PRIME

ANNUAL REPORT 2010

Local know-how.

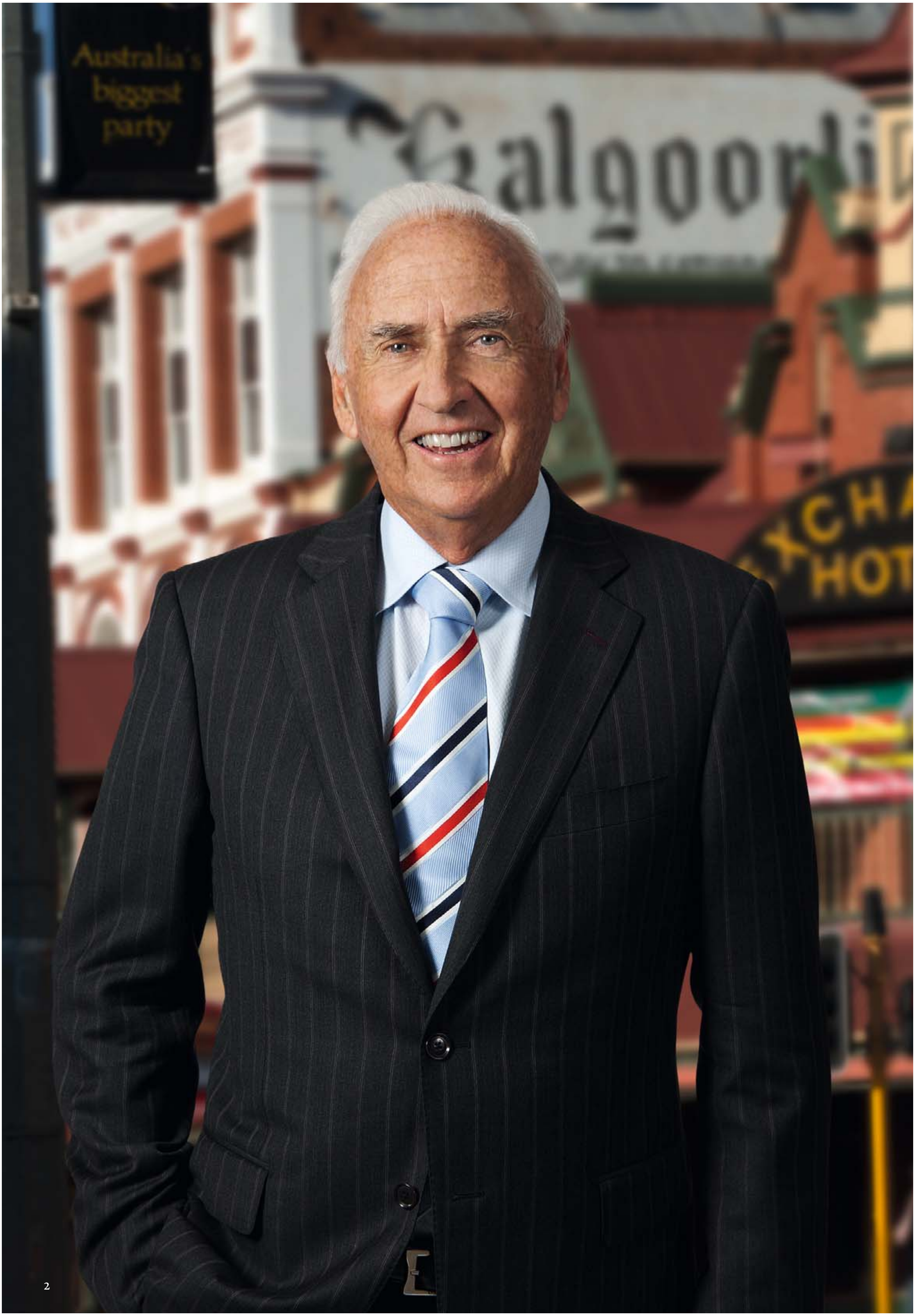
CONTENTS

Prime Media Group Limited
ABN: 97 000 764 867

Prime Media Group is an Australian company committed to bringing the very best in entertainment and information to the people of regional Australia.

Prime's commitment to a local presence in each of the markets it serves is demonstrated by its local news force. In regional towns and cities across the viewing and listening areas, Prime produces and broadcasts nightly television news bulletins, well over 100 daily television news updates, and radio news bulletins for audiences stretching from Caloundra on the Sunshine Coast to Cairns in far north Queensland.

IMAGE: Prime Local News Reporter Amanda Douglas surveys the scene at Nobbys Beach in Newcastle.


Australia's
biggest
party

On behalf of the Directors of Prime Media Group Limited, I am pleased to present the Annual Report covering the 2010 financial year.

The severe shocks in the world financial systems which impacted the global economy in the 2009 financial year continued into the first half of the 2010 financial year, however, Prime was able to capitalise on the recovery which took place late in the first half.

As demonstrated over the last 25 years, Prime is a successful regional television and radio broadcaster. It is on this legacy that the Board made the tough decision to refocus the business on its core assets. Unfortunately, the sale of the assets within Broadcast Production Services has resulted in a loss on sale. We are however, now focused on driving improved earnings from our broadcasting assets and ultimately, improving shareholder value.

2010 saw the first year of restructured radio operations, which delivered an earnings increase of 50%, demonstrating Prime's ability to continue to extract additional value from its asset base.

Notwithstanding increases in program supply fee, additional transmission costs and a reduction in government digital rebates, Prime Television delivered a good financial result. The strong underlying earnings for the group demonstrates again the high cash flow generating ability of Prime's broadcasting operations. Our confidence in the long term outlook for free-to-air television and radio in regional Australia remains high.

I welcome Ian Audsley as Director and Chief Executive Officer of Prime Media Group. Ian comes with a strong broadcasting pedigree having held senior executive roles at the Seven Network, the Nine Network, regional television company Southern Cross Broadcasting, and MediaWorks New Zealand. His appointment is an indication of the Board's focus on optimising the opportunity around the broadcasting assets.

I wish to thank Warwick Syphers for his time and contribution as Chief Executive Officer from 2006 to earlier this year and for his valued participation in the Prime Group since the 1980s.

Our Program Supply Agreement with the Seven Network runs until 2017 and we commenced broadcasting the 7TWO channel in the second half of 2010. In September Prime will commence broadcasting a third digital multi-channel, 7mate, with full HD coverage of the AFL Grand Final.

All shareholders will no doubt be disappointed to have seen little change in the share price over the past twelve months. Shareholders will be aware that little volume has traded and the Board believes that focusing the attention of management on incremental performance from television and radio will see an improvement in the share price.

Shareholders will recall Prime was required to undertake an equity raising in 2009 during the Global Economic Crisis. Shareholders will be pleased to know Prime is well within its Borrowing Covenants and our facility agreement is not up for renewal until July 2012. We enjoy a good relationship with our bankers and will look to renew our facilities in late calendar 2011.

I would like to extend my thanks to my fellow Directors and on behalf of the Board, to all our hard working and industrious Prime employees for their tireless efforts. The last two years have been challenging for Prime, but we are now well positioned to generate higher returns into the future.

"Prime is focused on driving improved earnings from our broadcasting assets and ultimately, improving our shareholder value."

PAUL RAMSAY CHAIRMAN

CHIEF EXECUTIVE OFFICER's REPORT

“Prime has come through the downturn stronger and better placed to realise opportunity from any sustained upswing in the economy and the advertising market.”

IAN AUDSLEY CEO

As was the case for most Australian and offshore media companies, fiscal 2010 was a year mixed with both steep challenges and emerging opportunities for Prime Media Group. It has, through self evaluation, persistence and the determination of the Board and management, come through the advertising downturn stronger and better placed to realise opportunity from any sustained upswing in the economy and the advertising market.

The Company has in the main disposed of non-broadcasting assets and focused on its core competency of selling commercial air time to advertisers across the country via its suite of strongly performing regional broadcasting assets.

The next twelve months will see the organisation focused on improving contributions from those assets, while surveying the landscape for opportunities that might be optimally integrated into current operations to deliver profitable growth.

The Company will focus on maximising audience ratings and revenue in the television business, continue to apply sustained effort to increase earnings from the radio group and improve the opportunity and results achieved from online platform, iPrime.

$241.5m

REVENUE

$37.7m

EBIT

$18.4m

NET PROFIT AFTER TAX

2.6¢

DIVIDEND/SHARE

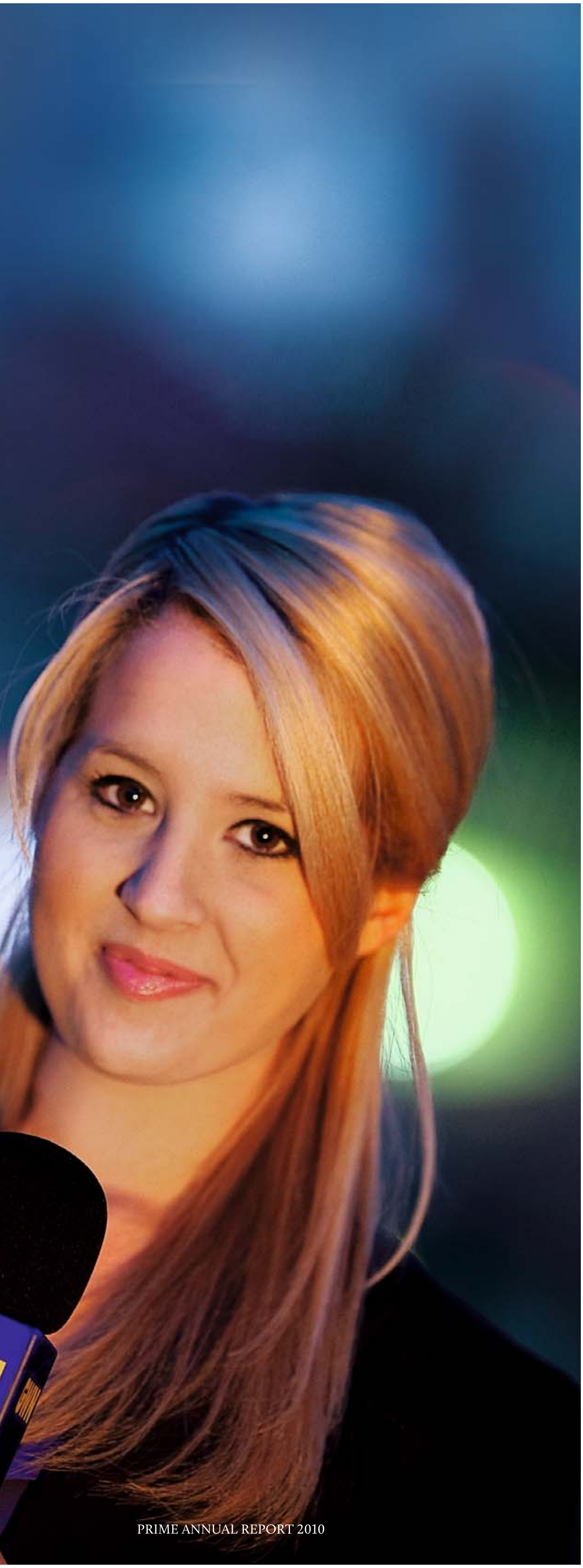
↑1.7%

CHANGE IN NET PROFIT AFTER TAX

↑1.5%

ADVERTISING

GWN Local News Reporter, Kalgoorlie
Rebecca Munro



CHIEF EXECUTIVE OFFICER's REPORT cont'd

The Company reported a net loss for the period of ($54.5million), which principally resulted from impairment charges arising from taking the hard, but necessary decision to exit/restructure a number of businesses including outside broadcast facility provider OSB New Zealand, outdoor cinema operator, Moonlight Cinemas, and Prime Digital Media's obligations under the Healthpoint/Sigma arrangement to provide point of sale digital media and advertising sales capability. The performance of the core and continuing operations of television and radio was encouraging, and a credit to the respective executive teams given the very challenging market conditions in the first half of the fiscal year. The television and radio divisions did see advertising demand increase in the second half. Encouragingly, that trend continued into the first few months of fiscal 2011.

The operational and strategic review, which commenced at the start of the new fiscal year, is now well underway and management will continue to look for methods, practices and opportunities that will improve the overall performance of the Group and deliver enhanced performance and opportunity to shareholders.

Over the past two fiscal years the Company was subject to the most challenging trading conditions experienced by media companies. There are now clear signs of an improving economy and indications that buoyancy is returning to advertising markets.

TELEVISION

As with previous years, Prime Television was the Group's mainstay. In fiscal 2010 the television division delivered airtime revenue growth on the previous year despite a weak market in the first half. In the second half, television advertising revenue rebounded by 14%, in line with the market overall.

Prime Television commenced transmission of the Seven Network's digital multi channel, 7TWO, in March of 2010 and it has quickly gained audience and advertiser support. 7TWO's companion channel, 7mate, commenced on air in Prime's viewing regions with HD coverage of the 2010 AFL Grand Final. This 16-49 year-old male-targeted channel will strengthen Prime Television's competitive position and provide advertisers with another attractive opportunity to reach unique audiences.

CHIEF EXECUTIVE OFFICER's REPORT cont'd

Television earnings were down (9.8%) against the corresponding period due to the absence of the Beijing Olympic Games, a scheduled fee increase in the Seven Network program supply agreement and a lower Government rebate for dual analogue/digital transmission. These factors were partially offset by a reduction in ACMA licence fees and the closure of Prime's commercial production facilities.

Television management remains focused on maximising its revenue share to ratings share (power ratio), developing initiatives to improve audience share in the 16-54 demographic and implementing costs optimisation initiatives. As an example, the production and transmission of daily Wagga Wagga and Orange/Dubbo news services has now been centralised to the Canberra operations facility, Prime's principal television facility.

The television division's engineering team is working collaboratively with Government, industry and local communities to progress Australia's analogue switch off, which is scheduled to conclude across Australia in 2013. Analogue transmission ceased in Mildura in June 2010. In May 2011, the Victorian aggregated regional television market as a whole will also move to digital only transmission.

RADIO

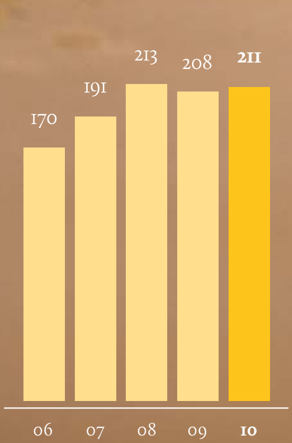
Regional Queensland is the most competitive regional radio market in Australia, and despite challenging economic conditions for many of the markets Prime serves, the radio division significantly improved its earning position with a mix of revenue growth and cost efficiencies derived from a full year of centralised operations at the Maroochydore production and transmission hub.

The hub has made it possible to create and disseminate content from one facility and also provided for the opportunity to consolidate technical operations and administration for the entire radio group.

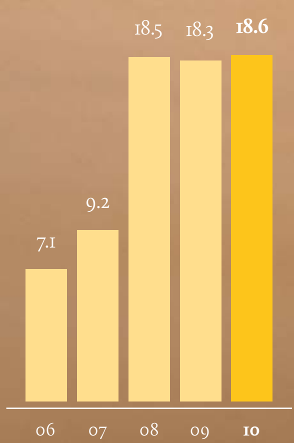
Radio management established a new brand in the market with the advent of ZincFM, a strategy designed to create a single network brand and music format across a number of stations in the group. This move has been made to improve the attractiveness of the stations to media buyers looking for consistency of radio audience demographics along the Queensland coast. The ZincFM format has a potential audience of 1.2 million listeners. Its cornerstone offering to both audiences and advertisers is localised breakfast programs in each market it serves, which is supported by sustained station involvement in community endeavours and activities. Zinc has in just 12 months, established itself as a leading radio brand.

Prime Local News Reporter, Ballarat
Kiara Parker

REVENUE TELEVISION
(Millions)



REVENUE RADIO
(Millions)



CHIEF EXECUTIVE OFFICER's REPORT cont'd

In addition to the ZincFM network, Prime Radio Group operates a further five radio stations in the regional Queensland market. They are: Hot91FM on the Sunshine Coast, 106.3FM in Townsville and three AM news and talk stations in the Cairns, Mackay and Rockhampton markets respectively. Combined with ZincFM, these stations provide a strong option for listeners and advertisers along the entirety of the Queensland coast.

Prime Radio has established a solid platform on which to build in the coming years. An experienced and talented team, state of the art facilities and premium product will continue to underpin the radio division's success in its markets.

ONLINE

The 2010 financial year represented the first full year of commercial operations for iPrime.

The network of 45 local sites, tied to Prime and GWN's broadcast footprint, showed pleasing organic growth over the year. Product development was focused on Prime's core competency of local news journalism and local community engagement. Similarly, Prime's sales force was focused on developing unique integrated cross platform packages for clients.

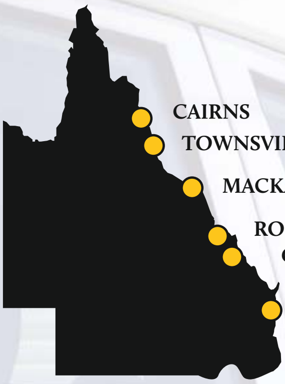
Traffic and engagement peaked in January with a very successful integrated on-air and online product and promotional offering around the Australian Open Tennis, highlighting Prime's unique marketing position in the regional television market.

iPrime continues to monitor and develop its product offering on an on-going basis to inform and entertain its regional audience while maintaining and building revenue market opportunities.

In key and important markets like the Gold Coast, Prime has a strong sales presence. Creating unique and compelling advertising solutions for local advertisers is Prime Gold Coast Manager Stephen Hamilton's passion.

Here along the foreshore at Broadbeach, Stephen (left) discusses a new campaign opportunity with Ben Pole, Director of Communications at Gold Coast Tourism.

RADIO



TOTAL POTENTIAL AUDIENCE

1,200,000

AGE DEMOGRAPHIC BREAKDOWN

<14	20.5%
15 - 24	13.6%
25 - 39	20.6%
40 - 54	21.4%
> 55	23.9%

Talk about local know-how, Maroochydore born and bred surfer Robbie Sherwell provides daily beach and surf updates on Zinc FM for surfers and water sports lovers across the Sunshine Coast.

