PRIME MEDIA GROUP

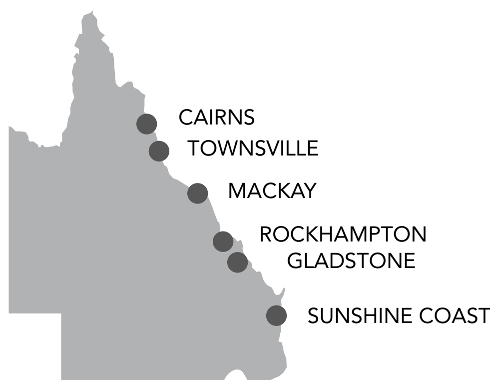
2011 ANNUAL REPORT

CONTENTS

2 CHAIRMAN'S ADDRESS
4 CHIEF EXECUTIVE OFFICER'S REPORT
9 DIRECTORS' REPORT
25 CORPORATE GOVERNANCE STATEMENT
30 FINANCIAL STATEMENTS

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

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%

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%

HIGHLIGHTS

$257m
REVENUE*

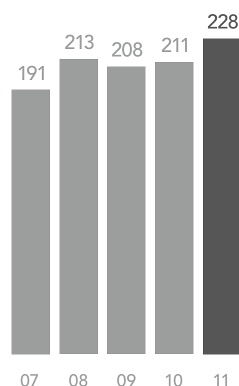
$49.1m
EBIT*

$27.2m
NET PROFIT AFTER TAX*

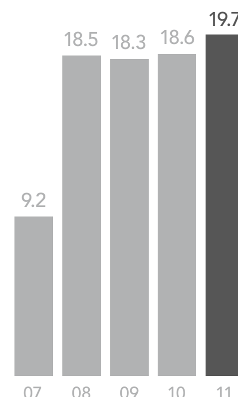
4.5¢
FULL YEAR DIVIDEND/SHARE

↑ 53.4%
CHANGE IN NET PROFIT AFTER TAX*

↑ 7.7%
ADVERTISING REVENUE

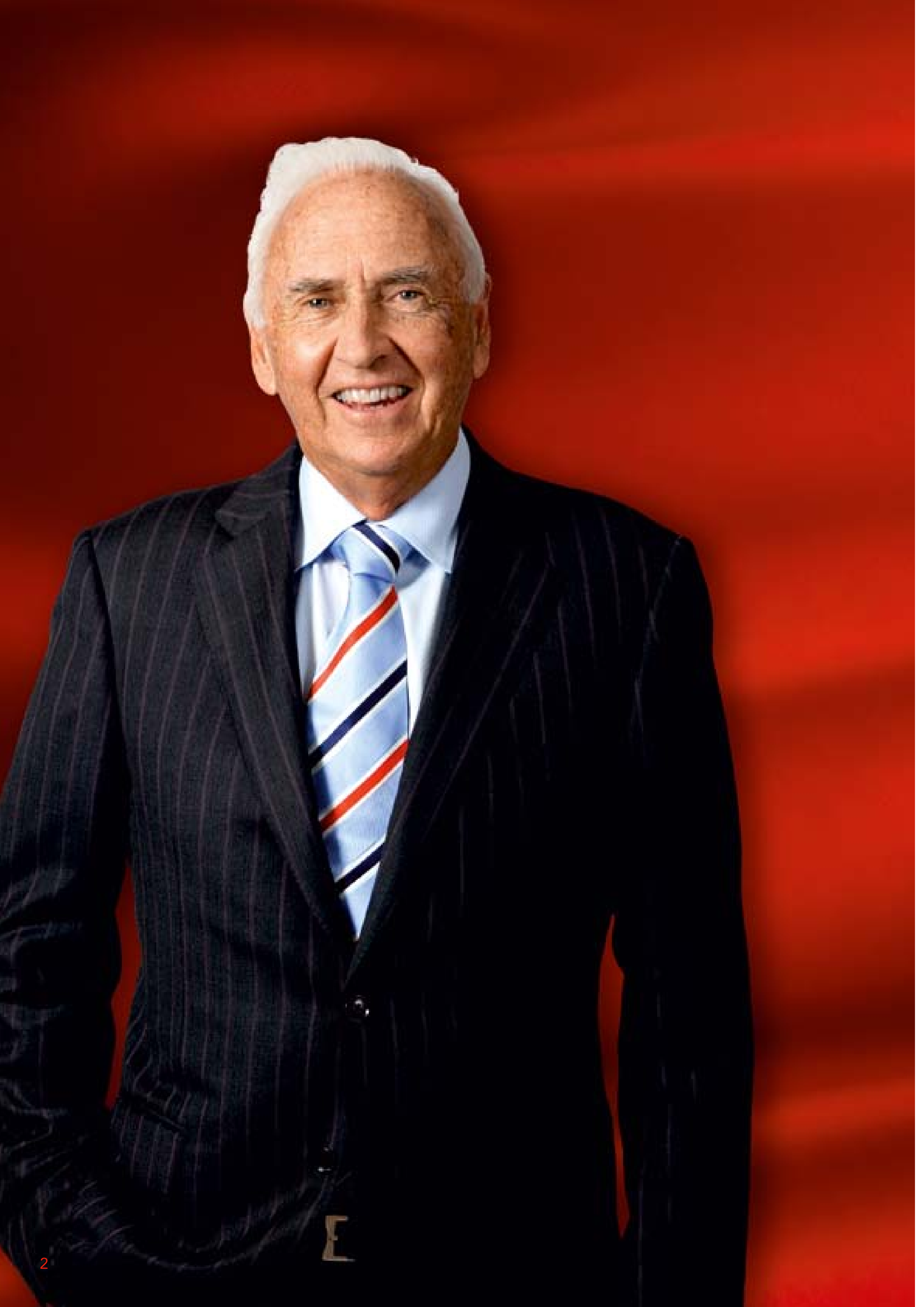


ADVERTISING REVENUE TELEVISION (Millions)



ADVERTISING REVENUE RADIO (Millions)

* from Continuing Operations before Significant Items.



CHAIRMAN'S ADDRESS

On behalf of the Directors of Prime Media Group Limited, I am pleased to present the Annual Report covering the 2011 financial year.

It has been a year of renewal and strong profit growth for Prime Media Group Limited. With a new CEO at the helm, the Board has moved quickly and purposefully to reposition the business to focus on its core competency of regional broadcasting.

We have also acted to strengthen financial and corporate governance with the appointment of Lesley Kennedy as Chief Financial Officer and Company Secretary from December 2010. Lesley has an excellent pedigree as CFO and Company Secretary and spent many years as a chartered accountant and auditor with Ernst & Young. I welcome Lesley to Prime and look forward to her continuing contribution to the group.

Our renewed focus on regional broadcasting, along with the completion of the non-core asset disposal program, has delivered a tremendous turn around in the performance of the business with a 53% lift in Net Profit after Tax, demonstrating the exceptional effort that has gone into improving outcomes for Prime shareholders.

Strong television revenue growth in the first half saw the television division off to a terrific start to the year. Management supported that revenue upswing with a raft of new initiatives to drive incremental audience growth and revenue opportunity. A new digital channel, *7mate*, added to the increased pallet of opportunity for the television business, which delivered year on year EBITDA growth of 14%.

With a 46% increase in EBITDA, the Queensland radio division has delivered an exceptional result against a backdrop of declining tourism, a tropical cyclone and terrible flooding, all of which greatly impacted local economies from the Sunshine Coast to Cairns in the far north.

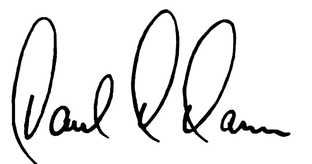
The losses incurred over past years in Prime's online division have been substantially improved upon, and we look forward to the online division playing an increasing role in revenue generation and earnings contribution. Late in the financial year Prime entered into a partnership with Yahoo!7 to deliver deeper and richer content opportunities to draw larger audiences and provide greater opportunities to regional advertisers wanting integrated advertising solutions, a space we now dominate in the regional broadcasting sector.

We're very pleased with the performance of our partnership with the Seven Network. Its ability to consistently deliver Australia's favourite programs provides for strong audience delivery for advertisers, and over the course of the financial year PRIME7 experienced significant audience growth in all of its viewing regions.

I am very pleased about the improvements made to our company. The Board and Management continue to work to optimise returns for shareholders by exploring every opportunity to extract more opportunity from existing assets. **I'd especially like to thank Prime's dedicated staff for their continuing efforts and contribution.**

A Net Profit after tax result of $27.2 million has delivered an $81.6 million turnaround. Earnings per share (from continuing operations before significant items) increased by 51% to 7.4 cents per share. A final dividend per share of 2.4 cents is a 71% improvement on the prior year. The Directors increased the dividend pay-out ratio from 50% to 75% effective from the final dividend payment for the 2011 financial year.

Clearly Prime is back on the right track. I do hope you're as pleased with this year's result as I am.



Paul Ramsay AO
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

I am very pleased to report to you that Prime Media Group Limited made the most of its opportunities in the 2011 financial year to deliver an $81.6 million turn around in profit resulting from the disposal of non-broadcasting assets, strong growth in television revenue and an exceptional improvement in earnings from the radio division.

This result is the outcome of a company-wide review of operations and the completion of the disposal of the outside broadcasting Australian and New Zealand businesses and Moonlight Cinemas.

Revenue from continuing operations increased in the financial year to $257 million, representing a 9% increase on the prior year. EBITDA of $59.2 million is 17% above the prior year and reflects improved EBITDA margins of 23%, up from 21% in the prior year. This resulted in a net profit after tax of $27.2m from continuing operations, an increase of 53%.

Items disclosed as "significant items" contributed $1 million in net profit after tax and compared favourably to the prior year net loss after tax of $20 million.

Discontinuing Operations resulted in a loss after tax of $1 million in the current year, a substantial improvement on the prior year loss after tax of $52.2 million and reflecting the finalisation of the restructure of the business.

On 30 June 2011 the Company made the decision to exit the out of home digital media business. As such the results of the digital media business have been classified as discontinuing operations.

TELEVISION – STRONG AUDIENCE, REVENUE & EBITDA GROWTH

Prime's television division went through a metamorphosis in 2011, rebranding as PRIME7 on the east coast and GWN7 in Western Australia, to benefit from the strength of the Seven Network brand and affiliation. We also enhanced local news bulletins, increased the number of local weather reports and introduced unique advertising integration opportunities for advertisers across all markets, endeavours that have set PRIME7 apart from its competitors.

The Seven Network launched its second digital multi-channel, *7mate* in east coast markets during the year. 7TWO and 7mate have delivered incremental audience share to Prime, resulting in a corresponding increase in advertising revenue share. The digital channels were also recently launched in Western Australia via GWN7.

Television advertising revenue grew by 8% to $227.5 million. National advertising revenue grew by 12.9% year on year, outperforming the market which grew at 8.67%, a favourable variance of 4.23 percentage points. The national television advertising market grew strongly in the first half due to the federal election and mining tax advertising.

PRIME7's 3 aggregated market television advertising revenue growth of 8.77% outperformed market growth of 7.14% (KPMG data 3Agg markets). Television EBITDA of $63.2 million is a 14% increase on the prior year and the EBITDA margin increased from 26% to 27%.

PRIME7's 3 aggregated market audience share increased from 35.1% in FY10 to 36.6% in FY11. PRIME7's revenue share increased from 36.29% to 36.84%, an increase of 0.55 percentage points, with agency revenue share increasing by an impressive 1.5 percentage points to 39.6%.

Television operating costs increased 6% with the majority of the increase related to a contracted rate increase in the Seven Network program supply agreement. Additionally, savings arising from an increase in the ACMA license fee rebate have been offset by increases in advertising and marketing expenses as a result of the re-launch of the primary channels as PRIME7 & GWN7, and the launch of digital multi-channel *7mate*.

RADIO – STRONG GROWTH IN A DIFFICULT ENVIRONMENT

Prime Radio Group underwent a change process that introduced a new senior management team and reductions in operating expenses. Advertising revenue grew by a modest, but respectable, 3% to $19.7 million despite difficult trading conditions in the second half arising from the impact of Tropical Cyclone Yasi and wide spread flooding in regional Queensland. Total radio revenue also grew by 3% to $21.1 million.

Due to a wide ranging cost review and restructure of the radio business, EBITDA increased 46% to $4.8 million with margins increasing year on year from 16% to 23%.

ONLINE – LOSSES CONTAINED

An EBITDA loss of $0.9 million in FY11 is a significant improvement on the prior year loss of $3.3 million (100% of business), reflecting the restructure of the business in the first half of 2011. The FY11 result consolidates 100% of the results of the on line business following Prime's acquisition, on 30 June 2010, of the 66% of the business it did not already own. The FY10 result includes Prime's 33% investment in the online business.

More recently we executed an agreement for the provision of content by Yahoo!7 that has enriched the site and broadened its appeal. We continue working hard to bring the on line division to an earnings positive position in the near future.

EXIT FROM PDM – OUT OF HOME MEDIA

At 30 June 2011, we closed Prime's out of home digital signage business, trading as Prime Digital Media. All costs associated with this exit have been fully provided for as at 30 June 2011.

IMPROVED DEBT & GEARING LEVELS

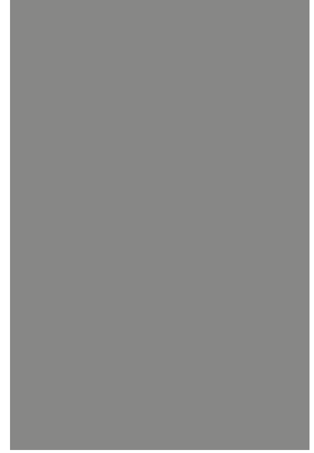
The Group's debt level (net of cash on hand) has decreased in the current year by $51.4 million or 27% to a closing balance of $135.7 million. This is largely attributable to the sale of the outside broadcasting business during the current year, which was carrying debt of $24.1 million, in addition to the receipt, by the Group, of sale proceeds of $20.5 million from the sale of this business. The remaining improvement is attributable to our growth in profitability. Accordingly the Company's gearing ratio improved from 58% at 30 June 2010, to 47% at 30 June 2011.

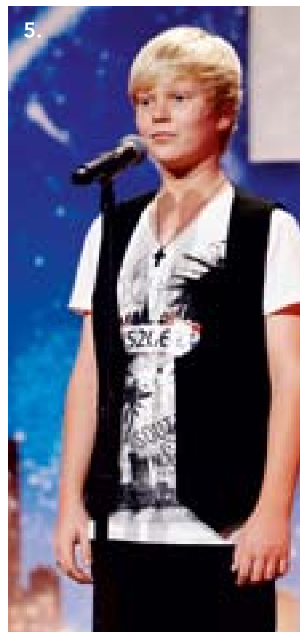
The company's current bank loan facility for $260 million expires in July 2012. Management has been working with the Company's bankers and secured commitments for $200 million in bank loan financing repayable in full in 4 years time. The Company expects to execute the new facility agreement on 30 September 2011.

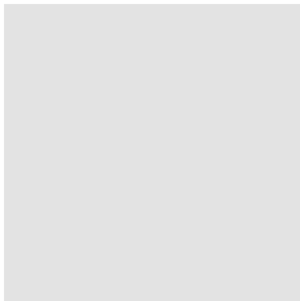
It's been an exciting year at Prime Media Group. We've made the tough decisions and taken the necessary steps to pave the way for stronger performance and improved returns to shareholders.

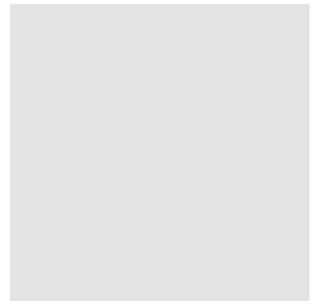
I thank the Board for its tremendous support and the management and staff of all divisions who have worked tirelessly, but with great creativity and passion, to improve the performance of the group.

Ian Audsley
CEO









1. Home and Away
2. Winners and Losers
3. Downton Abbey
4. Packed to the Rafters
5. Australia's Got Talent
6. Sunday Night
7. Grey's Anatomy
8. Better Homes and Gardens

CORPORATE INFORMATION

ABN 97 000 764 867

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

NAME	POSITION	DATE APPOINTED	DATE RESIGNED
Directors			
Paul Joseph Ramsay AO	Chairman	17 April 1985	–
Michael Stanley Siddle	Deputy Chairman	17 April 1985	–
Lachlan Keith Murdoch		7 October 2010	9 November 2010
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	–
Ian Craig Audsley	Chief Executive Officer	24 June 2010	–
Company Secretaries			
Robert Reeve		20 February 2009	14 October 2010
Andrew Cooper		16 June 2005	–
Lesley Kennedy		16 December 2010	–

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

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2011.

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 Paul Ramsay Holdings Pty Limited, a major shareholder of the Company. He is also the Chairman of Ramsay Health Care Limited, Australia's largest private hospital owner. Mr Ramsay has more than 45 years experience in real estate, health care, media and communications. In 2002, Mr Ramsay was conferred an Officer of the Order of Australia for services to the community through the establishment of private health care facilities, expanding regional television services and as a benefactor to a range of educational, cultural, artistic and sporting organisations. In 2009, Mr Ramsay was appointed Chairman of Sydney Football Club.

MICHAEL STANLEY SIDDLE

Non-Executive Deputy Chairman (appointed 17 April 1985)

Mr Siddle has been Deputy Chairman of Paul Ramsay Holdings Pty Limited since 1967. He is also 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 with predecessor firms of KPMG. He has been a Director of Paul Ramsay Holdings Pty Limited since 1987.

He is the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination 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. 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 and Nomination Committee and until 20 August 2009, he was also a member of the Audit and Risk Committee.

IAN PATRICK GRIER AM

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 and held the position of Chief Executive Officer of Ramsay Health Care Limited for 14 years until retiring in June 2008, when he continued as a Non-Executive Director of that company. Mr Grier has served as both President and Chairman of the Australian Private Hospitals Association and sits on a number of industry committees. He is Chairman of Relevare Pharmaceuticals and on the Board of Careers Australia Pty Ltd.

He is the Chairman of the Remuneration and Nomination 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 to 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 Ventures Pty Limited. Mr Neal is a life member of the Financial Services Institute of Australia.

He is a member of the Audit and Risk 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 Pty Limited, a major shareholder of the Company. Her other directorships include NBNCo, the entity established by the Australian Government to build and operate its national broadband network and The Australian Ballet. Ms McKenna is on a leave-of-absence as a Commissioner of the Productivity Commission. She was previously a Partner of a leading global management consulting firm, McKinsey and Company.

Ms McKenna was appointed as a member of the Audit and Risk 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.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
P.J.Ramsay AO	109,903,654	–
M.S.Siddle	984,082	–
P.J.Evans	24,286	–
A.A.Hamill	–	–
I.P.Grier AM	–	–
I.R.Neal	–	–
S.L.McKenna	–	–
I.C.Audsley	–	–

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
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(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(2)	June 2008	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

MS LESLEY KENNEDY

Ms Kennedy was appointed as Company Secretary on 16 December 2010. She has been a Chartered Accountant for the past 17 years and currently holds the role of Chief Financial Officer of Prime Media Group Limited.

