create distribute engage

Nine

create
distribute
engage

During FY17, Nine achieved its goal of turning the Network performance around, after a disappointing year in FY16. Momentum in Free To Air TV turned positive for Nine in Q2, and this improvement continued throughout the remainder of the financial year. The success of Nine's broadcast content has, in turn, driven take-up and use of 9Now which has grown exponentially to over 4 million registered users, and is becoming a valuable contributor to the P&L. Nine's Subscription Video on Demand platform Stan, has matured significantly over the past 12 months and now holds a clear number 2 position in the market. Nine's digital publishing business has been successfully repositioned post the Microsoft relationship, laying the foundations for growth into the future.

All of Nine's businesses are built around the key content verticals of news, sport, lifestyle and entertainment.

Result In Brief

In FY17, on a revenue decline of 4%, Nine reported Group EBITDA of $206 million, up 2% on FY16. Driving this growth was an underlying cost decrease of 1%, and a reported cost decrease of 4% which included the Government regulated licence fee relief of $33 million. Net Profit after Tax increased by 3% to $123.6 million compared to the Pro Forma FY16 result. Earnings per share similarly increased by 4%. The Statutory Net Loss after Specific Items, which were predominately accounting-led and non-cash, was $203 million.

$m	FY17	FY16	Variance
Revenue	1,237.8	1,282.4	-3.5%
Group EBITDA	205.6	201.7	+1.9%
NPAT	123.6	120.3	+2.8%
Statutory NPAT, after Specific Items	(203.4)	324.8	nm
Operating Free Cash Flow	117.8	157.4	-25.2%
Earnings per Share, before Specific Items – cents	14.2	13.7	+3.7%
Dividend per Share – cents	9.5	12.0	-20.8%

Operating free cash flow for the year, before Specific Items, Interest and Tax, was $118 million. This was before the cash impact of the Warners provision ($48 million), but includes both the net impact of the NRL prepayment, as well as the cash costs of the ACMA licence fees, which were paid in H2 FY17 but related to the FY16 year. Net Debt at 30 June 2017 was $225 million – during the year, $74 million was returned to shareholders through dividends, $124 million was received via the sale of the Group's stakes in Southern Cross Media and Sky News, and $91 million was invested in the business, including Stan and CarAdvice.

Reported, as at	30 June 2017	30 June 2016	
Net Debt, $m	224.5	177.6	+$46.9m
Net leverage	1.1x	0.9x	
Interest Cover	36.7x	40.1x	

Broadcast Television

Australia's leading FTA network in the key advertiser demographics

9HD 9Gem 9Go! 9Life

Video on demand

Unique mix of leading local advertising and subscription based on demand television services

9Now Stan.

Digital Publishing

Diverse portfolio of leading digital platforms across News, Sport, Entertainment and Lifestyle

nine.com.au 9Honey

Content Production

Television content production and distribution

9PRODUCTION

Create great content
Distribute it broadly
Engage audiences and advertisers

As the home of some of Australia's most trusted and loved brands spanning News, Lifestyle, Entertainment and Sport, we pride ourselves on creating the best content, accessed by consumers when and how they want it to ensure they are entertained, informed and connected each and every day.

Nine Galaxy

Roll out of 9Galaxy, state of the art, automated advertising platform

Ongoing cost focus

Industry wide licence fee reduction

Operational Highlights 2017

#1 broadcast network in 25-54 demographics

(source: 12 months to June 2017, ex Olympics, 6am-midnight)

Launch of Australia's new sports phenomenon, Australian Ninja Warrior

4.3m registered users of 9Now

Long form Video streams up 114% across the year

Launch of new lifestyle brand

800,000 active users of Stan

Nine

Now

Honey

Stan.

Broadcast Television

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Industry wide licence fee reduction

Chairman's Address

The strategy of Nine is to `Create Great Content. Distribute It Broadly. Engage Audiences and Advertisers'. This year, we have made a great deal of progress in implementing that strategy. Our core broadcast television business has delivered high ratings within the confines of lower overall costs. Through the emergence and growth of our On Demand platforms, 9Now and Stan, and our digital publishing portfolio, we are significantly broadening our reach. And great content has been a big part of the reason why we are engaging broader audiences through our multiple platforms.

With the expected interruption of an Olympic Games, the year got off to a slow start in audience terms but Nine won the first week out of the Rio Olympics and continued to build its ratings over the course of the year. New programs such as *This Time Next Year, True Story with Hamish and Andy* and *Australian Ninja Warrior* were well received. This performance also expedited the take-up of our catch up service, 9Now, with 4.3 million registered users now accounting for often more than 10% of a program's audience.

Our Subscription Video On Demand service, Stan, has continued its steady march to break-even, with active subscribers growing 50% across the year. Our video audiences are now being accessed not only by the traditional linear broadcast but by subscription and advertising video on demand platforms as well.

In the August results, Nine reported Net Profit pre Significant Items of $124 million, and a full year dividend of 9.5 cents per share, fully franked. This totalled $83 million, and equated to a payout ratio of 82% leaving aside the impact of licence fee reduction, the cash benefit for which will flow through to Nine at the end of this calendar year. As we detailed at our full year result, we expect to pay a similar dividend in FY18 of around 9.5 cents per share. On a longer term basis, we expect dividends will be in the range of 50-70% of Net Profit After Tax, ex Specific Items, ensuring we maintain our strong balance sheet and have flexibility to take new opportunities as they arise.

From an industry perspective, the most important milestone of 2017 was the passing of the Government's Media Reform package. We commend the Government for persevering in painstaking negotiations which have delivered a wide-reaching series of reforms that will remove some of the archaic barriers that have hamstrung the domestic industry for too long. Technology has changed the way Australians consume their media. The passing of this package will allow Australian companies to make commercial decisions to embrace new forms of media and to take on international players that up until now were able to trade into the Australian market free of the constraints that affect local companies. The far-reaching repercussions of this package should not be underestimated.

Our company worked tirelessly with the industry to support this comprehensive package. The formation of Think TV was an important part of the successful campaign. We are particulalrly pleased to see the licence fee – a third layer of tax on Free to Air television - replaced by a spectrum charge. New international players were not subject to this tax, and have shown they are adept at avoiding other regulation that still applies to local players.

Free to Air TV's competitive landscape is shifting, as the $6 billion video market evolves. YouTube, Facebook, Apple and Netflix as well as players like Foxtel all compete in this space. We intend to compete with premium content and provide a trusted and brand-safe environment for audiences. This is an important advantage for us.

We are constantly reviewing the way we remunerate and reward our people. Whilst there have been no substantive changes this year to our incentive scheme, we continually accept feed-back from the market and our shareholders. We need to ensure the competitiveness of our employee compensation, to enable Nine to attract and retain a market leading team of executives, fit for the modern media world, and competing for this key talent with large international technology companies. Remuneration and fitness for purpose in this environment will remain a firm Board agenda through the next financial year.

As I indicated at the last Annual General Meeting, during the year we looked at the remuneration of Directors. We bench-marked Directors' fees against comparable companies. This had not been done since the original fees were set before our IPO in December 2013. As a result, Directors' fees were reduced by around 20-25%. It is of course, in all shareholders' interests to remunerate the Board appropriately in order to attract the best calibre of Director – however, the changing media landscape has resulted in all lines of our group costs being examined, and this new level is more consistent with our media peers.

During the year, Sam Lewis and Janette Kendall joined the Board as Non-Executive Directors, replacing Holly Kramer and Elizabeth Gaines who both left in February, keeping the total Board at six. Whilst still small, the Board has an enviable mix of skills across media, finance and general business and the ability to move swiftly, and in the interests of all shareholders. I would like to thank my fellow Directors for their commitment this year, and their unwavering support for Nine.

Over the past year, we have welcomed many new shareholders to our register, both domestic and offshore as the last of our pre IPO shareholders have exited. We thank those shareholders for their support over the years, and welcome our new base. We are excited by what the future has to offer, and will ensure Nine continues to focus on and provide superior returns to all its shareholders.

On behalf of the Board, and our shareholders, I would like to thank all of NEC's management and staff for their continual commitment to and focus on this business. It is not always easy, particularly in an industry under structural pressure which is intensely competitive, but once again, we have risen to the challenge. We have markedly improved the performance of the traditional business, while containing costs and we have delivered on our longer term goal of broadening the base of our revenue streams with new and enlarged digital audiences.

Thank you.

"Great content has been a big part of the reason why we are engaging broader audiences through our multiple platforms."

Peter Costello, AC
Chairman

Chief Executive Officer's Address

The value of content has become increasingly clear. Rights to content that audiences choose to consume will be the key to success in the media of the future, as will the ability to utilise all platforms to extract maximum value for that content.

This past year, Nine has been focussed on broadening its content base, particularly content that can be monetised across a variety of platforms, both our own, and those controlled by others. We have made significant progress, building solid foundations for a media business of the future.

A year ago, I highlighted our five key points of focus in my first Chief Executive Officer's Address. Ratings momentum, firm cost discipline, an innovative sales approach, a broadening revenue base and content monetisation. These five remain the key to our business in the near term and we continue to work on each across the group.

Recapping on that top 5: Nine's markedly improved ratings performance post the Olympics was our key achievement for the year. It was borne about through very thoughtful programming decisions, based around the increasing appeal of local content and careful targeting of fruitful and potentially accessible demographics, and the results were very pleasing. Not only did we win the post Olympic ratings battle, but some of our key franchises, most notably *Married At First Sight,* managed to grow actual audiences – proof that if the content is appealing enough, audiences will be there. This strong linear performance also drove audiences to 9Now, as viewers enjoyed the flexibility of our state of the art streaming and catch up service.