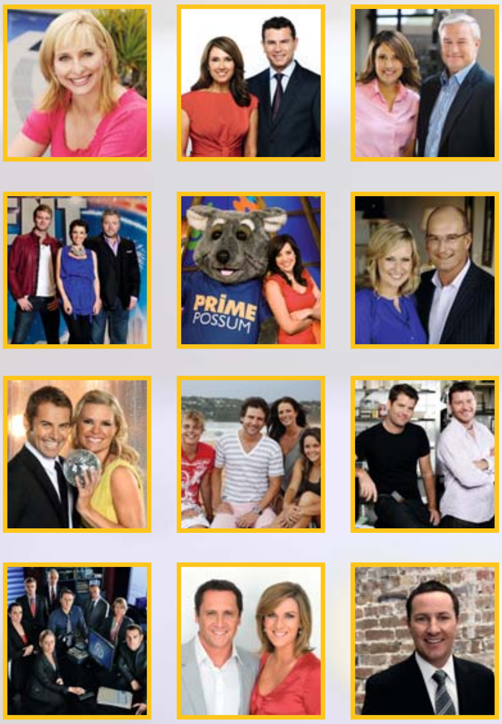
TELEVISION

TOTAL POTENTIAL AUDIENCE

5,115,000

AGE DEMOGRAPHIC BREAKDOWN

<17	23.3%
18 - 24	9.1%
25 - 39	18.6%
40 - 54	20.7%
> 55	28.3%



Prime's Western Australian television division GWN, goes far and wide into the most remote parts of the state to bring local news and information to its viewers. GWN cameraman, Pierre Huembs 'on the spot' in a Kalgoorlie mine.

CORPORATE INFORMATION

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

NAME	POSITION	DATE APPOINTED	DATE RESIGNED
Paul Joseph Ramsay AO	Chairman	17 April 1985	–
Michael Stanley Siddle	Deputy Chairman	17 April 1985	–
Peter John Evans		27 March 1991	–
Alexander Andrew Hamill		2 October 2003	–
Ian Patrick Grier AM		6 June 2008	–
Ian Richard Neal		6 June 2008	–
Siobhan Louise McKenna		20 August 2009	–
Warwick David Syphers	Chief Executive Officer	5 December 2006	20 May 2010
Ian Craig Audsley	Chief Executive Officer	24 June 2010	–

COMPANY SECRETARIES

Robert Reeve		20 February 2009	–
Andrew Cooper		16 June 2005	–

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
Ph: 1300 554 474

Prime Media Group Limited shares are listed on the Australian Securities Exchange (Listing Code PRT).

BANK

ANZ
8/20 Martin Place
Sydney NSW 2000

AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000









Your directors submit their report for the year ended 30 June 2010.

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, media 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 and the Youth Mental Health Advisory Board.

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.

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). Mr Hamill is a member of the Remuneration Committee and until 20 August 2009, he was also a member of the Audit Committee.

Ian Patrick Grier AM MAICD

Non-Executive Director (appointed 6 June 2008)

Mr Grier was 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 continued 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 life member 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 a Commissioner of the Productivity Commission. Her other directorships include NBNCo, the entity established by the Australian Government to implement its national broadband network initiative, DMG Radio Australia, which owns the Nova and Classic Rock networks, and the Australian Ballet. Ms McKenna was previously a Partner of a leading global management consulting firm, McKinsey and Company. Ms McKenna was appointed as a member of the Audit Committee on 20 August 2009.

Ian Craig Audsley

Chief Executive Officer (appointed 16 June 2010)

Executive Director (appointed 24 June 2010)

Mr Audsley has had over 25 years experience in the television industry. He has held various senior executive roles at Southern Cross Television, the Seven Network and the Nine Network. Mr Audsley is a director of MediaWorks New Zealand, based in Auckland.

Warwick David Syphers

Chief Executive Officer (appointed 22 August 2005) (resigned 31 March 2010)

Executive Director (appointed 5 December 2006) (resigned 20 May 2010)

Mr Syphers has over 25 years television industry experience having joined STW 9 in Perth in 1982. Mr Syphers held senior management positions with Prime Television from 1987 until 2010. Mr Syphers has been a Certified Practicing Accountant for over 20 years.

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	109,903,654	–
M. S. Siddle	984,082	–
P. J. Evans	24,286	–
A. A. Hamill	–	–
I.P. Grier	–	–
I.R. Neal	–	–
S.L. McKenna	–	–
I.C. Audsley	–	5,250,000

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:

		PERIOD OF DIRECTORSHIP	
DIRECTOR	COMPANY	FROM	TO
Paul Joseph Ramsay AO	Ramsay Healthcare Limited (Chairman)	May 1975	Present
	Broadcast Production Services Limited[1]	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)[1]	July 2007	Present
	destra Corporation Limited (Receivers and Managers Appointed)[2]	April 2008	Present
Ian Patrick Grier AM	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
	Pearl Healthcare Limited	September 2008	Present
Ian Craig Audsley	destra Corporation Limited (Receivers and Managers Appointed)[2]	June 2008	Present
Warwick David Syphers	Broadcast Production Services Limited[1]	July 2007	18 July 2010
	destra Corporation Limited (Receivers and Managers Appointed)[2]	May 2007	Present

(1) Broadcast Production Services Limited was delisted from the Australian Securities Exchange on 07 October 2009.
(2) destra Corporation Limited was delisted from the Australian Securities Exchange on 31 August 2009.

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 practiced 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 FCA

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	(15.0)
Basic earnings per share – continuing operations	(6.2)
Diluted earnings per share	(15.0)
Diluted earnings per share – continuing operations	(6.2)
Basic earnings per share from continuing operations before significant items (note 7(d))	5.1
Diluted earnings per share from continuing operations before significant items (note 7(d))	5.1

DIVIDENDS	CENTS	$'000
Final dividend recommended:		
on ordinary shares	1.4	5,129
Dividends paid in the year:		
Interim for the year		
on ordinary shares	1.2	4,382
Final for 2009 shown as recommended in the 2009 report		
on ordinary shares	1.0	3,633
		8,015

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 (assets currently held for sale);
- film exhibition under the Moonlight Cinema brand (assets currently held for sale); and
- television program production (discontinued May 2010).

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 $54,544,000 (2009: loss $45,544,000). The current year result includes impairments and other one off charges totalling $71,557,000 (net of tax). Of these significant items $40,875,000 (net of tax) relates to continuing operations (refer note 7(d)) and $30,682,000 (net of tax) relates to discontinuing operations (refer note 6(b)).

REVIEW OF OPERATIONS

Continuing Operations

The continuing operations of the Company before significant items reflects a 1.7% increase in net profit after tax (refer note 7). Gross revenues from continuing operations decreased by 0.8%, mainly due to a reduction in sundry incomes arising from Government REP grants and television commercial production revenues which were outsourced during the period. Advertising and media sales increased by 1.5% in television and 1.7% in radio.

Discontinuing Operations

2010

Classification of businesses held for sale

As at 30 June 2010, the group is in negotiations to sell the On Site Broadcasting and Moonlight Cinema businesses.

Discontinuation of Screenworld television production business

On 16 December 2009, the Company reached an agreement with Beyond International Limited to transfer the production rights to its existing slate of television productions to Beyond. This transfer was completed in May 2010 after which the group discontinued its television production business.

2009

There were no disposals of business operations during the prior period.

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

2010

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 6 November 2009, Prime Media Broadcasting Services Pty Limited ("Prime"), a controlled entity of Prime Media Group Limited, completed the acquisition of the non-controlling interest in Broadcast Production Services Limited ("BPSL") a listed company based in Australia.

This acquisition was completed in a number of steps. On 21 September 2009, Prime acquired 21.52% of the shares in BPSL, at which time Prime proceeded to compulsorily acquire all of the outstanding ordinary shares of BPSL. Upon completion of the compulsory acquisition, BPSL was delisted from the Australian Securities Exchange.

The consideration for the acquisition is as follows:	2010 $'000
Shares issued as consideration less costs	2,787
Total Purchase Consideration	2,787

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Sale of On Site Broadcasting New Zealand

On 9 July 2010, the Group completed the sale of the New Zealand On Site Broadcasting business to Sky Network Television for NZD$34,700,000. The sale agreement also involves the Group entering into an arrangement with Sky for the delivery of certain third party contracts over a period of four years for which the Group is entitled to share in profits.

Sale of Moonlight Cinemas

On 28 July 2010, the Group announced it had reached an agreement to sell the Moonlight Cinema business to Amalgamated Holdings Limited for $1,750,000. Settlement is expected to occur during September 2010 subject to certain conditions precedent being met.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The broad areas of focus for the 2011 financial year will be:

- consolidation and growth of the core businesses of the Group in an environment of anticipated 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 Group has established data collection systems and processes to monitor the Group's potential reporting requirements under the National Greenhouse and Energy Reporting Act. For the year ended 30 June 2010 the Group has not exceeded the thresholds that require it to become registered under the NGER legislation.

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 there were 5,250,000 unissued ordinary shares under options (5,250,000 as at balance date). Refer to note 28 of the financial statements for further information.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

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 Remuneration Report for the year ended 30 June 2010 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) of Prime Media Group Limited and its controlled entities. 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 Officer (CEO), executive directors, senior executives, general managers and secretaries of the Parent and the Group and the term 'director' refers to non-executive directors only.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director executive remuneration arrangements
5. Executive remuneration arrangements
6. Company performance and the link to remuneration
7. Executive contractual arrangements
8. Equity Instrument disclosures

1. INDIVIDUAL KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of KMP including the top five remunerated executives of the Parent and Group are set out below.

Key management personnel

(i) Directors

P. J. Ramsay	Chairman (non-executive)
M. S. Siddle	Deputy Chairman (non-executive)
P. J. Evans	Director (non-executive)
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)[a]
I. C. Audsley	Director (Chief Executive Officer)[b]

(ii) Executives

D. Edwards	Chief Executive Officer – Television
R. Gamble	Chief Executive Officer – Radio and Digital Media
G. Smith	Chief Technology Officer
R. Reeve	Group General Counsel and Company Secretary
P. Stubbings	Chief Financial Officer

(a) Mr Syphers resigned as Chief Executive Officer on 31 March 2010 and as a director on 20 May 2010.
(b) Mr Audsley commenced with the Group as Chief Executive Officer on 16 June 2010 and was appointed as a director on 24 June 2010.

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

2. REMUNERATION AT A GLANCE

Directors' fees

The proposed directors' fees for the year ended 30 June 2011 will not exceed the current approved aggregate pool of $750,000pa that was approved by the shareholders at the Annual General Meeting in November 2007 and as such the Board will not be seeking any increase to the director fee pool at the 2010 Annual General Meeting.

Executive remuneration review

Following a freeze on executive remuneration increases during the year ended 30 June 2010 the Remuneration Committee is reviewing the strategy for executive remuneration and is likely to keep fixed pay increases for the year ending 30 June 2011 in line with CPI of approximately 3%.

Executive bonuses of $349,800 will be paid to KMP where they have achieved specific KPI targets for the year ended 30 June 2010.

3. BOARD OVERSIGHT OF REMUNERATION

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the board on the remuneration arrangements for non-executive directors (NEDs) and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to prevailing market conditions, with the overall objective of ensuring maximum shareholder benefits from the retention of high performing directors and executives. Salaries are customarily set prior to the commencement of an operating period as part of the annual planning process. In making these determinations, the Remuneration Committee seeks independent advice from external consultants and undertakes comparisons with companies from the media industry and other listed companies of similar size.

Remuneration approval process

The Board approves the remuneration arrangements of the CEO and executives and all awards made under the long-term incentive (LTI) plan, following recommendations from the Remuneration Committee. The Board also sets the aggregate remuneration of NEDs which is then subject to shareholder approval.

Remuneration strategy

Prime Media Group Limited's remuneration strategy is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contributions of each employee in achieving continued growth of the Group.

To achieve this, the key objectives of the Company's reward structure are to ensure that remuneration practices:

- Are aligned with the Group's overall business strategy;
- Provide competitive remuneration in line with the external market;
- Provide linkage between the individual and Group performance and rewards;
- Align interests of executives and shareholders.

Remuneration structure

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

Remuneration policy

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.

The fees structure is reviewed annually against fees paid to NEDs of comparable companies and in light of the performance of the Group. The Board considers the advice of external consultants when undertaking the annual review process.

In accordance with the Company's Constitution and the ASX Listing rules the NED fee pool 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 Board will not be seeking any increase for the NED pool at the 2010 Annual General Meeting.

Structure

The remuneration of NEDs consists of directors' fees of the Parent. Some directors of the parent entity may receive fees for serving on the boards of related entities where this is deemed appropriate by the board of the related entity.

The Directors Retirement Plan, approved by shareholders in November 1997, only applies to Mr Alex Hamill. The Board agreed to discontinue the Directors Retirement Plan in 2008 for all new directors appointed after that date.

The remuneration of NEDs for the year ended 30 June 2010 and 30 June 2009 is set out in Tables 1 and 2 of this report.

5. EXECUTIVE REMUNERATION ARRANGEMENTS

Objectives

The remuneration of executives 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 position and responsibilities within the Group 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.

The Group's policy is to position total employment cost (TEC) close to the median of its defined talent market to ensure a competitive offering. In determining the defined talent market the Group takes advice from a number of independent recruitment firms.

The CEO's remuneration mix comprises 57% fixed remuneration as a proportion of total remuneration, 23% STI on target and 20% Long Term Incentive (LTI). Executives' remuneration mix currently ranges from 60-80% fixed remuneration as a proportion of total remuneration, 20-40% STI on target and 0% LTI.

The Remuneration Committee is currently reviewing the Long Term Incentive arrangements following the reactivation of the Executive Share Option Scheme in June 2010. Currently the CEO is the only executive who has been granted options as at the date of the report.

Structure

In the 2010 financial year, the executives' remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration.

The table below illustrates the structure of Prime Media Group Limited's executive remuneration arrangements:

REMUNERATION COMPONENT	VEHICLE	PURPOSE	LINK TO PERFORMANCE
Fixed remuneration	• Represented by total employment cost (TEC); • Comprises base salary, superannuation contributions and other benefits.	• Set with reference to role, market and experience; • Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Group.	• No link to performance.
STI component	• Paid in cash; • Superannuation contributions; • One executive receives a portion of their STI as an issue of Prime Media Group Limited shares. This represents 50% of the total maximum STI payable for this executive.	• Rewards executives for their contribution to achievement of Group and business unit outcomes, as well as individual key performance indicators (KPIs).	• Earnings per share and EBITDA are the key financial metrics; • Linked to other internal financial measures, market share, customer service, risk management and leadership.
LTI component	• Awards are made in the form of share options.	• Rewards executives for their contribution to the creation of shareholder value over the longer term.	• Vesting of awards is dependent on the growth of the Prime Media Group share price relative to its market position on the date of granting the options.

Fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases except for one executive whose contract provides a guaranteed annual 5% increase for the fixed term of the contract.

Prime aims to set fixed annual remuneration 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.

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

Variable remuneration – Short Term Incentives (STI)

The Group operates an annual STI program that is available to executives and awards a STI bonus subject to the attainment of defined Group, business unit and individual targets.

The total potential STI available is set at a level so as to provide sufficient incentive to executives to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

The actual STI payments awarded to each executive depend 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 financial and non-financial, corporate and individual 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.

PERFORMANCE MEASURES	PROPORTION OF STI AWARD MEASURE APPLIES TO
Financial measures • Divisional EBITDA • Group EBITDA • Earnings per share • Product yield management	30% – 50%
Non-financial measures: • Market shares • Customer relations • Implementation of strategic organisational plans • Risk management • Leadership contributions	50% – 70%

The above measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long term value.

The differing mix of financial and non-financial measures between executives reflects the position of each executive within the overall Group with executives' KPIs being more focused towards overall Group financial measures whereas divisional executives have a majority of their KPIs determined from their divisional performance and arising from a varying mix of financial and non-financial measures.

The aggregate of the annual STI payments available for executives across the Group is subject to the approval of the Remuneration Committee. On an annual basis the performance of each executive is assessed against their KPIs in determining their 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 STI payment made to these executives is at the discretion of the Remuneration Committee within the predetermined 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.

STI awards for 2009 and 2010 financial years

For the 2009 financial year, 60% of the KMP STI cash bonus pool vested to executives and was paid during the 2010 financial year.

The Remuneration Committee has considered the STI performance for the 2010 financial year and has determined to pay 55% of the KMP STI pool. The total STI pool for 2010 was $636,000.

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)

LTI awards are made to executives in order to align remuneration with the creation of shareholder value over the long term. As such, LTI awards are only made to executives and other key talent who have an impact on the Group's performance against the relevant long-term performance measure.

LTI – share options

Structure

LTI awards made to executives are made under the Prime Media Group Executive Share Options Scheme that was approved by shareholders at the Annual General Meetings of 1992 and 1995. Participation in the Scheme is available to any executive 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 executive directors of the parent entity shall not exceed two point five per cent (2.5%) of the total number of ordinary shares on issue.

This scheme operated until 30 June 2009 when the Remuneration Committee temporarily suspended the Scheme in order to re-assess the effectiveness of the scheme in light of legislative changes that affected the treatment of share options.

On 16 June 2010 the Board of Directors re-instated the share option scheme and upon his appointment, granted, the Chief Executive Officer, 5,250,000 executive share options. Details of these share options are outlined later in this report.

The Remuneration Committee is currently finalizing its review of the overall share option scheme in relation to the potential participation of other executives.

Each option entitles the holder to one fully paid ordinary share in the Company. The number of options issued is based on the executive's target LTI. The options will vest over a period of three years subject to meeting performance measures, with no opportunity to retest. The exercise price of the options is set at the market price at the date of grant. Executives are able to exercise the vested options up to five years after the grant date before the options lapse.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance measure to determine vesting

The Group uses growth in share price as the performance measure for the share option plan.

The share options will only vest should the Vesting Price, being the volume weighted average price of the Company's ordinary shares sold on the ASX in the 10 days preceding the vesting date, exceeds preset targets established on the grant date of the options. The share options are generally issued in three tranches each with different target vesting prices that are aimed at ensuring the continued growth in share price is maintained over the long term.

In the case of the current share options on issue the target share price growth from the date of grant is 22% for 12 months, 39% for 24 months and 55% for 36 months.

Termination and change of control provisions

Where a participant ceases employment prior to the vesting of their award, the options are forfeited unless the board applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.

In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period, subject to ultimate and Board discretion.

Hedging of equity awards

The Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

Margin loans

In relation to margin loans, it is the Company's policy that where there is (or the director or executive reasonably believes there will be) an unmet margin call, an event of default or another similar occurrence, the director or executive must immediately disclose to the Company Secretary or Chief Financial Officer the necessary information so the Company can comply with its continuous disclosure obligations under the ASX Listing Rules.

