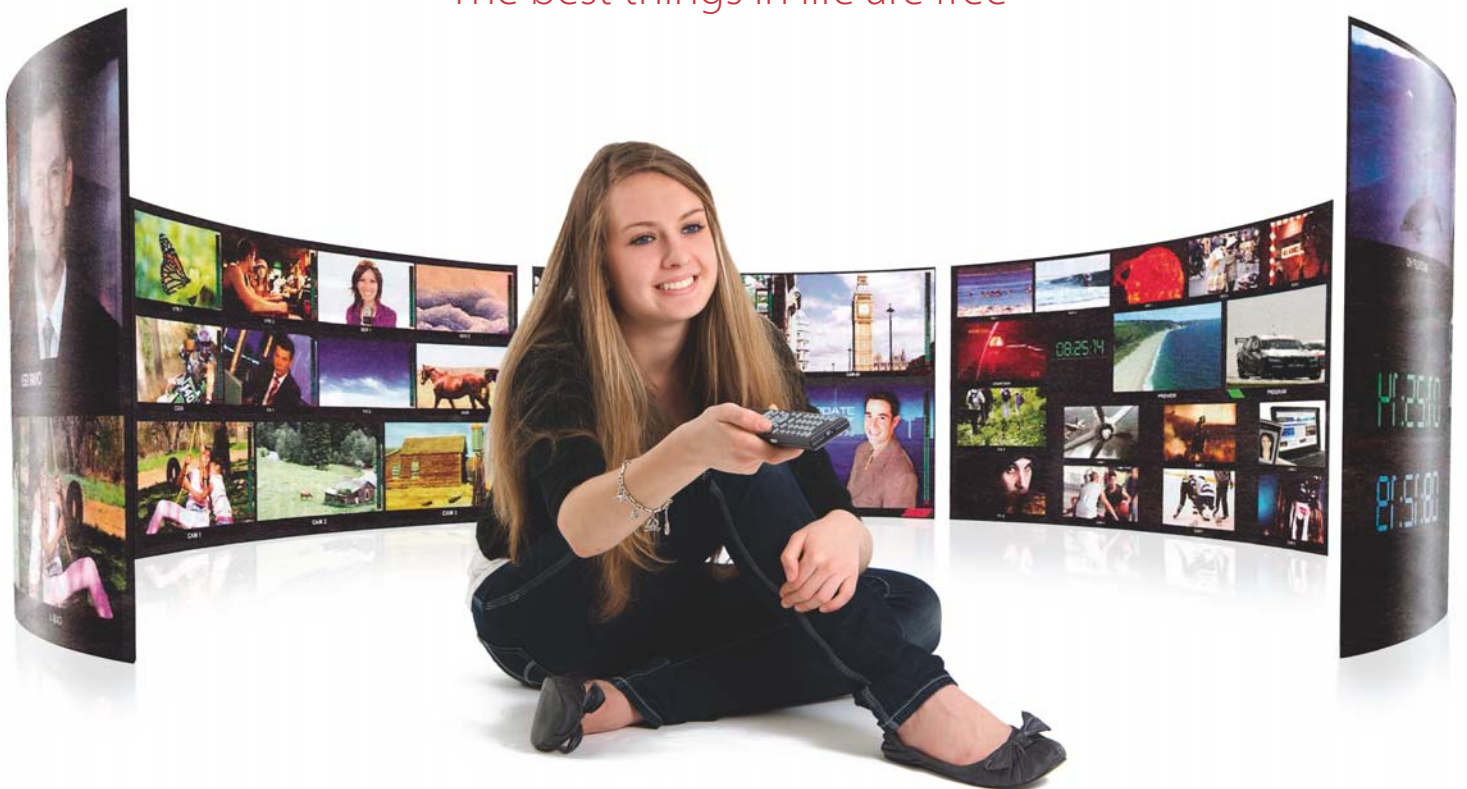


PRIME MEDIA GROUP 2009 ANNUAL REPORT

PRIME

The best things in life are free



FREE TO AIR TELEVISION
THE MOST POWERFUL ENTERTAINMENT MEDIUM

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Prime Media Group Limited

ABN 97 000 764 867

This annual report covers both Prime Media Group Limited as an individual entity and the consolidated entity comprising Prime Media Group Limited and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

Directors

Paul Joseph Ramsay AO Chairman (Appointed 17 April 1985)
Michael Stanley Siddle Deputy Chairman (Appointed 17 April 1985)
Peter John Evans (Appointed 27 March 1991)
Alexander Andrew Hamill (Appointed 2 October 2003)
Ian Patrick Grier (Appointed 6 June 2008)
Ian Richard Neal (Appointed 6 June 2008)
Siobhan Louise McKenna (Appointed 20 August 2009)
Warwick David Syphers Chief Executive Officer (Appointed 5 December 2006)
Patrick Terry Jackman (Appointed 22 February 1996. Resigned 27 November 2008)

Company Secretaries

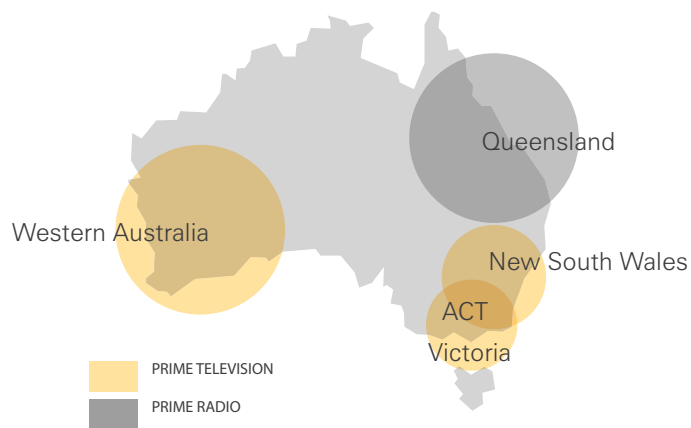
Robert Reeve (Appointed 20 February 2009)
Andrew Cooper (Appointed 16 June 2005)
Susan Howie (Appointed 25 September 2006. Resigned 20 February 2009)

PRIME

Prime is an entertainment and information link to regional Australia

Prime Media Group reaches 6 million regional Australians daily through its television, radio, outdoor cinema and online networks. This audience reach provides advertisers with an effective means of establishing influential relationships with consumers.

Prime Media Group continues to keep pace with a changing market place through the development of more efficient broadcast infrastructure and diverse content delivery which collectively provide integrated marketing opportunities for its clients.



FROM THE CHAIRMAN ON BEHALF OF THE BOARD OF DIRECTORS

Notwithstanding challenging trading conditions, the Company's core operations in regional free-to-air television and radio showed their resilience

On behalf of the Directors of Prime Media Group Limited, I am pleased to present the Annual Report covering the 2009 financial year.

As is well documented, the 2008/9 year witnessed severe shocks in the world financial systems which impacted the global economy. Despite a relatively resilient performance, the Australian economy has also experienced a significant downturn, including the markets in which Prime's businesses operate. Faced with some of the toughest conditions in advertising markets ever experienced in Australia, particularly during the second half of the financial year, the Company has recorded a significant reduction in earnings year on year.

Notwithstanding these dramatic changes in trading conditions, the Company's core operations in free-to-air television delivered a commendable financial result, demonstrating again the resilient and high cash flow generating capabilities of the business. We are now well advanced in the transition from analog to digital services and our confidence levels in the long term outlook for free-to-air television and radio in regional Australia remains high.

In light of rapid technology advances driving various forms of 'new media', the Board and management have sought in recent periods to take advantage of emerging opportunities that are related to our core advertising based businesses to diversify and expand our earnings base. These new investments have advanced to varying degrees however the turbulence experienced in the past year in particular has generated significant headwinds and delayed their anticipated



PAUL RAMSAY AO CHAIRMAN OF THE BOARD

contribution to the Company's earnings. In view of these factors, the Board has engaged with management in an extensive strategy review of all the Company's businesses to re-focus on earnings quality in a shifting media marketplace.

All shareholders will, no doubt, be disappointed to have witnessed the reduction in value of their stock during the past twelve months, despite the high quality of the Company's underlying assets. Following a capital raising of \$110 million in April of this year, the Company has welcomed two new substantial shareholders being Illyria Pty Ltd, a company associated with Mr Lachlan Murdoch, and the Seven Network Limited. The presence of these two high profile media groups underscores the confidence we share in the future of the Company's operations.

In the context of the Illyria group becoming a substantial shareholder, I am very pleased to note the appointment of Ms Siobhan McKenna as a member of the Board. Siobhan brings a wealth of experience and capabilities in commerce and media in particular, and we look forward to her valued contribution in the future.

We continue to benefit from our close working relationship with the industry leading Seven Network, underpinned by our Program Supply Agreement which runs until 2017. There are imminent announcements relating to an expansion of multi-channeling services and our role in the exciting 'Free View' platform which will deliver to Australian households a suite of free-to-air services of world standing and drive the future success of free-to-air television in the Australian media market.

On behalf of the Board I would like to extend my thanks to my fellow Directors and to all our hard working and industrious Prime employees for their tireless efforts in what has been a very challenging year.

MICHAEL
SIDDLER



PETER
EVANS FCA



SIOBHAN
McKENNA BEd (Hons)
M Phil (Int Rels)



ALEXANDER
HAMILL



PATRICK
GRIER MAICD



IAN
NEAL B.COM SF FIN



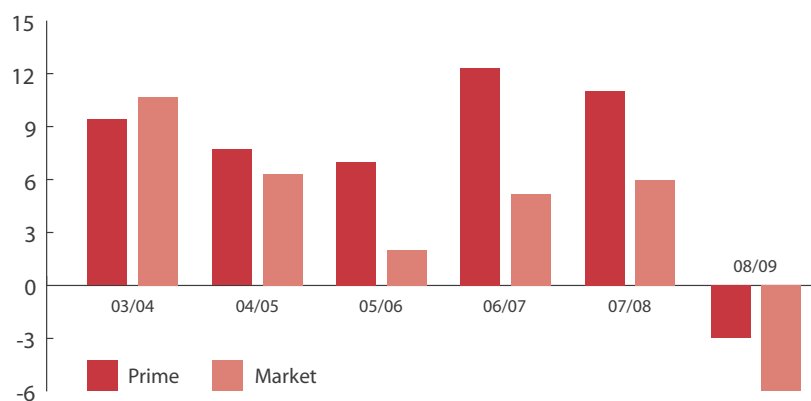
WARWICK
SYPHERS LLB CPA



PRIME

REPORT FROM THE CHIEF EXECUTIVE

TV REVENUE GROWTH (%)



Digital transmission will bring new growth opportunities

SUMMARISED INCOME STATEMENT

	YEAR ENDED 30 JUNE		
	2009 \$'000	2008 \$'000	CHANGE
Continuing operations			
Group revenues from continuing operations	278,862	264,279	+5.5%
EBITDA from continuing operations (pre-significant items)	59,029	73,789	-20.0%
Depreciation	(15,298)	(12,763)	
EBIT from continuing operations (pre-significant items)	43,731	61,026	-23.3%
Interest (Net)	(17,541)	(16,132)	
Pre-Significant Profit before tax	26,190	44,894	-41.7%
Tax on Pre-Significant profit	(8,683)	(13,484)	
Core Pre-Significant Profit after tax	17,507	31,410	-44.3%
Significant items (net of tax)	(63,051)	(16,878)	
Profit after tax before minorities	(45,544)	14,532	
Profit after tax attributable to members of Prime Media Group Limited	(44,435)	14,041	
Core earnings per share pre-significant items (cents)	9.9	24.9	
Final dividend per share (cents)	1.0	9.0	
Earnings per share from continuing operations (fully diluted) (cents)	(24.5)	10.8	



WARWICK SYPERS CHIEF EXECUTIVE OFFICER

REVIEW OF FINANCIAL PERFORMANCE

As noted in the accompanying Summarised Income Statement, the Company's net profit for the year, before significant and non-recurring items, was \$17.5 million. After significant items, primarily comprising 'market to market' and asset impairment recognition, the Company recorded a loss of \$44.4 million.

The 2009 financial year marked some of the most challenging trading conditions ever encountered in Australia, with advertising demand falling precipitously in the second half of the financial year. Notwithstanding these adverse macro economic conditions, the Company's core broadcast assets in regional television and radio performed credibly to their peer groups and demonstrated their continuing resilience.

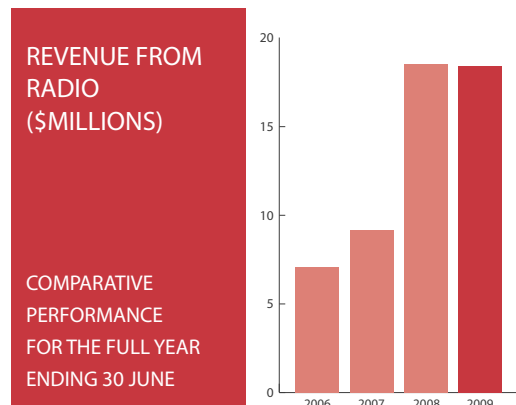
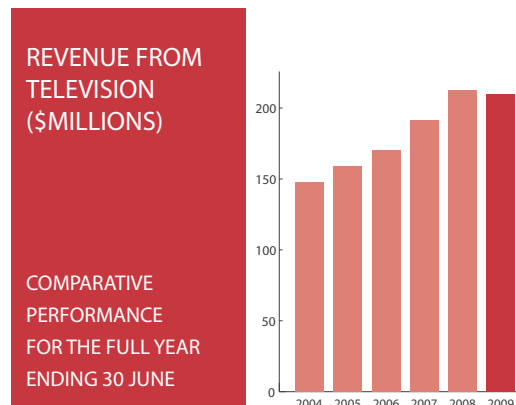
REVIEW OF OPERATIONS

I) TELEVISION

The ratings performance of our regional television was again buoyed by the strong programming schedules delivered under our Program Supply Agreement with the Seven Network.

In particular, our coverage of the Beijing Olympics in the first half proved highly successful in revenue generation prior to the onset of the global financial crisis in the December quarter.

We are now well advanced in the transition from analog to digital transmission, which will bring new growth opportunities however this has resulted in a duplication of our cost base in many areas of our infrastructure until the simulcast period completes. The cessation of licence fee rebates previously available under the Government's Regional Equalisation Plan ('REP'), worth up to \$5.1 million per annum in prior periods, has impacted our ability to generate growth in television earnings, however we are confident that a level of recognition of this impost will be made in the context of the Government's Digital Implementation Plan in the form of new or extended forms of subsidy pending completion of the simulcast period.



PRIME

REPORT FROM THE CHIEF EXECUTIVE (CONTINUED)

RADIO STUDIO



II) RADIO

The extensive operations restructure to establish a centralised facility in Maroochydore was completed towards the end of the financial year which will enable the Queensland radio network to realise substantial synergies and cost savings in the current year.

Concurrent with this major facilities initiative, we have also realigned and strengthened the branding of the FM and AM stations in the network to present a more cohesive and consistent face to audiences and advertisers. It is pleasing to note that in the current period, notwithstanding the continuing challenging conditions, we are generating growth in several local markets, although national markets continue to lag at this point.

We continue to seek opportunities to leverage our skills and infrastructure in regional radio through the provision of sales and programming services to third parties with whom we do not compete.

NEW ZEALAND VEHICLES



BROADCAST PRODUCTION SERVICES LIMITED ('BPS') (FORMERLY BECKER GROUP LIMITED)

The Company is currently completing a takeover of minority interests in BPS, having received acceptances enabling Prime to move to above 98% of the issued shares.

BPS has operations in outdoor cinema, television production and outside broadcasting services. It is expected that BPS will be delisted from the Australian Securities Exchange in due course with the consequent removal of significant corporate overhead costs.

DIGITAL AND ONLINE MEDIA

We have continued to develop our presence in both online proprietary websites and in the out-of-home digital media sector.

I) IPRIME

During the 2009 financial year we completed establishment of 45 'hyper-local' websites within the Prime broadcast footprint. From January this year,

this has enabled our sales teams to present 'bundled' cross platform offerings incorporating traditional television and radio advertising with an extension into the online environment. The growth of broadcaster sponsored websites is a consistent trend across all major developed media markets in the world. These sites are garnering increased shares of advertising budgets through their unique ability to leverage the brand building power of mass audience reach with the accountability and fast response mechanisms which are features of the online environment.

II) PRIME DIGITAL MEDIA ('PDM')

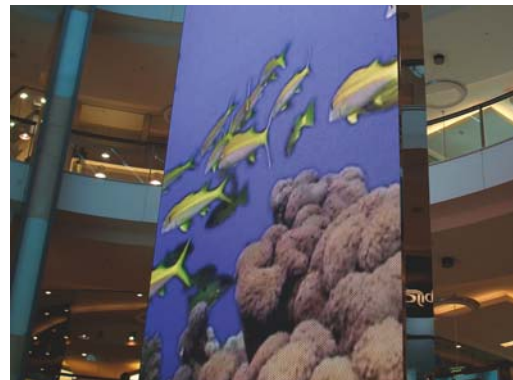
PDM is a leading out-of-home digital ('OOHD') signage business in Australia. PDM has operations in digital content production, managed networks and related media sales. As a video and advertising based business Prime is well positioned to leverage its relationships with advertising agencies and clients to support organic growth potential.

During the period under review, Prime moved to 100% ownership of PDM, leading to a consolidation of all early stage development losses. In the current period, PDM has reset its strategy to more closely align with current market conditions, in particular by securing an extension of its managed network properties which utilise a fee for service business model.

STRATEGY

The impact of the current economic downturn has caused all media companies to review and refine their business models and strategy, particularly in the context of continuing rapid technology change. Prime has developed a solid and diversified media asset portfolio however the headwinds generated by recent economic events has suppressed earnings contributions from recent investments. The Board and management are strongly focussed on generating adequate returns from all the Company's businesses.

WESTFIELD SPECTACULAR: PDM



PRIME COMMUNITY PARTNER: ROYAL CHILDREN'S HOSPITAL FOUNDATION (QUEENSLAND)



IPRIME



PRIME

TELEVISION



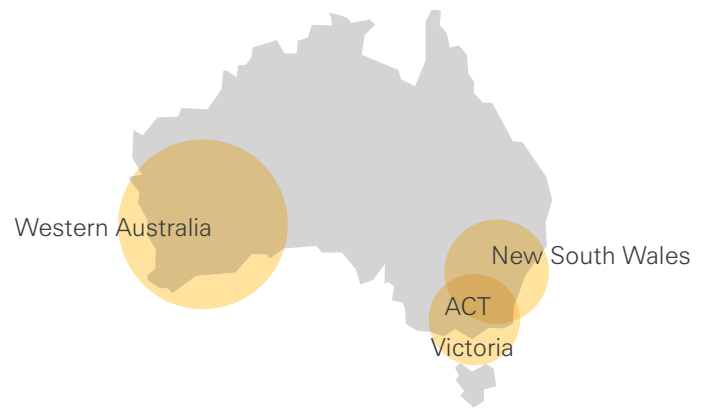
The free-to-air television industry is changing rapidly, providing many new challenges and opportunities over the coming years

The 2009 financial year has been challenging for all broadcasters. Prime's strength in programming and sales has seen it weather these challenges better than most of its peer group, enabling the network to remain competitive and in a strong leverage position as advertising markets improve.

Prime's market position has been market leading, underpinned by its strong relationship with the Seven Network which continues to provide programming from Australia and overseas. Following on from a very successful telecast of the Beijing Olympics in August 2008, the strong line-up of sport in particular has continued its strong performance through the current calendar year.



DOUG EDWARDS CEO, TELEVISION



The depth and quality of the Seven Network Australian produced drama, news and current affairs is meeting the many challenges from new and traditional media that our competitors bring and reinforces confidence in our future.

Since the beginning of 2009, the free-to-air television programming landscape has changed dramatically with the introduction of multi-channeling that will by the end of 2009 have given life to 10 new free-to-air channels in standard and high definition viewing. These new channels give opportunities for Prime to provide a more diverse range of programming which will generate opportunities to grow audiences.

With multi-channeling and new technologies comes the challenge and opportunity of audience fragmentation, which Prime is proactively addressing through the implementation of its 'iPrime' online site network that operates throughout its regional television footprint. The 'iPrime' online network provides further opportunity for Prime to develop contact points and deeper relationships with its local audiences and clients.

Prime has also continued to progress the transition to digital broadcasting with 97% of our east coast audience now able to receive a digital signal. In June 2009, GWN commenced its first digital transmission in regional WA. Prime is continuing to complete its digital transmission network with analogue switch-off due to commence in 2010 and continuing progressively through until 2013.

SEVEN/PRIME NEWS

NO. 1 IN NEWS AND CURRENT AFFAIRS



TENNIS

AUSTRALIAN OPEN MENS FINAL - NO. 1 REACHING REGIONAL SPORTS PROGRAM IN 09



PACKED TO THE RAFTERS

AUSTRALIA'S NO. 1 FAMILY DRAMA



V8 MOTOR RACING

BATHURST 2008 REACHED 1.7 MILLION REGIONAL AUSTRALIANS



BETTER HOMES AND GARDENS

AUSTRALIA'S LONGEST RUNNING LIFESTYLE PROGRAM



PRIME

RADIO



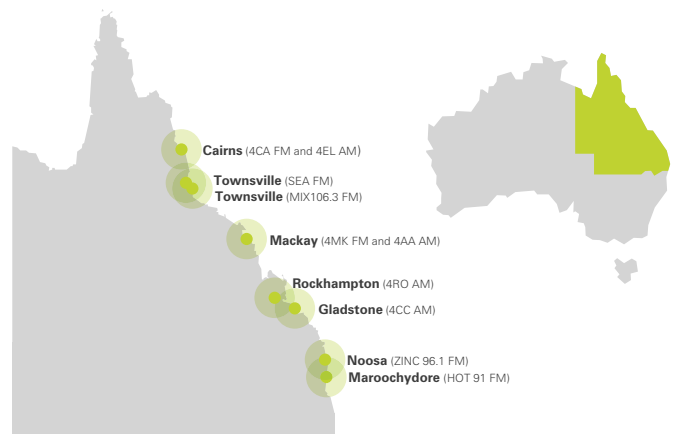
Prime Radio is evolving New listeners New opportunities

The past twelve months has seen some major changes in the Prime Radio Network. In March 2009, our state-of-the-art operations hub in Maroochydore became fully operational. This new hub facility has enabled the management of all programming, production and transmission of the 10 Prime Radio stations to be brought in-house and centralised. This will underpin Prime's ability to improve the quality and efficiency of its output across all areas of operations.

To augment the synergies delivered by the operations hub and new programming strategies, we also embarked on a significant re-branding exercise with the launch of the Zinc Radio Network from the Sunshine Coast through to Cairns. The launch of Zinc also provided the opportunity to move two heritage talk stations in Cairns and Mackay back to the AM band to recapture their pre-incumbency, compiled with other initiatives such as the remodelling of our 106.3FM station in Townsville.



ROB GAMBLE CEO, RADIO



The Zinc Network is a male skewing Rock Station playing a variety of classic and modern rock music. The target audience of males 25 to 49 leads to a strong 70s, 80s and early 90s music line up. There are three heritage stations on the AM band which have a strong talk and Classic Hits focus and our Hits stations in Townsville and the Sunshine Coast target the younger 18 + age groups. The new branding has given the network a greater capacity to meet the needs of clients across the network bringing greater synergies to our sales and promotions.

Our commitment to our local communities and true localism was highlighted during the past year with a continued focus on taking our radio stations into the community. Close to 400 outside broadcasts were undertaken across the network to support our clients and the many community projects which Prime Radio is associated with.

With new resources and fresh new sound and look into each market comes some great advantages, both commercially and community based, with all markets locking down extremely strong relationships across the group on a community level and forging partnerships throughout the network that will contribute to maintaining strong positions in each area.

The Australian Radio Industry entered the digital age during the current year with digital transmission commencing in the five major metropolitan markets. The Government and industry are still in the planning phase for the switchover to digital radio in regional areas which will bring with it new challenges and opportunities for the Prime Radio Network.

LOCCO

MORNING ANNOUNCER, 4CA CAIRNS.



PHEBE

LUNCH TIME ANNOUNCER ACROSS ZINC NETWORK



BIG AL AND NUGGET

ZINC 96.1FM SUNSHINE COAST



COMMUNITY

NEARLY 400 OUTSIDE BROADCASTS DURING 2008/09.



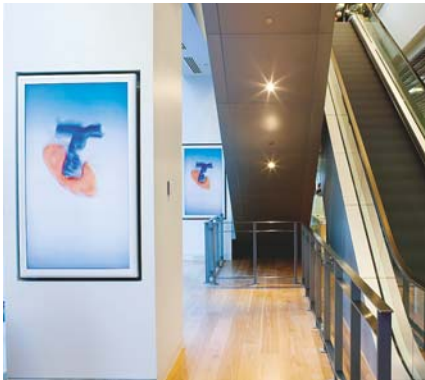
PRIME

NEW MEDIA



Transitioning to new media platforms, the current and future challenge

PDM TELSTRAT-SHOP



Prime has continued to extend and develop opportunities emerging in the new media sector. Drawing on our experience and relationships developed from more than 25 years in the media sector, we are moving ahead in some areas whilst evaluating strategies to follow in others.