Equally creditable, has been Nine's ability to lift its programming performance in a tightening cost regime. Overall, FTA costs were down by 6% as all aspects of the business were scrutinised. Premium local content remains at the core and with 50% more local content hours in 2017, on a per hour basis costs were down by 13%. We are committed to further cost reductions in the years ahead as we improve the efficiency of our operations and continue the pursuit of lower cost per hour programming.

During the year, our sales teams started to roll out 9Galaxy, which will increase Nine's advertising efficiency, both in terms of people and TARPS delivery, over the next couple of years. Additionally, the migration to local content has provided Nine with the opportunity to offer more innovative solutions to its advertiser base, with integration revenues forecast to grow by 50% in calendar 2017 over 2016, providing a higher quality advertising experience for clients. And as we move forward into 2018, data, gathered through 9Now and our data partnership agreements, will ultimately enable Nine to offer a targeted ad solution, complementary to our mass market audiences. A much more powerful advertising environment.

As the audiences have registered and begin to experience 9Now, our ability to monetise those viewers will be enhanced. During 2017, Nine has been actively increasing the footprint of its digital publishing verticals and now, with leading market positions across News, Lifestlye, Sport and Entertainment, there is a clear opportunity for a more integrated and innovative sales approach.

Stan is another great example of Nine taking its understanding of content and audiences and building an alternative revenue stream. Subscription video on demand is a relatively new category for Australians and one that has grown strongly from a low base just two years ago. From a standing start, Stan has built an active subscriber base of more than 800,000 and is clearly the leading local player in a growing market space.

During the year, Think TV was formed, with a brief to unite the industry to a common goal and promote television as a medium. And it's done a great job. Not only getting all the industry players aligned and thinking about Television overall, but also commissioning a number of independent surveys of our advertisers, which have shown without question, the value of Television above all other advertising mediums. There is more research to come, but in the $1 million payback study, a large scale econometric study conducted by Ebiquity, in both the FMCG and Automotive categories Television was the outstanding media channel in terms of return on invested ad dollar, surpassing that of all other media. Telling the world what we knew all along – that Television is the most efficient and brand safe advertising medium, with the added benefit of the ability to reach mass audiences with one single message.

Your chairman has mentioned it in his address, but I need to reiterate the importance of the recent Media Reform package to this industry. Media is an evolving business, and the media regulations have not kept up with the pace of technological change. Artificial barriers and excessive taxes have dictated the paths of many players, rather than commercial or value-based considerations. Bringing the industry into the 21st Century will provide challenges for all the players but will also provide us with the opportunity to make our own decisions. I am proud of the way the industry worked closely together to develop an acceptable package, and worked tirelessly to ensure the proposal became a reality.

My background is content, and this is the future of our business. 'Create Great Content. Distribute It Broadly. Engage Audiences and Advertisers.' Nine will continue to create great content, we will look at all the ways our audiences are wanting to consume that content and ensure we can deliver it – be it free, paid, subscription or ad models or whatever else may come along – we need to make our content available to audiences as and when they want it. And then we need to most effectively monetise that audience.

We have made significant inroads this past year, not only with our traditional business, but in the re-positioning and refocussing of that business on the future. On a $6 billion video advertising market, where Nine's premium content offers by far the most brand-safe and accountable environment for advertisers. As our pillars mature, Nine's news, sport, entertainment and lifestyle content will capture an increasing share of that ad pie, and further enable subscription services to be explored and rolled-out.

NEC has a unique combination of assets – linear, on-demand (both subscription and advertiser based) as well as a broadening range of digital publishing properties. We are not stuck in complex corporate or ownership structures, and we have a strengthening cash flow profile and balance sheet. These are exciting times, and I am convinced that Nine has the right team, the right assets and the right strategy to ensure the best possible outcome for all our shareholders.

In closing, I'd like to thank all of our staff and the Board for their ongoing support and dedication as we continue to redefine our business to meet the challenges we are facing.

Thank you.

"I am convinced that Nine has the right team, the right assets, and the right strategy to ensure the best possible outcome for all our shareholders."

Hugh Marks
CEO

Divisional Results

Television

For the year to June 2017, Nine reported EBITDA of $188 million, up 3% on FY17. Total revenues were down 4%, on the back of a Metro market decline of 3.7%[1] and a regional decline of 2.8%[1]. Nine's share of Metro revenues for the year was 35.7%[1], reflecting the impact of the Olympics and a patchy prior year audience performance.

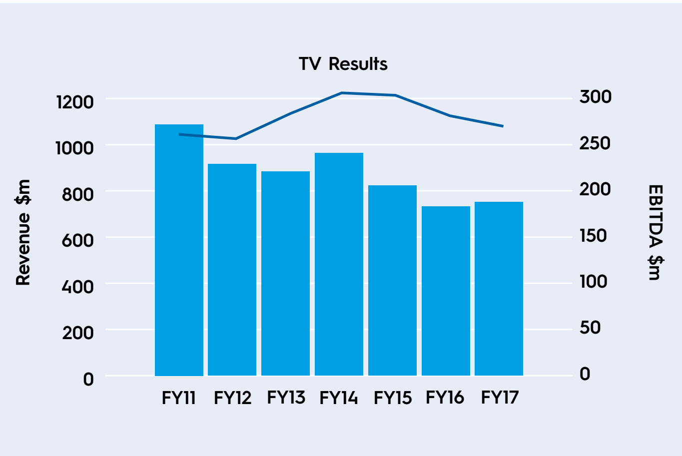
After the low of the September quarter, Nine's ratings and revenue share improved consistently across the year, particularly on the increasingly important primary channel. There is a natural lag between ratings and revenue share, which augurs well for Nine into FY18.

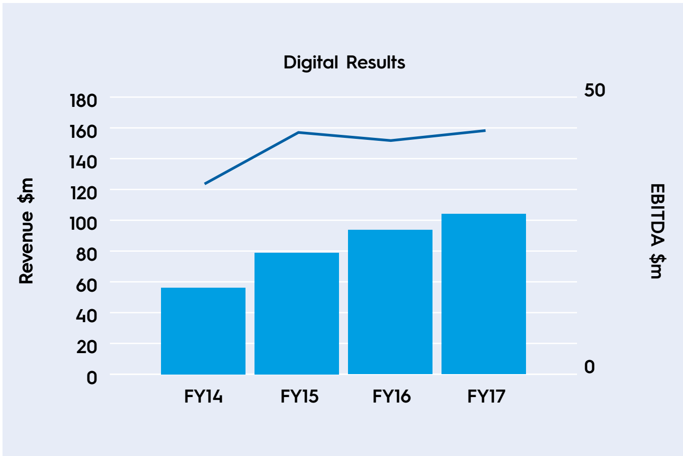
This improved ratings and revenue performance was achieved against the backdrop of reducing costs. Reported Free to Air costs again declined in FY17, this time by 6%. This includes the P&L impact of the licence fee reduction, which saved Nine $33 million across the year. Excluding licence fees, Nine's costs were down by 2%, comfortably ahead of the Group's previously stated 1.5% target. On a cumulative basis, and excluding the impact of licence fees, overall FTA costs were down 7% across the two years.

Digital

Nine Digital recorded EBITDA of almost $29 million for the year, up 11% on revenue growth of 3%. Second half revenue growth of nearly 10% was underpinned mainly by long form video, which, as a market grew by 37%. For Nine, this resulted in strong growth at 9Now (+38%), while CarAdvice and Pedestrian TV also reported an increasing contribution across the year. This growth more than offset declining revenue in the traditional display category.

EBITDA growth of 11% reflected the ongoing impact of Nine's cost drive, as well as the Group's strategy of focussing on higher margin and primarily owned and operated revenues.





Television

$188m EBITDA, up 3%

Digital

$29m EBITDA, up 11%

1. KPMG Data

Operational review

The Video market in Australia is currently worth more than $6 billion and has been growing at a rate of at least 20% per year. Australians' propensity to engage via video continues to grow - the difference is that today, audiences want the convenience of anywhere, anytime meaning content is being consumed across a broadening array of devices.

Nine is a content company. Having the best content in a premium, brand safe environment, is the key to Nine's business. The group's key franchises consistently attract total audiences of more than 1.5 million, across platforms, something content in other media simply cannot achieve.

The strong performance of Nine's post-Olympic schedule on Free To Air TV has accelerated growth at 9Now. It has also helped to deliver audiences across the Digital business, which has been built around the key content verticals on which Nine is based – News, Sport, Lifestyle and Entertainment.

Nine's joint venture Subscription Video On Demand business, Stan, continues to prove that audiences will find the content they want to watch, and are prepared to pay for it.

The future media world will be dominated by video and Nine is at the forefront of this evolution in the Australian market.

Free To Air TV

For the year to June 2017, Nine was the Number 1 Free To Air Network in all of the key buying demographics[1].

Network ratings for the year[1]

#1	25-54s	37.1% commercial share
#1	18-49s	37.3% commercial share
#1	16-39s	36.9% commercial share

1. OzTAM data, 12 months to end of June 2017, 6am–midnight, ex Olympic weeks.

FY17 started slowly for the Nine Network, up against the Rio Olympics, which kept September quarter ratings and revenue share down. The overall Free To Air market remained difficult for much of the year. Immediately post Olympics, the Network's ratings momentum turned. Nine won the first week of post Olympics ratings in its targeted 25-54 demographics, and this improving position continued into 2017. In the March quarter of 2017, a period when Nine has traditionally struggled to compete, the revamped *Married at First Sight* underpinned strong growth in both ratings share and more notably, audiences.

