


2016
Annual Report

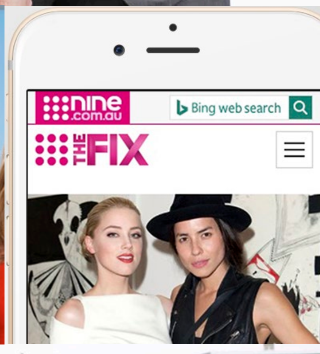
Entertaining Australia




Nine
entertainment co.

Create Great Content
Distribute it Broadly
Engage Audiences and Advertisers

Nine Entertainment Co.



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In FY16, NEC reported Group EBITDA from continuing businesses of $202 million, down 7% on FY15 on revenue of $1.3 billion. Net Profit after Tax declined by 7% to $120.3 million compared to the Pro Forma FY15 result. Earnings per share were down 0.7% on a lower share count due to the on-market buy-back. Statutory Net Profit after Specific Items was $325 million, inclusive of the profit on the sale of Nine Live. Operationally, the impact of a difficult Free To Air television market was offset by a group-wide cost improvement and double digital EBITDA growth from a refocussed digital business.

Operating free cash flow for the year, ex the cash impact of the Warner Specific Item, was $157 million. Net Debt at 30 June 2016 was $178 million – during the year, $164 million was returned to shareholders through dividends and the on-market share buy-back, $89 million was invested in Southern Cross Media and a further $37 million in Stan.

$m	FY16	FY15	Variance
Revenue[1]	1,282.4	1,371.4	-6.5%
Group EBITDA[1]	201.7	217.2	-7.1%
NPAT, before Specific Items[1]	120.3	129.5	-7.1%
Statutory Net NPAT, after Specific Items	324.8	(592.2)	–
Operating Free Cash Flow[1]	157.4	237.5	-33.7%
Earnings per Share, before Specific Items – cents[1]	13.7	13.8	-0.7%
Dividend per Share – cents	12.0	9.2	+30.4%

1. Pro Forma

	Reported 30 June 2016	Reported 30 June 2015	
Net Debt, $m	177.6	524.3	(346.7)
Net leverage[1]	0.9x	1.8x	
Statutory Interest Cover	40.1x	10.8x	

During FY16, Nine Entertainment Co. has focussed on the repositioning of its business from a linear free to air broadcaster, to a creator and distributor of cross-platform, premium content. While the Nine Network remains core, it is now complemented by Australia's leading local subscription video on demand operator (Stan), a state-of the art live streaming and catch-up service, 9Now, a leading edge digital network nine.com.au and a broadening array of digital content. When it comes to evolving a media brand for the future, engaging audiences across all platforms with world class content and reinvesting for success, Nine is delivering on all fronts.

#1 broadcast network in 25-54 demographic[1]

NRL rights secured through 2022

New affiliate deal with **Southern Cross Media** on improved terms

1.9m[2] registered users of 9Now

10.5m+ Australians have watched 9Life

The Year in Brief

Notes:
1. Source: 12 months to June 2016, survey weeks, 6am-midnight
2. As at September 2016
3. Source: Omniture

Video streams
up 14%
to 392m across the year[3]

Launch of nine.com.au

Industry wide licence fee reduction

500,000+
active subscribers of Stan.

Chairman's Address

On behalf of the Board of Directors, I am pleased to present the Nine Entertainment Co. (NEC) Annual Report for the 2016 financial year, my first as Chairman.

2016 has been a challenging year for the Free To Air industry generally, and for Nine. As a Company, we have used this period wisely, continuing to broaden the business beyond linear broadcasting to be a major content creator and distributor across multiple platforms. With leading platforms across free-to-air, AVOD and SVOD and a suite of local broadcast and digital content – including the key genres of News, Sports, Reality, lifestyle and drama – the Company is uniquely positioned in a market where overall television viewership is growing in a universe of proliferating choice.

Nine leads the industry in this direction. In particular, our SVOD joint venture with Fairfax, Stan, continues on a growth trajectory surpassing our expectations and is now firmly locked in as the leading domestic player in this growing space. 9Now, our state-of-the-art AVOD platform is also grabbing consumers' attention, with 1.9 million registered users and consistent growth in streams and engagement since launch in early 2016. Both are great examples of leveraging the power of broadcast television onto other platforms and reaching a larger audience. We are constantly looking for other similar opportunities.

Following the release of the full year results, the Directors declared a dividend to shareholders of 4.0 cents per share, bringing total dividends for the year to 12.0 cents per share, fully franked and an 86% payout of pre Specific Item earnings. As we stated at our full year results announcement, dividends in FY17 will be determined based on a 80 – 100% payout of earnings prior to Specific Items, although likely to be more evenly weighted between the interim and the final than in FY16 to better reflect our cash-profile.

In a positive and welcome move, the Government implemented a licence fee reduction to 3.375%, which was announced in the May budget. However, our licencing regime remains unfair to Australian broadcasters. The licence fee is in addition to the usual company and consumption taxes. Not only does the Australian Free To Air Industry remain liable for these taxes but of course it has local content and production requirements as well. Licencing tax and content rules do not apply to foreign entrants now delivering content to Australian viewers and directly competing with Australian broadcasters. The licencing regime is anachronistic, it was conceived for a media world that has passed and is out of step with arrangements in other developed markets.

Despite a number of proposals to deal with the issue, the media industry is still subject to rules that might have been once relevant but have been overtaken by the pace of change and technological advance, rules such as retransmission arrangements, reach, and licence fees. However, as we have proven with our recent affiliate agreement with Southern Cross, we can and will seek out commercial opportunities where they present themselves. This deal has been clearly beneficial for both companies.

In May, Think TV was formed – a new industry body bringing together the free-to-air and subscription television industries in Australia with a mandate to promote television advertising in broadcast quality content environments. We welcome this first real sign of a commitment to work together for the good of the industry, and we expect there will be more initiatives to come, driving television's share of the advertising pie, as well as exploring the potential for further infrastructure co-operation.

In November last year, the Board welcomed the appointment of Hugh Marks, as the new Chief Executive Officer. Hugh is a highly successful veteran of the media and production industry, with almost 20 years experience as a senior executive in content production and broadcasting in Australia and internationally. His previous position as a non-executive director of NEC has enabled a very smooth transition. His vision and commitment to the future of the business have been welcomed.

Hugh succeeded David Gyngell who decided to retire, after eight tireless years as CEO of NEC. He led the Company through a significant restructuring, whilst remaining an active and inspiring leader on a day-to-day basis. We were delighted when David agreed to continue his long association with Nine as a Non-Executive Director.

I also acknowledge the contribution of our other retiring Directors during the year, in particular, David Haslingden who stepped down as Chairman in March to focus on other business interests. David joined the Board in February 2013, and during his time as Chairman, oversaw the successful public market float of the group. Kevin Crowe and Steve Martinez also retired during the year. Both nominees of Apollo Management, Steve and Kevin were committed Board members since February 2013 making invaluable contributions throughout their tenure. In particular, we acknowledge Steve's willingness to remain a Director after Apollo's sell-down, as we replenished the Board.

During the year, we appointed Elizabeth Gaines and Catherine West as Directors. Both bring strong skills to the Board which now has a majority of independent Directors. Together, the Board has an impressive mix of complementary skills from international media to finance and public market experience, and a commitment to work in the interests of all shareholders.

I want to touch briefly on the events in Beirut in April when four members of a 60 Minutes team, who were covering a child rescue story, were imprisoned for a short period of time. NEC commissioned an extensive independent review of the events leading up to the incident to ascertain what had gone wrong and what should have been done better. There were failures that exposed the crew to serious risk, and 60 Minutes and Nine to significant reputational damage.

We have an obligation to our staff, our shareholders and our viewers to operate in ways consistent with our reputation as a leading producer of News and Current Affairs and we have committed to enhanced processes relating to story selection and approval, how we approve contracts and payments, and the way we conduct risk assessments. These procedures will be verified on a regular basis.

During the year, the Board completed the details of the long term incentive plan for its key executives. We are confident that, coupled with the short term incentive plan, this will provide a clear link between executive remuneration and shareholder returns, while ensuring the Company is able to attract and retain a market leading team of dedicated executives.

As a Company, we remain committed to supporting our broader community. Through Nine Cares, more than $45 million of airtime and exposure was provided to a variety of charities and community groups in FY16. The Children's Hospital telethons in Sydney, Adelaide and Brisbane are key from a profile perspective whilst we are similarly active behind the scenes helping numerous disadvantaged people across Australia, as we continue to respect the community obligations associated with being the holder of the broadcasting licence.

In closing, I would like to thank all of NEC's management and staff for their ongoing commitment and outstanding work ethic. We are constantly asking our employees to challenge the way things have been done in the past and to think of ways to improve our service to consumers. They are consistently rising to the challenge.

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

Peter Costello, AC
Chairman

"In a positive and welcome move, the Government implemented a licence fee reduction to 3.375%...but it remains out of step with arrangements in other developed countries."

Chief Executive's Address

When I took the role of Chief Executive of NEC in November 2015, I was inspired by the opportunities that I could see to invest in the future of the Nine brand – a modern media business built around the foundations of world class content, a diverse set of platform assets and, of course, our greatest asset, our people. As a business, we have done much over the past year, notwithstanding the backdrop of a difficult advertising market and disappointing free-to-air ratings specifically in the June half.

From a platform perspective, we have developed and launched a leading AVOD service, 9Now which as of the end of September had more than 1.9 million registered users, from a standing start in February. Viewing through 9Now has moved our business from 4th to 2nd[1] position across consumption of streamed long form content across all Australian publishers. With more premium content scheduled for our business across 2017, I am confident 9Now will continue to grow and become a substantial part of our business into the future.

Our SVOD joint venture, Stan, continues to thrive and has established itself as the number one local player in this burgeoning market.

We have launched a fourth TV channel in 9Life, Australia's first free-to-air lifestyle channel which is now the #1 multi-channel in the all-important women 18-54 demo[2]. Adding real targeted advertising capability in our multi-channel environment.

We have locked in our long term broadcast rights (including free digital rights from 2018) for the NRL through to 2022 on terms which have improved on a cost per live hour basis.

In April this year, we signed a long term affiliate deal with Southern Cross Media. This was a landmark deal for Nine, partnering with an innovative media company, and on significantly improved terms. Nine becomes the only free television brand with national coverage.

We have successfully reduced the underlying costs of our television business by more than 2% and markedly improved the variable to fixed cost balance, enhancing our ability to adjust to market factors in the future.

We have continued to invest in the business. We have moved to state-of-the-art broadcast facilities in Adelaide and Perth, and agreed a plan for Sydney. Both our digital and broadcast businesses have invested in leading edge ad management systems which will ensure maximisation of yield and efficiency of delivery. And we are investing in local content, to ensure our 2017 schedule is refreshed and more competitive.

Before I get to the future, it is worth touching on our Warner Bros. content deal. This expired in January 2016, but under the terms of the legacy contract, we have been obliged to continue to receive and pay for a catalogue of programs, many of which were not useable by Nine. In FY15, we took what was expected to be the first of a series of provisions against the value of this content, the tail of which would run until all subsequent series of these programs were finished – to some extent an open-ended liability. In August, after the end of this financial year, we successfully reached an in principle agreement with Warner Bros. on the cost of our commitment under this obligation. As a result, we have agreed to pay a further $86 million in FY18 and FY19. Whilst the magnitude of this payment is clearly disappointing, it is below what was our expected scenario of costs looking forward. More importantly, settlement gives the business and our shareholders absolute clarity on the dollar value, but also greatly enhances our ability to focus our resources on the premium local content that will deliver us the greatest return in the future.

The evolution of Media is creating opportunities for players with the right content, and the right distribution capabilities to evolve with it. We will be one of those players.

In the medium term, we have identified five key points of focus to ensure we are the leading distributor of premium content in Australia.

Our primary focus must be the rebuilding of our ratings and revenue share. Our strong performers of Sports and News will remain the key foundations but we need to deepen our local content offering. Through this year, we have substantially reworked our content mix and schedule for 2017 with a view to delivering more premium local shows. I am pleased to report that we enter 2017 with 50% more premium local television hours than we will deliver in 2016.

Secondly, we remain committed to firm cost disciplines. In FY16, we did a good job, with an underlying decrease in television costs of more than 2%. The discontinuation of our long-standing Warners contract has given us increased flexibility regarding the allocation of our $1 billion cost base. In 2017, despite substantially more hours of premium local content, we have committed to a flat cost base in our Free To Air business as we prioritise and lift the efficiency of our programming spend.

Thirdly, we must continue to innovate in our approach to revenue through investing in sales systems and structures that can adapt to the changing needs of our clients, as well as finding new ways to generate revenue from our program assets. We have broadened the revenue base on key program brands like The Voice and The Block. Adding more local premium content in 2017 will enable us to continue to expand this activity. This is what advertisers are demanding.

While re-establishing operating performance in the Free TV business is the first priority and immediate focus for the business, we must do this at the same time as recognising that we are no longer just a Free To Air television network and must continue to invest for the future.

Notes:

1. Source: Nielsen streaming data, July 2016
2. Source: OzTAM data

Our fourth point of focus is on broadening our revenue base in parallel or adjacent businesses where we have an inherent competitive advantage. Stan is one example. Additionally, through 2016, we have invested in the content offering of our aligned digital businesses with the launch of a number of new verticals in 9Elsewhere, 9Kitchen, 9Homes as well as established brands 9Pickle and 9Honey. In 2017, we will be focussed on further expanding these content brands, investing in other verticals that work with our existing mix and enhancing the monetisation of this content including across video and mobile.

Finally, we are a content production and distribution business. We continue to expand our internal production capability with revenue in our production business forecast to grow in excess of 50% in FY17. The ownership and exploitation of content rights will be a key priority in the current year.

So in closing, during FY16, NEC has made substantial progress repositioning its business to respond to the changing behaviour of audiences and their consumption of video content. The combination of a re-focussed Free To Air network, a state-of-the-art streaming service, Australia's leading SVOD service, and a broadening digital content offering is unique in the Australian market and further positions the Group to capitalise on the opportunities ahead.

I would like to thank all our staff for their continued support and their work in ensuring Nine brings the best of content to Australian audiences. Having re-shaped our executive team throughout the year, I am confident we now have the right team to lead your company in 2017 and beyond.

Finally, I would particularly like to thank David Gyngell for his eight years leading NEC. He retired in November, having seen the group through an enormous restructuring and rebuilding period. David instilled a culture of success at Nine that I will seek to build upon in the coming years. A culture that places the business in a position to deliver rewards to all our shareholders. I am grateful that he has agreed to remain on the Board and, in doing so, has given us the clear air to build upon the solid foundations that will be the future of the Nine brand.

Thank you

Hugh Marks
Chief Executive Officer

"NEC has made substantial progress repositioning its business to respond to the changing behaviour of audiences and their consumption of video content."

Operational results

More than 95% of group revenues are currently derived from advertising across our television and digital platforms. These advertising revenues are a function of the depth and breadth of the Group's content offering, and the monetisation of the audience this content attracts.

In FY16, NEC reported Television advertising revenue of $1.1 billion and Digital revenues of $150 million.

Free To Air television (FTA) which remains the core of NEC's business, had a difficult twelve months. The Metro FTA ad market in Australia declined by 2%[1] across the year, reaching its nadir in the March quarter with a 7% decline. The Regional markets again underperformed with advertising revenue down 6.2%[1] on FY15.

In an increasingly competitive market, Nine Network's metro FTA revenue share declined by 1.9 percentage points to 37.0%[1] for FY16 – the March quarter marking the low. The early 2016 revenue outcome, a reflection of Nine's main channel ratings, was adversely impacted by fewer hours of premium Australian content, coupled with challenges in a number of Nine's prime time shows.

Over the year, Nine Network's reported costs decreased by $62 million (6.2%). Inclusive of the total Warner's costs, the onerous component of which was treated as a Specific Item, TV costs were down by 2.2%. This reduction was despite increases in contracted sports costs and legal fees, as well as the costs associated with the launch of the new 9HD and 9Life channels, partially offset by the recently legislated reduction in licence fees.

TV EBITDA declined by 11% to $184 million.

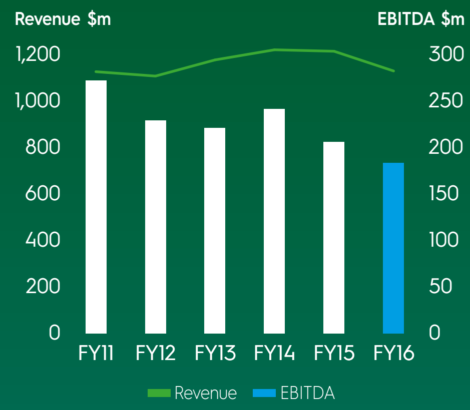
Digital recorded a 19% increase in EBITDA in the period, as the focus on more profitable revenue streams and firm cost controls delivered margin improvement. Display ad revenue across the year was impacted by disruption from the TV-Digital sales integration implemented in FY15, which resulted in the loss of market share.

Premium local content the key

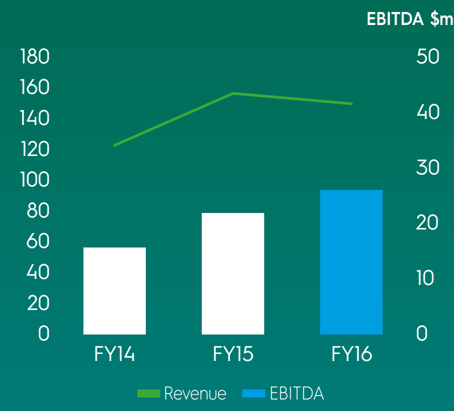
From a ratings perspective, Nine was the number one network across the full fiscal period in the key demographics from 6am-midnight, on a four channel network basis. However, the prime time ratings of Channel 9, the main channel, were weak in early calendar 2016 as a number of key shows struggled. Since that time, Nine has been focussed on a plan to deliver significant ratings growth into CY17. Primarily, this has centred on the delivery of incremental premium, local content, which gains the greatest traction with the greatest audiences, within the bounds of the existing Television cost base.

In CY17, Channel Nine expects to broadcast around 50% more premium local content than in CY16. This incremental local content combines with Nine's traditional strengths of News and Current Affairs and core sports, cricket and NRL, for a markedly more compelling offering in CY17. And, in an unprecedented step, in July this year Nine presented over 500 hours of local Australian entertainment and 50 hours of new Australian drama to the major advertisers and agencies, months earlier than the standard upfront season, to ensure maximum monetisation of this refreshed content offering.

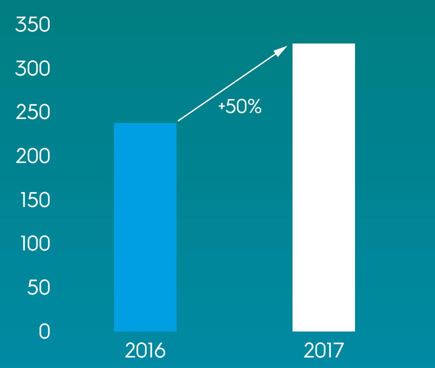
TV RESULTS



DIGITAL RESULTS



HOURS OF PREMIUM LOCAL CONTENT



RATINGS FOR THE YEAR

#1	25-54s	37.0%
#1	18-49s	37.0%
#1	16-39s	37.1%

OzTAM data, commercial share 12 months to end of June 2016, 6am-midnight.

Note:
1. Free TV data

Love Child
Season 3 averaged 1.25m national audience

Operational results continued

Launching New Platforms

During FY16, the business delivered on a number of key milestones that vastly improve its strategic position for the years ahead. In December, two new channels were launched, Channel 9 in high definition as 9HD as well as lifestyle channel, 9Life, which has performed above expectations and has established a valuable and unique audience.

In February, we launched 9Now, our world class streaming and catch up service. 9Now provides a state-of-the-art user experience with an extensive library of broadcast content for audiences to consume as and when they want. Since launch, more than 1.9 million users have subscribed to the service and by requiring registration, this enables the development of a proprietary data base which will become a key asset in the future. Data will allow advertisers to target their audiences directly, increasing advertising effectiveness and ultimately yield.

The year culminated at the end of June with the launch of nine.com.au – a complete redesign of the flagship digital network which remains the gateway to Nine's suite of broadcast, news, sport and lifestyle content. Wholly owned and now branded with its stable-mates, this was not just a new look and a new logo but a genuine commitment between the broadcast and digital editorial teams to ensure a seamless way of connecting Australians.

The aim is to consolidate audiences across key genres and look for opportunities to monetise those audiences, whether by advertising or potentially transactional based revenue.

#1 in their competitive set
honey
COACH

THE FIX
average monthly reach of
2 million
unique Australians

elsewhere
kitchen
homes
Launched

#1
publisher by streams[1]

9NEWS .com.au
more eyeballs than any other news brands in a given month

¼ million
Australians registered for
9NEWS ALERTS

Sales initiatives

During the second half, Nine completely re-imagined its sales offering by introducing a number of key senior roles alongside new National roles in Television and Digital which will allow the Group to maximise core revenue and find new and diversified opportunities for growth. Part of this reflects the unwind of a previous decision to merge the Digital and Television sales force – a decision which ultimately led to loss of share of the growing digital market.

During 2016, the group has invested in advanced advertising technology which will automate the trading of linear television inventory in early 2017. This will deliver operational and commercial efficiencies as a result of new and more innovative trading models. Ultimately, this technology will also enable the agnostic trading of audiences across television and online inventory supported by the deep first party data supplied by the 9Now single sign on.

In May, Nine Digital launched its new ad platform using AppNexus technology, enabling world class innovation in ad product and ad serving.

New Regional Affiliate Agreement

During the year, Nine signed a long term affiliate deal with Southern Cross Media for the broadcast of Nine's metropolitan TV content into regional Queensland, Southern New South Wales and regional Victoria. This was a landmark deal for Nine, partnering with an innovative media company, and on markedly improved terms. From 1 July 2016, the Southern Cross channels have carried Nine's branding and broadcast its premium Australian and international content providing a seamless Nine brand across metropolitan and major regional markets for the first time in the Company's history.

Licence fees

In May, the Free To Air industry was granted a 25% cut in licence fees paid to the Government, after much industry-wide lobbying. At 3.375%, these licence fees remain at odds with international averages, and the Free To Air industry continues to expect further reductions to come.

Note:
1. Nielsen Digital ratings July 2016 – #1 News ranking by time spent and audience engagement

Touching 16.8m Australians each month across all platforms

Operational Results

Stan

Stan is a natural extension of our traditional business — a state-of-the-art distribution platform for premium video content. Stan launched around 18 months ago, and as at the end of June, had signed up more than 1.1 million gross subscribers. At the same time, active subscribers totalled more than 500,000.

The Subscription Video on Demand market in Australia continues its double-digit growth, with no sign of take-up slowing. For an industry that didn't officially exist at the start of 2015, it is estimated that there could by more than 2 million subscriptions in the market currently, and Stan is the leading local player, by a clear margin.

On a monthly basis, Stan continues to release first run, exclusive and original programming including the first SVOD Australian created and produced exclusives. And Stan recently announced the first sale of its original Australian content into the international market with Wolf Creek sold to Lionsgate in the US.

2017 is even more exciting with around half of the most anticipated shows from around the world expected to be on Stan, principally through its landmark distribution agreement with Showtime. This deal cements Stan's foothold on the domestic market, drawing it further ahead of the other local players and locking in the future growth of the business.

Other Investments

NEC continues to target verticals which provide incremental content, particularly focussing on key advertising categories. These verticals not only provide alternate propositions for advertisers, but can also benefit from the cross-promotional capabilities of the group's leading TV and digital platforms.

- a majority stake in Pedestrian TV, Australia's leading youth publishing business
- 30% stake in Literacy Planet, an online English literacy education business with more than 115,000 subscribing students across Australia and abroad
- 33% of the Australian News Channel, a three way joint venture between NEC, Seven Network and BSkyB, which operates Sky News in Australia and New Zealand
- a majority stake in CarAdvice, the leading publisher of online automotive editorial content in Australia (from September 2016).