The iPrime website network has expanded significantly in the past twelve months now covering the entire Prime/GWN television footprint creating new connections within our local communities.

During the year, the Group also acquired 100% ownership of the Prime Digital Media ('PDM') business which is a leading out-of-home business.

The deregulated nature of the new media sector gives rise to many challenges which demand innovative strategies to ensure the integration between traditional and new media businesses is efficient and creates added value.

FINANCIAL AND STATUTORY INFORMATION

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DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2009.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Paul Joseph Ramsay AO

Non-Executive Chairman (appointed 17 April 1985)

Mr Ramsay is Chairman of the Paul Ramsay Group of companies, which have operated for more than 45 years in real estate, health care and communications. He is the Chairman and majority shareholder of Ramsay Health Care Limited. Mr Ramsay is also currently a director of the "George Gregan Foundation", the "Youth Mental Health Advisory Board" and "The Australian Science Media Centre."

Michael Stanley Siddle

Non-Executive Deputy Chairman (appointed 17 April 1985)

Mr Siddle has been Deputy Chairman of the Paul Ramsay Group since 1967. He is Deputy Chairman of Ramsay Health Care Limited and has been a Director of Prime Media Group since 1985. He is a member of the Audit Committee.

Peter John Evans FCA

Non-Executive Director (appointed 27 March 1991)

Mr Evans is a Chartered Accountant, and was in public practice for almost 20 years as a Partner in an international accounting firm before becoming a sole practitioner. He has been a Director of the Paul Ramsay Group since 1987. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Alexander Andrew Hamill

Non-Executive Director (appointed 2 October 2003)

Mr Hamill has worked in marketing and advertising in Australia and globally for over 45 years. He is the Chairman of the John MacLean Foundation and patron of the Dymocks Literacy Foundation. Mr Hamill was the Media Director of the Australian Olympic Team in Sydney (2000), Athens (2004) and Beijing (2008). He was until 20 August 2009, a member of the Audit Committee and is a member of the Remuneration Committee.

Ian Patrick Grier MAICD

Non-Executive Director (appointed 6 June 2008)

Mr Grier has been employed as an executive in the private health care industry for more than 20 years. In June 2008, he retired as Managing Director of Ramsay Health Care Limited after joining the Company in 1988 and serving at the helm since 1994.

Mr Grier has served as both President and Chairman of the Australian Private Hospitals Association and sits on a number of industry committees. Mr Grier has served as an Executive Director on the Ramsay Health Care Board for 12 years and from 1 July 2008 continues as a Non-Executive Director of Ramsay Health Care. He is the Chairman of the Remuneration Committee.

Ian Richard Neal

Non-Executive Director (appointed 6 June 2008)

Mr Neal is the principal of Management Abroad Pty Limited. He is a Chairman for the Executive Connection and consults on business strategy and implementation from a perspective of maximising shareholder value. Prior to Management Abroad, Mr Neal was co-founder and Managing Director of Nanyang Ventures Pty Limited from 1993-2004.

Mr Neal's prior professional background is in financial markets, commencing as an equities analyst and moving through various banking positions until establishing Nanyang. Mr Neal is a Fellow of the Financial Services Institute of Australia. He is a member of the Audit Committee.

Siobhan Louise McKenna

Non-Executive Director (appointed 20 August 2009)

Ms McKenna has extensive media and government experience. She is the Managing Partner of Illyria, a media-focused investment company, and was previously a Partner of leading global strategy management consulting firm, McKinsey and Company. She is a Commissioner of the Productivity Commission and her other directorships include NBNC0, the entity established by the Australian Government to implement its national broadband network initiative. Ms McKenna was appointed as a member of the Audit Committee on 20 August 2009.

Warwick David Syphers

Chief Executive Officer (appointed 22 August 2005)

Executive Director (appointed 5 December 2006)

Mr Syphers has over 25 years industry experience having joined STW 9 in Perth in 1982 and has held senior management positions with Prime Television since joining the Company in 1987. He was appointed Chief Financial Officer in March 2003 and Group General Manager in March 2004. He has been a Certified Practising Accountant for over 20 years.

Patrick Terry Jackman AM

Non-Executive Director (appointed 22 February 1996)

(resigned 27 November 2008)

Mr Jackman has 40 years experience in the entertainment industry. He formerly held the positions of Managing Director of Hoyts Theatres Limited, Chief Executive of Birch, Carroll and Coyle Limited, and Chairman of Indycar Australia and Tourism Queensland. Mr Jackman is currently sole proprietor of Pacific Cinemas Pty Ltd, one of Australia's largest privately owned cinema exhibition groups. He is currently Chairman of Sunland Group Limited.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Company at the date of this report is as follows:

	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
P. J. Ramsay	107,993,654	–
M. S. Siddle	984,082	–
P. J. Evans	24,286	–
A. A. Hamill	–	–
I. P. Grier	–	–
I. R. Neal	–	–
S. L. McKenna	–	–
W. D. Syphers	201,000	–

Interests in contracts or proposed contracts with the Company

No director has any interest in any contract or proposed contract with the Company other than as disclosed elsewhere in this report.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the three years immediately before the end of the year are as follows:

DIRECTOR	COMPANY	PERIOD OF DIRECTORSHIP	
		FROM	TO
Paul Joseph Ramsay AO	Ramsay Healthcare Limited (Chairman)	May 1975	Present
	Broadcast Production Services Limited	September 2004	May 2008
Michael Stanley Siddle	Ramsay Healthcare Limited (Deputy Chairman)	May 1975	Present
Peter John Evans	Ramsay Healthcare Limited	June 1990	Present
	Broadcast Production Services Limited (Chairman)	July 2007	Present
	destra Corporation Limited	April 2008	Present
Ian Patrick Grier	Ramsay Healthcare Limited	June 1997	Present
Ian Richard Neal	Intrapower Limited	May 2007	Present
	Dyesol Limited	September 2006	Present
	Arasor Limited	June 2006	July 2008
Warwick David Syphers	Broadcast Production Services Limited (Managing Director)	July 2007	Present
	destra Corporation Limited	May 2007	Present

COMPANY SECRETARIES

Mr Robert Reeve, B.A, L.L.B.

Mr Reeve was appointed as Group General Counsel and Company Secretary of Prime Media Group Limited on 20 February 2009. Mr Reeve was admitted as a solicitor in New South Wales in 1977 and practised as a commercial lawyer in the Sydney CBD from that time until joining Broadcast Production Services Limited, as its General Counsel and Head of Business Affairs in 1996. He is a Director of Hope Media Limited, former Secretary and Public Officer of the Australian Independent Distributors' Association Inc. and a former member of the Administration Committee for the Film Exhibition and Distribution Code of Conduct.

Mr Andrew Cooper BEc CA

Mr Cooper was appointed as Company Secretary in June 2005. He has been a Chartered Accountant for the past 15 years and currently holds the role of Group Financial Controller for Prime Media Group Limited.

EARNINGS PER SHARE

	CENTS
Basic earnings per share	(24.5)
Basic earnings per share – continuing operations	(24.5)
Diluted earnings per share	(24.5)
Diluted earnings per share – continuing operations	(24.5)
Basic earnings per share from continuing operations before significant items (Note 7(d))	9.9
Diluted earnings per share from continuing operations before significant items (Note 7(d))	9.9

DIVIDENDS

	CENTS	\$'000
Final dividend recommended:		
Final dividend recommended: on ordinary shares	1.0	3,584
Dividends paid in the year:		
<i>Interim for the year</i>		
on ordinary shares	2.0	2,581
<i>Final for 2008 shown as recommended in the 2008 report</i>		
on ordinary shares	9.0	11,472
		14,053

Principal activities

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

- » operation of commercial television and radio stations;
- » outside broadcast production;
- » film exhibition under the Moonlight Cinema brand; and
- » television program production.

There have been no other significant changes in the nature of these activities during the year.

Operating and financial review

Operating Results for the Year

The consolidated loss of the economic entity after providing for income tax was \$45,544,000 (2008: profit \$14,532,000).

Review of Operations

CONTINUING OPERATIONS

The continuing operations of the Company before significant items reflects a 44% decrease in net profit after tax (refer note 7). Gross revenues from continuing operations increased by 5.5%, mainly arising from the acquisition of the zer01zer0 outside broadcast business in August 2008. Revenues from Visual and Radio Broadcasting were in line with the prior year but increased operating and administration costs gave rise to reduced results in these segments.

The current year result includes impairments and other one-off charges totalling \$63,051,000 (net of tax). These items are outlined in note 7(d).

DISCONTINUING OPERATIONS

2009

There have been no disposals of business operations during the current period.

2008

Disposal of Dendy Film and Cinema Operations

On 30 April 2008, Broadcast Production Services Limited completed the sale of its Dendy Film Distribution and Exhibition businesses.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee. Instead, sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- » Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- » Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- » The active participation of the Audit Committee chairman in the review of management operations. This participation includes regular consultation with the senior executives to discuss ongoing operations and strategy review.

Risk management is further addressed in the Corporate Governance Statement.

DIRECTORS' REPORT

Significant changes in the state of affairs

Acquisition of zer01zer0 HD Pty Limited and related business assets by Broadcast Production Services Limited

On 21 August 2008, On Site Broadcasting Pty Ltd, a controlled entity of Broadcast Production Services Limited, completed the acquisition of all the shares in zer01zer0 HD Pty Limited and certain business assets from Dergat Pty Limited that together make up the outside broadcasting business "zer01zer0". This business operates in the outside broadcasting industry and has major supply contracts with Fox Sports.

Acquisition of Prime Digital Media Pty Ltd and controlled entities

On 24 November 2008, Prime Television Digital Media Pty Limited ("Prime"), a controlled entity of Prime Media Group Limited, completed the acquisition of 100% of the shares in Prime Digital Media Pty Ltd ("PDM"). PDM is a digital Out-of-Home broadcasting business selling advertising, creating and selling content and managing third party digital networks.

Appointment of Administrator to destra Corporation Limited

On 13 November 2008, the directors of destra Corporation Limited, appointed PPB as Voluntary Administrator of the company. Also on 13 November 2008, KordaMentha were appointed Receivers and Managers of the company on behalf of the secured creditors of the company. As a result of these events the directors have decided to take a provision for impairment against the Group's investment in the company, taking its carrying value to Nil.

Significant events after the balance date

Reduction in financing facilities

On 23 July 2009 the Group reduced the facility limits of its existing Debenture Subscription Facility from \$350 million to \$260 million.

Takeover Offer for Minority Interest in Broadcast Production Services Limited

On 7 September 2009, Prime Media Broadcasting Services Pty Limited, a wholly owned group entity, increased its offer for the acquisition of the minority shares in Broadcast Production Services Limited ("BPSL") from 0.257 New Prime Media Group Limited shares per BPSL share to 0.35 New Prime Media Group Limited shares per BPSL share.

On 11 September 2009, the Group announced it had received acceptances of its revised offer which took its shareholding in Broadcast Production Services Limited to 97.23%.

On 22 September 2009, Prime Media Broadcasting Services Pty Limited announced its intention to proceed with the compulsory acquisition of the outstanding shares in Broadcast Production Services Limited. As at the date of this report the compulsory acquisition process is still underway and is expected to be completed prior to 30 November 2009.

Likely developments and expected results

The broad areas of focus for the 2010 financial year will be:

- » consolidation and growth of the core businesses of the Group in an environment of anticipated cautious and gradual economic recovery and ongoing technological and communications diversity;
- » continued active monitoring and analysis of the performance and profitability of each of the Group's business segments, including the implementation of appropriate strategies; and
- » continued prudent management of debt and risk generally,

with a view to optimising returns to shareholders.

Environmental regulation and performance

The economic entity's operations are subject to various environmental regulations in the jurisdictions and industry in which it has a presence.

In each of the jurisdictions, the Group has established an environmental management system, which monitors compliance with existing environmental regulations and new regulations as they are enacted. The management system includes procedures to be followed, in conjunction with actions to be taken by third parties, should an incident occur which adversely impacts the environment. The Group's operations hold all relevant licences and permits and have implemented monitoring procedures to ensure that it complies with licence conditions.

The Directors are not aware of any breaches of any legislation during the financial year, which are material in nature.

Share options

Unissued shares

As at the date of this report and the balance date, there were no unissued ordinary shares under options. Refer to note 27 of the financial statements for further information.

Shares issued as a result of the exercise of options

During the financial year, employees have not exercised any options to acquire ordinary shares in Prime Media Group Limited.

Indemnification and insurance of directors and officers

In accordance with the *Corporations Act 2001*, the directors disclose that the Company has a Directors' and Officers' Liability policy covering each of the directors and certain executive officers for liabilities incurred in the performance of their duties and as specifically allowed under the *Corporations Act 2001*. The premiums in respect of the policy are payable by the Company. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy and therefore the directors are not disclosing further particulars relating thereto.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Prime Media Group Limited and its controlled entities in accordance with the requirements of the *Corporations Act 2001* and its regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporation Regulation 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives, general managers and secretaries of the Parent and the Group.

Remuneration Committee

The Remuneration Committee of the Board of Directors determines and reviews the remuneration packages and employment conditions applicable to executive directors and the senior management staff.

Salaries are customarily set prior to the commencement of an operating period. In making these determinations, regard is had to comparable industry or professional salary levels, and to the specific performance of the individuals concerned.

Remuneration policy

To prosper the Company must be able to recruit, motivate and retain highly skilled directors and executives.

The remuneration policy of Prime Media Group Limited has been established within a framework that ensures alignment of director and executive objectives with those of shareholders and the general business objectives of the Group.

Employee share incentive scheme

The Group has in place an Employee Share Option Scheme. At two Annual General Meetings (1992 and 1995), shareholders have given approval to the terms of the Prime Media Group Employee Share Option Scheme presented to these meetings. Participation in the Scheme is available to any Director of the parent entity and any person who is in the employment of the Group. Recommendations in respect of allocations of share options under the Scheme are made by the Remuneration Committee, for approval by the Board. In accordance with the Listing Rules of the Australian Securities Exchange, options proposed to be issued to executive directors are submitted for approval by shareholders in General Meeting. The total number of Options on issue by the parent entity shall not at any time exceed five per cent (5%) of the parent entity's total number of ordinary shares on issue of which the total number of Options on issue by the parent entity to directors of the parent entity shall not exceed two point five per cent (2.5%) of the total number of ordinary shares on issue.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Non-executive director remuneration

Objective

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

Structure

In accordance with the Company's Constitution and the ASX Listing rules the total quantum of non-executive directors' fees is subject to the approval of shareholders in general meeting. The last aggregate increase in annual remuneration was approved by shareholders in November 2007, when shareholders approved an aggregate remuneration of \$750,000 per annum (excluding superannuation and retirement benefits arising under the Directors' Retirement Plan).

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers the advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The remuneration for each non-executive director is set out in Tables 1 and 2 in this report.

The Directors' Retirement Plan, approved by shareholders in November 1997, only applies to Mr Alex Hamill. During the current year, Mr Jackman retired from the Board and was paid a retiring benefit of \$180,000.

Executive director and senior manager remuneration

Objective

The remuneration of executive directors and senior managers is determined by the Remuneration Committee of the Board.

The Company seeks to reward executives with a level and mix of remuneration commensurate with their positions and responsibilities within the Company so as to:

- » align the interests of the executives with those of shareholders;
- » link rewards with the strategic goals and performance of the Company; and
- » ensure that total remuneration is competitive by market standards.

Structure

The executive remuneration levels are reviewed on an annual basis in accordance with the guidelines approved by the Board as part of the annual operational review and budget setting process. In order to determine the appropriate level and composition of executive remuneration, the Remuneration Committee considers information obtained from the formal performance appraisal process as well as market data obtained from a number of independent sources.

Executive remuneration packages consist of the following elements:

- » Fixed remuneration comprises salary, superannuation, and other benefits that are not subject to any target achievement.
- » Variable remuneration comprises a mixture of short term and long term incentives. These incentives usually consist of cash payments but have also included the issue of share options under the Prime Media Group Employee Share Option Scheme.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

FIXED REMUNERATION

Objective

Prime aims to set fixed annual remuneration levels at competitive market levels for jobs of comparable nature, size and level of responsibility.

Fixed remuneration levels are reviewed annually and the process consists of a review of Company, business unit and individual performance appraisal as well as analysis of the external market conditions.

Structure

Senior management staff are given the opportunity to receive their fixed remuneration in a variety of forms including cash, superannuation and fringe benefits such as motor vehicles. The methods of payment available are intended to give optimal benefit to the recipient without creating undue cost for the Company.

The fixed remuneration components for key management personnel are outlined in Tables 1 and 2 later in this report.

VARIABLE REMUNERATION – SHORT-TERM INCENTIVES (STI)

Objective

The short-term incentives are set in a manner that aims to link the achievement of the Company's operational targets with the remuneration received by the executives responsible for meeting those targets. The levels of short-term incentives are set so as to provide sufficient incentive for executives to strive to achieve the set operational targets whilst maintaining a reasonable cost to the Company.

Structure

The actual short-term incentive payments granted to each senior manager are dependent on the extent to which specific operational targets set at the beginning of the financial year are achieved. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial performance measures. Typically the KPIs will include a combination of direct targets such as sales and expenditure budgets, market share objectives and operational management objectives as well as broader Company targets such as Company and divisional earnings targets. Each executive's STI scheme consists of a combination of benchmarks against which the executive is measured. Some of these benchmarks have fixed targets which trigger payments whilst other benchmarks may trigger proportional payment based on performance towards meeting the benchmark.

During the current year, the Remuneration Committee have approved the payment of bonuses to executives where they have achieved their established KPI targets. Mr Edwards and Mr Gamble had KPIs linked to the maintenance of advertising revenue shares as well as operational management targets which were achieved during the period. Mr Smith has milestone KPIs linked to the continued implementation of the Prime Television Digital Broadcast Rollout.

On an annual basis the performance of each executive is assessed against their KPIs in determining the eligibility for payments from the short term incentive pool. The short-term incentives for some executives are calculated in relation to pre-determined formulas tied to their KPIs and fixed remuneration packages, whilst other executives are assessed against their KPIs and the extent of the short-term incentive payment made to these executives is at the discretion of the Remuneration Committee within the pre-determined and authorised short-term incentive pool.

The maximum aggregate of short-term incentive payments available to executives is subject to the approval of the Board of Directors as part of the annual operational review and budget setting process, with the minimum payable being zero if no performance conditions are met. Payments of short-term incentives are usually delivered as a cash bonus or additional superannuation contributions, subject to compliance with relevant eligible contribution rules. Payments arising from the short-term incentive pool are generally made within three months of the reporting date.

For the 2008 financial year, 100% of the STI cash bonus pool vested to executives and was paid during the 2009 financial year. The Remuneration Committee has considered the STI performance for the 2009 financial year and has determined to pay 60% of the STI pool. The total STI pool for 2009 was \$1,300,000.

The short-term incentive remuneration components of the key management executives are outlined in Tables 1 and 2 later in this report.

VARIABLE REMUNERATION – LONG-TERM INCENTIVES (LTI)

Objective

The objective of long-term incentives is to reward senior executives in a manner which aligns their interests more closely with those of the Company's shareholders. Long-term incentive grants are generally made only to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long-term performance hurdle.

Structure

The long-term incentives have until 30 June 2009 been delivered through the granting of options to selected executives. In light of recent structural changes within the Group and legislative changes affecting the treatment of share options the Remuneration Committee has suspended the current share option scheme and is reviewing alternatives for a more appropriate long-term incentive scheme.

On 30 June 2009, 2,845,000 executive options were surrendered by executives.

EMPLOYMENT CONTRACTS

Chief Executive Officer

The CEO, Mr Syphers, is employed under an ongoing contract of no fixed term. The current employment contract commenced on 22 August 2005. Under the terms of the present contract:

- » For the year ended 30 June 2009, Mr Syphers was entitled to receive fixed remuneration of \$500,000 plus superannuation. During the current year, Mr Syphers also received \$13,885 as a payout of a portion of accrued leave entitlements. Mr Syphers' salary is reviewed annually by the Remuneration Committee and recommendations are put to the Board for their approval. Mr Syphers' contract also provides for short-term incentives, such as KPI bonuses, which are set by the Board at the commencement of each financial year.
- » Mr Syphers may resign from his position and thus terminate this contract by giving six months written notice.
- » The Company may terminate this employment contract by providing 12 months written notice or providing payment in lieu of the notice period. Payment in lieu of notice will be based on fixed remuneration and does not include any options or any short-term incentive amounts.
- » The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr Syphers is entitled only to that portion of his remuneration contract that is fixed, and only to the date of termination.
- » Mr Syphers' employment contract provides for a long-term employment bonus that is payable upon termination of employment or material change of status of duties or position. The terms of the long-term employment bonus are:
 - If termination occurs after 22 August 2008, Mr Syphers is entitled to receive a bonus payment of 1.25 times average annual salary of the preceding three years; and
 - If termination occurs after 22 August 2010, Mr Syphers is entitled to receive a bonus payment of 1.5 times average annual salary of the preceding three years.
- » Should a termination event occur, any entitlements to options will remain for a period of 12 months.

Other Executives (Standard Contracts)

All key management personnel executives have ongoing contracts of no fixed term with the exception of Mr Robert Gamble, CEO- Radio and Digital Media, who has a fixed term contract that expires on 31 December 2012.

The Company may terminate the executive's employment by providing six months written notice or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). Executives may terminate their employment agreements by providing three to six months written notice depending on the terms of their agreement. On termination or notice by the Company, any LTI options that have vested or that will vest during the notice period will be released. LTI options that have not yet vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is entitled only to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Details of Directors and Key Management Personnel

(i) Directors

P. J. Ramsay	Chairman (non-executive)
M. S. Siddle	Deputy Chairman (non-executive)
P. J. Evans	Director (non-executive)
P. T. Jackman	Director (non-executive) – resigned 27 November 2008
A. A. Hamill	Director (non-executive)
I. P. Grier	Director (non-executive)
I. R. Neal	Director (non-executive)
S. L. McKenna	Director (non-executive) – appointed 20 August 2009
W. D. Syphers	Director (Chief Executive Officer)

(ii) Executives

D. Edwards	Chief Executive Officer – Television
R. Gamble	Chief Executive Officer – Radio and Digital Media
G. Smith	Chief Technology Officer and General Manager, Broadcast Production Services
R. Reeve	Group General Counsel and Company Secretary (effective 1 July 2008)
P. Stubbings	Chief Financial Officer (joined Group 15 December 2008)

The remuneration of the directors and key management personnel are set out in Tables 1 and 2 on the following pages.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2009

	SHORT-TERM						POST EMPLOYMENT	LONG TERM BENEFITS	% PERFORMANCE RELATED		
	SALARY & FEES FOR PARENT ENTITY	SALARY & FEES FOR OTHER GROUP ENTITIES	BONUS	TOTAL SALARIES PAID	NON-CASH BENEFITS	FBT	SUPER-ANNUATION	RETIREMENT BENEFITS	LONG SERVICE LEAVE	REMUNERATION REQUIRED TO BE EXPENSED	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors											
P. J. Ramsay (Chairman)	75,000	–	–	75,000	–	–	–	–	–	75,000	0.0%
M. S. Siddle (Deputy Chairman)	60,000	–	–	60,000	–	–	5,400	–	–	65,400	0.0%
P. J. Evans	126,666	100,000	–	226,666	–	–	15,695	–	–	242,361	0.0%
T. Jackman ⁽²⁾	25,000	–	–	25,000	–	–	2,250	180,000	–	207,250	0.0%
A. Hamill	65,400	33,204	–	98,604	–	–	–	–	–	98,604	0.0%
P. Grier ⁽¹⁾	65,000	–	–	65,000	–	–	5,850	–	–	70,850	0.0%
I. Neal ⁽¹⁾	66,000	–	–	65,000	–	–	–	–	–	66,000	0.0%
S. McKenna ⁽³⁾	–	–	–	–	–	–	–	–	–	–	0.0%
Sub-total non-executive directors	483,066	133,204	–	616,270	–	–	29,195	180,000	–	825,465	0.0%
Executive directors											
W. Syphers ⁽⁵⁾	513,885	–	–	513,885	98,418	85,542	13,744	150,000 ⁽⁶⁾	8,333	869,922	0.0%
Other key management personnel											
D. Edwards ⁽⁵⁾	309,519	–	144,000	453,519	185,441	161,470	13,744	–	5,158	819,332	17.6%
R. Gamble	346,771	–	150,000	496,771	21,214	18,439	17,919	–	–	554,343	27.1%
G. Smith ⁽⁵⁾	293,546	–	20,000	313,546	88,568	76,980	18,157	–	4,892	502,143	4.0%
R. Reeve	279,686	–	–	279,686	–	–	13,744	–	5,033	298,463	0.0%
P. Stubbings ⁽⁴⁾	127,420	–	–	127,420	1,790	1,556	8,061	–	–	138,827	0.0%
Sub-total executive KMP	1,870,827	–	314,000	2,184,827	395,431	343,987	85,369	150,000	23,416	3,183,030	
Totals	2,353,893	133,204	314,000	2,801,097	395,431	343,987	114,564	330,000	23,416	4,008,495	

(1) Mr Grier and Mr Neal were appointed to the Board of Directors 6 June 2008, current fees include payment for June 2008 fees as well as current financial year.

