact of rights which have vested in the period and the impact assuming all rights granted in the period to 31 December 2016 vest. It has been assumed that none of the rights granted in the year to 30 June 2016 will vest (refer to Note 17).

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.

20. EXPENDITURE COMMITMENTS

a) Capital expenditure commitments

	Dec 2016 $'000	Jun 2016 $'000
(i) Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
• within one year	16,917	13,145
• after one year but not more than five years	1,587	1,411
• More than five years	–	88
	18,504	14,644
(ii) Television program and sporting broadcast rights contracted for at balance date, but not provided for, payable:		
• within one year	234,171	281,153
• after one year but not more than five years	516,316	538,446
• more than five years	99,571	157,342
	850,058	976,941

(b) Lease expenditure commitments

There has been no material change in lease expenditure commitments relative to those disclosed in the 2016 annual financial report.

21. EVENTS AFTER THE BALANCE SHEET DATE

During the year to 30 June 2014, the Group recognised an expense of $10.7 million 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 Summer Olympic Games without deducting withholding tax. The Group subsequently paid $5.35 million in respect of the amount in order to reduce any potential interest or penalty charges; however the Group disputed the claim. In February 2017 the ATO notified the Group that the ATO had allowed the Group's objection in full. As a result, in accordance with accounting standards, the Group has reflected a reversal of the $10.7 million expense in the financial statements for the period to 31 December 2016 (refer note 3(iv)). This has resulted in the recognition of a debtor for the amount previously paid to the ATO and a reduction in creditors for the remainder.

Other than noted above, 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.

Directors' Declaration

In accordance with the resolution of the Directors of Nine Entertainment Co. Holdings Limited, in the opinion of the Directors:

(a) The financial statements and notes of Nine Entertainment Co. Holdings Limited for the half year ended 31 December 2016 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 31 December 2016 and of its performance for the half year ended on that date; and

   ii. complying with Accounting Standards and the *Corporations Regulations 2001*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 23 February 2017

Building a better working world

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

To the members of Nine Entertainment Co. Holdings Limited

Report on the Half year Financial Report

We have reviewed the accompanying half year financial report of Nine Entertainment Co. Holdings Limited ("the Company"), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, 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 half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the Company are responsible for the preparation of the half year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nine Entertainment Co. Holdings Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Nine Entertainment Co. Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
23 February 2017