6. COMPANY PERFORMANCE AND THE LINK TO REMUNERATION

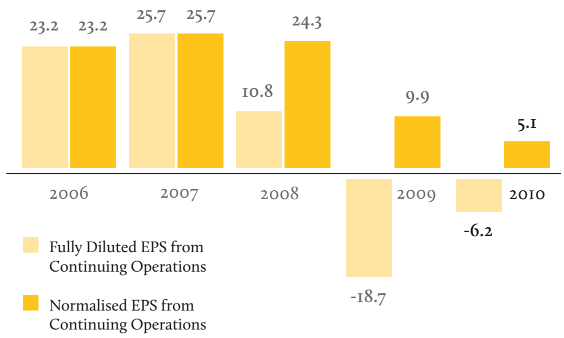
Company performance and its link to short-term incentives

The key financial performance measures that determine STI payment outcomes for Group executives are:

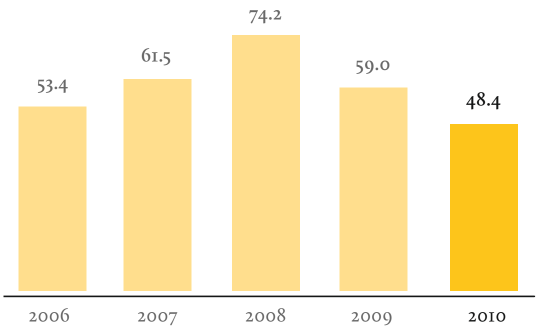
- Earnings per share (EPS); and
- Normalised EBITDA

The following tables outline the Prime Media Group Limited's EPS and Normalised EBITDA over the five year period from 1 July 2005 to 30 June 2010.

EARNINGS PER SHARE
(Cents per share)



EBITDA FROM CONTINUING OPERATIONS
(Millions)



Company performance and its link to long-term incentives

The key measure that drives the vesting of long term incentives is the Company share price.

During the period from 1 July 2005 to 30 June 2009 the Company's share price dropped by 84.4% which reflected the impact of the Global Financial Crisis, the performance of the Company and the capital raising undertaken during that period. As at 30 June 2009, employees holding options under the LTI plan surrendered their options and the LTI plan was suspended.

On 16 June 2010, the LTI plan was re-instated with the issue of 5,250,000 options to the incoming Chief Executive Officer. As outlined in item 5 of this Remuneration Report the vesting price for the current LTI awards requires share price appreciation of at least 22% during the first twelve months and further appreciation in the following years. As at the date of this report the share price has not shown any growth since the option issue date.

7. EXECUTIVE CONTRACTUAL ARRANGEMENTS

Chief Executive Officer

The CEO, Mr Audsley, commenced employment on 16 June 2010 under an ongoing contract of no fixed term. Under the terms of the present contract:

- For the year ended 30 June 2010, Mr Audsley's initial fixed remuneration is $650,000 per annum, less any amounts required to be deducted for taxation purposes. This amount includes superannuation contributions. Mr Audsley's salary will be reviewed annually by the Remuneration Committee and recommendations will be put to the Board for their approval. For the period from 16 June 2010 to 30 June 2011, Mr Audsley will be eligible to receive short term incentives (STI's), to a maximum potential value of 40% of his fixed remuneration package. Entitlement to the STI's will be at the discretion of the Board, having regard to defined performance targets. STI's will be cash payments. The Board will set KPI's at the commencement of each financial year
- Mr Audsley 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 six months written notice. The Company may elect to provide six months payment in lieu of the notice period, or a combination of notice and payment in lieu of notice. Payment in lieu of notice will be based on fixed remuneration and any short term incentive amounts for the prior year.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Audsley is only entitled to that portion of his remuneration contract that is fixed, and only to the date of termination.
- The Company or Mr Audsley may terminate the contract within six months of the Company ceasing to be listed on the official list of the Australian Securities Exchange (ASX) or a material diminution in the CEO's functions, status or duties. In these circumstances, the Company must provide (or Mr Audsley may require the Company to provide) 12 months notice or 12 months payment in lieu of notice, or a combination of the two.
- Mr Audsley's employment contract provides for long term incentives (LTI's) through participation in the Company's share option scheme. An initial allocation of 5,250,000 share options has been granted to Mr Audsley subject to certain vesting conditions. This initial allocation will be divided into three equal tranches:
  - Tranche 1 will vest on 15 June 2011 provided the volume weighted average price of the Company's ordinary shares sold on the ASX in the preceding 10 days (vesting price) is at least equal to $1.10. The exercise price is $0.90.
  - Tranche 2 will vest on 15 June 2012. The vesting price is at least equal to $1.25 and the exercise price is $0.90.
  - Tranche 3 will vest on 15 June 2013. The vesting price is at least equal to $1.40 and the exercise price is $0.90.
- LTI's will only vest if Mr Audsley is employed by the Company at the relevant date. If the employment contract is terminated as a result of the Company ceasing to be listed on the official list of the ASX or a material diminution of the CEO's functions, status or duties:
  - LTI's that have met their vesting price on the day before the date of termination will vest on the date of termination; and
  - Half of the LTI's that have not met their vesting price on the day before the date of termination will vest on the date of termination,

Subject to shareholder approval in accordance with the requirements of the Corporations Act 2001 (Cth) (Act), if the amount payable would breach section 200B of the Act.

Other KMP (Standard Contracts)

All KMP 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 an 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. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Executive Loans

During the year ended 30 June 2007, three executives were granted loans totalling $1,450,000. These loans 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.

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

Payment to outgoing executives

The following arrangements applied to outgoing executives in office during the 2010 financial year:

Mr Syphers resigned as Chief Executive Officer on 31 March 2010, the following termination arrangements applied:

- Mr Syphers was entitled to a termination payment of 1.25 times his annual salary by virtue of his length of service which totalled $613,750. Provision for this payment of $150,000 per year had been made and disclosed in the remuneration reports for the year ended 30 June 2009 and 30 June 2008. Therefore the balance of this payment amount being $313,750 has been disclosed under termination benefits in the Remuneration Report of 30 June 2010; and
- Mr Syphers also received the benefit of having the outstanding balance, $399,147, of his executive loan forgiven upon termination. This forgiveness gave rise to a gross reportable fringe benefit value of $746,085.

Mr Syphers' contract of employment pre-dates the effective date of the new executive terminations benefits cap legislation and as such the restrictions applying to this legislation did not apply to this termination.

The Board acknowledges the regulations applying as a result of the termination cap legislation and confirms that all KMP contracts comply with this new legislation.

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 1: Remuneration for the year ended 30 June 2010

	SHORT-TERM				POST EMPLOYMENT		LONG-TERM BENEFITS	SHARE BASED PAYMENTS		% PERFORMANCE RELATED
	SALARY & FEES FOR PARENT ENTITY	SALARY & FEES FOR OTHER GROUP ENTITIES	BONUS	NON-CASH BENEFITS(*)	SUPERANNUATION	TERMINATION BENEFITS	LONG SERVICE LEAVE(5)	OPTIONS	REMUNERATION REQUIRED TO BE EXPENSED	
	$	$	$	$	$	$	$	$		%
Non-executive directors										
P. J. Ramsay (Chairman)	75,000	–	–	–	–	–	–	–	**75,000**	**0.0%**
M. S. Siddle (Deputy Chairman)	60,000	–	–	–	5,400	–	–	–	**65,400**	**0.0%**
P. J. Evans	109,999	41,922	–	–	13,673	–	–	–	**165,594**	**0.0%**
A. Hamill	65,400	50,000	–	–	–	–	98,000	–	**213,400**	**0.0%**
P. Grier	60,000	–	–	–	5,400	–	–	–	**65,400**	**0.0%**
I. Neal(4)	70,800	–	–	–	–	–	–	–	**70,800**	**0.0%**
S. McKenna(1)	56,317	–	–	–	–	–	–	–	**56,317**	**0.0%**
Sub-total non-executive directors	**497,516**	**91,922**	**–**	**–**	**24,473**	**–**	**98,000**		**711,911**	**0.0%**
Executive directors										
W. Syphers(2)	384,330	–	–	1,119,962	10,846	313,750	42,225	–	**1,871,113**	**0.0%**
I. Audsley(3)	27,083	–	–	–	2,437	–	–	15,519	**45,039**	**34.5%**
Other key management personnel										
D. Edwards	346,254	–	202,903	222,446	14,461	–	15,890	–	**801,954**	**25.3%**
R. Gamble	346,772	–	150,000	71,628	14,461	–	32,119	–	**614,980**	**24.4%**
G. Smith	277,475	–	–	137,562	15,759	–	13,078	–	**443,874**	**0.0%**
R. Reeve	302,833	–	–	–	14,461	–	9,642	–	**326,936**	**0.0%**
P. Stubbings	258,708	–	–	19,279	14,461	–	–	–	**292,448**	**0.0%**
Sub-total executive KMP	**1,943,455**	**–**	**352,903**	**1,570,877**	**86,886**	**313,750**	**112,953**	**15,519**	**4,396,344**	
Totals	**2,440,971**	**91,922**	**352,903**	**1,570,877**	**111,359**	**313,750**	**210,953**	**15,519**	**5,108,255**	

(*) Grossed Up Reportable Value
(1) Ms McKenna was appointed to the Board of Directors on 20 August 2009.
(2) Mr Syphers resigned as Chief Executive Officer on 31 March 2010 and as a director on 20 May 2010.
(3) Mr Audsley commenced with the Group as Chief Executive Officer on 16 June 2010.
(4) Mr Neal's current year remuneration includes backpay for an underpayment in the prior year. Annual rate is $65,400pa.
(5) The amounts disclosed under this category represent amounts that accrued to each KMP during the year by virtue of their continued service and do not represent payments made.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Table 2: 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	NON-CASH BENEFITS[*]	SUPERANNUATION	TERMINATION BENEFITS	LONG SERVICE LEAVE	REMUNERATION REQUIRED TO BE EXPENSED	
	$	$	$	$	$	$	$		%
Non-executive directors									
P. J. Ramsay (Chairman)	75,000	–	–	–	–	–	–	**75,000**	**0.0%**
M. S. Siddle (Deputy Chairman)	60,000	–	–	–	5,400	–	–	**65,400**	**0.0%**
P. J. Evans	126,666	100,000	–	–	15,695	–	–	**242,361**	**0.0%**
T. Jackman[2]	25,000	–	–	–	2,250	180,000	–	**207,250**	**0.0%**
A. Hamill	65,400	33,204	–	–	–	–	–	**98,604**	**0.0%**
P. Grier[1]	65,000	–	–	–	5,850	–	–	**70,850**	**0.0%**
I. Neal[1]	66,000	–	–	–	–	–	–	**66,000**	**0.0%**
S. McKenna[3]	–	–	–	–	–	–	–	**–**	
Sub-total non-executive directors	**483,066**	**133,204**	**–**	**–**	**29,195**	**180,000**	**–**	**825,465**	**0.0%**
Executive directors									
W. Syphers[5]	513,885	–	–	183,960	13,744	150,000[6]	8,333	**869,922**	**0.0%**
Other key management personnel									
D. Edwards[5]	309,519	–	144,000	346,911	13,744	–	5,158	**819,332**	**17.6%**
R. Gamble	346,771	–	150,000	39,653	17,919	–	–	**554,343**	**27.1%**
G. Smith[5]	293,546	–	20,000	165,548	18,157	–	4,892	**502,143**	**4.0%**
R. Reeve	279,686	–	–	–	13,744	–	5,033	**298,463**	**0.0%**
P. Stubbings[4]	127,420	–	–	3,346	8,061	–	–	**138,827**	**0.0%**
Sub-total executive KMP	**1,870,827**	**–**	**314,000**	**739,418**	**85,369**	**150,000**	**23,416**	**3,183,030**	
Totals	**2,353,893**	**133,204**	**314,000**	**739,418**	**114,564**	**330,000**	**23,416**	**4,008,495**	

(*) Grossed Up Reportable Value
(1) Mr Grier and Mr Neal were appointed to the Board of Directors on 6 June 2008. Current year 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 REPORT (AUDITED) (CONTINUED)

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

2010

During the financial year options were granted as equity compensation benefits under the long-term incentive plan to Mr Ian Audsley as disclosed below. No share options have been granted to the non-executive directors of the Board of Directors under this scheme. Each option entitles 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 is five years.

Vesting Date

These options were subject to specific vesting 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 set levels above the share price on the date of issue for a continuous period of at least 10 ASX trading days prior to the vesting date, as a pre-condition to exercise.

2009

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

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

	GRANTED	TERMS AND CONDITIONS FOR EACH GRANT						VESTED	
30 JUNE 2010	**NUMBER**	**GRANT DATE**	**FAIR VALUE PER OPTION AT GRANT DATE ($)**	**EXERCISE PRICE PER OPTION ($)**	**EXPIRY DATE**	**FIRST EXERCISE DATE**	**LAST EXERCISE DATE**	**NUMBER**	**%**
Director									
Ian Audsley	5,250,000	16/06/10	$0.13	$0.90	15/06/15	16/06/11	15/06/15	–	–
Total	**5,250,000**							**–**	

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

Table 4: Value of options granted, exercised or lapsed during the year

	VALUE OF OPTIONS GRANTED DURING THE YEAR $	VALUE OF OPTIONS EXERCISED DURING THE YEAR $	VALUE OF OPTIONS LAPSED DURING THE YEAR $	REMUNE-RATION CONSISTING OF OPTIONS FOR THE YEAR %
I.C. Audsley	680,750	–	–	34.2

For details on the valuation of the options, including models and assumptions used, please refer to note 28. 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.

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.

Shares issued on exercise of remuneration options

During the year ended 30 June 2010 Nil shares (2009: Nil shares) have been issued due to the exercise of options.

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			
			AUDIT		REMUNERATION	
	NO. OF MEETINGS HELD*	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD*	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD*	NO. OF MEETINGS ATTENDED
P.J.Ramsay	12	9	–	–	–	–
M.S.Siddle	12	12	1	1	–	–
P.J.Evans	12	12	4	4	2	2
A.A.Hamill	12	11	1	1	2	2
I.R.Neal	12	12	4	4	–	–
I.P.Grier	12	11	–	–	2	2
S.L. McKenna	12	12	3	3	–	–
W.D.Syphers	11	9	–	–	–	–
I.C. Audsley	1	1	–	–	–	–

* Indicates the maximum number of meetings the director was eligible to attend during the period.

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 – Resigned 17 December 2009	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 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	226,572
Advisory Services	192,618

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, 27 September 2010

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

In relation to our audit of the financial report of Prime Media Group Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

David Simmonds
Partner
Sydney
27 September 2010

The Board of Directors of Prime Media Group Limited is responsible for the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of 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 2010 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

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:

(1) Audit Committee

(2) 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 measurable 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)
Siobhan L. McKenna	Non-Executive Director (appointed 20 August 2009)
Ian C. Audsley	Chief Executive Officer (appointed 16 June 2010)
	Executive Director (appointed 24 June 2010)

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 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 (Ian Audsley). For the period from 1 July

2009 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 the 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.

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 over 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 industry expertise as well as the management and review of growth opportunities for the Company.

BOARD COMPOSITION

The Company has not complied with the ASX Corporate Governance Council's Recommendation 2.4 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 makes 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.

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:

(1) 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 Director 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);

(2) 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 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 and Directors 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:

(1) Personal Behaviour;

(2) Security;

(3) Privacy;

(4) Discrimination;

(5) Workplace Safety;

(6) Conflict of Interests; and

(7) 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 making certain company policies available on its website where deemed appropriate.

SECURITIES TRADING POLICY

Under the Company's Securities Trading policy, a Director, executive or staff member must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information ('inside 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)
- Ms S.L.McKenna
- 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 2010 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:

- During the period from 1 July 2009 to 17 December 2009 the Audit Committee consisted of four members of whom two were independent and two were non independent. For the period 17 December 2009 to 30 June 2010 the Audit Committee consisted of three members of which the majority were independent directors. In all cases during the period the Audit Committee members were 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.

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:

(1) 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;

(2) 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;

(3) 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;

(4) Notices of all general meetings are sent to all shareholders; and

(5) 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 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 identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. 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 Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks 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 believe 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.

For the purposes of assisting investors to understand better the nature of the risks faced by Prime Media Group Limited, the board has prepared a list of operational risks as part of the Principle 7 disclosures. However, the board notes that this does not necessarily represent an exhaustive list and that it may be subject to change based on underlying market events:

- Fluctuations consumer demand that give rise to the overall advertising market revenues;
- Impact of new media technologies;
- The occurrence of force majeure events that may affect our significant suppliers;
- Increasing costs of operations, including labour costs;
- Changed operating, market or regulatory environment as a result of changes in government media policy.

Underpinning these efforts is a comprehensive set of policies and procedures directed towards achieving the following objectives in relation to the requirements of Principle 7:

- Effectiveness and efficiency in the use of the Company's resources;
- Compliance with applicable laws and regulations; and
- Preparation of reliable published financial information.