Other businesses

Stan Original Series
Wolf Creek
Australian streaming
premiere of the year

NEC remains committed to supporting deserving community groups through providing opportunities for them to reach out to the general public for recognition and support.

In FY16, *Nine Cares* provided more than $40 million of publicity and assistance to charities, community groups and campaigns, providing a broadcast microphone to many worthy causes.

The Telethons remain the highlight of the *Nine Cares*' calendar and, in FY16, Nine televised telethons in Sydney, Adelaide and Brisbane, in total raising more than $17 million for essential equipment, services and research at the local Children's Hospitals. These Telethons are televised by Channel 9 in their local markets, with many of Nine's key talent manning the phones and calling on the public to open their hearts and their pockets.

Since their inceptions, these Telethons have raised more than $40 million and have become a critical contributor to the hospital fundraising appeals.

A further $600,000 was raised in the inaugural 9Perth telethon for the victims of the devastating WA bushfires in January 2016.

The Footy Show's Big Change to Little Champions telethon, in its 4th year, raised a further $433,000 for the Starlight Foundation.

Incrementally, Nine provided in-program exposure and editorial coverage in support of a variety of other causes including Take Heart Australia, the McGrath Foundation, Cure Brain Cancer and Epilepsy Australia. Through programs like *A Current Affair*, ordinary Australians can tell their stories and be supported by Nine and their audiences.

Nine Cares also remains actively engaged with our communities around Australia, sponsoring local council events, surf clubs and galleries and museums, as well as events like Channel 9 Young Achiever Awards, The Melbourne Marathon, the Perth Royal Show and the Story Bridge 75th Anniversary.

In FY16, *Nine Cares* managed and provided $37 million of airtime for Community Service Announcements (CSAs) for not-for-profit or community announcements in support of causes including Bowel Cancer Australia, Youngcare Australia, Vinne's CEO Sleepout, Dry July and Camp Quality. In FY17, Nine Cares will increase its community work and launch a dedicated NineCares website to celebrate the work that is done and moreover, to provide further opportunities for community groups to connect with the public and maximise the reach of their messages.

$45m
in publicity and assistance

Including
$37m
of CSA airtime

$40m
raised by Telethons since inception

Nine's place in the community

Nine Cares
Children's Hospital Telethons raised more than $17m during FY16

Corporate Governance

During the year, NEC reviewed and amended its Corporate Governance Statement, demonstrating the extent to which it has complied with the ASX's Corporate Governance Council Principles and Recommendations and corporate governance best practice. As evidenced by the Corporate Governance Statement, NEC has taken a more detailed approach to the board review and assessment processes and consideration of the board skills matrix this year, allowing a more rigorous assessment of future needs of the Board. NEC has also reviewed and updated its Code of Conduct for all staff and made minor changes to the Securities Trading Policy to reflect changes in the organisational structure of NEC during the year.

The Corporate Governance Statement, Code of Conduct and Securities Trading Policy are available on NEC's website nineentertainment.com.au/overview.aspx.

Media Ethics and Content Regulation

As a commercial television licence holder, Nine is bound by the Commercial Television Code of Practice, which prohibits certain types of programs and advertisements, requires classification of program material and broadcasts in suitable time slots, and puts limits on the amount of advertising and other non-programming matter which can be broadcast. It also promotes editorial accuracy, fairness and protection of privacy for individuals in relation to news and current affairs. The Commercial Television Code of Practice requires Nine to ensure advertisers comply with the AANA Advertiser Code of Ethics and the AANA Code of Advertising and Marketing Communications to Children.

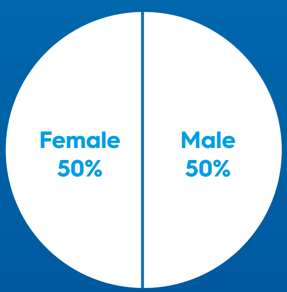
Further, Nine's commercial television licences issued under the Broadcasting Services Act are subject to conditions around specific matter such as advertising of tobacco and interactive gambling, obligations to broadcast matters of national interest, and prohibitions on the broadcast of material with certain classifications.

Nine provides regular training for employees on Nine's obligations under the Commercial Television Code of Practice and compliance with other applicable laws, relating to matter such as defamation and contempt of court.

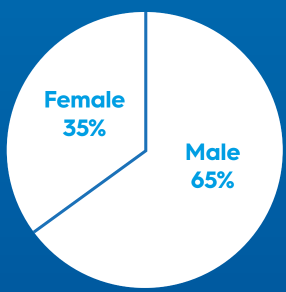
Nine Digital Pty Ltd is a member of the Press Council of Australia. The Press Council has issued a Statement of General Principles, a Statement of Privacy Principles and Specific Principles covering matters such as the reporting of suicides, which guide the publication of content by nine.com.au. As a member of the Press Council, Nine Digital Pty Ltd must co-operate with the Press Council's consideration of complaints against it and to publish any decisions by the Press Council following a complaint to nine.com.au.

Employees

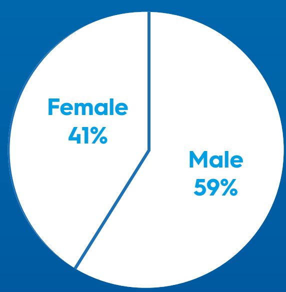
As an employer of around 3,350 people across Australia, NEC aims to provide an inclusive workplace that attracts the very best employees, which allows each of them to achieve their potential in a supportive and discrimination-free environment. Whilst we recognise that all definitions of diversity are important, gender diversity remains the most heavily focussed upon.



NEC Board

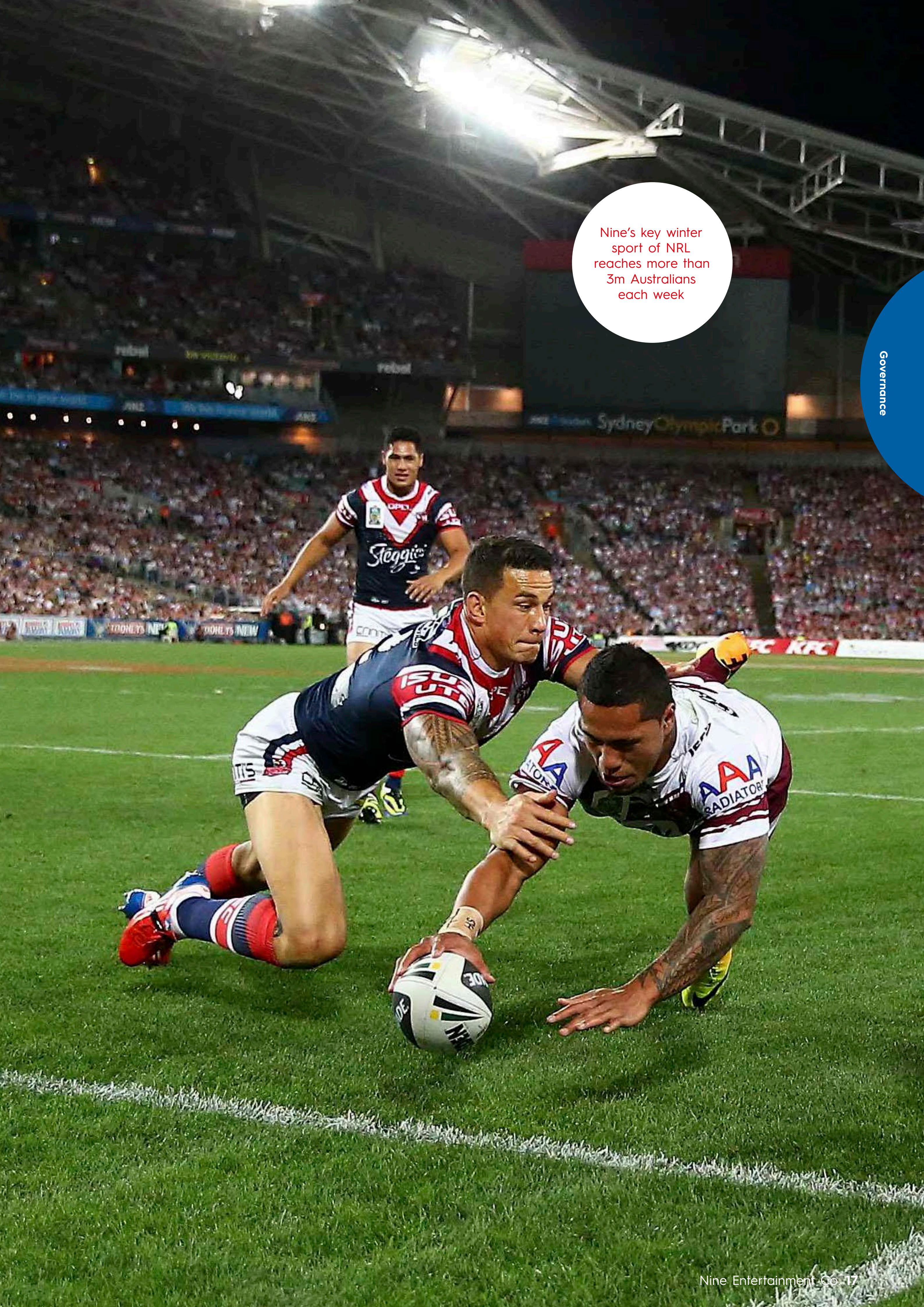


NEC Management



NEC Total Employees

Governance



Nine's key winter sport of NRL reaches more than 3m Australians each week

As the business continues to evolve, so too must the infrastructure. Reflecting this evolution, NEC continues to invest in updating its technology, studio, content creation and distribution facilities to ensure its remains at the industry forefront.

In September 2015, 9 Adelaide commenced broadcasting from its new Pirie Street studio facility adjacent to Hindmarsh Square, moving from the historic Tynte Street North Adelaide, after more than 50 years. From the heart of the Adelaide CBD, 9 Adelaide now boasts a state-of-the-art, high definition, automated studio facility providing vastly improved flexibility and competitive advantage in the local News market. Moving into the Adelaide CBD ensures Nine continues to evolve with its city and further immerses the Network in its local community.

During 2016, 9 Perth has also been working towards a move from Dianella, in the city's north to St George's Terrace, in the CBD in September 2016. From an ageing facility in the city's suburbs that had not been updated since the 1960s, the new fully digitised high definition studio in a highly visible location will further Nine's community involvement and integration within the city of Perth, generating a deep connection within the heart of the CBD.

The first step of the Sydney move occurred in August 2015, when agreement was reached to sell the current Willoughby site, the birthplace of Australian Free-To-Air television and home to Nine for 60 years in 2016, for $147.5 million. The sale is expected to complete in late 2017 – with an agreement to remain on the site under a leaseback arrangement as late as 2020. Site options are currently being assessed. Consolidating into one facility gives NEC the opportunity to bring all its sales, programming, executive and support functions together – both a culturally and financially significant move forward.

In Brisbane and the Gold Coast, Nine will be investing further in high definition and automation upgrades throughout 2016 and 2017 to ensure our competitive advantage is maintained.

The Newcastle Facility is working towards a rezoning and subsequent property sale to allow relocation to modern facilities consistent with the broader group strategy. Timing of the sale and relocation is currently being assessed.

By 2020, all of Nine's major sites will be fully integrated and streamlined as one content company, giving the Group enhanced quality, flexibility and capability across all aspects of the content creation and distribution business.

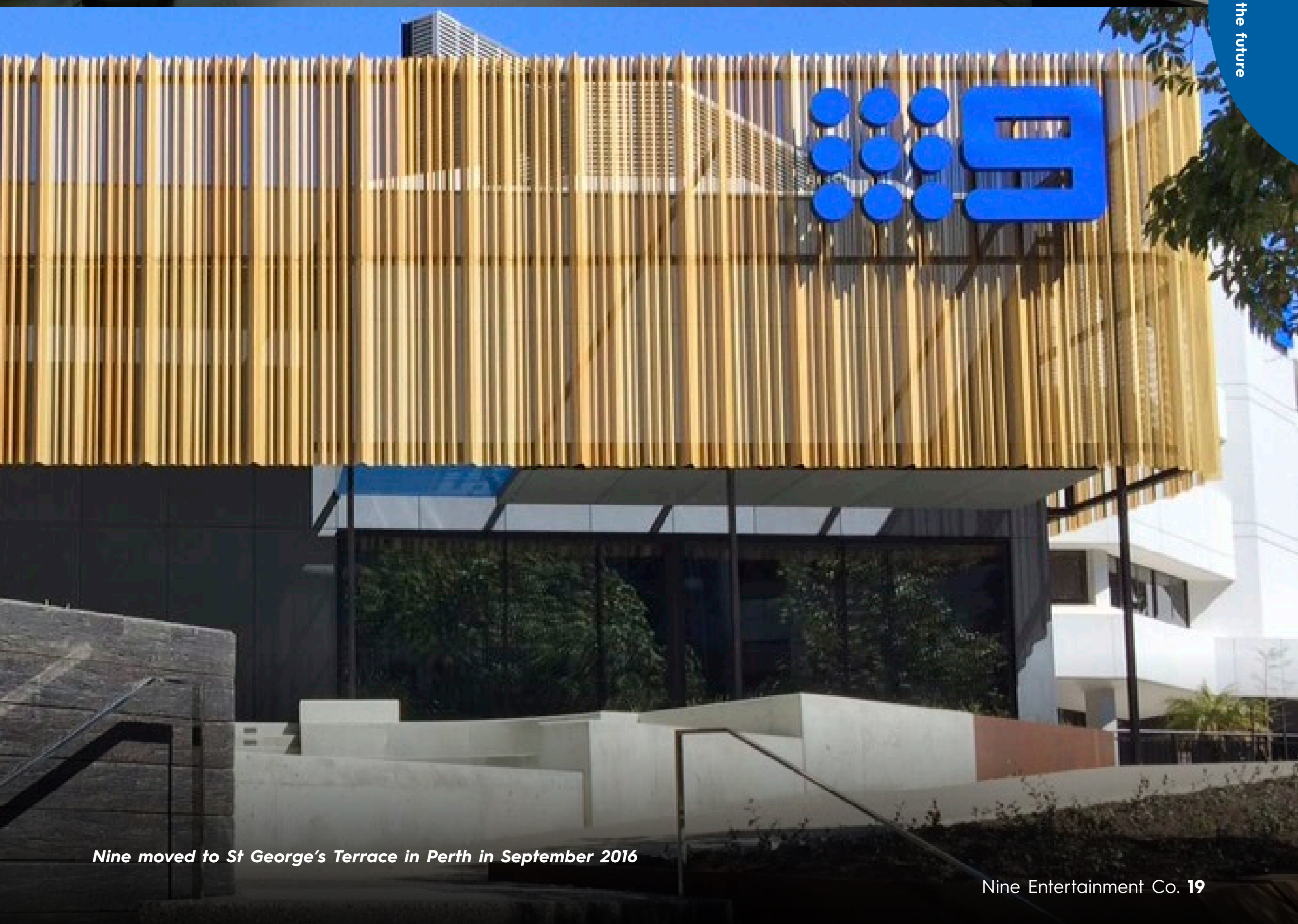
9 Adelaide
moved
September 2015

9 Perth
moved
September 2016

9 Sydney
sale is expected
to complete
October 2017

Building the future

Nine's new Pirie Street studio facility in the heart of the Adelaide CBD



Nine moved to St George's Terrace in Perth in September 2016

Board of Directors

Peter Costello (a)

Non-Executive Chairman

Mr Costello was appointed to the Board in February 2013 as an independent, Non-Executive Director and in March 2016 was appointed Chairman of the Board. He is also a member of the Nomination & Remuneration Committee. Mr Costello is currently Chairman of the Board of Guardians of Australia's Future Fund and serves on a number of advisory boards. He is a Trustee of Melbourne Cricket Ground. His business ECG Financial Pty Ltd is a boutique advisor on mergers and acquisitions, foreign investment, competition and regulatory issues which affect business in Australia. Mr Costello served as a member of the House of Representatives from 1990 to 2009 and was Treasurer of the Commonwealth of Australia from March 1996 to December 2007.

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

Hugh Marks (b)

Chief Executive Officer

Mr Marks was appointed Chief Executive Officer of Nine Entertainment Co. in November 2015. Prior to this, Mr Marks had been an independent, Non-Executive Director since February 2013. Mr Marks has almost 20 years' experience as a senior Executive in content production and broadcasting in Australia and overseas. Prior to his appointment as CEO, Mr Marks owned talent management agency RGM Artists and had ownership and management interests in a number of independent companies producing content for broadcast and pay TV. Before joining the Board, Mr Marks was an authority member for the Australian Communications and Media Authority for over two years. Previously, Mr Marks was Chief Executive Officer of the Southern Star Group. Mr Marks has also worked with the Nine Network as legal counsel and then as Director of Nine Films & Television for seven years.

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

Elizabeth Gaines (c)

Non-Executive Director

Ms Gaines was appointed to the Board in March 2016 as an Independent, Non-Executive Director and is the Chair of the Audit and Risk Committee. Ms Gaines was previously the CEO of ASX listed Helloworld, a travel distribution business operating in the brick and mortar and online retail sector. Ms Gaines' executive career included extensive experience in financial services, construction, infrastructure and media in both the UK and Australia. Ms Gaines is currently a Non-Executive Director of Fortescue Metals Group Limited, Next DC Limited and ImpediMed Limited and she was appointed a Commissioner of Tourism Western Australia in November 2015. She is a Member of the Chartered Accountants Australia and New Zealand, Australian Institute of Company Directors and Chief Executive Women.

Ms Gaines holds a Bachelor of Commerce degree and a Master of Applied Finance degree.

David Gyngell (d)

Non-Executive Director

Mr Gyngell was the Company's Chief Executive Officer from November 2010 until November 2015, having previously served as the Chief Executive Officer of Nine Network from September 2007. Mr Gyngell became a Non-Executive Director of the company in November 2015. He has over 15 years of experience at the Company and over 25 years' overall media sector experience. Previously, Mr Gyngell was Chief Executive Officer of Granada Television and also Director of International Management Group and Transworld Media International. He has also worked as Executive Director, Group Marketing and Communications for Publishing & Broadcasting Limited.

Holly Kramer (e)

Non-Executive Director

Ms Kramer was appointed to the Board in May 2015 as an independent, Non-Executive Director, and is the Chair of the Nomination & Remuneration Committee and a member of the Audit and Risk Committee. Ms Kramer has more than 20 years' experience in general management, marketing and sales including roles at the Ford Motor Company (in the US and Australia), Pacific Brands and Telstra. Ms Kramer serves as a Non-Executive Director for Woolworths, AMP, Australia Post, regional community-owned telco Southern Phones and the Alannah and Madeleine Foundation. Her most recent executive position was Chief Executive Officer of Best & Less, a subsidiary of South African retail group Pepkor. Whilst at Telstra, her roles included Group Managing Director, Telstra Product Management and Chief of Marketing. She is a member of Chief Executive Women.

Ms Kramer has a BA with Honours in Economics and Political Science from Yale University and an MBA from Georgetown University.

Catherine West (f)

Non-Executive Director

Ms West was appointed to the Board in May 2016 as an Independent, Non-Executive Director and a member of the Audit and Risk Committee. Ms West has more than 20 years' business and legal affairs experience in the media industry, both in Australia and the UK. Her most recent executive role was Director of Legal – Content Commercial and Joint Ventures for Sky Plc in the UK. In this role, Ms West was responsible for all of Sky's content relationships and distribution and commercial activities. Ms West has recently returned to Australia from the UK. She is currently a Member of the Australian Institute of Company Directors and a Committee Member of the Sydney Breast Cancer Foundation at Chris O'Brien Lifehouse.

Ms West holds both a Bachelor of Laws (Hons) and Bachelor of Economics degree from the University of Sydney.

Directors' Report

The Directors present the financial report for the year ended 30 June 2016. The financial report includes the results of Nine Entertainment Co. Holdings Limited (the 'Company') and the entities that it controlled during the year (the 'Group').

Directors

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

Directors held office for the entire period unless otherwise stated.

Name	Title	Date Appointed	Date Resigned
Peter Costello	Independent Non-Executive Chairman[1]	6 February 2013	
Hugh Marks	Chief Executive Officer[2]	6 February 2013	
David Haslingden	Independent Non-Executive Chairman	6 February 2013	1 March 2016
Kevin Crowe Jr	Non-Executive Director	6 February 2013	13 November 2015
Elizabeth Gaines	Independent Non-Executive Director	1 March 2016	
David Gyngell	Non-Executive Director[3]	25 November 2010	
Holly Kramer	Independent Non-Executive Director	6 May 2015	
Steve Martinez	Independent Non-Executive Director[4]	6 February 2013	9 May 2016
Catherine West	Independent Non-Executive Director	9 May 2016	

1. Mr Costello was an independent Non-Executive Director of the Company until 1 March 2016, when he was appointed as Chairman.
2. Mr Marks was an independent Non-Executive Director of the Company until 10 November 2015, when he was appointed Chief Executive Officer.
3. Mr Gyngell was Chief Executive Officer of the Company until his resignation from that role which took effect on 30 November 2015.
4. Mr Martinez became an independent Director on 23 November 2015, when the Apollo Group sold its remaining shareholding in the Company.

Remuneration Report

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

Directors' Interests

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

Directors' Meetings

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

	Board		Audit and Risk Committee		Nomination and Remuneration Committee	
	Meetings held*	Meetings attended	Meetings held*	Meetings attended	Meetings held*	Meetings attended
Hugh Marks	13	11	1	1	–	–
David Haslingden	9	9	3	3	3	3
Peter Costello	13	13	2	2	1	1
Kevin Crowe Jr[1]	5	5	1	1	–	–
Elizabeth Gaines[2]	4	3	1	1	–	–
David Gyngell	13	12	–	–	–	–
Holly Kramer	13	13	1	1	4	4
Steve Martinez[3]	11	9	2	2	4	3
Catherine West[4]	2	2	1	1	–	–

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

1. Mr Kevin Crowe Jr resigned on 13 November 2015.
2. Ms Elizabeth Gaines was appointed to the Board and the Audit and Risk Committee on 1 March 2016.
3. Mr Steve Martinez resigned on 9 May 2016.
4. Ms Catherine West was appointed to the Board and the Audit and Risk Committee on 9 May 2016.

Company Secretary

Rachel Launders (*General Counsel and Company Secretary*)

Ms Launders was appointed joint Company Secretary on 4 February 2015 and became sole Company Secretary on 29 February 2016. Ms Launders holds the role of General Counsel and Company Secretary at the Group. Prior to joining the Group in January 2015, Ms Launders was a partner at Gilbert + Tobin for over 13 years where she specialised in mergers and acquisitions, corporate governance and compliance.

Ms Launders holds a Bachelor of Arts and Bachelor of Laws (Hons) from the University of Sydney. She also completed the Graduate Diploma of Applied Finance and Investment at the Financial Services Institute of Australasia and is a Fellow of the Financial Services Institute of Australasia.

Principal Activities

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

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

Dividends

Nine Entertainment Co. Holdings Limited paid an interim dividend of 8.0 cents per share in respect of the year ending 30 June 2016 amounting to $70,073,492 during the year. The Company has not declared any dividend subsequent to 30 June 2016.

The Company declared and paid a final dividend of 5.0 cents per share in respect of the year ending 30 June 2015 amounting to $44,625,470 during the current year.

Corporate Information

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

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

Review of Operations

For the year to 30 June 2016, the Group reported a consolidated net profit after income tax of $324,755,000 (2015: loss $592,151,000).

The Group's revenues from continuing operations for the year to 30 June 2016 decreased by $97,538,000 (7%) to $1,286,360,000 (2015: $1,383,898,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) and before specific items (Note 3(iv)) for continuing operations for the year ended 30 June 2016 was a profit of $201,746,000 (2015: profit of $217,178,000).