MR ANDREW COOPER

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	7.4
Basic earnings per share – continuing operations	7.7
Basic earnings per share from continuing operations before significant items (Note 7(d))	7.4
Diluted earnings per share	7.4
Diluted earnings per share – continuing operations	7.7
Diluted earnings per share from continuing operations before significant items (Note 7(d))	7.4

DIVIDENDS

	CENTS	$'000
Final dividend recommended – on ordinary shares	2.4	8,792
Dividends paid in the year: Interim for the year on ordinary shares	2.1	7,693
Final for 2010 shown as recommended in the 2010 financial report on ordinary shares	1.4	5,129
		12,822

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

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

- regional television broadcasting;
- regional radio broadcasting;
- outside broadcast production; and
- film exhibition under the Moonlight Cinema brand

Other than the discontinuance of the outside broadcast production segment and the film exhibition operations resulting from the sale of the Australian and New Zealand outside broadcast production businesses and the Moonlight Cinema business, there have been no other significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

GROUP OVERVIEW

During the year the Group disposed of the outside broadcasting businesses in Australian and New Zealand. The sale of the Australian business was completed on 28 October 2010 and the sale of the New Zealand business was completed on 9 July 2010. Both transactions are discussed in further detail below.

During the year the Group disposed of the Moonlight outdoor cinema business. The sale was completed on 1 October 2010.

On 30 June 2011, the Group exited the out of home digital media business.

This completes the rationalisation of the group's operations to its core operating segments of:

- regional television broadcasting;
- regional radio broadcasting; and
- online media

PERFORMANCE INDICATORS

Management and the board monitor the Group's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the Group against operating plans and financial budgets.

The board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance monthly. Key management monitor KPIs on a regular basis. Directors receive the KPIs for review prior to each board meeting allowing all directors to actively monitor the Group's performance.

DYNAMICS OF THE BUSINESS

The television advertising market remains the primary source of the Group's revenue, representing 88% (2010: 88%) of the Group's total revenue. During the current year the Group's television advertising revenues grew by 8% which exceeded the overall market growth of 7.1% (Per KPMG Market Revenue reports).

During the year Golden West Network Pty Limited, a wholly owned subsidiary, entered into a joint venture arrangement with a third party to contract with the Commonwealth Government for the provision of their Viewer Access Satellite Television service in Western Australia ("WA VAST") providing digital television in remote Western Australia. Under the terms of the agreement the Commonwealth Government will fund all capital and operating expenditure associated with the provision of this service up to an amount of $40 million over a 9 year period to 30 June 2020.

Revenue for the radio business grew 5% on the previous year. The radio business encountered difficult operating conditions during the current year. In the first half of the year the division achieved revenue growth of 6% but second half growth was heavily impacted by the Queensland floods and Cyclone Yasi, which resulted in no growth in the second half of the year.

During the current year the Group completed the sale of its outside broadcast production and Moonlight cinema businesses.

The outside broadcasting businesses were sold in two separate transactions. The sale of the New Zealand operations to Sky Network Television Limited was completed on 9 July 2010 and the sale of the Australian operations to Gearhouse Broadcast Pty Limited was completed on 28 October 2010. The board made the decision to dispose of these businesses following a strategic review of the capital employed within the Group. These businesses operated in markets outside of the Company's core competencies. Additionally, the level of capital investment required by these businesses would have diverted valuable resources from the Group's more profitable core activities.

Under the terms of the sale agreement for the New Zealand business the Company has entered into an "earn out" arrangement whereby the Company is entitled to share in the ongoing profits of the business over a 4 year period whilst also retaining 100% of the profits generated from the 2011 Rugby World Cup event held in New Zealand in the following financial year.

The sale of the Moonlight cinema business was completed on 1 October 2010. This business was not part of the Company's core activities and its contribution to the overall group result was minimal.

On 30 June 2011, the Group exited its out of home digital media business. This business was not part of the Group's core activities and continued to report losses, despite the Group taking up, in prior years, significant provisions against onerous contracts in this business. All costs associated with the exit from this business have been fully provided for as at 30 June 2011.

The divestments that the Group has made during the current year has allowed the Group to reduce the level of debt it is carrying whilst also allowing management to concentrate on its core activities and drive improved returns in both the television and radio businesses.

OPERATING RESULTS FOR THE YEAR

The consolidated net profit after tax of the Group attributable to the members of Prime Media Group Limited for the full year of $27,166,000 (2010: loss $54,459,000) represents an increase of $81,625,000 from the prior year.

Excluding the impact of discontinued operations and significant items, the net profit after tax from continuing operations for the full year of $27,207,000 (2010: $17,735,000) was $9,472,000 or 53% up on the previous corresponding period. (Refer to Note 7(d) of the accounts for a reconciliation of the profit reported in the Consolidated Statement of Comprehensive Income to profit before the impact of discontinued operations and significant items).

REVIEW OF OPERATIONS

Revenue from continuing operations of $256,998,000 represents a growth of $20,484,000, or 9%, on the prior year and exceeds growth in the regional television advertising market as quoted by KPMG of 7.1% (AMB, AMC and AMD). The introduction of Prime's digital channels 7TWO, introduced in March 2010 and 7mate, introduced in October 2010, has contributed to this growth.

Cost of Sales has increased by $9,110,000 or 7.7% to $127,613,000 reflecting an improved Gross Margin % of 50.3% (2010: 49.9%). This is primarily due to a reduction in ACMA licence fees payable as a result of the increase in rebate rate to 41.5% in the current year (2010: 16.5%).

Broadcasting and transmission expenses increased by $4,514,000 or 10.1% to $49,040,000 as a result of the introduction of the new digital channels; 7TWO and 7mate during the current year and increased program advertising.

Administration expenses decreased by $1,797,000 or 9.3% to $17,573,000 reflecting the benefits of the Group's cost review program undertaken during the current year.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

SHAREHOLDER RETURNS

Whilst the share price has remained relatively static at $0.69 (2010: $0.72) the Company is pleased to report that there has been improvement in returns to shareholders through increased dividends and significant improvement in most other financial measures in the current year.

	2011	2010
Basic Earnings Per Share (cents)[(i)]	**7.3**	4.8
Return on Assets (%)[(i)]	**7.2**	4.3
Weighted Average Cost of Capital (%)	**11.8**	10.9
Return on Equity (%)[(i)(ii)]	**11.9**	8.3
Net Debt (Net Debt + Equity) Ratio (%)	**47**	58
Share price ($)	**0.69**	0.72
Dividends per share (cents)	**4.5**	2.6
Total Shareholder Return (%)	**2.1**	49.2

(i) These returns have been calculated using net profit after tax before the impact of items disclosed as significant items. (Refer to Note 34 for details of significant items in relation to both the continuing and discontinuing operations of the business).

(ii) Equity has been normalised for the impact of items disclosed as significant items.

REVIEW OF FINANCIAL CONDITIONS

Liquidity and capital resources

The Consolidated Cash Flow Statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2011 of $13,714,000 (2010: decrease $1,116,000). The increase in ash flows in comparison to the prior year is attributable to a number of factors. Operating activities generated $34,419,000 (2010: $33,166,000) of net cash flows representing an increase of $1,253,000, or +3.8% on the prior year. The inclusion of the discontinued operations in the cash flow statement is masking the underlying improvement in the cash flows from continuing operating activities. The discontinued operations incurred a cash outflow of $7,608,000 relating to operating activities largely as a result of payments made under onerous contracts.

Cash inflows from investing activities of $10,160,000 (2010: $27,272,000 cash outflow) compares favourably to the prior year. The current year includes a cash inflow of $20,508,000 relating to sale proceeds from the sale of businesses whilst the prior year included significant capital expenditure amounts relating to these same businesses. This favourable variance in cash inflows was offset by cash outflows relating to financing activities of $30,865,000 (2010: $7,010,000 cash outflow). The increase in cash outflow largely reflects repayment of debt and increased dividend payments to shareholders.

Capital structure	CONSOLIDATED	
	2011 $'000	2010 $'000
Interest-bearing loan and borrowings	**153,450**	189,771
Derivative financial instruments	**1,687**	3,020
Cash and short term deposits	**(19,374)**	(5,664)
Net debt	**135,763**	187,127
Total equity	**153,113**	137,310
Total capital employed	**288,876**	324,437
Gearing	**47%**	58%

Profile of debt

The profile of the Group's debt finance is as follows:

	CONSOLIDATED	
	2011 $'000	2010 $'000
Current		
Obligations under finance leases	**627**	408
Derivative financial instruments	**1,687**	3,020
Liabilities directly associated with assets held for sale.	**–**	24,162
	2,314	27,590
Non-current		
Obligations under finance leases	**2,799**	3,057
Secured bank loan	**150,024**	162,144
	152,823	165,201
	155,137	192,791

The Group's debt level has decreased in the current year largely as a result of the sale of the outside broadcasting business during the current year, which was carrying $24,162,000 of debt. Additionally improved profitability of the continuing operations and sale proceeds from the businesses disposed of during the current year have contributed to the reduction in the level of debt, as reflected in the improved gearing ratio above. The Group anticipates that its debt will continue to decrease over the coming year.

Subsequent to the financial year end the Company has secured commitments from its bankers for $200,000,000 in bank loan financing repayable in full in 4 years. The Company expects to execute the new facility on 30 September 2011.

Capital expenditure

Capital expenditure of $9,727,000 in the current year (2010: $26,259,000) is a return to more normal levels. The prior year amount included the acquisition of two new high definition outside broadcasting vans which have subsequently been sold as part of the disposal of the outside broadcasting business. The Group expects capital expenditure requirements for the 2012 financial year will be in line with the current year levels.

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 has reviewed its risk management approach during the current year and identified the need to increase focus in this area. As a consequence, the Board has reviewed the structure of its sub-committees and has reinstated the Audit Committee as an Audit and Risk Committee and published a revised committee charter document.

A comprehensive review of the Group's risk management objectives and processes is currently underway, including the development of a risk register and an appropriate framework to review and monitor risks.

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 establishment of committees to report on specific business risks such as environmental issues and occupational health and safety.

Risk management is further addressed in the Corporate Governance Statement.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 October 2010, the Moonlight Cinema business was sold.

On 9 July 2010, the New Zealand outside broadcasting business was sold.

On 28 October 2010, the Australian outside broadcasting business was sold.

Effective 30 June 2011, the Group exited the out of home digital media business.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 26 August 2011 the Company secured a commitment from its bankers to provide a $200 million bank loan facility with a term of 4 years, repayable in full on expiry. Interest will be charged at a rate of BBSY plus a margin of between 1.70% and 2.60%. Formal documentation is expected to be executed on 30 September 2011.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The broad areas of focus for the 2012 financial year will be:

- continue to drive improved returns from the Group's core operations of regional broadcasting; and
- continued prudent management of debt and risk generally,

with a view to optimising returns to shareholders.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group'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 2011 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 Nil (2010: 5,250,000) unissued ordinary shares under options. 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 and executives 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*. During the year, Prime Media Group Limited paid premiums totaling $115,382 in relation to the Directors' and Officers' Liability policy. 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 2011 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 the Company and the Group. 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 Company, and includes the five executives in the Company and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), executive directors, senior executives, general managers and secretaries of the Company and the Group and the term 'director' refers to non-executive directors (NED) 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 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 AO	Chairman (non-executive)
M.S.Siddle	Deputy Chairman (non-executive)
L.K.Murdoch	Director (non-executive) – appointed 7 Oct 2010, resigned 9 Nov 2010
P.J.Evans	Director (non-executive)
A.A.Hamill	Director (non-executive)
I.P.Grier AM	Director (non-executive)
I.R.Neal	Director (non-executive)
S.L.McKenna	Director (non-executive)
I.C.Audsley	Director (Chief Executive Officer)

(ii) Executives

D.Edwards	Chief Executive Officer – Television
G.Smith	Chief Technology Officer
L.Kennedy	Chief Financial Officer (appointed 6 Dec 2010)
D.Walker	National Sales Manager (appointed 27 Sept 2010)
S.Wood	Director – Integration and Digital Media
R.Gamble	Chief Executive Officer – Radio and Digital Media (resigned 5 Nov 2010)
R.Reeve	Group General Counsel (resigned 29 Sept 2010) and Company Secretary (resigned 14 Oct 2010)
P.Stubbings	Chief Financial Officer (resigned 8 Dec 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

During the current year the Company engaged an external remuneration consultant to undertake a full review of executive and NED remuneration. This review included:

- A benchmarking review of existing executive and NED remuneration arrangements against comparable positions in comparable companies;
- A review of existing short term incentive (STI) arrangements currently in place and design of a new uniform STI plan to be implemented in the financial year ending 30 June 2012; and
- A review of existing long term incentive (LTI) arrangements currently in place and design of a new uniform LTI plan to be implemented in the financial year ending 30 June 2012.

This report details the remuneration arrangements in place during the current year and the remuneration arrangements the company is transitioning to in the following financial year, as a result of the above mentioned review.

The Company's remuneration strategy involves management of 3 complimentary components of executive reward, namely total fixed remuneration (TFR), short term incentives (STI) and long term incentives (LTI).

As part of the review of the Company's remuneration strategy it is the Company's intention to pay total fixed remuneration in the 55th to 62.5th percentile of its defined talent market to ensure a competitive offering and to ensure outperformance is rewarded through variable remuneration components only.

There have been no material changes to the short term incentive bonus plan for the 2011 financial year. For 2011 performance period, 100% of the STI bonus pool has been accrued and expected to be paid in September 2011. The total STI pool for 2011 was $774,453.

Long term incentive arrangements in 2011 include a loan forgiveness plan and a share option plan. Benefits under the loan forgiveness plan are received on achievement of service conditions. The share options vest based on attainment of a predetermined share price in addition to achievement of service conditions.

Following a review of the LTI arrangements currently in place, on 30 June 2011 the company cancelled the options on issue under the share option plan and intend to issue to select executives performance rights under a new LTI plan with predetermined performance conditions linked to the earnings per share (EPS) of the Company and the Company's power ratio (revenue share: audience share), with service conditions of 3 years applying. The loan forgiveness plan is in run off mode and will cease with effect from 30 June 2012.

The remuneration of non-executive directors of the Company consists only of directors' fees. NED fees have reduced in the current year reflecting the reduction in scope of certain director's responsibilities on rationalisation of the group.

3. BOARD OVERSIGHT OF REMUNERATION

Remuneration and Nomination Committee

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

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum shareholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the Remuneration and Nomination Committee also engages external consultants to provide independent advice.

The Remuneration and Nomination Committee comprises 3 non-executive directors including 2 independent non-executive directors. Further information on the committee's role, responsibilities and membership can be seen at www.primemedia.com.au.

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 and Nomination Committee. The board also sets the aggregate remuneration of NEDs which is then subject to shareholder approval.

The Remuneration and Nomination Committee approves, having regard to the recommendations made by the CEO, the level of the Group short term incentive (STI) pool.

Remuneration strategy

The Company'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 this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the Group's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Group performance and rewards; and
- Align the interests of executives and shareholders.

Remuneration structure

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

4. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

Remuneration policy

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

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The board considers advice from external consultants when undertaking the annual review process.

The Company's Constitution and the ASX Listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the annual general meeting (AGM) held in November 2007 when shareholders approved an aggregate fee pool of $750,000 per annum (excluding superannuation and retirement benefits arising under the Directors' Retirement Plan).

The board will not seek any increase for the NED pool at the 2011 AGM.

Structure

The remuneration of NEDs consists of directors' fees. Each director receives a fixed annual fee. One NED is currently entitled to benefits under the Directors Retirement Plan, approved by shareholders in November 1997. The board agreed to discontinue the Directors Retirement Plan in the 2008 financial year for all new directors appointed after that date.

The NED fees in 2011 are $132,238 or 22% lower than the NED fees in the prior year reflecting the reduced scope of responsibilities of certain directors on rationalisation of the group. During the current financial year the company engaged an external consultant to perform an independent review of NED fees. As a result of this review with effect from 1 July 2011, NED fees will increase by $132,600 to $600,000 per annum to align with market rates.

The remuneration of NEDs for the year ended 30 June 2011 and 30 June 2010 is detailed in table 1 and 2 in section 7.

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. EXECUTIVE REMUNERATION ARRANGEMENTS

Remuneration levels and mix

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice.

The recently updated remuneration policy of the Company is to aim to pay total fixed remuneration (TFR) in the 55th to 62.5th percentile of its defined talent market to ensure a competitive offering and to ensure outperformance is rewarded through variable remuneration components only.

In the current financial year:

- The CEO's target remuneration mix comprises 51% TFR, 20% target STI opportunity and 29% LTI. The LTI value includes the current year accounting expense associated with previous grants of share based payments as disclosed in table 1 and 2 in section 7.
- Other Executive's target remuneration mix comprises 68% TFR, 19% target STI opportunity and 13% LTI.

The remuneration strategy was recently updated on conclusion of a detailed review of executive remuneration and adopted by the board. It outlines the following targets which the Company aims to transition to:

- The CEO's target remuneration mix comprises 40-50% TFR, 25-30% target STI opportunity and 25-30% LTI.
- Other executive's target remuneration mix comprises 50-60% TFR, 20-25% target STI opportunity and 20-25% LTI.

The implementation of a new executive LTI plan in FY 2012 will assist in the transition to the above remuneration mix targets.

Structure

In the 2011 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration; and
- Variable remuneration.

The table below illustrates the structure of the Company'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 Company performance
STI component	• Paid in cash	• Rewards executives for their contribution to achievement of Group and business unit outcomes, as well as individual key performance indicators (KPIs)	• EBITDA, Revenue and EPS are the key financial metrics in FY 11 (new STI plan implemented in FY 12: Earnings per share (EPS) is the key financial metric); • Linked to other internal financial measures, market share, power ratio, customer service, risk management and leadership
LTI component	• Awards are made in the form of share options • From FY 12 onwards, awards will be made in the form of performance rights	• Rewards executives for their contribution to the creation of shareholder value over the longer term	• Vesting of awards is dependent on the achievement of pre determined share price targets. (new LTI plan implemented in FY 12: vesting of awards dependent on the achievement of EPS and power ratio targets)

Fixed remuneration

Executive contracts of employment do not include any guaranteed base pay increases.

TEC is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of Company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

The fixed component of executive remuneration is detailed in Table 1 and Table 2 in section 7.

Variable remuneration – Short Term Incentives (STI)

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

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 targets set at the beginning of the financial year are met. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial, corporate and individual measures of performance.

PERFORMANCE MEASURES	PROPORTION OF STI AWARD MEASURE APPLIES TO
Financial measures: • Divisional EBITDA • Group EBITDA • Earnings per share • Product yield management	50% – 100%
Non-financial measures: • Market shares • Customer relations • Implementation of strategic organisational plans • Risk management • Leadership contributions	0% – 50%

These 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 STI opportunity linked to financial measures covers a range from 50% to 100% and varies depending upon each individual executive's ability to influence results at a group level and/or divisional level.

In relation to the new STI plan implemented in FY 2012, financial measures more strongly aligned with shareholders interests have been adopted. Group EBITDA and Divisional EBITDA are no longer included as financial measures and all executives have 25% – 50% of their STI opportunity linked to EPS targets.

The aggregate of the annual STI payments available for executives across the Group is subject to the approval of the Remuneration and Nomination Committee. On an annual basis, after consideration of performance against KPI's, the Remuneration and Nomination Committee, in line with their responsibilities, determine the amount, if any, of the short term incentive paid to each executive. This process usually occurs within three months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period.