CEO AND CFO CERTIFICATION

In accordance with section 295A of the Corporations Act, the Chief Executive Officer and the Chief Financial Officer have provided a written statement to the board that:

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

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

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.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
CONTINUING OPERATIONS			
Revenue and other income			
Revenue from services	4(a)	**236,054**	231,704
Interest income	4(a)	**334**	654
Other income	4(a)	**5,428**	11,783
Total revenue and other income		**241,816**	244,141
Expenses			
Broadcasting and transmission expenses		**(120,450)**	(122,782)
Sales, marketing and administration expenses		**(70,996)**	(64,444)
Depreciation and amortisation expenses		**(10,698)**	(10,387)
Total expenses, excluding finance costs and specific items		**(202,144)**	(197,613)
Share of associate losses	12(c)	**(1,601)**	(3,081)
Profit from continuing operations before finance costs, specific items and income tax		**38,071**	43,447
Finance costs	4(b)	**(11,243)**	(15,338)
Specific items			
Gain from MtM derivative financial instruments		**1,518**	–
Gain from disposal of available for sale financial assets		**921**	–
Loss from MtM derivative financial instruments		**–**	(24,001)
Impairment expense – investment in associates		**–**	(9,001)
Impairment expense – investment in available for sale financial assets		**–**	(1,415)
Impairment expense – intangible assets (radio broadcast licences)		**(12,529)**	(17,761)
Impairment expense – goodwill		**(14,994)**	–
Impairment expense – loan to associates		**(4,384)**	(2,000)
Impairment expense – television program rights		**(1,302)**	–
Impairment expense – property, plant and equipment		**(3,815)**	–
Restructuring		**(3,145)**	–
Write-off employee options		**–**	(363)
Zinc Radio launch costs		**–**	(250)
CEO termination expenses		**(1,871)**	–
Once off increase to Employee Entitlements resulting from award change		**(626)**	–
Early termination penalties on finance leases		**–**	(803)
Share of associate losses – pre-acquisition		**–**	(1,358)
destra administration costs		**(226)**	(3,619)
Redundancies		**(1,042)**	(1,376)
(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**(14,667)**	(33,838)
Income tax benefit/(expense)	5(c)	**(7,841)**	(107)
NET (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**(22,508)**	(33,945)
Discontinuing operations			
NET (LOSS) AFTER TAX FROM DISCONTINUING OPERATIONS	6	**(32,036)**	(11,599)
NET (LOSS) AFTER TAX		**(54,544)**	(45,544)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	CONSOLIDATED 2010 $'000	2009 $'000
Other comprehensive income			
Fair value revaluation of available for sale financial assets		**–**	540
Foreign Currency translation reserve to profit and loss for assets held for resale		**1,032**	–
Currency translation differences for the period recognised directly in equity		**218**	(132)
OTHER COMPREHENSIVE INCOME BEFORE INCOME TAX		**1,250**	408
Income Tax on items of other comprehensive income		**–**	(162)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**1,250**	246
TOTAL COMPREHENSIVE INCOME AFTER TAX		**(53,294)**	(45,298)
Net Profit/(Loss) for the period is attributable to:			
Non-controlling interest		**(85)**	(1,109)
Owners of the Parent		**(54,459)**	(44,435)
		(54,544)	(45,544)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		**(85)**	(1,109)
Owners of the Parent		**(53,209)**	(44,189)
		(53,294)	(45,298)
Basic Earnings per share (cents per share)			
– profit for the year	7	**(15.0)**	(24.5)
– profit from continuing operations	7	**(6.2)**	(18.7)
Diluted Earnings per share (cents per share)			
– diluted for profit for the year	7	**(15.0)**	(24.5)
– diluted for profit from continuing operations	7	**(6.2)**	(18.7)

BALANCE SHEET

AS AT 30 JUNE 2010

	NOTES	CONSOLIDATED 2010 $'000	2009 $'000
ASSETS			
Current assets			
CASH AND CASH EQUIVALENTS	9	**5,664**	6,669
Trade and other receivables	10	**51,514**	51,385
Intangible assets	16	**832**	1,700
Other assets	11	**2,462**	2,343
Current tax assets	5	**57**	5,352
Derivative financial instruments	24	**–**	57
		60,529	67,506
Assets of disposal group classified as held for sale	6(c)	**39,888**	–
Total Current Assets		**100,417**	67,506
NON-CURRENT ASSETS			
Receivables	10	**317**	815
Investments in associates	12	**80**	4,299
Investment in available for sale financial assets	14	**3,137**	4,214
Property, plant and equipment	15	**56,308**	93,584
Deferred tax assets	5	**12,093**	9,666
Intangible assets and goodwill	16	**225,284**	281,015
Other assets	11	**1,561**	588
Total Non-Current Assets		**298,780**	394,181
Total Assets		**399,197**	461,687
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	**58,031**	61,252
Interest-bearing loans and borrowings	18	**408**	14,880
Current tax liabilities	5	**–**	66
Provisions	19	**10,477**	6,736
Derivative financial instruments	24	**3,020**	4,595
		71,936	87,529
Liabilities directly associated with assets classified as held for sale	6(c)	**24,162**	–
Total Current Liabilities		**96,098**	87,529
NON-CURRENT LIABILITIES			
Trade and other payables	17	**68**	1,423
Interest-bearing loans and borrowings	18	**165,201**	172,608
Deferred income tax liabilities	5	**–**	163
Provisions	19	**520**	2,626
Total Non-Current Liabilities		**165,789**	176,820
Total Liabilities		**261,887**	264,349
Net Assets		**137,310**	197,338
EQUITY			
Equity attributable to equity holders of the parent interest			
Contributed equity	20	**310,262**	305,643
Reserves	21	**(1,537)**	(16)
(Accumulated losses)/Retained earnings	21	**(171,415)**	(108,941)
Parent interests		**137,310**	196,686
Non-controlling interests		**–**	652
Total Equity		**137,310**	197,338

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2010

CONSOLIDATED	ISSUED CAPITAL $'000	ACCUMUL-ATED LOSSES $'000	EMPLOYEE BENEFITS RESERVE $'000	FOREIGN CURRENCY TRANS-LATION RESERVE $'000	NET UN-REALISED GAINS RESERVE $'000	GENERAL RESERVE $'000	TOTAL PARENT ENTITY INTEREST $'000	NON-CONT-ROLLING INTEREST $'000	TOTAL $'000
At 1 July 2009	**305,643**	**(108,941)**	**2,028**	**(2,044)**	**–**	**–**	**196,686**	**652**	**197,338**
Profit for the period	–	(54,459)	–	–	–	–	(54,459)	(85)	(54,544)
Other comprehensive income	–	–	–	1,250	–	–	1,250	–	1,250
Total comprehensive income and expense for the period	–	(54,459)	–	1,250	–	–	(53,209)	(85)	(53,294)
Transactions with equity holders in their capacity as equity holders:									
Shares issued as consideration of equity settled transactions	1,890	–	–	–	–	–	1,890	–	1,890
Shares issued as consideration for acquisition of non-controlling interest in controlled entities	3,354	–	–	–	–	–	3,354	–	3,354
Share based payments	–	–	16	–	–	–	16	–	16
Transaction costs of acquiring non-controlling interest	(625)	–	–	–	–	–	(625)	–	(625)
Non-controlling interests acquired in controlled entities	–	–	–	–	–	(2,787)	(2,787)	(567)	(3,354)
Dividends on ordinary shares	–	(8,015)	–	–	–	–	(8,015)	–	(8,015)
At 30 June 2010	**310,262**	**(171,415)**	**2,044**	**(794)**	**–**	**(2,787)**	**137,310**	**–**	**137,310**

CONSOLIDATED	ISSUED CAPITAL $'000	ACCUMUL-ATED LOSSES $'000	EMPLOYEE BENEFITS RESERVE $'000	FOREIGN CURRENCY TRANS-LATION RESERVE $'000	NET UN-REALISED GAINS RESERVE $'000	GENERAL RESERVE $'000	TOTAL PARENT ENTITY INTEREST $'000	NON-CONT-ROLLING INTEREST $'000	TOTAL $'000
At 1 July 2008	**196,569**	**(50,453)**	**1,057**	**(1,912)**	**(378)**	**-**	**144,883**	**1,768**	**146,651**
Profit for the period	–	(44,435)	–	–	–	–	(44,435)	(1,109)	(45,544)
Other comprehensive income	–	–	–	(132)	378	–	246	–	246
Total comprehensive income and expense for the period	–	(44,435)	–	(132)	378	–	(44,189)	(1,109)	(45,298)
Transactions with equity holders in their capacity as equity holders:									
Minority interests in controlled entities acquired	–	–	–	–	–	–	–	(7)	(7)
Equity transactions									
Shares issued as part of equity raising	110,092	–	–	–	–	–	110,092	–	110,092
Costs of equity raising (net of tax)	(3,395)	–	–	–	–	–	(3,395)	–	(3,395)
Shares issued as consideration	3,440	–	–	–	–	–	3,440	–	3,440
Cost of share-based payments	–	–	971	–	–	–	971	–	971
Buyback of shares	(1,063)	–	–	–	–	–	(1,063)	–	(1,063)
Dividends on ordinary shares	–	(14,053)	–	–	–	–	(14,053)	–	(14,053)
At 30 June 2009	**305,643**	**(108,941)**	**2,028**	**(2,044)**	**–**	**–**	**196,686**	**652**	**197,338**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	CONSOLIDATED 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**301,726**	306,824
Payments to suppliers and employees (inclusive of GST)		**(254,349)**	(228,454)
Interest received		**355**	801
Borrowing costs paid		**(12,842)**	(20,482)
Income tax refunds received		**4,577**	–
Income tax paid		**(6,301)**	(15,984)
Net cash flows from/(used in) operating activities	9(a)	**33,166**	42,705
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**45**	349
Purchase of property, plant and equipment		**(26,259)**	(14,666)
Proceeds from sale of available-for-sale financial assets		**1,998**	433
Refund of escrow payments for purchase of radio businesses in prior years		**–**	662
Purchase of controlled entities		**–**	(11,317)
Payment of deferred settlement for acquisition of subsidiaries and related business assets		**(1,339)**	–
Purchase of available-for-sale financial assets		**–**	(708)
Loan Funds (to)/from related entities		**(1,717)**	(9,077)
Net cash flows from/(used in) investing activities		**(27,272)**	(34,324)
Cash flows from financing activities			
Proceeds from issues of ordinary shares		**–**	110,092
Costs of issue of ordinary shares		**(159)**	(4,850)
Payments for the share buy back		**–**	(1,063)
Proceeds from borrowings		**92,000**	40,868
Finance Lease Liability Payments		**(1,998)**	(7,550)
Repayments of borrowings		**(88,838)**	(119,126)
Payments to terminate interest rate swap		**–**	(9,831)
Dividends paid		**(8,015)**	(14,053)
Net cash flows from/(used in) financing activities		**(7,010)**	(5,513)
Net increase/(decrease) in cash and cash equivalents		**(1,116)**	2,868
Cash and cash equivalents at beginning of period		**6,669**	4,010
Net foreign exchange differences		**111**	(209)
Cash and cash equivalents at end of period	9	**5,664**	6,669

1. CORPORATE INFORMATION

The financial report of Prime Media Group Limited (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 27 September 2010.

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.

TABLE OF CONTENTS

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 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Changes in accounting policy and disclosures. The accounting policies adopted are consistent with those of the previous financial year except as follows: The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2009:

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Condition and Cancellations effective 1 July 2009
- AASB 7 Financial Instruments: Disclosures effective 1 July 2009
- AASB 8 Operating Segments effective 1 July 2009
- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 July 2009
- AASB 123 Borrowing Costs (revised 2007) effective 1 July 2009
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate effective 1 July 2009
- AASB 2009-6 Amendments to Australian Accounting Standards operative for periods beginning on or after 1 July 2009 that end on or after 30 June 2009
- AASB 3 Business Combinations (revised 2008) effective 1 July 2009
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 effective 1 July 2009
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1 & AASB 5) effective 1 July 2009
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2010

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

The Group adopted the revised Standards from 1 July 2009. AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the calculation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combination achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisition, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

New Accounting Standards and Interpretations

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 3. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 3.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 35 including the related revised comparative information.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 123 Borrowing Costs

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provision of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 July 2009. The Group did not capitalise any borrowing costs in the current year.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However, the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of the investment in that subsidiary. The receipt of dividends by Prime Media Group Limited during the year did not impact the recoverability of the investment in the subsidiary.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the Group. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

Annual Improvements Project

In May 2008 and April 2009 the AASB issued omnibus or amendments to its Standards as part of the Annual Improvements Projects, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

AASB 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Group amended its disclosures in note 6.

AASB 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has chosen not to disclose this information.

AASB 101 Presentation of Financial Statements: assets and liabilities classified as held for trading in accordance with AASB 139 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities was in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

AASB 116 Property, Plant and Equipment: replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

AASB 120 Accounting for Government Grants and Disclosures of Government Assistance: loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Group as the government assistance received is not loans but direct grants.

AASB 123 Borrowing Costs: the definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense is calculated using the effective interest rate method calculated in accordance with AASB 139. The Group has amended its accounting policy accordingly which did not result in any change in its statement of financial position.

AASB 128 Investment in Associates: an investment in an associate is a single asset for the purpose of conducting the impairment test, including any reversal of impairment. Any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. The Group has amended its impairment accounting policy accordingly. The amendment had no impact on the Group's financial position or performance.

AASB 136 Impairment of Assets: when discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The Group has amended its disclosures accordingly in note 16.

The amendment also clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

AASB 138 Intangible Assets: expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

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 2010. These are outlined in the table below.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	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 except for the following: The amendment to AASB 117 removes 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 vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: • has primary responsibility for providing the goods or service; • has inventory risk; • has discretion in establishing prices; • bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • two categories for financial assets being amortised cost or fair value; • removal of the requirement to separate embedded derivatives in financial assets; • strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows; • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	1 January 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).	1 January 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011

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

(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.

Dividends received from subsidiaries are recorded as a component of the reserves in the statement of comprehensive income of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividends payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment exist. Where such indicators exist to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Prior to 1 July 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

- Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly-owned by the Group and were presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

(E) BUSINESS COMBINATIONS

Subsequent to 1 July 2009

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Prior to 1 January 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree acquired does not affect previously recognised goodwill. The goodwill amounts calculated at each step of the acquisition were accumulated.

When the Group acquired a business, embedded derivatives from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

(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 forms 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.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

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.

Classification of assets and liabilities as held for sale
The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into of a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

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(l)
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 judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement 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. Judgements are also required about the application of income tax legislation. These judgements 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 statement of comprehensive income.

(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.

The fair values of unlisted securities not traded in an active market are determined by an appropriately qualified independent valuer by projecting future cash inflows from expected future dividends and subsequent disposal of the securities. These cash flows are then discounted back to their present value using a pre-tax, risk adjusted discount rate of 16% (2009: 13%).

Impairment of goodwill and intangibles with indefinite useful lives
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and 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.

(G) OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statement.

(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 $AUD (refer point ii & 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 statement of comprehensive income is translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are recognised in the foreign currency translation reserve in equity.

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

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position 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 statement of financial position.

(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, 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:	2010	2009
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.

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 8 - Operating Segments and includes: (see note 16)

- Television Broadcasting
- Prime Digital Media
- Moonlight Cinema
- On Site Broadcasting

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Prime Media Group Limited performs its impairment testing as at 31 May each year using the value in use methodology for each cash generating unit to which goodwill and indefinite life intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 16. 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.

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 statement of comprehensive income 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 has expired or been transferred.

Subsequent Measurement

(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 statement of financial position.

(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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 reporting 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 associates are entities in which the Group has significant influence and which are 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 statement of financial position 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 impairment loss with respect to the Group's net investment in the associate.

Goodwill included in the carrying amount of the investment in the associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, 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. Associates are recognised in the parent entity's statement of income as a component of other income.

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 attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the periods they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Prime Media Group Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(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 statement of comprehensive income 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.

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 28.

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 statement of comprehensive income is the product of:

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

(ii) the current best estimate 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 effect 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 statement of comprehensive income 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.

Equity settled awards granted by Prime Media Group Limited to employees of subsidiaries are recognised in the parents' separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Prime Media Group Limited in relation to equity-settled awards only represents the expense associated with employees of the parent. The expense recognised by the Group is the total expense associated with such awards.

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 a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

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 statement of comprehensive income 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 at "Moonlight Cinema" is brought to account when the film session has been undertaken.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of comprehensive income 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 reporting 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.

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, to the extent that it is probable that taxable profit will be available against which the deductible temporary and the carry forward of unused tax credits and unused tax losses can be utilised, 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting 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 reporting date.

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 Tax 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.

(AA) IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL AND INDEFINITE LIFE INTANGIBLES

Intangible assets, non-financial assets other than goodwill and indefinite life are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

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.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment, are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 statement of comprehensive income 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 comprise receivables, payables, bank loans, bank overdrafts, available-for-sale investments, finance lease contracts, cash, short-term deposits and derivatives.

RISK EXPOSURES AND RESPONSES

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 manages its exposure to key financial risks including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

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 Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

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.

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 as cash flow hedges:

	CONSOLIDATED	
	2010 $'000	2009 $'000
FINANCIAL ASSETS		
Cash and cash equivalents	**5,664**	6,669
	5,664	6,669
FINANCIAL LIABILITIES		
$260 million Secured debenture subscription facility	**(160,000)**	(146,000)
Secured Bank Loans – Broadcast Production Services	**(6,933)**	(17,771)
Derivatives	**(3,020)**	(4,595)
	(169,953)	(168,366)
Net exposure	**(164,289)**	(161,697)

Interest rate swap contracts outlined in note 24, with a fair value of liability $3,020,000 (2009: Liability $4,595,000), 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 2010, after taking into account the effect of interest rate swaps, approximately 56% of the Group's borrowings are at a fixed rate of interest (2009: 58%).

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.

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

At 30 June 2010, 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:

Judgements of reasonably possible movements:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
CONSOLIDATED				
+1% (100 basis points)	**274**	926	**–**	–
-1% (100 basis points)	**(274)**	(926)	**–**	–

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity is lower in 2010 than 2009 because the interest rate swap contracts are twelve months closer to expiry which reduces the fair value movement arising from changes in interest rates. Net borrowings have remained at a similar level to the prior 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 twelve 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 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 2010, the Group had the following exposure to NZ$ foreign currency that is not designated as cash flow hedges:

	CONSOLIDATED	
	2010 $'000	2009 $'000
Financial Assets		
Trade and other receivables	**–**	–
Financial Liabilities		
Trade and other payables	**–**	–
Net exposure	**–**	–

As at balance date, the Group does not have any forward currency contracts (2009: 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.

As at 30 June 2010, apart from the foreign currency translation risks within the Group, there were no other exposures to currency fluctuations.

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 counterparty, 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

CREDIT QUALITY OF FINANCIAL ASSETS

	EQUIVALENT S&P RATING (*)	INTERNALLY RATED (**)			
	A+ AND ABOVE	NEW CUSTOMERS	CLOSELY MONITORED CUSTOMERS	NO DEFAULT CUSTOMERS	TOTAL
Year ended 30 June 2010					
Current Financial Assets					
Cash and cash equivalents	5,664	–	–	–	5,664
Trade and other receivables	–	3,043	4,209	44,262	51,514
	5,664	**3,043**	**4,209**	**44,262**	**57,178**
Non-current financial assets					
Trade and other receivables	–	–	–	317	317
	–	–	–	317	317
Year ended 30 June 2009					
Current Financial Assets					
Cash and cash equivalents	6,669	–	–	–	6,669
Trade and other receivables	–	3,701	2,008	45,676	51,385
Derivative financial instruments	57	–	–	–	57
	6,726	**3,701**	**2,008**	**45,676**	**58,111**
Non-current financial assets					
Trade and other receivables	–	–	–	815	815
	–	**–**	**–**	**815**	**815**

Credit Quality of financial assets

(*) The equivalent S&P rating of the financial assets represents that rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

(**) New customers are counterparties with whom the Group has traded for less than one year. No default customers are customers with whom the Group has traded for greater than one year and have no history of default, late payments, renegotiated terms or breach of their credit terms within the past two years. Closely monitored customers are customers with whom the Group has traded for greater than one year and do not qualify as no default customers.