The Group's cash flows generated in operations for the year to 30 June 2016 were $50,279,000 (2015: $246,204,000).

Further information is provided in the Operating and Financial Review on pages 45 to 48.

Significant Changes in the State of Affairs

On 31 July 2015 the Group disposed of the controlled entity A.C.N 604 938 534 Pty Ltd and its subsidiaries (collectively "Live") for an enterprise value of $640 million subject to normal completion adjustments (refer to Note 6(a) for further detail), which resulted in a gain on sale of $410,217,000 (pre-tax) and $288,189,000 (post-tax). During the period Live contributed an EBITDA before specific items of $7.7 million.

Following the receipt of the proceeds from the disposal, on 5 August 2015 the Group repaid the $580 million debt which was drawn at 30 June 2015.

On 18 March 2016 the Group acquired 9.99% of the shares in Southern Cross Media Group Limited (ASX: SXL) for a total consideration of $88,448,000.

Significant Events after the Balance Sheet Date

On 24 August 2016, the Group entered into a non-binding heads of agreement with Warner Bros, in relation to its life of series obligations. Under the original contract, the Group was obliged to purchase a number of US drama and comedy series as they became available, for as long as new series were being released and irrespective of how this content performed in the Australian market. To the extent that such content was loss-making, it was impaired as it became available. For the year ended 30 June 2016, Specific Items included a $46m charge to this effect.

The agreement reached gives the Group the option to exit the life of series obligations in exchange for foregoing the relevant rights to the content. As compensation for exiting the original contract, the agreement includes financial payments of up to $101 million to Warner Brothers, of which approximately $86 million relates to commitments in respect of future series not available for broadcast at 30 June 2016. The Group expects a formal contract to be signed and the option to be exercised during the year ending 30 June 2017, at which time a provision of approximately $86m and corresponding expense will be recognised by the Group.

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

Likely Developments and Expected Results

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

Unissued Shares and Options

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

Indemnification and Insurance of Directors and Officers

During or since the financial year, Nine Entertainment Co. Holdings Limited has paid premiums in respect of a contract insuring all the Directors and officers of the parent entity and its controlled entities against costs incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as Director or officer of Nine Entertainment Co. Holdings Limited or its controlled entities. The insurance contract specifically prohibits disclosure of the nature of the insurance cover, the limit of the aggregate liability and the premiums paid.

Auditor's Independence Declaration

The Directors have received the Auditor's Independence Declaration, a copy of which is included on page 26.

Indemnification of Auditors

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

Non-audit Services

Details of amounts paid or payable to the auditor for non-audit services provided by the auditor during the year are set out in Note 24 of the financial statements.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Rounding

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

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

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 25 August 2016

Auditor's Independence Declaration

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

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

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

As lead auditor for the audit of Nine Entertainment Co. Holdings Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst + Young

Ernst & Young

John Robinson
Partner
25 August 2016

Remuneration Report – Audited

Letter from the Committee Chair

Dear Shareholders

I am pleased to present the Company's 2016 Remuneration Report on behalf of the Board. The report outlines the Company's remuneration philosophy and approach as well as the remuneration framework and outcomes for the 2016 financial year.

The Company's remuneration philosophy is continuously reviewed and refined to ensure the link between shareholder returns and Executive remuneration is maintained. The Company's remuneration structure and policies are designed to attract and retain a talented and motivated leadership team, who can deliver sustainable total returns to shareholders.

There was a significant amount of change during 2016 at both Board and Executive level. These changes included the appointment of a new Chairman, Peter Costello and a new Chief Executive Officer, Hugh Marks. All Board and Key Executive Management changes are set out in detail in the Remuneration Report.

During the 2016 financial year our key focus was to embed the Company's post IPO remuneration framework. One critical component of the framework was the implementation of a Long Term Incentive (LTI) Plan for Key Management Personnel and key Senior Executives. The LTI Plan seeks to retain participants and align long-term remuneration outcomes with shareholder interests. As part of our annual remuneration process, we also reviewed the Company's Short Term Incentive (STI) Plan.
We believe that the STI plan appropriately rewards short term performance and have not recommended any further change.
In line with the remuneration framework, incentive payments for the 2016 financial year have been reduced to reflect a clear link between Company performance and shareholder returns.

The Nomination and Remuneration Committee and the Board are satisfied that the Company's remuneration arrangements remain appropriate and demonstrate a responsible approach to aligning remuneration outcomes with shareholder interests. We will, however, continue to seek feedback from our stakeholders and evaluate and implement improvements to the framework as we go forward.

Holly Kramer
Chair of the Nomination and Remuneration Committee

This Remuneration Report for the year ended 30 June 2016 outlines the remuneration arrangements of the Company and the Group in accordance with the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Key Management Personnel

The Remuneration Report details the remuneration framework and arrangements for Key Management Personnel (KMP), as set out below for the year ended 30 June 2016. KMP are those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company. The tables detail movements during the 2016 financial year and current KMP and Directors.

Key Management Personnel at 30 June 2016

Non-Executive Directors (NEDs)	Peter Costello	Chairman (independent, Non-Executive)
	Elizabeth Gaines	Director (independent Non-Executive)
	David Gyngell[1]	Director (Non-Executive)
	Holly Kramer	Director (independent, Non-Executive)
	Catherine West	Director (independent Non-Executive)
Executive Director	Hugh Marks	Chief Executive Officer
Other Executive KMP	Amanda Laing	Managing Director
	Michael Stephenson	Chief Sales Officer

1. Mr Gyngell was Chief Executive Officer of the Company until his resignation from that role which took effect on 30 November 2015.

With the exception of Holly Kramer no other NED or KMP held their current position for the full financial year as set out below.

Appointments

The table below sets out details of Director and KMP appointments made during the 2016 financial year.

	Name	Position	Commencement date
Non-Executive Directors (NEDs)	David Gyngell[1]	Director	30 November 2015
	Peter Costello[2]	Chairman	1 March 2016
	Elizabeth Gaines	Director	1 March 2016
	Catherine West	Director	9 May 2016
Executive Director	Hugh Marks[3]	Chief Executive Officer	10 November 2015
Other Executive KMP	Amanda Laing[4]	Managing Director	1 November 2015
	Michael Stephenson	Chief Sales Officer	14 March 2016

1. Mr Gyngell was Chief Executive Officer of the Company until his resignation from that role which took effect on 30 November 2015.
2. Mr Costello has been a Non-Executive Director since 6 February 2013.
3. Mr Marks was an independent Non-Executive Director of the Company until 10 November 2015, when he was appointed Chief Executive Officer.
4. Managing Director role is not a Board position.

Subsequent to the end of the financial year, Greg Barnes was appointed to the position of Chief Financial Officer, effective 4 July 2016.

Resignations

The table below sets out details of Director and KMP resignations during the 2016 financial year.

	Name	Position	Cessation date
Non-Executive Directors (NEDs)	Kevin Crowe	Director	13 November 2015
	David Haslingden	Chairman	1 March 2016
	Steve Martinez	Director	9 May 2016
Other Executive KMP	Simon Kelly	Chief Operating Officer, Chief Financial Officer and Company Secretary	29 February 2016
	Peter Wiltshire	Chief Revenue Officer	15 May 2016

On 10 November 2015, Hugh Marks, previously a Non-Executive Director, accepted the role as Chief Executive Officer and, in doing so, became an Executive Director. There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration Governance

2.1 Nomination and Remuneration Committee (NRC)

The NRC assists the Board in fulfilling its responsibilities for corporate governance and oversight of NEC's nomination and remuneration policies and practices. The Committee's goal is to ensure that NEC is able to attract the industry's best talent and appropriately align their interests with those of key stakeholders.

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

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

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

Details of the membership, number and attendance at meetings held by the NRC are set out on page 23 of the Directors' Report.

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

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

i. At least three members each of whom must be Non-Executive Directors; and

ii. A majority of Directors who are independent.

Holly Kramer replaced David Haslingden as Chair of the NRC on 9 November 2015. David Haslingden and Steve Martinez ceased to be committee members upon their resignations from the Board. At 30 June 2016, the Committee comprised Holly Kramer (Chair) and Peter Costello. Catherine West has been appointed to the NRC since that date.

During the 2016 financial year key focus areas of the NRC included the following:

- The appointment of Hugh Marks to the position of CEO following David Gyngell's resignation from the position and transition to a Non-Executive Director role;
- The appointment of Greg Barnes to the position of Chief Financial Officer, commencing 4 July 2016, following the resignation of Simon Kelly as Chief Operating Officer, Chief Financial Officer and joint Company Secretary;
- The promotion of Michael Stephenson to the position of Chief Sales Officer following the resignation of Peter Wiltshire as Chief Revenue Officer;
- The appointment of Catherine West and Elizabeth Gaines as independent, Non-Executive Directors; and
- Approval and implementation of the new Long Term Incentive Plan for Senior Executives.

2.2 Use of Remuneration Consultants

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

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

The Company has continued to engage the services of Egan Associates as the Company's remuneration advisor for three consecutive years. In the current financial year the NRC did not receive any remuneration recommendations, though it was provided with information on market trends to assist the committee with policy development and other strategic advice.

The committee requested Egan Associates to review elements of the terms and conditions of the CEO and those of the recently appointed CFO.

2.3 Associated Policies

The Company has established a number of policies to support reward and governance, including the Code of Conduct, Disclosure Policy and Securities Trading Policy. These policies have been implemented to promote ethical behaviour and responsible decision making. The Code of Conduct and Securities Trading Policy were updated in May 2016 to further support the aforementioned. These policies are available on Nine's website (www.nineentertainment.com.au).

3. Executive Remuneration

3.1 Remuneration Principles

The remuneration framework is designed to attract and retain high performing individuals, align executive reward to NEC's business objectives and to create shareholder value. The remuneration framework reflects the company's remuneration positioning following consideration of industry and market practices and advice from independent external advisers.

The Company's executive reward structure is designed to:

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

3.2 Approach to Setting Remuneration

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

The key components of the remuneration framework for Executive KMP detailed in this remuneration report include fixed remuneration and at-risk remuneration.

- Fixed remuneration is made up of base salary, non-monetary benefits and superannuation; and
- At-Risk remuneration is made up of Short Term and Long Term incentives which form the at-risk component of Executive KMP remuneration.

The Company's policy is to position remuneration for Executive KMP principally within a competitive range of direct industry peers in light of the small pool of executive talent with appropriate industry experience and skills and the competitive nature of the media and entertainment industry. There is also consideration of other Australian listed companies of a similar size, complexity and prominence. Total remuneration at target is positioned at the median of this comparator group, while providing the opportunity to earn top quartile rewards for outstanding performance against stretch targets.

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

The Company's executive remuneration framework was revised to reflect its move from private to public ownership during the 2014 financial year. Disclosed remuneration for the 2015 and 2016 financial years includes certain legacy elements of the pre-IPO Remuneration Framework which was in place prior to the Company's IPO. These are discussed later in this report.

The following table summarises the Executive KMP remuneration structure and mix under the Company's Remuneration Framework.

Remuneration Structure and Mix

Chief Executive Officer

Fixed Remuneration	Short-Term Incentive		Long-Term Incentive	Total at Risk
33.3%	33.3%		33%	66.6%
	Cash – 67%	Deferred Shares – 33%		

Other Executive KMP

Fixed Remuneration	Short-Term Incentive		Long-Term Incentive	Total at Risk
40% – 50%	25 – 30%		25 – 30%	50 – 60%
	Cash – 67%	Deferred Shares – 33%		

3.3 Fixed Remuneration

Fixed remuneration represents the amount within the framework comprising base salary, non-monetary benefits and superannuation. Fixed Remuneration is set at a competitive level to attract and retain talent and also considers the scope of role, knowledge and experience of the individual and the external market.

Once established, Fixed Remuneration is considered as part of an annual salary review process or from time-to-time as necessary to ensure it is competitive with comparable roles in the external market.

3.4 Short-Term Incentive (STI) Plan

The Group operates an annual STI program for certain executives; awards are aligned to the attainment of clearly defined Group, business unit and individual targets. The STI plan is subject to annual review by the NRC and the structure, performance measures and weightings may therefore vary from year to year. No changes were made to the STI plan that was implemented in 2015.

Actual STI payments awarded to each Executive KMP continue to depend on the extent to which specific measures are met. The measures consist of key performance indicators (KPIs) covering financial and non-financial measures of performance at both a corporate and business unit level, as relevant for each participant. A summary of the measures and weightings applicable to the 2016 financial year is set out below.

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

On an annual basis, after consideration of actual performance against financial and non-financial measures, the Board determines the amount, if any, of the short-term incentive to be paid to each Executive KMP, seeking recommendations from the NRC and CEO as appropriate. This performance evaluation process was undertaken during the financial year. In assessing the achievement of financial and non-financial measures the NRC may exercise its discretion to adjust outcomes for significant factors that contribute positively or negatively to results that are considered outside the control of management.

Further details of the 2016 STI plan are set out below.

Measures and weightings

	Financial Measures		Non-Financial
	Group EBITDA	Group EPS	Measures
Chief Executive Officer	37.5%	37.5%	25%
Other Executive Key Management Personnel	37.5%	37.5%	25%

The financial performance measure for the 2016 financial year includes both Group EBITDA and Group Earnings Per Share (EPS) to continuously align executive performance with the key drivers of shareholder value and reflect the short-term performance of the business. Financial performance measures for future years will be determined annually. An additional 28 executives participated in the STI plan during the 2016 financial year, 72% of those were measured against both Group and Business Unit EBITDA and Group EPS.

In exceptional circumstances, individuals may be awarded an STI payment of up to 137.5% of their target STI based on significant outperformance of financial measures and personal KPIs.

Financial Measures

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

Non-Financial Measures

Performance Assessment based on delivery of Personal KPIs	% Payout (of Non-Financial Component) vs Target Payout
Unsatisfactory	Nil
Performance Requires Development	25 – 90%
Valued Contribution	75 – 100%
Superior Contribution	100%[1]
Exceptional Contribution	100%[1]

1. The CEO (or the NRC in relation to the CEO's own performance) may recommend payouts exceeding 100% for Superior and Exceptional performance. Any such recommendations are subject to NRC approval.

Deferred STI Payment

Part of any STI payment under this Plan for Executive KMP is satisfied by the transfer of an equivalent value of NEC shares (Shares), at the time of the award, which are held in two tranches for prescribed time periods before they vest and can be traded. Any unvested Shares may be forfeited if the executive ceases to be an employee before a vesting date.

The following allocation of any STI payment between cash and Shares applies:

	Cash	Deferred Shares	
Date Payable/of Vesting	Following results release	1 year following end of performance period	2 years following end of performance period
Percentage	67%	16.5%	16.5%

The number of Shares subject to deferral is determined by dividing the deferred STI amount (being 33% of the STI payable) by the volume weighted average price (VWAP). VWAP is calculated over the period commencing 5 trading days before and ending 4 trading days after the performance period results release (i.e. over a total period of 10 trading days).

The executive will receive all benefits of holding the Shares in the period before vesting, including dividends, capital returns and voting rights. Shares granted are amortised over the applicable vesting period for the purpose of statutory remuneration disclosures.

Shares which have vested can only be traded, within specified trading windows, consistent with NEC's Securities Trading Policy or any applicable laws (such as the insider trading provisions).

The Board has determined that Shares will be acquired on-market to satisfy awards under this component of the STI Plan.

3.5 Long-Term Incentive (LTI) Plan

The NRC approved the construct of an equity-based LTI plan in the 2015 financial year to align long-term remuneration outcomes with stakeholder interests benchmarked against the market and the delivery of the Company's strategic and operating goals. The first grant was issued in the 2016 financial year.

The plan which seeks to align long-term remuneration outcomes with stakeholder interests benchmarked against the market and the delivery of the Company's strategic and operating goals will be implemented over time as part of this Remuneration Framework.

The LTI plan involves the granting of conditional rights to members of the Company's leadership team and grants will be made on an annual basis. The 2016 grant consists of two distinct components, each representing 50% of the total value of the grant. The vesting of the first component is subject to an EPS growth hurdle and the second component is subject to a relative TSR performance hurdle. The TSR performance is measured against a comparator group drawn from the S&P ASX 200 Index. Each grant has a vesting period of 3 years.

Further details of the Performance Rights Plan are as follows:

Grant Date	As determined by the Board
Consideration	Nil
Performance Rights	Upon satisfaction of Vesting Conditions, each Performance Right will, at the Company's election, convert to a Share on a one-for-one basis or entitle the Participant to receive cash to the value of a Share. No amount is payable on conversion.
Vesting Dates	Subject to the Vesting Conditions and Employment Conditions described below, Performance Rights held by each Participant will vest on the Vesting Date 3 years from Grant Date (with no opportunity to retest).
Vesting Conditions	Performance Rights granted in any one allocation will vest: • 50% subject to the Company's TSR performance against a comparator group over the Performance Period • 50% subject to the achievement of fully diluted earnings per share growth (EPSG) targets as set by the Board over the Performance Period The degree of TSR and EPSG performance will determine whether none, some or all granted Performance Rights vest at the end of the performance period. Performance against each of TSR and EPSG will be determined independently in accordance with Board approved hurdles. As they are Commercial in Confidence an update against TSR and EPSG performance will be provided at each AGM. Performance targets will be disclosed when, and if, Performance Rights vest. Any Performance Rights which do not vest at the end of the performance period will lapse. The Board may vary the Vesting Conditions for each Plan issue.
Performance Period	The Performance Period is the period over which Vesting Conditions are tested. The Performance Period for each Vesting Condition may be different.
Cessation of employment (Employment Conditions)	If the Participant is not employed by NEC or any NEC Group member on a particular Vesting Date due to the Participant either: • having been summarily dismissed; or • having terminated his/her employment agreement otherwise than in accordance with the terms of that agreement. Any unvested Performance Rights held on or after the date of termination will lapse. If the Participant has ceased to be employed by NEC in any other circumstances (e.g. redundancy, retirement, ill health, termination by the employee in accordance with his/her employment agreement), the Participant will retain a time based, pro-rated number of unvested Performance Rights determined on a tranche by tranche basis (where the time based proportion of each tranche is determined as the length of time from the start of the performance period to the date on which employment ceases divided by the total time period of a particular tranche). Any unvested Performance Rights that do not lapse in accordance with the above, remain on foot until the relevant Vesting Date. Any vesting at that time will be determined based on Vesting Conditions for those Performance Rights being met.
Disposal restrictions	Where vesting occurs during a trading blackout period under the Company's Share Trading Policy, any Shares issued or transferred to the Participant upon vesting of any Performance Rights will be subject to restrictions on disposal from the date of issue (or transfer) of the Shares until the commencement of the business day following the end of that blackout period, or such later date that the Board may determine under the Company's Securities Trading Policy.

Change of control	The Board has the discretion to accelerate vesting of some or all of a Participant's Performance Rights in the event of certain transactions which may result in a change of control of Nine Entertainment Co. Holdings Ltd. The discretion will be exercised having regard to all relevant circumstances at the time. Unvested Performance Rights will remain in place unless the Board determines to exercise that discretion. Where a change of control occurs, Nine Entertainment Co. Holdings Ltd can agree with a Participant and the new controller that the Participant will receive shares in the new controller, rather than shares in Nine Entertainment Co. Holdings Ltd, on vesting of Performance Rights, with appropriate adjustments to the number and type of shares to be issued on vesting of the Performance Rights. Unless the Board decides otherwise, any restrictions on disposal of shares which have been issued on vesting of Performance Rights will be lifted, if a change of control event occurs.
Restrictions	Without the prior approval of the Board, or unless required by law, Performance Rights may not be sold, transferred, encumbered or otherwise dealt with. A Participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to their Performance Rights
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the Performance Rights Plan. This includes varying the number of Performance Rights or the number of Shares to which a Participant is entitled upon a reorganisation of capital of NEC.
Capital Initiatives	The Board will endeavour to amend the terms of any Performance Rights on issue to equitably deal with any capital return, share consolidation, share split, such that the value of those rights is not prejudiced. The Board's actions here will be at their sole discretion.
Other terms	The Performance Rights Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the Performance Rights Plan.

Participants and Allocations

The table below sets out the details for the Executive KMPs that participated in the LTI Plan for the 2016 financial year.
The number of share rights allocated was based on a 10 day VWAP around the release of the FY15 results. VWAP is calculated over the period commencing 5 trading days before and ending 4 trading days after the performance period results release (i.e. Over a total period of 10 trading days).

	Number of Performance Rights Granted	Value of Performance Rights Granted[2] $
Hugh Marks[1]	Not issued	n/a
Amanda Laing	283,333	$425,000
Peter Wiltshire	283,333	$425,000

1. The grant of 906,149 Performance Rights to the CEO, with a value at the date of allocation of $1.4 million, under the LTI Plan is subject to shareholder approval which will be sought at the 2016 Annual General Meeting.
2. Value of Performance Rights at the date of allocation.

3.6 Employee Gift Offer Plan

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

The Company did not make an Employee Gift Offer in the 2015 or 2016 financial years and it has not been determined at this stage whether there will be any future Employee Gift Offers.

4. Legacy Remuneration Arrangements – Pre-IPO

The remuneration framework in place prior to the Company's listing in December 2013 ("Pre-IPO Remuneration Framework") was established by the Board and shareholders of the Company at the time to align with operational and strategic priorities under private ownership. Arrangements impacting Executive KMP under the Pre-IPO Remuneration Framework were disclosed in the Prospectus issued as part of the Company's listing in December 2013.

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

		Short term benefits	Share based payments	
		Additional Short-Term Incentives[i] $	Pre IPO Share Rights[ii] $	Total Pre-IPO Components $
Executive Director				
David Gyngell	2016	131,707	1,020,832	1,152,539
	2015	153,658	1,899,315	2,052,974
Other Key Management Personnel				
Simon Kelly	2016	61,346	475,482	536,828
	2015	71,571	884,659	956,229
Amanda Laing	2016	30,673	189,222	219,895
	2015	35,785	442,329	478,115
Peter Wiltshire	2016	18,209	139,741	157,950
	2015	21,034	259,995	281,029

Notes:

i. Additional Short-Term Incentives

Each of the Executive KMP and certain other executives are entitled to receive cash bonuses in circumstances where dividends are paid to shareholders, with such bonuses calculated by reference to the number of Performance Rights held by the relevant Executive KMP or Senior Executives under the pre-IPO Performance Rights Plan (details of which are set out below) at the relevant dividend payment date multiplied by the dividend paid per share in the relevant period.

This arrangement formed part of the commitment to certain executives at the time that contracts were re-negotiated prior to the company's IPO. Amounts paid under the Additional Short-Term Incentive are recorded as remuneration in the year paid. As dividends were declared and paid in the year to June 2016 cash bonuses were paid under these arrangements during the 2016 year.

ii. Pre-IPO Performance Rights

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

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

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

During the year ended June 2015, the Company acquired shares on market through a trust to satisfy the transfer of shares on the vesting of Performance Rights. Through this program, 6,003,083 shares were acquired on market for a total cost of $12,192,321 (excluding brokerage and GST), at an average price of $2.03.