Australian Ninja Warrior launched mid-year, and was nothing short of a phenomenon. The opening night momentum continued throughout the series for a national consolidated season average of 2.5 million or 1.8 million (5-city) viewers. Most importantly, Ninja delivered stand-out demographics – strong audiences across all age-groups as families returned to the couch to embrace a TV event together.

The Block remains however, Nine's stand-out success story. Thirteen seasons and still powering ahead. Audiences for the first 25 episodes in 2017 are up more than 15%, with more than 50,000 incremental 9Now viewers. With a record 27 advertising partners, *The Block* is the epitome of what can be achieved with the right content and the right approach to distributing and monetising that content.

For the first time in a number of years, Nine has a strong and consistent schedule of premium entertainment content across the full season, or calendar year. *Married at First Sight*, *The Voice*, *Australian Ninja Warrior*, *The Block* and the new *Family Food Fight* to close 2017 have created an unrivalled consistency for advertisers. Moreover, Nine has launched a number of successful new shows around these core titles – *Travel Guides*, *This Time Next Year*, *Doctor Doctor* and *Hamish and Andy* to name a few.

Married At First Sight – average total audience up 17% on Season 1

The Block – season 13 audiences up 15% on 2016

Ninja Warrior – Australia's biggest new Free To Air launch since 2012

All audience data sourced from OzTAM

Operational Review

Operational review continued

News and Current Affairs

News and Current Affairs is one of the most important parts of Nine's business, both in terms of hours, investment and profitability. Every week of the year, Nine broadcasts around 65 hours of television News and Current Affairs to the people of Australia. The 6pm News service is almost always one of the top five shows of the night and similarly attracts a Free To Air audience of around 1m people, night in, night out.

But from its genesis on Channel 9, Nine News is no longer one-dimensional. Across Nine's News and Current Affairs brands, there is similarly huge engagement across the digital publishing platforms. 15 million video streams each month through 9.com.au and 9News.com.au which attracts a unique audience of more than 4.5 million Australians. And also into social with Facebook, Twitter and Instragram together accounting for more than 200 million views each month. 9News is pervasive.

Nine's 800-strong News team is embracing the new regime and the culture has grown significantly over the past six months. Without exception, people understand that this evolution is unavoidable. News is no longer created for television and edited for digital. Nine's journalists must now be prepared to present and tailor the story for every platform.

The aim is for Nine News to be the go-to place for breaking stories, for editorial content...for all things News – for All Australians of all Ages – and therefore it must be available in every form that audiences want to consume their News. The challenge is to ensure that Nine is capitalising on all the possible opportunities – optimising the monetisation of Nine's own platforms and ensuring fair monetisation from those platforms that use the content. Nine will continue to explore other opportunities to take that News to more Australians.

Sport

Nine remains heavily committed to live sport. With the Summer of Cricket, the winter of NRL and State of Origin, The Socceroos' World Cup Qualifiers and Super Netball, Nine broadcasts more than 700 hours of live sport each year to all Australians. In addition, in FY17, Nine broadcast more than 200 hours of other sports-related content.

In 2017 to date, Nine's broadcast of the NRL has reached more than 3m people every week. 2018 will mark the first year of Nine's new 5-year broadcast deal for the NRL which will result in the addition of incremental games, live streaming and catch up rights, and full clips and highlights rights. As a sport which spans 32 weeks of the year, and in the all-important winter months, the NRL is an invaluable partner to Nine.

The pinnacle of the NRL season is the State Of Origin and Origin 2017 attracted a record 10.2 million people across the three games. Peaking at over 4m people, State of Origin provides advertisers with a rare opportunity to address a live and highly engaged truly mass audience.

Nine has broadcast cricket to Australians for more than 40 uninterrupted years. The Summer of Cricket is a core part of Nine's schedule and provides premium audiences, often during daytime where mass audiences are rare. Cricket is the only national sport that unites all states and all people behind one team. The return of the English cricketers for the Ashes later in 2017 promises to be the highlight of the cricket calendar.

2017 marked Nine's first season of its landmark partnership with Netball Australia. With a revamped national competition, and an all-encompassing broadcast deal, Netball has enjoyed an enormous lift in its already growing profile. 120 hours of games were broadcast and the final series attracted more than 2m viewers across Australia.

During 2016/7, Nine has followed the Socceroos in their quest to qualify for a fourth straight World Cup. As the exclusive free to air broadcaster, these matches have reached almost 4m Australians.

The digital platform of Wide World of Sports has been a renewed focus for Nine this year, with the hiring of new staff and the launch of new initiatives to leverage our rights and talent and engage our audiences more deeply. The "Six tackles with Gus" podcast is the most popular new rugby league podcast and has been nominated for several awards. Along with other exclusive columns, videos, insight and analysis, WWOS.com.au is fast becoming the go-to digital destination for sports fans.

9News.com.au Australia's #2 ranked news site

State of Origin 2017 attracted a record 10.2 million people across the three games

40 years of uninterrupted cricket coverage

9Now

The success of Nine's schedule has enabled significant growth across its other platforms, most directly 9Now, which is at the core of Nine's video strategy. 9Now is home to all things Nine. Live streaming of Nine's channels, catching up with missed episodes, binge viewing past series as well as a plethora of supplementary content has driven the success of 9Now. And whether it is via smart phone, tablet or smart TV, Nine's content is available to 4.3 million registered users across Australia, as and when they want to consume.

During the year, usage grew by more than 100% in terms of streams, which resulted in revenue growth of nearly 40%. The sign-in process has enabled 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.

There is much work still to do. 9Now is now available across all major platforms. The content has been attracting viewers at a rate far surpassing expectations. For *Married at First Sight* for example, around 10% of the total season audience watched via 9Now.

However, the industry remains relatively nascent, particularly in terms of revenue. Industrywide AVOD (Advertising Video On Demand) revenue of $78 million[1] in FY17 was up 37%, which equates to less than 2% of total TV ad revenues. AVOD revenue is expected to continue to grow strongly, as usage extends and the understanding of the value of the platform matures. Nine remains very focussed on the potential of 9Now, as a way to ensure the group's premium content is viewed and paid for as effectively as possible.

Stan

Nine's investment in Australia's locally-owned Subscription Video on Demand (SVOD) service Stan continued to mature during 2017. SVOD is a natural fit with Nine's traditional business, taking premium video content into a subscription environment. Stan is now clearly the leading local player with more than 800k active subscriptions, a number which is growing every month.

Key to Stan's success has been a world-class line-up of international and locally produced exclusive content which is refreshed and supplemented monthly. It is generally different content to what audiences love about Nine – edgier and often more niche in its appeal but nonetheless compelling for its viewers. Back-season catalogues add to the premium exclusives providing almost 10,000 hours of programming.

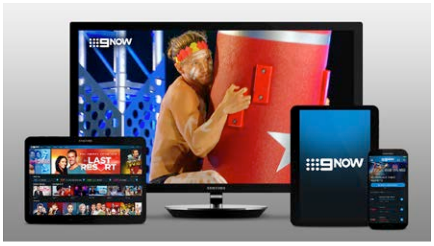
This is an industry which did not officially exist in Australia two years ago. So not only has Stan successfully built a business, it has also been instrumental in the building of an overall market category. The combined marketing powers of Nine and partner Fairfax have been crucial to its success, and have positioned Stan strongly in the market.

As the business is reaching critical mass, Stan has introduced tiering of its service to cater for a range of audience preferences and to enable greater control of its top line. The industry and business continue to evolve, but Stan's current position and its content portfolio will ensure the future growth of this business.

Digital Publishing

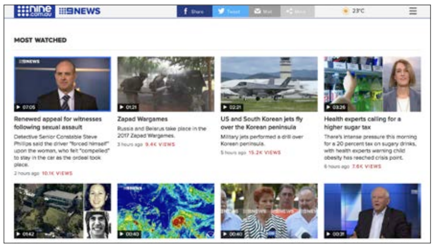
Nine's digital publishing business has been built around the same content verticals as Nine's traditional Free To Air business – News, Sport, Lifestyle and Entertainment. The aim is to consolidate audiences across these key genres and look for opportunities to monetise those audiences on a cross platform basis, whether by advertising or transactional based revenue.

Nine.com.au was relaunched in June 2016, as the gateway to Nine's suite of digital content. These satellite sites are now all branded Nine, marking a genuinely aligned commitment by the Group. For the first time, Nine's digital and broadcast teams are strongly focussed on the same end goals – taking Nine's content (whether it has evolved from a broadcast or digital platform) to as many people, and as profitably, as possible.



4.3m registered users for 9Now

800,000 active subscribers of Stan



FY17 unique audience of 4.5m with strong engagement

(Nielsen digital ratings)

1 Think TV

9Honey

9Honey is a dedicated lifestyle network catering to the everyday Australian woman. Relaunched in November 2016, the network consolidated the verticals of Kitchen, Travel, the Fix (celebrity), Home, Coach, Mums and Style into one overarching lifestyle brand, all targeting different aspects of the typical Australian woman's life.

In just a few months, 9Honey has established itself as a significant player in the women's lifestyle category, driven both by its own internally generated content, as well as the Nine Network content, with an average monthly audience of 1.4m-plus unique users, growing at an annualised rate of c35%[1]. Since launching, monthly video streams are up 6-fold to 1.3 million[2].

The Block, Married at First Sight and *Australian Ninja Warrior* all provided significant content for the Honey network through recaps, exclusives and columns. 9Honey finished the FY17 year as the #2 ranked lifestyle site for women, reaching a total audience of around 1.8m in the month of June 2017.