(2) Mr Jackman retired 27 November 2008.

(3) Ms McKenna was appointed as a director on 20 August 2009.

(4) Mr Stubbings joined the Group on 15 December 2008.

(5) Options expensed during 2009 but not exercised (no value received) W. Syphers \$530,320, D. Edwards \$253,558, G. Smith \$122, 843.

(6) Represents an accrual pursuant to Mr Syphers' contract.

Remuneration of key management personnel

Table 2: Remuneration for the year ended 30 June 2008

	SHORT-TERM					POST	LONG TERM	REMUNERA- TION REQUIRED TO BE EXPENSED		% PERFOR- MANCE RELATED	
	SALARY & FEES FOR PARENT ENTITY	SALARY & FEES FOR OTHER GROUP ENTITIES	BONUS	TOTAL SALARIES PAID	NON-CASH BENEFITS	FBT	SUPER- ANNUATION				RETIRE- MENT BENEFITS
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	
Non-executive directors											
P. J. Ramsay (Chairman)	75,000	-	-	75,000	-	-	-	-	-	75,000	0.0%
M. S. Siddle (Deputy Chairman)	60,000	-	-	60,000	-	-	5,400	-	-	65,400	0.0%
P. J. Evans	210,000	50,000	-	260,000	-	-	13,129	-	-	273,129	0.0%
T. Jackman	60,000	-	-	60,000	-	-	5,400	-	-	65,400	0.0%
A. Hamill	65,400	-	-	65,400	-	-	-	-	-	65,400	0.0%
P. Grier ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	0.0%
I. Neal ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	0.0%
Sub-total non-executive directors	470,400	50,000	-	520,400	-	-	23,929	-	-	544,329	0.0%
Executive directors											
W. Syphers ⁽²⁾	567,307	-	150,000	717,307	14,519	-	13,129	150,000 ⁽³⁾	8,333	903,288	16.6%
Other key management personnel											
D. Edwards ⁽²⁾	286,870	-	218,883	505,753	60,470	-	13,129	-	4,781	584,133	37.5%
R. Gamble	315,000	-	231,595	546,595	24,635	-	24,545	-	-	595,775	38.9%
R. Howarth	194,797	-	41,971	236,768	32,432	-	13,129	-	-	282,329	14.9%
G. Smith ⁽²⁾	258,054	-	70,000	328,054	37,860	-	13,129	-	4,300	383,343	18.3%
A. Butorac ⁽²⁾	159,578	-	39,150	198,728	22,934	-	16,653	-	3,041	241,356	16.2%
A. Cooper ⁽²⁾	155,366	-	50,000	205,366	3,614	-	13,129	-	-	222,109	22.5%
Sub-total executive KMP	1,936,972	-	801,599	2,738,571	196,464	-	106,843	150,000	20,455	3,212,333	
Totals	2,407,372	50,000	801,599	3,258,971	196,464	-	130,772	150,000	20,455	3,756,662	

(1) Mr Grier and Mr Neal were appointed to the Board of Directors 6 June 2008.

(2) Options expensed during 2008 but not exercised (no value received) W. Syphers \$220,154, D. Edwards \$96,117, G. Smith \$67,454, A. Butorac \$7,890, A. Cooper \$10,586.

(3) Represents an accrual pursuant to Mr Syphers' contract.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

Remuneration of key management personnel (continued)

Table 3: Compensation options: Granted and vested during the year (Consolidated)

2009

There were no executive options granted during the financial year ended 30 June 2009.

As at 30 June 2009, all executive options on issue had been surrendered.

2008

During the financial year options were granted as equity compensation benefits under the long-term incentive plan to certain key management personnel as disclosed below. No share options have been granted to the non-executive directors of the Board of Directors under this scheme. The options were issued at a price of \$0.001 per option. Each option entitled the holder to subscribe for one fully paid ordinary share in the entity at an exercise price determined by reference to the market price of the shares in the period immediately prior to the date of the grant. The contractual life of each option granted was five years.

Vesting Date

These options were subject to specific conditions regulating their exercise which included phased vesting on an annual basis with full vesting after three years, and the requirement for the parent entity share price to appreciate by at least 20% above the Offering Price (Exercise Price) for a continuous period of at least three ASX trading days prior to the vesting date, as a pre-condition to exercise.

30 JUNE 2009	GRANTED		TERMS AND CONDITIONS FOR EACH GRANT					VESTED	
	NUMBER	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE (\$)	EXERCISE PRICE PER OPTION (\$)	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE	NUMBER	%
NIL									

30 JUNE 2008	GRANTED		TERMS AND CONDITIONS FOR EACH GRANT					VESTED	
	NUMBER	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE (\$)	EXERCISE PRICE PER OPTION (\$)	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE	NUMBER	%
Directors									
W. Syphers	900,000	20/05/08	\$0.52	\$3.65	20/05/13	20/05/09	20/05/13	157,500	9.8
Executives									
D. Edwards	450,000	20/05/08	\$0.52	\$3.65	20/05/13	20/05/09	20/05/13	93,000	12.4
G. Smith	200,000	20/05/08	\$0.52	\$3.65	20/05/13	20/05/09	20/05/13	69,750	16.4
A. Butorac	-	-	-	-	-	-	-	6,600	33.0
A. Cooper	80,000	20/05/08	\$0.52	\$3.65	20/05/13	20/05/09	20/05/13	6,600	6.6
Total	1,630,000							333,450	

Remuneration of directors and named executives (continued)

Table 4: Options granted as part of remuneration

NIL

For details on the valuation of the options, including models and assumptions used, please refer to note 27. There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the period. As at 30 June 2009, all executive options on issue had been surrendered.

The maximum grant, which was payable assuming that all service and performance criteria were met, was equal to the number of options or rights granted multiplied by the fair value at the grant date. The minimum payable assuming that service and performance criteria were not met was zero.

Table 5: Shares issued on exercise of remuneration options

30 JUNE 2009	SHARES ISSUED NUMBER	PAID \$ PER SHARE	UNPAID \$ PER SHARE
Executives	NIL	NIL	NIL
Total	NIL		

30 JUNE 2008	SHARES ISSUED NUMBER	PAID \$ PER SHARE	UNPAID \$ PER SHARE
Executives	NIL	NIL	NIL
Total	NIL		

DIRECTORS' 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:

	DIRECTORS' MEETINGS		MEETINGS OF COMMITTEES			
	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	AUDIT		REMUNERATION	
			NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
P. J. Ramsay	14	11	–	–	–	–
M. S. Siddle	14	14	5	5	–	–
P. J. Evans	14	14	5	5	2	2
A. A. Hamill	14	12	5	2	2	2
I. R. Neal	14	14	5	4	–	–
I. P. Grier	14	12	–	–	2	2
W. D. Syphers	14	14	–	–	–	–
P. T. Jackman	4	3	–	–	–	–

Committee membership

Members acting on the committees of the Board during the year were:

AUDIT	REMUNERATION
P. J. Evans (Chairman)	I. P. Grier (Chairman)
M. S. Siddle	P. J. Evans
A. A. Hamill (Resigned 20 August 2009)	A. A. Hamill
I. R. Neal	
S. L. McKenna (Appointed 20 August 2009)	

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor independence and non-audit services

The Directors have received and are satisfied with the 'Audit Independence Declaration' provided by the Prime Media Group Limited's external auditors, Ernst & Young. The Audit Independence Declaration has been attached to the Directors' Report on the following page.

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that the auditor's independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Income Tax Return, FBT Return & GST compliance services	53,730
Advisory Services	54,808

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Prime Media Group Limited support and have, unless otherwise disclosed in the corporate governance statement, adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this report.

Signed in accordance with a resolution of the directors.



P. J. Evans

Director

Sydney, 29 September 2009



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Auditor's Independence Declaration to the Directors of Prime Media Group Limited

In relation to our audit of the financial report of Prime Media Group Limited for the year ended 30 June 2009, 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.

A handwritten signature in cursive script that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in cursive script, appearing to be 'D. Simmonds'.

David Simmonds
Partner
Sydney
29 September 2009

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Prime Media Group Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Prime Media Group Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Management recognise their responsibility in the implementation and maintenance of an effective system of corporate governance.

Prime Media Group Limited's corporate governance practices were in place throughout the year ended 30 June 2009 and were compliant with the Corporate Governance Council's principles and recommendations except as noted in this statement.

For further information on corporate governance policies adopted by Prime Media Group Limited, refer to our website:

www.primemedia.com.au/corporategovernance

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company has an established Board charter that outlines the roles and responsibilities of the Board and its committees. The charter also outlines the operational structure that the Company is to follow.

A copy of the Board charter is provided to all new directors and is available on the Company website.

Board responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board is responsible for formulating matters of strategy, the appointment of executive management, the review and approval of annual operating budgets and assessment of the performance of executive management against the operating budgets and assessment of the performance of executive management against the operating and strategic plans previously determined.

The Board ensures that the management team is appropriately qualified and experienced to discharge its responsibilities and has in place procedures to assess the performance of the Chief Executive Officer and the executive management team. The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board.

Structure of the Board and Board Committee meetings

The Board normally holds up to nine scheduled meetings during each financial year.

With two exceptions, all members of the Board reside in Sydney. Coupled with the relatively small size of the Board (comprising seven non-executive directors and one executive director), this proximity makes it relatively easy for members of the Board to meet in whole or in part outside of the formal meeting structure (making use of teleconferencing facilities as required). For this reason, the Board as a whole is able to exercise its functions without the requirement for excessive formal subcommittee structures with the exception of the following:

- » Audit Committee
- » Remuneration Committee.

The roles and responsibilities of these committees are discussed later in this report.

Executive management has ready access to members of the Board, and all Board members are consulted on significant decisions which have to be made between formal meetings.

On at least an annual basis the Board sets aside two days for detailed discussions on the Group's business strategies at which presentations are received from senior managers.

In January 2003 the Board constituted an Executive Committee comprising Messrs Ramsay, Siddle and Evans to oversight the executive functions of the Company. This committee is currently in recess following the appointment of the Chief Executive Officer in September 2005. Should for any reason the Chief Executive Officer be unable to perform his duties then this committee will again oversight the executive functions on behalf of the Board.

Performance review

The performance of senior executives is reviewed regularly against measureable and qualitative indicators. Whilst such reviews are included within the responsibilities of the Remuneration Committee, the Board also monitors the performance of senior executives as part of its review of the performance of the Group's business segments at each meeting of the Board. During the reporting period, the Board has conducted performance evaluations of each senior executive. The performance indicators against which the directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Subject to applicable laws, the employment of senior executives whose performance is considered to be unsatisfactory may be terminated.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board at the date of this report

NAME	POSITION
Paul J. Ramsay	Non-Executive Chairman (appointed 1985)
Michael S. Siddle	Non-Executive Deputy Chairman (appointed 1985)
Peter J. Evans	Non-Executive Director (appointed 1991)
Alex A. Hamill	Non-Executive Director (appointed 2003)
Ian R. Neal	Non-Executive Director (appointed 2008)
Ian Patrick S. Grier	Non-Executive Director (appointed 2008)
Warwick D. Syphers	Chief Executive Officer (appointed May 2005) and Executive Director (appointed Dec 2006)
Siobhan L. McKenna	Non-Executive Director (appointed August 2009)

Details of the skills, experience and expertise relevant to the position of director held by each Director are set out in the Directors' Report.

In order to achieve the objectives of the Board as stated above, the composition of the Board is determined by applying the following principles:

- » The Board consists of primarily non-executive directors;
- » The Chairman of the Board should be a non-executive director;
- » The directors should possess a broad range of skills, qualifications and experience; and
- » The Board should meet on a regular basis.

Board composition

The Company has not complied with the ASX Corporate Governance Council's Recommendation 2.3 that the Board should establish a Nomination Committee. The ongoing composition of the Board is a regular discussion item at most Board meetings. The Board make consistent and regular use of industry experts in the fields of new business opportunity. The skills and industry experience of the Board as a whole is regularly reviewed and where there is a need for additional experience or knowledge to supplement the existing Board, the appointment of additional Board members will be considered. Each of the above-mentioned appointments has been approved unanimously by the Board, following a recommendation from the Chairman.

The appointment and removal of directors are governed by Articles 82-94 of the parent entity's Constitution. Directors appointed to fill casual vacancies must offer themselves for re-election, and be elected, at the next following Annual General Meeting of the Company in order to continue in office. Also, at each Annual General Meeting, one-third of the directors must resign and, in order to continue in office, must offer themselves for re-election and be elected at the meeting. No director shall serve more than three years without being a candidate for re-election.

Board independence

The directors of Prime Media Group Limited have an overriding duty to perform their duties in the best interests of the Company. Directors are required to declare possible conflicts of interest, interests in contracts, other directorships or offices held, potential related party transactions and the acquisition or disposal of Company shares.

Under the Prime Board Charter, where a conflict of interest arises, the director concerned declares the possible conflict of interest. The director is then excluded from all Board discussions relating to the issue around which the conflict of interest has arisen.

Recommendation 2.1 of the ASX Corporate Governance Council's Recommendations recommends that a majority of the Board should be independent directors. As at the date of this report, the Prime Board consists of four independent non-executive directors (Siobhan McKenna, Alexander Hamill, Ian Neal and Patrick Grier), three non-executive directors (Paul Ramsay, Michael Siddle and Peter Evans) and one executive director (Warwick Syphers). For the period from 27 November 2008 until 20 August 2009, the Board included three independent directors as the Company was in the process of appointing a suitable replacement for Mr Jackman.

Although the Company has not complied with Recommendation 2.1, the Board considers that the non-executive directors, who represent Paul Ramsay Holdings Pty Ltd, have management, corporate, financial and operational expertise and skills which are of particular relevance to their duties and functions as directors of the Company. Each of the non-independent non-executive directors, Paul Ramsay, Michael Siddle and Peter Evans, have over 25 years experience in television industry matters, having been part of the foundation of Prime Media Group Limited.

CORPORATE GOVERNANCE STATEMENT

Chairman independence

The Chairman of the Board for the financial year was Mr Paul Ramsay. The Board recognises the ASX Corporate Governance Council's Recommendation 2.2 that the Chairman of the Board should be an independent director. The Board further recognises that, as Mr Ramsay is a Director of a substantial shareholder of the Company, it can be argued that he does not meet the definition of independence. The Company has not complied with Recommendation 2.2 because the Board believes that Mr Ramsay is the most appropriate person to lead the Board and that he is able to and does bring to the Board quality and independent judgment to all relevant issues falling within the scope of the role of chairman and that the Group as a whole benefits from his knowledge, experience and leadership.

Mr Ramsay has had 35 years experience in the television and media industry, as well as extensive experience as a director and chairman of two listed entities, which he founded. This experience is considered to be invaluable to the Company in both industry expertise as well as the management and review of growth opportunities for the Company.

Performance evaluation

The Company has not complied with the ASX Corporate Governance Council's Recommendation 2.5 that it should disclose the process for evaluating the performance of the Board, its committees and individual Directors in the following respects:

- » whilst the Board regularly evaluates its performance and the performance of its committees and the individual Directors, it has not established formal processes for those purposes, other than review of the executive Director's remuneration and of non-executive Directors' fees and benefits by the Remuneration Committee as appropriate (because firstly, the size of the Board and the close and frequent interaction between the executive and non-executive Directors means that the Board is self-evaluating in terms of its performance corporately and the performance of its committees and the individual Directors and secondly, the Board considers that the most appropriate forum for evaluating the performance of the Board is at general meetings of the Company);
- » it has not established or implemented formal induction procedures for new Board appointees or new key executives because it has a practice that new Board appointees and new key executives are given a comprehensive briefing on the Group's activities and operations by the Chief Executive Officer and Chief Financial Officer.

Independent professional advice

Each Director has full access to the Company Secretary and the right of access to all relevant Company information. Any Director who requires legal advice in relation to the performance of his or her duties as a Director of the Company is to inform the Chairman of the issue and, upon approval for the Director to proceed, advice is then to be obtained in consultation with the Chairman. The costs reasonably incurred are reimbursable by the Company. When the advice is to hand, it is to be made available to the Board.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Board and the Company's commitment to ethical and responsible decision making is reflected in the internal policies and procedures of Prime Media Group Limited.

Ethical conduct

The Company promotes ethical and responsible behaviours for its directors and employees through the implementation of a range of internal policies and procedures that apply to all companies within the Group. These policies and procedures outline the standards of honest, ethical and law abiding behaviour expected by the Company.

All parties are encouraged to address problems to the attention of either management or the Board, where there may be non-compliance with policies and procedures governing ethical and law abiding conduct.

The policies and procedures relating to ethical and law abiding conduct are currently included in the employee handbook which is available to all employees on the Company Intranet. All new employees are provided with a copy of the employee handbook upon commencement of employment and they are required to confirm that they have reviewed and acknowledge understanding of the guidelines and policies outlined in this handbook. The employee handbook forms part of a policy library that addresses required conduct in relation to:

- » Personal behaviour;
- » Security;
- » Privacy;
- » Discrimination;
- » Workplace safety;
- » Conflict of interests; and
- » Others.

The Company also requires all employees to undertake regular online training covering topics that promote their understanding of ethical and safe work practices and conduct. As part of its ongoing commitment to improved corporate governance disclosure, the Board is currently reviewing its documented policies and procedures with the view that these be published on the Company website.

The Company has not complied with the ASX Corporate Governance Council's Recommendation 3.1 that it should establish and disclose a code of conduct because the Board considers that the current policies and practices are effective in promoting ethical and responsible decision making. However, as part of its ongoing commitment to improved corporate governance disclosure, the Board is currently reviewing its documented policies and procedures with the view to preparing and adopting a code of conduct.

Securities trading policy

Under the Company's Securities Trading policy, an executive or Director 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.

Before undertaking any trading of securities, including the exercise of executive share options, an executive must first obtain approval of the Company Secretary and a Director must first obtain approval of the Chairman.

Only in exceptional circumstances will approval for trading of securities be given outside the following periods:

- » 28 days from the day following the announcement of the half yearly and full year results of the Company to the Australian Securities Exchange;
- » 28 days from the day following the holding of the Annual General Meeting;
- » 28 days from the day following any other provision to the markets of an earnings forecast update.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Board has established an Audit Committee whose conduct is governed by a formal charter of responsibilities. This charter is published on the Company's website. The Audit Committee meets between four and six times each year.

Members of the Audit Committee as at the date of this report are as follows:

- » Mr P.J. Evans FCA (Chairman)
- » Mr M.S. Siddle
- » Mr A.A. Hamill
- » Mr I.R. Neal

Members of the Audit Committee must be non-executive directors. Details of the qualifications of the members of the Audit Committee, the number of meetings of the Audit Committee held during the year and the attendees at those meetings are set out in the Directors' Report.

The objectives of the Audit Committee include:

- » To improve the quality of financial reporting;
- » To ensure the Board makes informed decisions regarding accounting policies, practices and disclosures;
- » To provide a safeguard for directors' liability;
- » To review the scope of the external audit; and
- » To facilitate the maintenance of independence of the external auditor.

The responsibilities of the Audit Committee include:

- » Approval of the external audit plan;
- » Liaison with external auditors on the results and findings of the audit, and on recommendations made;
- » Review of the performance of the external auditors;
- » Oversight of accounting policies and procedures used within the economic entity and its subsidiaries;
- » Reviewing drafts of interim and full year financial statements and making recommendations to the full Board in respect of their adoption; and
- » Oversight of the controls and procedures used within the economic entity, and recommendations in respect of systems of internal control.

The Group's auditor attended the Audit Committee meetings and reported to the Committee at those meetings. In addition, the Directors considered and discussed numerous audit related matters during the course of Directors' meetings held throughout the year and were in regular communication with the Company's auditors to discuss and seek advice on specific matters concerning the Company's financial and reporting obligations.

In accordance with section 295A of the *Corporations Act 2001*, the Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the financial records of the Group for the financial year have been properly maintained, that the Group's financial reports for the year ended 30 June 2009 comply with accounting standards and present a true and fair view of the Group's financial position and performance, that the integrity of the Group's financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company has not complied with the ASX Corporate Governance Council's Recommendation 4.2 in the following respects:

- » the Audit Committee does not have a majority of independent directors. It currently comprises an equal number of independent and non-independent directors who have been selected on the basis of their qualifications, skills and experience and who are accordingly considered to be the most appropriate persons to carry out the functions and duties of the Committee; and
- » the Chairman of the Audit Committee, Mr Peter Evans, is not an independent director because, having considered the functions and responsibilities of the Chairman of the Audit Committee and the qualifications and experience of Mr Evans, the directors consider that Mr Evans is the most appropriate of the directors to be the Chairman of the Audit Committee. Mr Evans is a Board member on many of the subsidiaries' boards, giving him a comprehensive oversight of the risks facing the Group as whole.

Details of the qualifications of audit committee members are set out in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Board has established policies and procedures to ensure that the disclosure requirements of the ASX Listing Rules are maintained. These policies are outlined in the Board Charter published on the Company website.

Established processes require that all disclosures relating to the release to the market of potentially price sensitive information must be reviewed by the Board and approved for release. The Chairman and Chief Executive Officer are the only parties approved to make public comment in relation to the financial disclosures of the Company.

The Board has an established practice whereby all proposed ASX releases are circulated to the Board for review and sign off prior to the release being made. The Board has also established a reporting process requiring the Company Secretary to report to the Board at each Board meeting of all disclosures made to the ASX under the Listing Rules as well as confirmation that the listing rules have been complied with.

The Company Secretary is responsible for all communications with the ASX and for educating senior management in relation to the Company's continuous disclosure obligations.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Company acknowledges the importance of effective investor relations through providing clear communications and information channels for all shareholders. The Board aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Communication of information to shareholders includes the following:

- » The annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the Group during the year, changes in the state of affairs of the Group and details of future developments, in addition to the other disclosures required by the *Corporations Act 2001*;
- » The half-yearly report contains summarised financial information and a review of the operations of the Group during the period. Half-year financial statements prepared in accordance with the requirements of the Accounting Standards and the *Corporations Act 2001* are lodged with the Australian Securities and Investments Commission and the ASX. The financial statements are sent to any shareholder who requests them;
- » The Company ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules;
- » Notices of all general meetings are sent to all shareholders; and
- » The Company's website. The Company is constantly looking at ways of making its communications more effective and has been undergoing an active review of the information it publishes on its website. The Company has acknowledged its developing diversified business and following on from its name change from Prime Television Limited to Prime Media Group Limited, the Company has developed a separate corporate website, www.primemedia.com.au. The Company aims to ensure that all material releases to the ASX are also published on the Company's website in a timely manner after the release to the ASX has been confirmed.

Annual general meetings

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals.

The shareholders are requested to vote on the appointment of directors, the granting of securities to directors and changes to the Constitution. A copy of the Constitution is available to any shareholder who requests it.

In accordance with the Corporations Act, the Company provides its auditors with a notice of its Annual General Meeting and makes time available within this meeting for the auditor to address the meeting if required and for members of the Company to ask questions of the auditors in this forum.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board oversees the establishment, implementation and review of the Group's risk management practices, seeks to identify, assess, monitor and manage material risk throughout the Group and has continued its approach to proactive risk management. The Board has taken the view that it is crucial for all Directors, in close partnership with senior management, to be part of this process and as such, has not established a separate risk management committee.

The task of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Chief Executive Officer, including responsibility for the day to day implementation of the Company's risk management and internal control systems. Management reports to the Board on the Company's key risks and the extent to which it believes these risks are being adequately managed. The reporting on risk management is a standard agenda item at all regular Board meetings.

Risk management focuses on strategic, financial, operational and legal/compliance risks through the following compliance and control systems:

- » Requiring management to supply comprehensive financial and operational reports, which specifically highlight variances and areas of potential exposure. Regular reports to the Board include reports from the heads of the Group's business segments;
- » Requiring actual results to be reported against budgets approved by the Directors and revised forecasts for the year to be prepared regularly. The Company has a comprehensive budgeting system with an annual budget approved by the Directors. Actual results against budget and revised forecasts for the year are prepared and supplied to the Board at least monthly;
- » Requiring Board approval for significant capital expenditure and expenditure on revenue account. Procedures adopted in this regard include annual budgets, detailed appraisal and review prior to expenditure or commitment, and comprehensive due diligence requirements where businesses are being acquired or strategic alliances are being entered into;
- » Monitoring and reviewing continuous disclosure (refer to comments under Principle 5 relating to disclosure);
- » Instigating an action plan or policy as soon as a risk is identified and monitoring its implementation;
- » Implementing occupational health and safety strategies and management systems (including monitoring and review procedures) in all business segments to achieve high standards of performance and compliance with regulations;
- » Promoting risk identification and management within the Group as a significant obligation of every employee; and
- » Including in the roles of the Chief Executive Officer and Company Secretary, identification of risks affecting each business segment and the development of strategies to minimise those risks.

The Company has not implemented an internal audit procedure function. The Board believes that the nature of the Company's operations currently do not require this to be instigated as a separate function to those functions undertaken by the external auditors or the Audit Committee.

Assurance

In accordance with section 295A of the *Corporations Act 2001*, the Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that in their view the Company's financial reports are

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

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

Remuneration Committee

The Company has established a Remuneration Committee. The committee is governed by an established charter that is published on the Company website.