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

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:

- $260 million Debenture Subscription Facility (2009: $350 million), which is currently drawn to 62% capacity (2009: 42%);
- $7.0 million Multi Option facilities (2009: $17.7 million) held by Broadcast Production Services Pty Limited with the ANZ Bank Group Limited; and
- Long Term finance lease contracts over specific items of plant and equipment.

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. Prime Media Group Limited has established comprehensive risk reporting covering its business units that reflects expectations of management of the expected settlement of financial assets and liabilities.

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.

As at the reporting date the Group's subsidiary Broadcast Production Services Pty Limited had the following financing facilities that were directly related to the assets held for resale:

- $6,933,000 Commercial Bills. These liabilities are secured by a charge over assets classified as held for resale. As a condition of the sale of these assets the outstanding bills were repaid during July 2010.
- $17,229,000 of finance lease liabilities. These lease liabilities relate to the High Definition Outside Broadcast Equipment that has subsequently been sold to Sky Network Television Limited on 9 July 2010. On settlement date these lease liabilities were assigned to the purchaser.

At 30 June 2010, 4.2% of the Group's debt will mature in less than one year (2009: 7.8%).

NON-DERIVATIVE FINANCIAL LIABILITIES

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as at 30 June 2010. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can now be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g inventories and trade receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

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 2010. 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 2010.

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

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
6 months or less	**37,838**	23,094
6-12 months	**5,995**	14,226
1-5 years	**175,554**	184,168
Over 5 years	**734**	10,009

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 2010	**≤ 6 MONTHS $'000**	**6 – 12 MONTHS $'000**	**1 – 5 YEARS $'000**	**> 5 YEARS $'000**	**TOTAL $'000**
Consolidated					
Financial assets					
Cash and cash equivalents	**5,664**	–	–	–	**5,664**
Trade and other receivables	**51,514**	–	**317**	–	**51,831**
	57,178	–	**317**	–	**57,495**
Consolidated					
Financial liabilities					
Trade and other payables	**(58,031)**	–	–	–	**(58,031)**
Interest bearing loans and borrowings	**(59,838)**	**(17,995)**	**(151,554)**	**(734)**	**(230,121)**
Derivatives – outflows	**(726)**	**(697)**	**(1,597)**	–	**(3,020)**
	(118,595)	**(18,692)**	**(153,151)**	**(734)**	**(291,172)**
Net maturity	**(61,417)**	**(18,692)**	**(152,834)**	**(734)**	**(233,677)**

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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)**

At balance date, the Group has available approximately $100 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.

DERIVATIVE FINANCIAL LIABILITIES

Due to the unique characteristics and risks inherent to derivative instruments, the Group separately monitors the liquidity risk arising from transacting in derivative instruments.

The table below details the liquidity risk arising from the derivative liabilities held by the Group at balance date. Net settled derivative liabilities comprise forward interest rate contracts that are used as economic hedges of interest rate risks.

Consolidated	≤ 6 MONTHS $'000	6 – 12 MONTHS $'000	1 – 5 YEARS $'000	> 5 YEARS $'000	TOTAL $'000
Year Ended 30 June 2010					
Derivative liabilities – net settled	**(726)**	**(697)**	**(1,597)**	–	**(3,020)**
Net Maturity	**(726)**	**(697**	**(1,597)**	–	**(3,020)**
Year Ended 30 June 2009					
Derivative liabilities – net settled	**(1,061)**	**(1,061)**	**(2,473)**	–	**(4,595)**
Net Maturity	**(1,061)**	**(1,061)**	**(2,473)**	–	**(4,595)**

Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	YEAR ENDED 30 JUNE 2010			
	QUOTED MARKET PRICE (LEVEL 1) $'000	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2) $'000	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 3) $'000	TOTAL $'000
Consolidated				
Financial assets				
Listed investments	**4**	–	–	**4**
	4	–	–	**4**
Financial liabilities				
Derivative instruments:				
Interest rate swaps	–	**(3,020)**	–	**(3,020)**
	–	**(3,020)**	–	**(3,020)**

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

4. INCOME AND EXPENSES

	NOTE	CONSOLIDATED 2010 $'000	2009 $'000
Income and Expenses from Continuing Operations			
(A) INCOME			
Media sales revenue		**236,054**	231,704
Finance income		**334**	654
Other revenue		**5,428**	11,783
		241,816	244,141
Breakdown of finance income:			
Interest received			
– other persons		**334**	654
		334	654
Breakdown of other income:			
Government grants		**543**	4,730
Production revenue		**860**	2,843
Representation services		**1,172**	1,806
Gain on disposal of property, plant and equipment		**–**	102
Rental income		**1,813**	1,587
Dividend income		**25**	206
Other revenues		**1,015**	509
		5,428	11,783
(B) FINANCE EXPENSES			
Interest expense – other persons		**11,323**	16,028
Effective interest rate adjustments		**(80)**	(690)
		11,243	15,338
(C) SPECIFIC EXPENSES			
Bad and doubtful debts – trade debtors		**424**	255
Minimum lease payments – operating leases		**17,485**	16,446
Superannuation contributions		**3,253**	3,213
Share based payments expense	28	**16**	971
Realised Foreign Exchange Losses		**184**	34

5. INCOME TAX

	CONSOLIDATED	
	2010 $'000	2009 $'000
A) INCOME TAX EXPENSE		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge	**5,554**	6,190
Adjustments in respect of current income tax of previous years	**1,465**	(103)
Losses not recognised	**27**	955
Deferred income tax		
Relating to origination and reversal of temporary differences	**(4,752)**	(10,151)
De-recognition of DTA	**3,851**	–
Foreign tax credits written off	**–**	672
DTA/DTL not previously recognised due to accumulated loss position of subsidiary	**(1,677)**	–
DTA/DTL not recognised due to accumulated loss position of subsidiary	**–**	1,180
Income tax expense/(benefit) reported in the statement of comprehensive income	**4,468**	(1,257)
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
Foreign currency translation	**(101)**	–
Impairment losses on available-for-sale investments transferred to statement of comprehensive income	**–**	(162)
	(101)	1,292
C) NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME AND TAX EXPENSE CALCULATED PER THE STATUTORY INCOME TAX RATE		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's appropriate income tax rate is as follows:		
Profit/(loss) before tax from continuing operations	**(14,667)**	(33,838)
Profit/(loss) before tax from discontinuing operations	**(35,409)**	(12,963)
Total accounting profit/(loss) before income tax	**(50,076)**	(46,801)
Prima facie tax (benefit)/expense on accounting profit at the Group's statutory rate of 30% (2009: 30%)	**(15,023)**	(14,040)
Foreign tax credits written off	**–**	672
Non temporary differences	**1,264**	1,351
Impairment expense not deductible for tax	**15,550**	10,566
Current year tax losses not recognised	**27**	620
Adjustments in respect of current income tax of previous years	**440**	(103)
Income not assessable for tax	**53**	(50)
DTA/DTL on timing differences not previously recognised now brought to account	**(1,692)**	(1,462)
De-recognition of DTA	**3,851**	–
DTA/DTL on timing differences not recognised	**–**	1,180
Foreign tax rate adjustment	**(2)**	9
Aggregate income tax (benefit)/expense	**4,468**	(1,257)
Income tax expense/(benefit) attributable to continuing operations	**7,841**	107
Income tax expense/(benefit) attributable to discontinuing operations	**(3,373)**	(1,364)
	4,468	(1,257)

	CONSOLIDATED			
	2010 $'000 CURRENT INCOME TAX	2010 $'000 DEFERRED INCOME TAX	2009 $'000 CURRENT INCOME TAX	2009 $'000 DEFERRED INCOME TAX
D) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES				
Opening balance	**5,286**	**9,503**	(5,360)	(634)
Charged to income	**(7,046)**	**2,578**	(5,338)	6,595
Charged to equity	**91**	**11**	–	1,292
Other payments/refunds	**1,726**	**–**	15,984	–
Transfers to/from Tax Group Entities	**–**	**–**	–	–
Acquisitions/Disposals	**–**	**–**	–	2,250
Closing balance	**57**	**12,093**	5,286	9,503
Tax expense/(benefit) in statement of comprehensive income		**4,468**		(1,257)
Amounts recognised in the balance sheet:				
Deferred tax asset		**12,093**		9,666
Deferred tax liability		**–**		(163)
		12,093		9,503

	BALANCE SHEET	
	2010 $'000	2009 $'000
Recognised deferred tax assets and liabilities		
Deferred income tax as at 30 June relates to the following:		
CONSOLIDATED		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**(268)**	(448)
Leased Assets	**(38)**	(1,278)
Prepaid Expenses deductible for tax	**(651)**	(1,807)
Income not yet assessable for tax	**-**	(116)
Fair value of television licences on Acquisition	**(6,690)**	(6,690)
	(7,647)	(10,339)
Set-off of deferred tax assets	**7,647**	10,176
	–	(163)
Deferred tax assets		
Employee Entitlements	**1,816**	1,880
Provisions	**2,418**	2,200
Expenses not yet deductible for tax	**3,323**	2,227
Lease Liabilities	**–**	1,152
Difference between accounting and tax building write off	**2,401**	809
Fair value of derivatives	**906**	1,361
Impairments of investments	**7,384**	9,845
DTA not recognised due to uncertainty of recovery	**–**	(1,180)
Tax losses	**1,492**	1,548
	19,740	19,842
Set-off of deferred tax liabilities	**(7,647)**	(10,176)
	12,093	9,666
E) 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.	**1,492**	1,548
(b) Deferred tax assets arising from tax losses of controlled entities not recognised at reporting date as realisation of the benefit is not regarded as highly probable	**26,048**	23,687

5. INCOME TAX (CONTINUED)

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.

(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.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and deferred tax assets arising from unused tax losses and unused tax credits from controlled extras in the tax consolidated group.

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.

Tax effect accounting by members of the consolidated group

	PRIME MEDIA GROUP LIMITED	
	2010 $'000	2009 $'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	**5,907**	(3,566)

(F) TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements, including the tax treatment of hedging transactions. The Group has assessed the potential impact of these changes on the Group tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2010 (2009: NIL).

6. DISCONTINUED OPERATIONS

(A) DETAILS OF OPERATIONS DISPOSED AND HELD FOR SALE

2010

TELEVISION PRODUCTION

On 20 November 2009, the Board of Directors entered an agreement to transfer the existing production rights to current developments to Beyond International Limited. The television production operations were wound up following the transfer to Beyond International Limited, which was completed on 18 January 2010.

ON SITE BROADCASTING AND MOONLIGHT CINEMA

On 23 June 2010, the Board of Directors accepted management recommendations to progress with final negotiations for the sale of its Moonlight Cinema and Outside Broadcasting businesses. As at 30 June 2010, both Moonlight and On Site Broadcasting were classified as assets held for sale.

2009

There were no disposals of operating units during the prior financial year.

(B) FINANCIAL PERFORMANCE OF OPERATIONS DISPOSED AND HELD FOR SALE

	2010 $'000	2009 $'000
Revenue	**33,760**	35,522
Expenses	**(69,169)**	(48,485)
Net profit/(loss) attributable to discontinuing operations before tax	**(35,409)**	(12,963)
Income tax (expense)/benefit	**3,373**	1,364
Net profit/(loss) attributable to discontinuing operations after tax	**(32,036)**	(11,599)
Minority interest in discontinued operations	**85**	1,109
Net profit/(loss) from discontinuing operations attributable to members of parent entity	**(31,951)**	(10,490)
Earnings per share (cents per share)		
Basic from discontinued operations	**(8.8)**	(5.8)
Diluted from discontinued operations	**(8.8)**	(5.8)

(C) ASSETS AND LIABILITIES – HELD FOR SALE OPERATIONS

	2010 $'000	2009 $'000
Property, plant & equipment	**37,791**	
Intangibles – goodwill	**2,097**	
Total non-current assets	**39,888**	
Total assets	**39,888**	
Current liabilities		
Interest bearing liabilities	**(24,162)**	
Total Current liabilities	**(24,162)**	
Net assets held for sale	**15,726**	

(D) CASH FLOW INFORMATION – HELD FOR SALE OPERATIONS

	2010 $'000	2009 $'000
Net cash inflow/(outflow) from operating activities	**(2,491)**	(3,191)
Net cash inflow/(outflow) from investing activities	**(10,529)**	(2,836)
Net cash inflow/(outflow) from financing activities	**13,488**	6,648
Net cash increase/(decrease) in cash generated by the discontinued division	**468**	621

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	
	2010 $'000	2009 $'000
(A) EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Net Profit attributable to ordinary equity holders of the parent from continuing operations	**(22,508)**	(33,945)
Net Profit attributable to ordinary equity holders of the parent from discontinuing operations	**(32,036)**	(11,599)
Net Profit attributable to ordinary equity holders of the parent	**(54,544)**	(45,544)
Earnings used in calculating basic and diluted earnings per share	**(54,544)**	(45,544)

	NUMBER OF SHARES	NUMBER OF SHARES
(B) WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of ordinary shares used in calculating basic earnings per share:	**363,522,662**	181,129,271
Effect of dilution:		
Share options	**–**	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**363,522,662**	181,129,271

There are 5,250,000 share options (2009: Nil) excluded from the calculations of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the completion of the financial statements.

7. EARNINGS PER SHARE (CONTINUED)

(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:

(D) PROFIT FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS

	2010 $'000	2009 $'000
Reported loss after tax from continuing operations (refer Statement of comprehensive income)	**(22,508)**	(33,945)
Fair value change in derivatives	**(1,518)**	24,001
Impairment of radio broadcasting licences	**12,529**	17,761
Impairment of property, plant and equipment	**3,815**	–
Impairment of available-for-sale financial assets	**–**	1,415
Impairment of goodwill	**14,994**	–
Gain on sale of investments	**(921)**	–
Impairment of television program rights	**1,302**	–
Early termination penalties on finance leases	**–**	803
Provision for staff redundancies	**1,042**	1,376
Employee Options written off	**–**	363
Radio Zinc launch expenses	**–**	250
CEO termination expenses	**1,871**	–
Impairment on investment in associates	**–**	9,001
destra administration costs	**226**	3,619
Impairment on loan to associate	**4,384**	2,000
Restructuring	**3,145**	–
AL/LSL provision for award change	**626**	–
Share of associates' losses – pre-acquisition	**–**	1,358
Income tax related to significant items	**(620)**	(9,940)
Profit after tax from continuing operations before significant items	**18,367**	18,062
Minority Interest	**–**	–
Net profit after tax before significant items attributable to members of Prime Media Group Limited	**18,367**	18,062

8. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2010 $'000	2009 $'000
(A) RECOGNISED AMOUNTS		
Declared and paid during the year		
(i) Current year interim		
Franked dividends (1.2 cents per share) (2009: 2.0 cents) – ordinary shares	**4,382**	2,581
(ii) Previous year final		
Franked dividends (1.0 cents per share) (2009: 9.0 cents) – ordinary shares	**3,633**	11,472
	8,015	14,053

(B) UNRECOGNISED AMOUNTS

(i) Current year final		
Franked dividends (1.4 cents per share) (2009: 1.0 cents) – ordinary shares	**5,129**	3,584

(C) FRANKING CREDIT BALANCE

	PRIME MEDIA GROUP	
The amount of franking credits available for the subsequent financial year are:	2010 $'000	2009 $'000
– franking account balance as at the end of the financial year at 30% (2009: 30%)	**16,421**	18,467
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	**(393)**	(5,241)
– 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 :	**16,028**	13,226
– 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	**2,198**	1,536

(D) TAX RATES

The tax rate at which paid dividends have been franked is 30% (2009: 30%). Dividends proposed will be franked at the rate of 30% (2009: 30%).

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED 2010 $'000	2009 $'000
Cash balance comprises:		
Cash at bank and on hand	**5,664**	6,669
Closing cash balance	**5,664**	6,669

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 2010 the Group had available $100 million (2009: $204 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

	2010 $'000	2009 $'000
Net (loss)/profit after income tax	**(54,544)**	(45,544)
Non-Cash Items		
Non cash interest expense	**–**	140
Depreciation and amortisation	**18,330**	15,298
Effective interest rate adjustments	**84**	(690)
Provision for doubtful debts	**542**	457
Net (profit)/loss on disposal of property, plant and equipment	**225**	(133)
(Gain)/Loss on sale of financial asset	**(922)**	(17)
Transfer of foreign currency translation reserve to profit and loss	**1,032**	–
Net (gain)/loss MTM derivatives	**(1,517)**	24,001
Impairment of intangibles and goodwill	**52,461**	26,496
Impairment of property, plant & equipment	**7,863**	2,129
Impairment of related party receivables	**–**	2,000
Impairment of investments in associates	**4,384**	9,001
Share of losses of associates	**1,601**	3,081
Share based payments expense	**16**	971
Impairment of available-for-sale financial assets	**–**	1,414
Equity settled expenses	**–**	232
Changes in assets and liabilities		
(Increase)/decrease in receivables	**(174)**	3,270
(Increase)/decrease in inventory	**3,442**	1,700
(Increase)/decrease in deferred tax assets	**(2,425)**	(4,113)
(Increase)/decrease in prepayments	**(1,465)**	(115)
(Decrease)/increase in creditors	**(1,563)**	16,561
(Decrease)/increase in tax provision	**5,332**	(10,646)
(Decrease)/increase in deferred tax liability	**(163)**	(2,320)
(Decrease)/increase in employee entitlements	**17**	334
(Decrease)/increase in other provisions	**610**	(802)
Net cash flow from operating activities	**33,166**	42,705

10. TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
CURRENT		
Trade receivables[(i)]	**48,843**	42,379
Allowance for impairment loss[(ii)]	**(875)**	(629)
	47,968	41,750
Other receivables	**3,424**	9,396
Related Party receivables:		
Loans to executives	**122**	239
	51,514	51,385

(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.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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	
	2010 $'000	2009 $'000
At July 1	**629**	449
Additions due to acquisitions	**–**	80
Charge for the year	**686**	457
Amounts written off	**(440)**	(357)
At June 30	**875**	629

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							
2010	**48,843**	**25,367**	**21,172**	**1,013**	**56**	**416**	**819**
2009	42,379	21,299	18,021	1,685	66	745	563

* 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.

NON-CURRENT		
Related party receivables		
– related entities	**47**	48
– loan to executives	**270**	767
	317	815

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 and are not considered past due or impaired.

For the terms and conditions relating to KMP refer to note 33.