1. Nielsen Digital Ratings monthly (Nov 16-Jun 17)
2. Brightcove video data, short form stream starts (Nov 16-Jun 17)

Pedestrian

In March 2015, Nine took a majority stake in Pedestrian TV, Australia's largest youth focussed publishing brand. With a reach of over 1 million 16-35 year old Australians, Pedestrian was succeeding where much mainstream television was falling short.

Pedestrian has a unique business model which ensures that the Group's predominately native advertising content is monetisable across every platform on which it is consumed. With more than 250 000 subscribers across its own and other social media platforms including Facebook, Snapchat and Instagram, Pedestrian is active where the youth of Australia spends its time. Primarily though these social media channels, Pedestrian has built an extensive array of brands including – Pedestrian Bites, Pedestrian Money and Pedestrian Home as well as the original youth-oriented News site.

During FY17, Pedestrian maintained its lead on all other brands in the youth focussed media segment in terms of engagement as well as time spent. Pedestrian's revenue grew by c30% in FY17 while profits more than doubled.

CarAdvice

In September 2016, Nine acquired a majority stake in CarAdvice, the leading publisher of online automotive editorial content in Australia. This acquisition marked an expanded presence for Nine in one of Australia's largest advertising categories, and provides Nine with a unique proposition for its automotive advertisers across multiple platforms.

The highly qualified data collected through CarAdvice's network of one million unique users will give Nine additional capacity to more effectively target intending car purchasers.

During the second half of FY17, automotive was one of the fastest growing advertising segments in Australia. Under the first full year of ownership, in FY18, profits are expected to more than double.

9Galaxy

In February, Nine commenced the roll out of its automated sales platform, 9Galaxy. 9Galaxy will completely revolutionise the transaction of non-premium airtime between buyer and seller, removing many of the inefficiencies in the sales system and providing a more accountable and reliable option for advertisers. Guaranteed audience delivery will enable broadcast television to compete more effectively with rival technology company offerings. By June 2018, around 50% (by volume) of Nine's television will be traded programmatically.

Nine will be focused on building out the programmatic offering across all platforms during FY18 – across linear television, online catch up, AVOD and live streaming and across every device.

Ultimately, through 9Galaxy, Nine will be able to offer a guaranteed campaign delivery, based on new audience forecasting technology, allowing the Group to serve advertising directly to customers based on their online behaviours, using proprietary first-party data.

Year end audience 1.8 million UAs

(source: Nielsen Digital Data Ratings Monthly, June 2017)

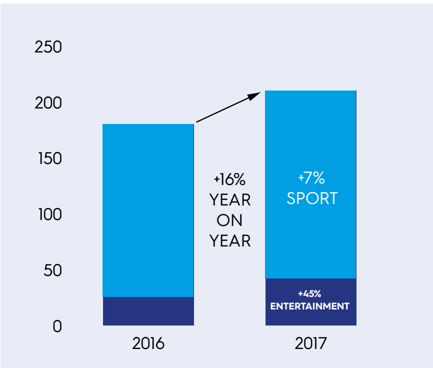
Pedestrian TV reaches more than 1 million 16-35yr old Australians

In FY17, automotive was one of the fastest growing ad segments in Australia

Premium revenue

The value of premium revenue for Nine's business has become increasingly important. While it can take many different forms, premium revenue includes branded content, product and brand integration, the use of IP, talent and social. In the year to June 2017, Nine had over 100 partners who leveraged the Group's premium entertainment and sport content to engage their customers. Premium revenue now accounts for more than 20% of total revenue and is estimated to grow by around 16% through CY17. Through Nine's networks and its relationships, the Group is able to offer advertisers unique marketing opportunities thereby furthering both the advertiser relationship and effectiveness.

Premium integrated partnerships driving FTA revenue growth



Media Reform

Post the end of the financial year, and after months if not years of debate, the Government finally passed the Media Reform package in September 2017.

The package effectively removes legacy ownership restrictions which have applied primarily to the traditional media companies, as well as removing permanently the licence fee structure which has burdened the broadcasting industry for many years. This licence fee will, from 2018, be replaced with a more equitable spectrum charge which will save Nine around $20m per year.

The Media industry and Nine, unanimously supported these changes which will ensure all media companies are allowed to make decisions about their futures on fundamental commercial bases. This will enable Australian media companies to configure their businesses in the optimal way to respond to the changing marketplace, and on a more level playing field with their international counterparts.

The Future

Nine is, above all, a content company. The focus will remain on strengthening Nine's ratings, and content offering and not just in terms of the Free To Air platform. Nine's ownership of Stan, 9Now and its own digital publishing platform equates to a unique and enviable set of assets with which to continue to innovate the media model. The future media world will be dominated by video. And Nine is at the forefront of this evolution.

With Sport, Lifestyle, Entertainment and News, Nine's strategy is focussed on further expanding its content brands, continuing to expand the related rights and to pursue opportunities to produce content internally where appropriate.

This content must be distributed across all platforms, successfully monetising that content wherever and whenever it appears.

The quality of the advertising experience is similarly paramount. Nine has the premium content, and the brand safe environment. Advertising with Nine must be as seamless as, and more effective than any of its competitors. The Group has now almost completed the investment in sales technology, which will significantly increase the efficiency of delivery for clients.

All within the confines of firm cost controls. Nine will always be committed to firm cost disciplines. Over the past couple of years, the Group has worked hard to improve the flexibility of its cost base, and has achieved ratings success with less investment. But the industry-wide pressures will remain and Nine remains constantly focussed on the best possible operational outcome for the lowest possible financial cost.

Which brings us back to our mantra – Create Great Content. Distribute it Broadly, Engage Audiences and Advertisers.

Nine Cares

Nine Cares provides a valuable service to needy individuals and organisations, drawing attention to some of Australia's most critical social issues. Nine's network of media assets and its role as a content creator enables the use of reach to connect communities.

In FY17, Nine Cares managed and provided almost $33 million of airtime for Community Service Announcements (CSAs) for community or not-for-profit organisations in support of causes including the White Ribbon Foundation, St Vincent de Paul, the Children's Tumour Foundation, Surf Life Saving Australia, Dry July and the Mark Hughes Foundation. Nine Cares is committed to continue to provide community groups with the ability to connect with the general public and maximise the reach of their messages.

During FY17, Channel Nine was instrumental in raising almost $20 million for the local children's hospitals through telethons in Sydney, Brisbane and the Easter Appeal in Adelaide. This money is used to provide essential equipment, services and research and is one of the hospitals' key fundraising initiatives for the year. These events are televised on Channel Nine in their local markets, with many of the group's key talent manning the phone lines and encouraging the public's generosity.

The NRL Footy Show's Big Change to Little Champions telethon raised a further $512,000 for the Starlight Foundation in FY17. The AFL Footy Show My Room Telethon raised $1 million for the children's cancer charity, My Room Charity.

A Current Affair serves a significant community interest by publicising news-worthy human interest stories. Genuinely needy people are provided a forum to tell their stories, often with incredible outcomes. Donations of money, care or essential devices are not uncommon as the nightly 1m-plus audiences are inspired. A Current Affair also promotes the national ACA Christmas hamper giveaway where tens of thousands of dollars worth of food are donated, packed and distributed to hundreds of needy families.

In an exciting and somewhat personal initiative during 2017, Nine was instrumental in uniting the NRL, Fox League , Macquarie Radio and the Mark Hughes Foundation and promote Beanies For Brain Cancer. The Mark Hughes Foundation raised more than $2.2 million throughout this campaign, helping to fund research into a cancer which kills more people under 40 in Australia than any other cancer and yet receives less than 5% of government cancer research funding.

Nine Cares also continues its active involvement in communities around Australia, sponsoring local council events, surf clubs, The Taronga Zoo, Royal Melbourne Show, the Mater Little Miracles Easter Appeal, the Ocean Ride for MS, the South Australian Young Achiever Awards as well as Carols by Candlelight across many of the Australian capital cities.

Free To Air TV's reach in terms of both depth and breadth makes it a unique broadcast microphone for many worthy causes, and Nine Cares' commitment to continuing its contribution remains unwavering.

$42m in publicity and assistance

Including $33m in Community Service Announcement airtime

Around $60m raised by telethons since inception

Governance

Diversity

As an employer of around 3,100 people across Australia, NEC aims to provide an inclusive workplace that attracts the very best employees, and 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.

Investing in our people

During FY17, Nine launched the *Leading At Nine* program which aims to ensure the regular participation of all of the group's people leaders in tailored training courses aimed at both leadership and management skills. To date, around 85% of our targeted employees have benefitted from the course, with further roll outs expected over coming months. In addition, during the year, Nine introduced a senior leadership program which involves around 16 of the group's leadership team.

All employees are required to undertake a regular program of training relating to subjects including Competition and Consumer Law, Privacy, Equal Employment Opportunity, Bullying and Workplace Health and Safety.

Investment in our people reflects the Company's commitment to ensuring the continued growth in their skills and development and is crucial to ensure the ongoing commitment of our employees.

Corporate Governance

During the year, Nine reviewed and amended its Board Charter and the Charter for the People & Remuneration Committee, so that the Board is now responsible for considering nominations for new directors. This change of responsibilities is reflected in Nine's Corporate Governance Statement. The Corporate Governance Statement demonstrates the extent to which Nine has complied with the ASX's Corporate Governance Council Principles and Recommendations and corporate governance best practice.

The Corporate Governance Statement, Charters and related corporate governance policies are available on Nine's website (http://www.nineentertainmentco.com.au/investor-centre).

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.