Members of the Remuneration Committee as at the date of this report are as follows:

- » Mr I.P. Grier (Chairman)
- » Mr P.J. Evans
- » Mr A.A. Hamill

Details of the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings are set out in the Directors' Report.

The Remuneration Committee reviews the remuneration packages and employment conditions applicable to senior executives and any executive directors. In making these determinations, regard is had to comparable industry or professional salary levels, and to the specific performance of the individuals concerned. The Company clearly distinguishes the structure of non-executive Directors' remuneration (paid in the form of a fixed fee) and that of any executive Director and senior executives.

The remuneration of managers and staff other than senior executives and executive directors is within the authority of the Chief Executive Officer. The Chief Executive Officer has discretion in regard to the remuneration of individual managers subject to the proviso that the overall level of remuneration is within budget guidelines as approved by the Board prior to preparation of the annual budget.

Recommendations in respect of allocations of share options under the Prime Media Group Employee Share Option Scheme are made by the Remuneration Committee, for approval by the Board. In accordance with the Listing Rules of the Australian Securities Exchange, options issued to executive directors are required to be approved by shareholders in general meeting. The terms and conditions of such options were approved by shareholders at the Annual General Meeting in 1992, and again in November 1995. In light of recent structural changes within the Group and legislative changes affecting the treatment of share options, the Remuneration Committee has suspended the current share option scheme and is reviewing alternatives for a more appropriate long-term incentive scheme.

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and senior executives during the year is set out in the Remuneration Report, which comprises part of the Directors' Report.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Continuing operations					
Income	4(a)	279,663	270,273	74,276	68,546
Expenses	4(b)	(280,983)	(228,066)	(2,918)	(2,463)
Share of losses of associates	12	(3,081)	(3,587)	–	–
Profit from continuing operations before finance costs and income tax		(4,401)	38,620	71,358	66,083
Finance costs	4(c)	(42,400)	(17,312)	(41,296)	(18,816)
Profit from continuing operations before income tax		(46,801)	21,308	30,062	47,267
Income tax benefit/(expense)	5(c)	1,257	(7,171)	2,883	(14,299)
Net profit after tax from continuing operations		(45,544)	14,137	32,945	32,968
Discontinuing operations					
Income	4(e)	–	23,840	–	–
Gain on sale of discontinued operations	6	–	5,421	–	–
Expenses	4(f)	–	(28,634)	–	–
Profit before income tax from discontinuing operations		–	627	–	–
Income tax (expense)	5(c)	–	(232)	–	–
Net profit after tax from discontinuing operations		–	395	–	–
Net profit after tax		(45,544)	14,532	32,945	32,968
Attributable to:					
Minority interest		(1,109)	491	–	–
Members of the Parent		(44,435)	14,041	32,945	32,968
Basic earnings per share (cents per share)					
– profit for the year	7	(24.5)	11.0		
– profit from continuing operations	7	(24.5)	10.9		
Diluted earnings per share (cents per share)					
– diluted for profit for the year	7	(24.5)	10.9		
– diluted for profit from continuing operations	7	(24.5)	10.8		
Franked dividends per share (cents per share)	8	11.0	17.5		

BALANCE SHEET

AS AT 30 JUNE 2009

	NOTES	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Assets					
Current assets					
Cash and cash equivalents	9	6,669	4,010	47	31
Trade and other receivables	10	51,385	54,189	255	311
Intangible assets	16	1,700	4,694	-	-
Other assets	11	2,931	2,547	44	10
Current tax assets	5	5,352	-	5,241	-
Derivative financial instruments	23	57	9,632	57	9,632
		68,094	75,072	5,644	9,984
Non-current assets classified as held for sale	6(c)	-	414	-	-
Total current assets		68,094	75,486	5,644	9,984
Non-current assets					
Receivables	10	815	706	715,082	642,742
Investments in associates	12	4,299	13,187	-	-
Investment in available for sale financial assets	14	4,214	5,090	3	3
Investments in subsidiaries	13	-	-	121,554	118,054
Property, plant and equipment	15	93,584	82,470	1	2
Deferred tax assets	5	8,719	1,849	1,677	-
Intangible assets and goodwill	16	278,802	286,568	-	-
Other assets	11	-	124	-	-
Total non-current assets		390,433	389,994	838,317	760,801
Total assets		458,527	465,480	843,961	770,785
Liabilities					
Current liabilities					
Trade and other payables	17	61,252	40,437	630	132
Interest-bearing loans and borrowings	18	14,880	11,009	-	-
Current tax liabilities	5	66	5,360	-	4,466
Provisions	19	3,576	2,589	98	266
Derivative financial instruments	23	4,595	-	4,595	-
Total current liabilities		84,369	59,395	5,323	4,864
Non-current liabilities					
Trade and other payables	17	1,423	888	369,798	333,405
Interest-bearing loans and borrowings	18	172,608	255,706	147,283	236,314
Deferred income tax liabilities	5	163	2,483	-	3,582
Provisions	19	2,626	357	-	-
Total non-current liabilities		176,820	259,434	517,081	573,301
Total liabilities		261,189	318,829	522,404	578,165
Net assets		197,338	146,651	321,557	192,620
Equity					
Equity attributable to equity holders of the parent interest					
Contributed equity	20	305,643	196,569	305,643	196,569
Reserves	21	(16)	(1,233)	2,028	1,057
(Accumulated losses)/Retained earnings	21	(108,941)	(50,453)	13,886	(5,006)
Parent interests		196,686	144,883	321,557	192,620
Minority interests		652	1,768	-	-
Total Equity		197,338	146,651	321,557	192,620

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	ISSUED CAPITAL \$'000	ACCUM- ULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	NET UNREALISED GAINS RESERVE \$'000	MINORITY EQUITY INTEREST \$'000	TOTAL \$'000
Consolidated Group							
At 1 July 2008	196,569	(50,453)	1,057	(1,912)	(378)	1,768	146,651
Reversal of fair value adjustment of available-for-sale financial assets that has been impaired	-	-	-	-	378	-	378
Foreign currency translation	-	-	-	(132)	-	-	(132)
Total income/(expense) for the period recognised directly in equity	-	-	-	(132)	378	-	246
(Losses) for the period attributable to members of the parent entity	-	(44,435)	-	-	-	-	(44,435)
(Losses) for the period attributable to minority shareholders	-	-	-	-	-	(1,109)	(1,109)
Total income/(expense) for the period	-	(44,435)	-	(132)	378	(1,109)	(45,298)
Minority interests in controlled entities acquired	-	-	-	-	-	(7)	(7)
Equity transactions:							
Shares issued as part of equity raising	110,092	-	-	-	-	-	110,092
Costs of equity raising (net of tax)	(3,395)	-	-	-	-	-	(3,395)
Shares issued as consideration	3,440	-	-	-	-	-	3,440
Cost of share-based payments	-	-	971	-	-	-	971
Buyback of shares	(1,063)	-	-	-	-	-	(1,063)
Dividends	-	(14,053)	-	-	-	-	(14,053)
At 30 June 2009	305,643	(108,941)	2,028	(2,044)	-	652	197,338

	ISSUED CAPITAL \$'000	ACCUM- ULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	NET UNREALISED GAINS RESERVE \$'000	MINORITY EQUITY INTEREST \$'000	TOTAL \$'000
Consolidated Group							
At 1 July 2007	187,499	(42,096)	624	20	1,337	1,903	149,287
Fair value revaluation of available-for-sale financial assets (net of applicable tax)	-	-	-	-	(378)	-	(378)
Reversal of fair value adjustment of available-for-sale financial assets upon recognition of investment in associate	-	-	-	-	(1,337)	-	(1,337)
Foreign currency translation	-	-	-	(1,932)	-	-	(1,932)
Total income and expense for the period recognised directly in equity	-	-	-	(1,932)	(1,715)	-	(3,647)
Profit for the period attributable to members of the parent entity	-	14,041	-	-	-	-	14,041
Profit/(Losses) for the period attributable to minority shareholders	-	-	-	-	-	491	491
Total income and expense for the period	-	14,041	-	(1,932)	(1,715)	491	10,885
Minority interests in controlled entities (disposed)	-	-	-	-	-	(300)	(300)
Acquisition of minority interests in controlled entities	-	-	-	-	-	(326)	(326)
Equity transactions:							
Shares issued as consideration	10,636	-	-	-	-	-	10,636
Cost of share-based payments	-	-	433	-	-	-	433
Buyback of shares	(1,566)	-	-	-	-	-	(1,566)
Dividends	-	(22,398)	-	-	-	-	(22,398)
At 30 June 2008	196,569	(50,453)	1,057	(1,912)	(378)	1,768	146,651

Parent Entity

	ISSUED CAPITAL \$'000	ACCUM- ULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	NET UNREALISED GAINS RESERVE \$'000	TOTAL \$'000
At 1 July 2008	196,569	(5,006)	1,057	–	–	192,620
Profit for the period attributable to members of the parent entity	–	32,945	–	–	–	32,945
Total income and expense for the period	–	32,945	–	–	–	32,945
Shares issued as part of equity raising	110,092	–	–	–	–	110,092
Cost of equity raising (net of tax)	(3,395)	–	–	–	–	(3,395)
Shares issued as consideration of equity settled transactions	3,440	–	–	–	–	3,440
Cost of share-based payments	–	–	971	–	–	971
Buyback of shares	(1,063)	–	–	–	–	(1,063)
Dividends	–	(14,053)	–	–	–	(14,053)
At 30 June 2009	305,643	13,886	2,028	–	–	321,557

Parent Entity

	ISSUED CAPITAL \$'000	ACCUM- ULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	NET UNREALISED GAINS RESERVE \$'000	TOTAL \$'000
At 1 July 2007	187,499	(15,576)	624	–	–	172,547
Profit for the period attributable to members of the parent entity	–	32,968	–	–	–	32,968
Total income and expense for the period	–	32,968	–	–	–	32,968
Shares issued as consideration of equity settled transactions	10,636	–	–	–	–	10,636
Cost of share-based payments	–	–	433	–	–	433
Buyback of shares	(1,566)	–	–	–	–	(1,566)
Dividends	–	(22,398)	–	–	–	(22,398)
At 30 June 2008	196,569	(5,006)	1,057	–	–	192,620

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		306,824	323,089	376	379
Payments to suppliers and employees (inclusive of GST)		(228,454)	(264,477)	(1,224)	(1,258)
Interest received		801	1,044	469	706
Borrowing costs paid		(20,482)	(18,417)	(16,958)	(15,599)
Income tax paid		(15,984)	(17,204)	(14,195)	(13,312)
Net cash flows from/(used in) operating activities	9(a)	42,705	24,035	(31,532)	(29,084)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		349	77	-	-
Purchase of property, plant and equipment		(14,166)	(7,181)	-	-
Proceeds from sale of business operations		-	21,005	-	-
Proceeds from sale of available-for-sale financial assets		433	3,724	-	-
Refund of escrow payments for purchase of radio businesses in prior years		662	-	-	-
Purchase of controlled entities		(11,317)	(23,917)	(3,500)	-
Purchase of associates		-	(19,127)	-	-
Purchase of business assets and intangibles		-	(3,607)	-	-
Purchase of available-for-sale financial assets		(708)	(14,814)	-	-
Loan Funds (to)/from related entities		(9,077)	(8,503)	-	-
Funds transferred from/(to) controlled entities		-	-	41,502	7,903
Net cash flows from/(used in) investing activities		(34,324)	(52,343)	38,002	7,903
Cash flows from financing activities					
Proceeds from issues of share options		-	1	-	1
Proceeds from issues of ordinary shares		110,092	-	110,092	-
Costs of issue of ordinary shares		(4,850)	-	(4,850)	-
Payments for the share buy back		(1,063)	(1,566)	(1,063)	(1,566)
Proceeds from borrowings		40,868	45,000	29,000	45,000
Finance lease liability payments		(7,550)	(2,262)	-	-
Repayments of borrowings		(119,126)	(16,719)	(115,749)	-
Payments to terminate interest rate swap		(9,831)	-	(9,831)	-
Dividends paid		(14,053)	(22,398)	(14,053)	(22,398)
Net cash flows from/(used in) financing activities		(5,513)	2,056	(6,454)	21,037
Net increase/(decrease) in cash and cash equivalents		2,868	(26,252)	16	(144)
Cash and cash equivalents at beginning of period		4,010	31,896	31	175
Net foreign exchange differences		(209)	(1,634)	-	-
Cash and cash equivalents at end of Period	9	6,669	4,010	47	31

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

1 CORPORATE INFORMATION

The financial report of Prime Media Group Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 29 September 2009.

Prime Media Group Limited is a 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the

Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements from the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for derivative financial instruments, land and buildings, available-for-sale investments, and investments in associates that have been measured at fair value.

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 98/0100. The Company is an entity to which the class order applies.

(b) Statement of compliance with IFRS

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations

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 ended 30 June 2009. These are outlined in the table below.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to other Australian Accounting Standards	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	The Interpretation is unlikely to have any impact on the Group as it has not previously made or have any plans for future distributions in other forms than cash or shares.	1 July 2010
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'. Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	The Interpretation is unlikely to have any impact on the Group as it has not previously received assets from its customers other than cash settlements for services provided.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact on the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.	1 January 2009	Refer to AASB 8.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. The current executive option scheme has been suspended and the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are unlikely to have any impact on the Group as it has not issued any puttable financial instruments that would be subject to these amendments. The Group has not yet determined the extent of impact, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group has not yet assessed the impact of adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on the goodwill, nor will it give rise to a gain or loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Refer to AASB 2008-5 above.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e. parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	These amendments currently do not have any application to the Group as it does not currently apply hedge accounting.	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: <ul style="list-style-type: none"> » quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); » inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and » inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). <p>These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it is likely to increase the information disclosed.	1 July 2009

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The amendments pertaining to IFRS 5, 8, IAS 1, 7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).</p>	1 July 2009	These amendments are not expected to have any significant impacts on disclosures or amounts disclosed in the Group's financial statements.	1 July 2009
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined.</p> <p>These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).</p>	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010
AASB 2009-Y	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	<p>These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.</p>	1 July 2009	These are editorial amendments and are not expected to have any significant impacts on disclosures or amounts disclosed in the Group's financial statements.	1 July 2009
Amendments to International Financial Reporting Standards*	Amendments to IFRS 2	<p>The amendments clarify the accounting for Group cash-settled share-based payment transactions, in particular:</p> <ul style="list-style-type: none"> » the scope of AASB 2; and » the interaction between IFRS 2 and other standards. <p>An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the Group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p> <p>A "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.</p>	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

*designates the beginning of the applicable annual reporting period unless otherwise stated

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Prime Media Group Limited (the parent company) and all entities that Prime Media Group Limited controlled from time to time during the year and at reporting date. Interests in associates are equity accounted and are not part of the consolidated Group (see note (n) below).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Prime Media Group Limited are accounted for at cost in the financial statements of the parent entity less any impairment charges.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition (see note (e)).

Minority interests not held by the Group are allocated their share of net profit or loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(e) Business combinations

During the current period the following companies were acquired by the Group:

- » Broadcast Rentals Pty Limited
- » zer01zer0 HD Pty Ltd
- » Prime Digital Media Pty Limited & its subsidiaries Fireback Digital Pty Limited and POP Digital Media Pty Limited
- » Prime National Radio Sales Pty Limited

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 plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as 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 valuation 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 minority 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 income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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 entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

OPERATING LEASE COMMITMENTS – GROUP AS LESSOR

The Group has entered into site sharing agreements on its transmission sites and equipment it owns. The Group has determined that it retains substantially all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

RECOVERY OF DEFERRED TAX ASSETS

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environment and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

IMPAIRMENT OF INVESTMENTS IN FINANCIAL ASSETS (INCLUDING ASSOCIATES)

The Group assesses impairment of investments in financial assets including associates at each reporting date in accordance with the measurement rules established in the accounting standards.

For financial assets determined to be associates, the Group assesses at each balance date the circumstances and conditions specific to that associate. These include operating performance, market and environmental factors. If management believes that an impairment trigger exists then the recoverable value of the investment in the associate is determined.

RENEWAL OF BROADCASTING LICENCES – REFER 2(I)

The Group's television and radio broadcasting licences consists of the right to broadcast television and radio services to specific market areas. These licences are issued by the relevant broadcasting authority for periods of five years. The ownership and renewal processes of these licences is such that in the absence of major breaches of licensing and broadcasting regulations, licence renewal is virtually guaranteed for the existing licence holders.

TAXATION

The Group's accounting policy for taxation requires management's judgment as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgment is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates 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 period are:

VALUATION OF INVESTMENTS

The Group has decided to classify investments in listed and unlisted securities as "available-for-sale" investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market.

IMPAIRMENT OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIVES

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 27.

FAIR VALUE OF FINANCIAL DERIVATIVES

The fair value of forward currency 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.

ESTIMATION OF USEFUL LIVES OF ASSETS

The estimation of the useful lives of assets has been based on historical experience as well as external evidence such as warranties, lease terms and general renewal policies of the Group. The condition of assets is assessed regularly, at least annually, and considered against the remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(h) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Prime Media Group Limited and its Australian subsidiaries is Australian dollars (A\$). Each overseas entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The financial statements of each foreign entity within the Group are translated to the Group's presentation currency of \$A (refer point ii and iii).

(ii) Transactions and balances

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

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 that are measured at fair value in a foreign currency are translated using the exchange rate as at the date when the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency

The functional currencies of the Group's overseas subsidiaries are as follows:

- » Prime Television New Zealand Limited, New Zealand dollars (NZ\$)
- » Prime Ventures New Zealand Limited, New Zealand dollars (NZ\$)
- » Producer Representatives Organization Inc, United States dollars (US\$)
- » Producer Representatives Organization International Inc., United States dollars (US\$)
- » Family Bloom Productions Inc, United States dollars (US\$)
- » OSB (NZ) Equipment Limited, New Zealand dollars (NZ\$)
- » On Site Broadcasting (NZ) Limited, New Zealand dollars (NZ\$)
- » Becker Entertainment (Singapore) Pte Ltd, Singapore dollars (S\$)
- » Prime Media Singapore Pte Ltd, Singapore dollars (S\$)

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Prime Media Group Limited at the rate of exchange ruling at the balance sheet date and the income statement is translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity.

The exchange differences arising on the translation of foreign currency denominated intercompany balances held by the parent entity are recognised in the income statement of the parent entity but on consolidation they 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 income statement.

(i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for impairment. Credit terms for advertisers, generally 30 – 45 days, may be extended based upon an assessment of the credit standing of each customer.

An allowance for impaired debts is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Objective evidence may be in the form of legal rulings and determinations, defaults on agreed payment plans, age of debtors etc.

(k) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the part is incurred. All other repairs and maintenance are recognised in the profit and loss as incurred.

Land and buildings are measured at cost less accumulated depreciation on buildings.

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold and leasehold land, over the estimated useful life of the assets as follows:

MAJOR DEPRECIATION PERIODS ARE:	2009	2008
Land:	Not depreciated	Not depreciated
Freehold buildings:	40 years	40 years
Leasehold improvements:	The lease term	The lease term
Plant and equipment:	3 to 15 years	3 to 15 years
Plant and equipment under lease:	5 to 15 years	5 to 15 years
Motor vehicles:	6 years	6 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The recoverable amount of 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.

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.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

Derecognition and disposal

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

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 asset) is included in profit or loss in the year the asset is derecognised.

(l) Goodwill and intangible assets

Goodwill

Goodwill acquired in a business combination 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 acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- » represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- » is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an 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 manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Goodwill and intangible assets (continued)

Television and Radio Broadcast Licences, acquired both separately and as part of a business combination

Intangible assets, television and radio licences, acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Television and Radio broadcast licences consist of the right to broadcast television and radio services to specific market areas. The licences are subject to renewal by the respective broadcasting authorities operating in Australia. The directors have no reason to believe the licences will not be renewed at the end of their legal terms and have not identified any factor that would affect their useful life. Therefore, the television and radio licences are deemed to have indefinite useful lives.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

	TELEVISION AND RADIO BROADCAST LICENCES
Useful lives	Indefinite
Method used	Not depreciated or revalued
Internally generated/ Acquired	Acquired
Impairment test/Recoverable amount testing	Annually and where an indicator of impairment exists.

Derecognition

Gains or losses arising from derecognition 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 income statement when the asset is derecognised.

(m) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets as appropriate. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

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

Recognition and Derecognition

All regular 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 have expired or been transferred.

(i) Financial assets at fair value through profit and loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(iii) Available-for-sale investments

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

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is 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.

(iv) Investments in controlled entities

Investments in controlled entities are recorded at cost.

(n) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(o) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually settled within 30 days of recognition.

(p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(q) Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions and employee leave benefits (continued)

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods 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.

(r) Share-based payment transactions

The Group provides benefits to its employees (including directors) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one scheme in place to provide these benefits:

- » The Prime Employee Share Option Plan, which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Prime Media Group Limited ('market conditions') if applicable.

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

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- (i) the grant date fair value of the award;

- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the affect of these conditions is included in the determination of fair value at grant date; and

- (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 7).

(s) 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.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

- (i) Group as a lessee

OPERATING LEASES

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

LEASEHOLD IMPROVEMENTS

The cost of improvements to or on leasehold property are capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

FINANCE LEASES

Finance leases, which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased property or, if lower, at present value of the minimum lease payments. Lease payments are allocated between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(ii) Group as a Lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(t) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent 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:

Advertising revenue

Broadcasting operations derive revenue primarily from the sale of advertising time, to local, regional and national advertisers. Revenue is recognised when the commercial advertisements are broadcast.

Commercial ad production revenue

Revenue is recognised at the time of invoicing the customers, which is on completion of the production.

Cinema exhibition revenue

Revenue from the exhibition of films was brought to account as it was received.

Film & television production revenue

Revenue from the production of films and television programs is recognised by reference to the stage of completion of a program or programs in progress at balance date or at the time of completion of the contract and billing to the customer.

Stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs of the program.

Sponsorship revenue

Revenue from sponsorships for the "Moonlight Cinema" business is brought to account after sponsorship agreements have been contracted and conditions for receipt of the income have been fulfilled.

Screen advertising revenue

Revenue from the sale of cinema screen advertising is brought to account after advertising agreements have been contracted and the commercial advertisements have been screened.

Rendering of services

Revenue from the provision of production facilities is brought to account after services have been rendered and the fee is receivable.

Commission revenue

Commission revenue is brought to account as it is received.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends

Dividends revenue is recognised when the Group's right to receive the payment is established.

Rental income

Rental income is derived from the sub-letting of the Group's property, plant and equipment. This rental is recognised on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives are recognised as an integral part of the total rental income.

(u) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be recovered and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders equity.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(v) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences:

- » except where the deferred 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; and
- » in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal on 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 taxable temporary differences, carried forward unused tax credits and unused tax losses except:

- » when 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 nor taxable profit or loss; or
- » when the deductible temporary difference is associated with investments in subsidiaries, associates or joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future tax profit will be available to allow the deferred tax asset to be recovered.

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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Prime Media Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Prime Media Group Limited is the head entity of the tax consolidated group. Members of the group 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 payment obligations. At the balance date, the possibility of default is remote.

Prime Media Group Limited formally notified the Australian Taxation Office of its adoption of the tax consolidation regime when it lodged its 30 June 2003 consolidated tax return.

Tax effect accounting by members of the 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 taxes to members of the tax consolidated group in accordance with their taxable income for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each half year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Prime Media Group Limited. In accordance with UIG 1052: *Tax Consolidation Accounting*, the Group has applied the "separate Taxpayer within group" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

(w) 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 balance sheet.

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

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

(x) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to manage its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to net profit or loss for the year.

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

(y) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- » the rights to receive cash flows from the asset have expired;
- » the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- » the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

Financial assets

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(z) Impairment of financial assets

The Group assesses at each balance sheet 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.

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 period, 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, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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, discounted at the current market rate of return for a similar financial asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators or impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

(bb) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(cc) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- » costs of servicing equity (other than dividends) and preference share dividends;
- » the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- » other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(dd) Non current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise receivables, payables, bank loans, bank overdrafts, available-for-sale investments, finance lease contracts, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading of financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Chief Executive Officer and Audit Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Risk exposures and responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations as well as derivative interest rate swap contracts. The level of debt is disclosed in note 18.

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

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash and cash equivalents	6,669	4,010	47	31
Derivatives	-	9,632	-	9,632
Unsecured related party loans	-	-	714,315	642,036
	6,669	13,642	714,362	651,699
Financial liabilities				
\$350 million Secured bank facility	(146,000)	(232,750)	(146,000)	(232,750)
Secured Bank Loans – Broadcast Production Services	(17,771)	(9,279)	-	-
Derivatives	(4,595)	-	(4,595)	-
Unsecured related party loans	-	-	(24,759)	(26,663)
	(168,366)	(242,029)	(175,354)	(259,413)
Net exposure	(161,697)	(228,387)	539,008	392,286

Interest rate swap contracts outlined in note 23, with a fair value of Consolidated liability \$4,595,000 (2008: Asset \$9,632,000), Parent liability \$4,595,000 (2008: Asset \$9,632,000), are exposed to fair value movements if interest rates change. All derivative financial instruments are stated at fair value with any gains or losses arising from changes in fair value being taken directly to the profit and loss for the year.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's policy is to keep at least 50% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2009, after taking into account the effect of interest rate swaps, approximately 58% of the Group's borrowings are at a fixed rate of interest (2008: 89%).