STI awards for 2010 and 2011 financial years

For the 2010 financial year, 79% of the STI cash bonus pool of $446,213 as previously accrued in that period vested to executives and was paid in the 2011 financial year. There were no forfeitures.

The Remuneration and Nomination Committee will consider the STI payments for the 2011 financial year in September 2011. The maximum STI cash bonus available for the 2011 financial year is $774,453. STI payments have been accrued at 91% of the maximum cash bonus available for the 2011 financial year based on individual executive's performance against KPI's. Any adjustments between the actual amounts to be paid in September 2011 as determined by the Remuneration and Nomination Committee and the amounts accrued will be adjusted in the 2012 financial year. The minimum amount of the STI cash bonus assuming that no executives meet their respective KPI's for the 2011 financial year is nil.

There was no alteration to the STI bonus plan for the year however as noted above a new plan has been implemented in FY 2012 which more strongly aligns executive remuneration with shareholder returns.

The STI component of executives' remuneration is outlined in Table 1 and Table 2 in section 7.

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.

During the year the company had in place the following LTI plans:

- Share Option plan
- Loan Forgiveness plan

A recommendation from the executive remuneration review project undertaken during the current financial year was to cease any future awards under these plans and to transition to a new LTI plan in the form of awards of Performance Rights with performance conditions more closely aligned to shareholder returns and minimum 3 year service conditions more aligned with contemporary corporate governance requirements.

As such, the options on issue under the share option plan were cancelled on 30 June 2011 and the loan forgiveness plan will be wound up effective 30 June 2012.

At 30 June 2011 there are currently no options on issue under any LTI plan. It is the Boards intention to issue performance rights to certain executives in September 2011, and for those executives currently receiving benefit under the loan forgiveness plan, consideration will be given to awarding those executives with performance rights when the loan forgiveness plan is wound up on 1 July 2012.

The report below outlines the plans in place during the current financial year and the new plans introduced in the 2012 financial year.

LTI – share option plan (ceased effective 30 June 2011)

Structure

LTI awards to executives are made under the employee share option plan and are delivered in the form of share options. Each option entitles the holder to one fully paid ordinary share in the company. In FY 2011 and FY 2010 the CEO was the only executive with options on issue under the plan. The options vest 1/3rd after 1 year (tranche 1) 1/3rd after 2 years (tranche 2) and 1/3rd after 3 years (tranche 3) from the grant date subject to meeting share price targets, with no opportunity to retest. The exercise price of the options is set at 120% of the market price at the date of grant. The options can be exercised up to 5 years from the date of grant.

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 volume weighted average price of the Company's ordinary shares sold on the ASX in the 10 days preceding the vesting date, exceed preset targets established on the grant date of the options. The share price targets for the options on issue during the current year are $1.10 for tranche 1, $1.25 for tranche 2 and $1.40 for tranche 3 and represent a premium on the share price at grant date of 47%, 67% and 87% respectively.

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 board discretion.

LTI awards for 2011 financial year

No options were granted under the employee share option plan during the current financial year. The options on issue under the plan were cancelled on 30 June 2011.

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 executive 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.

Table 3 in section 8 provides details of options awarded and vested during the year and table 4 in section 8 provides details of the value of options awarded, exercised and lapsed during the year.

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

LTI – Loan Forgiveness Plan (inactive)

During the 2007 financial year loans were granted to certain executives. The loans are interest free and the loan amount repayable by the executive is reduced on the basis of continued service with the Company. 20% of the original loan balance is forgiven on the 1 July of each year if the executive remains employed with the Company at that date. If the executive terminates his or her 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. No loans have been made under this plan subsequent to the 2007 financial year and it is the intention of the board to wind up this plan on 1 July 2012.

LTI – Performance Rights Plan (to be implemented in FY 2012)

Structure

In FY 2012 the Company's intention is to provide LTI awards to certain executives under a new Employee Performance Rights Plan. Each right entitles the holder to one fully paid ordinary share in the Company subject to the achievement of certain pre determined performance and service conditions. The rights will vest over a period of 3 years subject to meeting performance measures, with no opportunity to retest. In relation to performance conditions, 60% of the rights will be subject to achievement of annual earnings per share (EPS) targets and 40% of the rights will be subject to achievement of annual Power Ratio targets (revenue share: audience share). The exercise price of the performance rights is nil. The rights will lapse 30 days after vesting date.

Performance measure to determine vesting

The Company has selected EPS and Power Ratio targets as performance measures as management can influence EPS and the Power Ratio which the board believe are fundamental drivers of the financial performance which drives returns to shareholders.

Termination and change of control provisions

Where a participant ceases employment prior to the vesting of their award, the performance rights 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, all unvested performance rights will vest on a pro rata basis, unless otherwise determined by the board.

6. COMPANY PERFORMANCE AND THE LINK TO REMUNERATION

(i) Company performance and its link to short-term incentives

The key financial performance measures that determine STI payment outcomes for Group executives in the current year are:

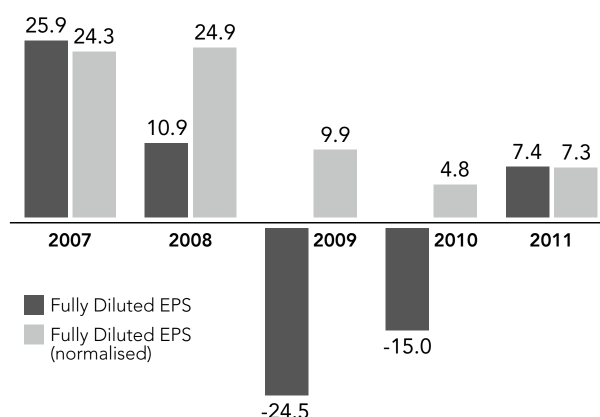
- Earnings per share (EPS); and
- EBITDA

Both EPS and EBITDA are normalised for any items disclosed as "significant items" when determining STI entitlements.

The following tables outline Prime Media Group Limited's EPS and EBITDA (normalised) over the five year period from 1 July 2006 to 30 June 2011.

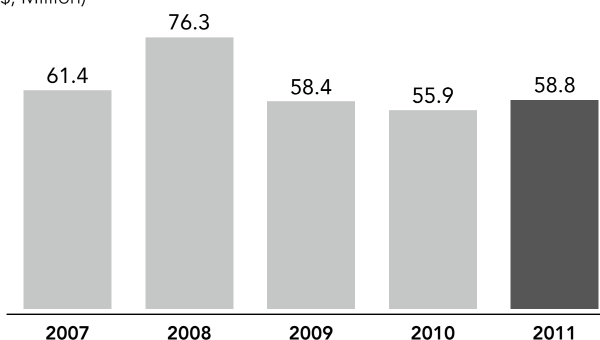
EARNINGS PER SHARE

(Cents per share)



EBITDA FROM CONTINUING OPERATIONS

(A$, Million)



Both EPS and EBITDA performance were strong in the current year relative to the prior year. EPS (normalised) grew 52% when compared to the prior year. As a result, the board anticipates that executives will receive close to 100% of the STI award accrued in the 2011 financial year.

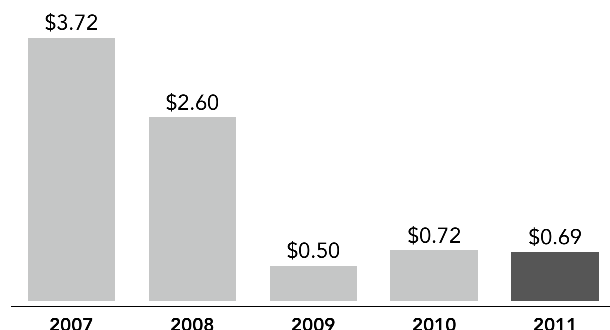
It should be noted that the Company issued 229 million shares in 2009 as part of a capital raising. This should be considered when reviewing the EPS data disclosed in the above table.

(ii) Company performance and its link to long-term incentives

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

The following tables outline the company's share price over the five year period from 1 July 2006 to 30 June 2011.

CLOSING SHARE PRICE AT THE END OF EACH FINANCIAL YEAR



The share price has been relatively static over the last 2 years. The Company has reviewed the current LTI offering of premium priced options and in light of the Company's particular circumstances, has ceased further awards under this plan and introduced a new performance rights plan considered more appropriate to the Company's circumstances.

7. EXECUTIVE CONTRACTUAL ARRANGEMENTS

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below:

Chief Executive Officer

The CEO, Mr Audsley, is employed under a rolling contract.

Under the terms of the present contract:

- The CEO receives fixed remuneration of $650,000 per annum
- The CEO's maximum STI opportunity is 40% of annual TEC
- The CEO is eligible to participate in the company's LTI share option plan on terms determined by the board, subject to receiving the required or appropriate shareholder approval
- The CEO may resign from his position and thus terminate this contract by giving 6 months written notice.
- The CEO's employment may be terminated by the company by providing 6 months written notice. The Company may elect to provide 6 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 CEO's employment contract may be terminate by the company at any time without notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to that portion of his remuneration contract that is fixed, and only to the date of termination.
- The Company or the CEO may terminate the contract within 6 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 occurring. In these circumstances, the Company must provide 12 months notice or 12 months payment in lieu of notice, or a combination of the two.

The remuneration of the key management personnel are set out in Tables 1 and 2 in section 7.

Other Executives

All other KMP's have rolling contracts with no fixed term.

The Company may terminate an executive's employment by providing 6 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 3-6 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.

Payment to outgoing executives

The following arrangements applied to outgoing executives in office during the 2011 financial year:

- Mr. Robert Gamble, CEO of Radio, was paid a termination payment of $266,158 in accordance with the terms of his contract.
- Mr. Robert Reeve, legal counsel, was paid a termination payment of $157,241 in accordance with the terms of his contract.
- Mr. Paul Stubbings, Chief Financial Officer, was paid a termination payment of $100,484 in accordance with the terms of his contract and a further discretionary payment of $188,800 in recognition of his service and significant contribution on a number of transactions undertaken to rationalise the group operations.

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 totaled $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. The remaining balance of $313,750 has been disclosed under termination benefits in the remuneration report of 30 June 2010; and
- Mr Syphers also received a benefit of $746,088 arising from the forgiveness, on termination, of an outstanding loan balance of $399,147.

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.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

7. EXECUTIVE CONTRACTUAL ARRANGEMENTS (CONTINUED)

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2011

	SHORT-TERM BENEFITS				POST EMPLOYMENT	LONG TERM BENEFITS			SHARE BASED PAYMENTS	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
	SALARY & FEES FOR PARENT ENTITY $	SALARY & FEES FOR OTHER GROUP ENTITIES $	CASH BONUS $	NON-CASH BENEFITS* $	SUPERANNUATION $	LONG SERVICE LEAVE[1] $	LOAN FORGIVENESS $	NON-CASH BENEFITS* $	OPTIONS $	$	$	%
Non-executive directors												
P.J.Ramsay AO (Chairman)	75,000	–	–	–	–	–	–	–	–	–	75,000	0.0%
M.S.Siddle (Deputy Chairman)	60,000	–	–	–	5,400	–	–	–	–	–	65,400	0.0%
P.J.Evans[2]	64,166	–	–	–	5,775	–	–	–	–	–	69,941	0.0%
A.Hamill	65,400	–	–	–	–	–	–	–	–	–	65,400	0.0%
P.Grier AM	60,000	–	–	–	5,400	–	–	–	–	–	65,400	0.0%
I.Neal	65,400	–	–	–	–	–	–	–	–	–	65,400	0.0%
S.McKenna	65,400	–	–	–	–	–	–	–	–	–	65,400	0.0%
L.Murdoch (commenced 7 Oct 2010, departed 9 Nov 2010)	6,936	–	–	–	–	–	–	–	–	–	6,936	0.0%
Total non-executive directors	**462,302**	**–**	**–**	**–**	**16,575**	**–**	**–**	**–**	**–**	**–**	**478,877**	**0.0%**
Executive directors												
I.Audsley[3]	634,804	–	260,000	–	15,199	985	–	–	368,954		1,279,942	49.1%
Other key management personnel												
D.Edwards	355,273	–	167,523	1,270	15,199	6,957	186,920	31,488	–	–	764,630	21.0%
S.Wood[4]	272,485	–	28,750	–	15,199	558	–	–	–	–	316,992	9.1%
G.Smith	304,671	–	82,425	22,072	15,199	6,686	74,768	12,595	–	–	518,416	15.9%
L.Kennedy (commenced 6 Dec 2010)	170,137	–	45,370	–	8,620	175	–	–	–	–	224,302	20.2%
D.Walker (commenced 27 Sept 2010)	229,616	–	119,603	12,232	11,535	186	–	–	–	–	373,172	32.1%
R.Gamble (departed 5 Nov 2010)	122,260	–	–	22,814	5,330	27,872	–	–	–	266,158	444,434	0.0%
R.Reeve (departed 29 Sept 2010)	75,501	–	–	–	3,789	1,258	–	–	–	157,241	237,789	0.0%
P.Stubbings (departed 8 Dec 2010)	126,265	–	–	1,795	6,704	274	–	–	–	289,283	424,321	0.0%
Total executive KMP	**2,291,012**	**–**	**703,671**	**60,183**	**96,774**	**44,951**	**261,688**	**44,083**	**368,954**	**712,682**	**4,583,998**	
Totals	**2,753,314**	**–**	**703,671**	**60,183**	**113,349**	**44,951**	**261,688**	**44,083**	**368,954**	**712,682**	**5,062,875**	

* Grossed Up Reportable Value

(1) The amounts disclosed under this category represent amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made.

(2) Mr P.Evans' annual directors fees were reduced from $110,000 to $65,400 with effect from 1 August 2010.

(3) On 30 June 2011 the options on issue to Mr Audsley were cancelled (no value received) by mutual agreement between the Company and Mr Audsley. This resulted in an accelerated option expense of $296,000 in addition to the $368,954 disclosed above.

(4) Mr Wood was promoted to the position of Director, Content and Integration effective 1 October 2010 and is therefore included as Key Management Personnel in FY 11 only.

DIRECTORS' REPORT

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 2: Remuneration for the year ended 30 June 2010

	SHORT-TERM BENEFITS				POST EMPLOYMENT	LONG TERM BENEFITS			SHARE BASED PAYMENTS	TERMINATION PAYMENTS	TOTAL	PERFORMANCE RELATED
	SALARY & FEES FOR PARENT ENTITY $	SALARY & FEES FOR OTHER GROUP ENTITIES $	CASH BONUS $	NON-CASH BENEFITS* $	SUPERANNUATION $	LONG SERVICE LEAVE[4] $	LOAN FORGIVENESS $	NON-CASH BENEFITS* $	OPTIONS $	$	$	%
Non-executive directors												
P.J.Ramsay AO (Chairman)	75,000	–	–	–	–	–	–	–	–	–	75,000	0.0%
M.S.Siddle (Deputy Chairman)	60,000	–	–	–	5,400	–	–	–	–	–	65,400	0.0%
P.J.Evans	110,000	41,922	–	–	13,673	–	–	–	–	–	165,595	0.0%
A.Hamill	65,400	50,000	–	–	–	2,603	–	–	–	–	118,003	0.0%
P.Grier AM	60,000	–	–	–	5,400	–	–	–	–	–	65,400	0.0%
I.Neal	65,400	–	–	–	–	–	–	–	–	–	65,400	0.0%
S.McKenna[1]	56,317	–	–	–	–	–	–	–	–	–	56,317	0.0%
Total non-executive directors	**492,117**	**91,922**	**–**	**–**	**24,473**	**2,603**	**–**	**–**	**–**	**–**	**611,115**	**0.0%**
Executive directors												
W.Syphers[2]	375,000	–	–	402	10,846	28,859	280,380	49,207	–	1,059,836	1,804,530	0.0%
I.Audsley[3]	26,858	–	–	–	2,417	–	–	–	15,519	–	44,794	34.6%
Other key management personnel												
D.Edwards	346,255	–	202,903	–	14,461	18,388	186,920	35,526	–	–	804,453	25.2%
R.Gamble	346,773	–	150,000	71,628	14,461	3,262	–	–	–	–	586,124	25.6%
G.Smith	290,825	–	–	38,677	14,461	25,034	74,768	14,212	–	–	457,977	0.0%
R.Reeve	302,835	–	–	–	14,461	5,682	–	–	–	–	322,978	0.0%
P.Stubbings	286,255	–	–	7,663	14,461	471	–	–	–	–	308,850	0.0%
Total executive KMP	**1,974,801**	**–**	**352,903**	**118,370**	**85,568**	**81,696**	**542,068**	**98,945**	**15,519**	**1,059,836**	**4,329,706**	
Totals	**2,466,918**	**91,922**	**352,903**	**118,370**	**110,041**	**84,299**	**542,068**	**98,945**	**15,519**	**1,059,836**	**4,940,821**	

* 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 and was appointed as director on 24 June 2010.

(4) The amounts disclosed under this category represent amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made.

REMUNERATION REPORT (AUDITED) (CONTINUED)

8. EQUITY INSTRUMENTS

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

		GRANTED		TERMS AND CONDITIONS FOR EACH GRANT					VESTED	
		NUMBER	GRANT DATE	FAIR VALUE PER OPTION AT GRANT DATE ($)	EXERCISE PRICE PER OPTION ($)	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE	NUMBER	%
2011	NIL	–	–	–	–	–	–	–	–	–
2010	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**							–	

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

	VALUE OF OPTIONS GRANTED DURING THE YEAR $	VALUE OF OPTIONS EXERCISED DURING THE YEAR $	VALUE OF OPTIONS LAPSED DURING THE YEAR $	VALUE OF OPTIONS CANCELLED DURING THE YEAR $	REMUNERATION CONSISTING OF OPTIONS FOR THE YEAR %
Ian Audsley	–	–	166,250	202,704	28.8

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. At 30 June 2011, 3,500,000 options were cancelled, by mutual agreement, between Mr. Audsley and the Company.

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 2011 Nil shares (2010: Nil shares) have been issued due to the exercise of options.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS		MEETINGS OF COMMITTEES			
			AUDIT AND RISK		REMUNERATION AND NOMINATION	
	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 AO	9	9	–	–	–	–
M.S.Siddle	9	9	–	–	–	–
L.K.Murdoch*	1	1	–	–	–	–
P.J.Evans	9	9	3	3	3	3
A.A.Hamill	9	9	–	–	3	3
I.R.Neal	9	9	3	3	–	–
I.P.Grier AM	9	8	–	–	3	3
S.L.McKenna	9	9	3	2	–	–
I.C.Audsley	9	9	–	–	–	–

* 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 and Risk

P.J.Evans (Chairman)
I.R.Neal
S.L.McKenna

Remuneration and Nomination

I.P.Grier AO (Chairman)
P.J.Evans
A.A.Hamill

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 & GST compliance services	46,683
Advisory Services	67,635

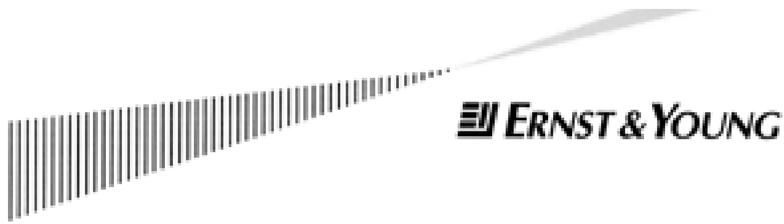
CORPORATE GOVERNANCE

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, 28 September 2011



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

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

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

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

Ernst & Young

David Simmonds
Partner
28 September 2011

Liability limited by a scheme approved
under Professional Standards Legislation

CORPORATE GOVERNANCE STATEMENT

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 2011 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

BOARD RESPONSIBILITIES

The relationship between the board and senior executives is critical to the Group's long term success. The directors are responsible to the shareholders for the performance of the Group in both the short and long term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. The focus of the board is to enhance the interest of shareholders and other key stakeholders and to ensure the Group is properly managed.