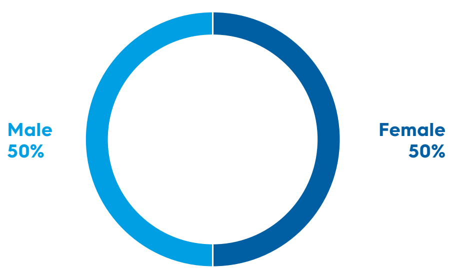
The Commercial Television Code of Practice requires Nine to ensure advertisers comply with the AANA Advertiser Code of Ethics and the AANA Code of Advertising and Marketing Communications to Children.

Further, Nine's commercial television licences issued under the Broadcasting Services Act are subject to conditions around specific matters 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.

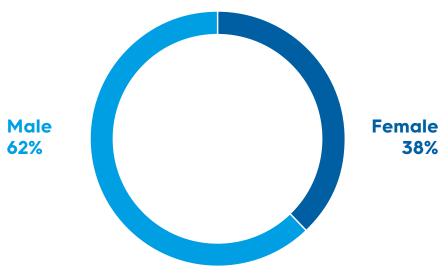
Nine provides regular training for employees on Nine's obligations under the Commercial Television Code of Practice and compliance with other applicable laws, relating to matter such as defamation and contempt of court.

Nine.com.au 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.com.au must cooperate with the Press Council's consideration of complaints against it and publish any decisions by the Press Council following a complaint to nine.com.au.

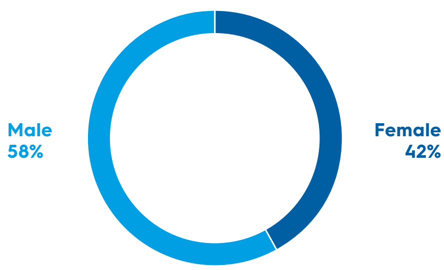
nec board



nec management



nec total employees



Source: Workplace Gender Equality Report 2017

Board of Directors

Mr Costello was appointed to the Board in February 2013 as an independent, Non-Executive Director and in March 2016 became Chairman of the Board. He is also a member of the Audit & Risk Management Committee. Mr Costello is currently Chairman of the Board of Guardians of Australia's Future Fund and serves on a number of advisory boards. 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.

Peter Costello

Independent Non-Executive Chairman

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 over 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.

Hugh Marks

Director and Chief Executive Officer

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 almost 20 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.

David Gyngell

Non-Executive Director

Ms Kendall was appointed to the Board in June 2017 as an independent, Non-Executive Director and is a member of the People & Remuneration Committee. Ms Kendall has more than 23 years' board experience across public, private and not-for-profit organisations, spanning a range of industries including marketing and technology, advertising, digital media, supermarkets and the arts. She is currently a Non-Executive Director of Costa Group, Wellcom Group and the Melbourne Theatre Company. Ms Kendall is a former senior executive who has held various roles in her career including Senior Vice President of Marketing at Galaxy Entertainment Group in Macau, China; Executive General Manager of Marketing at Crown Melbourne; General Manager, Pacific Brands; Managing Director of emitch Limited; and Executive Director of Clemenger BBDO.

Ms Kendall holds a Bachelor of Business – Marketing, and is also a Fellow of the Australian Institute of Company Directors.

Janette Kendall

Independent Non-Executive Director

Sam Lewis joined the Board in March 2017 as an independent, Non-Executive Director and is Chair of the Audit & Risk Management Committee and a member of the People & Remuneration Committee. Ms Lewis has extensive financial experience, with 20 years at Deloitte Touche Tohmatsu including 14 years as a Partner. In that role, she led the audit of a number of major Australian listed companies, in the retail/ FMCG and industrial sectors. During her time at Deloitte, Ms Lewis also provided accounting advice and transactional advisory services, including due diligence, IPOs and debt/equity raisings. Since retiring from Deloitte in 2014, Ms Lewis has been appointed to the Boards of ASX-listed Orora Ltd and Aurizon Holdings Ltd and is also the Chair of the Audit Committee of the Australian Prudential Regulatory Authority. She is a Member of the Institute of Chartered Accountants in both Australia, and England and Wales, and is a Member of the Australian Institute of Company Directors.

Ms Lewis holds a Bachelor of Arts (Hons) degree from the University of Liverpool.

Samantha Lewis

Independent Non-Executive Director

Ms West was appointed to the Board in May 2016 as an independent, Non-Executive Director and is the Chair of the People & Remuneration Committee and a member of the Audit & Risk Management 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, distribution, commercial activities and joint ventures. Ms West is currently a non-executive director of Southern Phones and a Graduate Member of the Australian Institute of Company Directors and a Vice President 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.

Catherine West

Independent Non-Executive Director

Directors' Report

The Directors present the financial report for the year ended 30 June 2017. 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	6 February 2013	
Hugh Marks	Chief Executive Officer	6 February 2013	
Elizabeth Gaines	Independent Non-Executive Director	1 March 2016	3 February 2017
David Gyngell	Non-Executive Director	25 November 2010	
Janette Kendall	Independent Non-Executive Director	5 June 2017	
Holly Kramer	Independent Non-Executive Director	6 May 2015	3 February 2017
Samantha Lewis	Independent Non-Executive Director	20 March 2017	
Catherine West	Independent Non-Executive Director	9 May 2016	

Peter Costello (Independent Non-Executive Chairman)

Mr Costello was appointed to the Board in February 2013 as an independent, Non-Executive Director and in March 2016 became Chairman of the Board. He is also a member of the Audit & Risk Management Committee. Mr Costello is currently Chairman of the Board of Guardians of Australia's Future Fund and serves on a number of advisory boards. 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 (Director and 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 over 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.

David Gyngell (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 almost 20 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.

Janette Kendall (Independent Non-Executive Director)

Ms Kendall was appointed to the Board in June 2017 as an independent, Non-Executive Director and is a member of the People & Remuneration Committee. Ms Kendall has more than 23 years' board experience across public, private and not-for-profit organisations, spanning a range of industries including marketing and technology, advertising, digital media, supermarkets and the arts. She is currently a Non-Executive Director of Costa Group, Wellcom Group and the Melbourne Theatre Company. Ms Kendall is a former senior executive who has held various roles in her career including Senior Vice President of Marketing at Galaxy Entertainment Group in Macau, China; Executive General Manager of Marketing at Crown Melbourne; General Manager, Pacific Brands; Managing Director of emitch Limited; and Executive Director of Clemenger BBDO.

Ms Kendall holds a Bachelor of Business – Marketing, and is also a Fellow of the Australian Institute of Company Directors.

Samantha Lewis (Independent Non-Executive Director)

Ms Lewis joined the Board in March 2017 as an independent, Non-Executive Director and is Chair of the Audit & Risk Management Committee and a member of the People & Remuneration Committee. Ms Lewis has extensive financial experience, with 20 years at Deloitte Touche Tohmatsu including 14 years as a Partner. In that role, she led the audit of a number of major Australian listed companies, in the retail/FMCG and industrial sectors. During her time at Deloitte, Ms Lewis also provided accounting advice and transactional advisory services, including due diligence, IPOs and debt/equity raisings. Since retiring from Deloitte in 2014, Ms Lewis has been appointed to the Boards of ASX-listed Orora Ltd and Aurizon Holdings Ltd and is also the Chair of the Audit Committee of the Australian Prudential Regulatory Authority. She is a Member of the Institute of Chartered Accountants in both Australia, and England and Wales, and is a Member of the Australian Institute of Company Directors.

Ms Lewis holds a Bachelor of Arts (Hons) degree from the University of Liverpool.

Catherine West (Independent Non-Executive Director)

Ms West was appointed to the Board in May 2016 as an Independent, Non-Executive Director and is the Chair of the People & Remuneration Committee and a member of the Audit & Risk Management 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, distribution, commercial activities and joint ventures. Ms West is currently a non-executive director of Southern Phones and a Graduate Member of the Australian Institute of Company Directors and a Vice President 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.

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 & Risk Management Committee		People & Remuneration Committee	
	Meetings held*	Meetings attended	Meetings held*	Meetings attended	Meetings held*	Meetings attended
Hugh Marks	9	9	–	–	–	–
Peter Costello	9	9	2	2	4	4
Elizabeth Gaines[1]	5	5	3	3	–	–
David Gyngell	9	7	1	1	–	–
Janette Kendall[2]	1	1	–	–	–	–
Holly Kramer[3]	5	4	3	3	2	2
Samantha Lewis[4]	2	2	1	1	–	–
Catherine West[5]	9	9	5	5	3	3

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

1. Ms Elizabeth Gaines resigned on 3 February 2017.
2. Ms Janette Kendall was appointed to the Board on 5 June 2017 and to the People & Remuneration Committee on 19 June 2017.
3. Ms Holly Kramer resigned on 3 February 2017.
4. Ms Samantha Lewis was appointed to the Board and the Audit & Risk Management Committee on 20 March 2017 and to the People & Remuneration Committee on 19 June 2017.
5. Ms Catherine West was appointed to the People & Remuneration Committee on 10 August 2016.

Directors' Report continued

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 and a member of the Australian Institute of Company Directors.

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 4.5 cents per share, fully franked, in respect of the year ended 30 June 2017 amounting to $39,151,434 during the year. Since the year end, the Company has proposed a final dividend of 5.0 cents per share, fully franked, in respect of the year ended 30 June 2017 amounting to $43,568,660.

The Company declared and paid a final dividend of 4.0 cents per share, fully franked, in respect of the year ended 30 June 2016 amounting to $34,752,636 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 2017, the Group reported a consolidated net loss after income tax of $203,438,000 (2016: profit $324,755,000).

The Group's revenues from continuing operations for the year to 30 June 2017 decreased by $41,405,000 (3%) to $1,244,955,000 (2016: $1,286,360,000).

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 2017 was a profit of $205,619,000 (2016: profit of $201,746,000).