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

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

Grant date	11 December 2013
Consideration	Nil
Share Rights	Each Share Right will, at the Company's election, convert to a Share on a one-for-one basis or entitle the Participant to receive cash to the value of a Share at the relevant Vesting Date. No amount is payable on conversion. These have no expiry date, as rights are exercised on the vesting date.
Vesting dates	Subject to the employment conditions described below, one-third of Share Rights held by each Participant will vest on the first, second and third anniversaries of completion of the Company's listing on the ASX (being 11 December 2014, 11 December 2015 and 11 December 2016).
Cessation of employment (employment condition)	If the Participant is not employed by NEC or any NEC Group member on a particular Vesting Date due to the Participant either: • having been summarily dismissed; or • having terminated his/her employment agreement otherwise than in accordance with the terms of that agreement, any unvested Share Rights held on or after the date of termination will lapse. If the Participant is not employed by NEC or any NEC Group member on a particular Vesting Date and: • NEC or an NEC Group member has terminated the Participant's employment agreement (other than summarily) and his/her salary is being paid out in lieu of notice, then the only unvested Share Rights that will lapse are those that would ordinarily have vested after the end of the later of the notice period and any other date nominated in the terms of grant (Minimum Period); or • the Participant has validly terminated his or her employment agreement and NEC or an NEC Group member has elected to pay the Participant his/her salary in lieu of notice, then the only unvested Share Rights that will lapse are those that would ordinarily have vested after the end of the notice period. Any unvested Share Rights that do not lapse in accordance with the above remain on foot until the relevant vesting date.
Disposal restrictions	Any Shares issued or transferred to the Participant upon vesting of any Share Rights will be subject to restrictions on disposal from the date of issue (or transfer) of the Shares until the release of NEC's financial results for either the half or full-year period immediately following the date of issue (or transfer, as applicable).
Change of control	The Board has the discretion to accelerate vesting of some or all of a Participant's Share Rights in the event of certain transactions which may result in a change of control of Nine Entertainment Co. Holdings. The discretion will be exercised having regard to all relevant circumstances at the time, including the extent to which any applicable vesting conditions have been met. Unvested Share Rights will remain in place unless the Board determines to exercise that discretion. Where a change of control occurs, Nine Entertainment Co. Holdings can agree with a Participant and the new controller that the Participant will receive shares in the new controller, rather than shares in Nine Entertainment Co. Holdings, on vesting of Share Rights, with appropriate adjustments to the number and type of shares to be issued on vesting of the Share Rights. Unless the Board decides otherwise, any restrictions on disposal of shares which have been issued on vesting of Share Rights will be lifted, if a change of control event occurs.
Restrictions	Without the prior approval of the Board, or unless required by law, Share Rights may not be sold, transferred, encumbered or otherwise dealt with. A Participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to their Share Rights.
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the Share Rights Plan. This includes varying the number of Share Rights or the number of Shares to which a Participant is entitled upon a reorganisation of capital of NEC.
Other terms	The Share Rights Plan also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the Share Rights Plan.

5. Executive Remuneration Outcomes for 2016

5.1 Link to Performance

The Company continued to face difficult market conditions through the 2016 financial year and financial results fell short of expectations. Accordingly, incentive payments for the 2016 financial year have been sharply reduced, demonstrating the clear link between the remuneration framework and outcomes, Company results and shareholder returns.

The link between Executive KMP remuneration and Group financial performance is set out below.

	30 Jun 16 $m	30 Jun 15 $m	Pro forma[3] 30 Jun 14 $m
Revenue[1]	1,286.4	1,373.6	1,570
Group EBITDA[1]	201.7	217.2	311
Group EBITDA %[1]	16%	16%	20%
Net profit before tax[1]	164.1	158.9	205
Net profit after tax[1]	118.6	111.6	144.2
Earnings per share – cents[1]	13.5 cents	11.9 cents	16.4 cents

	30 Jun 16 Cents/Share	30 Jun 15 Cents/Share	30 Jun 14 Cents/Share
Opening share price	155	209	205
Closing share price	105	155	206
Dividend Paid	13.0	9.2	4.2

Executive KMP STI Payments[2]	30 Jun-16	30 Jun 15	30 Jun 14
Earned	19%	25%	100%
Forfeited	81%	75%	–

1. Continuing operations before specific items.
2. Excludes STI payments made to former KMP. See section 5.2 for details of STI payments to former KMP.
3. Actual results as adjusted to reflect the impact of acquisitions, divestments and/or other transactions as if these had been effective for the whole reported period and after adjusting for standalone listed company costs.

Outcomes in relation to ongoing arrangements under the Remuneration Framework are set out below. The remuneration outcomes for the 2016 financial year are set out in section 5.3.

5.2 Short-Term Incentives (STI)

In the current year (and the prior year), financial STI targets were aligned with the delivery of budgeted Group EBITDA and Earnings per Share. Non-financial measures were determined on an individual-by-individual basis based on their respective delivery of key operational and strategic objectives of the Company, as determined by the Company's Board.

The proportions of target and maximum STI that were earned and forfeited by each Executive KMP in relation to the current financial year are set out below:

		Proportion of Target STI in 2016 (%)		Proportion of Maximum STI in 2016 (%)	
Name		**Earned %**	**Forfeited %**	**Earned %**	**Forfeited %**
Hugh Marks	**FY16**	20%	80%	14.5%	85.5%
	FY15	–	–	–	–
Amanda Laing	**FY16**	20%	80%	14.5%	85.5%
	FY15	25%	75%	18.2%	81.8%
Michael Stephenson	**FY16**	8%	92%	6.1%	93.9%
	FY15	–	–	–	–
Former Key Management Personnel					
David Gyngell[1]	**FY16**	20%	80%	14.5%	85.5%
	FY15	25%	75%	18.2%	81.8%
Simon Kelly[2]	**FY16**	50%	50%	36.4%	63.6%
	FY15	25%	75%	18.2%	81.8%
Peter Wiltshire	**FY16**	–	–	–	–
	FY15	25%	75%	18.2%	81.8%

1. Pro-rata payment for 5 months of the year in accordance with termination agreement.
2. Minimum guaranteed payment made in accordance with termination agreement.

In accordance with the share deferral component of the STI plan, 33% of the 2016 financial year STI payments earned by current Executive KMP, at 30 June 2016, will be provided as shares in accordance with that plan, as described in section 3.4. The balance of the STI payable will be paid in cash following the release of the Company's 2016 financial results. The value of Shares granted is expensed in the year to which the award relates. STI entitlements to former KMP during the 2016 financial year will be paid in cash.

5.3 Summary Remuneration Outcomesw

		Short-term benefits				Post-Employment Benefits	Long-term Benefits		Share-based Payments					
					Pre-IPO[1]				Pre-IPO[1]					
		Salary and Fees $	Cash Bonus $	Non-Monetary Benefits[2] $	IPO Related Cash Incentives $	Super-annnuation $	Annual Leave $	Long Service Leave $	Pre-IPO Share Rights $	Long-term Incentives[3] $	Termination Payments $	Total $	Perform-ance Related %	Total Excluding Pre-IPO Components $
Executive Director														
Hugh Marks[4]	FY16	882,738	119,941	59,075	–	14,481	46,662	14,712	–	250,550	–	1,388,159	31	1,388,159
	FY15	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Key Management Personnel														
Amanda Laing	FY16	778,942	58,244	34,737	30,673	19,308	39,231	14,166	189,222	102,756	–	1,267,279	33	1,047,384
	FY15	631,218	54,438	34,613	35,785	18,783	41,272	10,519	442,329	–	–	1,268,957	43	790,843
Michael Stephenson[5]	FY16	211,654	6,062	2,987	–	5,750	12,871	3,352	347	–	–	243,023	4	242,676
	FY15	–	–	–	–	–	–	–	–	–	–	–	–	–
Former Key Management Personnel														
David Gyngell[4]	FY16	699,700	166,667	–	131,708	9,653	–	–	416,666	–	604,166	2,028,560	35	1,480,186
	FY15	1,931,217	335,000	165,000	153,658	18,783	(51,994)	32,188	1,899,315	–	–	4,483,167	55	2,430,194
Simon Kelly[6]	FY16	801,006	300,000	5,200	61,346	24,917	60,479	–	300,815	–	2,192,417	3,746,180	18	3,384,019
	FY15	1,200,000	100,500	57,300	71,571	35,000	(18,462)	19,998	884,659	–	–	2,350,566	46	1,394,336
Peter Wiltshire[6]	FY16	682,392	–	–	18,029	19,308	37,409	130,563	94,111	22,478	758,820	1,763,110	8	1,650,970
	FY15	783,792	87,100	42,900	21,034	18,783	13,566	13,062	259,995	–	–	1,240,232	31	959,203
Total Executive KMP	FY16	4,056,432	650,914	101,999	241,756	93,417	196,652	162,793	1,001,161	375,784	3,555,403	10,436,311		9,193,394
	FY15	4,546,227	577,038	299,813	282,048	91,349	(15,618)	75,767	3,486,298	–	–	9,342,922		5,574,576

1. Pre-IPO remuneration components relate to amounts contracted prior to the Company's IPO. These are detailed further in section 4.
2. Non-Monetary Benefits represent non-cashable benefits such as deferred STI share payment, car parking and gym membership.
3. Details of the Long Term Incentive Plan are outlined in section 3.5.
4. Excludes NED fees.
5. Includes remuneration since KMP appointment.
6. Annual and Long Service payments on termination.

6. Executive Contracts

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

The key terms of Executive KMP contracts at 30 June 2016 were as follows:

	Fixed Remuneration[1]	Target STI	Notice Period by Executive	Notice Period by Company	Restraint	Termination Payment[4]
Hugh Marks[2]	$1,400,000	$1,400,000	12 months	12 months	12 months	Not specified
Amanda Laing[2,4]	$869,307	$434,654	12 months	12 months	12 months	Not specified
Michael Stephenson[2,3]	$730,000	$365,000	12 months	12 months	12 months	Not specified
Former Key Management Personnel						
David Gyngell[4]	$2,000,000	$2,000,000	12 months, but notice may not be given prior to 1 November 2015	12 months, but notice may not be given prior to 1 November 2015	12 months	Not specified
Simon Kelly[4]	$1,235,000	$600,000	12 months	12 months	12 months	12 months fixed remuneration plus annual STI, as defined
Peter Wiltshire	$802,575	$520,000	12 months	12 months	12 months	Not specified

1. Fixed Remuneration comprises base cash remuneration, superannuation and other benefits which can be sacrificed for cash at the employee's election. Excludes other non-cash ancillary benefits such as car parking and gym membership.
2. KMP are entitled to participate in a long term incentive plan, as discussed separately in this report.
3. Reflects contract terms since appointment to the position of Chief Sales officer 14 March 2016.
4. David Gyngell, Simon Kelly and Amanda Laing are subject to exemptions in respect of termination payment caps provided by S200B of the Corporations Act. These exemptions were approved by the Company's shareholders on 28 June 2012.

7. Non-Executive Director (NED) Remuneration Arrangements

Remuneration policy

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

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

The Company's constitution and the ASX Listing Rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting (AGM) held on 21 October 2013 when shareholders approved an aggregate fee pool of $3,000,000 per year. The Board will not seek any increase to the NED remuneration pool at the 2016 AGM.

Structure

The remuneration of NEDs consists of Directors' fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by NEDs who serve on sub-committees. The Chairman of the Board does not receive any additional fees in addition to Board fees for being a member of any committee. All Board fees include any superannuation entitlements, as applicable. These arrangements are set out in the written engagement letters with each Director.

Kevin Crowe and Steve Martinez as nominee Directors of major shareholders waived their rights to any remuneration during the year.

Remuneration Report – Audited continued

NED fees for the 2016 financial year which remain unchanged since 2014 were as follows:

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

NEDs do not receive retirement benefits, nor do they participate in any incentive programs. No Share Rights or other share-based payments were issued to NEDs during the 2016 financial year.

NED remuneration for the years ended 30 June 2016 and 2015

	Financial year	Salary & fees $	Superannuation $	Share-based payments $	Total $
Non-Executive Directors					
Peter Costello	2016	249,012	17,254	–	266,266
	2015	164,384	15,616	–	180,000
Elizabeth Gaines	2016	59,361	5,639	–	65,000
	2015	–	–	–	–
David Gyngell[1]	2016	95,666	9,088	–	104,754
	2015	–	–	–	–
Holly Kramer	2016	177,010	16,816	–	193,826
	2015	25,621	2,434	–	28,055
Catherine West	2016	25,127	2,387	–	27,514
	2015	–	–	–	–
Former Non-Executive Directors			–	–	
Kevin Crowe	2016	–	–	–	–
	2015	–	–	–	–
David Haslingden	2016	270,461	12,872	–	283,333
	2015	406,217	18,783	–	425,000
Hugh Marks[2]	2016	64,226	6,099	–	70,325
	2015	180,902	14,098	–	195,000
Steve Martinez	2016	–	–	–	–
	2015	–	–	–	–
Joanne Pollard[3]	2016	–	–	–	–
	2015	70,257	6,334	–	76,591
Total NED	2016	940,863	70,155	–	1,011,018
	2015	847,381	57,265	–	904,646

1. Mr Gyngell was Chief Executive Officer of the Company until his resignation from that role which took effect on 30 November 2015.
2. Mr Marks was an independent Non- Executive Director of the Company until 10 November 2015, when he was appointed Chief Executive Officer.
3. Ms Pollard was an independent Non- Executive Director of the Company until 21 November 2014.

8. Performance Rights, Employee Gift Offer Shares and Share Interests of Key Management Personnel

The number of Performance Rights and employee gift shares granted and outstanding to Executive KMP as remuneration and the number vested during the year are shown below.

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

	Share Rights/ Employee Gift Shares outstanding at start of year No.	Share Rights/ Employee Gift Shares granted in year No.	Award date	Fair Value per Share Right/ Employee Gift Share at award date $	Vesting Date	Vested during the year No.	Lapsed during the year No.	Share Rights/ Employee Gift Shares Outstanding at End of Year No.
Executive Director								
Hugh Marks[1]	–	906,149	11-Nov-15	1.09	1-Jul-18	–	–	906,149
Other Executive KMP								
Amanda Laing	170,406	–	11-Dec-13	2.05	11-Dec-15	170,406	–	–
	170,407	–	11-Dec-13	2.05	11-Dec-16	–	–	170,407
		283,333	1-Jul-15	1.09	1-Jul-18	–	–	283,333
Michael Stephenson	8,130	–	11-Dec-13	2.05	11-Dec-15	8,130	–	–
	8,130	–	11-Dec-13	2.05	11-Dec-16	–	–	8,130
Former Key Management Personnel								
David Gyngell	731,707	–	11-Dec-13	2.05	11-Dec-15	731,707	–	–
	731,707[2]	–	11-Dec-13	2.05	11-Dec-16	–	–	731,707
Simon Kelly	340,813	–	11-Dec-13	2.05	11-Dec-15	340,813	–	–
	340,813[2]	–	11-Dec-13	2.05	11-Dec-16	–	–	340,813
	487[3]	–	11-Dec-13	2.05	11-Dec-16	–	–	487[(3)]
Peter Wiltshire	100,162	–	11-Dec-13	2.05	11-Dec-15	100,162	–	–
	100,163[2]	–	11-Dec-13	2.05	11-Dec-16	–	–	100,163
		283,333	1-Jul-15	1.09	1-Jul-18	–	200,694	82,639[2]

1. The CEO is entitled to participate in a long term incentive plan. At the time of preparing this report awards held by the CEO under the LTI plan, not otherwise disclosed incorporated the granting of 906,149 Performance Rights.
2. In accordance with termination agreements, the rights which were held on termination of employment are to be cash settled, at a price to be determined, based on a volume weighted average price of the shares of the Company in the 5 days immediately preceding vesting.
3. Other than the holding of 487 Shares by Simon Kelly granted under the Employee Gift Offer, all holdings are Share Rights granted under the pre-IPO Share Rights Plan detailed in section 4. Further details of the Employee Gift Offer are set out in section 3.6.

Shareholdings of Key Management Personnel

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

	As at 1 July 2015 Ord	Granted on conversion of Share Rights Ord	Other Net Changes Ord	Held directly as at 30 June 2016 Ord	Held nominally as at 30 June 2016 Ord
Non-Executive Directors					
Peter Costello	51,786	–	250,000	–	301,786
Elizabeth Gaines	–	–	–	–	–
David Gyngell[1]	4,878,535	–	–	4,878,048	487
Holly Kramer	–	–	76,181	–	76,181
Catherine West	–	–	–	–	–
Executive Director					
Hugh Marks[1]	27,396	–	75,000	75,000	27,396
Other Key Management Personnel					
Amanda Laing	19,406	170,407	17,874	207,687	–
Michael Stephenson	487	–	–	487	–
Former Non-Executive Directors[2]					
David Haslingden	309,588	–	–	309,588	–
Steve Martinez	–	–	–	–	–
Kevin Crowe Jr	–	–	–	–	–
Former Key Management Personnel[2]					
Simon Kelly	487	340,183	33,000	373,670	–
Peter Wiltshire	–	100,162	8,600	108,762	–
Total	**5,287,685**	**610,752**	**460,655**	**5,953,242**	**405,850**

1. Includes period as CEO and NED.
2. Details given to the date on which the individual ceased to be a Director or member of KMP.

9. Loans to Key Management Personnel and their related parties

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

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

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

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

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

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

Operating and Financial Review

Review of Operations

This commentary reflects the reported statutory results. Commentary on management and Pro Forma results is included in a separate filing with the Australian Securities Exchange.

	2016 $m	2015 $m	Variance $m	Variance %
Revenue from Continuing Operations (before Specific Items)	1,286.4	1,373.6	-87.2	-6%
Group EBITDA from Continuing Operations (before Specific Items)[1]	201.7	217.2	-15.5	-7%
Finance Costs from Continuing Operations (excluding specific finance cost)	(9.4)	(30.5)	+21.1	+69%
Profit after tax before specific items from Continuing Operations	118.6	111.6	+7.0	+6%
Specific Items from Continuing Operations (before income tax)	(107.0)	(847.2)	+740.2	nm
Profit/(loss) from Continuing Operations after Income Tax	33.2	(597.6)	+630.8	nm
Profit from Discontinuing Operations after Income Tax	291.5	5.5	+286.0	nm
Net Cash Flows from Operating Activities	50.3	246.2	-195.9	-80%
Net Debt[2]	177.6	507.2	-329.6	-65%
Leverage[3]	0.8X	1.8X	-1.0X	–

1. EBITDA plus share of associates, less Corporate Costs.
2. Interest bearing loans and borrowings, less cash at bank.
3. Net Debt/Group EBITDA (including Discontinued Operations and before Specific Items).

nm – not meaningful.

Revenue from Continuing operations before Specific items decreased by 6% to $1,286.4 million while Group EBITDA before Specific Items (from Continuing Operations) decreased by $15.5 million (7%) to $201.7 million. In both the current and prior years Specific Items and Net Interest Expense had significant impacts on the bottom line result with Profit after Income Tax of $324.8 million in the current year compared with $592.2 million Loss after Income Tax in the prior year.

In the current year, Specific Items of $107.0 million (refer to note 3(iv) and 3(v)) include a $39.7 million non-cash impairment charge against licence, goodwill and investment values on the balance sheet, a $55.2 million inventory and onerous contract provision and restructuring and termination costs of $8.7 million.

Specific Items in the prior year of $847.2 million (refer note 3 (iv)) included a $791.8 million non-cash impairment charge against licence, goodwill and investment values on the balance sheet, a $57.4 million inventory and onerous contract provision and a gain on the disposal of HWW Pty Ltd of $10.3 million.

Finance Costs declined from $30.5 million in the prior year to $10.8 million in the current year reflecting the reduced funding costs associated with the reduction of debt post the disposal of Nine Live in July 2015. Finance costs include a specific item of $1.5 million in respect of debt establishment fees on debt which was cancelled (refer note 3 (v)).

Operating Cash Flow reduced year on year as a result of the sale of the Nine Live business, coupled with weaker operating results from the Free To Air business. Income tax paid also increased markedly as prior year tax losses were fully utilised and the Group invested $88.4 million in the acquisition of shares in Southern Cross Media Group Limited. At balance sheet date, Net Debt reduced to $177.6 million from $507.2 million with the repayment of debt post the disposal of the Live business, partially offset by the cash utilised in the on-market buy-back of $49 million of NEC shares during the period. Net Leverage at 30 June 2016 was 0.8X, well within bank covenants.

Segmental Results

	2016 $m	2015 $m	Variance $m	Variance %
Revenue[1]				
Network	1,130.0	1,215.0	-85.0	-7%
Digital	149.9	156.4	-6.5	-4%
Corporate	2.5	–	2.5	nm
Total Revenue from Continuing Operations[1]	1,282.4	1,371.4	-89.0	-6%
EBITDA				
Network	183.5	206.0	-22.5	-11%
Digital	26.0	21.9	+4.1	+19%
Corporate	(9.9)	(14.1)	+4.2	+30%
Share of Associates	2.1	3.4	-1.3	-6%
Group EBITDA Continuing Operations	201.7	217.2	-15.5	-7%
Group EBITDA including Discontinued Operations	209.4	287.3	-77.9	-27%

1. After the elimination of inter-segment revenue and interest income.

Reported segmental results reflect the actual business ownership that existed through each year. The results for Live, for which the sale was completed on 31 July 2015, are included in Discontinued Operations.

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

Nine Network

	2016 $m	2015 $m	Variance $m	Variance %
Revenue	1,130.0	1,215.0	-85.0	-7%
EBITDA	183.5	206.0	-22.5	-11%
Margin	16.2%	17.0%	–	-0.8pts

Nine Network recorded revenue of $1,130 million a decline of $85.0 million on last year, and a decline in EBITDA of 11% to $183.5 million compared to the prior year. This decline reflects the combination of reduced revenues, partially offset by a decrease in costs incurred during the year.

The Metro Free-to-Air (FTA) advertising market remained difficult for much of FY16. In the December half, Metro FTA advertising declined by 0.4%; in the June half the decline was 3.9%, resulting in an overall Metro FTA advertising market decline of 2.0% for the year. Regional markets underperformed, recording overall TV advertising revenue which was down 6.2% on FY15.

Nine Network's Metro FTA revenue share of 37.0% over the year incorporated a first half share of 38.2% and a second half share of 35.6%. The weaker second half was attributed to fewer hours of premium Australian content, coupled with lower-than-expected ratings for a number of key programs particularly in Q3.

Costs were down by 6.2% on the prior year, a comparison which benefitted from the industry-wide licence fee reduction ($11m saving to Nine). Inclusive of the total Warners' costs, the onerous component of which is treated as a specific item, TV costs were down by 2%. This reduction was delivered despite a contracted $25m increase in sports costs, legal fees which were around $7m higher than 'normal' as well as the costs associated with the launch of the new 9HD and 9Life channels.

Nine Digital

	2016 $m	2015 $m	Variance $m	Variance %
Revenue	149.9	156.4	-6.5	-4%
EBITDA	26.0	21.9	+4.1	+19%
Margin	17.3%	14.0%	–	+3.3pts

In FY16, Nine Digital recorded a decline in revenue to $149.9 million, and growth of 19% in EBITDA to $26 million compared to the prior year. Adjusted for the impact of the loss of Microsoft default traffic and the sale of HWW, revenues were flat year-on-year. Reported costs were down 7.9%, despite significant investment across the Digital business.

During FY16, Nine Digital launched a suite of consumer content including 9Now, Nine's catch-up and live streaming service and its associated data proposition My9, as well as the complete re-design of the digital network, nine.com.au.

Share of Associates profit
Share of Associates profit declined from $3.4 million to $2.1 million. The key driver of this decline was a reduced contribution from Sky News.

Live (Discontinued Operation)

	2016 $m	2015 $m	Variance $m	Variance %
Revenue[1]	57.1	238.7	-181.6	-76.1
EBITDA	7.7	70.1	-62.4	-89.0
Margin	13.5%	29.4%	–	-15.9 pts

1. Excluding interest income.

The sale of Nine Live to Affinity Equity Partners for $640 million was completed on 31 July 2015.

For the one month of ownership in FY16, Live reported EBITDA of $7.7 million and revenue of $57.1 million.

Review of Financial Position

At 30 June 2016 the Net Assets of the Group were $1,233.8 million which is approximately $151.1 million higher than at 30 June 2015. The key impacts during the period were the sale of Nine Live, the operating profit for the year, offset by the adjustments to asset carrying values as detailed in the Specific Items, dividends paid in the year and the Group's on market share buyback.

Underlying Drivers of Performance

The Group operates across two key businesses and industries, each of which has their own underlying drivers of performance. These are summarised below:

- Nine Network – size of the advertising market and the share attributed to Free-to-Air television, Nine's share of the Free-to-Air advertising sector, the regulatory environment and the ability to secure key programming contracts.
- Nine Digital – size of the advertising market and the share attributed to online and Nine Digital's share of the online advertising sector.