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:				
Consolidated				
+ 1% (100 basis points)	926	3,804	-	-
- 1% (100 basis points)	(926)	(3,804)	-	-
Parent				
+ 1% (100 basis points)	5,672	8,148	-	-
- 1% (100 basis points)	(5,672)	(8,148)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity is lower in 2009 than 2008 because of a reduction in outstanding borrowings that has occurred due to repayment of debt as a result of a capital raising during the current period.

Significant assumptions used in the interest rate sensitivity analysis include:

- » Reasonable movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australia and foreign countries, relationships with financial institutions, the level of debt that is expected to be renewed and economic forecaster's expectations.
- » The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next 12 months from balance date.

Foreign currency risk

The Group operates in three countries Australia, New Zealand and Singapore. The majority of transactions for the Group entities are made in the functional currency of the relevant entity.

From time to time the Group enters into transactions that give rise to currency exposure risks. Such currency exposures arise from purchases in currencies other than the Group's functional currency.

The Group reviews the transactional currency risks arising from significant foreign currency transactions and enters into appropriate forward currency agreements contracts to reduce currency risks.

The Group also has foreign currency translation risk where the operations of the foreign based subsidiaries are translated to the Group's reporting currency.

At 30 June 2009, the Group had the following exposure to NZ\$ foreign currency that is not designated in cash flow hedges:

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial Assets				
Trade and other receivables	-	-	-	1,318
Financial Liabilities				
Trade and other payables	-	-	(30,770)	(33,519)
Net exposure	-	-	(30,770)	(32,201)

As at balance date, the Group does not have any forward currency contracts (2008: Nil) designated as cash flow hedges that are subject to fair value movements through equity and profit and loss respectively as foreign exchange rates move.

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2009, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:				
Consolidated				
AUD/NZD +10%	-	-	-	-
AUD/NZD -10%	-	-	-	-
Parent				
AUD/NZD +10%	1,575	2,330	-	-
AUD/NZD -10%	(1,926)	(1,259)	-	-

As at 30 June 2009, apart from the foreign currency risks with the Group, the only foreign currency exposure relates to a USD payable due in July 2009. The Group has taken out a foreign currency option against this liability at a minimum AUD:USD exchange rate of 0.80. The movement in the value of the option is taken to the profit and loss.

The foreign currency exposures within the Group relate to the translation to the Group presentation currency of AUD. These translation differences are taken directly to equity.

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group maintains cash on deposit only with major Australian banks or similar in countries of operation. Excess cash reserves of foreign subsidiaries are used to repay intercompany borrowings. Limited cash reserves are held outside Australia.

There are no significant concentrations of credit risk within the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases.

The Group currently has funding through:

- » \$350 million Debenture Subscription Facility (2008: \$350 million), which is currently drawn to 42% capacity (2008: 67%)
- » \$17.7 million Multi Option facilities (2008: \$10.4 million) held by Broadcast Production Services Limited with the ANZ Banking Group Limited; and
- » Long Term finance lease contracts over specific items of plant and equipment.

It is the Group's policy that renegotiation of existing funding facilities are commenced at least six months prior to the maturity date of the existing facilities.

The Group's 97% owned subsidiary Broadcast Production Services Limited currently has two financing facilities that are due to expire in the next six months being:

- » \$6,195,282 (Balance drawn \$6,195,282) is due to expire 30 November 2009. The repayment of this facility will be made from the receipt of funds owing to the Group.
- » \$4,500,000 (Balance drawn \$4,500,000) expires 30 November 2009. Management anticipates that this facility will not be renewed. If this is the case, then the Group will require either a new equity issue or asset sales to enable this facility to be repaid.

Broadcast Production Services Limited intends to raise funds by way of fresh equity and/or assets sales until this happens the Prime Media Group has assured the Board of Broadcast Production Services Limited the continuation of funding support. This fund raising is intended to be completed prior to the expiry of the debt facilities due in November 2009.

At 30 June 2009, 7.8% of the Group's debt will mature in less than one year (2008: 3.8%).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as of 30 June 2009. For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
6 months or less	23,094	20,334	5,090	8,844
6–12 months	14,226	10,401	4,090	8,654
1–5 years	184,168	300,941	160,592	285,989
Over 5 years	10,009	11,159	–	–

Maturity analysis of financial assets and liability based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables). These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its worldwide business units that reflects expectations of the management of expected settlement of financial assets and liabilities.

YEAR ENDED 30 JUNE 2009	≤ 6 MONTHS \$'000	6-12 MONTHS \$'000	1-5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Consolidated					
Financial assets					
Cash and cash equivalents	6,669	-	-	-	6,669
Trade and other receivables	51,385	-	815	-	52,200
Derivatives – inflows	57	-	-	-	57
	58,111	-	815	-	58,926
Consolidated					
Financial liabilities					
Trade and other payables	(61,252)	-	(1,423)	-	(62,675)
Interest bearing loans and borrowings	(22,033)	(13,165)	(181,695)	(10,009)	(226,902)
Derivatives – outflows	(1,061)	(1,061)	(2,473)	-	(4,595)
	(84,346)	(14,226)	(185,591)	(10,009)	(294,172)
Net maturity	(26,235)	(14,226)	(184,776)	(10,009)	(235,246)

YEAR ENDED 30 JUNE 2009	≤ 6 MONTHS \$'000	6-12 MONTHS \$'000	1-5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Parent					
Financial assets					
Cash and cash equivalents	47	-	-	-	47
Trade and other receivables	255	-	692,326	-	692,581
Derivatives – inflows	57	-	-	-	57
	359	-	692,326	-	692,685
Parent					
Financial liabilities					
Trade and other payables	(630)	-	(363,837)	-	(364,467)
Interest bearing loans and borrowings	(4,030)	(3,029)	(158,118)	-	(165,177)
Derivatives – outflows	(1,061)	(1,061)	(2,473)	-	(4,595)
	(5,721)	(4,090)	(524,428)	-	(534,239)
Net maturity	(5,362)	(4,090)	167,898	-	158,446

At balance date, the Group has available approximately \$204 million of unused credit facilities available for its immediate use.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

4 INCOMES AND EXPENSES

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Incomes and Expenses from Continuing Operations				
(a) Incomes				
Media sales revenue	232,489	231,960	-	-
Broadcast and television production revenue	28,511	13,166	-	-
Film exhibition and distribution revenue	4,980	6,323	-	-
Dividend income	206	1	40,000	-
Finance income	801	5,994	33,896	64,725
Other revenue	12,676	12,829	380	3,821
	279,663	270,273	74,276	68,546
Breakdown of finance income:				
Interest received				
- other persons	801	1,180	469	782
- charged to controlled entities	-	-	33,427	59,129
Gain on fair value adjustment interest rate swaps	-	4,814	-	4,814
	801	5,994	33,896	64,725
Breakdown of other income:				
Government grants	4,730	5,100	-	-
Unrealised Foreign Exchange Gains	-	-	-	3,683
Production revenue	2,949	2,311	-	-
Representation services	1,806	2,004	-	-
Gain on disposal of property, plant and equipment	133	-	-	-
Rental income	1,587	2,320	-	-
Other revenues	1,471	1,094	380	138
	12,676	12,829	380	3,821
(b) Expenses				
Broadcasting and transmission expenses	122,783	113,506	-	-
Sales, marketing and administration expenses	114,687	88,091	2,917	2,462
Film exhibition and distribution expenses	4,543	4,070	-	-
Broadcast and television production expenses	23,672	9,636	-	-
Depreciation and amortisation expenses	15,298	12,763	1	1
	280,983	228,066	2,918	2,463

	NOTES	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Finance expenses					
Interest expense – other persons		19,032	16,930	15,366	15,776
Interest expense – controlled entities		–	–	2,562	2,658
Effective interest rate adjustments		(690)	382	(690)	382
Loss on fair value adjustment interest rate swaps		24,058	–	24,058	–
		42,400	17,312	41,296	18,816
(d) Specific expenses					
Bad and doubtful debts – trade debtors		457	39	–	–
Minimum lease payments – operating leases		17,451	17,405	–	–
Superannuation contributions		3,670	3,670	30	24
Share based payments expense	27	971	433	971	433
Realised foreign exchange Losses		79	–	–	606
Unrealised foreign exchange gains/(losses)		–	–	483	–
Fair value gain on foreign currency option		(57)	–	–	–
Impairment of television format rights	16	1,350	700	–	–
Impairment of investments in associated entities	12	9,001	24,000	–	–
Impairment of property, plant and equipment	15	2,129	–	–	–
Impairment of radio broadcast licences	16	17,761	–	–	–
Impairment of goodwill	16	7,385	–	–	–
Impairment of available-for-sale financial assets	14	1,414	–	–	–
Impairment of loans to related parties	12	2,000	–	–	–
Impairment of loans to associated entities		–	2,000	–	–
Income and Expenses from Discontinuing Operations					
(e) Incomes					
Sales revenue		–	23,840	–	–
Other income		–	5,421	–	–
		–	29,261	–	–
Breakdown of other income:					
Gain on disposal of film exhibition and distribution businesses		–	5,421	–	–
		–	5,421	–	–
(f) Expenses					
Film exhibition and distribution expenses		–	28,634	–	–
		–	28,634	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

5 INCOME TAX

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

(a) Income tax expense

The major components of income tax expense are:

Income Statement

Current income tax

Current income tax charge	6,190	14,624	958	11,765
Adjustments in respect of current income tax of previous years	(103)	518	(194)	(18)
Losses not recognised	955	–	–	–

Deferred income tax

Relating to origination and reversal of temporary differences	(10,151)	(7,739)	(3,647)	2,552
Foreign tax credits written off	672	–	–	–
DTA/DTL not recognised due to accumulated loss position of subsidiary	1,180	–	–	–

Income tax expense/(benefit) reported in the income statement	(1,257)	7,403	(2,883)	14,299
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(b) Amounts charged or credited directly to equity

Deferred income tax related to items charged or credited directly to equity

Capital raising costs deductible for tax	1,454	–	1,454	–
Impairment losses on available-for-sale investments transferred to income statement	(162)	–	–	–
Unrealised gains/(losses) on available-for-sale investments	–	(573)	–	–
	1,292	(573)	1,454	–

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate.				
Profit/(loss) before tax from continuing operations	(46,801)	21,308	30,062	47,267
Profit/(loss) before tax from discontinuing operations	-	627	-	-
Total accounting profit/(loss) before income tax	(46,801)	21,935	30,062	47,267
Prima facie tax (benefit)/expense on accounting profit at the Group's statutory rate of 30% (2008: 30%)	(14,040)	6,580	9,019	14,180
Foreign tax credits written off	672	-	-	-
Intra-group dividends	-	-	(12,000)	-
Capital Gain on sale of Dendy Film business	-	74	-	-
Non temporary differences	1,351	993	292	137
Impairment expense not deductible for tax	10,566	-	-	-
Current year tax losses not recognised	620	-	-	-
Tax losses utilised not previously recognised	-	(233)	-	-
Recognised previously unrecognised Deferred Tax Asset	-	(730)	-	-
Adjustments in respect of current income tax of previous years	(103)	518	(194)	(18)
Income not assessable for tax	(50)	-	-	-
DTA/DTL on timing differences not previously recognised now brought to account	(1,462)	-	-	-
DTA/DTL on timing differences not recognised	1,180	-	-	-
Foreign tax rate adjustment	9	201	-	-
Aggregate income tax (benefit)/expense	(1,257)	7,403	(2,883)	14,299
Income tax expense/(benefit) attributable to continuing operations	(1,257)	7,171	(2,883)	14,299
Income tax expense/(benefit) attributable to discontinuing operations	-	232	-	-
	(1,257)	7,403	(2,883)	14,299

	CONSOLIDATED				PRIME MEDIA GROUP LIMITED			
	2009 \$'000	2009 \$'000	2008 \$'000	2008 \$'000	2009 \$'000	2009 \$'000	2008 \$'000	2008 \$'000
	CURRENT INCOME TAX	DEFERRED INCOME TAX	CURRENT INCOME TAX	DEFERRED INCOME TAX	CURRENT INCOME TAX	DEFERRED INCOME TAX	CURRENT INCOME TAX	DEFERRED INCOME TAX
Recognised deferred tax assets and liabilities								
Opening balance	(5,360)	(634)	(6,270)	(9,525)	(4,466)	(3,582)	(4,476)	(1,030)
Charged to income	(5,338)	6,595	(16,294)	8,891	(922)	3,805	(11,747)	(2,552)
Charged to equity	-	1,292	-	-	-	1,454	-	-
Other payments	15,984	-	17,204	-	14,195	-	13,312	-
Transfers to/from Tax Group Entities	-	-	-	-	(3,566)	-	(1,555)	-
Acquisitions/Disposals	-	1,303	-	-	-	-	-	-
Closing balance	5,286	8,556	(5,360)	(634)	5,241	1,677	(4,466)	(3,582)
Tax expense/(benefit) in income statement		(1,257)		7,403		(2,883)		14,299
Amounts recognised in the balance sheet:								
Deferred tax asset		8,719		1,849		1,677		-
Deferred tax liability		(163)		(2,483)		-		(3,582)
		8,556		(634)		1,677		(3,582)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

5 INCOME TAX (CONTINUED)

BALANCE SHEET

	2009 \$'000	2008 \$'000
Recognised deferred tax assets and liabilities		
Deferred income tax as at 30 June relates to the following:		
Consolidated		
<i>Deferred tax liabilities</i>		
Accelerated depreciation for tax purposes	(448)	(1,451)
Leased assets	(1,278)	(2,813)
Prepaid expenses deductible for tax	(1,807)	(3,259)
Income not yet assessable for tax	(116)	(558)
Fair value of television licences on acquisition	(6,690)	(6,690)
Fair value of derivatives	–	(2,890)
	(10,339)	(17,661)
Set-off of deferred tax assets	10,176	15,178
	(163)	(2,483)
Consolidated		
<i>Deferred tax assets</i>		
Employee entitlements	1,880	1,647
Provisions	1,253	350
Expenses not yet deductible for tax	2,227	1,370
Lease liabilities	1,152	2,864
Difference between accounting and tax building write off	809	504
Fair value of derivatives	1,361	–
Impairments of investments	9,845	8,356
Fair value of available-for-sale investments	–	162
DTA not recognised due to uncertainty of recovery	(1,180)	–
Tax losses	1,548	1,774
	18,895	17,027
Set-off of deferred tax liabilities	(10,176)	(15,178)
	8,719	1,849

BALANCE SHEET

	2009 \$'000	2008 \$'000
Deferred income tax		
<i>Deferred income tax as at 30 June relates to the following:</i>		
Parent		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	2	2
Unrealised (gains)/losses not yet assessable for tax	(896)	(1,039)
Fair value of derivatives	-	(2,890)
	(894)	(3,927)
Set-off of deferred tax assets	894	345
	-	(3,582)
Parent		
<i>Deferred tax assets</i>		
Provisions	31	55
Accrued Expenses not yet deductible for tax	1,179	290
Fair value of derivatives	1,361	-
	2,571	345
Set-off of deferred tax liabilities	(894)	(345)
	1,677	-
Income tax losses		
(a) Deferred tax assets arising from tax losses of a controlled entity which at balance date are recognised as being highly probable of recovery. These losses relate to an entity outside the Australian Tax Consolidated Group that is making profits.	1,548	1,774
(b) Deferred tax assets arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as highly probable	23,687	21,553

Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangements

Effective 1 July 2002, for the purposes of income taxation, Prime Media Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Prime Media Group Limited is the head entity of the tax consolidated group. Members of the group 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 payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

5 INCOME TAX (CONTINUED)

(ii) Tax effect accounting by members of the consolidated group

MEASUREMENT METHOD ADOPTED UNDER UIG 1052 TAX CONSOLIDATION ACCOUNTING

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

NATURE OF THE TAX FUNDING AGREEMENT

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their taxable income for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each half year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Prime Media Group Limited. In accordance with UIG 1052: *Tax Consolidation Accounting*, the group has applied the "separate Taxpayer within group" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

	PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000
Prime Media Group Limited has recognised the following amounts as tax-consolidation contribution adjustments:		
Total increase/(reduction) to inter-company assets of Prime Media Group Limited	(3,566)	(1,990)

6 DISCONTINUED OPERATIONS

(a) Details of operations disposed and held for sale

2009

There have been no disposals of operating units during the current financial year.

2008

DISPOSAL OF DENDY FILM AND CINEMA OPERATIONS

On 22 February 2008, the Board of Directors of Broadcast Production Services Limited entered into a sale agreement to dispose of the Dendy Film Distribution and Exhibition businesses. The sale was completed on 30 April 2008, on which date control of the businesses passed to the acquirer.

The Gain on sale of the disposal group was \$5,421,000 and the trading loss for the period to 30 April 2008 for the disposal group was \$4,795,000 before tax.

ASSETS HELD FOR RESALE

Following on from the sale of Dendy Cinema one asset remained unsold and is still classified as being held for resale. The asset held for resale as at 30 June 2008 was:

Investment in associate – Kino Cinema \$NIL (2008: \$414,000).

(b) Financial performance of operations disposed and held for sale

	2009 \$'000	2008 \$'000
Revenue	-	23,840
Expenses	-	(28,634)
Net Profit/(loss) attributable to discontinued operations before tax	-	(4,794)
Income tax (expense)/benefit	-	1,774
Net profit/(loss) attributable to discontinued operations after tax	-	(3,020)
Gain on sale of discontinued operations	-	5,421
Income tax (expense)	-	(2,006)
Net profit/(loss) on sale of discontinued operations after income tax	-	3,415
Net profit/(loss) attributable to discontinued operations after tax	-	395
Minority interest in discontinued operations	-	192
Net profit/(loss) from discontinued operations attributable to members of parent entity	-	203
Earnings per share (cents per share)		
Basic from discontinued operations	-	0.01
Diluted from discontinued operations	-	0.01

(c) Assets and liabilities – held for sale operations

	2009 \$'000	2008 \$'000
Current assets		
Cash	-	-
Receivables	-	-
Inventories	-	-
Investments	-	-
Other	-	-
Total current assets	-	-
Non-current assets		
Receivables	-	-
Investments (equity accounted)	-	414
Inventories	-	-
Property, plant & equipment	-	-
Intangibles	-	-
Deferred tax assets	-	-
Total non-current assets	-	414
Total assets	-	414
Current liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Deferred tax liabilities	-	-
Provisions	-	-
Total current liabilities	-	-
Non-current liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Deferred tax liabilities	-	-
Provisions	-	-
Other	-	-
Total non-current liabilities	-	-
Total liabilities	-	-
Net assets held for sale	-	414

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

6 DISCONTINUED OPERATIONS (CONTINUED)

(d) Cash flow information – held for sale operations

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
Net cash inflow/(outflow) from operating activities	–	(5,588)
Net cash inflow/(outflow) from investing activities	315	21,005
Net cash inflow/(outflow) from financing activities	–	–
Net cash increase/(decrease) in cash generated by the discontinued division	315	15,417

(e) Assets and liabilities of disposed operations

	2009 \$'000	2008 \$'000
Assets		
Receivables	–	5,850
Inventories	–	4,918
Other	–	1,812
Property, Plant and Equipment	–	11,056
Total assets	–	23,636
Current Liabilities		
Payables	–	7,926
Provisions	–	126
Total liabilities	–	8,052
Net assets held for sale	–	15,584
Consideration received or receivable		
Cash	–	21,005
Less: Net assets disposed of	–	(15,584)
Gain on disposal before income tax	–	5,421
Income tax expense	–	(2,006)
Gain on disposal after income tax	–	3,415

7 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing 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 that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
(a) Earnings used in calculating earnings per share		
Profit attributable to ordinary equity holders of the parent from continuing operations	(44,435)	13,838
Profit attributable to ordinary equity holders of the parent from discontinuing operations	-	203
Net profit attributable to ordinary equity holders of the parent	(44,435)	14,041
Earnings used in calculating basic and diluted earnings per share	(44,435)	14,041

	NUMBER OF SHARES	NUMBER OF SHARES
	2009	2008
(b) Weighted average number of shares		
Weighted average number of ordinary shares used in calculating basic earnings per share:	181,129,271	127,562,529
Effect of dilution:		
Share options	-	1,698,822
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	181,129,271	129,261,351

(c) Information on the classification of securities

(i) Options

Options granted to employees (including KMP) as described in note 32 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

To calculate earnings per share amounts for the discontinuing operation, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figure used as the numerator:

	2009 \$'000	2008 \$'000
Net profit after tax from discontinuing operations (note 6):		
- for basic earnings per share	-	203
- for diluted earnings per share	-	203

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

7 EARNINGS PER SHARE (CONTINUED)

(d) Profit from continuing operations before significant items

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
Reported loss after tax from continuing operations (refer Income Statement)	(45,544)	14,137
Fair value change in derivatives	24,001	(4,814)
Impairment of acquired intangibles	1,350	700
Impairment of radio broadcasting licences	17,761	–
Impairment of property, plant and equipment	2,129	–
Impairment of available-for-sale financial assets	1,415	–
Impairment of goodwill	7,385	–
Loss on sale of investments	–	206
Early termination penalties on finance leases	803	–
Provision for staff redundancies	1,556	–
Employee Options written off	363	–
Radio Zinc launch expenses	250	–
Development costs expensed	–	353
Impairment on investment in associates	9,001	24,000
Impairment of related party receivable	2,000	–
destra administration costs	3,619	–
Impairment on loan to associate	–	2,000
Share of associates' losses	1,358	1,141
Income tax related to significant items	(9,940)	(6,734)
Tax penalties arising from under provision of prior year taxes by acquired entity	–	421
Profit after tax from continuing operations before significant items	17,507	31,410
Minority Interest	382	352
Net profit after tax before significant items attributable to members of Prime Media Group Limited	17,889	31,762

8 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Recognised amounts				
Declared and paid during the year				
(i) Current year interim				
Franked dividends (2.0 cents per share) (2008: 8.5 cents)				
– ordinary shares	2,581	10,887	2,581	10,887
(ii) Previous year final				
Franked dividends (9.0 cents per share) (2008: 9.0 cents)				
– ordinary shares	11,472	11,511	11,472	11,511
	14,053	22,398	14,053	22,398
(b) Unrecognised amounts				
(ii) Current year final				
Franked dividends (1.0 cents per share) (2008: 9.0 cents)				
– ordinary shares	3,584	11,477	3,584	11,477
(c) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
– franking account balance as at the end of the financial year at 30% (2008: 30%)			18,467	21,024
– franking credits that will arise from the payment of income tax payable as at the end of the financial year			(5,241)	6,375
– franking debits that will arise from the payment of dividends as at the end of the financial year			–	–
The amount of franking credits available for future reporting periods :			13,226	27,399
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period			1,536	4,919

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2008: 30%). Dividends proposed will be franked at the rate of 30% (2008: 30%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

9 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash balance comprises:				
Cash at bank and on hand	6,669	4,010	47	31
Closing cash balance	6,669	4,010	47	31
Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.				
At 30 June 2009 the Group had available \$204 million (2008: \$109 million) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met.				