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.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved including:

- board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

The board meets regularly and intends to meet at least six times each year. A director may at any time request the Company Secretary to convene a meeting of the board. On at least an annual basis the board sets aside a day for detailed discussions on the Group's business strategies at which presentations are received from executives.

Whilst at all times the board retains full responsibility for guiding and monitoring the Group, it makes use of sub-committees to discharge its stewardship. Each Committee has adopted a formal charter setting out matters relevant to the composition, responsibilities and administration of the Committee.

The board has established the following committees:

- Audit and Risk Committee; and
- Remuneration and Nomination Committee.

All new directors are provided with a copy of the board and sub-committee charter documents. The charter documents are available on the Company website.

PERFORMANCE REVIEW

The performance of executives is reviewed regularly against measurable and qualitative indicators. Whilst such reviews are included within the responsibilities of the Remuneration and Nomination Committee, the Board also monitors the performance of 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 key executives. The performance indicators against which the executives are assessed are aligned with the financial and non-financial objectives of the Company. Subject to applicable laws, the employment of 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 AO	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 AM	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 number of board members will be a minimum of 3 members and a maximum of 12 members;
- The board consists of primarily non-executive directors;
- The Chairman of the board should be a non-executive director; and
- The directors should possess a broad range of skills, qualifications and experience.

BOARD INDEPENDENCE

The directors of the Company have an overriding duty to perform their duties in the best interests of the Company. Directors are required to declare potential 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 Board Charter, where a conflict of interest arises or a perceived conflict of interest exists, the director concerned declares the potential or perceived conflict of interest. The director is then excluded from all board discussions relating to the issue around which the conflict of interest has arisen.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

BOARD INDEPENDENCE (CONTINUED)

Recommendation 2.1 of the ASX Corporate Governance Council's Recommendations recommends that a majority of the board should be independent directors.

The board considers an independent director to be a non-executive director who is not a member of management and is free of any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of their judgement. The board considers the independence of its non-executive directors on an annual basis.

As at the date of this report, the board consists of four independent non-executive directors (Alexander Hamill, Ian Neal, Siobhan McKenna and Patrick Grier), three non-executive directors (Paul Ramsay, Michael Siddle, and Peter Evans) and one executive director (Ian Audsley).

Although the Company has not complied with Recommendation 2.1, the board considers that the non-executive directors, who do not meet the definition of independent director, 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 have extensive experience in television and radio broadcasting industries having operated in these industries for up to 35 years.

CHAIRMAN INDEPENDENCE

The Board Charter sets out that the roles of Chairman and Chief Executive Officer are strictly separate positions and must not be exercised by the same individual.

The Chairman of the board is Mr Paul Ramsay AO. 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, 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 brings to the board quality and independent judgement 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 Australian publicly listed entities, which he founded. This experience is considered to be invaluable to the Company in terms of 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 relating to the establishment of a Nomination Committee for the full financial year. Although the ongoing composition of the board is a regular discussion item at most board meetings, the board has acknowledged the need for a more structured approach towards succession planning and ongoing review of the board composition. In August 2011 the board reinstated the Remuneration committee as the "Remuneration and Nomination Committee" and published on its website the revised committee charter document. The Company's size does not warrant a separate nomination committee. The board and sub-committee make consistent and regular use of industry experts in the fields of new business opportunity. The skills and industry experience of the board as a whole is regularly reviewed and where there is a need for additional experience or knowledge to supplement the existing board, the appointment of additional board members will be considered.

The appointment and removal of directors is 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 and Nomination Committee as appropriate. During the year there have been no appointments to the board other then the Company Secretary position. As part of the recruitment process the board nominated four board members to oversee the process;

(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 permitted to seek advice, on approval of the Chairman and all costs reasonably incurred are reimbursable by the Company. When the advice is received, it is made available to the full board.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

The Company strives to act with honesty and integrity and to be a respected and valued operator in the media sector and the communities in which it operates. The Board and the Company's commitment to ethical and responsible decision making is reflected in the internal policies and procedures of the Company.

ETHICAL CONDUCT

The Company promotes ethical and responsible behaviours for its directors and employees through the implementation of a Code of Conduct and a range of supporting 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.

CORPORATE GOVERNANCE STATEMENT

The Company has recently adopted the ASX Corporate Governance Council's Recommendation 3.1 with the establishment of a formal Code of Conduct, which essentially provides documentation of a range of policies and procedures currently in place. The Code of Conduct is available to all staff and directors and is published on the Company's website. The detailed 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 their understanding of the guidelines and policies outlined in this handbook. The employee handbook forms part of a policy library that addresses required conduct in relation to:

- Personal Behaviour;
- Security;
- Privacy;
- Discrimination;
- Workplace Safety;
- Conflict of Interests; and
- Others.

The Company also requires all employees to undertake regular online training covering topics that promote their understanding of ethical and safe work practices and conduct. As part of its ongoing commitment to improved corporate governance disclosure, the board has reviewed all policy and charter documents and subsequently published them on the Company website.

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 in the Company, 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.

The Group's Securities Trading policy outlines the following "Closed Periods" during which Restricted Persons and their associates are not permitted to trade in Prime Securities:

- The period from 31 December to the day on which the half year results are announced to the Australian Securities Exchange;
- The period from 30 June to the day on which the full year results are announced to the Australian Securities Exchange; and
- 28 days immediately leading up to and including the day of the Annual General Meeting.

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 AND RISK COMMITTEE

The board has established an Audit and Risk Committee whose conduct is governed by a formal charter of responsibilities. This charter is published on the Company's website. It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Committee.

The Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Committee are non-executive directors.

For details regarding the Audit and Risk Committee's responsibilities to recognise and manage risk refer to principle 7.

The Audit and Risk Committee must meet at least two times each year but is recommended that the committee meets between 4 and 5 times each year.

Members of the Audit and Risk 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 and Risk Committee must be a minimum of 3 non-executive directors and at least two members of the committee must be independent. Details of the qualifications of the members of the Audit and Risk Committee, the number of meetings of the Audit and Risk Committee held during the current year and the attendees at those meetings are set out in the Directors' Report.

The Group's Auditor attended the Audit and Risk 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.

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

- the Chairman of the Audit and Risk Committee, Mr Peter Evans, is not an independent director. The board, having considered the functions and responsibilities of the Chairman of the Audit and Risk Committee and the qualifications and experience of Mr Evans, believe that Mr Evans is the most appropriate of the directors to be the Chairman of the Audit and Risk Committee. Mr Evans is a Fellow of the Institute of Chartered Accountants, with 20 years experience in the accounting field, and 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 and Risk 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 adhered to. These policies are outlined in the Continuous Disclosure policy 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.

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 available 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 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 Remuneration Report, 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 2001*, 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. The Group 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. To facilitate the execution of the board's responsibilities to manage risk, a separate Audit and Risk subcommittee of the board has been established.

The Audit and Risk Committee is charged with the responsibility of overseeing 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 Audit and Risk Committee and 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 major expenditure or commitments, 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 responsibilities of the roles of Chief Executive Officer and Company Secretary, identification of risks affecting each business segment and the development of strategies to minimise those risks.

The Company does not have an internal audit function. The board believe that the size and nature of the Company's operations currently do not warrant a separate internal audit function.

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

- fluctuations in consumer demand that impact 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;
- preparation of reliable published financial information.

CEO AND CFO CERTIFICATION

In accordance with section 295A of the *Corporations Act 2001*, 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;
- 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 AND NOMINATION COMMITTEE

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

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

The Remuneration and Nomination Committee reviews the remuneration arrangements and employment conditions applicable to 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 executives.

The remuneration of managers and staff other than 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.

The Remuneration and Nomination Committee regularly reviews the effectiveness of the long term incentive schemes to ensure that the structure remains effective. Recommendations in respect of the granting of incentives under any long term incentive schemes are made by the Remuneration and Nomination Committee to 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.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
CONTINUING OPERATIONS			
Revenue and other income			
Revenue from services	4(A)	**250,030**	231,365
Interest income	4(A)	**420**	330
Other income	4(A)	**6,548**	4,819
Total revenue and other income		**256,998**	236,514
Cost of sales		**(127,613)**	(118,503)
Gross profit		**129,385**	118,011
Broadcasting and transmission expenses		**(49,040)**	(44,526)
Marketing expenses		**(2,529)**	(1,742)
Administration expenses		**(17,573)**	(19,370)
Depreciation and amortisation expenses		**(10,175)**	(10,224)
Finance Costs	4(B)	**(11,548)**	(11,242)
Share of associate losses		**(586)**	(1,601)
Profit from continuing operations before specific items and income tax		**37,934**	29,306
Specific items			
Gain from MtM derivative financial instruments		**1,333**	1,518
Fair value movement in receivable – deferred contingent consideration		**1,181**	–
Transfer of foreign currency translation reserve to profit and loss		**(995)**	–
Gain from disposal of available for sale financial assets		**–**	921
Impairment expense – intangible assets (radio broadcast licences)		**–**	(12,529)
Impairment expense – loan to associates		**–**	(4,384)
Impairment expense – television program rights		**–**	(1,302)
Restructuring expense		**–**	(2,207)
CEO termination expenses		**–**	(1,871)
One off increase to employee entitlements resulting from award change		**–**	(626)
destra administration costs		**–**	(226)
Redundancies		**(198)**	(718)
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**39,255**	7,882
Income tax expense	5(C)	**(11,067)**	(10,218)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER TAX		**28,188**	(2,336)
DISCONTINUING OPERATIONS			
LOSS FROM DISCONTINUING OPERATIONS AFTER TAX	6(B)	**(1,022)**	(52,208)
NET PROFIT/(LOSS) AFTER TAX		**27,166**	(54,544)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		CONSOLIDATED	
	NOTES	2011 $'000	2010 $'000
Other comprehensive income			
Transfer of foreign currency translation reserve to profit and loss		**995**	1,032
Foreign currency translation differences for the period recognised directly in equity		**(201)**	218
OTHER COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAX		**794**	1,250
TOTAL COMPREHENSIVE INCOME/(LOSS) AFTER TAX		**27,960**	(53,294)
Net Profit/(Loss) for the period is attributable to:			
Non-controlling interest		**–**	(85)
Owners of the Parent		**27,166**	(54,459)
		27,166	(54,544)
Total comprehensive income/(loss) for the period is attributable to:			
Non-controlling interest		**–**	(85)
Owners of the Parent		**27,960**	(53,209)
		27,960	(53,294)
Basic Earnings per share (cents per share)			
profit/(loss) for the year	7	**7.4**	(15.0)
profit/(loss) from continuing operations	7	**7.7**	(0.6)
profit from continuing operations before significant items	7	**7.4**	4.9
Diluted Earnings per share (cents per share)			
profit/(loss) for the year	7	**7.4**	(15.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	NOTES	CONSOLIDATED 2011 $'000	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**19,374**	5,664
Trade and other receivables	10	**54,387**	51,514
Intangible assets	16	**616**	832
Other assets	11	**2,001**	2,462
Current tax assets	5	**–**	57
		76,378	60,529
Assets of disposal group classified as held for sale	6(C)	**–**	39,888
Total Current Assets		**76,378**	100,417
Non-Current Assets			
Receivables	10	**672**	317
Investments in associates	12	**–**	80
Investment in Available-for-sale financial assets	14	**5,138**	3,137
Property, plant and equipment	15	**54,334**	56,308
Deferred tax assets	5	**8,052**	12,093
Intangible assets and goodwill	16	**224,694**	225,284
Other assets	11	**2,332**	1,561
Total Non-Current Assets		**295,222**	298,780
TOTAL ASSETS		**371,600**	399,197
LIABILITIES			
Current liabilities			
Trade and other payables	17	**57,584**	60,406
Interest-bearing loans and borrowings	18	**627**	408
Current tax liabilities	5	**3,077**	–
Provisions	19	**2,255**	8,102
Derivative financial instruments	24	**1,687**	3,020
		65,230	71,936
Liabilities directly associated with assets classified as held for sale	6(C)	**–**	24,162
Total Current Liabilities		**65,230**	96,098
Non-Current Liabilities			
Trade and other payables	17	**–**	68
Interest-bearing loans and borrowings	18	**152,823**	165,201
Provisions	19	**434**	520
Total Non-Current Liabilities		**153,257**	165,789
TOTAL LIABILITIES		**218,487**	261,887
NET ASSETS		**153,113**	137,310
EQUITY			
Equity attributable to equity holders of the parent interest			
Contributed equity	20	**310,262**	310,262
Reserves	21	**(78)**	(1,537)
Accumulated losses	21	**(157,071)**	(171,415)
Parent interests		**153,113**	137,310
TOTAL EQUITY		**153,113**	137,310

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2011

	ISSUED CAPITAL $'000	ACCUMULATED LOSSES $'000	EMPLOYEE BENEFITS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	GENERAL RESERVE $'000	TOTAL PARENT ENTITY INTEREST $'000	NON-CONTROLLING INTEREST $'000	TOTAL $'000
At 1 July 2010	310,262	(171,415)	2,044	(794)	(2,787)	137,310	–	137,310
Profit for the period	–	27,166	–	–	–	27,166	–	27,166
Other comprehensive income	–	–	–	794	–	794	–	794
Total comprehensive income and expense for the period	–	27,166	–	794	–	27,960	–	27,960
Transactions with equity holders in their capacity as equity holders:								
Share based payments	–	–	665	–	–	665	–	665
Dividends on ordinary shares	–	(12,822)	–	–	–	(12,822)	–	(12,822)
At 30 June 2011	**310,262**	**(157,071)**	**2,709**	**–**	**(2,787)**	**153,113**	**–**	**153,113**

YEAR ENDED 30 JUNE 2010

	ISSUED CAPITAL $'000	ACCUMULATED LOSSES $'000	EMPLOYEE BENEFITS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	GENERAL RESERVE $'000	TOTAL PARENT ENTITY INTEREST $'000	NON-CONTROLLING 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 STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	NOTES	CONSOLIDATED 2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**290,607**	301,726
Payments to suppliers and employees (inclusive of GST)		**(239,315)**	(254,349)
Interest received		**504**	355
Borrowing costs paid		**(13,659)**	(12,842)
Income tax refunds received		**1,170**	4,577
Income tax paid		**(4,888)**	(6,301)
Net cash flows from operating activities	9(A)	**34,419**	33,166
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,049**	45
Purchase of property, plant and equipment		**(9,727)**	(26,259)
Proceeds from sale of available-for-sale financial assets		**34**	1,998
Proceeds from sale of business operations		**20,508**	–
Payment of deferred settlement for acquisition of subsidiaries and related business assets		**(1,250)**	(1,339)
Loan funds to other parties		**(154)**	–
Loan funds to related entities		**(300)**	(1,717)
Net cash flows from/(used in) investing activities		**10,160**	(27,272)
Cash flows from financing activities			
Cost of issue of ordinary shares		**–**	(159)
Proceeds from borrowings		**76,000**	92,000
Finance lease liability payments		**(1,110)**	(1,998)
Repayments of borrowings		**(92,933)**	(88,838)
Dividends paid		**(12,822)**	(8,015)
Net cash flows used in financing activities		**(30,865)**	(7,010)
Net increase/(decrease) in cash and cash equivalents		**13,714**	(1,116)
Cash and cash equivalents at beginning of period		**5,664**	6,669
Net foreign exchange differences		**(4)**	111
Cash and cash equivalents at end of period	9	**19,374**	5,664

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

1 CORPORATE INFORMATION

The consolidated financial report of Prime Media Group Limited (the "Company") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 28 September 2011.

Prime Media Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

TABLE OF CONTENTS

(A) Basis of preparation
(B) Statement of Compliance with IFRS
(C) New Accounting Standards and Interpretations
(D) Basis of consolidation
(E) Business combinations
(F) Significant accounting judgements, estimates and assumptions
(G) Operating segments
(H) Foreign currency translation
(I) Cash and cash equivalents
(J) Trade and other receivables
(K) Property, plant and equipment
(L) Goodwill and intangible assets
(M) Investments and other financial assets
(N) Investment in associates
(O) Trade and other payables
(P) Interest-bearing loans and borrowings
(Q) Provisions and employee leave benefits
(R) Share-based payment transactions
(S) Leases
(T) Revenue recognition
(U) Government grants
(V) Income tax
(W) Other taxes
(X) Derivative financial instruments and hedging
(Y) Derecognition of financial assets and financial liabilities
(Z) Impairment of financial assets
(AA) Impairment of non-financial assets other than goodwill and indefinite life intangibles
(BB) Contributed equity
(CC) Earnings per share
(DD) Non-current assets and disposal groups held for resale and discontinued operations

(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.

(C) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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 2010:

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* [AASB 2] effective 1 July 2010
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 July 2010
- AASB 2010-3 *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 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions

The amendments clarify the scope of AASB 2 *Share-based Payment* by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions. It did not have an impact on the financial position or performance of the Group.

ANNUAL IMPROVEMENTS PROJECT

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

- AASB 5 *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. The Group has disclosed segment assets by operating segment as this information is reviewed by the chief operation decision maker. The Group does not allocate its liabilities by operating segment for the chief operating decision maker and has therefore not allocated these liabilities to operating segments in the disclosures in Note 34 Operating Segments.
- AASB 107 *Statement of Cash Flows*: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. The amendment will not have any impact on the presentation of the statement of cash flows.
- AASB 136 *Impairment of Assets*: 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 all goodwill held by the Group is allocated with the operating segments as defined in AASB 8.
- AASB Interpretation *17 Distribution of Non-cash Assets to Owners*: this interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2011. These are outlined in the table below.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2013
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]	• These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. • This Standard shall be applied when AASB 9 is applied.	1 January 2013	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2013

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2011
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. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2011
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2013

REFERENCE	TITLE	SUMMARY	APPLICATION DATE OF STANDARD	IMPACT ON GROUP FINANCIAL REPORT	APPLICATION DATE FOR GROUP
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard makes amendments to many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	The Group has not yet determined the full extent of the impact of the amendments, but does not believe it will have a material impact	1 July 2011

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) BASIS OF CONSOLIDATION

SUBSEQUENT TO 1 JULY 2010

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 acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable intangible assets acquired, the liabilities assumed and non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note (e)).

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.

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.

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, or retained earnings, as appropriate.

PRIOR TO 1 JULY 2010

Certain of the above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- 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. Losses prior to 1 July 2010 were not reallocated between NCI and the parent shareholders.
- 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. The carrying value of such investments at 1 July 2010 has not been restated.

(E) BUSINESS COMBINATIONS

SUBSEQUENT TO 1 JULY 2010

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, and included in administrative expenses.

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 to fair value 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 as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

PRIOR TO 1 JULY 2010

In comparison to the above-mentioned requirements, the following difference applied:

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.

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 in relation to 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, where 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 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 5 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 statement of financial position 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 using valuation assumptions that are not observable market prices or rates. Future likely cash flows are determined to most likely arise from the disposal of the securities. Disposal cash flows are determined using EBITDA multiples and compared to similar companies with observable market sales data.