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

Business Strategies and Future Prospects

The Group is focusing on the following business growth strategies:

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

The Group intends to achieve consistent performance across Sydney, Melbourne and Brisbane and to increase its audience and revenue share in Adelaide and Perth, with an overall aim of developing a leading position in FTA audience and advertising revenue share across the five capital cities. Overall Network performance is driven by the combination of the primary Channel Nine, as well as 9GO! 9GEM and 9Life. The Group is also focused on optimising returns through improved broadcast rights deals and affiliate arrangements, and maintaining disciplined cost management.

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

• Continue to grow digital media assets

The Group intends to build on Nine Digital's position as a leading online network in Australia to grow audience and advertising revenue. The Group plans to expand its audience by increasing its content and the ways customers find and access this content, including via tablets and mobile devices, particularly in online video. Nine Digital's goal is to increase its advertising revenue through growth in audience, inventory, as well as making use of its data assets to improve yields and effectiveness of advertising.

• Optimise the returns and opportunities associated with the Group's premium free content and audience reach

Across its traditional segments of FTA and digital media, NEC's strengths lie in the production and distribution of premium content. The Group will continue to identify and pursue opportunities where it can increase its content and broaden the utilisation of this content to generate returns and cross-selling opportunities across its integrated platform. This includes investments through Nine Ventures, as well as commercial relationships with businesses.

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

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

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

- Nine Network – significant changes to advertising market conditions, Nine's share of the advertising market, viewer preferences, the regulatory environment and/or a loss of key programming contracts.
- Nine Digital – significant changes to advertising market conditions, Nine Digital's share of the advertising market, internet user preferences and/or the regulatory environment.
- Technological changes – may offer new entertainment options which may or may not dilute the impact of NEC's content; and may or may not offer NEC future opportunities.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2016

	Note	2016 $'000	2015 $'000
Continuing operations			
Revenues	3	1,286,360	1,383,898
Expenses	3	(1,220,578)	(2,045,161)
Finance costs	3	(10,844)	(30,462)
Share of profits of associate entities	10	2,111	3,353
Profit/(loss) from continuing operations before income tax expense		57,049	(688,372)
Income tax (expense)/benefit	5	(23,826)	90,748
Net profit/(loss) from continuing operations for the period attributable to equity holders		33,223	(597,624)
Discontinued operations			
Profit from discontinued operations after income tax – Live business	6(a)	291,532	5,473
Net profit/(loss) for the period attributable to equity holders		324,755	(592,151)
Earnings/(loss) per share			
Basic profit/(loss) attributable to ordinary equity holders of the parent	31	$0.37	($0.63)
Diluted profit/(loss) attributable to ordinary equity holders of the parent	31	$0.37	($0.63)
Earnings/(loss) per share for continuing operations			
Basic profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	31	$0.04	($0.64)
Diluted profit/(loss) from continued operations attributable to ordinary equity holders of the parent	31	$0.04	($0.64)

		$'000	$'000
Profit/(loss) for the year		324,755	(592,151)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		258	674
Reclassification of foreign currency translation reserve to profit from discontinued operations	6(a)	634	–
Fair value movement in cash flow hedges		–	711
Items that will not be reclassified subsequently to profit or loss			
Fair value movement in investment in listed equities (net of tax)	11	(9,715)	(9,070)
Actuarial (loss)/gain on defined benefit plan	22	(222)	6,532
Other comprehensive loss for the period		(9,045)	(1,153)
Total comprehensive income/(loss) for the period attributable to equity holders		315,710	(593,304)

Consolidated Statement of Financial Position
as at 30 June 2016

	Note	30 June 2016 $'000	30 June 2015 $'000
Current assets			
Cash and cash equivalents	20	42,860	50,855
Trade and other receivables	7	286,703	281,698
Program rights	8	139,203	192,637
Derivative financial instruments	29	31	436
Other assets	9	72,695	25,136
Property, plant and equipment held for sale	12	9,338	11,916
Assets of discontinued operations	6(a)	–	424,107
Total current assets		550,830	986,785
Non-current assets			
Receivables	7	59,067	23,548
Program rights	8	61,177	36,353
Investments in associates accounted for using the equity method	10	19,680	19,081
Investment in listed equities	11	104,695	23,813
Property, plant and equipment	12	123,344	118,769
Licences	13	477,784	493,870
Other intangible assets	14	505,130	514,026
Deferred tax assets	5	–	67,734
Property, plant and equipment held for sale	12	41,823	36,209
Other assets	9	61,210	100,112
Total non-current assets		1,453,910	1,433,515
Total assets		2,004,740	2,420,300
Current liabilities			
Trade and other payables	15	327,896	398,129
Interest-bearing loans and borrowings	16	60	23
Current income tax liabilities		30,567	4,786
Provisions	17	47,256	42,315
Derivative financial instruments	29	–	297
Liabilities of discontinued operations	6(a)	–	230,476
Total current liabilities		405,779	676,026
Non-current liabilities			
Payables	15	47,800	37,460
Interest-bearing loans and borrowings	16	220,425	575,671
Deferred tax liabilities	5	38,902	–
Provisions	17	46,569	37,317
Derivative financial instruments	29	11,426	11,113
Total non-current liabilities		365,122	661,561
Total liabilities		770,901	1,337,587
Net assets		1,233,839	1,082,713
Equity			
Contributed equity	18	746,563	793,004
Reserves		6,446	18,935
Retained earnings		480,830	270,774
Total equity attributable to equity holders of the parent		1,233,839	1,082,713

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016* $'000	2015* $'000
Cash flows from operating activities			
Receipts from customers		1,505,839	1,803,153
Payments to suppliers and employees		(1,406,264)	(1,532,025)
Dividends received – associates	10	2,500	3,333
Interest received		1,777	3,837
Interest and other costs of finance paid		(15,519)	(22,605)
Income tax paid		(38,054)	(9,489)
Net cash flows from operating activities	20(b)	50,279	246,204
Cash flows from investing activities			
Purchase of property, plant and equipment		(34,432)	(27,005)
Purchase of venue ticketing rights		(10,628)	(26,159)
Purchase of other intangible assets		(12,912)	(6,066)
Proceeds on disposal of property, plant and equipment		–	25
Acquisition of subsidiaries	6(b)	(17,100)	(23,034)
Investment in listed equities and associates	10,11	(88,948)	(18,950)
Proceeds from sale of controlled entities (net of cash acquired)	6(a)	534,670	20,866
Net cash flows from/(used in) investing activities		370,650	(80,323)
Cash flows from financing activities			
Payment of share issue costs		–	(273)
Proceeds from borrowings		670,000	150,000
Repayment of borrowings		(1,027,523)	(178,643)
Shares purchased in the parent held for settlement of Rights Plan	25	–	(12,192)
Share buy-back	18	(49,033)	(61,694)
Loans to associates		(36,700)	(24,136)
Dividends paid	4	(114,699)	(78,824)
Net cash flows (used in)/from financing activities		(557,955)	(205,762)
Net decrease in cash and cash equivalents		(137,026)	(39,881)
Cash and cash equivalents at the beginning of the financial year		179,886	219,767
Cash and cash equivalents at the end of the period	20(a)	42,860	179,886

* The consolidated statement of cash flows includes the cashflows relating to the discontinued operations. As at 30 June 2015, the cash and cash equivalents at the end of the period of $179,886,000 were disclosed as $50,855,000 in continuing operations and $129,031,000 in discontinued operations (note 6a (iv)).

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Contributed equity $'000	Rights Plan Shares $'000	Foreign currency translation reserve $'000	Net unrealised gains reserve $'000	Cash flow hedge reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
At 1 July 2015	801,031	(8,027)	(2,171)	12,504	–	5,431	3,171	270,774	1,082,713
Profit for the period	–	–	–	–	–	–	–	324,755	324,755
Other comprehensive income/(loss) for the period	–	–	892	(9,937)	–	–	–	–	(9,045)
Total comprehensive income/(loss) for the period	–	–	892	(9,937)	–	–	–	324,755	315,710
Share buy-back (Note 18)	(49,033)								(49,033)
Vesting of Rights Plan shares (Note 25(c))	–	2,592	–	–	–	(5,515)	–	–	(2,923)
Share-based payment expense	–	–	–	–	–	2,071	–	–	2,071
Dividends to shareholders	–	–	–	–	–	–	–	(114,699)	(114,699)
At 30 June 2016	751,998	(5,435)	(1,279)	2,567	–	1,987	3,171	480,830	1,233,839

	Contributed equity $'000	Rights Plan Shares $'000	Foreign currency translation reserve $'000	Net unrealised gains reserve $'000	Cash flow hedge reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
At 1 July 2014	862,725	–	(2,845)	15,042	(711)	4,519	3,171	941,749	1,823,650
Loss for the period	–	–	–	–	–	–	–	(592,151)	(592,151)
Other comprehensive income/(loss) for the period	–	–	674	(2,538)	711	–	–	–	(1,153)
Total comprehensive income/(loss) for the period	–	–	674	(2,538)	711	–	–	(592,151)	(593,304)
Share buy-back	(61,694)								(61,694)
Purchase of Rights Plan shares (Note 25(c))	–	(12,192)	–	–	–	–	–	–	(12,192)
Vesting of Rights Plan shares (Note 25(c))	–	4,165	–	–	–	(4,165)	–	–	–
Share-based payment expense	–	–	–	–	–	5,077	–	–	5,077
Dividends to shareholders	–	–	–	–	–	–	–	(78,824)	(78,824)
At 30 June 2015	801,031	(8,027)	(2,171)	12,504	–	5,431	3,171	270,774	1,082,713

Notes to the Consolidated Financial Statements for the year ended 30 June 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated entity consisting of Nine Entertainment Co. Holdings Limited and its controlled entities (collectively, the Group) for the year ended 30 June 2016 and was authorised for issue in accordance with a resolution of the Directors on 25 August 2016.

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

The nature of the operations and principal activities of the Group is described in the Directors' Report. Information on the Group's structure is provided in Note 27. Information on other related party relationships is provided in Note 26.

(a) Basis of preparation

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for derivative financial instruments and investments in listed equities which have been measured at fair value and investments in associates which have been accounted for using the equity method.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which the class order applies.

The consolidated financial statements provide comparative information in respect of the previous period, which is reclassified where necessary in order to provide consistency with the current financial year.

(b) Statement of compliance

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

(c) Changes in accounting policies

Accounting standards adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and which may impact the Group's financial statements have not been adopted by the Group for the annual reporting period ending 30 June 2016. The Group has not yet assessed the impact which these recently issued or amended standards will have on the Group's financial statements. The standards which may impact the Group's financial report are as follows:

- AASB 15 *Revenue from Contracts with Customers* – The AASB has issued a new standard for the recognition of revenue due to be effective 1 January 2018. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.
- AASB 9 *Financial Instruments* (effective date 1 January 2018) – The AASB released the final version of AASB 9 in January 2015. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
- AASB 16 *Leases* (effective date 1 January 2019) – The AASB issued a new standard which, amongst other things, will have the impact of requiring the Group to account for material operating leases in a similar manner to which it already accounts for finance leases.
- AASB 107 *Statement of Cash flows* (effective date 1 January 2017) – The AASB has amended this standard to require disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

Accounting policies

The accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2015 annual financial report.

(d) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Nine Entertainment Co. Holdings Limited (the parent entity) and all entities that Nine Entertainment Co. Holdings Limited controlled from time to time during the year and at the reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Information from the financial statements of subsidiaries is included from the date the parent entity obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the parent entity has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting year as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(e) Significant accounting estimates, judgements and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates, judgements and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Impairment of goodwill and television licences with indefinite useful lives

The Group determines whether goodwill and television licences with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and television licences with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and television licences with indefinite useful lives are discussed in Note 14.

Onerous contract provisions

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

Carrying value of program rights

The Group recognises program rights which are available for use. These are capitalised and amortised over the useful life of the content. The assessment of the appropriate carrying value of these rights requires estimation by management of the forecast future cash flows which will be derived from that content. This estimate is based on a combination of market conditions and the value generated from the broadcast of comparable programs.

(f) Income tax

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities based on the current year's taxable income. The tax rules and tax laws used to compute the amount are those that are enacted at the balance date.

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in other comprehensive income and not in the profit or loss for the year.

(g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Foreign currency translation

Both the functional and presentation currency of Nine Entertainment Co. Holdings Limited and its Australian subsidiaries is Australian dollars (A$). Each foreign entity in the Group determines its own functional currency and items included in the financial statements of each foreign entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to the statement of comprehensive income, with the exception of those items that are designated as hedges which are recognised in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of overseas subsidiaries are translated into the presentation currency of Nine Entertainment Co. Holdings Limited at the rate of exchange ruling at the reporting date and statements of comprehensive income are translated at the weighted average exchange rates for the year. The exchange differences arising on translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Comprehensive Income.

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, and short-term deposits.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis at each division. Individual debts that are known to be uncollectible are written off when identified. A provision for impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original trade terms. Factors considered as objective evidence of impairment include ageing and timing of expected receipts and the creditworthiness of counterparties. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Program rights

Television programs which are available for use, including those acquired overseas, are recorded at cost less amounts charged to the Statement of Comprehensive Income based on the useful life of the content and management's assessment of the future years of benefit, which is regularly reviewed with additional write-downs made as considered necessary.

(m) Investments and Other Financial Assets

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

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

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

Investments in listed equities are non-derivative financial assets, principally equity securities, which meet the definition of equity instruments. Upon initial recognition under AASB 9, the Group made an irrevocable election, on an instrument by instrument basis, to present subsequent changes in the fair value of its investments in listed equities in a separate component of equity. Dividends from investments in listed equities are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis; and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(n) Investments in associates and joint arrangements

The Group's investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Group has significant influence and which are not subsidiaries.

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

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

The investment in the associate or joint venture is carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated Statement of Comprehensive Income reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associate's or joint venture's equity, the Group recognises its share of any movements directly in equity. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

(o) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation and amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold buildings – 20 to 40 years
- leasehold improvements – lease term; and
- plant and equipment – 2 to 15 years

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

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Disposal

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

(p) Borrowing costs

Interest is recognised as an expense when it is incurred. Debt establishment costs are capitalised and expensed over the term of the loan.

(q) Intangible assets

Licences

Licences are carried at cost less any accumulated impairment losses.

Television licences are renewable every five years under the provisions of the Broadcasting Services Act 1992. Whilst certain of the television licences continue to be subject to Government legislation and regulation by the Australian Communications and Media Authority, the Directors have no reason to believe the licences will not be renewed.

The Directors regularly assess the carrying value of licences so as to ensure they are not carried at a value greater than their recoverable amount.

No amortisation is provided against these assets as the Directors consider that the licences are indefinite life intangible assets.

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets

Intangible assets acquired separately are capitalised at cost, and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Costs incurred to develop software for internal use and websites are capitalised and amortised over the estimated useful life of the software. Costs related to design or maintenance of internal-use software and website development are expensed as incurred.

Venue ticketing rights are amortised over their contractual period. Where amortisation is charged on assets with finite lives, this expense is taken to the Statement of Comprehensive Income.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Income when the net asset is derecognised.

(r) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(s) Trade and other payables

Trade and other payables are carried at amortised cost.

Liabilities are brought to account for amounts payable in relation to goods received and services rendered, whether or not billed to the Group at reporting date. The Group operates in a number of diverse markets, and accordingly the terms of trade vary by business.

(t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised costs using the effective interest method.

(u) Provisions

Provisions are recognised when the Group has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other events, it is probable that a future sacrifice of economic benefit will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(v) Pensions and other post-employment benefits

The Group contributes to a defined benefit superannuation fund which requires contributions to be made to a separately administered fund.

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

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

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

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

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

(w) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date including related on-costs. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee.

The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and years of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(x) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or equipment or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(y) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

(z) Derivative financial instruments

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in profit or loss for the year. Any gain or loss attributable to the hedged risk on re-measurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in profit or loss for the year. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised through the profit or loss for the year such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts and cross currency principal and interest rate swaps and options) to hedge firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the profit or loss for the year. When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to profit or loss in the same year in which the hedged firm commitment affects net profit or loss, for example when the future sale actually occurs.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

(aa) Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss for the year.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is (or continues to be) recognised, are not included in a collective assessment of impairment.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss for the year, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ab) Contributed equity

Ordinary shares are classified as equity. Issued capital is recognised at the fair value of the consideration received by the Group, less transaction costs. The Group provided remuneration to senior management in the form of share-based payments, whereby employees render services as consideration for equity instruments. In the Group's financial statements the transactions of these share-based payments are settled through a plan trust and are treated as being executed by the Group (an external third party acts as the Group's agent). Where shares to satisfy the Rights Plan are purchased by the third party, the consideration paid is deducted from total shareholders' equity and the shares are treated as treasury shares until they are subsequently vested, sold, reissued or cancelled. Where such shares are vested, sold or reissued, any consideration received is included in shareholders' equity.

(ac) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Television and Digital

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

Live (Discontinued Operations)

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

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

Interest

Revenue is recognised as the interest accrues using the effective interest method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

(ad) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any Non-Controlling interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the Statement of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets required.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(ae) Share-based payments

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

The cost for equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in share-based payment reserves, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. Refer to Note 25(c). The cumulative expense recognised at each reporting date, until vesting dates, reflects the extent to which the vesting period has expired. The share-based payments can be settled with either cash or equity at the election of the Group.

(af) Assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through sale or a distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to sell or distribute are the incremental costs directly attributable to the sale or distribution, excluding the finance costs and income tax expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The criteria for held for sale or for distribution classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision to sell or distribute will be withdrawn. Management must be committed to the sale or distribution expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or distribution.

Assets and liabilities classified as held for sale or distribution are presented separately as current items in the statement of financial position except where contracted maturity falls in excess of one year from balance date.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale or distribution, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations;

or

- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Comprehensive Income.

Additional disclosures are provided in Note 6(a). All other notes to the financial statements include amounts for continuing operations, unless otherwise stated.

2. SEGMENT INFORMATION

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

- Television – includes free to air television activities.
- Digital – includes Nine Digital Pty Limited (formerly ninemsn Pty Limited) and other digital activities.

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

Segment performance is evaluated based on continuing operations segment EBITDA before specific items (refer to Note 3(iv)) which are included in corporate costs or disclosed separately in the table below. Group finance costs, interest income and income taxes are managed on a Group basis and are not allocated to operating segments.

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

Year ended 30 June 2016	Television $'000	Digital $'000	Consolidated $'000
(i) Segment revenue			
Operating revenue	1,129,966	149,896	1,279,862
Inter-segment revenue	1,290	–	1,290
Total segment revenue	1,131,256	149,896	1,281,152
Reconciliation of segment revenue from continuing operations to the Consolidated Statement of Comprehensive Income			
Dividend received from investment in listed entity			2,496
Interest income			4,002
Inter-segment eliminations			(1,290)
Revenue from continuing operations per the Consolidated Statement of Comprehensive Income			1,286,360

Year ended 30 June 2016	Television $'000	Digital $'000	Consolidated $'000
(ii) Segment result			
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	183,453	26,007	209,460
Depreciation and amortisation	(26,481)	(5,543)	(32,024)
Segment earnings before interest and tax (EBIT)	156,972	20,464	177,436
Share of associates' net profit after tax			2,111
EBIT after share of associates			179,547
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income			
Corporate costs			(10,089)
Interest income			4,002
Finance costs			(9,367)
Profit from continuing operations before tax and before specific items			164,093
Tax			(45,542)
Profit from continuing operations after tax and before specific items			118,551
Specific items (refer note 3(iv))			(105,567)
Specific finance cost (refer note 3(v))			(1,477)
Tax on specific items			21,716
Profit from continuing operations after tax and specific items			33,223

Year ended 30 June 2015	Television $'000	Digital $'000	Consolidated $'000
(i) Segment revenue			
Operating revenue	1,214,977	156,394	1,371,371
Inter-segment revenue	6,259	7,833	14,092
Total segment revenue	1,221,236	164,227	1,385,463
Reconciliation of segment revenue from continuing operations to the Consolidated Statement of Comprehensive Income			
Gain on sale of HWW Pty Ltd (Note 6(b)(ii))			10,341
Interest income			2,186
Inter-segment eliminations			(14,092)
Revenue from continuing operations per the Consolidated Statement of Comprehensive Income			1,383,898

2. SEGMENT INFORMATION (continued)

Year ended 30 June 2015	Television $'000	Digital $'000	Consolidated $'000
(ii) Segment result			
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	205,984	21,950	227,934
Depreciation and amortisation	(26,205)	(3,568)	(29,773)
Segment earnings before interest and tax (EBIT)	179,779	18,382	198,161
Share of associates' net profit after tax			3,353
EBIT after share of associates			201,514
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income			
Corporate costs			(14,375)
Interest income			2,186
Finance costs			(30,462)
Profit from continuing operations before tax and before specific items			158,863
Tax			(47,281)
Profit from continuing operations after tax and before specific items			111,582
Specific items (refer note 3(iv))			(847,235)
Tax on specific items			138,029
Loss from continuing operations after tax and specific items			(597,624)

	2016	2015
Earnings/(loss) per share from continuing operations		
Basic and diluted profit/(loss) before specific items	$0.13	$0.12
Basic and diluted profit/(loss) after specific items	$0.04	($0.64)

Geographic information

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

Major customers

The Group did not have any customers which accounted for more than 10% of operating revenue for the year (2015: nil).

3. REVENUES AND EXPENSES

	2016 $'000	2015 $'000
Profit/(loss) before income tax expense includes the following revenues and expenses:		
(i) Revenues and income from continued operations		
Revenue from rendering services	1,279,862	1,371,365
Gain on disposal of HWW Pty Ltd (Note 6(b)(ii))	–	10,341
Profit on sale of non-current assets	–	6
Dividend received from investment in listed entity	2,496	–
Interest	4,002	2,186
Total revenues and income from continuing operations	1,286,360	1,383,898
(ii) Expenses from continuing operations		
Television activities	1,060,221	1,885,323
Other activities	160,357	159,838
Total expenses from continuing operations	1,220,578	2,045,161
(iii) Other expense disclosures from continuing operations (included in expenses (ii) above)		
Depreciation of non-current assets		
Buildings	2,352	2,778
Plant and equipment	23,451	22,982
Total depreciation	25,803	25,760
Amortisation of non-current assets		
Plant and equipment under finance lease	43	53
Leasehold property	1,864	1,881
Other assets	4,581	2,345
Total amortisation	6,488	4,279
Total depreciation and amortisation expense	32,291	30,039
Salary and employee benefit expense (included in expenses (ii) above)	345,073	349,105
Program rights (included in expenses (ii) above)	455,870	466,341
(iv) Specific items from continuing operations included in revenues and income (i) and expenses (ii) above:		
Goodwill impairment (Note 14)	17,227	667,317
Licence impairment (Note 14)	16,086	99,483
Program stock writedown	47,931	57,429
Onerous contracts	7,299	–
Write-off of loans to DailyMail.com Australia Pty Ltd (Note 10(b))	5,905	–
Investment writedown (Note 10)	512	25,019
Gain on disposal of HWW Pty Ltd (Note 6(b)(ii))	–	(10,341)
Mark to market of derivatives (Note 29)	405	1,343
Restructuring and termination costs	8,729	1,404
Other	1,473	5,581
Total specific items included in income (i) and expenses (ii) above	105,567	847,235

3. REVENUES AND EXPENSES (continued)

	2016 $'000	2015 $'000
(v) Finance Costs		
Finance costs expensed:		
Interest on debt facilities	8,209	29,187
Amortisation of debt facility and non-cash interest on derivatives	1,151	1,264
Finance leases	7	11
	9,367	30,462
Specific item		
Write off of debt establishment fees for debt cancelled	1,477	–
Total finance costs	10,844	30,462

4. DIVIDENDS PAID AND PROPOSED

(a) Dividends appropriated during the financial year

During the year Nine Entertainment Co. Holdings Limited paid an interim dividend of 8.0 cents per share (amounting to $70,073,492) in respect of the year ending 30 June 2016 and a final dividend of 5.0 cents per share (amounting to $44,625,470) in respect of the year ending 30 June 2015. The Company has not declared any dividend subsequent to 30 June 2016.