(a) Reconciliation of the net profit after tax to the net cash flows from operations

Net (loss)/profit after income tax	(45,544)	14,532	32,945	32,968
Non-Cash Items				
Non cash interest income	-	-	(33,426)	(59,205)
Non cash interest expense	140	-	2,562	2,657
Depreciation and amortisation	15,298	13,015	1	1
Effective interest rate adjustments	(690)	559	(690)	559
Unrealised foreign exchange (gain)/loss	-	-	483	(3,077)
Provision for doubtful debts	457	123	-	-
Net (profit)/loss on disposal of property, plant and equipment	(133)	123	-	-
(Gain) on sale of Film and Cinema business	-	(5,421)	-	-
(Gain)/Loss on sale of financial asset	(17)	206	-	-
Net (gain)/loss MTM derivatives	24,001	(4,814)	24,001	(4,814)
Impairment of intangibles and goodwill	26,496	700	-	-
Impairment of property, plant & equipment	2,129	457	-	-
Impairment of related party receivables	2,000	-	-	-
Impairment of investments in associates	9,001	26,000	-	-
Share of losses of associates	3,081	3,587	-	-
Share based payments expense	971	433	971	433
Impairment of available-for-sale financial assets	1,414	-	-	-
Non cash intra-group dividend	-	-	(40,000)	-
Equity settled expenses	232	-	-	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	3,270	5,978	(4)	55
(Increase)/decrease in inventory	1,700	4,505	-	-
(Increase)/decrease in deferred tax assets	(4,113)	(8,147)	431	40
(Increase)/decrease in prepayments	(115)	(374)	167	194
(Decrease)/increase in creditors	16,561	(24,402)	(1,297)	(27)
(Decrease)/increase in group tax sharing	-	-	(3,566)	(1,363)
(Decrease)/increase in tax provision	(10,646)	(937)	(9,707)	(10)
(Decrease)/increase in deferred tax liability	(2,320)	(577)	(4,236)	2,484
(Decrease)/increase in employee entitlements	334	(1,511)	(167)	21
(Decrease)/increase in other provisions	(802)	-	-	-
Net cash flow from operating activities	42,705	24,035	(31,532)	(29,084)

10 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Trade receivables (i)	42,379	45,707	–	–
Allowance for impairment loss (ii)	(629)	(449)	–	–
	41,750	45,258	–	–
Other receivables	9,396	8,620	16	–
Related Party receivables				
– Loans to executives	239	311	239	311
	51,385	54,189	255	311

- (i) Trade receivables are carried at original invoice amount less an allowance for any uncollectible debts. Credit terms for advertisers, generally 30 – 45 days, are extended based upon an assessment of the credit standing of each customer.
- (ii) An allowance for impairment loss is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

(a) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Movement in the provision for impairment loss in relation to Trade Receivables was as follows:

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 July	449	224	–	–
Additions due to acquisitions	80	110	–	–
Charge for the year	457	123	–	–
Amounts written off	(357)	(8)	–	–
At 30 June	629	449	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	TOTAL	0-30 DAYS	31-60 DAYS	61-90 DAYS PDNI*	61-90 DAYS CI*	+91 DAYS PDNI*	+91 DAYS CI*
Consolidated							
2009	42,379	21,299	18,021	1,685	66	745	563
2008	45,707	23,650	18,631	1,028	45	1,949	404
Parent							
2009	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-

* Past due not impaired ('PDNI'), Considered impaired ('CI')

Receivables past due but not considered impaired incorporate those customers on payment plans or those with a good payment history for which we expect payment in the short term. For each client, credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

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

(b) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current				
Related party receivables				
- controlled entities	-	-	714,315	642,036
- related entities	48	-	-	-
- loan to executives	767	706	767	706
	815	706	715,082	642,742

Related parties receivables are interest bearing and have no fixed repayment terms. The directors of the parent entity review the interest rates applicable to these receivables on an annual basis, based on the prevailing cost of debt incurred by the parent entity.

All amounts are receivable in Australian dollars.

(a) Fair value and credit risk

The fair values of non-current receivables approximate their carrying value.

(b) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

(c) Credit risk

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables. No collateral is held as security.

11 OTHER ASSETS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Work in progress	17	17	-	-
Prepayments	2,914	2,530	44	10
	2,931	2,547	44	10
Non-current				
Prepayments	-	124	-	-

12 INVESTMENTS IN ASSOCIATES

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Investment details				
Unlisted				
Prime Digital Media Pty Limited ⁽¹⁾	-	2,265	-	-
Mildura Digital Television Pty Limited	204	204	-	-
Prime Digitalworks Pty Limited	4,095	1,717	-	-
destra Corporation Limited ⁽²⁾	-	9,001	-	-
Total Investments in Associates	4,299	13,187	-	-

(1) Prime Digital Media Pty Limited became a controlled entity on 24 November 2008.

(2) destra Corporation Limited was placed in administration and then receivership on 13 November 2008.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) The Consolidated Entity has a material interest in the following entities:

	OWNERSHIP INTEREST		CONTRIBUTION TO NET PROFIT	
	2009 %	2008 %	2009 \$'000	2008 \$'000
Unlisted				
Mildura Digital Television Limited	50%	50%	(300)	(379)
Prime Digital Media Pty Limited ⁽¹⁾	100%	20%	(1,358)	(199)
Prime Digitalworks Pty Limited	33%	33%	(1,423)	(1,854)
destra Corporation Limited ⁽²⁾	44%	44%	–	(1,141)
			(3,081)	(3,573)
Kino Cinemas Pty Limited (asset held for resale)	0%	50%	–	(14)
			(3,081)	(3,587)

(1) Share of associates losses for the period 1 July 2008 to 24 November 2008.

(2) The Group's investment in destra Corporation was impaired to Nil during the year. As such no further share of losses were taken up in the Group accounts.

(c) Movements in the carrying amount of the Group's investment in associates

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
At July 1	13,187	2,747
Transfer from available for sale financial assets ⁽¹⁾	–	7,330
Acquisition of investments ⁽²⁾	–	26,815
Loan funds advanced/(repaid) ⁽³⁾	4,100	5,868
Share of losses after income tax	(3,081)	(3,573)
Provision for impairment losses ⁽⁴⁾	(9,001)	(26,000)
Transfer to controlled entity ⁽⁵⁾	(906)	–
At June 30	4,299	13,187

(1) destra Corporation Limited was classified as an available-for-sale financial asset as at 30 June 2007 and up until significant influence was attained on 24 April 2008.

(2) Reflects cost of acquisition of shares in destra Corporation and Prime Digitalworks during current financial year.

(3) Reflects loan funds advanced to associates under either short-term loan arrangement or as per shareholder agreements. These are deemed to be part of the Investment in Associates for the purposes of equity accounting.

(4) destra Corporation was placed in administration and then receivership on 13 November 2008.

(5) Net equity value of investment in PDM prior to obtaining control on 24 November 2008.

(d) Impairment

Provision for impairment loss has been recognised to the extent as disclosed above.

(e) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associates:

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
Extracts from associates' balance sheets:		
Current assets	225	66,485
Non-current assets	733	30,370
	958	96,855
Current liabilities	(1,181)	(69,829)
Non-current liabilities	-	(1,048)
	(1,181)	(70,877)
Net assets	(223)	25,978
Share of the associates net assets accounted for using the equity method:		
Net Assets	(113)	9,615
Extracts from associates' income statements:		
Revenue	2,012	106,281
Net Profit/(loss)	(12,601)	(85,737)
Share of the associates profits or losses accounted for using the equity method:		
Profit/(loss) before income tax	(3,081)	(3,573)
Income tax expense	-	-
Profit/(loss) after income tax	(3,081)	(3,573)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

13 INVESTMENTS IN SUBSIDIARIES AND FINANCIAL ASSETS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current				
Investments at cost:				
Controlled entities (unlisted)	-	-	121,554	118,054
	-	-	121,554	118,054

Closed group class order disclosures

The consolidated financial statements include the financial statements of Prime Media Group Limited and the subsidiaries listed in the following table:

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2009 %	2008 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television Digital Media Pty Limited	Australia	100	100
Prime Television (Investments) Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Prime Radio (Cairns) Pty Limited	Australia	100	100
Prime Radio (Townsville) Pty Limited	Australia	100	100
Prime Radio (Barrier Reef) Pty Limited	Australia	100	100
Prime Radio (Rockhampton) Pty Limited	Australia	100	100
Prime Radio (Gladstone) Pty Limited	Australia	100	100
Prime Radio (Mackay) Pty Limited	Australia	100	100
Prime Radio (Holdings) Pty Limited	Australia	100	100
Prime Radio (Cairns-AM) Pty Limited	Australia	100	100
Prime Radio (Mackay-AM) Pty Limited	Australia	100	100
AMI Radio Pty Limited	Australia	100	100
Hot 91 Pty Limited	Australia	100	100
Prime Digital Media Pty Limited	Australia	100	20
Fireback Digital Pty Limited	Australia	100	20

Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to Prime Television (Holdings) Pty Limited, Prime Television (Southern) Pty Limited, Prime Television (Victoria) Pty Limited, Prime Television (Northern) Pty Limited, Golden West Network Pty Limited, Prime Television Investments Pty Limited, Prime Digital Media Pty Limited and Prime Radio (Holdings) Pty Limited from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Prime Media Group Limited (the "Closed Group") and its 100% owned Australian resident subsidiaries entered into a Deed of Cross Guarantee on 17 October 2006. The effect of the deed is that Prime Media Group Limited has guaranteed to pay any deficiency in the event of winding up of any of the controlled entities within the Closed Group. The controlled entities within the Closed Group have also given a similar guarantee in the event that Prime Media Group Limited is wound up.

The consolidated statement of financial performance and statement of financial position of the entities which are members of the "Closed Group" are as follows:

(1) Consolidated Statement of Financial Performance

	CLOSED GROUP	
	2009 \$'000	2008 \$'000
Operating (loss)/profit before income tax	(36,340)	19,892
Income tax benefit/(expense) attributable to operating (loss)/profit	1,874	(6,765)
Operating profit after tax	(34,466)	13,127
Retained profits at beginning of the financial year	3,698	12,963
Dividends provided for or paid	(14,053)	(22,398)
Retained profits at end of the financial period	(44,821)	3,692

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

13 INVESTMENTS IN SUBSIDIARIES AND FINANCIAL ASSETS (CONTINUED)

(2) Consolidated Statement of Financial Position

	CLOSED GROUP	
	2009 \$'000	2008 \$'000
Current assets		
Cash and cash equivalents	5,129	2,931
Trade and other receivables	43,492	50,019
Intangible assets	1,700	4,694
Prepayments	2,173	1,959
Current tax assets	5,241	–
Derivative financial instruments	57	9,632
Total current assets	57,792	69,235
Non-current assets		
Receivables	13,614	6,129
Investments in associates	4,299	13,187
Investments in available for sale financial assets	6	8
Other financial assets and subsidiaries	115,656	115,726
Property, plant and equipment	61,310	58,723
Intangible assets	251,327	256,653
Deferred tax assets	6,223	–
Total non-current assets	452,435	450,426
Total assets	510,227	519,661
Current liabilities		
Trade and other payables	55,923	35,383
Interest bearing loans and borrowings	350	793
Current tax liabilities	42	4,466
Provisions	3,349	2,100
Derivative financial instruments	4,595	–
Total current liabilities	64,259	42,742
Non-current liabilities		
Trade and other payables	29,752	27,797
Interest bearing loans and borrowings	150,772	245,067
Deferred income tax liabilities	–	2,904
Provisions	2,583	302
Total non-current liabilities	183,107	276,070
Total liabilities	247,366	318,812
Net assets	262,861	200,849
Equity		
Parent entity interest		
Contributed equity	305,643	196,569
Reserves	2,039	588
(Accumulated losses)/Retained profits	(44,821)	3,692
Total equity	262,861	200,849

14 INVESTMENTS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Investments at fair value:				
Available-for-sale financial assets:				
Shares in West Australian Newspapers Ltd (listed) (i)	1,078	1,952	–	–
Shares in uncontrolled entities (listed) (i)	3	5	–	–
Investments at cost:				
Shares in uncontrolled entities (unlisted) (ii)	3,133	3,133	3	3
	4,214	5,090	3	3

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(i) Listed shares

The fair value of the listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

There are no individually material investments.

(ii) Unlisted shares

Investments in shares of unlisted entities are carried at cost as fair value cannot be reliably measured. The financial instruments held are shares of an entity that has a small shareholder base and a relatively stable share register with few exchanges of shareholdings. Also the nature of the business is still in a fundamental start-up phase meaning establishing valuation parameters is difficult and could be subject to significant fluctuation and estimation error.

Management has reviewed the current trading performance and future projections of the entity. Based on these projections and other external factors likely to affect the ongoing performance of the entity management are of the belief that the carrying value of the investment is fair value. Based on the current expectations management believe the downturn in performance would have to be greater than 50% of current performance levels before impairment of the investment would occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

15 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Freehold land – at cost	1,142	1,142	–	–
Leasehold land – at cost ⁽ⁱ⁾	197	197	–	–
Total land	1,339	1,339	–	–
Buildings on freehold land – at cost	3,423	3,383	–	–
Less: Accumulated depreciation	(1,704)	(1,617)	–	–
	1,719	1,766	–	–
Buildings on leasehold land – at cost ⁽ⁱ⁾	10,271	10,257	–	–
Less: Accumulated amortisation	(2,588)	(2,320)	–	–
	7,683	7,937	–	–
Buildings on freehold land – at recoverable value	2,112	2,112	–	–
Less: Accumulated depreciation	(434)	(379)	–	–
	1,678	1,733	–	–
Total buildings	11,080	11,436	–	–
Leasehold Improvements – at cost	3,581	2,726	–	–
Less: Accumulated amortisation	(1,052)	(819)	–	–
	2,529	1,907	–	–
Plant and equipment – at cost	179,511	158,603	2,507	2,507
Less: Accumulated depreciation and impairment	(123,774)	(111,752)	(2,506)	(2,505)
	55,737	46,851	1	2
Plant and equipment under lease - at cost	25,409	22,486	–	–
Less: Accumulated amortisation	(2,660)	(1,592)	–	–
	22,749	20,894	–	–
Motor vehicles – at cost	205	126	–	–
Less: Accumulated depreciation	(55)	(83)	–	–
	150	43	–	–
Total written down amount	93,584	82,470	1	2

(i) Includes land located in the Australian Capital Territory, under the ACT legislation, the land has a 99-year lease period, and also includes Leasehold Strata Units located in Sydney, which are held under a 99-year lease.

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Reconciliations				
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.				
Freehold land				
Carrying amount at beginning	1,142	1,137	-	-
Additions	-	5	-	-
Disposals	-	-	-	-
	1,142	1,142	-	-
Leasehold land				
	197	197	-	-
	1,339	1,339	-	-
Buildings on freehold land				
Carrying amount at beginning	3,499	3,502	-	-
Additions	43	136	-	-
Disposals	(3)	-	-	-
Depreciation expense	(142)	(139)	-	-
	3,397	3,499	-	-
Buildings on leasehold land				
Carrying amount at beginning	7,937	8,183	-	-
Additions	14	21	-	-
Disposals	-	-	-	-
Depreciation expense	(268)	(267)	-	-
	7,683	7,937	-	-
Total Buildings	11,080	11,436	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Leasehold Improvements				
Carrying amount at beginning	1,907	814	-	-
Additions	892	1,261	-	-
Disposals	(27)	-	-	-
Depreciation expense	(243)	(168)	-	-
	2,529	1,907	-	-
Plant and equipment				
Carrying amount at beginning	46,851	49,665	2	3
Additions	18,779	8,746	-	-
Reclassification of assets upon payout of finance lease	4,839	-	-	-
Disposals	(190)	(201)	-	-
Depreciation expense	(12,030)	(11,231)	(1)	(1)
Impairment expense ⁽¹⁾	(2,129)	-	-	-
Reclassification of assets previously held for sale ⁽²⁾	-	69	-	-
Foreign currency movements	(383)	(197)	-	-
	55,737	46,851	1	2
Plant and equipment under lease				
Carrying amount at beginning	20,894	7,835	-	-
Additions	8,863	14,086	-	-
Disposals	(20)	(94)	-	-
Reclassification of assets upon payout of finance lease	(4,839)	-	-	-
Amortisation expense	(2,576)	(933)	-	-
Foreign currency movements	427	-	-	-
	22,749	20,894	-	-
Total Plant and equipment	79,017	67,745	1	2
Motor Vehicles				
Carrying amount at beginning	43	40	-	-
Additions	158	43	-	-
Disposals	(12)	(14)	-	-
Depreciation expense	(39)	(26)	-	-
	150	43	-	-

(1) During the current year management became aware of the increasing demand from customers for High Definition Broadcasts at the expense of Standard Definition Broadcasts. As a result of this change in demand, management reviewed the future income projections in relation to use of its standard definition broadcast equipment. This review gave rise to an impairment event in relation to the standard definition broadcast equipment held in both Australia and New Zealand. The recoverable value determined were set at fair value less cost to sell these assets. The fair value less costs to sell was based on an independent valuation and the all the assets relate to the Broadcast Production Services Limited segment.

(2) These assets relate to the Moonlight Cinema business that was classified as held for sale at 30 June 2007, but was reclassified during the year ended 30 June 2008.

(b) Assets pledged as security

All plant and equipment under lease is pledged as security for the associated lease liabilities.

16 GOODWILL AND INTANGIBLE ASSETS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Program rights				
At cost	1,700	4,694	-	-
	1,700	4,694	-	-
Non-current				
Goodwill on acquisition	42,073	28,126	-	-
Broadcast licences and associated rights				
At cost	232,339	251,002	-	-
Programrights				
At cost	3,950	5,650	-	-
Television format rights				
At fair value	440	1,790	-	-
	278,802	286,568	-	-
Refer Accounting Policy, Note 2 (l)				
Reconciliations				
Goodwill on Acquisition				
Carrying amount at beginning	28,126	21,978	-	-
Additions ⁽¹⁾	21,289	3,257	-	-
Assets previously classified as held for sale	-	3,000	-	-
Variation on translation of foreign entity accounts	43	(109)	-	-
Impairment losses	(7,385)	-	-	-
	42,073	28,126	-	-

(1) Of the total goodwill additions, \$3,500,000 has arisen from the acquisition of the minority interest held in Seven Affiliate Sales Pty Limited, the balance was acquired by way of Business Combinations, refer note 22.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

16 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Broadcast licences				
Carrying amount at beginning	251,002	217,798	-	-
Additions	-	33,204	-	-
Disposals	-	-	-	-
Adjustment to purchase consideration ⁽¹⁾	(902)	-	-	-
Impairment losses	(17,761)	-	-	-
	232,339	251,002	-	-
Program Rights				
Carrying amount at beginning	5,650	7,850	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation expense	(1,700)	(2,200)	-	-
	3,950	5,650	-	-
Television Format Rights				
Carrying amount at beginning	1,790	-	-	-
Additions	-	2,490	-	-
Disposals	-	-	-	-
Impairment charge	(1,350)	(700)	-	-
	440	1,790	-	-
	278,802	286,568	-	-

(1) During the current period the Group received a refund of purchase consideration held in escrow from the Elmie Acquisition undertaken during period ended 30 June 2008. This refund arose as certain performance conditions were not achieved in the 12 months following acquisition. The escrow refund was \$662,000.

During the current year shares that were issued as part of equity settled transaction costs for the acquisition of AMI Radio in August 2007 were issued at a market price lower than estimated at the date of acquisition. This revaluation reduced the purchase price of the acquisition by \$240,000.

(a) Description of the Group's intangible assets and goodwill

(i) Broadcast Licences

Television and Radio broadcast licences consist of the right to broadcast television and radio services to specific market areas. The licences are subject to renewal by broadcasting authorities in Australia. The directors have no reason to believe the licences will not be renewed at the end of their current legal terms.

(ii) Program Rights

Represents the purchase of rights to broadcast certain programs at some time in the future. These program rights are amortised to the profit and loss over the term of the contract to which the rights relate. The carrying value of the rights is cost less accumulated amortisation and impairment losses.

(iii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at costs less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is indication of impairment.

(iv) Television Format Rights

Represents the rights to produce television programs using certain programming formats and titles in the future. The Group contracts with television networks to program these formats for which they pay a fee. The carrying value of the rights is cost less accumulated amortisation and impairment losses.

(b) Details of acquired goodwill

Goodwill arising from purchase of 25% minority interest in Seven Affiliate Sales Pty Limited

On 26 June 2009, the Group acquired the final 25% minority interest in the controlled entity, Seven Affiliate Sales Pty Limited, for the total consideration of \$3,500,000. The acquisition of the minority stake has given rise to dissolving of the shareholders agreement which limited the representation activities of the company to the television operations of the two shareholders. Following the dissolving of the shareholders agreement the company is now free to exploit its considerable market knowledge and standing to represent not only other forms of media within the Prime Group (excluding radio) but also provide representation services to a broader media client base with whom the company has well established relationships. The goodwill acquired represents the synergies of being able to utilise existing resources to enhance the business representation revenues and improved cost efficiencies with the business moving forward.

Seven Affiliate Sales Pty Limited has always operated within the Visual Broadcasting CGU and will continue to do so as a large proportion of the increased earning opportunities are from continuing diversification of the various visual broadcasting mediums that will drive the growth of revenue opportunities for the company.

(c) Impairment testing of goodwill and intangible assets with indefinite lives

Broadcast licences acquired through business combinations have been allocated to two cash-generating units for impairment testing as follows:

- » Visual broadcasting unit; and
- » Radio broadcasting unit.

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing as follows:

- » Visual broadcasting unit;
- » Radio broadcasting unit;
- » Moonlight Cinemas; and
- » On Site Broadcasting.

Visual Broadcasting Unit

On an annual basis management undertakes an assessment of the carrying value of its visual broadcasting units intangible assets, which consist of both television broadcast licences and goodwill, to test for impairment. On an annual basis management undertakes a value in use analysis. Senior management prepares financial forecasts for five year periods, these projections are reviewed annually for changes to operational and market conditions on which the most recent independent valuation was based. The long term forecasts are generated using growth rates of between 3 and 4%.

The discount rate applied to the cash flow projections is 9.97% (12.33% pre tax). The DCF valuation of the intangibles assets gives a recoverable amount in excess of the current carrying value.

On a bi-annual basis the Group engages an independent valuer to assess the recoverable amount of its television and radio broadcast licences. The most recent valuation was undertaken in November 2008. This valuation supported the carrying values of the visual broadcasting units intangible assets.

Radio Broadcasting Unit

The Radio Broadcasting Licences were purchased as part of business acquisitions on 1 September 2005, 1 February 2007 and 20 August 2007. The radio broadcast licences are deemed to be foundation assets without which the radio business could not operate. Therefore on this basis 100% of the value of intangible assets acquired are attributed to the broadcast licences.

On an annual basis management undertakes a value in use analysis. Senior management prepares financial forecast for the radio broadcasting unit for up to eight years. This longer period is used as the assets within this unit are at varying stages of maturity within their markets and growth potential differs across different market areas. Management believe that the eight year period is a good representation of the time before all market areas could be considered mature and growth will be relatively consistent across all markets. The average growth rates for the business unit average approximately 5%. Long term growth rates for the markets in which this business unit operates is forecast at 4%. A discount rate of 10.97% (13.4% pre tax) was applied to the projected cash flows.

The DCF valuation based on the above assumptions has given rise to an impairment of the radio licences during the current year. During the current financial period the Group impaired its radio broadcast licence values by \$17,761,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

16 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

Moonlight Cinemas

The business derives its revenues from two sources being attendance and sponsorship.

Senior management prepares financial forecast for this CGU for periods up to 5 years. The major variable factor in this business is the weather. The average revenue growth rates used for this business unit are approximately 3%. The cost base is reasonably constant with the major variable costs relating to film hires which are based on attendance figures.

Due to the relatively low barriers to entry for a business of this nature, management do not project a long term growth rate in perpetuity but use a multiple of EBITDA when calculating the terminal value in use of the business. These cash flow projections are then discounted using a discount rate of 9.97% (pre-tax 15.8%).

The DCF valuation based on the above assumptions gives rise to a recoverable value that is less than the current carrying value of the business, therefore the Group has recognised an impairment of the goodwill by \$905,000.

On Site Broadcasting CGU

The On Site Broadcasting CGU operates in Australia and New Zealand.

The operations in both Australia and New Zealand are primarily based around long-term contracts with customers who are seen to be of low counterparty risk.

Due to the nature of the contracts and equipment involved in this CGU senior management prepares financial forecasts for periods up to eight years. Contracted revenues for the next four years are reasonably visible and the revenue growth rates after year four are set at approximately 3% pa. The cost base of these businesses is a factor of revenues generated which gives the opportunity for good EBITDA growth through improved utilisation of the broadcasting resources. Due to the contractual nature of the work and the technology changes in this industry, management do not use long term perpetual growth cash flows in assessing the value in use of the business unit. Management determines the terminal value based on EBITDA multiple of seven times which is reflective of the life cycle of the current technologies to determine its terminal cash flows. A discount rate of 9.97% (pre-tax 14.6%) was applied to the projected cash flows.

The DCF valuation based on the above assumptions produces a recoverable value less than the current carrying value and as such the Group is reflecting an impairment charge of \$5,363,000 in relation to the goodwill of this business unit.

Television Format Rights

Senior management regularly reviews the value-in-use of its inventory of television format rights as part of the general evaluation of the television production operations. Management prepares forecasts and plans of how the format rights are to be exploited for periods of up to 2 years into the future. As these format rights are sold on multi use contract rates set at the date of contract signing the future forecasts do not factor in any long term rate increases. Management has applied a pre-tax discount rate of 16% to the future cash flows due to the nature of this business.

Management whilst not having had an opportunity to fully exploit the format rights has prepared a preliminary assessment which indicated that the recoverable value of these was lower than the current carrying value and have taken an impairment charge of \$1,350,000 against these format rights.

Sensitivity of Assumptions

Television and radio broadcasting are largely fixed costs businesses, and variations in performance from time to time largely stem from the impact of revenue changes. The entity has sophisticated revenue tracking systems that allow management to track current and future revenues on a daily basis which allows actions to be taken to combat downward trends in revenues early.

Both television and radio broadcasting are closely regulated in Australia and as such new competitors can only enter the market space via the issue of new licences by the national government after extensive reviews. Audience habits tend to change relatively slowly, therefore so do viewing and listening shares, and as such advertising revenue shares can be budgeted with a reasonable degree of accuracy. The economic conditions are monitored closely for indicators that could influence the overall level of advertising spending to change significantly.

The most significant area of risk for the economic entity and its cash generating units are those that affect the broadcasting industry as a whole. These risks are monitored closely by management.

Visual Broadcasting

For the visual broadcasting CGU, the current recoverable value exceeds its current carrying value by approximately \$70 million. The implications of the key assumptions on the recoverable amount are discussed below:

- » Growth Rate Assumptions – The visual broadcasting unit is a long established business with growth rates having been in a constant range of around 4% over the long term. Based on the current assumptions if long term growth rates were to drop to 2% or lower over then this would potentially give rise to an impairment charge.
- » Discount Rate Assumptions – the discount rate used for assessing this CGU is 9.97%. Based on the current assumptions if the discount rate was to increase by more than 3% then this would give rise to an impairment charge.