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 28.

Fair value of Financial Derivatives

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.

If the useful lives of assets were shortened by 20% for each asset, the financial effect on consolidated depreciation expense for the current financial year and the next three years would be:

YEAR	$'000
2011	**2,335**
2012	1,815
2013	1,499
2014	1,200

Depreciation charges are included in note 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

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.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category, "Unallocated".

(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 reporting 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 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$)
- Prime Resources One Limited, New Zealand dollars (NZ$)
- Prime Resources Two Limited, New Zealand dollars (NZ$)
- Prime Media Singapore Pte Ltd, Singapore dollars (S$)

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 reporting 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 statement of cash flows, 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.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognized when there is objective evidence that the Group will not be able to collect the receivable. Objective evidence may be in the form of, but not limited to, legal rulings and determinations, defaults on agreed payment plans and age of debtors.

(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:	2011	2010
– 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 of the business combination being the excess of the consideration transferred over the fair value of the Group's net 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
- Radio Broadcasting
- Online media

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 Australian Communications and Media Authority (ACMA). 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 profit or loss 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Available-for-sale investments

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

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the 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.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the income statement.

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 reporting 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. The Group 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 reporting 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').

During the current year there was one scheme in place to provide these benefits:

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

Subsequent to the reporting date this plan has ceased and the Company has implemented a new plan called the Prime Media Group Performance Rights Plan.

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. An additional 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 at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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 as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

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 recognised in finance costs in profit or loss.

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. Contingent rents are recognised as revenue in the period in which they are earned.

(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 ADVERTISEMENT PRODUCTION REVENUE

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

RENDERING OF SERVICES

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

SALES REPRESENTATION REVENUE

Sales Representation revenue is brought to account as the service is provided.

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

Dividend 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 income 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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 at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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 reporting 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 statement of financial position.

Cash flows are included in the statement of cash flows 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, is classified as part of 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.

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 intangibles 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 of 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.

(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 statement of financial position.

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 risk, 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 the Audit and Risk 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.

(i) 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	
	2011 $'000	2010 $'000
Financial Assets		
Cash and cash equivalents	**19,374**	5,664
	19,374	5,664
Financial Liabilities		
Secured Bank Loans	**(150,024)**	(169,077)
Derivatives	**(1,687)**	(3,020)
	(151,711)	(172,097)
Net exposure	**(132,337)**	(166,433)

Interest rate swap contracts outlined in note 24, with a fair value liability of $1,687,000 (2010: Liability $3,020,000), 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 2011, after taking into account the effect of interest rate swaps, approximately 63% of the Group's borrowings are at a fixed rate of interest (2010: 56%).

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 reporting date:

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	**2011 $'000**	2010 $'000	**2011 $'000**	2010 $'000
Consolidated				
+1% (100 basis points)	**(105)**	274	**–**	–
-1% (100 basis points)	**105**	(274)	**–**	–

The movements in profit are due to higher/lower interest costs from variable rate debt and cash balances. The sensitivity is lower in 2011 than 2010 because the interest rate swap contracts are twelve months closer to expiry which reduces the fair value movement arising from changes in interest rates and net borrowings are approximately 19% lower than the prior year closing balance.

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.

(ii) Foreign currency risk

The Group operates in two countries – Australia and New Zealand. 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 2011, the Group had the following exposure to NZ$ foreign currency that is not designated as cash flow hedges:

	CONSOLIDATED	
	2011 $'000	2010 $'000
Financial Assets		
Receivables – Deferred contingent consideration	**1,773**	–
Net exposure	**1,773**	–

As at balance date, the Group does not have any forward currency contracts (2010: 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 2011, 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 to profit or loss.

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

(iii) 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.

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.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

(iii) Credit risk (continued)

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 2011					
Current financial assets					
Cash and cash equivalents	19,374	–	–	–	**19,374**
Trade and other receivables	–	8,717	539	45,131	**54,387**
	19,374	8,717	539	45,131	**73,761**
Non-current financial assets					
Trade and other receivables	–	–	–	672	**672**
	–	–	–	672	**672**
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

* 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.

A small number of media buying agencies account for approximately 60% of the Company's revenue and no individual agency accounts for more than 15% of the Company's revenue. Agency clients operate with strict credit terms of 45 days and are required to provide detailed financial information as part of their credit approval process. Late payments are closely monitored and followed up if the 45 day terms are not met.

(iv) 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 (2010: $260 million), which is currently drawn to 58% of the facility limit (2010: 62%); 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 weekly basis. The Company 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 twelve months prior to the maturity date of the existing facilities.

On 26 August 2011 the Company secured a commitment from its bankers to provide a $200 million bank loan facility with a term of 4 years, repayable in full on expiry. Interest will be charged at a rate of BBSY plus a margin between 1.70% and 2.60%. Formal documentation is expected to be executed on 30 September 2011.

At 30 June 2011, 0.4% of the Group's debt will mature in less than one year (2010: 4.2%).

(a) 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 2011. 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 remaining contractual maturities of the Group's financial assets and liabilities are:

	≤ 6 MONTHS $'000	6 – 12 MONTHS $'000	1 – 5 YEARS $'000	> 5 YEARS $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2011					
Financial assets					
Cash and cash equivalents	19,374	–	–	–	**19,374**
Trade and other receivables	54,387	–	672	–	**55,059**
	73,761	–	672	–	**74,433**
Financial liabilities					
Trade and other payables	(57,584)	–	–	–	**(57,584)**
Interest bearing loans and borrowings	(4,748)	(4,690)	(153,646)	(420)	**(163,504)**
	(62,332)	(4,690)	(153,646)	(420)	**(221,088)**
Net inflow/(outflow)	11,429	(4,690)	(152,974)	(420)	**(146,655)**

In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Group has available approximately $110 million of unused bank loan facilities available for its immediate use, subject to continued compliance with the bank loan covenants.

	≤ 6 MONTHS $'000	6 – 12 MONTHS $'000	1 – 5 YEARS $'000	> 5 YEARS $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2010					
Financial assets					
Cash and cash equivalents	5,664	–	–	–	5,664
Trade and other receivables	51,514	–	317	–	51,831
	57,178	–	317	–	57,495
Financial liabilities					
Trade and other payables	(60,406)	–	–	–	(60,406)
Interest bearing loans and borrowings	(37,838)	(5,995)	(185,554)	(734)	(230,121)
	(98,244)	(5,995)	(185,554)	(734)	(290,527)
Net inflow/(outflow)	(41,066)	(5,995)	(185,237)	(734)	(233,032)

Fair value

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

(b) 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.

	≤ 6 MONTHS $'000	6 – 12 MONTHS $'000	1 – 5 YEARS $'000	> 5 YEARS $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2011					
Derivative liabilities – net settled	(670)	(1,017)	–	–	**(1,687)**
Net inflow/(outflow)	(670)	(1,017)	–	–	**(1,687)**
YEAR ENDED 30 JUNE 2010					
Derivative liabilities – net settled	(726)	(697)	(1,597)	–	(3,020)
Net inflow/(outflow)	(726)	(697)	(1,597)	–	(3,020)

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

(v) 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.

	QUOTED MARKET PRICE (LEVEL 1) $'000	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2) $'000	VALUATION TECHNIQUE – NON MARKET OBSERVABLE INPUTS (LEVEL 3) $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2011				
Financial assets				
Listed investments	4	–	–	**4**
Unlisted investments	–	–	2,001	**2,001**
	4	–	2,001	**2,005**
Financial liabilities				
Derivative instruments:				
Interest rate swaps	–	(1,687)	–	**(1,687)**
	–	(1,687)	–	**(1,687)**
YEAR ENDED 30 JUNE 2010				
Financial assets				
Listed investments	4	–	–	4
Unlisted investments	–	–	–	–
	4	–	–	4
Financial liabilities				
Derivative instruments:				
Interest rate swaps	–	(3,020)	–	(3,020)
	–	(3,020)	–	(3,020)

A sensitivity analysis of the valuation inputs for Level 3 balances has been provided in Note 14(iv).

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.

Reconciliation of Level 3 fair value movements:

	CONSOLIDATED	
	2011 $'000	2010 $'000
Opening balance	**–**	–
Additions – as consideration received on business disposal	**2,001**	–
Closing balance	**2,001**	–

4 INCOME AND EXPENSES

	CONSOLIDATED	
	2011 $'000	2010 $'000
INCOME AND EXPENSES FROM CONTINUING OPERATIONS		
(A) INCOME		
Advertising revenue	250,030	231,365
Finance income	420	330
Other income	6,548	4,819
	256,998	236,514
Breakdown of finance income:		
Interest received – other persons	420	330
	420	330
Breakdown of other income:		
Government grants	1,310	543
Production revenue	488	271
Sales representation services	1,294	1,172
Rental income	2,338	1,813
Dividend income	–	25
Other revenues	1,118	995
	6,548	4,819
(B) FINANCE EXPENSES		
Interest expense – other persons	11,566	11,322
Effective interest rate adjustments	(18)	(80)
	11,548	11,242
(C) EMPLOYEE BENEFIT EXPENSE		
Wages and salaries	41,065	39,350
Superannuation expense	3,210	3,115
Share based payments expense	665	16
Other employee benefits expense	734	3,285
	45,674	45,766
(D) OTHER EXPENSES		
Bad and doubtful debts – trade debtors	311	400
Minimum lease payments – operating leases	16,942	17,138
Realised Foreign Exchange Losses	–	7

5 INCOME TAX

	CONSOLIDATED	
	2011 $'000	2010 $'000
(A) INCOME TAX EXPENSE		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge	7,760	5,530
Adjustments in respect of current income tax of previous years	(933)	1,465
Losses not recognised	13	52
Deferred income tax		
Relating to origination and reversal of temporary differences	4,656	(3,713)
Adjustments in respect of deferred income tax of previous years	215	(1,025)
De-recognition of DTA	–	3,851
Net DTA not previously recognised due to accumulated loss position of subsidiary	(581)	(1,692)
Income tax expense/(benefit) on discontinuing operations	(63)	5,750
Income tax expense reported in the statement of comprehensive income	11,067	10,218
(B) AMOUNTS CHARGED OR CREDITED DIRECTLY TO EQUITY		
Deferred income tax related to items charged or credited directly to equity		
Foreign currency translation	(237)	(103)
	(237)	(103)
(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 before tax from continuing operations	39,255	7,882
(Loss) before tax from discontinuing operations	(959)	(57,958)
Total accounting profit/(loss) before income tax	38,296	(50,076)
Prima facie tax expense/(benefit) on accounting profit at the Group's statutory rate of 30% (2010: 30%)	11,489	(15,023)
Non temporary differences		
Expenses not deductible for tax	1,213	1,264
Impairment expense not deductible for tax	–	15,550
DTA not recognised on current year tax losses	–	410
Adjustments in respect of current income tax of previous years	(719)	440
Income not assessable for tax	(354)	51
DTA on timing differences not previously recognised now brought to account	–	(1,692)
De-recognition of DTA on capital losses	69	3,851
DTA on income tax losses not previously recognised	(568)	(383)
Aggregate income tax expense	11,130	4,468
Aggregate income tax expense attributable to:		
Continuing operations	11,067	10,218
Discontinuing operations	63	(5,750)
	11,130	4,468

	CONSOLIDATED			
	2011 $'000 CURRENT INCOME TAX	**2011 $'000 DEFERRED INCOME TAX**	2010 $'000 CURRENT INCOME TAX	2010 $'000 DEFERRED INCOME TAX
(D) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES				
Opening balance	**57**	**12,093**	5,286	9,503
Charged to income	**(6,841)**	**(4,289)**	(7,046)	2,578
Charged to equity	**(11)**	**248**	91	12
Other payments	**3,718**	**–**	1,726	–
Closing balance	**(3,077)**	**8,052**	57	12,093
Tax expense in statement of comprehensive income		**11,130**		4,468
Amounts recognised in the statement of financial position:				
Deferred tax asset		**8,052**		12,093
Deferred tax liability		**–**		–
		8,052		12,093

	CONSOLIDATED	
	2011 $'000	2010 $'000
Deferred income tax as at 30 June relates to the following:		
Deferred tax liabilities		
Accelerated depreciation for tax purposes	**–**	(268)
Leased assets	**(75)**	(38)
Prepaid expenses deductible for tax	**(887)**	(651)
Fair value of television licences on acquisition	**(6,690)**	(6,690)
Gross deferred tax liabilities	**(7,652)**	(7,647)
Set-off of deferred tax assets	**7,652**	7,647
Net deferred tax liabilities	**–**	–
Deferred tax assets		
Employee entitlements	**1,712**	1,816
Provisions	**195**	2,418
Expenses not yet deductible for tax	**3,070**	3,323
Lease liabilities	**56**	–
Difference between accounting and tax building write off	**1,486**	2,401
Accounting depreciation not yet deductible for tax	**191**	–
Fair value of derivatives	**506**	906
Impairments of investments	**7,200**	7,384
Tax losses	**1,288**	1,492
Gross deferred tax assets	**15,704**	19,740
Set-off of deferred tax liabilities	**(7,652)**	(7,647)
Net deferred tax assets	**8,052**	12,093
(E) INCOME TAX LOSSES		
(i) 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.	**1,288**	1,492
(ii) 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.	**19,305**	21,969

5 INCOME TAX (CONTINUED)

(F) 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 tax consolidated 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	
	2011 $'000	2010 $'000
Prime Media Group Limited has recognised the following amounts as tax-consolidation contribution adjustments:		
Total increase to inter-company assets of Prime Media Group Limited	**12,483**	5,907

(G) 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 2011 (2010: $Nil).

6 DISCONTINUING OPERATIONS

(A) DETAILS OF OPERATIONS DISPOSED, CLOSED DOWN AND HELD FOR SALE

MOONLIGHT CINEMA

On 1 October 2010, the Group completed the sale of Moonlight Cinema, its Australian outdoor cinema operation, to Amalgamated Holdings Limited for a disposal sale consideration of $1,627,877, net of selling costs.

ON SITE BROADCASTING

(1) On 9 July 2010, the Group completed the sale of its On Site Broadcasting business in New Zealand to Sky Network Television Limited for total consideration of A$11,130,375, net of selling costs. The deferred consideration is receivable over a period of 4 years to 30 June 2014 and the amount earned is contingent upon the amount of profit earned under various contracts transferred as part of the sale.

The consideration comprised of the following:

Cash consideration	10,565,375
Deferred contingent consideration, at fair value	565,000
Total consideration	**$11,130,375**

As at 30 June 2011 the Company revised the fair value of the deferred contingent consideration up by $1,181,000, on completion of a detailed review of the forecast profits expected from the contracts transferred as part of the sale.

(2) On 28 October 2010, the Group completed the sale of its On Site Broadcasting business in Australia to Gearhouse Broadcast Pty Ltd for a total consideration of $10,314,993, net of selling costs.

The consideration comprised of the following:

Cash consideration	8,314,993
Shares issued in Gearhouse Broadcast Pty Limited (unlisted) at fair value	2,000,000
Deferred contingent consideration, at fair value	–
Total consideration	**$10,314,993**

A component of the sale consideration is a $3,000,000 subordinated loan advanced by the Company to the purchaser and repayable between 31 December 2012 and 31 December 2014. The loan repayment amount is contingent upon the financial performance of the business from the date of the sale to 31 December 2014. As at 30 June 2011 the loan repayment amount had been formally reduced to $1,187,005. The company is carrying this deferred contingent consideration receivable at a fair value of nil.

PRIME DIGITAL MEDIA

Effective 30 June 2011, the Company exited the Prime Digital Media business and has disclosed the results of the Prime Digital Media business as discontinuing operations.

TELEVISION PRODUCTION

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

	2011 $'000	2010 $'000
(B) FINANCIAL PERFORMANCE OF OPERATIONS DISPOSED, CLOSED DOWN OR HELD FOR SALE		
Revenue	**7,098**	39,062
Expenses	**(8,057)**	(97,020)
Loss attributable to discontinuing operations before tax	**(959)**	(57,958)
Income tax (expense)/benefit	**(63)**	5,750
Loss attributable to discontinuing operations after tax	**(1,022)**	(52,208)
Minority interest in discontinued operations	**–**	85
Loss from discontinuing operations attributable to members of parent entity	**(1,022)**	(52,123)
Loss per share (cents per share)		
Basic from discontinued operations	**(0.3)**	(14.3)
Diluted from discontinued operations	**(0.3)**	(14.3)

Discontinuing operations includes Broadcast Production Services, On Site Broadcasting, Moonlight Cinema, Prime Media Singapore and Prime Digital Media.

6 DISCONTINUING OPERATIONS (CONTINUED)

	2011 $'000	2010 $'000
(C) ASSETS AND LIABILITIES – HELD FOR SALE OPERATIONS		
Non-current assets		
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 – DISCONTINUED OPERATIONS		
Net cash (outflow) from operating activities	(7,608)	(2,491)
Net cash inflow/(outflow) from investing activities	18,256	(10,529)
Net cash (outflow)/inflow from financing activities	(7,309)	13,488
Net cash generated by discontinued operations	3,339	468

	2011 $'000
(E) LOSS ON DISPOSAL	
Cash	20,508
Shares received at fair value	2,000
Fair value of deferred consideration	565
Total disposal consideration	23,073
Less net assets disposed of	(23,656)
Loss on disposal before income tax	(583)
Income tax expense	240
Loss on disposal after income tax	(343)
(F) NET CASH INFLOW FROM DISPOSAL	
Cash and cash equivalents consideration	20,508
Less cash and cash equivalents balance disposed of	–
Reflected in the consolidated statement of cash flows	20,508

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 on issue on the conversion of all the potentially dilutive 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	
	2011 $'000	2010 $'000
(A) EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Net Profit/(loss) attributable to ordinary equity holders of the parent from continuing operations	28,188	(2,336)
Net loss attributable to ordinary equity holders of the parent from discontinuing operations	(1,022)	(52,208)
Net Profit/(loss) attributable to ordinary equity holders of the parent	27,166	(54,544)
Earnings/(losses) used in calculating basic and diluted earnings per share	27,166	(54,544)

	NUMBER OF SHARES 2011	NUMBER OF SHARES 2010
(B) WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of ordinary shares used in calculating basic earnings per share:	**366,330,303**	363,522,662
Effect of dilution:		
Share options	**–**	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**366,330,303**	363,522,662

There are nil share options (2010: 5,250,000) 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.

(C) INFORMATION ON THE CLASSIFICATION OF SECURITIES

(i) OPTIONS

No options granted in year.