(b) Franking credits

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

	2016 $'000	2015 $'000
Franking account balance as at the beginning of the financial year	2,613	1,237
Franking credits that arose from the payment of income tax payable during the financial year	37,654	–
Franking credits that arose from Nine Digital Pty Ltd joining the tax consolidation group	9,778	–
Franking debits that arose from the payment of dividends during the financial year	(49,157)	–
Franking credits that arose from the receipt of dividends	2,163	1,376
Franking account balance at the end of the financial year	3,051	2,613

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

	2016 $'000	2015 $'000
Exempting account balance as at the beginning of the financial year	41,069	75,278
Exempting debit allocated to 30 June 2015 Interim Dividend	–	(16,719)
Exempting debit allocated to 30 June 2014 Final Dividend	–	(17,490)
Exempting account balance at the end of the financial year	41,069	41,069

Nine Entertainment Co. Holdings Limited became a former exempting entity as a consequence of the IPO in December 2013. As a result, the Company's franking account balance at that time was transferred to an exempting account. Exempting credits will generally only be of benefit to certain foreign resident shareholders by providing an exemption from Australian dividend withholding tax. The exempting credits will generally not give rise to a tax offset for Australian resident shareholders.

5. INCOME TAX

	2016 $'000	2015 $'000
(a) Income tax benefit/(expense)		
The prima facie tax expense, using tax rates applicable in the country of operation, on profit, differs from income tax provided in the financial statements as follows:		
Profit/(loss) from continuing operations	57,049	(688,372)
Profit from discontinued operations	415,333	40,675
Profit/(loss) before income tax	472,382	(647,697)
Prima facie income tax expense/(benefit) at the Australian rate of 30%	141,715	(194,309)
Tax effect of:		
Share of associates' net profits	(633)	(1,006)
Difference between tax and accounting profit from disposal of Live	(1,037)	–
Gain on disposal of investments and assets	424	23,868
Deferred tax liability movement in investment and tangible assets	111	839
Impairment and write down of investments	10,376	237,860
Capital losses brought to account	–	(124,000)
Other items – net	(3,329)	1,202
Income tax expense/(benefit)	147,627	(55,546)
Current tax expense	63,381	51,034
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	84,246	(106,580)
Income tax expense/(benefit)	147,627	(55,546)
Aggregate income tax expense/(benefit) is attributable to:		
Continuing operations	23,826	(90,748)
Discontinued operations	123,801	35,202
Income tax expense/(benefit)[1]	147,627	(55,546)

1. The income tax expense/(benefit) includes a specific net tax expense of $100.3 million (2015: $115.1 million benefit) in relation to specific items in Notes 3(iv), 3(v) and 6(a) . This specific net tax expense is allocated as a tax benefit of $21.7 million (2015: $138.0 million) to continuing operations and a tax expense of $122.0 million (2015: $22.9 million) to discontinued operations.

	2016 $'000	2015 $'000
(b) Deferred income taxes		
Deferred income tax assets		
Continuing operations	85,614	202,147
Discontinued operations	–	3,672
Total deferred income tax assets	85,614	205,819
Deferred income tax liabilities		
Continuing operations	(124,516)	(134,413)
Discontinued operations	–	(46,879)
Total deferred income tax liabilities	(124,516)	(181,292)
Net deferred income tax (liabilities)/assets continuing operations	(38,902)	67,734

5. INCOME TAX (continued)

	2016 $'000	2015 $'000	P&L Expense/ (Benefit) Movement $'000
(c) Deferred income tax assets and liabilities at the end of the financial year			
TV licence fees accrued	12,676	17,875	5,199
Employee benefits provision	14,418	14,552	134
Other provisions and accruals	32,328	31,017	(1,311)
Disposal of discontinued operation[1]	–	101,034	124,000
Investments in associates	(3,841)	(1,581)	111
Accelerated depreciation for tax purposes	(118,474)	(155,764)	(37,290)
Other	23,991	17,394	(6,597)
Net deferred income tax assets/(liabilities)	(38,902)	24,527	84,246

1. As at 30 June 2015, in respect of the disposal of Live, the Group recognised previously unrecognised capital losses of $413.3 million (which resulted in a deferred tax benefit of $124.0 million) and a deferred tax liability of $23.0 million.

	2016 $'000	2015 $'000
(d) Deferred income tax assets not brought to account		
Capital losses	–	3,437

In the year ended 30 June 2016 an income tax effect of $2.1 million was taken directly to equity in relation to the fair value movement in listed equities (2015: nil).

(e) Tax consolidation

Effective 6 June 2007, for the purposes of income taxation, Nine Entertainment Co. Holdings Limited and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Nine Entertainment Co. Holdings Limited.

The parent entity has recognised the current tax liability of the tax consolidated group.

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current and deferred taxes to members of the tax consolidated group in accordance with their taxable income for the year. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the head entity, Nine Entertainment Co. Holdings Limited. The Group has applied the group allocation approach to determine the appropriate amount of current and deferred tax to allocate to each member of the tax consolidated group.

6(a). DISCONTINUED OPERATIONS – LIVE BUSINESS

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

	2016 $'000	2015 $'000
(i) Results of the discontinued operation:		
The results of the discontinued operation for the year are presented below:		
Revenue	57,260	240,403
Expenses	(52,144)	(199,728)
Results from operating activities	5,116	40,675
Income tax expense[1]	(1,773)	(35,202)
Results from operating activities, net of tax	3,343	5,473
Gain on sale of discontinued operation[2]	410,217	–
Income tax expense on gain on sale of discontinued operation	(122,028)	–
Profit for the year from discontinued operation[3]	291,532	5,473
(ii) Earnings per share		
Basic and diluted, profit for the year from the discontinued operation	$0.33	$0.01

1. Income tax expense in the prior year includes a deferred tax liability of $23.0 million recognised in respect of the disposal of Live.
2. The profit on disposal includes the recycling of the foreign currency translation reserve loss of $634,000 through profit and loss.
3. The profit from the discontinued operation of $291.5 million (2015: $5.5 million) is attributable entirely to the owners of the Company.

	2016 $'000	2015 $'000
(iii) Cash flows of the discontinued operation were as follows:		
Operating activities	1,120	46,381
Investing activities	(11,293)	(32,016)
Financing activities	–	(6,313)
Net cash flow (outflow)/inflow	(10,173)	8,052
Net cash inflow on disposal		
Cash consideration (net of associated costs)	642,291	–
Less cash held on Trust transferred on disposal	(107,621)	–
Net cash inflow associated with the discontinued operation for the year	534,670	–

6(a). BUSINESS COMBINATIONS (continued)

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

6(b). BUSINESS COMBINATIONS

30 June 2016

There were no material business combinations for the year ended 30 June 2016. In accordance with the agreement with Microsoft, effective 1 November 2013, to acquire the 50% of shares in Nine Digital Pty Limited (formerly Ninemsn Pty Limited) which the Company did not already own, on 1 July 2015 the final tranche for the payment of consideration ($17.1 million) and transfer of shares was completed.

30 June 2015

(i) Acquisition of Pedestrian Group Pty Ltd
On 31 March 2015, the Group acquired 60% of the shares and voting interests in Pedestrian Group Pty Ltd ("Pedestrian") for cash consideration of $9.3 million plus acquisition costs.

Launched in 2005, Pedestrian is Australia's fastest-growing publishing brand. Pedestrian helps advertisers create innovative, engaging and effective campaigns targeted at young Australians. The acquisition of Pedestrian was completed to expand the Group's presence in the youth online publishing website market.

There is a put and call option for the remaining 40% of shares not owned by the Group that can be exercised after three years and before six years from the date of completion. The option exercise price is to be determined at the date of the exercise of the option based on EBITDA of Pedestrian at that time. The Board consists of five Directors with NEC nominating three Directors.

The Group completed an assessment to determine the fair value of the assets acquired and liabilities assumed and determined that there is no significant fair value uplift on acquisition in depreciable assets and that all intangible assets arising from the acquisition are non-amortising in nature. Goodwill of $19.3 million has been recognised, as the purchase price (including put option) exceeds the tangible and intangible assets and liabilities identified, and is allocated to the Digital segment.
None of the goodwill recognised is expected to be deductible for income tax purposes. The option liability has been valued at $11.9 million and has been included as a non-current derivative financial instrument on the balance sheet. This valuation is based on forecast EBITDA after three years discounted to current values. Any changes to the expected value for the option exercise will be accounted for through the Statement of Comprehensive Income.

Pedestrian has been 100% consolidated from the date of acquisition as it is highly probable that the Group will acquire the remaining 40% interest due to the put and call option. As the Group has gained effective control over Pedestrian, no non-controlling interest has been recorded.

There were no other material business combinations for the year ended 30 June 2015.

(ii) Disposals

During the prior period, the Group completed the following disposal:

Company disposed	Disposal date	Interest disposed %	Interest after disposal %
HWW Pty Ltd	1 October 2014	100	–

In October 2014, Nine Digital Pty Limited (formerly ninemsn Pty Limited) completed the sale of wholly-owned subsidiary HWW Pty Ltd to Gracenote, part of the Tribune Media Company for a net disposal price of $20.6 million (net of cash and transaction costs). The gain on disposal was $10.3 million pre-tax (refer to Note 3(iv)) and $7.0 million post-tax. The Group recognised a disposal of net assets of $10.3 million including $9.8 million of goodwill.

7. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Current		
Trade receivables[1]	249,885	266,245
Provision for impairment loss	(1,310)	(1,425)
	248,575	264,820
Related parties receivables (Note 26)	6,285	4,503
Other receivables	31,843	12,375
Total current trade and other receivables	286,703	281,698
Non-Current		
Loans to related parties (Note 26)	59,067	23,548
Total non-current trade and other receivables	59,067	23,548

1. Trade receivables are non-interest bearing and are generally on 30 to 60 day terms.

(a) Provision for impairment loss

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A net release from the provision of $67,000 (2015: impairment $76,000) has been recognised by the Group in the current period.

Operating divisions each have follow-up procedures including contact with debtors to discuss collection of outstanding debts. Impairment provisions are recorded for those debtors where the likelihood of collection is unlikely.

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

Movements in the provision for impairment loss were as follows:

	2016 $'000	2015 $'000
Balance at the beginning of the year	(1,425)	(3,969)
Release/(Charge) for the year	67	(76)
Provision utilised during the year	48	2,364
Discontinued operation re-classification	–	256
Balance at the end of the year	(1,310)	(1,425)

7. TRADE AND OTHER RECEIVABLES (continued)

The ageing analysis of trade receivables is as follows:

		Total	Current	Current CI[1]	0-30 Days PDNI[1]	0-30 Days CI[1]	31-60 Days PDNI[1]	31-60 Days CI[1]	61+ Days PDNI[1]	61+ Days CI[1]
2016	Consolidated	249,885	221,387	–	12,538	–	1,895	–	12,755	1,310
2015	Consolidated	266,245	245,859	–	10,939	–	1,320	–	6,702	1,425

1. Past due but not impaired ("PDNI") or Considered impaired ("CI").

The trade receivables which are past due but not impaired are considered to be recoverable in full.

(b) Credit risk

The maximum exposure to credit risk is the carrying amount of current receivables. For those non-current receivables, the maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables. Collateral is not held as security.

8. PROGRAM RIGHTS

	2016 $'000	2015 $'000
Current		
Program rights	176,622	233,550
Stock provision	(37,419)	(40,913)
Total current program rights	139,203	192,637
Non-current		
Program rights	69,862	42,350
Stock provision	(8,685)	(5,997)
Total non-current program rights	61,177	36,353

9. OTHER ASSETS

	2016 $'000	2015 $'000
Current		
Prepayments	65,366	11,362
Other	7,329	13,774
Total current other assets	72,695	25,136
Non-current		
Prepayment	41,500	80,000
Defined Benefit Fund Asset (Note 22)	19,286	19,508
Other	424	604
Total non-current other assets	61,210	100,112

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Investments at equity accounted amount:

	2016 $'000	2015 $'000
Associated entities – unlisted shares	19,680	19,081

(b) Investments in Associates and Joint Ventures

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

			% interest[1]	
	Principal Activity	**Country of Incorporation**	**30 June 2016**	**30 June 2015**
Australian News Channel Pty Ltd	Pay TV news service	Australia	33	33
DailyMail.com Australia Pty Ltd[2]	Provider of online news content	Australia	–	50
Darwin Digital Television Pty Ltd	Television transmission	Australia	50	50
Intrepica Pty Ltd	Online learning service	Australia	32	30
IEC Exhibitions Pty Ltd[3]	Developer and promoter of touring exhibitions	Australia	–	25
Oztam Pty Ltd	Television audience measurement	Australia	33	33
RateCity Pty Ltd	Operator of a financial product comparison service	Australia	50	50
Stan Entertainment Pty Ltd	Pay TV service	Australia	50	50
TX Australia Pty Ltd	Television transmission	Australia	33	33

1. The proportion of ownership interest is equal to the proportion of voting power held.
2. On 1 February 2016, the Company disposed of its interest in DailyMail.com Australia Pty Ltd.
3. IEC Exhibitions Pty Ltd is an associate of the discontinued operations that was sold on 31 July 2015.

(c) Carrying amount of investments in associates

	2016 $'000	2015 $'000
Balance at the beginning of the financial year	19,081	38,081
Acquired during the period	1,500	6,950
Share of associates' net profit for the year	2,111	3,353
Dividends received or receivable	(2,500)	(3,333)
Write-down of investments	(512)	(25,970)
Carrying amount of investments in associates at the end of the financial year	19,680	19,081

(d) Share of associates and joint ventures net (loss)/profit

The following table illustrates the Group's aggregate share of net profit/(loss) after income tax from associates and joint ventures.

	2016 $'000	2015 $'000
Net profit/(loss) after income tax from continuing operations	(36,592)	(14,512)

(e) Impairment

30 June 2016

Management has determined the accounting fair value less costs to disposal for Australian News Channel Pty Limited to be the likely net proceeds which it is estimated would be received on a disposal of the Group's shares in this entity. This has resulted in an impairment of $512,000 being recognised on the investment in Australian News Channel Pty Limited during the current financial year.

11. INVESTMENT IN LISTED EQUITIES

	2016 $'000	2015 $'000
Opening balance at 1 July	23,813	20,883
Acquisition of Australian shares	88,448	12,000
Mark to market of investment in listed equities	(7,566)	(9,070)
Closing balance at 30 June	104,695	23,813

On 18 March 2016 the Group acquired 9.99% of the shares in Southern Cross Media Group Limited (ASX: SXL) for a total consideration of $88,448,000. Additionally, the Group holds 17.65% of the ordinary issued capital of Yellow Brick Road Limited (ASX: YBR)

The investment in listed equities is classified as a Level 1 instrument as described in Note 29(a). Fair value was determined with reference to a quoted market price.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Construction work in progress $'000	Leased plant and equipment $'000	Total property, plant and equipment $'000
Year ended 30 June 2016						
At 1 July 2015, net of accumulated depreciation and impairment	18,676	8,024	75,701	16,257	111	118,769
Additions	1,623	326	17,312	17,245	–	36,506
Transfer from construction work in progress	–	–	9,722	(9,722)	–	–
Disposals	–	–	(28)	–	–	(28)
Depreciation expense	(2,352)	–	(23,451)	–	–	(25,803)
Amortisation expense	–	(1,864)	–	–	(43)	(1,907)
Transfer to assets held for sale[1]	(3,313)	19	(899)	–	–	(4,193)
At 30 June 2016, net of accumulated depreciation and impairment	14,634	6,505	78,357	23,780	68	123,344
Year ended 30 June 2015						
At 1 July 2014, net of accumulated depreciation and impairment	62,136	8,591	98,491	16,416	179	185,813
Additions	710	–	17,103	13,644	–	31,457
Acquisition of subsidiaries (Note 6(b)(i))	–	–	104	–	–	104
Transfer from construction work in progress	169	1,584	12,050	(13,803)	–	–
Disposals	(34)	(3)	(213)	–	(15)	(265)
Depreciation expense	(2,778)	–	(28,000)	–	–	(30,778)
Amortisation expense	–	(1,911)	–	–	(53)	(1,964)
Transfer to assets held for sale[1]	(41,527)	(64)	(6,534)	–	–	(48,125)
Discontinued operations (Note 6(a))	–	(173)	(17,300)	–	–	(17,473)
At 30 June 2015, net of accumulated depreciation and impairment	18,676	8,024	75,701	16,257	111	118,769

	Freehold land and buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Construction work in progress $'000	Leased plant and equipment $'000	Total property, plant and equipment $'000
At 30 June 2016						
Cost (gross carrying amount)	30,694	14,754	396,948	23,780	417	466,593
Accumulated depreciation and impairment	(16,060)	(8,249)	(318,591)	-	(349)	(343,249)
Net carrying amount	14,634	6,505	78,357	23,780	68	123,344
At 30 June 2015						
Cost (gross carrying amount)	33,176	15,313	371,180	16,257	417	436,343
Accumulated depreciation and impairment	(14,500)	(7,289)	(295,479)	–	(306)	(317,574)
Net carrying amount	18,676	8,024	75,701	16,257	111	118,769

1. Assets held for sale includes $41.8 million (2015 $36.2 million) in respect of the sale of the Willoughby, Sydney site; these are treated as non-current assets. The remaining assets held for sale of $9.3 million relate to assets held in Adelaide. No contract for disposal has been entered into in respect of the remaining assets held for sale however the net proceeds are expected to be in line with their carrying value.

13. LICENCES

	2016 $'000	2015 $'000
Balance at the beginning of the period, net of accumulated impairment	493,870	593,353
Impairment loss[1]	(16,086)	(99,483)
Balance at the end of the period, net of accumulated impairment	477,784	493,870
Cost (gross carrying amount)	1,450,353	1,450,353
Accumulated impairment	(972,569)	(956,483)
Net carrying amount	477,784	493,870

1. Refer to Note 14 for further detail on the recoverable amount of licences.

14. OTHER INTANGIBLE ASSETS

	Goodwill $'000	Venue Ticketing Rights $'000	Other[1] $'000	Total $'000
Year ended 30 June 2016				
At 1 July 2015, net of accumulated amortisation and impairment	506,015	–	8,011	514,026
Purchases	–	–	12,912	12,912
Amortisation expense	–	–	(4,581)	(4,581)
Impairment loss	(17,227)	–	–	(17,227)
At 30 June 2016, net of accumulated amortisation and impairment	488,788	–	16,342	505,130
At 1 July 2014, net of accumulated amortisation and impairment	1,334,179	56,334	14,577	1,405,090
Purchases	–	40,599	6,065	46,664
Disposal of controlled entities (Note 6(b)(ii))	(9,771)	–	(1,123)	(10,894)
Acquisition of controlled entities (Note 6(b)(i))	19,307	–	–	19,307
Amortisation expense	–	(23,627)	(4,678)	(28,305)
Impairment loss	(667,317)	–	–	(667,317)
Discontinued operations (Note 6(a))	(170,383)	(73,306)	(6,830)	(250,519)
At 30 June 2015, net of accumulated amortisation and impairment	506,015	–	8,011	514,026
At 30 June 2016				
Cost (gross carrying amount)	1,335,949	–	37,379	1,373,328
Accumulated amortisation and impairment	(847,161)	–	(21,037)	(868,198)
Net carrying amount	488,788	–	16,342	505,130
At 30 June 2015				
Cost (gross carrying amount)	1,506,332	136,723	31,297	1,674,352
Accumulated amortisation and impairment	(829,934)	(63,417)	(16,456)	(909,807)
Discontinued operations	(170,383)	(73,306)	(6,830)	(250,519)
Net carrying amount	506,015	–	8,011	514,026

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

(a) Allocation of non-amortising intangibles and goodwill

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

	2016 $'000	2015 $'000
Nine Network	466,784	466,784
NBN	11,000	27,086
Total licences	477,784	493,870

	2016 $'000	2015 $'000
Nine Network	421,913	421,913
NBN	–	17,227
Digital	66,875	66,875
Total goodwill	488,788	506,015

(b) Determination of recoverable amount

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

- Nine Network
- NBN
- Digital

The cash flow projections which are used in determining any impairment require management to make significant estimates and judgements. Key assumptions in preparing the cash flow projections are set out below. Management has determined that there is no impairment for Nine Network and Digital as at 30 June 2016.

(c) Impairment losses recognised

As a result of lower than previously expected growth forecast in the regional Free-to-Air television advertising market, the following impairments were recognised during the year:

- An impairment of $16.1 million in respect of NBN's TV licence was recognised in the year ended 30 June 2016 (2015: $99.5 million).
- An impairment of $17.2 million in respect of goodwill relating to NBN was recognised in the year ended 30 June 2016 (2015: $14.3 million).

In the prior year an impairment of $653 million was recognised in respect of goodwill relating to Nine Network.

(d) Key assumptions

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

- The advertising market is assumed to be flat throughout the period of the financial forecasts.
- The Nine Network's share of the Metro Free-to-Air advertising market for the 2017 financial year and in future years is assumed to remain in line with recent historical share which has been achieved.
- The compounded annual growth rate of EBITDA over the period of the financial forecasts is assumed to be broadly consistent with the forecast terminal growth rate of 1.5%.
- The pre-tax discount rate applied to the cash flow projections was 13.6% (2015: 15.3%) which reflects management's best estimate of the time value of money and the risks specific to the Free-to-Air television market not already reflected in the cash flows.
- Terminal growth rate of 1.5% (2015: 2.0%).

14. OTHER INTANGIBLE ASSETS (continued)

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

- The advertising market for Regional Free-to-Air television declines over the 2017 financial year followed by further low single digit declines.
- NBN's share of the Regional Free-to-Air advertising market for the 2017 financial year and in future years is assumed to remain stable.
- NBN's affiliate fee payable (as a % of gross revenue) as a regional broadcaster will remain in line with industry expectations.
- The pre-tax discount rate applied to the cash flow projections was 13.8% (30 June 2015: 14.6%) which reflects management's best estimate of the time value of money and the risks specific to the Free-to-Air television market not already reflected in the cash flows.
- Terminal growth rate of 0.0% (30 June 2015: 2.0%).

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

- The digital industry in terms of digital advertising grows consistent with industry market participant expectations.
- The pre-tax discount rate applied to the cash flow projections was 15.4% (2015: 17.2%) which reflects management's best estimate of the time value of money and the risks specific to the Digital industry.
- Terminal growth rate of 2% (2015: 2%).

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

(e) Sensitivity

The estimated recoverable amounts of the Nine Network and NBN CGUs of $1,257.2 million and $34.6 million respectively are in line with the sum of the carrying amounts of intangible and tangible assets of the respective CGUs. An adverse movement in discount rate of 0.5%, or a decrease in forecast revenue of 1.0% will, if occurring in isolation, result in a further impairment of intangible assets of $74.3 million and $102.1 million respectively. The estimated recoverable amount of the Digital CGU is in excess of the carrying amount of intangibles and any reasonable adverse change in key assumptions would not lead to impairment.

15. TRADE AND OTHER PAYABLES

	2016 $'000	2015 $'000
Current – unsecured		
Trade and other payables[1]	152,619	214,366
Program contract payables[2]	137,784	171,245
Deferred income	37,493	12,518
Total current trade and other payables	327,896	398,129
Non-current – unsecured		
Program contract payables[2]	25,875	37,460
Other[3]	21,925	–
Total non-current trade and other payables	47,800	37,460

1. Terms of trade in relation to trade payables are, on average, 30 to 60 days from the date of invoice. The Group operates in a number of diverse markets and accordingly, the terms of trade vary by business.
2. Program contract creditors are settled according to the contract negotiated with the program supplier.
3. Relates to a deposit in respect of the sale of the Willoughby, Sydney site.