Radio Broadcasting

The current valuation model for the radio CGU has given rise to an impairment charge of \$17,761,000, therefore any negative movements of the assumptions used in this valuation model will give rise to further impairment charges.

Moonlight Cinemas

For the Moonlight CGU, the current recoverable value equates to the current carrying value. The assumptions used in generating the cash flow projections for this unit are sensitive to a number of factors such as weather, new competitors that may affect the growth rates that could be achieved. Any negative changes in these assumptions will give rise to further impairment of Moonlight's goodwill.

On Site Broadcasting CGU

For the On Site Broadcasting business, the current recoverable value equates to the current carrying value. The assumptions used in generating the cash flow projections for this unit are sensitive to a number of factors affect the growth rates that are achieved. Any negative changes in the assumptions will give rise to further impairment of goodwill assets of the On Site Broadcasting unit.

Television Format Rights

Any adverse movement in the assumptions used to determine the fair value of the television format rights will give rise to further impairment.

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Carrying amount of Intangibles allocated to each of the cash generating units				
Television Broadcasting Licences	182,963	182,963	-	-
Radio Broadcasting Licences	49,376	68,039	-	-
Broadcast Licences	232,339	251,002	-	-
Moonlight Cinema	2,095	3,000	-	-
On Site Broadcasting	24,923	24,009	-	-
Prime Media Singapore	-	1,117	-	-
Radio broadcasting	175	-	-	-
Visual broadcasting	14,880	-	-	-
Goodwill on Acquisition	42,073	28,126	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

17 TRADE AND OTHER PAYABLES

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Trade payables ⁽ⁱ⁾	16,508	3,712	-	-
Accrued expenses	44,744	36,017	630	132
Vendor finance	-	708	-	-
	61,252	40,437	630	132

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

(a) Fair values

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current				
Accrued expenses	21	888	-	-
Vendor finance	1,402	-	-	-
Amounts other than trade debts payable to:				
- Controlled entities	-	-	369,798	333,405
	1,423	888	369,798	333,405

18 INTEREST-BEARING LOANS AND BORROWINGS

	MATURITY	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Obligations under finance lease contracts (note 24(e))	2010	2,049	1,697	-	-
Obligations under hire purchase agreements	2010	-	33	-	-
Secured bank loans – Broadcast Production Services Limited	2010	12,831	9,279	-	-
		14,880	11,009	-	-
Non-current					
Obligations under finance lease contracts (note 24(e))	2011 – 2021	20,384	19,392	-	-
Secured Debenture Subscription facility ⁽ⁱ⁾	2012	147,283	236,314	147,283	236,314
Secured bank loans – Broadcast Production Services Limited	2011	4,941	-	-	-
		172,608	255,706	147,283	236,314

(i) Terms and conditions

Prime Media Group Facility

This loan has been drawn down under a five year \$350 million Debenture Subscription Facility. The facility is secured by a charge over all Prime Borrower Group Assets. The Prime Borrower Group includes all 100% owned controlled entities in Australia and New Zealand. The interest rates applying to these facilities are floating. The rates are reset on a periodic basis determined by a periodic funding period election made by the Company. The floating rates are based on BBSY + margins, between 0.5% and 1.0%, applied to different portions of the funding debt.

The facility consists of two tranches of funding, Tranche A \$260 million matures in July 2012, and Tranche B \$90 million which matures in July 2009. The Group has the annual option of extending the expiry date of the Tranche B facility for a 12 month period. The Group has chosen not to extend the Tranche B facility beyond its current expiry date of 24 July 2009. As at year end there was \$1,000,000 drawn against this facility which will be repaid via a drawdown of funds against the remaining Tranche A facility.

The Tranche A facility which matures in July 2012 does not have any principal repayment requirements until maturity, and has been classified as long-term.

Broadcast Production Services Facility

The secured bank loan has been drawn under a Multi Option facility from the ANZ Banking Group ("ANZ"). The facility is secured by a charge over all the Broadcast Production Services Group assets. This group includes all 100% owned controlled entities in Australia and New Zealand of Broadcast Production Services Limited. The interest rates applying to these facilities are floating. These rates are reset on a monthly basis in accordance with the facility terms and conditions. The floating rates are based on BBSY + margins, between 1.0% and 1.5% depending on the size and of the funding portion.

Some portions of the facility are subject to monthly principal amortisation, which will total \$2,827,236 over the next financial year. The facility also has two funding lines totalling \$10.7 million that are due to expire in the next twelve months (refer note 3).

The facility is subject to an annual review which is due in November 2009 and the Board are not currently aware of any circumstances that would lead to the facilities not being renewed.

(a) Fair values

The carrying amount of the Group's current and non-current borrowings approximates their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 5.5% to 7.0% (2008: 6.5% to 7.2%), depending on the type of borrowing.

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in note 25. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors' estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors' estimate of amounts that will be payable by the Group.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in note 3.

(c) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

19 PROVISIONS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Restructuring	–	186	–	–
Long service leave	2,152	2,137	–	–
Directors' retiring provision	98	266	98	266
Onerous contracts	1,326	–	–	–
	3,576	2,589	98	266
Non-current				
Long service leave	411	357	–	–
Onerous contracts	2,215	–	–	–
	2,626	357	–	–

	ONEROUS CONTRACTS	REDUNDANCY PROVISION	LONG SERVICE LEAVE	DIRECTORS' RETIRING PROVISION	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
At 1 July 2008	–	186	2,494	266	2,946
Arising during the year	4,745	–	226	12	4,983
Utilised	(1,204)	(186)	(134)	(180)	(1,704)
Discount rate adjustment	–	–	(23)	–	(23)
At 30 June 2009	3,541	–	2,563	98	6,202
Current 2009	1,326	–	2,152	98	3,576
Non-current 2009	2,215	–	411	–	2,626
	3,541	–	2,563	98	6,202
Current 2008	–	186	2,137	266	2,589
Non-current 2008	–	–	357	–	357
	–	186	2,494	266	2,946
Parent					
At 1 July 2008	–	–	–	266	266
Arising during the year	–	–	–	12	12
Utilised	–	–	–	(180)	(180)
Discount rate adjustment	–	–	–	–	–
At 30 June 2009	–	–	–	98	98
Current 2009	–	–	–	98	98
Non-current 2009	–	–	–	–	–
	–	–	–	98	98
Current 2008	–	–	–	266	266
Non-current 2008	–	–	–	–	–
	–	–	–	266	266

(a) Nature and timing of the provisions

(i) Redundancy Provision

The Board of controlled entity, Broadcast Production Services Limited, had recognised a provision for redundancy in relation to restructuring within the Broadcast Production Services Group operations. These redundancies were settled in October 2008.

(ii) Long Service Leave

Refer to note 2(q) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

(iii) Directors' retiring provision

Refer to Remuneration Report. The Directors' Retiring provision was approved by shareholders in November 1997 and applies only to Mr Hamill.

(iv) Onerous Contracts Provision

During the year management of Prime Digital Media Pty Limited identified numerous unavoidable contractual obligations where the value of the obligation exceeded the likely economic benefit that will arise from these obligations. As a result management have raised a provision against these contracts. These contracts have lives of between two and five years to run.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

20 CONTRIBUTED EQUITY

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

(a) Issued and paid up capital

Ordinary shares fully paid				
358,422,021 shares (2008: 127,529,944 shares)	305,643	196,569	305,643	196,569

	2009		2008	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000

(b) Movements in shares on issue

Ordinary

Beginning of the financial year	127,529,944	196,569	124,997,225	187,499
Issued during the year				
– shares issued for the accelerated non-redeemable rights issue	229,359,311	106,697	–	–
– shares issued as consideration for equity settled transaction	1,984,963	3,440	3,082,584	10,636
Share buy-back	(452,197)	(1,063)	(549,865)	(1,566)
End of the financial year	358,422,021	305,643	127,529,944	196,569

On 1 May 2008, Prime Media Group Limited announced a share buy-back program commencing 19 May 2008, which enabled the company to make on-market purchases of ordinary shares. The share buy-back program remained open for 12 months until 19 May 2009.

On 24 March 2009, the Group announced its intention to raise up to \$110 million through the issue of shares to existing and new shareholders.

The equity raising comprised:

- » A 10 for 7 renounceable accelerated pro rata entitlement offer at an offer price of \$0.48 per new share; and
- » A placement of up to 45 million shares to Seven Network Limited at \$0.48 per new share.

The equity raising was fully subscribed resulting in the issue of 229,359,311 new Prime shares with net proceeds after costs of \$106,697,000.

(c) Share Options

Options over ordinary shares:

Employee share scheme

During the financial year, Nil (2008: 1,630,000) options were issued over ordinary shares.

During the financial year, 5,000 (2008: Nil) options lapsed, Nil (2008: 25,000) were forfeited and 2,845,000 (2008: Nil) options were surrendered by executives following the capital raising conducted by the Group.

At the end of the year there were Nil (2008: 2,875,000) un-issued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(e) Capital management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest costs of capital available to the entity.

The Board and management are constantly reviewing the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2009, the Company paid dividends of \$14,053,000 (2008: \$22,398,000). The Board's target for dividend payments is to pay at approximately 50-60% of the normalised earnings per share.

The Board and management monitor capital requirements with regard to its banking covenant requirements as well as comparative guidance to companies of similar size and nature of operations.

The key capital management measures that the Company reviews on an ongoing basis are:

	TARGET	AS AT BALANCE DATE
Debt/Debt + Equity	55% – 65%	46%
Debt to Normalised EBITDA	2.5 – 3.5	3.1
Interest Cover to Normalised EBITDA	> 3.5	3.4

The interest cover measures for the current year dropped below the Company's target but is still within the Group's banking covenant requirements. As the Group debt levels have reduced following the capital raising undertaken in April 2009, the Interest cover ratio is forecast to return within the Company's target range.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

21 RETAINED EARNINGS AND RESERVES

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net unrealised gains reserve	-	(378)	-	-
Foreign currency translation	(2,044)	(1,912)	-	-
Employee benefits equity reserve	2,028	1,057	2,028	1,057
	(16)	(1,233)	2,028	1,057
(Accumulated losses)/Retained profits	(108,941)	(50,453)	13,886	(5,006)

(a) Foreign currency translation

(i) Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled operations.

(ii) Movements in reserve

Balance at beginning of year	(1,912)	20	-	-
Gain/(Loss) on translation of overseas controlled entities	(132)	(1,932)	-	-
Balance at end of year	(2,044)	(1,912)	-	-

(b) Employee benefits equity reserve

(i) Nature and purpose of reserve

The employee benefits equity reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 27 for further details of these plans.

(ii) Movements in reserve

Balance at beginning of year	1,057	624	1,057	624
Share Based Payment	971	433	971	433
Balance at end of year	2,028	1,057	2,028	1,057

(c) Net unrealised gains reserve

(i) Nature and purpose of reserve

This reserve is used to record movements in the fair value of available-for-sale financial assets.

(ii) Movements in reserve

Balance at beginning of year	(378)	1,337	-	-
Movements in fair value of available-for-sale financial assets	-	(1,715)	-	-
Impairment of available-for-sale financial asset to income statement	378	-	-	-
Balance at end of year	-	(378)	-	-

(d) (Accumulated losses)/Retained profits

Balance at the beginning of year	(50,453)	(42,096)	(5,006)	(15,576)
Net profit attributable to members of Prime Media Group Limited	(44,435)	14,041	32,945	32,968
Total available for appropriation	(94,888)	(28,055)	27,939	17,392
Dividends provided for or paid	(14,053)	(22,398)	(14,053)	(22,398)
Balance at end of year	(108,941)	(50,453)	13,886	(5,006)

22 BUSINESS COMBINATIONS

Summary of Acquisitions

(a) Acquisition of Prime Digital Media Pty Limited and controlled entities

On 24 November 2008, Prime Television Digital Media Pty Limited ("Prime"), a controlled entity of Prime Media Group Limited, completed the acquisition of 100% of the shares in Prime Digital Media Pty Limited ("PDM").

This business operates a digital Out-of-Home broadcasting business selling advertising, content and managing third party networks.

This acquisition was completed in a number of steps. In September 2006, Prime acquired 19.9% of the shares in PDM. On 31 October 2008, Prime increased its ownership to 40% and then on 24 November 2008, Prime acquired the remaining 60% of the equity in PDM.

This business contributed revenues of \$1,625,000 from the acquisition date until the end of the current reporting period and a loss after tax of \$4,700,000. If the business had been held for the full reporting period it would have contributed revenues of \$2,800,000 and a loss after tax of \$10,442,700.

This business is being merged into television broadcasting to take advantage of synergies in network selling, content creation and distribution networks. The goodwill being acquired relates to the synergies of operating this business alongside the existing media broadcasting businesses taking advantages of the synergies that will arise as well as extending the existing relationships within the business.

As at the date of this report the acquisition accounting for the acquisition remains provisional and the purchase price allocation has not been finalised.

The provisional fair value and book value of the identifiable assets purchased are:

	CONSOLIDATED	
	CARRYING AMOUNT \$'000	RECOGNISED FAIR VALUE ON ACQUISITION \$'000
Cash	(74)	(74)
Receivables	829	829
Intangible assets – goodwill	120	–
Prepayments	105	105
Property, plant & equipment	4,600	4,600
Deferred tax assets	1,303	1,303
Trade payables	(914)	(914)
Provision for onerous contracts	(4,344)	(4,344)
Borrowings owing to Acquirer	(4,949)	(4,949)
Provision for employee benefits	(89)	(89)
Net Assets	(3,413)	(3,533)
Fair value of Net Assets Acquired (60%)		(2,120)
Total purchase consideration		6,940
Goodwill arising		9,060
Goodwill recognised in previous exchange transactions		2,320
Total Goodwill recognised		11,380

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

22 BUSINESS COMBINATIONS (CONTINUED)

2009
\$'000

(a) Acquisition of Prime Digital Media Pty Limited and controlled entities (continued)

The consideration for the acquisition is as follows:

Cash paid and direct costs relating to the acquisition (current period)	2,629
Shares issued as consideration at settlement date	2,270
Deferred settlement amounts – cash	983
Deferred settlement amounts – shares to be issued	1,058
Total Purchase Consideration	6,940

Fair value of Shares issued as consideration

The split of the consideration between cash and shares was determined in accordance with the Sale & Purchase Agreement which allowed the buyer to settle a set portion of the purchase consideration in Prime Media Group Limited shares. The number of shares issued to the vendors under this clause was determined based on the volume weighted average trading price of Prime Media Group shares prior to the completion date of the transaction which gave rise to the issue of 1,408,854 shares which were issued upon settlement and 575,180 shares at various future dates in accordance with the Sale and Purchase Agreement.

The fair value of the shares issued as consideration in this transaction has been determined as follows:

- » Shares issued at settlement were valued at the market price on the date of issue \$1.61; and
- » Shares included to be issued at a later date have been valued at the volume weighted average trading price for the 21 days prior to the deferred settlement date as per the Share Sale and Purchase Agreement. Upon final settlement and issue of these shares the purchase price will be adjusted to reflect the market value of the shares on the date of issue.

\$'000

The cash outflow on acquisition is as follows:

Cash paid and direct costs relating to the acquisition	(2,629)
Balances acquired	
Bank overdraft acquired	(74)
Net consolidated cash outflow in current year	(2,703)

(b) Acquisition of zer01zer0 HD Pty Limited and related business assets

On 21 August 2008, On Site Broadcasting Australia Pty Limited, a controlled entity of Broadcast Production Services Limited, completed the acquisition of all the shares in zer01zer0 HD Pty Limited and certain business assets of Dergat Pty Limited that together make up the outside broadcasting business "zer01zer0".

This business was merged with the operations of On Site Broadcasting Pty Limited upon acquisition. Therefore we are unable to determine the revenues or profit arising from this acquisition in isolation from the continuing operations of On Site Broadcasting Pty Limited. The goodwill acquired in this acquisition relates to the synergies of merging the operations of this business with those of the existing outside broadcasting business to exploit existing relationships in both sales and operational areas.

As at the date of this report the acquisition accounting for acquisition is final and the purchase price allocation has been completed.

The final fair value and book value of the identifiable assets purchased are:

	CONSOLIDATED	
	CARRYING AMOUNT \$'000	RECOGNISED FAIR VALUE ON ACQUISITION \$'000
Intangible assets	–	5,683
Property, plant and equipment	1,546	589
Net Assets	1,546	
Total Purchase Consideration		6,272

	2009 \$'000
The consideration for the acquisition is as follows:	
Total cost of acquisition	6,272
Deferred settlement amounts at fair value ⁽¹⁾	(1,302)
Net cash outflows in current period	4,970

(1) Deferred Settlement amounts are paid as fixed sums at various dates between July 2009 and August 2010. These deferred settlement amounts are interest free and will be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

22 BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of Broadcast Rentals Pty Limited

On 1 August 2008, On Site Broadcasting Australia Pty Limited, a controlled entity of Broadcast Production Services Limited, agreed to buy 100% of the shares in Broadcast Rentals Pty Limited. As at the date of acquisition the operations of Broadcast Rentals were merged with those of On Site Broadcasting Pty Limited.

The goodwill acquired in this business relates to the relationships acquired and the synergies arising from integrating this business with the existing outside broadcasting operations.

As at the date of this report the acquisition accounting for acquisition is final and the purchase price allocation has been completed.

The final fair value and book value of the identifiable assets purchased are:

	CONSOLIDATED	
	CARRYING AMOUNT \$'000	RECOGNISED FAIR VALUE ON ACQUISITION \$'000
Cash at bank and on hand	31	31
Trade and sundry debtors	155	155
Intangibles	132	209
Borrowings	(167)	(167)
Prepayments	40	40
Trade creditors	(66)	(66)
Employee entitlements	(201)	(201)
Net Assets	(76)	
Total Purchase Consideration		1
		2009 \$'000
The consideration for the acquisition is as follows:		
Cash paid and direct costs relating to the acquisition		(1)
Less: Cash balances acquired		31
Net cash inflows in current period		30

(d) Acquisition of Prime National Radio Sales Pty Limited

In December 2008, Prime Radio Holdings Pty Limited, a controlled entity, acquired an 80% share of the Brisbane office of the Radio Sales Network from Countrywide Media.

The goodwill acquired in this acquisition relates to operating synergies and relationships existing in this business with those within the radio division as a whole.

As at the date of this report the acquisition accounting for acquisition remains provisional and the purchase price allocation has not been finalised.

The provisional fair value and book value of the identifiable assets purchased are:

	CONSOLIDATED	
	CARRYING AMOUNT \$'000	RECOGNISED FAIR VALUE ON ACQUISITION \$'000
Intangibles – goodwill	–	175
Net Assets	–	
Total Purchase Consideration		175
		2009 \$'000
The consideration for the acquisition is as follows:		
Cash paid and direct costs relating to the acquisition		(175)
Less: Cash balances acquired		–
Net cash outflows in current period		(175)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

23 DERIVATIVES

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current Assets				
Currency option contract	57	–	57	–
Interest rate swap contracts	–	9,632	–	9,632
	57	9,632	57	9,632
Current Liabilities				
Interest rate swap contracts	(4,595)	–	(4,595)	–

(a) Interest rate swap agreements

At balance date, the Company had interest rate swap agreements with a notional amount of \$95 million, (2008: \$215 million) on which it pays either 6.38% or 6.39% interest and receives the Bank Bill Swap Rate. The swaps are used to protect part of the Borrowings from exposure to increasing interest rates. The swaps in place cover 58% (2008: 89%) of the borrowings outstanding at balance date. Swap agreements expire in July 2012 and October 2012. The interest rate swaps require settlement of net interest receivable or payable each 90 days. The swaps are measured at fair value and all gains and losses are taken to the profit and loss. The Group paid down swaps with a notional value of \$120 million during the year.

(b) Currency Option Contract

At balance date, the Company had a foreign currency option to purchase USD\$5,500,000 at an exchange rate of no worse than 0.80 on 15 July, 2009. This currency option was put in place in September 2008 to cover a series of four instalment payments to be made in relation to a purchase of capital equipment due for delivery in July 2009.

(i) Interest rate risk

Information regarding interest rate risk exposure is set out in note 3.

(ii) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management has established to share counterparty risks of contracts across numerous blue chip parties.

24 EXPENDITURE COMMITMENTS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:				
– not later than one year	10,954	638	–	–
(b) Lease expenditure commitments				
Group as lessee				
Operating leases (Continuing Operations):				
Minimum lease payments				
– not later than one year	10,587	7,051	–	–
– later than one year and not later than five years	32,678	19,901	–	–
– later than five years	18,942	22,752	–	–
Aggregate lease expenditure contracted for at reporting date	62,207	49,704	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

24 EXPENDITURE COMMITMENTS (CONTINUED)

Operating leases have an average lease term for Motor Vehicles 3 years, Building Rentals 3 years + 3 year options and Transmission Agreements 5-15 years. Motor Vehicle leases are fixed monthly rentals for the term of the lease. Building Rentals are generally fixed for the initial lease term, then subject to CPI adjustments if options are taken up. The majority of the transmission sites leases are rentals that are subject to annual CPI adjustment. There are no restrictions placed upon the lessee by entering into these leases.

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Lease expenditure commitments				
Group as lessor				
Certain assets owned and under operating leases with excess capacity have been sub-let to third parties				
Operating leases (non-cancellable):				
Minimum lease payments receivable				
– not later than one year	655	897	–	–
– later than one year and not later than five years	2,205	1,882	–	–
– later than five years	1,400	1,550	–	–
Aggregate lease income contracted for at reporting date	4,260	4,329	–	–
(d) Other commitments covering the rental of technical equipment under a long-term agreement				
– not later than one year	6,781	5,758	–	–
– later than one year and not later than five years	25,774	23,034	–	–
– later than five years	7,914	12,957	–	–
	40,469	41,749	–	–
(e) Finance Lease commitments				
– not later than one year	4,024	3,494	–	–
– later than one year and not later than five years	16,640	14,950	–	–
– later than five years	10,009	11,159	–	–
Total Minimum lease payments	30,673	29,603	–	–
– future finance charges	(8,240)	(8,481)	–	–
Lease Liability	22,433	21,122	–	–
– current liability	2,049	1,730	–	–
– non-current liability	20,384	19,392	–	–
	22,433	21,122	–	–
(f) Finance Lease commitments at present value				
– not later than one year	3,834	3,335	–	–
– later than one year and not later than five years	12,699	11,452	–	–
– later than five years	5,900	6,335	–	–
Present value of minimum lease payments	22,433	21,122	–	–

25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The details and estimated maximum amounts of contingent liabilities are set out below. The directors are not aware of any circumstance or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are provided in the accounts in respect of these matters.				
Indemnities				
A wholly owned subsidiary of the Company has assigned a lease of premises to a third party. The landlord is entitled to seek compensation from the subsidiary, and the Company as the guarantor of the subsidiary should the new lessee default during that period. The subsidiary and the Company are indemnified by a third party for any loss incurred as a result of the new lessee breaching the lease. This guarantee and indemnity concurrently expired in September 2008. Lease liabilities not reflected in the balance sheet are:	-	111	-	-
Litigation				
In 2005, Wastar International Pty Ltd (formerly Becker Films International Pty Ltd) ("WI") entered into an agreement with Marigold Production (Canada) Inc ("MPCI") under which WI was granted distribution rights for the film "Marigold" in North America (the "North American Distribution Agreement"). The North American Distribution Agreement required WI to pay a minimum guarantee of US\$2,000,000 by four instalments once the film had been delivered, but also included provisions which significantly limited the recourse that MPCI had against WI in the event that WI failed to pay some or all of the minimum guarantee. MPCI assigned its interest in the North American Distribution Agreement to the Royal Bank of Canada ("RBC") as part of the financing arrangements for the film. Due to the very poor performance of "Marigold" and other films represented by it, WI is unable to pay the minimum guarantee and has advised MPCI and RBC accordingly. RBC formally demanded payment of the US\$2,000,000 in December 2007 and had previously disputed whether the limited recourse provisions formed part of the North American Distribution Agreement. WI rejected the position taken by RBC as being totally unsupported by the facts and the documents executed by WI and MPCI. The matter remains unresolved.				
Liabilities not recognised in the balance sheet are:	2,357	2,357	-	-
	2,357	2,468	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

26 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	NOTES	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Employee benefits					
The aggregate employee benefit liability is comprised of:					
Accrued wages, salaries and on-costs					
Provisions (current)	19	2,250	2,589	98	266
Provisions (non-current)	19	411	357	-	-
		2,661	2,946	98	266

Superannuation benefits

A superannuation plan has been established by the economic entity for the provision of benefits to Australian employees of the economic entity on retirement, death or disability. Benefits provided under this plan are based on contributions for each employee and at retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life assurance companies. Employees contribute various percentages of their gross income and the Company also contributes at varying rates. The Company's contributions under the Superannuation Guarantee Levy are legally enforceable.