The Group's cash flows used in operations for the year to 30 June 2017 were $4,186,000 (2016: generated from operations: $50,279,000).

Further information is provided in the Operating and Financial Review on pages 44 to 47.

Significant Changes in the State of Affairs

During the year, the Group acquired a 59.22% interest in CarAdvice.com Pty Ltd (refer to Note 6 for further details).

Significant Events after the Balance Sheet Date

On 18 August 2017, following exercise of a call option granted in August 2015, the Group entered an agreement to sell the property held at Willoughby, Sydney with an expected completion date of 15 September 2017 and sale price of $147.5 million; the Group received $22.1 million proceeds by way of deposit in 2015, with the balance due on completion. The Group will rent the site until August 2020 at a starting rent of $9.6 million per annum. This transaction will result in a profit before tax being booked in the year to 30 June 2018 of $81 million (net of costs and an onerous provision for the cost of the rent which the Group considers to be in excess of a market rent).

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 24.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Nine Entertainment Co. Holdings Limited is an entity to which the Instrument 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, 24 August 2017

Directors' Report

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 2017, 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.

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

Ernst + Young

Ernst & Young

John Robinson
Partner
24 August 2017

Remuneration Report – Audited

Letter from Committee Chair

I am pleased to present the Company's 2017 Remuneration Report on behalf of the Board.

The Remuneration Report has been redesigned significantly this year. This review has largely been focussed on simplifying the Report to make it easier for readers to interpret key elements of our remuneration framework and outcomes. The structure of the remuneration framework for 2017 remained the same as for 2016.

Performance and Remuneration Outcomes in FY17

In 2017, although the Group continued to operate in a challenging environment, NEC delivered EBITDA and EPS growth through reduced licence fees, implementation of several strategic priorities, including reducing operating expenditure, improved audience share post-Olympics and growth in digital earnings. Consequently, a Short Term Incentive (STI) plan payment was awarded for the 2017 financial year for all Key Management Personnel.

Included within reported EBITDA and EPS (pre-specific items) was the full rebate of licence fees for the financial year. In applying its discretion, the Board assumed a level of licence fee which is expected on an ongoing basis if legislation proposed by the Government is passed in the Senate. This reduced the level of STI payments to Management.

The Personal Objectives component of individual STI outcomes was assessed against specific targets and awarded where achieved. There was no vesting of Long Term Incentives (LTI), given the first grant was made in the 2016 financial year and is not due for vesting until 30 June 2018.

NED fees were originally set before the Company was listed on the ASX in 2013. After a benchmarking review of the market data for comparable listed companies, these were reduced with effect from 1 February 2017.

Executive Reward Framework for FY18

For FY18, we will be making some changes to our STI Plan to ensure it continues to incentivise executives to focus on the current core business and to deliver on business transformation initiatives. The changes include an increased weighting on individual metrics to allow greater flexibility to focus executives on where they can make the greatest contribution to strategy. The Group's financial performance measure for STI will be Group EBITDA and the individual component will include financial and strategic objectives aligned to our long term strategy. Otherwise, the overarching STI and LTI structure remains the same for FY18.

The Board recently commenced a review on how we could better align our executive reward framework to the long-term strategy and shareholder interests, as we continue to reposition our business amidst ongoing disruption to traditional television media, while evolving into an integrated media organisation. As part of this review, the Board intends engaging with all key stakeholders to solicit their views on any potential changes. Any changes would be implemented at the commencement of FY19.

Changes to Key Management Personnel and Board

There were a number of changes at both Board and Executive level during 2017. These changes included the appointment of Janette Kendall and Samantha Lewis as Non-Executive Directors. All Board and Key Executive Management changes are set out in the Remuneration Report.

Yours faithfully

Catherine West
Chair of the People and Remuneration Committee

Remuneration Report – Audited continued

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 2017. KMP are those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company. The tables detail movements during the 2017 financial year and current KMP and Directors.

Key Management Personnel

Name	Position	Term 2017
Non-Executive Directors (NEDs)		
Peter Costello	Chairman (independent, Non-Executive)	Full year
David Gyngell	Director (Non-Executive)	Full year
Janette Kendall	Director (independent Non-Executive)	Effective 5 June 2017
Samantha Lewis	Director (independent Non-Executive)	Effective 20 March 2017
Catherine West	Director (independent Non-Executive)	Full year
Executive Director		
Hugh Marks	Chief Executive Officer	Full year
Other Executive KMP		
Greg Barnes	Chief Financial Officer	Effective 4 July 2016
Amanda Laing[1]	Managing Director	Full year
Michael Stephenson	Chief Sales Officer	Full year
Former Key Management Personnel		
Elizabeth Gaines	Director (independent, Non-Executive)	Ceased 3 February 2017
Holly Kramer	Director (independent, Non-Executive)	Ceased 3 February 2017

1. Amanda Laing resigned prior to the 2017 financial year end, effective 3 July 2017.

2. Executive Summary

The Table below outlines each component of the remuneration framework, metrics and the link to Group strategic objectives.

Component	Performance Measure	At risk portion	Link to Strategic Objective
Fixed remuneration Salary, non-monetary benefits and statutory superannuation. *Further detail in section 3.4*	Performance and delivery of key responsibilities as set out in the position description.	Not applicable.	Fixed remuneration is set at competitive levels to attract and retain high performance individuals. Other considerations include: • Scope of role and responsibility; • Capability, experience and competency; and • Internal and external benchmarks.
+ Annual short term incentive (STI) Cash payments and deferred shares. *Further detail in section 3.5*	Financial measures: 37.5% – Group Earnings Before Interest, Tax, Depreciation and Amortisation before specific items (EBITDA) 37.5% – Group Earnings Per Share before specific items (EPS). Individual measures: 25% – Individual objectives related to the KMP's role and responsibilities.	Chief Executive Officer: Target 100% of fixed remuneration Maximum 137.5% of fixed remuneration. Other Executive KMP: Target 50% of fixed remuneration Maximum 68.75% of fixed remuneration.	Financial measures reward Group performance. The financial performance measures were chosen because they contribute to the determining of dividend outcomes and share price performance over time. Individual measures reflect individuals' performance and contribution to the achievement of both business unit and Group long-term objectives including growth of supplementary revenue streams, content production and monetisation, audience share and talent management.
+ Long term incentive (LTI) Performance rights. *Further detail in section 3.6.*	50% – Total Shareholder Return (TSR) – relative to S&P/ASX 200 Index companies. 50% – Earnings Per Share Growth (EPSG) Measured over a three-year performance period.	Chief Executive Officer: 100% of fixed remuneration Other Executive KMP: 50% of fixed remuneration	Creates a strong link with the creation of shareholder value. Relative TSR was chosen as it provides an external market performance measure having regard to S&P/ASX 200 Index companies representing Consumer Discretionary, Consumer Staples, Information Technology and Telecommunication Services. EPSG was chosen as it aligns with shareholder dividends overtime.
= Total Remuneration	The remuneration mix is designed to align Executive remuneration and rewards to the creation of long term shareholder value.		

2.1. Summary of Executive Remuneration outcomes

The table below is a summary of remuneration outcomes for financial year 2017.

Fixed remuneration	• During the 2017 financial year, no increases were made to CEO or other Executive KMP fixed remuneration.
Short-term incentive (STI)	• At a reported level, pre-specific items, NEC, and the Television and Digital divisions' actual EBITDA and EPS results exceeded STI targets (budget) for the year. Included within reported EBITDA and EPS (pre-specific items) was the full rebate of licence fees for the financial year. In applying its discretion, the Board assumed a level of licence fee which is expected on an ongoing basis if legislation proposed by the Government is passed in the Senate. This reduced the level of STI payments to Management. • The Personal Objectives component of individual STI outcomes was assessed against specific targets and awarded where achieved.
Long-term Incentive (LTI)	• LTI grants were made in line with plan rules for Executive KMP in financial year 2017. • No LTI has vested since awards were made in 2016 other than pre-IPO LTIs.
Award vesting	• No awards are currently available for vesting, the first vesting date for LTI on foot will be 30 June 2018.
Non-executive director fees	• The total amount paid to non-executive directors in financial year 2017 was $1,044,314. • Non-executive director fees had been set prior to IPO and, following a benchmarking exercise conducted during the year, were reduced with effect from 1 February 2017. Prior to this, NED fees had not changed since 2014

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 approach and considers 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 the Chief Executive Officer and other Executive KMP (Executive KMP) with a level and mix of remuneration (comprising fixed remuneration, short- and long-term incentives) 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 reviews remuneration on a periodic and case-by-case basis that takes into account market data, performance of the Company and individual and market conditions. The 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 media and entertainment industry experience and skills. 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.

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 2017 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.

3.3. Remuneration Mix (at target)

Chief Executive Officer

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

Other Executive KMP

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

Longer term focus through incentive deferral

The remuneration mix is structured so that a substantial portion of remuneration is delivered through Deferred STI or LTI. The table below shows that remuneration awards to KMPs are earned over a period of up to three years. This ensures that the interests of executives are aligned with shareholders and the delivery of the long-term business strategy.

Year 1	Year 2	Year 3
Fixed remuneration		
STI – cash	STI – deferred shares	STI – deferred shares
LTI – 3-year performance period		

3.4. Fixed Remuneration

Fixed remuneration represents the amount 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 the role, knowledge and experience of the individual and the external market.