To calculate earnings per share amounts for the core continuing operations, 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:

	CONSOLIDATED	
	2011 $'000	2010 $'000
(D) PROFIT FROM CONTINUING OPERATIONS BEFORE SIGNIFICANT ITEMS		
Reported profit/(loss) after tax from continuing operations (refer statement of comprehensive income)	**28,188**	(2,336)
Fair value change in derivatives	**(1,333)**	(1,518)
Fair value change in receivable – deferred contingent consideration	**(1,181)**	–
Transfer of foreign currency translation reserve to profit and loss	**995**	–
Impairment of radio broadcasting licences	**–**	12,529
Gain on sale of investments	**–**	(921)
Impairment of television program rights	**–**	1,302
Staff redundancies	**198**	718
CEO termination expenses	**–**	1,871
destra administration costs	**–**	226
Impairment on loan to associate	**–**	4,384
Restructuring	**–**	2,207
Once off increase to employee entitlements resulting from award change	**–**	626
Income tax expense/(benefit) related to significant items	**340**	(1,353)
Profit after tax from continuing operations before significant items attributable to members of Prime Media Group Limited	**27,207**	17,735

8 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2011 $'000	2010 $'000
(A) RECOGNISED AMOUNTS		
Declared and paid during the year		
(i) Current year interim		
Franked dividends 2.1 cents per share (2010: 1.2 cents) – ordinary shares	**7,693**	4,382
(ii) Previous year final		
Franked dividends 1.4 cents per share (2010: 1.0 cents) – ordinary shares	**5,129**	3,633
	12,822	8,015
(B) UNRECOGNISED AMOUNTS		
(i) Current year final		
Franked dividends 2.4 cent per share (2010: 1.4 cents) – ordinary shares	**8,792**	5,129

8 DIVIDENDS PAID AND PROPOSED (CONTINUED)

	PARENT	
	2011 $'000	2010 $'000
(C) FRANKING CREDIT BALANCE		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30% (2010: 30%)	**26,685**	27,823
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**2,608**	(393)
Franking debits that will arise from the payment of dividends as at the end of the financial year	**–**	–
	29,293	27,430
The amount of franking credits available for future reporting periods:		
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	**(3,768)**	(2,198)
	25,525	25,232

(D) TAX RATES

The tax rate at which paid dividends have been franked is 30% (2010: 30%). Dividends proposed will be franked at the rate of 30% (2010: 30%).

9 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Cash balance comprises:		
Cash at bank and on hand	**19,374**	5,664
Closing cash balance	**19,374**	5,664

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 2011 the Group had available $110 million (2010: $100 million) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met.

	CONSOLIDATED	
	2011 $'000	2010 $'000
(A) RECONCILIATION OF THE NET PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS		
Net profit/(loss) after income tax	**27,166**	(54,544)
Adjustment for:		
Depreciation and amortisation	**10,190**	18,330
Amortisation of program rights	**832**	3,442
Effective interest rate adjustments	**–**	84
Provision for doubtful debts	**314**	542
Net loss on disposal of property, plant and equipment	**656**	225
Gain on sale of financial asset	**(34)**	(922)
Transfer of foreign currency translation reserve to profit and loss	**995**	1,032
Net gain MTM derivatives	**(1,333)**	(1,517)
Impairment of intangibles and goodwill	**–**	52,461
Impairment of property, plant & equipment	**–**	7,863
Impairment of investments in associates	**–**	4,384
Share of losses of associates	**586**	1,601
Share based payments expense	**665**	16
Changes in assets and liabilities		
(Increase) in receivables	**(2,034)**	(174)
Decrease/(increase) in deferred tax assets	**3,849**	(2,425)
(Increase) in prepayments	**(310)**	(1,465)
(Decrease) in creditors	**(2,259)**	(1,563)
Increase in tax provision	**3,564**	5,332
(Decrease) in deferred tax liability	**–**	(163)
(Decrease) in interest bearing liabilities	**(2,070)**	–
(Decrease)/increase in other provisions	**(6,358)**	627
Net cash flow from operating activities	**34,419**	33,166

10 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
CURRENT		
Trade receivables	**47,944**	48,843
Allowance for impairment loss	**(652)**	(875)
	47,292	47,968
Deferred contingent consideration	**1,285**	–
Other receivables	**4,446**	3,424
Related party receivables		
Loans to executives	**130**	122
Other related parties	**1,234**	–
Carrying amount of trade and other receivables	**54,387**	51,514

(A) ALLOWANCE FOR IMPAIRMENT LOSS

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. 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. No individual amount within the impairment allowance is material.

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 2011 $'000	CONSOLIDATED 2010 $'000
At July 1	**875**	629
Charge for the year	**20**	686
Amounts written off	**(243)**	(440)
At June 30	**652**	875

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*
2011	**47,944**	**24,281**	**21,422**	**999**	**13**	**733**	**496**
2010	48,843	25,367	21,172	1,013	56	416	819

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

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) RELATED PARTY RECEIVABLES

For terms and conditions of related party receivables refer to notes 31 and 32.

(C) FOREIGN EXCHANGE AND INTEREST RATE RISK

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

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
NON-CURRENT		
Deferred contingent consideration	**487**	–
Related party receivables		
Loans to executives	**140**	270
Other related parties	**45**	47
Carrying amount of non-current receivables	**672**	317

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.

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 32.

(A) FAIR VALUE AND CREDIT RISK

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

(B) FOREIGN EXCHANGE AND INTEREST RATE RISK

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

(C) CREDIT RISK

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

11 OTHER ASSETS

	CONSOLIDATED	
	2011 $'000	2010 $'000
CURRENT		
Work in progress	**–**	65
Prepayments	**2,001**	2,397
	2,001	2,462
NON-CURRENT		
Prepayments	**2,332**	1,561

12 INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
	2011 $'000	2010 $'000
(A) INVESTMENT DETAILS		
Unlisted		
Mildura Digital Television Pty Limited (refer to note 19)	**–**	80
Prime Digitalworks Pty Limited	**–**	–
West Digital Television Pty Limited	**–**	–
West Digital Television No2 Pty Limited	**–**	–
West Digital Television No3 Pty Limited	**–**	–
West Digital Television No4 Pty Limited	**–**	–
WA SatCo Pty Limited	**–**	–
Broadcast Transmission Services Pty Limited	**–**	–
Total Investments in Associates	**–**	80

	OWNERSHIP INTEREST		CONTRIBUTION TO NET PROFIT	
	2011 %	2010 %	**2011 $'000**	2010 $'000
(B) THE CONSOLIDATED ENTITY HAS A MATERIAL INTEREST IN THE FOLLOWING ENTITIES:				
Unlisted				
Mildura Digital Television Pty Limited	**50%**	50%	**(586)**	(425)
destra Corporation Limited[1]	**44%**	44%	**–**	–
Prime Digitalworks Pty Limited[2]	**100%**	100%	**–**	(1,176)
West Digital Television Pty Limited	**50%**	50%	**–**	–
West Digital Television No2 Pty Limited	**50%**	50%	**–**	–
West Digital Television No3 Pty Limited	**50%**	50%	**–**	–
West Digital Television No4 Pty Limited	**50%**	50%	**–**	–
WA SatCo Pty Limited	**50%**	–	**–**	–
Broadcast Transmission Services Pty Limited	**33%**	33%	**–**	–
			(586)	(1,601)

(1) The group's investment in destra Corporation Limited was impaired to Nil during 2009. As such no further share of losses are taken up in the Group accounts.

(2) On 30 June 2010 Prime Digitalworks Pty Limited became a wholly owned subsidiary. Prior to this date the ownership interest was 33% and this investment was classified as an investment in associate.

	CONSOLIDATED	
	2011 $'000	2010 $'000
(C) MOVEMENTS IN THE CARRYING AMOUNT OF THE GROUP'S INVESTMENT IN ASSOCIATES		
At July 1	**80**	4,299
Loan funds advanced[(1)]	**299**	1,766
Share of losses after income tax	**(586)**	(1,601)
Provision for impairment losses	**–**	(4,384)
Provision for loan funds still to be paid to associate (refer to note 19)	**207**	–
At June 30	**–**	80

(1) Reflects loan funds advanced to associates under short term loan arrangement or in accordance with requirements of shareholder agreements. These payments are deemed to be part of the Investment in Associates for the purposes of equity accounting.

(D) IMPAIRMENT

In 2010 a provision for impairment loss was 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 loan to this associate. The assessment of the fair value of the loans to the associate was $Nil which gave rise to an impairment of $4,384,000.

	2011 $'000	2010 $'000
(E) SUMMARISED FINANCIAL INFORMATION		
The following table illustrates summarised financial information relating to the Group's associates:		
Extracts from associates' balance sheets:		
Current assets	**460**	109
Non-current assets	**483**	490
	943	599
Current liabilities	**(2,345)**	(1,457)
Non-current liabilities	**–**	–
	(2,345)	(1,457)
Net assets	**(1,402)**	(858)
Share of the associates net assets accounted for using the equity method:		
Net assets	**(701)**	(429)
Extracts from associates' statements of comprehensive income:		
Revenue	**936**	1,878
Net losses	**(1,172)**	(4,388)
Share of the associates profits or losses accounted for using the equity method:		
Loss before income tax	**(586)**	(1,601)
Income tax expense	**–**	–
Loss after income tax	**(586)**	(1,601)

13 INVESTMENTS IN SUBSIDIARIES AND FINANCIAL ASSETS

CLOSED GROUP CLASS ORDER DISCLOSURES

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 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 and its 100% owned Australian resident subsidiaries entered into a Deed of Cross Guarantee on 17 October 2006 (the "Closed Group"). 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, listed below, have also given a similar guarantee in the event that Prime Media Group Limited is wound up.

		EQUITY INTEREST	
NAME	COUNTRY OF INCORPORATION	2011 %	2010 %
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
Prime Media Developments Pty Limited	Australia	**100**	100
Prime Digitalworks Pty Limited	Australia	**100**	100
Prime Media Broadcasting Pty Limited	Australia	**100**	100
Prime Media Communications Pty Limited	Australia	**100**	100
Prime Growth Media Pty Limited	Australia	**100**	100
Prime Media Group Services Pty Limited	Australia	**100**	100
POP Digital Media Pty Limited	Australia	**100**	100

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

(A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CLOSED GROUP	
	2011 $'000	2010 $'000
Operating profit/(loss) before income tax	**37,870**	(17,304)
Income tax expense attributable to operating profit/(loss)	**(12,041)**	(7,402)
Operating profit/(loss) after tax	**25,829**	(24,706)
Accumulated losses at beginning of the financial year	**(78,786)**	(46,065)
Dividends provided for or paid	**(12,822)**	(8,015)
Accumulated losses at end of the financial period	**(65,779)**	(78,786)

(B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	CLOSED GROUP	
	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	**18,749**	3,821
Trade and other receivables	**52,107**	48,665
Intangible assets	**616**	832
Prepayments	**1,909**	2,124
Current tax assets	**–**	396
Total current assets	**73,381**	55,838
Non-current assets		
Receivables	**36,585**	37,057
Investments in associates	**–**	80
Investments in available-for-sale financial assets	**7**	7
Other financial assets and subsidiaries	**118,093**	117,933
Property, plant and equipment	**54,328**	56,053
Intangible assets	**224,519**	225,284
Deferred tax assets	**4,308**	7,448
Other assets	**2,332**	1,560
Total non-current assets	**440,172**	445,422
TOTAL ASSETS	**513,553**	501,260
Current liabilities		
Trade and other payables	**56,640**	52,997
Interest bearing loans and borrowings	**627**	381
Current tax liabilities	**3,495**	–
Provisions	**2,255**	9,023
Derivative financial instruments	**1,687**	3,020
Total current liabilities	**64,704**	65,421
Non-current liabilities		
Trade and other payables	**49,729**	35,960
Interest bearing loans and borrowings	**152,823**	165,228
Provisions	**433**	496
Total non-current liabilities	**202,985**	201,684
TOTAL LIABILITIES	**267,689**	267,105
NET ASSETS	**245,864**	234,155
Equity		
Parent entity interest		
Contributed equity	**310,262**	310,262
Reserves	**1,381**	2,679
Accumulated losses	**(65,779)**	(78,786)
TOTAL EQUITY	**245,864**	234,155

14 INVESTMENTS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Investments at fair value:		
Available for sale financial assets:		
Shares in uncontrolled entities (listed) (i)	**4**	4
Investments at cost:		
Shares in uncontrolled entities (unlisted) (ii)	**3,133**	3,133
Investments at fair value:		
Shares in uncontrolled entities (unlisted) (iii)	**2,001**	–
	5,138	3,137

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 AT COST

Investments in shares of unlisted entities are carried at cost where 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

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.

(iii) UNLISTED SHARES AT FAIR VALUE

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions, which are outlined in note 2(F), that are not supported by observable market prices or rates. Management believes the estimated fair value resulting from the valuation techniques and recorded in the statement of financial position and the related changes in fair value recorded in other comprehensive income are reasonable and the most appropriate at the reporting date. A reconciliation of the movement during the year is as follows:

	CONSOLIDATED	
	2011 $'000	2010 $'000
Investments at fair value:		
Opening balance	**–**	–
Net valuation gains	**–**	–
Additions – as consideration received on business disposal	**2,001**	–
Disposals	**–**	–
Closing balance	**2,001**	–

(iv) VALUATION SENSITIVITY

Management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation models and has quantified this as a reduction in fair value of approximately $689,000 using less favourable assumptions and an increase in fair value of approximately $742,000 using more favourable assumptions.

15 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2011 $'000	2010 $'000
Freehold land – at cost	**916**	1,147
Leasehold land – at cost[(i)]	**197**	197
Total Land	**1,113**	1,344
Buildings on freehold land – at cost	**2,049**	3,324
Less: Accumulated depreciation	**(1,159)**	(1,716)
	890	1,608
Buildings on leasehold land – at cost[(i)]	**10,286**	10,146
Less Accumulated amortisation	**(3,051)**	(2,794)
	7,235	7,352
Buildings on freehold land – at recoverable value	**2,112**	2,162
Less: Accumulated depreciation	**(542)**	(488)
	1,570	1,674
Total Buildings	**9,695**	10,634
Leasehold Improvements – at cost	**3,877**	3,593
Less: Accumulated amortisation	**(1,584)**	(1,321)
Total Leasehold Improvements	**2,293**	2,272
Plant and Equipment – at cost	**143,726**	152,218
Less: Accumulated depreciation and impairment	**(106,351)**	(113,781)
Total Plant and Equipment	**37,375**	38,437
Plant and Equipment under lease - at cost	**4,935**	4,451
Less: Accumulated amortisation	**(1,102)**	(861)
Total Plant and Equipment under lease	**3,833**	3,590
Motor Vehicles – at cost	**61**	79
Less: Accumulated depreciation	**(36)**	(48)
Total Motor Vehicles	**25**	31
TOTAL WRITTEN DOWN AMOUNT	**54,334**	56,308

(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.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(A) RECONCILIATIONS

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	CONSOLIDATED	
	2011 $'000	2010 $'000
Freehold land		
Carrying amount at beginning	1,147	1,142
Disposals	(231)	–
Classification transfer	–	5
	916	1,147
Leasehold land	197	197
Total Land	**1,113**	1,344
Buildings on freehold land		
Carrying amount at beginning	3,282	3,397
Additions	–	79
Classification transfer	–	(33)
Disposals	(710)	(17)
Depreciation expense	(112)	(144)
	2,460	3,282
Buildings on leasehold land		
Carrying amount at beginning	7,352	7,683
Additions	140	4
Classification transfer	–	(85)
Disposals	–	–
Depreciation expense	(257)	(250)
	7,235	7,352
Total Buildings	**9,695**	10,634
Leasehold Improvements		
Carrying amount at beginning	2,272	2,529
Additions	296	64
Classification transfer	5	11
Disposals	(11)	–
Depreciation expense	(269)	(276)
Reclassification to assets held for sale	–	(56)
Total Leasehold Improvements	**2,293**	2,272
Plant and Equipment		
Carrying amount at beginning	38,437	55,737
Additions	9,281	26,660
Classification transfer[(1)]	(81)	68
Disposals	(1,054)	(252)
Depreciation expense	(9,208)	(15,199)
Impairment expense[(2)]	–	(7,863)
Reclassification to assets held for sale[(2)]	–	(21,151)
Foreign currency movements	–	437
Total Plant and Equipment	**37,375**	38,437
Plant and Equipment under lease		
Carrying amount at beginning	3,590	22,749
Additions	645	194
Disposals	(98)	34
Amortisation expense	(304)	(2,358)
Foreign currency movements	–	(445)
Reclassification to assets held for sale[(2)]	–	(16,584)
Total Plant and Equipment under lease	**3,833**	3,590
Total Plant and Equipment	**41,208**	42,027
Motor Vehicles		
Carrying amount at beginning	31	150
Additions	9	6
Classification transfer	–	(1)
Disposals	(9)	–
Depreciation expense	(6)	(124)
Total Motor Vehicles	**25**	31

(1) The majority of the current year classification transfer balance has been reclassified as intangibles (refer to note 16).

(2) During 2010 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. 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 comprised:

	2010 $'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	
	2011 $'000	2010 $'000
CURRENT		
Program rights – At cost	**616**	832
	616	832
NON-CURRENT		
Goodwill on acquisition	**3,657**	3,657
Broadcast licences and associated rights – At cost	**219,810**	219,810
Program rights – At cost	**1,200**	1,817
Web site development costs – At amortised cost	**27**	–
	224,694	225,284

16 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	CONSOLIDATED	
	2011 $'000	2010 $'000
RECONCILIATIONS		
Goodwill on Acquisition		
Carrying amount at beginning	**3,657**	44,286
Additions	**–**	1,400
Assets classified as held for sale	**–**	(2,097)
Impairment losses[(i)]	**–**	(39,932)
	3,657	3,657
Broadcast licences		
Carrying amount at beginning	**219,810**	232,339
Impairment losses	**–**	(12,529)
	219,810	219,810
Program Rights		
Carrying amount at beginning	**2,649**	5,650
Amortisation expense	**(833)**	(1,699)
Impairment charge	**–**	(1,302)
	1,816	2,649
Television Format Rights		
Carrying amount at beginning	**–**	440
Additions	**–**	–
Disposals	**–**	–
Impairment charge	**–**	(440)
	–	–
Web Site Development Costs		
Carrying amount at beginning	**–**	–
Classification transfer	**79**	–
Amortisation expense	**(32)**	–
Disposals	**(20)**	–
	27	–
	225,310	226,116
(i) These impairment losses relate to the following CGU's:		
On Site Broadcasting	**–**	24,376
Moonlight Cinema	**–**	562
Prime Digital Media Pty Limited	**–**	13,593
Prime Digitalworks Pty Limited	**–**	1,401
	–	39,932

(A) DESCRIPTION OF THE GROUP'S INTANGIBLE ASSETS AND GOODWILL

(i) BROADCAST LICENCES

Television and Radio broadcast licences have been acquired through business combinations and consist of the right to broadcast television and radio services to specific market areas. The licences are carried at cost less accumulated impairment losses. The licences are subject to renewal by broadcasting authorities in Australia at no significant cost to the Company. The directors have no reason to believe the licences will not be renewed at the end of their current legal terms.

(ii) PROGRAM RIGHTS

Program Rights represent the purchased 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 cost 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 (refer to section (B) of this note).

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

Broadcast licences acquired through business combinations have been allocated to the following 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; and
- Radio broadcasting unit.

(i) TELEVISION BROADCASTING UNIT

On an annual basis management undertakes an assessment of the carrying value of its television broadcasting unit's 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 calculation using cashflow projections as at 31 May 2011 based on financial budgets approved by management covering a 5 year period. The long term forecasts are generated using a terminal growth rate of 4%. The discount rate applied to the cash flow projections is 11.75% (14.96% 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 broadcast licences. The most recent valuation was undertaken in September 2010. This valuation supported the carrying values of the television unit's intangible assets.

(ii) RADIO BROADCASTING UNIT

On an annual basis management undertakes an assessment of the carrying value of its radio broadcasting unit's intangible assets, which consist of both radio broadcast licences and goodwill, to test for impairment. On an annual basis management undertakes a value in use calculation using cash flow projections as at 31 May 2011 based on financial budgets approved by management covering a 5 year period. The long term forecasts are generated using a terminal growth rate of 4%.