27 SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Expense arising from equity-settled share-based payment transactions	971	433	971	433

The share-based payment plan is described below. During the financial year, 5,000 (2008: Nil) options lapsed, Nil (2008: 25,000) were forfeited and 2,845,000 (2008: Nil) options were surrendered by executives of the Group.

(b) Employee Share Incentive Scheme

The economic entity has in place an Employee Share Option Scheme. At two Annual General Meetings (1992 and 1995), shareholders have given approval to the terms of the Prime Media Group Employee Share Option Scheme presented to the meetings. Participation in the Scheme is available to any Director of the parent entity and any person who is in the employment of the economic entity. Recommendations in respect of allocations of share options under the Scheme are made by the Remuneration Committee, for approval by the Board. The total number of Options on issue by the parent entity shall not at any time exceed five per cent (5%) of the parent entity's total number of ordinary shares on issue of which the total number of Options on issue by the parent entity to directors of the parent entity shall not exceed two point five per cent (2.5%) of the total number of ordinary shares on issue.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

	2009		2008	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$
Balance at beginning of year	2,850,000	3.50	1,245,000	3.31
– granted	–	–	1,630,000	3.65
– exercised	–	–	–	–
– lapsed	(5,000)	1.72	–	–
– surrendered and cancelled	(2,845,000)	3.50	–	–
– forfeited and cancelled	–	–	(25,000)	3.45
Balance at end of year	–	–	2,850,000	3.50
Exercisable at end of year	–	–	474,950	3.24

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

27 SHARE BASED PAYMENT PLANS (CONTINUED)

Options held as at the end of the reporting period:

There were no options held by employees as at 30 June 2009.

Option Pricing Model:

The Company uses the fair value measurement provisions of AASB 2 *Share Based Payments*. The fair value of such grants is amortised on a straight-line basis and included under employee benefits expense in the income statement is \$971,000 (2008: \$432,971). No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e. forfeitures). The current year expenditure includes additional amortisation arising from the cancellation of outstanding options surrendered by employees during the current year.

The fair value of each option granted during the year is estimated on the date of grant using a Binomial option-pricing model with the following weighted average assumptions.

	2009	2008
Dividend yield (%)	–	5.74
Expected volatility (%)	–	30.35
Historical volatility (%)	–	30.35
Risk-free interest rate (%)	–	6.38
Expected life of options (years)	–	4

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

28 EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events subsequent to balance date.

29 ECONOMIC DEPENDENCY

A large proportion of television programs of the economic entity are delivered by Amalgamated Television Services Pty Limited on behalf of the Seven Network ("the Network") in accordance with program purchasing arrangements ("the arrangements") in force until 2016. Prior to the execution of the arrangements, the economic entity had earlier agreements with the Network that ran from 1989 to 2006. These arrangements allow (but do not compel) the economic entity to broadcast all programs screened by the Seven Network, for a fee that is calculated by reference to the revenues earned by the economic entity within a particular licence area. The arrangements are typical of those in place between all regional television broadcasters and the metropolitan networks, and include provisions dealing with the delivery of programs, the rights of the economic entity to broadcast the programs, the procedure for extension of the arrangements, the Network's rights upon changes of control or insolvency of the economic entity, the formulae for calculation of payments and the procedures for resolution of disputes.

30 AUDITORS' REMUNERATION

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$	2008 \$	2009 \$	2008 \$
Amounts received or due and receivable by:				
Ernst & Young Australia for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	535,000	515,906	392,000	423,500
– other services in relation to the entity and any other entity in the consolidated entity	108,538	286,193	–	286,193
	643,538	802,099	392,000	709,693
Amounts received or due and receivable by auditors other than Ernst & Young Australia for:				
– an audit or review of the financial report of a subsidiary entity	–	–	–	–
– other services in relation to a subsidiary entity	–	–	–	–
	643,538	802,099	392,000	709,693

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

31 RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Prime Media Group Limited and the subsidiaries listed in the following table.

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2009 %	2008 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television New Zealand Limited	New Zealand	100	100
Prime Ventures New Zealand Limited	New Zealand	100	100
Prime Television Digital Media Pty Limited	Australia	100	100
Prime Television (Investments) Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Prime Radio (Cairns) Pty Limited	Australia	100	100
Prime Radio (Townsville) Pty Limited	Australia	100	100
Prime Radio (Barrier Reef) Pty Limited	Australia	100	100
Prime Radio (Rockhampton) Pty Limited	Australia	100	100
Prime Radio (Gladstone) Pty Limited	Australia	100	100
Prime Radio (Mackay) Pty Limited	Australia	100	100

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2009 %	2008 %
Prime Radio Holdings Pty Limited	Australia	100	100
Prime Radio (Cairns-AM) Pty Ltd	Australia	100	100
Prime Radio (Mackay-AM) Pty Ltd	Australia	100	100
Prime Media Communications Pty Limited	Australia	100	100
Prime New Media Investments Pty Limited	Australia	100	100
Prime Media Developments Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	100	75
Prime Media Broadcasting Services Pty Limited	Australia	100	100
Prime Media Singapore Pte Ltd	Singapore	100	100
Prime Media Group Services Pty Limited	Australia	100	100
AMI Radio Pty Limited	Australia	100	100
Hot 91 Pty Limited	Australia	100	100
Prime Digital Media Pty Limited	Australia	100	20
Fireback Digital Pty Limited	Australia	100	20
POP Digital Media Pty Limited	Australia	100	20
Prime National Radio Sales Pty Limited	Australia	80	–
Broadcast Production Services Limited ⁽¹⁾	Australia	77	76
Controlled entities of Broadcast Production Services Limited			
Production Strategies Pty Limited	Australia	77	76
Production Strategies Discretionary Trust	Australia	77	76
P.R.O. Television Unit Trust	Australia	77	76
Wastar Television (NZ) Limited ⁽²⁾	New Zealand	–	76
Producer Representatives Organization Inc.	USA	77	76
Producer Representatives Organization International Inc.	USA	77	76
Wastar International Pty Ltd	Australia	77	76
Screenworld Pty Limited	Australia	77	76

(1) The equity interest reflected for the controlled entities of Broadcast Production Services Limited is that of the members of the parent entity

(2) Dormant company that was dissolved during the current period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

31 RELATED PARTY DISCLOSURES (CONTINUED)

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2009 %	2008 %
Family Bloom Productions Inc	USA	77	76
OSB Holdings Pty Ltd	Australia	77	76
OSB Unit Trust	Australia	77	76
On Site Broadcasting Pty Limited	Australia	77	76
OSB Australia Pty Ltd	Australia	77	76
OSB (NZ) Equipment Limited	New Zealand	77	76
On Site Broadcasting (NZ) Limited	New Zealand	77	76
OSB Corporation Pty Limited	Australia	77	76
Becker Entertainment (Singapore) Pte Ltd	Singapore	77	76
On Corporation Pty Limited	Australia	77	76
Moonlight Premium Cinema Pty Limited	Australia	77	76
MMJT Productions Pty Limited	Australia	77	76
Moonlight Cinema Management Pty Limited	Australia	77	76
Moonlight Projects Pty Limited	Australia	77	76
Broadcast Rentals Pty Limited	Australia	77	-
zer01zer0 HD Pty Limited	Australia	77	-
Moonlight TV Pty Ltd formerly Claymore Film Investments Pty Ltd	Australia	-	76

Wholly owned group transactions

Sales made, revenue collected and payments disbursed, are under normal commercial terms and conditions. Interest and borrowing costs recoveries are assessed on outstanding balances between entities within the wholly owned group.

Key management personnel

Details relating to KMP, including remuneration paid, are included in the Remuneration Report and note 32.

Transactions with other related parties

Seven Affiliate Sales Pty Limited

On 26 June 2009, Prime Media Group Limited acquired the minority 25% interest held by Seven Queensland.

Seven Affiliate Sales sells national airtime on behalf of Prime Media Group Limited and Seven Queensland. Costs are reimbursed on the basis of percentage share of revenue. During the financial year Prime Media Group Limited paid approximately 78% of the operating expenses of Seven Affiliate Sales amounting to \$5,167,092 (2008: \$4,549,082).

As Seven Affiliate Sales is a controlled entity, all of the results of its operation have been consolidated into the Prime Media Group Limited financial statements.

Broadcast Production Services Limited and controlled entities

Prime Media Group Limited receives accommodation, legal and administrative support services from Broadcast Production Services Limited and its related entities. During the current period Broadcast Productions Services Limited received \$435,600 (2008: \$Nil) from Prime for these services.

Prime Media Group has provided the services of the CEO and accounting services to Broadcast Production Services Limited. During the current period the Group has paid \$200,000 (2008: \$Nil) for accounting services and \$168,000 (2008: \$280,000) for the CEO's services.

Prime Media Group Limited has provided the services of Mr Peter Evans and Mr Warwick Syphers as directors of the Broadcast Production Services Limited Group. For the provision of these services the Group paid Prime \$100,000 (2008: \$137,500). During the previous period the services of Mr Paul Ramsay were also provided as a director of Broadcast Production Services Limited for part of the period.

32 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

P. J. Ramsay	Chairman (non-executive)
M. S. Siddle	Deputy Chairman (non-executive)
P. J. Evans	Director (non-executive)
T. Jackman	Director (non-executive) – resigned 27 November 2008
A. Hamill	Director (non-executive)
P. Grier	Director (non-executive)
I. Neal	Director (non-executive)
W. Syphers	Director (Chief Executive Officer)

(ii) Executives

D. Edwards	Chief Executive Officer – Television
R. Gamble	Chief Executive Officer – Radio and Digital Media
R. Reeve	Group General Counsel and Company Secretary ⁽¹⁾
G. Smith	Chief Technology Officer and General Manager, Broadcast Production Services
P. Stubbings	Chief Financial Officer (appointed 15 December 2008)

(1) Mr Reeve has been employed by Broadcast Production Services Limited since 1996. During the current period Mr Reeve's services were utilised by the wider Prime Media Group Limited and as such is deemed to have become a Key Management person from 1 July 2008.

(2) Effective from 1 July 2008 the following executives no longer met the definition of Key Management Personnel - A. Butorac, A. Cooper and R. Howarth.

(b) Compensation of key management personnel

	CONSOLIDATED		PRIME MEDIA GROUP LIMITED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short-term employee benefits	3,541	3,455	616	520
Post-employment benefits	115	131	29	24
Long-term benefits	23	20	–	–
Termination benefits	330	150	180	–
Share-based payments	906	402	–	–
	4,915	4,158	825	544

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

32 DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

Prime Media Group Limited has applied the option under Corporations Amendments Regulations 2006 to transfer key management personnel remuneration disclosures required by AASB124 *Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report.

These transferred disclosures have been audited.

(c) Option holdings of key management personnel

2009	BALANCE AT BEGINNING OF PERIOD 1 JULY 2008	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 2009	TOTAL	VESTED AT 30 JUNE 2009	
							NOT EXERCISABLE	EXERCISABLE
Directors								
W. Syphers	1,505,000	-	-	(1,505,000)	-	-	-	-
Executives								
G. Smith	425,000	-	-	(425,000)	-	-	-	-
D. Edwards	750,000	-	-	(750,000)	-	-	-	-
Total	2,680,000	-	-	(2,680,000)	-	-	-	-

2008	BALANCE AT BEGINNING OF PERIOD 1 JULY 2007	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 2008	TOTAL	VESTED AT 30 JUNE 2009	
							NOT EXERCISABLE	EXERCISABLE
Directors								
W. Syphers	605,000	900,000	-	-	1,505,000	207,500	-	207,500
Executives								
G. Smith	225,000	200,000	-	-	425,000	99,750	-	99,750
D. Edwards	300,000	450,000	-	-	750,000	133,000	-	133,000
A. Butorac	20,000	-	-	-	20,000	6,600	-	6,600
A. Cooper	20,000	80,000	-	-	100,000	6,600	-	6,600
Total	1,170,000	1,630,000	-	-	2,800,000	453,450	-	453,450

(d) Shareholdings of key management personnel

SHARES HELD IN PRIME MEDIA GROUP LIMITED (NUMBER)	OPENING BALANCE ORD.	GRANTED AS REMUNERATION ORD.	ON EXERCISE OF OPTIONS ORD.	NET CHANGE OTHER ORD.	CLOSING BALANCE ORD.
2009					
Directors					
P. J. Ramsay	53,804,169	-	-	54,189,485	107,993,654
M. S. Siddle	415,210	-	-	568,872	984,082
P. J. Evans	5,000	-	-	19,286	24,286
W. Syphers	500	-	-	200,500	201,000
Executives					
D. Edwards	20,000	-	-	28,572	48,572
R. Gamble	-	98,551	-	-	98,551
P. Stubbings	-	-	-	43,073	43,073
Total	54,244,879	98,551	-	55,049,788	109,393,218

SHARES HELD IN PRIME MEDIA GROUP LIMITED (NUMBER)	OPENING BALANCE ORD.	GRANTED AS REMUNERATION ORD.	ON EXERCISE OF OPTIONS ORD.	NET CHANGE OTHER ORD.	CLOSING BALANCE ORD.
2008					
Directors					
P. J. Ramsay	51,262,780	-	-	2,541,389	53,804,169
M. S. Siddle	415,210	-	-	-	415,210
P. J. Evans	5,000	-	-	-	5,000
W. Syphers	500	-	-	-	500
Executives					
D. Edwards	20,000	-	-	-	20,000
Total	51,703,490	-	-	2,541,389	54,244,879

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

32 DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(e) Loans to key management personnel

(i) Details of aggregates of loans to specified directors and specified executives are as follows:

	BALANCE AT BEGINNING OF PERIOD \$'000	INTEREST CHARGED \$'000	LOAN BALANCE WAIVED \$'000	LOAN REPAYMENTS \$'000	BALANCE AT END OF PERIOD \$'000	INTEREST NOT CHARGED \$'000	NUMBER IN GROUP 30 JUNE 2007
2009	1,300	–	161	33	1,106	71	3
2008	1,450	–	150	–	1,300	107	3

(ii) Details of key management personnel with loans in the reporting period are as follows:

	(a)						
30 June 2009							
Directors							
W. Syphers	600	–	21	33	546	37	600
Executives							
D. Edwards	500	–	100	–	400	25	500
G. Smith	200	–	40	–	160	10	200
30 June 2008	(a)						
Directors							
W. Syphers	750	–	150	–	600	55	750
Executives							
D. Edwards	500	–	–	–	500	37	500
G. Smith	200	–	–	–	200	15	200

(a) Loan highest balance during the period.

(iii) Terms and Conditions of loans

The loans to executives are interest free and will be forgiven on the basis of continued services with the company. 20% of the original loan balance will be forgiven on 1 July of each year if the executive remains employed with the company at that date. If the executive terminates his employment during the five year period the balance of the loan at the date of termination is repayable by the executive on the date of termination. These loans are secured against property owned by the executives.

The executives have the option of making repayments during the course of the loan or having further amounts waived from these loan balances by taking reductions in salary or forgoing the payment of entitlements such as bonuses. Any loan amounts waived by the company are subject to FBT at the cost of the company.

(f) Other transactions and balances with Directors and Executives

There were no other transactions and balances with directors or specified executives other than those disclosed in this note during the year ended 30 June 2009.

33 SEGMENT INFORMATION – PRIMARY SEGMENT

Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies described in note 2. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

Business Segment

The consolidated entity is organised on a worldwide basis and comprises the following main business segments, based on the consolidated entity's management reporting system:

Visual Broadcasting: Includes television broadcasting through Prime and Golden West Network (GWN), and out-of-home digital media sales and creative production (through Prime Digital Media).

Radio Broadcasting: Includes radio stations operating in Queensland;

Broadcast Production Services: Includes businesses of Outside Broadcasting Services (primarily relating to coverage of sporting events in Australia and New Zealand), Television Production (domestic and international television program productions) and Moonlight Cinema (outdoor cinemas in Australia).

Corporate and other: Includes operations that relate to the group as a whole. The financial performance of the segments is detailed below:

YEAR ENDED 30 JUNE 2009	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS		TOTAL OPERATIONS \$'000
	VISUAL BROADCASTING \$'000	RADIO BROADCASTING \$'000	BROADCAST PRODUCTION SERVICES \$'000	CORPORATE AND OTHER \$'000	TOTAL CONTINUING \$'000	FILM EXHIBITION AND DISTRIBUTION \$'000	
Segment Revenues							
External sales and customers	211,432	18,444	33,454	892	264,222	–	264,222
Other income (excluding interest income)	8,868	1,096	427	4,249	14,640	–	14,640
Total segment revenue	220,300	19,540	33,881	5,141	278,862	–	278,862
Segment result (pre-significant items)	49,398	1,044	(1,538)	(22,714)	26,190	–	26,190
Significant Items	(2,008)	(18,053)	(3,148)	(49,782)	(72,991)	–	(72,991)
Net Profit/(Loss) before income tax	47,390	(17,009)	(4,686)	(72,496)	(46,801)	–	(46,801)
Income tax (expense)/benefit	(9,894)	230	(116)	11,037	1,257	–	1,257
Net Profit/(Loss) after tax	37,496	(16,779)	(4,802)	(61,459)	(45,544)	–	(45,544)
Minority interests							(1,109)
Net Profit after tax attributable to members of Prime Media Group Limited							(44,435)
Assets and liabilities							
Segment assets ⁽¹⁾	283,733	60,046	74,671	35,778	454,228	–	454,228
Investments in associates	204	–	–	4,095	4,299	–	4,299
Total assets	283,937	60,046	74,671	39,873	458,527	–	458,527
Segment liabilities ⁽¹⁾	(54,169)	(3,647)	(73,384)	(129,989)	(261,189)	–	(261,189)
Net assets	229,768	56,399	1,287	(90,116)	197,338	–	197,338
Other segment information							
Capital expenditure ⁽²⁾	9,156	1,859	8,622	748	20,385	–	20,385
Depreciation and amortisation	8,572	1,112	4,876	738	15,298	–	15,298
Impairment losses	–	17,761	2,979	11,533	32,273	–	32,273
Other non-cash expenses	231	24	202	25,112	25,569	–	25,569

(1) Excludes inter-segment receivables and payables

(2) To comply with the requirements of AASB 114.57, the Group has included the cost of segment assets acquired by way of business combinations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

33 SEGMENT INFORMATION – PRIMARY SEGMENT (CONTINUED)

YEAR ENDED 30 JUNE 2008	CONTINUING OPERATIONS				DISCONTINUED OPERATIONS		TOTAL OPERATIONS \$'000
	VISUAL BROADCASTING \$'000	RADIO BROADCASTING \$'000	BROADCAST PRODUCTION SERVICES \$'000	CORPORATE AND OTHER \$'000	TOTAL CONTINUING \$'000	FILM EXHIBITION AND DISTRIBUTION \$'000	
Segment Revenues							
External sales and customers	212,942	18,530	19,489	489	251,450	29,261	280,711
Other income (excluding interest income)	9,426	441	361	2,601	12,829	–	12,829
Total segment revenue	222,368	18,971	19,850	3,090	264,279	29,261	293,540
Segment result (pre-significant items)	63,481	1,923	2,905	(23,415)	44,894	627	45,520
Significant Items	–	–	(700)	(22,886)	(23,586)	–	(23,586)
Net Profit/(Loss) before income tax	63,481	1,923	2,205	(42,301)	21,308	627	21,935
Income tax (expense)/benefit	(15,028)	(586)	(1,101)	9,544	(7,171)	(232)	(7,403)
Net Profit/(Loss) after tax	48,453	1,337	1,104	(36,757)	14,137	395	14,532
Minority interests							491
Net Profit after tax attributable to members of Prime Media Group Limited							14,041
Assets and liabilities							
Segment assets ⁽¹⁾	287,352	78,369	56,339	29,819	451,879	–	451,879
Investments in associates	204	–	414	12,983	13,601	–	13,601
Total assets	287,556	78,369	56,753	42,802	465,480	–	465,480
Segment liabilities ⁽¹⁾	(54,432)	(3,871)	(53,237)	(207,289)	318,829	–	318,829
Net assets	233,124	74,498	3,516	(164,487)	146,651	–	146,651
Other segment information							
Capital expenditure ⁽²⁾	6,529	3,870	563	–	10,962	–	10,962
Depreciation and amortisation	8,011	892	2,979	881	12,763	251	13,014
Impairment losses	–	–	700	26,000	26,700	–	26,700
Other non-cash expenses	123	23	865	433	1,444	–	1,444

(1) Excludes inter-segment receivables and payables

(2) To comply with the requirements of AASB 114.57, the Group has included the cost of segment assets acquired by way of business combinations.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2009

In accordance with a resolution of the directors of Prime Media Group Limited, I state that:

(1) In the opinion of the directors:

(a) the financial statements, notes and additional disclosures included in the Directors' Report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with s295A of the *Corporations Act 2001* for the financial year ending 30 June 2009.

On behalf of the Board



P. J. Evans

Director

Sydney, 29 September 2009

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2009



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Independent Audit Report to the members of Prime Media Group Limited

We have audited the accompanying financial report of Prime Media Group Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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.

The Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board. The directors are also responsible for the remuneration disclosures contained in the remuneration report.

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 and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider 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 which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the non-audit services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2009



Auditor's Opinion

In our opinion:

1. The financial report of Prime Media Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Prime Media Group Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 25 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Prime Media Group Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "Ernst & Young" in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be "D. Simmonds", written in a cursive style.

David Simmonds
Partner
Sydney
29 September 2009

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2009

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2009.

(a) Distribution of equity securities

Ordinary shares

As at 21 September 2009, total number of fully paid up shares on issue is 363,326,217.

The number of shareholders, by size of holding, in each class of share are:

	NUMBER OF HOLDERS
1 – 1,000	484
1,001 – 5,000	582
5,001 – 10,000	227
10,001 – 100,000	255
100,001 and over	58
	1,606
The number of shareholders holding less than a marketable parcel of shares are:	378

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares at 21 September 2009 are:

		LISTED ORDINARY SHARES	
		NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	Paul Ramsay Holdings Pty Limited	106,408,159	29.29
2	RBC Dexia Investor Services Australia Nominees Limited	61,933,378	17.05
3	Network Investment Holdings Pty Limited	41,701,955	11.48
4	Bell Potter Nominees Limited	32,480,782	8.94
5	Citicorp Nominees Pty Limited	21,235,771	5.84
6	National Nominees Limited	20,899,032	5.75
7	JP Morgan Nominees Australia Limited	18,480,987	5.09
8	UBS Nominees Pty Limited	7,670,193	2.11
9	Birketu Pty Limited	5,000,000	1.38
9	George Walter Mooratoff	5,000,000	1.38
11	HSBC Custody Nominees (Australia) Pty Limited	4,348,158	1.20
12	Australian Reward Investment Alliance	3,337,400	0.92
13	Cogent Nominees Pty Limited	3,154,590	0.87
14	Effie Holdings Pty Limited	2,750,000	0.76
15	Reading Entertainment Australia Pty Limited	2,541,209	0.70
16	Bow Lane Nominees Pty Limited	1,928,629	0.53
17	Sandhurst Trustees Limited	1,755,857	0.48
18	Paul Ramsay Foundation Pty Limited	1,585,285	0.44
19	ANZ Nominees Limited	1,502,554	0.41
20	Mr Michael Siddle + Mrs Lee Siddle <Siddle Family A/C>	983,572	0.27
		344,697,511	94.90

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
Mr Paul Ramsay and Paul Ramsay Holdings Pty Limited	107,993,654	29.72%
Perpetual Limited	48,835,897	13.44%
Network Investment Holdings Pty Ltd and Seven Network Limited	41,701,955	11.48%#
Ashblue Holdings Pty Limited and Mr Kerry Stokes	41,701,955	11.48%#
Commonwealth Bank of Australia	39,215,812	10.79%
Investors Mutual Limited	35,335,503	9.73%
Illyria Nominees Pty Limited and Mr Lachlan Murdoch	32,480,782	8.94%
452 Capital Pty Limited	31,029,023	8.54%

These substantial shareholdings relate to the same parcel of shares.

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

COMPANY INFORMATION

Prime Media Group Limited

ABN 97 000 764 867

This annual report covers both Prime Media Group Limited as an individual entity and the consolidated entity comprising Prime Media Group Limited and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

Directors

Paul Joseph Ramsay AO Chairman (Appointed 17 April 1985)
Michael Stanley Siddle Deputy Chairman (Appointed 17 April 1985)
Peter John Evans (Appointed 27 March 1991)
Alexander Andrew Hamill (Appointed 2 October 2003)
Ian Patrick Grier (Appointed 6 June 2008)
Ian Richard Neal (Appointed 6 June 2008)
Siobhan Louise McKenna (Appointed 20 August 2009)
Warwick David Syphers Chief Executive Officer (Appointed 5 December 2006)
Patrick Terry Jackman (Appointed 22 February 1996. Resigned 27 November 2008)

Company Secretaries

Robert Reeve (Appointed 20 February 2009)
Andrew Cooper (Appointed 16 June 2005)
Susan Howie (Appointed 25 September 2006. Resigned 20 February 2009)

Registered Office

363 Antill Street
Watson ACT 2602
(02) 6242 3700

Share Register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
1300 554 474

Prime Media Group Limited shares are listed on the Australian Securities Exchange (Listing Code PRT).

Bank

ANZ Banking Group Limited
8/20 Martin Place
Sydney NSW 2000

Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

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