3.5. Short Term Incentive Plan (STI) Plan

Purpose and overview	• The STI plan is designed to align individual performance to the achievement of the business strategy and increased shareholder value. • Awards are made annually and are aligned to the attainment of clearly defined Group, business unit and individual targets. • The STI plan is subject to annual review by the People and Remuneration Committee (**PRC**). The structure, performance measures and weightings may therefore vary from year to year. No changes were made to the STI plan in the current year.
STI funding	• The pool to fund STI rewards is determined by the Group's financial performance before significant items. • The STI is weighted 75% to Group financial measures and 25% to individual measures.
STI Opportunity (at target)	See table below
Financial Measures	• Group EBITDA and Group EPS (both before specific items) each comprise 37.5% of the STI. • Group EBITDA and Group EPS were chosen to 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. • Payouts based on financial measures are detailed below (pro-rata between bands).

STI Opportunity (at target):

	% of fixed remuneration
CEO	100
Other Executive KMP	50

Financial Measures:

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

Individual measures	• Executive KMPs are assigned individual objectives based on their specific area of responsibility. These objectives are directly aligned to the Board approved operational and strategic objectives and include quantitative measures where appropriate. • Individual objectives include growth of audience share and supplementary revenue streams, content production and monetisation, reduce operating expenditure and staff retention and talent management. Payouts based on individual measures are detailed below.

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

Deferred STI Payment	• 33% of any STI outcome is deferred into NEC shares (Shares) that vest in two tranches and cannot be traded until after they have vested. • 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 for financial year 2017.

	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 KMP will receive all benefits of holding the Shares in the period before vesting, including dividends, capital returns and voting rights. Shares granted are expensed in the year to which the award relates 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.

Assessment and Board discretion	• Actual performance against financial and individual measures is assessed at the end of the financial year. • In assessing the achievement of financial and individual measures the PRC may exercise its discretion to adjust outcomes for significant factors that are considered outside the control of management that contribute positively or negatively to results. • The Board determines the amount, if any, of the short-term incentive to be paid to each Executive KMP, seeking recommendations from the PRC and CEO as appropriate. • 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 objectives.

3.6. Long Term Incentive (LTI) Plan

The LTI plan involves the annual granting of conditional rights to participants.

Overview	The PRC 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.
Grant Date(s)	The following grants have been issued and remain on foot (or subject to testing against vesting conditions): 29 January 2016 – FY2016 grant 1 December 2016 – FY2017 grant The nature and structure of each grant is identical and discussed collectively, below.
Consideration	Nil
Performance Rights	Performance rights are awarded based on the fixed amount to which the individual is entitled and the VWAP. VWAP is calculated over the period commencing 5 trading days before and ending 4 trading days after the results release immediately following the start of the performance period (i.e. over a total period of 10 trading days). 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.
LTI Opportunity (at target)	(see table below)
Performance Period	The Performance Period for each grant is three financial years ending on 30 June 2018 or 30 June 2019 (**Vesting Date**).
Vesting Dates	Subject to the Vesting Conditions and Employment Conditions described below, Performance Rights held by each Participant will vest on the Vesting 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 S&P/ASX 200 Index companies representing Consumer Discretionary, Consumer Staples, Information Technology and Telecommunication Services. TSR was chosen as it provides a relative, external market performance measure. • 50% subject to the achievement of fully diluted EPSG targets as set by the Board over the Performance Period. EPSG was chosen as it aligns with shareholder dividends over time. **Total Shareholder Return (TSR)** TSR vesting schedule (see table below)

LTI Opportunity (at target):

	% of fixed remuneration
CEO	100
Other Executive KMP	50

TSR vesting schedule:

Outcome	Vesting
Ranked at the 75th percentile or higher	50%
Ranked at the 50th percentile (Threshold)	25%
Ranked below the 50th percentile	0%

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Vesting Conditions *continued*

Earnings Per Share Growth (EPSG)

EPSG vesting schedule

Outcome	Vesting
The EPSG hurdle assesses cumulative EPS as the sum of the annual EPS calculated at the end of each financial year over the performance period. Vesting occurs when:	
Cumulative annual growth over the period exceeds the Maximum Vesting Target	50%
Cumulative annual growth over the period exceeds the Threshold	16.5%
Cumulative annual growth over the period of less than the Threshold	0%

The Board may vary the Vesting Conditions for each Plan issue. Vesting is pro-rated if the outcome is between the Threshold and Maximum bands.

EPSG hurdles are determined at the issue of each grant with regards to factors including:

- Internal forecasting estimates taking into account the outlook for the industry including audience viewing, advertising revenues and inflation.
- Market expectations, including reference to sell-side equity analyst forecasts.
- Recent actual performance.
- Market practice and competitor benchmarking.

Due to the nature of these hurdles and the implied outlook for NEC earnings, the PRC and NEC Board has determined to disclose these targets upon vesting of any performance rights.

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 performance 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 Securities 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.

A Participant may not enter into any arrangement for the purpose of hedging, or otherwise affecting their economic exposure to their Performance Rights.

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.

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.

4. Linking Pay to Performance

4.1. Impact of NEC's 2017 performance on remuneration

In 2017, although the Group continued to operate in a challenging environment, NEC delivered EBITDA and EPS growth (before specific items) through reduced licence fees, implementation of several strategic priorities, including reducing operating expenditure, improved audience share post-Olympics and growth in digital earnings. Similarly, during the 2017 financial year, NEC's share price rose from $1.05 to $1.38. Accordingly, incentive payments for the 2017 financial year have increased, demonstrating the clear link between the remuneration framework and outcomes, Group results and shareholder returns.

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

	30 Jun 17 $m	30 Jun 16 $m	30 Jun 15 $m
Revenue	1,244.9	1,286.40	1,373.60
Group EBITDA	205.6	201.7	217.2
Group EBITDA %	17%	16%	16%
Net profit before tax	164.7	164.1	158.9
Net profit after tax	123.6	118.6	111.6
Earnings per share – cents	14.0 cents	13.5 cents	11.9 cents

	30 Jun 17 Cents/Share	30 Jun 16 Cents/Share	30 Jun 15 Cents/Share
Opening share price	105	155	209
Closing share price	138	105	155
Dividend	9.5	12.0	9.2

Executive KMP STI Payments	30 Jun 17	30 Jun 16	30 Jun 15
Earned	94.2%	19%	25%
Forfeited	5.8%	81%	75%

4.2. Short Term Incentive (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. Individual measures were determined on an individual-by-individual basis based on their respective delivery of key operational and strategic objectives of the Group, as determined by the Company's Board.

Included within reported EBITDA and EPS (pre-specific items) was the full rebate of licence fees for the financial year. In applying its discretion, the Board assumed a level of licence fee which is expected on an ongoing basis if legislation proposed by the Government is passed in the Senate. This reduced the level of STI payments to Management.

The table below shows the percentage of each Executive KMP's total STI which is attributable to the performance measures, if threshold and target measures are achieved or overachieved.

		Threshold	Target	Maximum
Financial measures – 75%	Group EBITDA – 37.5%	18.75%	37.5%	56.25%
	Group EPS – 37.5%.	18.75%	37.5%	56.25%
Individual objectives – 25%	Hugh Marks	N/A	25%	25%
	Greg Barnes	N/A	25%	25%
	Amanda Laing	N/A	25%	25%
	Michael Stephenson	N/A	25%	25%

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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 (%)		Proportion of Maximum STI (%)	
Name		**Earned %**	**Forfeited %**	**Earned %**	**Forfeited %**
Hugh Marks	**FY17**	**95.9%**	**4.1%**	**69.7%**	**30.3%**
	FY16	20%	80%	14.5%	85.5%
Greg Barnes	**FY17**	**95.9%**	**4.1%**	**69.7%**	**30.3%**
	FY16	–	–	–	–
Amanda Laing	**FY17**	**95.9%**	**4.1%**	**69.7%**	**30.3%**
	FY16	20%	80%	14.5%	85.5%
Michael Stephenson	**FY17**	**83.5%**	**16.5%**	**60.7 %**	**39.3%**
	FY16	8%	92%	6.1%	93.9%
Former Key Management Personnel					
David Gyngell	**FY17**	**–**	**–**	**–**	**–**
	FY16[1]	20%	80%	14.50%	85.50%
Simon Kelly	**FY17**	**–**	**–**	**–**	**–**
	FY16[2]	50%	50%	36.40%	63.60%
Peter Wiltshire	**FY17**	**–**	**–**	**–**	**–**
	FY16	–	–	–	–

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 2017 financial year STI payments earned by current Executive KMP, at 30 June 2017, will be provided as shares in accordance with that plan, as described in section 3.5. The balance of the STI payable will be paid in cash following the release of the Company's 2017 financial results. The value of Shares granted is expensed in the year to which the award relates.

4.3. Long Term Incentives (LTI)

Grant Date	Test Date	Performance Hurdles	Vesting outcome (%)
29 January 2016	30 June 2018	• 50% – Total Shareholder Return • 50% – Earnings Per Share Growth	NA
1 December 2016	30 June 2019	• 50% – Total Shareholder Return • 50% – Earnings Per Share Growth	NA

5. Executive Agreements

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 2017 were as follows:

	Fixed Remuneration[1]	Target STI	Notice Period by Executive	Notice Period by Company	Restraint
Hugh Marks[2]	$1,400,000	$1,400,000	12 months	12 months	12 months
Greg Barnes[2]	$850,000	$425,000	12 months	12 months	12 months
Amanda Laing[2,3]	$869,307	$434,654	12 months	12 months	12 months
Michael Stephenson[2]	$730,000	$365,000	12 months	12 months	12 months

1. Fixed Remuneration comprises base cash remuneration, superannuation and other benefits which can be sacrificed for cash at the employee's election.
2. KMP are entitled to participate in a long term incentive plan, as discussed separately in this report.
3. Amanda Laing is subject to exemptions in respect of termination payment caps provided by S200B of the Corporations Act. This exemption was approved by the Company's shareholders on 28 June 2012.