16. INTEREST-BEARING LOANS AND BORROWINGS

	2016 $'000	2015 $'000
Current		
Lease liabilities secured[1] (Note 19(b))	60	23
Total current interest-bearing loans and borrowings	60	23
Non-current		
Bank facilities unsecured[2]	220,425	575,611
Lease liabilities secured1 (Note 19(b))	–	60
Total non-current interest-bearing loans and borrowings	220,425	575,671

1. Lease liabilities are secured by a charge over the assets.
2. Bank facilities include unamortised financing costs of $2,075,000 (2015: $4,389,000).

Credit facilities	Facility type	Maturity	Committed Facility Amount $'000	Facility drawn at 30 June 2016 $'000
Bank facilities				
– Tranche A Syndicated facility[1]	Revolving syndicated facility	16 June 2018	87,500	87,500
– Tranche B Syndicated facility[1]	Revolving syndicated facility	16 June 2019	412,500	135,000
Bank guarantees	Bank guarantees	5 February 2017	15,000	11,192
Working capital facility bilateral facility	Cash advance and other transactional banking facilities	5 February 2017	1,000	–
Total			516,000	233,692*

Credit facilities	Facility type	Maturity	Committed Facility Amount $'000	Facility drawn at 30 June 2015 $'000
Bank facilities				
– Tranche A Syndicated facility[1]	Revolving syndicated facility	16 June 2018	412,500	412,500
– Tranche B Syndicated facility[1]	Revolving syndicated facility	16 June 2019	412,500	167,500
Bank guarantees	Bank guarantees	5 February 2016	15,000	8,896
Working capital facility bilateral facility	Cash advance and other transactional banking facilities	5 February 2016	1,000	–
Total			841,000	588,896*

1. On 5 August 2015 the Group repaid the $580 million which was drawn at 30 June 2015. On 11 August 2015 the Group cancelled $325 million of the Tranche A Syndicated facility.

16. INTEREST-BEARING LOANS AND BORROWINGS (continued)

*Reconciliation of Facility Drawn to Statement of Financial Position	30 June 2016 $'000	30 June 2015 $'000
Total debt drawn (above)	233,692	588,896
Unamortised balance of establishment costs	(2,075)	(4,389)
Bank guarantees	(11,192)	(8,896)
Lease liabilities	60	83
Total debt per Statement of Financial Position	220,485	575,694

Corporate facilities

The corporate facilities entered into by the Group in June 2014 are provided by a syndicate of banks and financial institutions.

These facilities are supported by Group guarantees from most of the Company's wholly-owned subsidiaries but are otherwise provided on an unsecured basis. Details of the assets and liabilities that form these Group guarantees are included in the Extended Closed Group disclosures in Note 28. These facilities impose various affirmative and negative covenants on the Company and the Group, including restrictions on encumbrances, and customary events of default, including a payment default, breach of covenants, cross-default and insolvency events.

As part of the corporate facilities, the Group is subject to certain customary financial covenants measured on a six-monthly basis. The Group has been in compliance with its financial covenant requirements to date including the period ended 30 June 2016.

Assets pledged as security

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

	2016 $'000	2015 $'000
Finance lease		
Plant and equipment (Note 12)	68	111
Total assets pledged as security	68	111

17. PROVISIONS

	Employee entitlements $'000	Onerous contracts $'000	Other $'000	Total $'000
Year ended 30 June 2016				
At 1 July 2015	52,925	2,218	24,489	79,632
Arising during the period	281	5,584	8,328	14,193
At 30 June 2016	53,206	7,802	32,817	93,825
Year ended 30 June 2015				
At 1 July 2014	54,211	7,704	39,018	100,933
(Utilised)/arising during the period	2,219	(5,486)	(12,273)	(15,540)
Discontinued Operations (Note 6(a))	(3,505)	–	(2,256)	(5,761)
At 30 June 2015	52,925	2,218	24,489	79,632
At 30 June 2016				
Current	28,708	4,606	13,942	47,256
Non-current	24,498	3,196	18,875	46,569
Total at 30 June 2016	53,206	7,802	32,817	93,825
At 30 June 2015				
Current	29,782	1,394	11,139	42,315
Non-current	23,143	824	13,350	37,317
Total at 30 June 2015	52,925	2,218	24,489	79,632

Employee Entitlements

Refer to Note 1(w) for a description of the nature and expected timing of provision for employee entitlements.

Onerous contracts

The provision for onerous contracts represents contracts, where due to changes in market conditions, the forecast income is lower than cost for which the Group is currently obligated under the contract. The net obligation under the contracts has been provided for. The provision is calculated as the net of estimated revenue and the estimate of committed program purchase commitments discounted to present values.

Other

During the year a provision was recognised for the value of services which are to be provided by the Group to Nine Live following its disposal. These services are expected to be provided over the next four years. During the year ending 30 June 2014, a provision of $10.7 million was recognised relating to a dispute with the Australian Taxation Office ("ATO") regarding payments the Group made to the International Olympic Committee in relation to the exclusive Australian television broadcast rights for the 2010 Vancouver Winter Olympics and 2012 London Summer Olympic Games without deducting withholding tax. The Group has subsequently paid $5.35 million in respect of the amount in order to reduce any potential interest or penalty charges; however this claim is still ongoing and the Group is still in dispute of the claim. The other provision also includes the value of services required to be provided to Australian Consolidated Press Limited as a requirement of the disposal agreement. These are expected to be incurred on a straight-line basis over the next two-and-a-quarter years.

18. CONTRIBUTED EQUITY

	2016 $'000	2015 $'000
Issued share capital		
Ordinary Shares fully paid	746,563	793,004
	746,563	793,004
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the financial year	793,004	862,725
Purchase of Rights Plan shares (Note 25(c))	–	(12,192)
Vesting of Rights Plan shares (Note 25(c))	2,592	4,165
Share buy-back	(49,033)	(61,694)
Carrying amount at the end of the financial year	746,563	793,004

	2016 Number	2015 Number
Issued share capital		
Ordinary Shares fully paid	871,373,191	903,997,035
Movements in issued share capital – Ordinary Shares		
Balance at the beginning of the financial year	903,997,035	940,295,023
Share buy-back	(32,623,844)	(36,297,988)
Carrying amount at the end of the financial year	871,373,191	903,997,035

At 30 June 2016, a trust on behalf of the Company held 2,703,073 (30 June 2015: 3,971,219) of ordinary fully paid shares in the Company. 2,702,771 were purchased during the prior period for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 25(c) for further details on the performance rights plan. During the current year 280,000 shares were purchased by the trust, with 279,698 shares distributed to certain senior executives in part satisfaction of their short term incentive entitlement for the year to 30 June 2015.

During the year the Group completed an on-market share buy-back of 32,623,844 ordinary shares. The ordinary shares were purchased at an average share price of $1.50 per share. The cost of the share buy-back comprised a purchase consideration of $49,033,220 and associated transaction costs of $80,905.

During the prior year ending 30 June 2015, the Group completed an on-market share buy-back of 36,297,988 ordinary shares. The ordinary shares were purchased at an average share price of $1.70 per share. The cost of the share buy-back comprised a purchase consideration of $61,693,544 and associated transaction costs of $95,201.

Terms and Conditions of Contributed Equity

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up or sale of the Company in proportion to the number of shares held.

19. EXPENDITURE COMMITMENTS

(a) Capital expenditure commitments

	2016 $'000	2015 $'000
(i) Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
• within one year	13,145	12,409
• after one year but not more than five years	1,411	–
• more than five years	88	–
	14,644	12,409
(ii) Television program and sporting broadcast rights contracted for at balance date, but not provided for, payable:		
• after one year but not more than five years	281,153	239,237
• after one year but not more than five years	538,446	282,806
• more than five years	157,342	–
	976,941	522,043
(iii) Live contracts for venue rights and tour promotions contracted for at balance date, but not provided for, payable[1]:		
• within one year	–	22,916
• after one year but not more than five years	–	61,376
	–	84,292

1. These commitments are in respect of discontinued operations.

(b) Lease expenditure commitments

	Minimum lease payments 2016 $'000	Present value of lease payments 2016 $'000	Minimum lease payments 2015 $'000	Present value of lease payments 2015 $'000
(i) Finance lease commitments:				
Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:				
Consolidated				
• within one year	63	60	30	23
• after one year but not more than five years	–	–	63	60
Total minimum lease payments	63	60	93	83
Less amounts representing finance charges	(3)	–	(10)	–
Present value of minimum lease payments	60	60	83	83

19. EXPENDITURE COMMITMENTS (continued)

At 30 June 2016, the Group has finance leases principally relating to various items of equipment and motor vehicles.

These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

	2016 $'000	2015 $'000
(ii) Non-cancellable operating lease commitments:[1]		
Payable within one year	18,794	23,403
Payable after one year but not more than five years	54,406	61,212
Payable more than five years	43,924	35,859
Total non-cancellable operating lease commitments	117,124	120,474

1. This total includes $Nil (2015: $2,714,000) in respect of discontinued operations.

The Group has entered into non-cancellable operating leases. The leases vary in remaining duration but generally have an average lease term of approximately five years. Operating leases include telecommunications rental agreements and leases on assets including motor vehicles, land and buildings and items of plant and equipment. Renewal terms are included in certain contracts, whereby renewal is at the option of the specific entity that holds the lease. On renewal, the terms of the leases are usually renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

20. RECONCILIATION OF THE STATEMENT OF CASH FLOWS

	2016 $'000	2015 $'000
(a) For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash balances representing continuing operations:		
– Cash on hand and at bank	42,860	50,855
Cash balances representing discontinuing operations:		
– Cash on hand and at bank	–	17,623
– Cash held on Trust	–	111,408
Total cash and cash equivalents	42,860	179,886
(b) Reconciliation of profit after tax to net cash flows from operations:		
(Loss)/profit after tax from continuing operations	33,223	(597,624)
Profit after tax from discontinued operation	291,532	5,473
Depreciation and amortisation		
• Property, plant and equipment	28,112	32,742
• Amortisation of ticketing rights	2,074	23,627
• Amortisation of other assets	4,796	4,678
• Amortisation of financing costs	2,314	1,264
Share of associates' net profit	(2,111)	(3,353)
Impairment of assets	33,825	791,819
Provision for doubtful debts	(370)	(1,989)
(Profit)/loss on sale of property, plant and equipment	28	240
(Profit)/loss on disposal of Live	(410,217)	–
(Profit)/loss on sale of other assets	5,905	(8,112)
Management and employee share accounting expense	1,935	5,077
Investment distributions from associates	2,500	3,333
Mark to market on derivatives	405	1,046
Acquisition costs of consolidated entities	–	806
Changes in assets and liabilities:		
Trade and other receivables	(18,135)	25,751
Inventories	177	(42)
Program rights	28,609	24,322
Prepayments	(13,828)	(4,857)
Other assets	5,126	4,239
Payables relating to cash held on Trust	(3,787)	(15,049)
Other payables	(42,321)	34,737
Provision for income tax	25,781	1,358
Provision for employee entitlements	(679)	(3,834)
Other provisions	(8,167)	(11,201)
Deferred income tax liability	83,294	(68,921)
Foreign currency movements in assets and liabilities of overseas controlled entities	258	674
Net cash flows from operating activities	50,279	246,204

21. EVENTS AFTER THE BALANCE SHEET DATE

On 24 August 2016, the Group entered into a non-binding heads of agreement with Warner Bros, in relation to its life of series obligations. Under the original contract, the Group was obliged to purchase a number of US drama and comedy series as they became available, for as long as new series were being released and irrespective of how this content performed in the Australian market. To the extent that such content was loss-making, it was impaired as it became available. For the year ended 30 June 2016, Specific Items included a $46m charge to this effect.

The agreement reached gives the Group the option to exit the life of series obligations in exchange for foregoing the relevant rights to the content. As compensation for exiting the original contract, the agreement includes financial payments of up to $101 million to Warner Brothers, of which approximately $86 million relates to commitments in respect of future series not available for broadcast at 30 June 2016. The Group expects a formal contract to be signed and the option to be exercised during the year ending 30 June 2017, at which time a provision of approximately $86m and corresponding expense will be recognised by the Group.

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

22. SUPERANNUATION COMMITMENTS

Plan information

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the Plan is closed to new members. All new members receive accumulation only benefits.

Regulatory framework

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

Responsibilities for the governance of the Plan

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

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

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

Risks

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

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

The defined benefit assets are invested in the AMP Future Directions Balanced investment option. The assets have a 54% weighting to equities and therefore the Plan has a significant concentration of equity market risk. However, within the equity investments, the allocation both globally and across the sectors is diversified. The assets held to support accumulated benefits, including the accumulation accounts in respect of defined benefit members, are held in the investment options selected by the member.

Significant events

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

Valuation

The actuarial valuation of the defined benefits fund for the year ended 30 June 2016 was performed by Mercer Investment Nominees Limited for the purpose of satisfying accounting requirements.

Reconciliation of the Net Defined Benefit Asset

Financial year ended	30 June 2016 $'000	30 June 2015 $'000
Net defined benefit asset at start of year	(19,508)	(12,976)
Current service cost	829	847
Net interest	(709)	(406)
Actual return on Plan assets less interest income	1,175	(3,721)
Actuarial losses/(gains) arising from changes in financial and demographic assumptions	697	(1,527)
Actuarial gains arising from liability experience	(1,592)	(1,618)
Employer contributions	(178)	(107)
Net defined benefit (asset)/liability at end of year	(19,286)	(19,508)

Reconciliation of the Fair Value of Plan Assets

Financial year ended	30 June 2016 $'000	30 June 2015 $'000
Fair value of Plan assets at beginning of the year	54,787	48,632
Interest income	2,260	1,724
Actual return on Plan assets less Interest income	(1,175)	3,721
Employer contributions	178	107
Contributions by Plan participants	616	718
Benefits paid	(1,559)	–
Taxes, premiums and expenses paid	(128)	(115)
Fair value of planned assets obligations at 30 June	54,979	54,787

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ended	30 June 2016 $'000	30 June 2015 $'000
Present value of defined benefit obligations at beginning of year	35,279	35,656
Current service cost	829	847
Interest cost	1,551	1,318
Contributions by Plan participants	616	718
Actuarial losses arising from changes in financial and demographic assumptions	697	(1,527)
Actuarial losses arising from liability experience	(1,592)	(1,618)
Benefits paid	(1,559)	–
Taxes, premiums and expenses paid	(128)	(115)
Present value of defined benefit obligations at 30 June	35,693	35,279

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

22. SUPERANNUATION COMMITMENTS (continued)

Fair value of Plan assets

As at 30 June 2016, total Plan assets of $54,979,000 are held in AMP Future Directions Balanced investment option.

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

As at	30 June 2016	30 June 2015[1]
Australian Equity	23%	28%
International Equity	31%	29%
Fixed Income	16%	15%
Property	8%	6%
Alternatives/Other	12%	18%
Cash	10%	4%

1. Asset allocation as at 31 May 2015, consistent with the allocation shown in last year's report.

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

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

Significant Actuarial Assumptions

As at	30 June 2016	30 June 2015
Assumptions to Determine Benefit Cost		
Discount rate	4.2% pa	3.6% pa
Expected salary increase rate	3.0% pa	3.0% pa
Assumptions to Determine Benefit Obligation		
Discount rate	3.1% pa	4.2% pa
Expected salary increase rate	2.0% pa	3.0% pa

Sensitivity Analysis

The defined benefit obligation as at 30 June 2016 under several scenarios is presented below.

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

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

% p.a.	Base Case	Scenario A –0.5% pa discount rate	Scenario B +0.5% pa discount rate	Scenario C –0.5% pa salary increase rate	Scenario D +0.5% pa salary increase rate
Discount rate	3.1% pa	2.6% pa	3.6% pa	3.1% pa	3.1% pa
Salary increase rate	2.0% pa	2.0% pa	2.0% pa	1.5% pa	2.5% pa
Defined benefit obligation ($'000s)[1]	35,693	37,154	34,307	34,497	36,940

1. Includes defined benefit contributions tax provision.

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

Funding arrangements

The financing objective adopted at the 1 July 2015 actuarial investigation of the Plan, in a report dated 25 February 2016, is to maintain the value of the Plan's assets at least equal to:

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

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

Defined Benefit members:

Category	Employer Contributions Rate (% of Salaries)
A	nil
A1	nil

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

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

Accumulations members:

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

22. SUPERANNUATION COMMITMENTS (continued)

Expected Contributions

Financial year ending	30 June 2017 $'000
Expected employer contributions	–

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2016 is seven years (30 June 2015: eight years).

Expected benefit payments for the financial year ending on:	$'000
30 June 2017	2,944
30 June 2018	2,886
30 June 2019	3,010
30 June 2020	4,028
30 June 2021	2,543
Following five years	18,152

23. CONTINGENT LIABILITIES AND RELATED MATTERS

	2016 $'000	2015 $'000
Contingent liabilities are unsecured and related primarily to the following:		
Controlled Entities		
The consolidated entity has made certain guarantees regarding contractual leases, performance and other commitments	11,192	8,896

The probability of having to meet these contingent liabilities is less than probable, and there are uncertainties relating to the amount and the timing of any outflows.

24. AUDITORS' REMUNERATION

	2016 $	2015 $
Amounts received, or due and receivable, by the auditor of the parent entity for:		
Audit and review of the financial report of the entity	499,858	735,717
Taxation services	733,370	853,481
Assurance related services	50,462	45,707
Other non-audit services	58,780	33,000
Total auditors' remuneration	1,342,470	1,667,905

25. KEY MANAGEMENT PERSONNEL DISCLOSURES AND SHARE-BASED PAYMENTS

(a) Remuneration of Key Management Personnel

Total remuneration for Key Management Personnel for the Group and Parent Entity during the financial year are set out below. The Key Management Personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly, including the Directors of Nine Entertainment Co. Holdings Limited:

Remuneration by category	2016 $	2015 $
Short-term employee benefits	5,991,964	6,552,507
Post-employment benefits	163,572	148,614
Long-term benefits	359,445	60,149
Termination benefits	3,555,403	–
Share-based payments	1,376,945	3,486,298
Total remuneration of Key Management Personnel	11,447,329	10,247,568

Detailed remuneration disclosures are provided in the Remuneration Report on pages 27 to 44.

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

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

(c) Share-based payments

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

Employment vesting conditions are as follows:

- If the Participant is not employed by the Company on a particular vesting date the Participant either:
  - having been summarily dismissed; or
  - having terminated his/her employment agreement otherwise than in accordance with the terms of that agreement

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

25. KEY MANAGEMENT PERSONNEL DISCLOSURES AND SHARE-BASED PAYMENTS (continued)

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

On 10 December 2013, the Company granted 6,183,414 performance rights ("Rights") to certain senior management following the Company's listing on the ASX. The Rights were issued at fair value of $2.05 per share, resulting in a cost of $1,288,569 for the period ended 30 June 2016 (30 June 2015: $5,076,500) which has been expensed in the profit and loss for the period and included in the share-based payments reserve in equity during the period.

During the year to 30 June 2015, 6,003,083 shares in the parent entity to the value of $12,192,321 were purchased by a trust on behalf of the Company. These shares have and will continue to be used by the trust to satisfy grants to holders of the Rights on vesting in lieu of the Company issuing new shares. The consideration paid to the trust to acquire these shares has been deducted from total shareholders' equity (refer to Note 18).

On 11 December 2014, 2,031,864 Rights vested and the shares were issued to senior management. On 11 December 2015, 1,996,091 Rights vested, resulting in 1,264,384 shares being transferred to employees. 167,477 Rights were forfeited in the period as employees left the Group (30 June 2015: 136,602).

1,851,380 Rights are due to vest on 11 December 2016 (some of which will be settled in cash in accordance with the plan rules).

In accordance with his termination agreement, the 1,463,414 Rights which David Gyngell held on the termination of his employment are to be cash settled. 731,707 of these rights were settled at a cost of $1,321,119 on vesting on 11 December 2015 and 731,707 Rights will vest on 11 December 2016 at a price to be determined based on a volume weighted average price of the shares of the Company in the 5 days immediately preceding vesting. This has resulted in a cost being recognised in the period of $604,166 as a Specific item, in respect of the tranche to vest on 11 December 2016, over and above the costs of these Rights which were recognised throughout the term of his employment, and a creditor of $1,499,999 being recognised as an estimate of the amount which will be paid on vesting in December 2016, based on the fair value of the Rights on granting of $2.05.

In accordance with his termination agreement, the 340,813 Rights which Simon Kelly held on the termination of his employment are to be cash settled. 340,813 Rights will vest on 11 December 2016 at a price to be determined based on a volume weighted average price of the shares of the Company in the 5 days immediately preceding vesting. This has resulted in a cost being recognised in the period of $174,666 as a Specific item, in respect of the tranche to vest on 11 December 2016, over and above the costs of these Rights which were recognised throughout the term of his employment, and a creditor of $698,667 being recognised as an estimate of the amount which will be paid on vesting in December 2016, based on the fair value of the Rights on granting of $2.05.

In accordance with his termination agreement, the 182,802 Rights which Peter Wiltshire held on the termination of his employment are to be cash settled. 100,163 Rights will vest on 11 December 2016 and 82,639 Rights will vest on 30 June 2018 (subject to performance conditions being met) at a price to be determined based on a volume weighted average price of the shares of the Company in the 5 days immediately preceding vesting. This has resulted in a cost being recognised in the period of $45,629 as a Specific item, in respect of the tranche to vest on 11 December 2016, and $67,433 in respect of the tranche to vest on 30 June 2018, over and above the costs of these Rights which were recognised throughout the term of his employment, and a creditor of $295,245 being recognised as an estimate of the amount which will be paid on vesting, based on the fair value of the Rights on granting of $2.05 and $1.09 respectively.

During the year, the Company granted or agreed to grant 2,952,588 performance rights ("New Rights") to certain senior management, with effective grant dates of 1 July 2015 or on the date of commencement of employment, where later. 334,025 rights were forfeited in the period as employees left the Group. The New Rights will vest on 1 July 2018 dependent upon certain hurdles being met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2015 to 30 June 2018. As at 30 June 2016 it has been assumed that all New Rights will vest. Each New Right has been valued at an average of $1.09, resulting in a cost of $782,839 for the period to 30 June 2016. That portion of the New Rights to be granted to the Chief Executive Officer remain subject to shareholder approval.

26. RELATED PARTY DISCLOSURES

Parent entity

Nine Entertainment Co. Holdings Limited is the ultimate parent entity of the Group incorporated within Australia and is the most senior parent in the Group which produces financial statements available for public use.

Controlled entities, associates and joint arrangements

Interests in significant controlled entities are set out in Note 27.

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

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 25.

Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year end, refer to Note 7:

	2016 $'000	2015 $'000
Rendering of services to and other revenue from –		
Associates of Nine Entertainment Co.		
Stan Entertainment Pty Ltd	6,332	11,108
DailyMail.com Australia Pty Ltd	–	579
Other	123	25
Dividends received from –		
Listed Equity investments of Nine Entertainment Co.:		
Southern Cross Media	2,496	–
Associates of Nine Entertainment Co.:		
Australian News Channel Pty Ltd	1,300	2,333
Oztam Pty Ltd	1,200	1,000

	2016 $'000	2015 $'000
Amounts owed by related parties –		
Stan Entertainment Pty Ltd	6,124	4,136
Ratecity Pty Ltd	161	328
Other	–	39
Loans to related parties –		
Stan Entertainment Pty Ltd[1]	55,623	16,606
IEC Exhibitions Pty Ltd[1,3]	–	6,313
Darwin Digital Television Pty Ltd[2]	2,760	2,760
DailyMail.com Australia Pty Ltd[1]	–	3,498
Other[2]	684	684

1. The loans granted to these related parties are interest bearing on interest rates that prevail on arm's length transactions.
2 The loans granted to these related parties are non-interest bearing.
3. This relates to discontinued operations of the Group.

26. RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties

All of the above transactions were conducted under normal commercial terms and conditions. Outstanding balances at the year end in relation to these transactions, disclosed under amounts owed by related parties, are made on terms equivalent to those that prevail on arm's length transactions, are interest free, unless otherwise stated, and settlement occurs in cash.

For the year ended 30 June 2016, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

27. INVESTMENT IN ENTITIES

The consolidated financial statements include the financial statements of Nine Entertainment Co. Holdings Limited and its controlled entities. Significant controlled entities and those included in a class order with the parent entity are:

	Footnote	Place of Incorporation	Beneficial Interest Held by the Consolidated Entity 2016 %	Beneficial Interest Held by the Consolidated Entity 2015 %
Nine Entertainment Co. Holdings Ltd	A, B	Australia	Parent Entity	Parent Entity
A.C.N. 604 938 534 Pty Ltd[2,3]	A	Australia	–	100
Channel 9 South Australia Pty Ltd	A, B	Australia	100	100
ecorp Pty Ltd	A, B	Australia	100	100
Eventopia Pty Ltd[2]	B	Australia	–	100
Events Management Catering Pty Limited[2,3]	A, B	Australia	–	100
General Television Corporation Pty Limited	A, B	Australia	100	100
Mi9 New Zealand Limited[1]		New Zealand	100	100
Micjoy Pty Ltd		Australia	100	100
NBN Enterprises Pty Limited	A, B	Australia	100	100
NBN Pty Ltd	A, B	Australia	100	100
Nine Films & Television Pty Ltd	A, B	Australia	100	100
Nine Films & Television Distribution Pty Ltd	B	Australia	100	100
Nine Network Australia Pty Ltd	A, B	Australia	100	100
Nine Network Australia Holdings Pty Ltd	A, B	Australia	100	100
Nine Network Marketing Pty Ltd	B	Australia	100	100
Nine Network Productions Pty Limited	A, B	Australia	100	100
Nine Entertainment Group Pty Limited	A, B	Australia	100	100
NEC Mastheads Pty Ltd	A, B	Australia	100	100
Nine Entertainment Co. Pty Ltd	A, B	Australia	100	100
Nine Touring and Events Pty Ltd[2,3]	A, B	Australia	–	100
Nine Rewards Pty Ltd[2]	B	Australia	–	100
Nine Digital Pty Ltd (formerly Ninemsn Pty Ltd)[1,3]	A, B	Australia	100	100
Pay TV Holdings Pty Limited	A, B	Australia	100	100
Petelex Pty Limited	A, B	Australia	100	100
Pedestrian Corporation Holdings Pty Limited[4]		Australia	100	100
Pedestrian Group Pty Limited[4]		Australia	100	100
Pink Platypus Pty Ltd	B	Australia	100	100
Queensland Television Holdings Pty Ltd	A, B	Australia	100	100
Queensland Television Pty Ltd	A, B	Australia	100	100
Shertip Pty Ltd	A, B	Australia	100	100

	Footnote	Place of Incorporation	Beneficial Interest Held by the Consolidated Entity 2016 %	Beneficial Interest Held by the Consolidated Entity 2015 %
Softix Pty. Limited[2]	B	Australia	–	100
Swan Television & Radio Broadcasters Pty Ltd	A, B	Australia	100	100
Sydney Superdome Pty Ltd[2,3]	A, B	Australia	–	100
TCN Channel Nine Pty Ltd	A, B	Australia	100	100
Television Holdings Darwin Pty Limited	A, B	Australia	100	100
Territory Television Pty Ltd	A, B	Australia	100	100
Ticketek Pty Ltd[2,3]	A, B	Australia	–	100
Ticketek New Zealand Limited[2]	B	New Zealand	–	100
Ticketek Services Limited[2]	B	New Zealand	–	100
Tipstone Australia Pty Ltd[1]		Australia	100	100
White Whale Pty Ltd	A, B	Australia	100	100
5th Finger Pty Ltd[1]		Australia	100	100

A. These controlled entities have entered into a deed of cross guarantee with the parent entity under ASIC Class Order 98/1418 – the "Closed Group" (refer to Note 28).

B. Members of the "Extended Closed Group" (refer to Note 16 and Note 28 for further detail).

1. During the year to 30 June 2014, the Company agreed to acquire the remaining 50% interest in in Nine Digital Pty Limited (formerly ninemsn Pty Limited) and its controlled entities ("Nine Digital") it did not already own to effectively gain control as of 1 November 2013 (refer to Note 6(b)). As a consequence, the results of Nine Digital have been consolidated from 1 November 2013 with equity accounting ceasing at that time. The transfer of shares during the current financial year was 16.67%, taking the legal ownership to 100% at the end of the year (June 2015: 83.33%).
2. On 31 July 2015, the Company sold its 100% interest in A.C.N. 604 938 534 Pty Ltd, and so disposed of its interest in Eventopia Pty Ltd, Events Management Catering Pty Limited, Nine Touring and Events Pty Ltd, Nine Rewards Pty Ltd, Softix Pty Limited, Sydney Superdome Pty Ltd, Ticketek Pty Ltd, Ticketek New Zealand Limited and Ticketek Services Limited.
3. Nine Digital Pty Ltd (formerly Ninemsn Pty Ltd) became a party to the Deed of Cross-Guarantee on 15 July 2015 and a party to the Group's syndicated oan facility on 31 July 2015. A.C.N. 604 938 534 Pty Ltd, Events Management Catering Pty Ltd, Nine Touring and Events Pty Ltd, Sydney SuperDome Pty Ltd and Ticketek Pty Ltd ceased to be parties to the Deed of Cross-Guarantee on 31 July 2015 and in accordance with a Notice of Disposal of the Live business Events Management Catering Pty Ltd, Nine Touring and Events Pty Ltd, Sydney SuperDome Pty Ltd and Ticketek Pty Ltd ceased to be parties to the Group's syndicated loan facility on 31 July 2015.
4. As detailed in note 6(b) the Group currently owns 60% of the shares in these entities, however they are consolidated 100% in accordance with accounting standards.

28. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 and various deeds of cross guarantee entered into with the parent entity, certain controlled entities of Nine Entertainment Co. Holdings Limited have been granted relief from the Corporations Act 2001 requirements for preparation, audit and publication of accounts.

The Consolidated Statement of Comprehensive Income of the entities which are members of the "Closed Group" and the "Extended Closed Group" for the year ended 30 June 2016 is as follows:

	Closed Group[1]		Extended Closed Group	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Consolidated Statement of Comprehensive Income				
Profit/(loss) from continuing operations before income tax	470,536	(715,099)	470,131	(716,135)
Income tax (expense)/benefit	(146,320)	103,886	(146,606)	103,886
Net profit/(loss) after income tax from continuing operations	324,216	(611,213)	323,525	(612,249)
Profit from discontinued operations after income tax	–	1,562	–	5,473
Net profit/(loss) attributable to members of the parent	324,216	(609,651)	323,525	(606,776)
Dividends paid during the period	(114,519)	(78,824)	(114,519)	(78,824)
Accumulated losses of disposed entities	43,886	–	27,130	–
Accumulated profits at the beginning of the financial year	212,972	901,447	239,035	924,635
Accumulated profits at the end of the financial year	466,555	212,972	475,171	239,035

1. Closed Group are those entities party to the Deed of Cross Guarantee.

The consolidated statement of financial position of the entities which are members of the "Closed Group" and the "Extended Closed Group" for the year ended 30 June 2016 is as follows:

	Closed Group[1]		Extended Closed Group	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current assets				
Cash and cash equivalents	37,139	41,816	37,139	41,816
Trade and other receivables	283,530	239,476	283,530	239,476
Program rights	139,203	192,637	139,203	192,637
Derivative financial instruments	–	–	31	436
Property, plant and equipment held for sale	9,338	11,916	9,338	11,916
Other assets	72,157	31,502	72,157	31,502
Assets from discontinued operations	–	405,399	–	424,107
Total current assets	541,367	922,746	541,398	941,890
Non-current assets				
Receivables	74,155	6,941	59,068	6,941
Program rights	61,177	36,353	61,177	36,353
Investment in associates accounted for using the equity method	19,680	13,798	19,680	13,798
Investment in group entities	28,292	160,124	28,282	160,114
Investment in listed or unlisted equities	95,611	–	104,694	23,812
Property, plant and equipment	123,036	115,092	123,036	115,092
Licences	477,784	493,870	477,784	493,870
Other intangible assets	485,823	439,385	485,823	439,385
Deferred tax assets	–	63,766	–	63,766
Property, plant and equipment held for sale	41,823	36,209	41,823	36,209
Other assets	61,210	99,588	61,210	99,588
Total non-current assets	1,468,591	1,465,126	1,462,577	1,488,928
Total assets	2,009,958	2,387,872	2,003,975	2,430,818
Current liabilities				
Trade and other payables	324,263	358,467	325,366	358,156
Interest-bearing loans and borrowings	60	23	60	23
Current income tax liabilities	29,607	–	30,465	–
Provisions	45,662	33,090	45,662	33,090
Derivative financial instruments	–	297	–	297
Liabilities from discontinued operations	–	208,102	–	227,233
Total current liabilities	399,592	599,979	401,553	618,799
Non-current liabilities				
Payables	47,800	125,530	47,808	133,674
Interest-bearing loans and borrowings	220,425	575,671	220,425	575,671
Deferred tax liabilities	39,738	–	39,166	–
Derivative financial instruments	11,426	–	11,426	–
Provisions	46,488	36,797	46,488	40,040
Total non-current liabilities	365,877	737,998	365,313	749,385
Total liabilities	765,469	1,337,977	766,866	1,368,184
Net assets	1,244,489	1,049,895	1,237,109	1,062,634

29. FINANCIAL INSTRUMENTS

Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash and short-term deposits and credit facilities (refer to Note 16). The main purpose of these financial instruments is to manage liquidity and to raise finance for the Group's operations. The Group has various other financial instruments, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The Group uses derivatives in accordance with Board approved policies to reduce the Group's exposure to adverse fluctuations in interest rates and foreign exchange rates. These derivatives create an obligation or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation. Derivative instruments that the Group uses to hedge risks such as interest rate, foreign currency and commodity price movements include:

- interest rate swaps;
- cross currency principal and interest rate swaps and options ("cross currency hedges"); and
- forward foreign currency contracts.

The Group's risk management activities are carried out centrally by the Nine Entertainment Co. Holdings Group Treasury. Group Treasury operates under policies as approved by the Board. Group Treasury operates in cooperation with the Group's operating units so as to maximise the benefits associated with centralised management of Group risk factors.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of net debt and total equity balances.

Capital risk management focuses on the maturity profile and stability of debt facilities. The Group's capital structure is reviewed to maintain:

- sufficient finance for the business at a reasonable cost; and
- sufficient funds available to the business to implement its capital expenditure and business acquisition strategies.

(a) Carrying Value and Fair Values of Financial Assets and Financial Liabilities

The carrying value of a financial asset or liability will approximate its fair value where the balances are predominantly short-term in nature; can be traded in highly liquid markets; and incur little or no transaction costs. The carrying values of the following accounts approximate their fair value:

Account	Note
Cash and cash equivalents	20(a)
Trade and other receivables	7
Trade and other payables	15

The Group uses various methods in estimating the fair value of a financial asset or liability. The different methods have been defined as follows:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, through valuation techniques including forward pricing and swap models and using present value calculations. The models incorporate various inputs including credit quality of counterparties and foreign exchange spot rates, forward rates and listed share prices. Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

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

Fair values hierarchy has been determined as follows for financial assets and financial liabilities of the Group at 30 June 2016.

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

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

Level 3: Options over unlisted shares and options over controlled entities.

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

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

		2016		2015	
	Note	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Derivative financial assets					
Option over listed entities – current		31	31	436	436
Total derivative financial instruments – assets		31	31	436	436
Derivative financial liabilities					
Interest rate swap – current		–	–	297	297
Option over controlled entity (Note 6(b)(i)) – non-current		11,426	11,426	11,113	11,113
Total derivative financial instruments – liabilities		11,426	11,426	11,410	11,410
Loan facilities – non-current					
Syndicated facility unsecured – at amortised cost	16	220,425	220,425	575,611	575,611
Total loan facilities		220,425	220,425	575,611	575,611

(b) Market risk factors

The key risk factors that arise from the Group's activities, including the Group's policies for managing these risks, are outlined below. Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The market risk factors to which the Group is exposed are discussed in further detail below.

(i) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial commitments as and when they fall due. To help reduce this risk, the Group ensures it has readily accessible funding arrangements available.

The contractual maturity of the Group's fixed and floating rate derivatives, other financial assets and other financial liabilities are shown in the following tables. The amounts presented represent the future undiscounted principal and interest cash flows and therefore do not equate to the values shown in the Statement of Financial Position.

29. FINANCIAL INSTRUMENTS (continued)

	Contractual maturity (nominal cash flows)							
	2016				2015			
	Less than 1 year $'000	1 to 2 year(s) $'000	2 to 5 years $'000	Over 5 years $'000	Less than 1 year $'000	1 to 2 year(s) $'000	2 to 5 years $'000	Over 5 years $'000
Derivatives – outflows[1]								
Interest rate swap	–	–	–	–	297	–	–	–
Option over controlled entity (Note 6(b)(i)) – non-current	–	–	11,880	–	–	–	11,880	–
Other financial assets[1]								
Cash assets	42,860	–	–	–	50,855	–	–	–
Trade and other receivables[2]	286,703	56,307	2,760	–	281,698	–	17,620	5,928
Other financial liabilities[1]								
Trade and other payables[2]	327,896	42,568	5,232	–	398,128	28,347	9,113	–
Other interest bearing loans and borrowings	60	–	–	–	30	63	–	–
Debt facilities (including interest)[3]	7,287	234,234	–	–	21,924	21,924	617,321	–

1. For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date.
2. Excluding amounts due from/to subsidiaries.
3. This assumes the amount drawn down at 30 June 2016 remains drawn until the facilities mature.

(ii) Interest rate risk

Interest rate risk refers to the risks that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from interest-bearing financial assets and liabilities that the Group utilises. Non-derivative interest bearing assets are predominantly cash. The Group's debt facilities are all floating rate liabilities, which gives rise to cash flow interest rate risks.

The Group's risk management policy for interest rate risk seeks to minimise the effects of interest rate movements on its asset and liability portfolio through active management of the exposures.

The Group maintains a mix of long-term and short-term debt to manage these risks as deemed appropriate. The Group designates which of its financial assets and financial liabilities are exposed to a fair value or cash flow interest rate risk, such as financial assets and liabilities with a fixed interest rate or financial assets and liabilities with a floating interest rate that is reset as market rates change.

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

	2016				2015			
	Average interest rate p.a. %	Floating rate $'000	Non-interest bearing $'000	Total $'000	Average interest rate p.a. %	Floating rate $'000	Non-interest bearing $'000	Total $'000
Financial assets								
Cash and cash equivalents	2.2	42,860	–	42,860	2.60	50,855	–	50,855
Trade and other receivables	6.26	55,623	290,147	345,770	6.37	20,788	284,458	305,246
Financial liabilities								
Trade and other payables	n/a	n/a	375,696	375,696	n/a	n/a	435,588	435,588
Syndicated facilities – at amortised cost	3.28	220,425	–	220,425	3.78	575,611	–	575,611

Interest rate sensitivity analysis

The table below shows the effect on net profit after income tax if interest rates at balance date had been higher or lower with all other variables held constant, taking into account all underlying exposures and related hedges. Concurrent movement in interest rates and parallel shifts in the yield curves are assumed.

The following sensitivities have been assumed in this analysis:

	2016	2015
AUD interest rates	+/– 1% (100 basis points)	+/– 1% (100 basis points)

The sensitivities above have been selected as they are considered reasonable given the current level of both short-term and long-term Australian market. Sensitivities are based on financial instruments held at the balance date assumed to have been in place since the beginning of the period.

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

	Net Profit After Tax		Post-tax Equity (Cash flow hedge reserve) As at 30 June	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
If interest rates were higher with all other variables held constant – decrease	(1,558)	(2,269)	–	–
If interest rates were lower with all other variables held constant – increase	1,558	2,269	–	–

(iii) Credit risk exposures

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Group to make a financial loss. The Group has exposure to credit risk on all financial assets included in the Group's statement of financial position. To help manage this risk, the Group:

- has a policy for establishing credit limits; and
- manages exposures to individual entities it either transacts with or with which it enters into derivative contracts (through a system of credit limits).

The Group's credit risk is mainly concentrated across a number of customers and financial institutions. The Group does not have any significant credit risk exposure to a single customer or group of customers, or individual institutions.

Financial assets are considered impaired where there is objective evidence that the Group will not be able to collect all amounts due according to the original trade and other receivable terms. Factors considered when determining if impairment exists include ageing and timing of expected receipts and the creditworthiness of counterparties. An allowance for doubtful debts is created for the difference between the assets' carrying value and the present value of estimated future cash flows. The Group's trading terms do not generally include the requirement for customers to provide collateral as security for financial assets.

Refer to Note 7 for an ageing analysis of trade receivables and the movement in the allowance for doubtful debts. All other financial assets are not impaired and are not past due. Based on the credit history of these classes, it is expected that these amounts will be received when due.

Trade receivables include the following credit concentration:

	2016 $'000	2015 $'000
Advertising	179,799	193,886
Television stations	14,605	10,360
Other	55,481	61,999
	249,885	266,245

29. FINANCIAL INSTRUMENTS (continued)

(iv) Foreign currency risk

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

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

Cash flow hedges

During the year there was no amount (2015: $780,000) which was recognised through profit or loss in relation to hedge ineffectiveness.

During the year, the Group did not undertake hedge accounting and as such, there was no amount which was reclassified from other comprehensive income to profit or loss in relation to foreign currency hedges which were closed out. During the prior year $711,000 was reclassified from other comprehensive income to profit or loss in relation to foreign currency hedges which were closed out.

30. PARENT ENTITY DISCLOSURES

	Parent Entity	
	2016 $'000	**2015 $'000**
(a) Financial Position		
Current assets	5,536	8,288
Non-current assets	1,256,405	927,150
Total assets	1,261,941	935,438
Current liabilities	3,123	6,911
Non-current liabilities	26,484	4,721
Total liabilities	29,607	11,632
Net assets	1,232,334	923,806
Contributed equity	751,998	801,031
Reserves	5,156	8,600
Retained earnings	475,180	114,175
Total equity	1,232,334	923,806
(b) Comprehensive Income		
Net profit for the year	475,705	216,136
Total comprehensive income for the year	475,705	216,136

(c) Commitments and Contingencies

The parent entity was a party to the Deed of Cross Guarantee entered into with various Group companies. Refer to Note 28 for further details.

Refer to Notes 19 and 23 for disclosure of the Group's commitments and contingencies respectively. The operation of the Deed of Cross Guarantee has the effect of joining the parent entity as a guarantor to the Group's commitments and contingencies.

31. EARNINGS PER SHARE

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

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

	2016 $'000	2015 $'000
Profit/(loss) attributable to ordinary equity holders for basic and diluted earnings		
Continuing operations	33,223	(597,624)
Discontinued operations	291,532	5,473

	2016 No. '000	2015 No. '000
Weighted average number of ordinary shares for basic earnings per share	879,606	935,437
Effect of dilution:		
Rights Plan shares[1]	3,781	3,063
Weighted average number of ordinary shares adjusted for the effect of dilution	883,387	938,500

1. Rights Plan shares have been calculated as a weighted average from the date of purchase less the weighted average of shares vested during the period under the performance rights plan (refer to Note 25(c) for further detail).

Directors' Declaration

The Directors of Nine Entertainment Co. Holdings Limited have declared that:

1. the Directors have received the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and CEO and the Chief Financial Officer for the year ended 30 June 2016.
2. in the opinion of the Directors, the consolidated financial statements and notes that are set out on pages 49 to 103 and the Remuneration Report in pages 27 to 44 in the Director's Report, are in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
3. in the opinion of the Directors, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
4. a statement of compliance with International Financial Reporting Standards has been included in Note 1(b) to the financial statements; and
5. in the opinion of the Directors, at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

The Directors' Declaration is made in accordance with a resolution of the Board of Nine Entertainment Co. Holdings Limited.

P Costello

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 25 August 2016

Building a better working world

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

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

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

Report on the financial report

We have audited the accompanying financial report of Nine Entertainment Co. Holdings Limited ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2016, 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 Nine Entertainment Co. Holdings Limited 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 Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of Nine Entertainment Co. Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Nine Entertainment Co. Holdings Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
25 August 2016

Shareholder Information

Twenty Largest Shareholders of NEC securities at 2 September 2016

Rank	Name	Total Units	%
1	HSBC Custody Nominees (Australia) Limited	212,952,173	24.60
2	J P Morgan Nominees Australia Limited	119,657,356	13.82
3	Birketu Pty Ltd	99,677,718	11.52
4	National Nominees Limited	88,134,664	10.18
5	Citicorp Nominees Pty Limited	80,843,465	9.34
6	Oaktree Netherlands Entertainment Holdings B.V.	61,179,656	7.07
7	Birketu Pty Ltd	30,000,000	3.47
8	HSBC Custody Nominees (Australia) Limited-GSCO ECA	26,048,716	3.01
9	RBC Investor Services Australia Nominees Pty Limited	23,602,946	2.73
10	BNP Paribas Noms Pty Ltd	15,018,647	1.74
11	RBC Investor Services Australia Nominees Pty Limited	14,055,200	1.62
12	Erste Abwicklungsanstalt	9,977,113	1.15
13	BNP Paribas Nominees Pty Ltd	9,463,093	1.09
14	David Gyngell	4,878,048	0.56
15	UBS Nominees Pty Ltd	4,877,409	0.56
16	RBC Investor Services Australia Nominees Pty Limited	4,222,412	0.49
17	Citicorp Nominees Pty Limited	4,188,928	0.48
18	UBS Nominees Pty Ltd	3,841,983	0.44
19	RBC Investor Services Australia Pty Limited	3,825,717	0.44
20	RBC Investor Services Australia Nominees Pty Limited	2,584,694	0.30

Options

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

Escrowed Shares

A total of 5,073,169 shares are subject to voluntary escrow, until 11 December 2016.

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 2 September 2016 are:

Name	Total Units	%
Birketu Pty Ltd	131,177,718	14.96
Perpetual Limited	111,303,985	12.77
Maple-Brown Abbott	72,549,761	8.33
Prudential Plc	72,339,739	8.27
Oaktree Netherland Entertainment Holdings BV	69,157,066	7.87
Westpac*	65,169,739	7.48
BT Investment Management	58,772,830	6.74
Silver Point Capital	55,825,000	6.35
UBS Group AG	54,635,667	6.27
Macquarie Group	45,806,011	5.25

* Westpac shareholding inclusive of BT Investment Management Ltd.

Distribution of Holdings at 2 September 2016

No. of Securities	No. of ordinary shareholders
1 to 1,000	503
1,001 to 5,000	855
5,001 to 10,000	436
10,001 to 100,000	605
100,001 and Over	72
Total	**2,471**
Number of holders holding less than a marketable parcel	**202**

Voting rights

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

On-market Buy-back

The Company has an on-market buy-back, which will cease on 16 November 2016.

Corporate Directory

ABN 60 122 203 892

Annual General Meeting

The Annual General Meeting will be held at 10.00am AEST on Tuesday, 15 November at the offices of Gilbert+Tobin, Level 35, Tower Two, International Towers, 200 Barangaroo Avenue, Barangaroo NSW 2000.

Financial Calendar 2017

Interim Result February 2017

Preliminary Final Result August 2017

Annual General Meeting November 2017

Company Secretary

Rachel Launders

Registered Office

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

Ph: +61 2 9906 9999

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Ph: 1300 888 062 (toll free within Australia)
Ph: +61 2 8280 7670
Fax: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Securities Exchange Listing

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

Auditors

Ernst & Young
200 George Street
Sydney NSW 2000

RM-16065

Nine
entertainment co.