(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

CURRENT		
Work in progress	**65**	17
Prepayments	**2,397**	2,326
	2,462	2,343
NON-CURRENT		
Prepayments	**1,560**	588

12. INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
	2010 $'000	2009 $'000
(A) INVESTMENT DETAILS		
Unlisted		
Mildura Digital Television Pty Limited	**80**	204
Prime Digitalworks Pty Limited	**–**	4,095
Total Investments in Associates	**80**	4,299

(B) THE CONSOLIDATED ENTITY HAS A MATERIAL INTEREST IN THE FOLLOWING ENTITIES:

	OWNERSHIP INTEREST		CONTRIBUTION TO NET PROFIT	
	2010 %	2009 %	2010 $'000	2009 $'000
Unlisted				
Mildura Digital Television Pty Limited	**50%**	50%	**(425)**	(300)
Prime Digital Media Pty Limited(1)	**100%**	100%	**–**	(1,358)
Prime Digitalworks Pty Limited(3)	**100%**	33%	**(1,176)**	(1,423)
destra Corporation Limited(2)	**44%**	44%	**–**	–
West Digital Television Pty Limited	**50%**	–	**–**	–
West Digital Television No2 Pty Limited	**50%**	–	**–**	–
West Digital Television No3 Pty Limited	**50%**	–	**–**	–
West Digital Television No4 Pty Limited	**50%**	–	**–**	–
			(1,601)	(3,081)

(1) Share of associates' losses (pre-acquisition) for the period 1 July 2008 to 24 November 2008. On 24 November 2008 Prime Digital Media Pty Limited became a 100% owned subsidiary. (Refer note 23).
(2) The Group's investment in destra Corporation Limited was impaired to Nil during 2009. As such no further share of losses were taken up in the Group accounts.
(3) On 30 June 2010 Prime Digitalworks Pty Limited became a 100% owned subsidiary. (Refer note 23).

(C) MOVEMENTS IN THE CARRYING AMOUNT OF THE GROUP'S INVESTMENT IN ASSOCIATES

	2010	2009
At July 1	**4,299**	13,187
Loan funds advanced/(repaid)(1)	**1,766**	4,100
Share of losses after income tax	**(1,601)**	(3,081)
Provision for impairment losses(2)	**(4,384)**	(9,001)
Transfer to controlled entity(3)	**–**	(906)
At June 30	**80**	4,299

(1) 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.
(2) 2010: provision relates to impairment of loan receivables from Prime Digitalworks Pty Limited (2009: destra Corporation Limited was placed in administration and then receivership on 13 November 2008).
(3) Net equity value of investment in Prime Digital Media Pty Limited prior to obtaining control on 24 November 2008.

(D) IMPAIRMENT
Provision for impairment loss has been recognised to the extent as disclosed above. Due to the ongoing losses being incurred by Prime Digitalworks Pty Limited, management of Prime Media Group Limited reviewed the recoverability of the loans to this associate. The assessment of the fair value of the loans to the associate was $Nil which thereby gave rise to an impairment of $4,384,000.

(E) SUMMARISED FINANCIAL INFORMATION
The following table illustrates summarised financial information relating to the Group's associates :

Extracts from associates' balance sheets:	2010	2009
Current assets	**109**	225
Non-current assets	**490**	733
	599	958
Current liabilities	**(1,457)**	(1,181)
Non-current liabilities	**–**	–
	(1,457)	(1,181)
Net assets	**(858)**	(223)
Share of the associates net assets accounted for using the equity method:		
Net assets	**(430)**	(113)

12. INVESTMENTS IN ASSOCIATES (CONTINUED)

	CONSOLIDATED	
Extracts from associates' statements of comprehensive income:	**2010 $'000**	**2009 $'000**
Revenue	**1,878**	2,012
Net Profit/(losses)	**(4,388)**	(12,601)
Share of the associates profits or losses accounted for using the equity method:		
Profit/(loss) before income tax	**(1,601)**	(3,081)
Income tax expense	**–**	–
Profit/(loss) after income tax	**(1,601)**	(3,081)

13. INVESTMENTS IN SUBSIDIARIES AND FINANCIAL ASSETS

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:

		EQUITY INTEREST	
NAME	**COUNTRY OF INCORPORATION**	**2010 %**	**2009 %**
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**	100
Fireback Digital Pty Limited	Australia	**100**	100

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 COMPREHENSIVE INCOME

	CLOSED GROUP	
	2010 $'000	**2009 $'000**
Operating (loss)/profit before income tax	**(17,304)**	(36,340)
Income tax benefit/(expense) attributable to operating (loss)/profit	**(3,549)**	1,874
Operating profit after tax	**(20,853)**	(34,466)
Retained profits at beginning of the financial year	**(44,821)**	3,698
Dividends provided for or paid	**(8,015)**	(14,053)
Retained profits at end of the financial period	**(73,689)**	(44,821)

CLOSED GROUP

(2) CONSOLIDATED BALANCE SHEET

Current assets		
Cash and cash equivalents	**3,821**	5,129
Trade and other receivables	**48,665**	43,492
Intangible assets	**832**	1,700
Prepayments	**2,124**	1,585
Current tax assets	**396**	5,241
Derivative financial instruments	**–**	57
Total current assets	**55,838**	57,204
Non-current assets		
Receivables	**37,929**	13,614
Investments in associates	**80**	4,299
Investments in available-for-sale financial assets	**7**	6
Other financial assets and subsidiaries	**117,933**	115,656
Property, plant and equipment	**56,053**	61,310
Intangible assets	**225,284**	251,327
Deferred Tax Assets	**11,141**	6,223
Other assets	**1,560**	588
Total non-current assets	**449,987**	453,023
Total assets	**505,825**	510,227
Current liabilities		
Trade and other payables	**52,997**	55,923
Interest bearing loans and borrowings	**381**	350
Current tax liabilities	**–**	42
Provisions	**9,023**	3,349
Derivative financial instruments	**3,020**	4,595
Total current liabilities	**65,421**	64,259
Non-current liabilities		
Trade and other payables	**35,960**	29,752
Interest bearing loans and borrowings	**165,228**	150,772
Deferred income tax liabilities	**–**	–
Provisions	**496**	2,583
Total non-current liabilities	**201,684**	183,107
Total liabilities	**267,105**	247,366
Net assets	**238,720**	262,861
Equity		
Parent entity interest		
Contributed equity	**310,262**	305,643
Reserves	**2,147**	2,039
(Accumulated losses)/Retained profits	**(73,689)**	(44,821)
Total equity	**238,720**	262,861

14. INVESTMENTS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED 2010 $'000	2009 $'000
Investments at fair value:		
Available for sale financial assets:		
Shares in West Australian Newspapers Ltd (listed) (i)	–	1,078
Shares in uncontrolled entities (listed) (i)	**4**	3
Investments at cost:		
Shares in uncontrolled entities (unlisted) (ii)	**3,133**	3,133
	3,137	4,214

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 costs 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 levels before impairment of the investment would occur.

15. PROPERTY, PLANT AND EQUIPMENT

Freehold land – at cost	**1,147**	1,142
Leasehold land – at cost(i)	**197**	197
Total Land	**1,344**	1,339
Buildings on freehold land – at cost	**3,324**	3,423
Less: Accumulated depreciation	**(1,716)**	(1,704)
	1,608	1,719
Buildings on leasehold land – at cost(i)	**10,146**	10,271
Less Accumulated amortisation	**(2,794)**	(2,588)
	7,352	7,683
Buildings on freehold land – at recoverable value	**2,162**	2,112
Less: Accumulated depreciation	**(488)**	(434)
	1,674	1,678
Total Buildings	**10,634**	11,080
Leasehold Improvements – at cost	**3,593**	3,581
Less: Accumulated amortisation	**(1,321)**	(1,052)
	2,272	2,529
Plant and Equipment – at cost	**152,218**	179,511
Less: Accumulated depreciation and impairment	**(113,781)**	(123,774)
	38,437	55,737
Plant and Equipment under lease – at cost	**4,451**	25,409
Less: Accumulated amortisation	**(861)**	(2,660)
	3,590	22,749
Motor Vehicles – at cost	**79**	205
Less: Accumulated depreciation	**(48)**	(55)
	31	150
Total written down amount	**56,308**	93,584

(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	
	2010 $'000	**2009 $'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**	1,142
Additions	**–**	–
Classification transfer	**5**	–
	1,147	1,142
Leasehold land	**197**	197
	1,344	1,339
Buildings on freehold land		
Carrying amount at beginning	**3,397**	3,499
Additions	**79**	43
Classification transfer	**(33)**	–
Disposals	**(17)**	(3)
Depreciation expense	**(144)**	(142)
	3,282	3,397
Buildings on leasehold land		
Carrying amount at beginning	**7,683**	7,937
Additions	**4**	14
Classification transfer	**(85)**	–
Disposals	**–**	–
Depreciation expense	**(250)**	(268)
	7,352	7,683
Total Buildings	**10,634**	11,080
Leasehold improvements		
Carrying amount at beginning	**2,529**	1,907
Additions	**64**	892
Classification transfer	**11**	–
Disposals	**–**	(27)
Depreciation expense	**(276)**	(243)
Reclassification to assets held for sale	**(56)**	–
Total Buildings	**2,272**	2,529

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
Plant and equipment		
Carrying amount at beginning	**55,737**	46,851
Additions	**26,660**	18,779
Classification transfer	**68**	–
Reclassification of assets upon payout of finance lease	**–**	4,839
Disposals	**(252)**	(190)
Depreciation expense	**(15,199)**	(12,030)
Impairment expense[2]	**(7,863)**	(2,129)
Reclassification to assets held for sale[1]	**(21,151)**	–
Foreign currency movements	**437**	(383)
	38,437	55,737
Plant and equipment under lease		
Carrying amount at beginning	**22,749**	20,894
Additions	**194**	8,863
Disposals	**34**	-
Disposals	**–**	(20)
Reclassification of assets upon payout of finance lease	**–**	(4,839)
Amortisation expense	**(2,358)**	(2,576)
Foreign currency movements	**(445)**	427
Reclassification to assets held for sale[1]	**(16,584)**	–
	3,590	22,749
Total Plant and equipment	**42,027**	78,486
Motor Vehicles		
Carrying amount at beginning	**150**	43
Additions	**6**	158
Classification transfer	**(1)**	–
Disposals	**–**	(12)
Depreciation expense	**(124)**	(39)
	31	150

(1) During the current year management assessed the recoverability of assets owned by the Group used in the operation of the digital out of home advertising networks operated by Prime Digital Media Pty Limited. The Board made the decision during the reporting period to close down the 'Retravision Network'. As a result of this decision the assets relating to this network were impaired to $Nil. The total impairment expense arising from this event was $3,815,000.
(2) As at 30 June 2010 the assets of On Site Broadcasting and Moonlight Cinemas were reclassified as held for sale. Management undertook an impairment assessment of these assets based on fair value less cost to sell. This gave rise to an impairment of the On Site Broadcasting plant and equipment totalling $4,048,000.

(B) ASSETS PLEDGED AS SECURITY

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

(C) ASSETS HELD FOR SALE

As at 30 June 2010 all assets of the Broadcast Production Services Group were re-classified as held for sale. This comprises:

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
Leasehold Improvements	**56**	
Plant and equipment	**21,151**	
Plant and equipment under lease	**16,584**	
Motor vehicles	**–**	
Total property, plant and equipment re-classified as held for sale	**37,791**	
As at 30 June 2010 the following lease liabilities were directly associated with assets classified as held for sale (refer to note 25):		
Liabilities directly associated with assets classified as held for sale	**24,162**	

16. GOODWILL AND INTANGIBLE ASSETS

	CONSOLIDATED	
	2010 $'000	2009 $'000
CURRENT		
Program Rights		
At cost	**832**	1,700
	832	1,700
NON-CURRENT		
Goodwill on Acquisition	**3,657**	44,286
Broadcast Licences and Associated Rights		
At cost	**219,810**	232,339
Program Rights		
At cost	**1,817**	3,950
Television Format Rights		
At fair value	**–**	440
	225,284	281,015
Refer Accounting Policy, note 2(l).		
Reconciliations		
Goodwill on Acquisition		
Carrying amount at beginning	**44,286**	28,126
Additions	**1,400**	23,502
Assets classified as held for sale	**(2,097)**	–
Variation on translation of foreign entity accounts	**–**	43
Impairment losses[(i)]	**(39,932)**	(7,385)
	3,657	44,286
(i) These impairment losses relate to the following CGU's:		
On Site Broadcasting (refer note 16(d)(iii))	**24,376**	
Moonlight Cinema (refer note 16(d)(iii))	**562**	
Prime Digital Media Pty Limited (refer note 16(d)(ii))	**13,593**	
Prime Digitalworks Pty Limited (refer note 16(d)(iv))	**1,401**	
	39,932	
Broadcast licences		
Carrying amount at beginning	**232,339**	251,002
Additions	**–**	–
Disposals	**–**	–
Adjustment to purchase consideration[(i)]	**–**	(902)
Impairment losses (Refer note 16(d)(v))	**(12,529)**	(17,761)
	219,810	232,339
Program Rights		
Carrying amount at beginning	**5,650**	7,350
Additions	**–**	–
Disposals	**–**	–
Amortisation expense	**(1,699)**	(1,700)
Impairment charge (Refer note 16(d)(vii))	**(1,302)**	–
	2,649	5,650
Television Format Rights		
Carrying amount at beginning	**440**	1,790
Additions	**–**	–
Disposals	**–**	–
Impairment charge (Refer note 16(d)(vi))	**(440)**	(1,350)
	–	440
	226,116	282,715

(i) During the prior 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 prior period 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.

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(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) ASSET CLASSIFIED AS HELD FOR SALE
As outlined in note 6, the goodwill relating to the Moonlight Cinema and On Site Broadcasting divisions have been reclassified as held for sale. The goodwill held by these units was tested for impairment along with other assets based on a fair value to sell less cost to sell.

(C) DISSOLUTION OF VISUAL BROADCASTING CGU
During the reporting period the Board made the decision to close down the digital out of home advertising unit of Prime Digital Media. As the remaining operations of Prime Digital Media are no longer aligned with the visual broadcasting medium it was deemed appropriate for the visual broadcasting CGU to be split into two new CGUs being:

- Television broadcasting; and
- Prime Digital Media.

As the goodwill relating to the Visual Broadcasting CGU had arisen from recent transactions management believed it was appropriate to allocate the goodwill to the new CGU's on the basis of the goodwill recognised in each transaction. This resulted in the following allocation of goodwill:

- Television broadcasting $3,482,000
- Prime Digital Media $13,593,000

(D) 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:

- Television 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:

- Television broadcasting unit;
- Prime Digital Media unit;
- Radio broadcasting unit;
- Moonlight Cinemas; and
- On Site Broadcasting.

(I) TELEVISION BROADCASTING UNIT
On an annual basis management undertakes an assessment of the carrying value of its television 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 10.93% (13.85% 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 unit's intangible assets.

(II) PRIME DIGITAL MEDIA CGU
The goodwill attributable to the Prime Digital Media CGU was acquired as part of business acquisitions during 2008. At the time of the acquisitions the primary operation of the acquired business was the digital out of home advertising networks. As a result of the decision to close these networks management have undertaken a review of the goodwill acquired.

Management have reviewed the fair value of the goodwill on the basis of value in use. The remaining operations within the Prime Digital Media CGU are: Managed Networks and Content Production which were developed as supporting operations to the advertiser networks. The remaining operations are continuing on the basis of fulfilling existing contractual arrangements over the coming period which are forecast to bring small cash inflows during the current period. Management have assessed the probable future cash flows beyond the current period as $Nil on the basis that the overall contracted inflows are small and contract renewal of the small existing customers is not assured.

On this basis management believe that the fair value in use of the goodwill of this unit is $Nil. This assessment gives rise to an impairment of the goodwill in this business unit of $13,593,000.

(III) ON SITE BROADCASTING AND MOONLIGHT CINEMA
As at 30 June 2010, the assets of the On Site Broadcasting and Moonlight Cinema businesses were reclassified as held for sale. Management were actively in discussions with third parties seeking the sale of these businesses.

Management undertook an impairment assessment based on the fair value less cost to sell. Fair value to sell has been based on expected selling prices arising from the aforementioned negotiations with third parties. As at the date of this report all sales have been agreed and the fair values to sell have been supported by these agreements.

The fair value to sell assessment gave rise to an impairment of the goodwill held in On Site Broadcasting of $16,242,000 and Moonlight Cinema of $85,000.

These impairments are in addition to value in use impairment losses for On Site Broadcasting and Moonlight Cinema taken at 31 December 2009 of $8,134,000 and $477,000 respectively.

The total goodwill impairment losses recognised for the financial period were: On Site Broadcasting $24,376,000 and Moonlight Cinema $562,000.

(IV) PRIME DIGITALWORKS PTY LIMITED
As at 30 June 2010 Prime Digitalworks was acquired as a subsidiary, refer note 23 for the acquisition accounting. Upon acquisition goodwill of $1,401,000 arose. Management reviewed the fair value in use of the goodwill and have assessed that the fair value of the goodwill is $Nil.

The assessment has been based on the ongoing losses being incurred by Prime Digitalworks which are forecast to continue for the coming future period on a decreasing scale.

The fair value in use assessment gave rise to an impairment of $1,401,000.

(V) 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 is 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 five years.

In prior periods management prepared forecasts out to eight years as part of its annual impairment testing. Management has reviewed the forecasting period as the market conditions are such, that forecasts beyond 5 years are no longer reliable.

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 11.43% (13.88% pre tax) was applied to the projected cash flows. The discount rate is based on the Group's WACC plus a premium of 0.5% that takes into account the higher risks involved in the markets in which this division operates.

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 $12,529,000.

(VI) TELEVISION FORMAT RIGHTS

As a result of its exit from the television production operation, management reviewed the value of production format rights that were not transferred to Beyond International. Management assessed the recoverable value of these rights on the basis of fair value to sell which was assessed as $Nil.

This assessment gave rise to an impairment of $440,000.

(VII) TELEVISION PROGRAM RIGHTS

During the current reporting period the Group has reviewed the carrying value of the television program rights it holds. These rights were assessed against the likely future revenues earned from their use over the remaining life of the rights period. The forecast cash flows arising from the exploitation of these rights have been based on established patterns over the life of the contract. We have discounted the expected cash flows arising using the discount rate of 10.93% as these cash flows are subject to similar risks as the overall television CGU.

This assessment gave rise to recoverable value in use lower than the current carrying value thereby giving rise to an impairment charge of $1,302,000.

(E) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

SENSITIVITY OF ASSUMPTIONS

Television and radio broadcasting are largely fixed cost 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 is 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 so therefore viewing and listening shares and 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.