The discount rate applied to the cash flow projections is 11.75% (14.87% 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 radio broadcast licences. The most recent valuation was undertaken in September 2010. This valuation supported the carrying values of the radio unit's intangible assets.

(iii) 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 estimated using historical experience and established patterns over the life of the contract.

	CONSOLIDATED	
	2011 $'000	2010 $'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**	36,847
Broadcast Licences	**219,810**	219,810
Radio broadcasting	**175**	175
Television broadcasting	**3,482**	3,482
Goodwill on Acquisition	**3,657**	3,657

(C) SENSITIVITY OF ASSUMPTIONS

Television and radio broadcasting are largely fixed cost businesses, so variations in the financial performance are driven by changes in revenue. 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 on issue of new licences by the national government after extensive reviews. Audience habits tend to change relatively slowly so 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.

(i) TELEVISION BROADCASTING

For the television broadcasting CGU, the current recoverable value exceeds its current carrying value by more than $250,000,000.

There are no key assumptions that could reasonably vary and result in recoverable amounts below carrying value.

(ii) RADIO BROADCASTING

For the radio broadcasting CGU, the current recoverable value approximates carrying value. The valuation of the radio broadcasting is very sensitive to any negative movements of the assumptions used in this valuation model. Any negative movements in the assumption are likely to give rise to impairment charges.

17 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2011 $'000	2010 $'000
CURRENT		
Trade payables(i)	**19,995**	16,206
Accrued expenses	**32,512**	38,464
Accrued employee leave entitlements	**5,077**	5,736
	57,584	60,406

(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.

	2011 $'000	2010 $'000
NON-CURRENT		
Accrued expenses	**–**	68
	–	68

18 INTEREST-BEARING LOANS AND BORROWINGS

		CONSOLIDATED	
	MATURITY	**2011 $'000**	2010 $'000
CURRENT			
Obligations under finance lease contracts (note 25(F))	2012	**627**	408
		627	408
NON-CURRENT			
Obligations under finance lease contracts (note 25(F))	2013 – 2021	**2,799**	3,057
$260 million secured bank loan	2013	**150,024**	162,144
		152,823	165,201

(i) TERMS AND CONDITIONS

BANK LOAN FACILITY

The bank loan has been drawn down under a $260 million Debenture Subscription Facility with a term of 5 years. The facility is secured by a charge over the assets of the borrower group comprising all wholly owned entities in Australia and New Zealand, but excluding Broadcast Production Services Pty Limited and its subsidiaries. Interest is charged at BBSY plus a margin between 0.5% and 0.9%. The loan is repayable in full on expiry on 26 July 2012.

The Company has been working with its bankers to secure a longer term financing arrangement. On 26 August 2011 the Company secured a commitment from its bankers to provide a $200 million bank loan facility with a term of 4 years, repayable in full on expiry. Interest will be charged at a rate of BBSY plus a margin of between 1.70% and 2.60%. Formal documentation is expected to be executed on 30 September 2011.

(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 8.0%), 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 2011 $'000	CONSOLIDATED 2010 $'000
CURRENT		
Restructuring	**603**	1,454
Directors' retiring provision	**196**	196
Onerous contracts	**1,249**	6,452
Provision for loan to associate	**207**	–
	2,255	8,102
NON-CURRENT		
Long service leave	**434**	520
	434	520

(A) MOVEMENTS IN PROVISIONS

Movements in each class of provisions during the financial year are set out below

	REDUNDANCY PROVISION $'000	DIRECTORS RETIRING PROVISION $'000	ONEROUS CONTRACTS $'000	PROVISION FOR LOAN TO ASSOCIATE $'000	LONG SERVICE LEAVE $'000	TOTAL $'000
At 1 July 2010	1,454	196	6,452	–	520	8,622
Arising during the year	352	–	293	207	–	852
Unused amounts reversed	–	–	–	–	(86)	(86)
Utilised	(1,203)	–	(5,370)	–	–	(6,573)
Discount Rate Adjustment	–	–	(126)	–	–	(126)
At 30 June 2011	**603**	**196**	**1,249**	**207**	**434**	**2,689**
Current 2011	**603**	**196**	**1,249**	**207**	**–**	**2,255**
Non-current 2011	**–**	**–**	**–**	**–**	**434**	**434**
	603	**196**	**1,249**	**207**	**434**	**2,689**
Current 2010	1,454	196	6,452	–	–	8,102
Non-current 2010	–	–	–	–	520	520
	1,454	196	6,452	–	520	8,622

(B) 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 this provision balance at 30 June 2011 will be settled by November 2011.

(ii) DIRECTOR'S RETIRING PROVISION

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

(iii) 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 raised a provision for the losses expected under these contracts.

As at 30 June 2011 the Group has exited the Prime Digital Media business. The balance of the provision is expected to be settled within the next 12 to 24 months.

(iv) PROVISION FOR LOAN TO ASSOCIATE

Under the shareholders agreement for Mildura Digital Television Pty Limited the shareholders are required to provide funding to meet the losses of the company in proportion to their shareholding. The balance of the provision represents funding owed by the Group to Mildura Digital Television Pty Limited as at 30 June 2011.

(v) 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.

20 CONTRIBUTED EQUITY

	CONSOLIDATED	
	2011 $'000	2010 $'000
(A) ISSUED AND PAID UP CAPITAL		
Ordinary shares fully paid		
366,330,303 shares (2010: 366,330,303 shares)	**310,262**	310,262

(B) MOVEMENTS IN SHARES ON ISSUE

	2011		2010	
	NUMBER OF SHARES	**$'000**	NUMBER OF SHARES	$'000
Ordinary				
Beginning of the financial year	**366,330,303**	**310,262**	358,422,021	305,643
Issued during the year				
– shares issued as consideration for equity settled transaction	–	–	7,908,282	4,619
End of the financial year	**366,330,303**	**310,262**	366,330,303	310,262

(C) SHARE OPTIONS

Options over ordinary shares:

EMPLOYEE SHARE OPTION SCHEME

During the financial year, nil (2010: 5,250,000) options were issued over ordinary shares.

During the financial year, 1,750,000 (2010: Nil) options lapsed, Nil (2010: Nil) were forfeited and 3,500,000 (2010: Nil) options were surrendered by executives and subsequently cancelled by the Company.

At the end of the year there were nil (2010: 5,250,000) un-issued ordinary shares in respect of which options were outstanding.

(D) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

ORDINARY SHARES

Holders of 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 2011, the Company paid dividends of $12,822,000 (2010: $8,015,000). The board's target for dividend payments has historically been to pay approximately 50% of the normalised earnings per share. The payout rate was increased to 75% of earnings per share as reflected in the 2011 final dividend declared.

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	AT BALANCE DATE
Net Debt/(Net Debt + Equity)	55% – 65%	47%
Net Debt to Normalised EBITDA[(1)]	2.5 – 3.5	2.3
Interest Cover to Normalised EBITDA[(1)]	> 3.5	5.3

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

21 RETAINED EARNINGS AND RESERVES

	CONSOLIDATED	
	2011 $'000	2010 $'000
General reserve	**(2,787)**	(2,787)
Foreign currency translation	**–**	(794)
Employee benefits equity reserve	**2,709**	2,044
	(78)	(1,537)
Accumulated losses	**(157,071)**	(171,415)

(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

	2011 $'000	2010 $'000
Balance at beginning of year	**(794)**	(2,044)
Transfer of foreign currency translation reserve relating to assets held for resale to the statement of comprehensive income	**995**	1,032
Gain/(loss) on translation of overseas controlled entities	**(201)**	218
Balance at end of year	**–**	(794)

(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

	2011 $'000	2010 $'000
Balance at beginning of year	**2,044**	2,028
Share Based Payment	**665**	16
Balance at end of year	**2,709**	2,044

(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

	2011 $'000	2010 $'000
Balance at beginning of year	**(2,787)**	–
Acquisition of non-controlling interest in controlled entities	**–**	(2,787)
Balance at end of year	**(2,787)**	(2,787)

(D) (ACCUMULATED LOSSES)/RETAINED PROFITS

	2011 $'000	2010 $'000
Balance at the beginning of year	**(171,415)**	(108,941)
Net profit/(loss) attributable to members of Prime Media Group Limited	**27,166**	(54,459)
Total accumulated losses	**(144,249)**	(163,400)
Dividends provided for or paid	**(12,822)**	(8,015)
Balance at end of year	**(157,071)**	(171,415)

22 NON-CONTROLLING INTERESTS

ACQUISITION OF BROADCAST PRODUCTION SERVICES 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 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 the Company 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

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. This acquisition took the groups' shareholding to 100%.

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

	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**
Goodwill impairment expense		**(1,401)**
Total Goodwill		–

24 DERIVATIVES

	CONSOLIDATED	
	2011 $'000	2010 $'000
Current Liabilities		
Interest rate swap contracts	**1,687**	3,020

(A) INSTRUMENTS USED BY THE GROUP

INTEREST RATE SWAP AGREEMENTS

At balance date, the Company had interest rate swap agreements with a notional amount of $95 million, (2010: $95 million) on which it pays a fixed rate of 6.38% or 6.39% and receives a floating rate of the Bank Bill Swap Rate. The interest rate swap instruments are used to protect part of the Borrowings from exposure to floating interest rates. The swaps in place cover 63% (2010: 56%) 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.

(B) INTEREST RATE RISK

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

(C) 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	
	2011 $'000	2010 $'000
(A) CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
– not later than one year	**8,242**	7,012

Included in the above disclosed capital commitments at 30 June 2011 is approximately $6 million in expenditure relating to the roll out of digital transmission in Western Australia. The Company is entitled to claim government grant income to fund 50% of this expenditure. The amounts disclosed above are the gross amounts before taking into consideration this government funding.

(B) LEASE EXPENDITURE COMMITMENTS

	2011 $'000	2010 $'000
Operating leases (Continuing Operations Group as lessee):		
Minimum lease payments		
– not later than one year	**8,524**	8,748
– later than one year and not later than five years	**21,157**	23,729
– later than five years	**13,724**	15,524
Aggregate lease expenditure contracted for at reporting date	**43,405**	48,001

Operating leases have an average lease term of 3 years for Motor Vehicles, 3 year (+ 3 year options) for building leases, and 5-15 years for transmission site access agreements. Motor Vehicle leases are fixed monthly rentals for the term of the lease. Building leases 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

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.

	2011 $'000	2010 $'000
Operating leases (non-cancellable Group as lessor):		
Minimum lease payments receivable		
– not later than one year	**1,340**	912
– later than one year and not later than five years	**2,773**	2,818
– later than five years	**767**	1,098
Aggregate lease income contracted for at reporting date	**4,880**	4,828

(D) OTHER COMMITMENTS COVERING THE RENTAL OF TECHNICAL EQUIPMENT UNDER A LONG TERM AGREEMENT

The technical communications equipment that is fundamental to the distribution of the Group TV programming and data communications are leased through long term operating leases between 7 and 15 years.

	2011 $'000	2010 $'000
– not later than one year	**6,048**	6,039
– later than one year and not later than five years	**24,194**	24,155
– later than five years	**1,529**	1,510
	31,771	31,704

25 EXPENDITURE COMMITMENTS (CONTINUED)

	CONSOLIDATED	
	2011 $'000	2010 $'000
(E) FINANCE LEASE COMMITMENTS:		
– not later than one year	**897**	23,384
– later than one year and not later than five years	**2,785**	2,961
– later than five years	**420**	735
Total Minimum lease payments	**4,102**	27,080
– future finance charges	**(676)**	(6,386)
Lease Liability	**3,426**	20,694
– current liability	**627**	17,637
– non-current liability	**2,799**	3,057
	3,426	20,694
(F) FINANCE LEASE COMMITMENTS AT PRESENT VALUE:		
– not later than one year	**857**	17,889
– later than one year and not later than five years	**2,302**	2,358
– later than five years	**267**	447
Present Value of Minimum lease payments	**3,426**	20,694
The finance lease commitments in 2010 include amounts relating to assets held for resale and, 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	**857**	17,889
Current interest-bearing loans and borrowings (note 18)	**2,302**	2,358
Non-current interest-bearing loans and borrowings (note 18)	**267**	447
Total included in statement of financial position	**3,426**	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
– later than one year and not later than five years	**–**	570
– later than five years	**–**	–
	–	950

Amounts disclosed as remuneration commitments include commitments arising from the fixed term 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. Due to the departure of Rob Gamble on 5 November 2010, the Group has no fixed term commitments for the payment of salaries and other remuneration under long-term employment contracts, which have not been recognised as liabilities or payables at reporting date.

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 a group member, Wastar International Pty limited ("WI"), entered into an agreement with Marigold Production (Canada) Inc ("MPCI") under which WI was granted the North American distribution rights to a film under an arrangement which provided for a minimum guaranteed distribution fee of US $2 million payable by WI to MPCI, subject to certain contractual conditions being met. WI did not believe those contractual conditions were met and therefore did not make payment on receipt of a demand for payment. The directors do not believe the liability exists. There has been no further action concerning this unresolved matter over the last 4 years.

	CONSOLIDATED	
	2011 $'000	2010 $'000
Liabilities not recognised in the balance sheet are:	**1,862**	2,347
	1,862	2,347

GUARANTEES

The Group has issued the following guarantee at 30 June 2011:

It has guaranteed to an unrelated third party the payment of a contractual commitment of WA SatCo Pty Limited, an associate company in which the Group holds 50% of the share capital. WA SatCo Pty Limited has entered into a non cancellable contract for the purchase of satellite services in WA for a period of 9 years until 30 June 2020 at the rate of $2,346,192 per annum. In the event that WA SatCo Pty Limited defaults on any payments under this contract, the Group may be liable for full payment under the guarantee it has provided. WA Sat Co Pty Limited has simultaneously entered into an agreement with the Commonwealth Government which provides for 100% funding of this satellite service for a period of 9 years until 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

	CONSOLIDATED	
	2011 $'000	2010 $'000
Maximum potential contingent commitment arising from the above mentioned guarantee:		
– Not later than one year	**2,346**	–
– Later than one year and not later than five years	**9,384**	–
– Later than five years	**9,384**	–
Maximum Contingent Commitments	**21,114**	–

As noted above this entire amount in maximum potential contingent commitment is offset in entirety by government funding.

27 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

		CONSOLIDATED	
	NOTES	**2011 $'000**	2010 $'000
EMPLOYEE BENEFITS			
The aggregate employee benefit liability is comprised of:			
Accrued annual leave and long service leave (current)	17	**5,077**	5,736
Accrued long service leave (non-current)	19	**434**	520
		5,511	6,256

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 PLAN

(A) RECOGNISED SHARE BASED PAYMENT EXPENSES

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

	CONSOLIDATED	
	2011 $'000	2010 $'000
Expense arising from equity-settled share-based payment transactions	**665**	16

The share-based payment plan is described below. During the financial year, 1,750,000 (2010: Nil) options lapsed, Nil (2010: Nil) were forfeited and 3,500,000 (2010: Nil) options were cancelled.

(B) TYPES OF SHARE-BASED PAYMENT PLANS

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 of the terms of the Prime Media Group Employee Share Option Scheme presented at these meetings. Participation in the Scheme is available to any director of the parent entity and any person who is in the employment of the Group. Recommendations in respect of allocations of share options under the Scheme are made by the Remuneration Committee, for approval by the board. 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 2.5% of the total number of ordinary shares on issue.

As at 30 June 2011, all 3,500,000 options outstanding under the ESOS were cancelled. The Remuneration Committee reviewed the long-term incentive plan and, on recommendation from an external remuneration consultant, introduced a new Performance Rights Plan in the 2012 financial year. Details are outlined in the Remuneration Report.

(C) SUMMARIES OF OPTIONS GRANTED UNDER ESOS

The following table outlines the number (no.) and weighted average exercise price (WAEP) of, and movements in, share options on issue during the year.

	2011		2010	
	NO.	**WAEP**	NO.	WAEP
Balance at beginning of year	**5,250,000**	**$0.90**	–	–
– granted	**–**	**–**	5,250,000	$0.90
– exercised	**–**	**–**	–	–
– lapsed	**(1,750,000)**	**$0.90**	–	–
– cancelled[1]	**(3,500,000)**	**$0.90**	–	–
– forfeited	**–**	**–**	–	–
Balance at end of year	**–**	**–**	5,250,000	$0.90
Exercisable at end of year	**–**	**–**	–	–

The outstanding balance as at 30 June 2011 is nil.

(1) On 30 June 2011, 3,500,000 options issued to that had not vested or lapsed at balance date were surrendered by executives and subsequently cancelled by the Company

(D) OPTION PRICING MODEL

The fair value of the equity settled share options granted under the ESOS is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

There were no options granted during the current year. The fair value of options granted in the prior year were estimated on the date of grant using the following inputs to the model:

	2011	2010
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.

(E) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE.

The weighted average contractual life of share options outstanding as at 30 June 2011 is nil years (2010: 4.95 years).

(F) RANGE OF EXERCISE PRICE

The range of exercise price for options outstanding at the end of the year was nil (2010: $0.90).

(G) WEIGHTED AVERAGE FOR VALUE

The weighted average fair value of options granted during the year was nil (2010: $0.13).

29 EVENTS AFTER THE BALANCE SHEET DATE

On 26 August 2011 the Company secured a commitment from its bankers to provide a $200 million bank loan facility with a term of 4 years, repayable in full on expiry. Interest will be charged at a rate of BBSY plus a margin of between 1.70% and 2.60%. Formal documentation is expected to be executed on 30 September 2011.

30 AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2011 $	2010 $
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	**257,500**	531,359
– other services in relation to the entity and any other entity in the consolidated entity	**102,510**	380,029
	360,010	911,388
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
– Taxation services provided by Ernst & Young New Zealand	**1,683**	33,670
– other services provided by Ernst & Young New Zealand	**10,125**	112,343
	11,808	146,013
	371,818	1,057,401

31 RELATED PARTY DISCLOSURES

(A) SUBSIDIARIES

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	2011 %	2010 %
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

31 RELATED PARTY DISCLOSURES (CONTINUED)

(A) SUBSIDIARIES (CONTINUED)

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST 2011 %	EQUITY INTEREST 2010 %
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 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	Australia	**100**	100
Production Strategies Pty Limited	Australia	**100**	100
Production Strategies Discretionary Trust	Australia	**100**	100
P.R.O. Television Unit Trust	Australia	**100**	100
Producer Representatives Organization Inc.	USA	**100**	100
Producer Representatives Organization International Inc.	USA	**100**	100
Wastar International Pty Ltd	Australia	**100**	100
Screenworld Pty Ltd	Australia	**100**	100
Family Bloom Productions Inc	USA	**100**	100
OSB Holdings Pty Ltd	Australia	**100**	100
OSB Unit Trust	Australia	**100**	100
On Site Broadcasting Pty Limited	Australia	**100**	100
OSB Australia Pty Ltd	Australia	**100**	100
Prime Resources One Limited	New Zealand	**100**	100
Prime Resources Two Limited	New Zealand	**100**	100
OSB Corporation Pty Limited	Australia	**100**	100
Becker Entertainment (Singapore) Pte Ltd	Singapore	**100**	100
On Corporation Pty Limited	Australia	**100**	100
Moonlight Premium Cinema Pty Limited	Australia	**100**	100
MMJT Productions Pty Limited	Australia	**100**	100
Moonlight Cinema Management Pty Limited	Australia	**100**	100
Moonlight Projects Pty Limited	Australia	**100**	100
Broadcast Rentals Pty Limited	Australia	**100**	100
Zero1Zero HD Pty Limited[1]	Australia	**–**	100

(1) The disposal of Zero1Zero HD Pty Limited was completed on 28 October 2010 as part of the sale of the Australian On Site Broadcasting business to Gearhouse Broadcast Pty Ltd – see Note 6

(B) ULTIMATE PARENT

Prime Media Group Limited is the ultimate Australian entity and the ultimate parent entity of the Group.

(C) KEY MANAGEMENT PERSONNEL (KMP)

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

(D) TRANSACTIONS WITH RELATED PARTIES

WHOLLY OWNED GROUP TRANSACTIONS

Sales and purchases are made within the wholly owned group in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settled through intercompany accounts.

REGIONAL BROADCASTING AUSTRALIA LIMITED

This company is owned by regional television operators to represent the interest of its shareholders to government, industry groups and major advertisers. The company operates on a not-for-profit basis and Prime Media Group contributes funding to the company on a cost recovery basis in line with its relative shareholding.

RBA HOLDINGS PTY LIMITED

This company is owned by regional television operators. This company operates as a provider of transmission facilities under the Digital Black Spots Infill Program. The Company has entered into agreements under normal commercial terms and conditions with this company to use these transmission facilities for periods up to 10 years.

REGIONAL TAM PTY LIMITED

This company is owned by regional television operators to facilitate and manage the audience metering services for the regional television markets. The Company is party to a commercial agreement in which it purchases ratings services from Regional TAM Pty Limited. This agreement is under normal commercial terms and conditions.

WA SATCO PTY LIMITED

WA SatCo Pty Limited is owned by the Company and WIN Television Pty Limited and has been engaged by the Commonwealth Government to provide the WA Vast Service for a period of 10 years. The shareholders of the company provide services to WA SatCo to enable its operations. These services are recovered from WA SatCo on a cost recovery basis.

BROADCAST TRANSMISSION SERVICES PTY LIMITED (BTS)

The Company has a 33% shareholding in BTS. BTS provides transmission maintenance, site installation and management services to regional broadcasters and other third party customers. The Company entered into a contract with BTS for the provision of site maintenance services over a 10 year period at an annual cost of $1,200,000 per annum under normal commercial terms and conditions.

CHANNEL SEVEN QUEENSLAND PTY LIMITED

The Company provides sales representation services to Seven Queensland Pty Limited, an entity associated with one of the Company's major shareholders. The fees payable by Seven Queensland Pty Limited are based on normal commercial terms and conditions applicable to this type of service.

32 KEY MANAGEMENT PERSONNEL

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

(i) DIRECTORS

P.J.Ramsay AO	Chairman (non-executive)
M.S.Siddle	Deputy Chairman (non-executive)
L.K.Murdoch	Director (non-executive) – appointed 7 October 2010, resigned 9 November 2010
P.J.Evans	Director (non-executive)
A.Hamill	Director (non-executive)
I.P.Grier AM	Director (non-executive)
I.R.Neal	Director (non-executive)
S.L.McKenna	Director (non-executive)
I.C.Audsley	Director (Chief Executive Officer)

(ii) EXECUTIVES

D.Edwards	Chief Executive Officer – Television
R.Gamble	Chief Executive Officer – Radio and Digital Media (resigned 5 November 2010)
R.Reeve	Group General Counsel and Company Secretary (resigned 30 September 2010)
G.Smith	Chief Technology Officer
P.Stubbings	Chief Financial Officer (resigned 8 December 2010)
L.Kennedy	Chief Financial Officer (appointed 6 December 2010)
S.Wood	Director – Integration and Digital Media

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2011 $'000	2010 $'000
Short term employee benefits	**3,517**	3,030
Post-employment benefits	**113**	110
Long Term Benefits	**351**	725
Termination benefits	**713**	1,060
Share based payments	**369**	16
	5,063	4,941

Details of remuneration amounts paid to individual KMP are disclosed in tables 1 and 2 of section 7 of the Remuneration Report.

32 KEY MANAGEMENT PERSONNEL (CONTINUED)

(C) OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

							VESTED AT 30 JUNE 2011	
2011	BALANCE AT BEGINNING OF PERIOD 1 JULY 2010	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 2011	TOTAL	NOT EXERCISABLE	EXERCISABLE
Directors								
I.Audsley	**5,250,000**	–	–	**(5,250,000)**	–	–	–	–
	5,250,000	–	–	**(5,250,000)**	–	–		–

							VESTED AT 30 JUNE 2010	
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	NOT EXERCISABLE	EXERCISABLE
Directors								
I.Audsley	–	5,250,000	–	–	5,250,000	–	–	–
	–	5,250,000	–	–	5,250,000	–		–

(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.
30 June 2011					
Directors					
P.J.Ramsay AO	**107,993,654**	–	–	**1,910,000**	**109,903,654**
M.S.Siddle	**984,082**	–	–	–	**984,082**
P.J.Evans	**24,286**	–	–	–	**24,286**
Executives					
D.Edwards	**48,572**	–	–	**8,000**	**56,572**
R.Gamble[2]	**199,588**	–	–	**(199,588)**	–
P.Stubbings[3]	**43,073**	–	–	**(43,073)**	–
Total	**109,293,255**	–	–	**1,675,339**	**110,968,594**
30 June 2010					
Directors					
P.J.Ramsay AO	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

(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.
(2) Mr Gamble resigned from the Group on 5 November 2010. The net change noted in the above table is solely to reflect Mr Gamble's departure as KMP.
(3) Mr Stubbings resigned from the Group on 8 December 2010. The net change noted in the above table is solely to reflect Mr Stubbings' departure as KMP.

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 AT BALANCE DATE
2011	**420**	**–**	**140**	**–**	**280**	**28**	**2**
2010	1,106	–	686	–	420	45	2

(ii) DETAILS OF KEY MANAGEMENT PERSONNEL WITH LOANS IN THE REPORTING PERIOD ARE AS FOLLOWS:

30 June 2011

Executives							HIGHEST LOAN BALANCE DURING YEAR
D.Edwards	300	–	100	–	200	20	300
G.Smith	120	–	40	–	80	8	120
Total	**420**	**–**	**140**	**–**	**280**	**28**	**420**
30 June 2010							
Directors							
W.Syphers	546	–	546	–	–	18	–
Executives							
D.Edwards	400	–	100	–	300	19	400
G.Smith	160	–	40	–	120	8	160
Total	1,106	–	686	–	420	45	560

(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 5 year period the balance of the loan at the date of termination is repayable by the executive on the date of termination. 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 fringe benefits tax at the cost of the company.

(F) OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

There were no other transactions and balances with key management personnel other than those disclosed in this note during the year ended 30 June 2011.

33 PARENT ENTITY INFORMATION

	PRIME MEDIA GROUP LIMITED	
	2011 $'000	2010 $'000
INFORMATION RELATING TO PRIME MEDIA GROUP LIMITED		
Current assets	**106**	462
Total assets	**910,339**	894,207
Current liabilities	**5,763**	3,630
Total liabilities	**580,938**	544,545
Issued capital	**310,262**	310,262
Retained earnings	**15,805**	36,746
Employee benefits equity reserve	**3,334**	2,653
Total shareholders' equity	**329,401**	349,661
Profit or loss of the parent entity	**(8,104)**	26,961
Total comprehensive income of the parent entity	**(8,104)**	26,961

33 PARENT ENTITY INFORMATION (CONTINUED)

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

As a condition of the Class Order, Prime Media Group Limited and its 100% owned Australian resident subsidiaries (the "Closed" Group) 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 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 LIMITED

By virtue of being a member of the Deed of Cross Guarantee mentioned above, the Company has guaranteed to pay any deficiency in the event of winding up Golden West Networks Pty Limited (GWN), a wholly owned subsidiary and party to the Deed of Cross Guarantee. GWN has guaranteed to an unrelated third party the payment of a contractual commitment of WA SatCo Pty Limited, an associate company in which GWN holds 50% of the share capital. WA SatCo Pty Limited has entered into a non cancellable contract for the purchase of satellite services in WA for a period of 9 years until 30 June 2020 at the rate of $2,346,192 per annum. In the event that WA SatCo Pty Limited defaults on any payments under this contract, GWN may be liable for full payment under the guarantee it has provided. WA Sat Co Pty Limited has simultaneously entered into an agreement with the Commonwealth Government which provides for 100% funding of this satellite service for a period of 9 years until 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

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

The Company has no contractual commitments for the acquisition of property, plant and equipment (2010: nil)

34 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

CONTINUING OPERATIONS

Television Broadcasting

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

The PRIME7 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 GWN7 television broadcast signal. The majority of revenue is sourced from television advertising in Australia.

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.

Online

Local websites, integrating with the PRIME7 and GWN7 broadcast footprint, to deliver localised content across the categories of news, weather, sport, TV shows, local jobs and community events.

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.

DISCONTINUING OPERATIONS

Broadcast Production Services

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

Each of these businesses was sold during the year ended 30 June 2011.

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. A decision to formally exit this business, effective 30 June 2011, was made

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.

YEAR ENDED 30 JUNE 2011	CONTINUING OPERATIONS					DISCONTINUING OPERATIONS	
	TELEVISION BROADCASTING $'000	RADIO BROADCASTING $'000	ONLINE $'000	UNALLOCATED $'000	TOTAL CONTINUING $'000	TOTAL DISCONTINUING[1] $'000	TOTAL OPERATIONS $'000
Segment Revenues							
External sales and customers	231,374	20,293	1,661	(144)	253,184	6,878	260,062
Other income (excluding interest income)	2,419	848	36	91	3,394	137	3,531
Total segment revenue	**233,793**	**21,141**	**1,697**	**(53)**	**256,578**	**7,015**	**263,593**
Finance income	–	23	–	397	420	83	503
Total revenue per the statement of comprehensive income	**233,793**	**21,164**	**1,697**	**344**	**256,998**	**7,098**	**264,096**
Result							
EBITDA	63,206	4,803	(881)	(7,892)	59,236	(408)	58,828
EBIT	54,591	3,638	(1,074)	(8,094)	49,061	(422)	48,639
Segment result (pre-significant items)	54,278	3,645	(1,074)	(18,915)	37,934	(376)	37,558
Fair value change in derivatives					1,333	–	1,333
Fair value change in receivable – deferred contingent consideration					1,181	–	1,181
Transfer of foreign currency translation reserve to profit and loss					(995)	–	(995)
Redundancies					(198)	–	(198)
Loss on disposal of assets held for sale					–	(583)	(583)
Net Profit/(Loss) before income tax per the statement of comprehensive income					**39,255**	**(959)**	**38,296**
Income tax (expense)/benefit					(11,067)	(63)	(11,130)
Net Profit/(Loss) after tax					**28,188**	**(1,022)**	**27,166**
Non-controlling interests							–
Net Profit after tax attributable to members of Prime Media Group Limited							**27,166**

(1) Discontinuing operations include Broadcast Production Services, On-Site Broadcasting, Moonlight Cinema, Prime Media Singapore and Prime Digital Media.

AS AT 30 JUNE 2011	CONTINUING OPERATIONS					DISCONTINUING OPERATIONS	
	TELEVISION BROADCASTING $'000	RADIO BROADCASTING $'000	ONLINE $'000	UNALLOCATED $'000	TOTAL CONTINUING $'000	TOTAL DISCONTINUING[1] $'000	TOTAL OPERATIONS $'000
Assets and liabilities							
Segment assets[2]	306,261	46,996	425	17,917	371,599	–	371,599
Investments in associates	–	–	–	–	–	–	–
Total assets	306,261	46,996	425	17,917	371,599	–	371,599
Segment liabilities[2]					(218,486)	–	(218,486)
Net assets					153,113	–	153,113
Other segment information							
Capital expenditure[3]	8,825	170	278	1,099	10,372	–	10,372
Depreciation and amortisation	(8,616)	(1,164)	(161)	(216)	(10,157)	–	(10,157)
Share of associate losses	(586)	–	–	–	(586)	–	(586)

(1) Discontinuing operations include Broadcast Production Services, On-Site Broadcasting, Moonlight Cinema, Prime Media Singapore and Prime Digital Media.
(2) Excludes inter-segment receivables and payables, and investments in subsidiaries.
(3) To comply with the requirements of AASB 114.57, the Group has included the cost of segment assets acquired by way of business combinations.

34 OPERATING SEGMENTS (CONTINUED)

YEAR ENDED 30 JUNE 2010	CONTINUING OPERATIONS				DISCONTINUING OPERATIONS	
	TELEVISION BROADCASTING $'000	RADIO BROADCASTING $'000	UNALLOCATED $'000	TOTAL CONTINUING $'000	TOTAL DISCONTINUING(1) $'000	TOTAL OPERATIONS $'000
Segment Revenues						
External sales and customers	212,181	19,184	–	231,365	38,187	269,552
Other income (excluding interest income)	3,768	1,347	(296)	4,819	850	5,669
Total segment revenue	**215,949**	**20,531**	**(296)**	**236,184**	**39,037**	**275,221**
Finance income	–	11	319	330	25	355
Total revenue per the statement of comprehensive income	**215,949**	**20,542**	**23**	**236,514**	**39,062**	**275,576**
Result						
EBITDA	55,449	3,294	(8,301)	50,442	5,408	55,850
EBIT	47,283	2,073	(9,138)	40,218	(2,699)	37,519
Segment result (pre-significant items)	46,977	2,073	(19,744)	29,306	(5,139)	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				–	(39,932)	(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				–	(7,863)	(7,863)
Restructuring				(2,207)	(2,074)	(4,281)
CEO termination costs				(1,871)	–	(1,871)
Once off increase to employee entitlements resulting from 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				(718)	(1,328)	(2,046)
Net Profit/(Loss) before income tax per the statement of comprehensive income				**7,882**	**(57,958)**	**(50,076)**
Income tax (expense)/benefit				(10,218)	5,750	(4,468)
Net Profit/(Loss) after tax				**(2,336)**	**(52,208)**	**(54,544)**
Non-controlling interests						85
Net Profit after tax attributable to members of Prime Media Group Limited						**(54,459)**

(1) Discontinuing operations include Broadcast Production Services, On-Site Broadcasting, Moonlight Cinema, Prime Media Singapore and Prime Digital Media.

AS AT 30 JUNE 2010	CONTINUING OPERATIONS				DISCONTINUING OPERATIONS	
	TELEVISION BROADCASTING $'000	RADIO BROADCASTING $'000	UNALLOCATED $'000	TOTAL CONTINUING $'000	TOTAL DISCONTINUING(1) $'000	TOTAL OPERATIONS $'000
Assets and liabilities						
Segment assets(2)	279,882	46,705	29,941	356,528	42,589	399,117
Investments in associates	80	–	–	80	–	80
Total assets	279,962	46,705	29,941	356,608	42,589	399,197
Segment liabilities(2)				(237,725)	(24,162)	(261,887)
Net assets				**118,883**	**18,427**	**137,310**
Other Segment Information						
Capital expenditure(3)	8,221	741	68	9,030	17,229	26,259
Depreciation and amortisation	(8,166)	(1,220)	(838)	(10,224)	(8,106)	(18,330)
Share of associate losses	(425)	–	(1,176)	(1,601)	–	(1,601)

(1) Discontinuing operations include Broadcast Production Services, On-Site Broadcasting, Moonlight Cinema, Prime Media Singapore and Prime Digital Media
(2) Excludes inter-segment receivables and payables, and investments in subsidiaries.
(3) 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 2011

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 and notes of Prime Media Group Limited for the financial year ended 30 June 2011 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of its financial position as at 30 June 2011 and performance; and

(ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2b

(c) 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 2011.

On behalf of the Board

P. J. Evans
Director

Sydney, 28 September 2011

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

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

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 consolidated statement of financial position as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

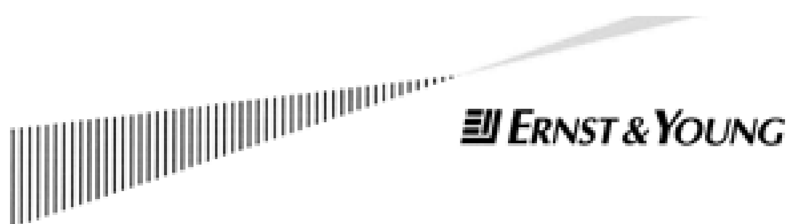
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Liability limited by a scheme approved under Professional Standards Legislation



Opinion

In our opinion:

a. 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 as at 30 June 2011 and of its performance for the year ended on that date; and

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

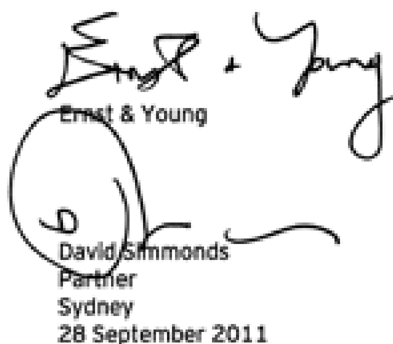
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Prime Media Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young

David Simmonds
Partner
Sydney
28 September 2011

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2011

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 19 September 2011.

(A) DISTRIBUTION OF EQUITY SECURITIES

ORDINARY SHARES

As at 19 September 2011, total number of fully paid up shares on issue is 366,330,303.

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

	NUMBER OF HOLDERS
1 – 1,000	491
1,001 – 5,000	485
5,001 – 10,000	182
10,001 – 100,000	251
100,001 and over	54
	1,463
The number of shareholders holding less than a marketable parcel of shares are:	384

(B) TWENTY LARGEST REGISTERED SHAREHOLDERS

The names of the twenty largest registered holders of quoted shares at 19 September 2011 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	60,912,029	16.63
3	Network Investment Holdings Pty Limited	41,701,955	11.38
4	Bell Potter Nominees Limited	32,480,782	8.87
8	National Nominees Limited	26,713,839	7.29
6	JP Morgan Nominees Australia Pty Limited	18,202,254	4.97
7	HSBC Custody Nominees (Australia) Pty Limited	13,693,101	3.74
8	Citicorp Nominees Pty Limited	8,223,473	2.24
9	Birketu Pty Limited	8,000,000	2.18
10	Cogent Nominees Pty Limited	6,683,043	1.82
11	George Walter Mooratoff	5,000,000	1.36
12	UBS Nominees Pty Limited	4,370,298	1.19
13	Reading Entertainment Australia Pty Limited	4,272,690	1.17
14	Effie Holdings Pty Limited	2,750,000	0.75
15	Sandhurst Trustees Ltd	1,885,857	0.51
16	Paul Ramsay Foundation Pty Limited	1,585,285	0.43
17	RW & SJ Holdings Pty Limited <Barrabooka No 1 Trust A/c>	1,133,942	0.31
18	Mr Michael Siddle + Mrs Lee Siddle <Siddle Family A/C>	983,572	0.27
19	WIN Corporation Pty Limited	900,000	0.25
20	Equitas Nominees Pty Limited	756,514	0.21
		348,566,793	**95.14**

(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%
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%
Perpetual Limited	27,540,342	7.52%

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.

Designed and produced by ArmstrongQ – www.armstrongQ.com.au

PRIME
MEDIA GROUP

www.primemedia.com.au