TELEVISION BROADCASTING

For the television broadcasting CGU, the current recoverable value exceeds its current carrying value by more than $150,000,000. The implications of the key assumptions on the recoverable amount are discussed below:

- Growth Rate Assumptions – The television 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, an impairment charge would only arise if the long term forecasts for this business became negative.
- Discount Rate Assumptions – the discount rate used for assessing this CGU is 10.93% (pre tax 13.85%).

RADIO BROADCASTING

The current valuation model for the radio CGU has given rise to an impairment charge of $12,529,000, therefore any negative movements of the assumptions used in this valuation model will give rise to further impairment charges.

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	CONSOLIDATED 2010 $'000	2009 $'000
Carrying amount of Intangibles allocated to each of the cash generating units		
Television Broadcasting Licences	**182,963**	182,963
Radio Broadcasting Licences	**36,847**	49,376
Broadcast Licences	**219,810**	232,339
Moonlight Cinema	–	2,095
On Site Broadcasting	–	24,923
Prime Media Singapore	–	–
Radio broadcasting	**175**	175
Television broadcasting	**3,482**	3,482
Prime Digital Media	–	13,611
Goodwill on Acquisition	**3,657**	44,286

17. TRADE AND OTHER PAYABLES

	2010	2009
CURRENT		
Trade payables(i)	**16,206**	16,508
Accrued expenses	**41,825**	44,744
	58,031	61,252

(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.

	2010	2009
NON CURRENT		
Accrued expenses	**68**	21
Vendor finance	–	1,402
	68	1,423

18. INTEREST-BEARING LOANS AND BORROWINGS

	MATURITY	CONSOLIDATED 2010 $'000	2009 $'000
CURRENT			
Obligations under finance lease contracts (note 25(f))(i)	2011	**408**	2,049
Secured bank loans – Broadcast Production Services Pty Limited(ii)	2011	–	12,831
		408	14,880
NON-CURRENT			
Obligations under finance lease contracts (note 25(f))(i)	2012 - 2021	**3,057**	20,384
Secured Debenture Subscription facility	2012	**162,144**	147,283
Secured bank loans – Broadcast Production Services Pty Limited(ii)	2011	–	4,941
		165,201	172,608

(i) As at 30 June 2010, the On Site Broadcasting business was classified as a business held for resale. Some of these assets are being acquired via finance lease and as a result these liabilities have been also reclassified in the balance sheet.

(ii) As at 30 June 2010, the assets of On Site Broadcasting and Moonlight Cinema were classified as assets held for re-sale. A charge is held over these assets to secure bank loans held by Broadcast Production Services Pty Limited. As a condition of the release of these charges, is the repayment of the loans that have been classified as liabilities directly related to assets held for resale.

(I) TERMS AND CONDITIONS

PRIME MEDIA GROUP FACILITY

This loan has been drawn down under a five year $260 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 excluding Broadcast Production Services Pty Limited and its subsidiaries. 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 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 Pty 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.

The amounts outstanding on this facility were repaid during July 2010.

(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 8.0% (2009: 5.5% to 7.0%), 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 26. 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.

19. PROVISIONS

	CONSOLIDATED 2010 $'000	CONSOLIDATED 2009 $'000
CURRENT		
Restructuring	**1,454**	–
Long service leave	**2,375**	2,152
Directors' retiring provision	**196**	98
Onerous contracts	**6,452**	4,486
	10,477	6,736
NON-CURRENT		
Long service leave	**520**	411
Onerous contracts	**–**	2,215
	520	2,626

	ONEROUS CONTRACTS $'000	REDUNDANCY PROVISION $'000	LONG SERVICE LEAVE $'000	DIRECTORS RETIRING PROVISION $'000	TOTAL $'000
CONSOLIDATED					
At 1 July 2009	6,701	–	2,563	98	**9,362**
Arising during the year	1,835	1,454	750	98	**4,137**
Utilised	(2,084)	–	(422)	–	**(2,506)**
Discount Rate Adjustment	–	–	4	–	**4**
At 30 June 2010	6,452	1,454	2,895	196	**10,997**
Current 2010	6,452	1,454	2,375	196	**10,477**
Non-current 2010	–	–	520	–	**520**
	6,452	1,454	2,895	196	**10,997**
Current 2009	4,486	–	2,152	98	**6,736**
Non-current 2009	2,215	–	411	–	**2,626**
	6,701	–	2,563	98	**9,362**

19. PROVISIONS (CONTINUED)

(A) NATURE AND TIMING OF THE PROVISIONS

(I) REDUNDANCY PROVISION

The Group has recognised a provision for redundancy in relation to restructuring within the Prime Media Group operations. The majority of these redundancies were settled in July 2010.

(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) DIRECTOR'S RETIRING PROVISION

Refer to Remuneration Report. The Directors' Retiring provision was approved by shareholders in November 1997.

(IV) ONEROUS CONTRACTS PROVISION

Upon acquisition of Prime Digital Media Pty Limited management 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 and will not be reviewed.

During the current reporting period management have commenced negotiations with various counterparties to these onerous contracts to allow Prime Digital Media Pty Limited to exit these commitments. As a result of the negotiations management have reassessed the likely timing of payment due under these contracts which has given rise to increase in the current value of the provision during the period.

20. CONTRIBUTED EQUITY

	CONSOLIDATED	
	2010 $'000	2009 $'000
(A) ISSUED AND PAID UP CAPITAL		
Ordinary shares fully paid		
366,330,303 shares (2009: 358,422,021 shares)	**310,262**	305,643

(B) MOVEMENTS IN SHARES ON ISSUE

	2010		2009	
Ordinary	NUMBER OF SHARES	$'000	NUMBER OF SHARES	$'000
Beginning of the financial year	**358,422,021**	**305,643**	127,529,944	196,569
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	**7,908,282**	**4,619**	1,984,963	3,440
Share buy-back	–	–	(452,197)	(1,063)
End of the financial year	**366,330,303**	**310,262**	358,422,021	305,643

(C) SHARE OPTIONS

Options over ordinary shares:

EMPLOYEE SHARE SCHEME

During the financial year, 5,250,000 (2009: nil) options were issued over ordinary shares.

During the financial year, Nil (2009: 5,000) options lapsed, Nil (2009: Nil) were forfeited and Nil (2009: 2,875,000) options were surrendered by executives following the capital raising conducted by the Group.

At the end of the year there were 5,250,000 (2009: Nil) 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 2010, the Company paid dividends of $8,015,000 (2009: $14,053,000). 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 a ongoing basis are:

	TARGET	AS AT BALANCE DATE
Debt/Debt + Equity	55% – 65%	56%
Debt to Normalised EBITDA[1]	2.5 – 3.5	3.3
Interest Cover to Normalised EBITDA[1]	> 3.5	4.2

(1) Normalise EBITDA is calculated as EBITDA before significant items. This is same definition of EBITDA that is used to for assessment of the above measures for the compliance with banking covenants.

21. RETAINED EARNINGS AND RESERVES

	CONSOLIDATED	
	2010 $'000	2009 $'000
General reserve	**(2,787)**	–
Foreign currency translation	**(794)**	(2,044)
Employee benefits equity reserve	**2,044**	2,028
	(1,537)	(16)
(Accumulated losses)/Retained profits	**(171,415)**	(108,941)

(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

	2010 $'000	2009 $'000
Balance at beginning of year	**(2,044)**	(1,912)
Transfer of foreign currency translation reserve relating to assets held for resale to the statement of comprehensive income	**1,032**	–
Gain/(loss) on translation of overseas controlled entities	**218**	(132)
Balance at end of year	**(794)**	(2,044)

(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

	2010 $'000	2009 $'000
Balance at beginning of year	**2,028**	1,057
Share Based Payment	**16**	971
Balance at end of year	**2,044**	2,028

(C) GENERAL RESERVE

(I) NATURE AND PURPOSE OF RESERVE

This reserve account reflects the value of acquired non-controlling interests in controlled entities after the initial control transaction has occurred.

(II) MOVEMENTS IN RESERVE

	2010 $'000	2009 $'000
Balance at beginning of year	**–**	–
Acquisition of non-controlling interest in controlled entities	**(2,787)**	–
Balance at end of year	**(2,787)**	–

(D) 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

	2010 $'000	2009 $'000
Balance at beginning of year	**–**	(378)
Movements in fair value of available-for-sale financial assets	**–**	–
Impairment of available-for-sale financial asset to statement of comprehensive income	**–**	378
Balance at end of year	**–**	–

(E) (ACCUMULATED LOSSES)/RETAINED PROFITS

	2010 $'000	2009 $'000
Balance at the beginning of year	**(108,941)**	(50,453)
Net profit attributable to members of Prime Media Group Limited	**(54,459)**	(44,435)
Total available for appropriation	**(163,400)**	(94,888)
Dividends provided for or paid	**(8,015)**	(14,053)
Balance at end of year	**(171,415)**	(108,941)

22. NON-CONTROLLING INTERESTS

ACQUISITION OF BROADCAST PRODUCTION SERVICES PTY LIMITED AND CONTROLLED ENTITIES

On 6 November 2009, Prime Media Broadcasting Services Pty Limited ("Prime"), a controlled entity of Prime Media Group Limited, completed the acquisition of the non-controlling interest in Broadcast Production Services Pty Limited ("BPSL") a listed company based in Australia.

This acquisition was completed in a number of steps. On 21 September 2009, Prime acquired 21.52% of the shares in BPSL, at which time Prime proceeded to compulsorily acquire all of the outstanding shares of BPSL. Upon completion of the compulsory acquisition, BPSL was delisted from the Australian Securities Exchange.

The consideration for the acquisition is as follows:	2010 $'000
Shares issued as consideration less costs	**2,787**
Total Purchase Consideration	**2,787**

23. BUSINESS COMBINATION

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").

The provisional acquisition accounting for this transaction was disclosed in the financial statements for the period ending 30 June 2009. During the period subsequent to 30 June 2009 and prior to 24 November 2009, the Group completed the acquisition accounting which differed from that disclosed at 30 June 2009.

	CARRYING AMOUNT $'000	FAIR VALUE ON ACQUISITION RECOGNISED AS AT 30 JUNE 2009 $000	RECOGNISED FAIR VALUE ON ACQUISITION $'000
Cash	(74)	(74)	(74)
Receivables	829	829	829
Intangible assets – goodwill	120	–	–
Prepayments	105	105	105
Property, plant & equipment	4,600	4,600	4,600
Deferred tax assets	1,303	1,303	2,250
Trade payables	(914)	(914)	(914)
Provision for onerous contracts	(4,344)	(4,344)	(7,504)
Borrowings owing to Acquirer	(4,949)	(4,949)	(4,949)
Provision for employee benefits	(89)	(89)	(89)
Net Assets	(3,413)	(3,533)	(5,746)
Fair value of Net Assets Acquired (60%)			(3,448)
Total purchase consideration			6,940
Goodwill Arising			10,388
Goodwill recognised in previous exchange transactions			3,205
Total Goodwill recognised			13,593

Subsequent to the completion of the 30 June 2009 financial statements the Group completed its review of fair values of assets and liabilities acquired as part of the acquisition of Prime Digital Media Pty Limited. During this final review the Group became aware of relevant information that gave rise to a revision of the fair values of certain assets and liabilities as part of the final acquisition accounting.

(B) ACQUISITION OF PRIME DIGITALWORKS PTY LIMITED

On 30 June 2010, Prime New Media Investments Pty Limited, a controlled entity of Prime Media Group Limited acquired 67% of the shares in Prime Digitalworks Pty Limited.

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

23. BUSINESS COMBINATION (CONTINUED)

	CARRYING AMOUNT $'000	RECOGNISED FAIR VALUE ON ACQUISITION $'000
Cash	3	3
Prepayments	79	79
Property, plant & equipment	148	148
Trade payables	(1,576)	(1,576)
Provision for employee benefits	(55)	(55)
Net Assets	(1,401)	(1,401)
Total purchase consideration		–
Total Goodwill recognised		**1,401**

Due to the ongoing losses being incurred by Prime Digitalworks Pty Limited, management do not believe the goodwill arising from this acquisition has any value and have therefore raised an impairment provision for $1,401,000 as at 30 June 2010 (Refer note 16).

24. DERIVATIVES

	CONSOLIDATED	
	2010 $'000	2009 $'000
Current Assets		
Currency option contract	–	57
Interest rate swap contracts	–	–
	–	57
Current Liabilities		
Interest rate swap contracts	**(3,020)**	(4,595)

(A) INTEREST RATE SWAP AGREEMENTS

At balance date, the Company had interest rate swap agreements with a notional amount of $95 million, (2009: $95 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 56% (2009: 58%) 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.

(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 arranged to share counterparty risks of contracts across numerous blue chip parties.

25. EXPENDITURE COMMITMENTS

	CONSOLIDATED	
	2010 $'000	2009 $'000
(A) CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
– not later than one year	**7,012**	10,954
(B) LEASE EXPENDITURE COMMITMENTS		
Group as lessee		
Operating leases (Continuing Operations):		
Minimum lease payments		
– not later than one year	**8,748**	10,587
– later than one year and not later than five years	**23,729**	32,678
– later than five years	**15,524**	18,942
Aggregate lease expenditure contracted for at reporting date	**48,001**	62,207

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.

(C) LEASE EXPENDITURE COMMITMENTS

Group as lessor

Certain assets owned or under operating leases with excess capacity have been sub-let to third parties. These non-cancellable leases have remaining terms of between 1 to 15 years. All leases include clauses to enable upward revision of the rental charges on an annual basis according to increases in the Consumer Price Index.

	2010 $'000	2009 $'000
Operating leases (non-cancellable):		
Minimum lease payments receivable		
– not later than one year	**912**	655
– later than one year and not later than five years	**2,818**	2,205
– later than five years	**1,098**	1,400
Aggregate lease income contracted for at reporting date	**4,828**	4,260
(D) OTHER COMMITMENTS COVERING THE RENTAL OF TECHNICAL EQUIPMENT UNDER A LONG TERM AGREEMENT		
– not later than one year	**6,039**	6,781
– later than one year and not later than five years	**24,155**	25,774
– later than five years	**1,510**	7,914
	31,704	40,469
(E) FINANCE LEASE COMMITMENTS:		
– not later than one year	**23,384**	4,024
– later than one year and not later than five years	**2,961**	16,640
– later than five years	**735**	10,009
Total Minimum lease payments	**27,080**	30,673
– future finance charges	**(6,386)**	(8,240)
Lease Liability	**20,694**	22,433
– current liability	**17,637**	2,049
– non-current liability	**3,057**	20,384
	20,694	22,433

25. EXPENDITURE COMMITMENTS (CONTINUED)

	CONSOLIDATED	
	2010 $'000	2009 $'000
(F) FINANCE LEASE COMMITMENTS AT PRESENT VALUE:		
– not later than one year	**17,889**	3,834
– later than one year and not later than five years	**2,358**	12,699
– later than five years	**447**	5,900
Present Value of Minimum lease payments	**20,694**	22,433

As per note 18, some of the finance lease commitments relate directly to assets held for resale. As such these liabilities are disclosed as liabilities directly associated with assets classified as held for resale.
The abovementioned finance lease commitments are disclosed in the financial statement as follows:

Current liabilities directly associated with assets classified as held for sale	**17,229**	
Current interest-bearing loans and borrowings (note 18)	**408**	
Non-current interest-bearing loans and borrowings (note 18)	**3,057**	
Total included in statement of financial position	**20,694**	

(G) REMUNERATION COMMITMENTS:
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

– not later than one year	**380**	380
– later than one year and not later than five years	**570**	950
– later than five years	**–**	–
	950	1,330

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in the Remuneration Report of the Directors' Report that are not recognised as liabilities and are not included in the compensation of KMP.

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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.

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:	**2,347**	2,357
	2,347	2,357

27. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

		CONSOLIDATED	
	NOTE	2010 $'000	2009 $'000
EMPLOYEE BENEFITS			
The aggregate employee benefit liability is comprised of:			
Accrued wages, salaries and on-costs			
Provisions (current)	19	**4,025**	2,250
Provisions (non-current)	19	**520**	411
		4,545	2,661

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.

28. 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:

	2010	2009
Expense arising from equity-settled share-based payment transactions	**16**	971

The share-based payment plan is described below. During the financial year, Nil (2009: 5000) options lapsed, Nil (2009: Nil) were forfeited and Nil (2009: 2,845,000) options were surrendered by executives of the Group.

(B) EMPLOYEE SHARE OPTION SCHEME (ESOS)

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 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 Group. 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.

The ESOS is designed to align participant's interests with those of the share holders by increasing the value of the Company's shares. Under the ESOS, the exercise price of the options is set at 120% of the market price of the shares on the date of grant and performance is measured by reference to the volume weighted average share price exceeding the target vesting price for a period of 10 days immediately prior to the vesting date of each tranche of options.

The vesting Price targets of the current options on issue require appreciation of the Company Group share price by a minimum of 45% from the market price on the date the options were granted. When a participant ceases employment by means of resignation or with notice all options that have not vested on the date of termination will be forfeited.

The Company prohibits KMP from entering into arrangements to protect the value of unvested ESOS awards.

The contractual life of each option granted is five years. There are no cash settlement alternatives.

28. SHARE BASED PAYMENT PLANS (CONTINUED)

(B) EMPLOYEE SHARE OPTION SCHEME (ESOS) (CONTINUED)

(1) SUMMARIES OF OPTIONS GRANTED UNDER ESOS

The following table outlines the number and weighted average exercise price of and movements in share options on issue during the year.

	2010		2009	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	–	–	2,850,000	3.50
- granted	**5,250,000**	**$0.90**	–	–
- exercised	–	–	–	–
- lapsed	–	–	(5,000)	1.72
- surrendered and cancelled	–	–	(2,845,000)	3.50
- forfeited and cancelled	–	–	–	–
Balance at end of year	**5,250,000**	**$0.90**	–	–
Exercisable at end of year	–	–	–	–

OPTIONS HELD AS AT THE END OF THE REPORTING PERIOD:

The outstanding balance as at 30 June 2010 is represented by:

5,250,000 options over ordinary shares with an exercise price of $0.90 each, exercisable upon meeting the conditions outlined above and until 16 June 2015.

Option Pricing Model:

Equity settled transactions

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 statement of comprehensive income is $16,000 (2009: $971,000). 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.

	2010	2009
Dividend yield (%)	**4.7%**	–
Expected volatility (%)	**50%**	–
Historical volatility (%)	**50%**	–
Risk-free interest rate (%)	**4.79%**	–
Expected life of options (years)	**5**	–
Option exercise price ($)	**$0.90**	–
Weighted average share price at measurement date ($)	**$0.75**	–

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.

Weighted Average remaining contractual life

The weighted average contractual life of share options outstanding as at 30 June 2010 is 4.95 years (2009: Nil).

Range of exercise price

The range of exercise price for options outstanding at the end of the year was $0.90 (2009: Nil).

Weighted Average for value

The weighted average fair value of options granted during the year was $0.13 (2009: Nil).

29. EVENTS AFTER THE BALANCE SHEET DATE

After balance date the Group completed the sales of the Moonlight Cinema, and On Site Broadcasting businesses, refer note 6.

30. 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.

31. AUDITORS' REMUNERATION

	CONSOLIDATED 2010 $	CONSOLIDATED 2009 $
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	**509,729**	535,000
– other services in relation to the entity and any other entity in the consolidated entity	**316,928**	108,538
	826,657	643,538
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
– Taxation services provided by Ernst & Young New Zealand	**24,691**	–
– other services provided by Ernst & Young New Zealand	**77,571**	–
	102,262	–
	928,919	643,538

32. 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 2010 %	EQUITY INTEREST 2009 %
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

32. RELATED PARTY DISCLOSURES (CONTINUED)

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST 2010 %	EQUITY INTEREST 2009 %
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	100
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	100
Fireback Digital Pty Limited	Australia	100	100
POP Digital Media Pty Limited	Australia	100	100
Prime National Radio Sales Pty Limited	Australia	80	80
Broadcast Production Services Pty Limited[1]	Australia	100	77
Controlled entities of Broadcast Production Services Pty Limited:			
Production Strategies Pty Limited	Australia	100	77
Production Strategies Discretionary Trust	Australia	100	77
P.R.O. Television Unit Trust	Australia	100	77
Producer Representatives Organization Inc.	USA	100	77
Producer Representatives Organization International Inc.	USA	100	77
Wastar International Pty Ltd	Australia	100	77
Screenworld Pty Ltd	Australia	100	77
Family Bloom Productions Inc	USA	100	77
OSB Holdings Pty Ltd	Australia	100	77
OSB Unit Trust	Australia	100	77
On Site Broadcasting Pty Limited	Australia	100	77
OSB Australia Pty Ltd	Australia	100	77
OSB (NZ) Equipment Limited	New Zealand	100	77
On Site Broadcasting (NZ) Limited	New Zealand	100	77
OSB Corporation Pty Limited	Australia	100	77
Becker Entertainment (Singapore) Pte Ltd	Singapore	100	77
On Corporation Pty Limited	Australia	100	77
Moonlight Premium Cinema Pty Limited	Australia	100	77
MMJT Productions Pty Limited	Australia	100	77
Moonlight Cinema Management Pty Limited	Australia	100	77
Moonlight Projects Pty Limited	Australia	100	77
Broadcast Rentals Pty Limited	Australia	100	77
Zero1Zero HD Pty Limited	Australia	100	77

(1) The equity interest reflected for the controlled entities of Broadcast Production Services Pty Limited is that of the members of Prime Media Group Limited as at balance date.

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 33.

TRANSACTIONS WITH OTHER RELATED PARTIES
Seven Affiliate Sales Pty Limited

Representation fees are charged to both Prime subsidiaries and Seven Queensland under normal commercial terms and conditions.

33. 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)
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)[a]
I. C. Audsley	Director (Chief Executive Officer)[b]

(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
G. Smith	Chief Technology Officer
P. Stubbings	Chief Financial Officer

(a) Mr Syphers resigned as Chief Executive Officer on 31 March 2010 and as a director on 20 May 2010.
(b) Mr Audsley commenced with the Group as Chief Executive Officer on 16 June 2010 and was appointed as a director on 24 June 2010.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2010 $'000	2009 $'000
Short term employee benefits	**4,456**	3,541
Post-employment benefits	**111**	115
Long Term Benefits	**211**	23
Termination benefits	**314**	330
Share based payments	**16**	906
	5,108	4,915

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.

33. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(C) OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

2010	BALANCE AT BEGINNING OF PERIOD 1 JULY 2009	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 2010	TOTAL	VESTED AT 30 JUNE 2010 NOT EXERCISABLE	EXERCISABLE
Directors								
I. Audsley	–	**5,250,000**	–	–	**5,250,000**	–	–	–
	–	**5,250,000**	–	–	**5,250,000**	–	–	–

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)	–	–	–	–

(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
2010					
Directors					
P. J. Ramsay	**107,993,654**	–	–	–	**107,993,654**
M. S. Siddle	**984,082**	–	–	–	**984,082**
P. J. Evans	**24,286**	–	–	–	**24,286**
W. Syphers(1)	**201,000**	–	–	**(201,000)**	–
Executives					
D. Edwards	**48,572**	–	–	–	**48,572**
R. Gamble	**98,551**	**101,037**	–	–	**199,588**
P. Stubbings	**43,073**	–	–	–	**43,073**
Total	**109,393,218**	**101,037**	–	**(201,000)**	**109,293,255**
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

(1) Mr Syphers resigned from the Group on 31 March 2010. The net change noted in the above table is solely to reflect Mr Syphers departure as KMP.

33. 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 2010
2010	**1,106**	**–**	**686**	**–**	**420**	**45**	**2**
2009	1,300	–	161	33	1,106	71	3

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

30 JUNE 2010							**(a)**
Directors							
W. Syphers	**546**	**–**	**546**	**–**	**–**	**18**	**–**
Executives							
D. Edwards	**400**	**–**	**100**	**–**	**300**	**19**	**400**
G. Smith	**160**	**–**	**40**	**–**	**120**	**8**	**160**
30 JUNE 2009							(a)
Directors							
W. Syphers	600	–	21	33	546	37	600
Executives							
D. Edwards	500	–	100	–	400	25	500
G. Smith	200	–	40	–	160	10	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 2010.

34. PARENT ENTITY INFORMATION

	PRIME MEDIA GROUP LIMITED	
	2010 $'000	**2009 $'000**
Information relating to Prime Media Group Limited		
Current assets	**462**	5,644
Total assets	**894,207**	843,961
Current liabilities	**3,630**	5,323
Total liabilities	**544,545**	522,404
Issued capital	**310,262**	305,643
Retained earnings	**36,746**	13,886
Employee benefits equity reserve	**2,653**	2,028
Total shareholders' equity	**349,661**	321,557
Profit or loss of the parent entity	**26,961**	32,945
Total comprehensive income of the parent entity	**26,961**	32,945

GUARANTEES ENTERED INTO BY PRIME MEDIA GROUP IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

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. (Refer note 13)

CONTINGENT LIABILITIES OF PRIME MEDIA GROUP

2010
Nil.

2009
Nil.

CONTRACTUAL COMMITMENTS FOR THE ACQUISITION BY PRIME MEDIA GROUP OF PROPERTY, PLANT AND EQUIPMENT

2010
Nil.

2009
Nil.

35. OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is delivered, and the nature of services provided. Discrete financial information about each of these operating businesses is reported to the Board on at least a monthly basis.

DESCRIPTION OF SEGMENTS

TELEVISION BROADCASTING

Television Broadcasting comprises "free to air" television broadcasting through Prime and the Golden West Network (GWN).

The Prime television broadcast signal services the regional locations of Northern and Southern New South Wales, Canberra, Victoria, and the Gold Coast area while regional Western Australia is serviced by the GWN television broadcast signal. The majority of revenue is sourced from television advertising.

PRIME DIGITAL MEDIA

Prime Digital Media produce and deliver digital content via out-of-home digital display in major retail outlets. The majority of revenue is sourced via sale of visual advertising content and production of content.

RADIO BROADCASTING

Radio Broadcasting consists of 10 radio stations which operate within coastal Queensland stretching from the Sunshine Coast to Cairns. The major source of revenue is radio advertising.

BROADCAST PRODUCTION SERVICES

Broadcast Production Services comprises outside broadcast facilities and services in Australia and New Zealand, as well as Moonlight outdoor cinemas.

The On Site Broadcasting business has contracts with major broadcasters in New Zealand and Australia for the provision of outside broadcast production services of primarily sporting events.

The Group's national outdoor cinema operation, Moonlight Cinema, screens films in parklands within Melbourne, Sydney, Perth, Brisbane and Adelaide during a three month summer season. The principal sources of revenue are sponsorship and ticket takings. This operating unit is not independently material within the Prime Group and, as its funding and operation is tied into the previously public company, Broadcast Production Services Pty Limited it is reported within this operating segment at a Board level.

CORPORATE AND OTHER

Includes administrative and financial support operations of the Group as a whole. These services are provided across the Group, mainly in its capacity as a public company, and are therefore not attributable to any of the operating units. These activities are reported separately to the Board.

Accounting policies and inter-segment transactions
The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts.

35. OPERATING SEGMENTS (CONTINUED)

YEAR ENDED 30 JUNE 2010	CONTINUING OPERATIONS					DIS_ CONTINUING OPERATIONS	
	TELEVISION BROAD-CASTING $'000	PRIME DIGITAL MEDIA $'000	RADIO BROAD-CASTING $'000	UN-ALLOCATED $'000	TOTAL CON-TINUING $'000	BROADCAST PRODUCTION SERVICES AND PRIME MEDIA SINGAPORE $'000	TOTAL OPERATIONS $'000
Segment Revenues							
External sales and customers	212,181	4,689	19,184	–	236,054	33,498	269,552
Other income (excluding interest income)	3,768	609	1,347	(296)	5,428	241	5,669
Total segment revenue	215,949	5,298	20,531	(296)	241,482	33,739	275,221
Finance income	–	4	11	319	334	21	355
Total revenue per the statement of comprehensive income	215,949	5,302	20,542	23	241,816	33,760	275,576
Result							
EBITDA	55,449	(4,091)	3,294	(6,217)	48,435	7,415	55,850
EBIT	47,283	(4,565)	2,073	(7,054)	37,737	(218)	37,519
Segment result (pre-significant items)	46,977	(4,562)	2,073	(17,660)	26,828	(2,661)	24,167
Fair value change in derivatives					1,518	–	1,518
Gain on disposal of investment in available-for-sale financial assets					921	–	921
Impairment expense – intangible assets, radio broadcast licences					(12,529)	–	(12,529)
Impairment expense – goodwill					(14,994)	(24,938)	(39,932)
Impairment expense – loan to associate					(4,384)	–	(4,384)
Impairment expense – television program rights					(1,302)	–	(1,302)
Impairment expense – television production rights					–	(440)	(440)
Impairment expense – property, plant and equipment					(3,815)	(4,048)	(7,863)
Restructuring					(3,145)	(1,136)	(4,281)
CEO termination costs					(1,871)	–	(1,871)
AL/LSL provision for award change					(626)	–	(626)
Make Good provision					–	(150)	(150)
destra administration costs					(226)	–	(226)
Transfer of foreign currency translation reserve relating to assets held for resale to statement of comprehensive income					–	(1,032)	(1,032)
Redundancies					(1,042)	(1,004)	(2,046)
Net Profit/(Loss) before income tax per the statement of comprehensive income					(14,667)	(35,409)	(50,076)
Income tax (expense)/benefit					(7,841)	3,373	(4,468)
Net Profit/(Loss) after tax					(22,508)	(32,036)	(54,544)
Non-controlling interests							85
Net Profit after tax attributable to members of Prime Media Group Limited							(54,459)
Assets and liabilities							
Segment assets[1]	279,882	2,701	53,569	23,077	359,229	39,888	399,117
Investments in associates	80	–	–	–	80	–	80
Total assets	279,962	2,701	53,569	23,077	359,309	39,888	399,197
Segment liabilities[1]					(237,725)	(24,162)	(261,887)
Net assets					121,584	15,726	137,310
Other segment information							
Capital expenditure[2]	8,221	–	741	68	9,030	17,229	26,259
Depreciation and amortisation	(8,166)	(474)	(1,220)	(838)	(10,698)	(7,632)	(18,330)
Share of associate losses	(425)	–	–	(1,176)	(1,601)	–	(1,601)

(1) Excludes inter-segment receivables and payables, and investments in subsidiaries.
(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.

YEAR ENDED 30 JUNE 2009	CONTINUING OPERATIONS					DISCONTINUING OPERATIONS	
	TELEVISION BROAD-CASTING $'000	PRIME DIGITAL MEDIA $'000	RADIO BROAD-CASTING $'000	UN-ALLOCATED $'000	TOTAL CON-TINUING $'000	BROADCAST PRODUCTION SERVICES AND PRIME MEDIA SINGAPORE $'000	TOTAL OPERATIONS $'000
Segment Revenues							
External sales and customers	209,843	1,589	18,444	335	230,211	34,011	264,222
Other income (excluding interest income)	8,833	35	1,096	3,312	13,276	1,364	14,640
Total segment revenue	**218,676**	**1,624**	**19,540**	**3,647**	**243,487**	**35,375**	**278,862**
Finance income	7	6	16	625	654	147	801
Total revenue per the statement of comprehensive income	**218,683**	**1,630**	**19,556**	**4,272**	**244,141**	**35,522**	**279,663**
Result							
EBITDA	61,501	(3,526)	2,157	(6,952)	53,180	5,204	58,384
EBIT	53,295	(4,030)	1,044	(7,516)	42,793	916	43,709
Segment result (pre-significant items)	52,656	(4,027)	1,044	(21,564)	28,109	(1,919)	26,190
Fair value change in derivatives					(24,001)	–	(24,001)
Impairment expense – investment in associates					(9,001)	–	(9,001)
Impairment expense – investment in available-for-sale financial assets					(1,415)	–	(1,415)
Impairment expense – intangible assets, radio broadcast licences					(17,761)	–	(17,761)
Impairment expense – goodwill					–	(7,885)	(7,885)
Impairment expense – loan to associate					(2,000)	–	(2,000)
Impairment expense – television production rights					–	(850)	(850)
Impairment expense – property, plant and equipment					–	(2,129)	(2,129)
Write-off employee options					(363)	–	(363)
Zinc launch costs					(250)	–	(250)
destra administration costs					(3,619)	–	(3,619)
Redundancies					(1,376)	(180)	(1,556)
Early termination penalties on finance leases					(803)	–	(803)
Share of associate losses – pre-acquisition					(1,358)	–	(1,358)
Net Profit/(Loss) before income tax per the statement of comprehensive income					**(33,838)**	**(12,963)**	**(46,801)**
Income tax (expense)/benefit					(107)	1,364	1,257
Net Profit/(Loss) after tax					**(33,945)**	**(11,599)**	**(45,544)**
Non-controlling interests							1,109
Net Profit after tax attributable to members of Prime Media Group Limited							**(44,435)**
Assets and liabilities							
Segment assets(1)	278,612	5,121	60,046	38,938	382,717	74,671	457,388
Investments in associates	204	–	–	4,095	4,299	–	4,299
Total assets	**278,816**	**5,121**	**60,046**	**43,033**	**387,016**	**74,671**	**461,687**
Segment liabilities(1)					(190,965)	(73,384)	(264,349)
Net assets					**196,051**	**1,287**	**197,338**
Other segment information							
Capital expenditure(2)	9,156	–	1,859	748	11,763	8,622	20,385
Depreciation and amortisation	(8,206)	(505)	(1,112)	(565)	(10,388)	(4,910)	(15,298)
Share of associate losses	(300)	–	–	(2,781)	(3,081)	–	(3,081)

(1) Excludes inter-segment receivables and payables, and investments in subsidiaries.
(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 2010

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 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001;

(iii) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2b; 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 2010.

On behalf of the Board

P. J. Evans
Director

Sydney, 27 September 2010

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Independent auditor's report to the members of Prime Media Group Limited

Report on the Financial Report

We have audited the accompanying financial report of Prime Media Group Limited, which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, 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.

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 the 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(b), 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.

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 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.

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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

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 consolidated entity's financial position at 30 June 2010 and of its 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 21 to 28 of the directors' report for the year ended 30 June 2010. 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 2010 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David Simmonds
Partner
Sydney
27 September 2010

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010

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 23 September 2010.

(A) DISTRIBUTION OF EQUITY SECURITIES

ORDINARY SHARES

As at 23 September 2010, total number of fully paid up shares on issue is 336,330,303.

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

	NUMBER OF HOLDERS
1 – 1,000	515
1,001 – 5,000	547
5,001 – 10,000	206
10,001 – 100,000	231
100,001 and over	55
	1,554
The number of shareholders holding less than a marketable parcel of shares are:	411

(B) TWENTY LARGEST REGISTERED SHAREHOLDERS

The names of the twenty largest registered holders of quoted shares at 23 September 2010 are:

		LISTED ORDINARY SHARES	
		NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	Paul Ramsay Holdings Pty Limited	108,318,159	29.57
2	RBC Dexia Investor Services Australia Nominees Limited	61,626,236	16.82
3	Network Investment Holdings Pty Limited	41,701,955	11.38
4	Bell Potter Nominees Limited	32,480,782	8.87
5	UBS Nominees Pty Limited	19,535,499	5.33
6	JP Morgan Nominees Pty Limited	15,266,513	4.17
7	Citicorp Nominees Pty Limited	14,508,176	3.96
8	National Nominees Limited	14,401,954	3.93
9	Birketu Pty Limited	7,000,000	1.91
10	HSBC Custody Nominees (Australia) Pty Limited	5,139,542	1.40
11	Australian Reward Investment Alliance	5,041,461	1.38
12	George Walter Mooratoff	5,000,000	1.36
13	Cogent Nominees Pty Limited	4,591,690	1.25
14	Reading Entertainment Australia Pty Limited	4,469,838	1.22
15	Effie Holdings Pty Limited	2,750,000	0.75
16	Sandhurst Trustees Limited	1,885,857	0.51
17	Paul Ramsay Foundation Pty Limited	1,585,285	0.43
18	RW & SJ Holdings Pty Limited <Barrabooka No 1 Trust A/C>	1,353,942	0.37
19	Mr Michael Siddle + Mrs Lee Siddle <Siddle Family A/C>	983,572	0.27
20	Lebanski Pty Limited	946,802	0.26
		348,587,263	95.16

(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	109,903,654	30.00%
Perpetual Limited	50,027,949	13.66%
Network Investment Holdings Pty Ltd and Seven Group Holdings Limited	41,701,955	11.38%#
Ashblue Holdings Pty Limited and Mr Kerry Stokes	41,701,955	11.38%#
North Aston, Wroxby, ACE, ACE Group entities and Mr Kerry Stokes	41,701,955	11.38%#
Investors Mutual Limited	35,335,503	9.65%
Illyria Nominees Pty Limited and Mr Lachlan Murdoch	32,480,782	8.87%
UBS AG and its related bodies corporate	22,841,440	6.24%

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.

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