6. Remuneration Governance

6.1. People and Remuneration Committee (PRC)

The PRC assists the Board in fulfilling its responsibilities for corporate governance and oversight of NEC's human resources policies and practices and workplace health and safety (WHS) management. The Committee's goal is to ensure that NEC is able to attract the industry's best talent, appropriately align their interests with those of key stakeholders, comply with WHS obligations and effectively manage WHS risks.

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 PRC. The Board also sets the remuneration levels of Non-Executive Directors (NEDs), subject to the aggregate pool limit approved by shareholders.

Details of the membership, number and attendance at meetings held by the PRC are set out on page 21 of the Directors' Report.

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

6.2. Use of Remuneration Consultants

From time to time, the PRC 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 PRC to ensure management cannot unduly influence the outcome.

The Company has engaged the services of PricewaterhouseCoopers as the Company's remuneration advisor during the 2017 financial year. In the current financial year the PRC 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.

6.3. 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. These policies are available on Nine's website (www.nineentertainmentco.com.au).

7. Detailed disclosure of executive remuneration

7.1. Statutory remuneration disclosures

Details of the remuneration of the executives for the year ended 30 June 2017 are set out in the following table in accordance with statutory disclosure requirements.

KMP remuneration outcomes 2017		Short term benefits			Post-employment benefits	Long-term benefits		Share-based payments						
		Salary and fees $	Cash bonus $	Pre-IPO related cash incentives[1] $	Super-annuation $	Annual leave[8] $	Long service leave $	Pre-IPO share rights[1] $	Deferred STI share $	Long-term incentives[4] $	Sign on and termination payments $	Total $	Perform-ance related %	Total excluding pre-IPO component $
Executive Director														
Hugh Marks	**FY17**	**1,380,384**	**895,226**	**–**	**19,616**	**31,855**	**–**	**–**	**447,613**	**424,640**	**–**	**3,199,334**	**55**	**3,199,334**
	FY16[6]	882,738	119,941	–	14,481	46,662	14,712	–	59,075	250,550	–	1,388,159	31	1,388,159
Other Key Management Personnel														
Greg Barnes[2]	**FY17**	**823,482**	**271,765**	**–**	**19,616**	**35,132**	**–**	**–**	**135,883**	**84,861**	**983,501**	**2,354,240**	**21**	**2,354,240**
	FY16	–	–	–	–	–	–	–	–	–	–	–	–	–
Amanda Laing[3]	**FY17[7]**	**850,000**	**416,907**	**6,816**	**19,616**	**(49,038)**	**14,165**	**48,519**	**–**	**136,995**	**950,000**	**2,393,979**	**23**	**2,338,644**
	FY16	778,942	58,244	30,673	19,308	39,231	14,166	189,222	34,737	102,756	–	1,267,279	33	1,047,384
Michael Stephenson	**FY17**	**710,384**	**203,068**	**–**	**19,616**	**(9,563)**	**11,839**	**2,315**	**101,534**	**72,881**	**–**	**1,112,074**	**29**	**1,109,759**
	FY16[6]	211,654	6,062	–	5,750	12,871	3,352	347	2,987	–	–	243,023	4	242,676
Former Executive Key Management Personnel														
David Gyngell[5]	**FY17**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	FY16	699,700	166,667	131,708	9,653	–	–	416,666	–	–	604,166	2,028,560	35	1,480,186
Simon Kelly[7]	**FY17**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	FY16	806,206	300,000	61,346	24,917	60,479	–	300,815	–	–	2,192,417	3,746,180	18	3,384,019
Peter Wiltshire[7]	**FY17**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	FY16	682,392	–	18,029	19,308	37,409	130,563	94,111	–	22,478	758,820	1,763,110	8	1,650,970
Total Executive KMP	**FY17**	**3,764,251**	**1,786,967**	**6,816**	**78,462**	**8,386**	**26,004**	**50,834**	**685,030**	**719,376**	**1,933,501**	**9,059,627**		**9,001,977**
	FY16	4,061,632	650,914	241,756	93,417	196,652	162,793	1,001,161	96,798	375,784	3,555,403	10,436,310		9,193,394

Notes:

1. Pre-IPO remuneration components relate to amounts contracted prior to the Company's IPO. These are detailed further in section 9.
2. G Barnes sign on bonus included non cash consideration of $783,501 in respect of shares and share rights.
3. A Laing resigned effective 3 July 2017 and her termination payments reflect those accrued during the financial year.
4. Details of the Long Term Incentive Plan are outlined in section 3.6.
5. Excludes NED fees.
6. Includes remuneration since KMP appointment.
7. Includes annual and long service leave payments on termination.
8. Amounts may be negative where the KMP's annual leave taken in the year exceeds that accrued.

7.2 Non-statutory remuneration disclosures

The actual remuneration earned by current executives in the year ended 30 June 2017 ("FY17") is set out in the table below. This information is considered to be relevant as it provides details of the remuneration actually received by the Company's executives in FY17. It includes the proposed payments relating to the FY17 STI plan, albeit payment will be received in FY18. STI amounts include both the cash and deferred shares elements. Only LTIs which have vested during the year are included. The table differs from the statutory disclosure in section 7.1 principally because the table in section 7.1 includes a value for LTI which may or may not vest in future years and also includes termination benefits which have been accrued in the year but not yet paid.

Total Remuneration Earned by Current Executives (non-statutory disclosures)

		Salary and fees $	Cash bonus[1] $	Fixed salary and cash bonus	Other remuneration[2]	Deferred STI	Pre-IPO LTI vested in the year	Sign on and termination payments	Remuneration 'earned' for 2017
Executive Director									
Hugh Marks	**FY17**	**1,380,384**	**895,226**	**2,275,610**	**51,472**	**447,613**	**–**	**–**	**2,774,695**
	FY16[5]	882,738	119,941	1,002,679	75,855	59,075	–	–	1,137,609
Other Key Management Personnel									
Greg Barnes[3]	**FY17**	**823,482**	**271,765**	**1,095,247**	**54,748**	**135,883**	**–**	**817,510**	**2,103,388**
	FY16	–	–	–	–	–	–	–	–
Amanda Laing[4]	**FY17**	**850,000**	**423,723**	**1,273,723**	**(15,258)**	**–**	**349,334**	**–**	**1,607,799**
	FY16	778,942	88,917	867,859	72,705	34,737	349,334	–	1,324,634
Michael Stephenson	**FY17**	**710,384**	**203,068**	**913,452**	**21,891**	**101,534**	**16,667**	**–**	**1,053,544**
	FY16[5]	211,654	6,062	217,716	21,973	2,987	–	–	242,676
Total Executive KMP	**FY17**	**3,764,250**	**1,793,782**	**5,558,032**	**112,853**	**685,030**	**366,001**	**817,510**	**7,539,426**

Notes

1. Cash bonus includes cash benefits such as STI and $6,816 Pre-IPO related cash incentives for A Laing (FY16: $30,673).
2. Other remuneration relates to superannuation and movement in annual leave and long service leave balances. The values may be negative where the KMP's annual leave taken in the year exceeds that accrued.
3. G Barnes sign on payment includes cash and shares. LTI share rights granted are not included.
4. A Laing resigned effective 3 July 2017 and her cash bonus shows amount earned during the year.
5. Remuneration earned since appointment as Executive KMP.

Remuneration Report – Audited continued

7.3. Performance Rights and Share Interests of Key Management Personnel

The number of Performance Rights granted to Executive KMP as remuneration, the number vested during the year and the number outstanding at the end of 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.

2017 Performance Rights of Key Management Personnel

	Share Rights outstanding at start of year No.	Share Rights granted in year No.	Award date	Fair Value per Share Right at award date $	Vesting date	Vested during the year No.	Lapsed during the year No.	Share Rights outstanding at end of year No.
Executive Director								
Hugh Marks	906,149	–	11-Nov-15	1.09	1-Jul-18	–	–	906,149
	–	1,372,549	1-Dec-16	0.61	1-Jul-19	–	–	1,372,549
Other Executive KMP								
Greg Barnes	–	416,667	1-Dec-16	0.61	1-Jul-19	–	–	416,667
	–	400,943	4-Jul-16	1.09	1-Jul-18	–	–	400,943
Amanda Laing	170,407	–	11-Dec-13	2.05	11-Dec-16	170,407	–	–
	283,333	–	29-Jan-16	1.09	1-Jul-18	–	94,444[2]	188,889[1]
	–	416,667	1-Dec-16	0.61	1-Jul-19	–	277,778[2]	138,889[1]
Michael Stephenson	8,130	–	11-Dec-13	2.05	11-Dec-16	8,130	–	–
	–	357,843	1-Dec-16	0.61	1-Jul-19	–	–	357,843
Former Key Management Personnel								
David Gyngell	731,707[1]	–	11-Dec-13	2.05	11-Dec-16	731,707	–	–
Simon Kelly	340,813[1]	–	11-Dec-13	2.05	11-Dec-16	340,813	–	–
Peter Wiltshire	100,163[1]	–	11-Dec-13	2.05	11-Dec-16	100,163	–	–
	82,639	–	29-Jan-16	1.09	1-Jul-18	–	–	82,639[1]

1. In accordance with termination agreements, the rights which were held on termination of employment were or will 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, subject to meeting performance targets.
2. A Laing resigned effective 3 July 2017, however her rights which lapsed on termination have been treated as lapsed as at 30 June 2017 for the purposes of the above disclosure.

2017 Shareholding 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 2016 Ord	Granted on conversion of Share Rights Ord	Granted as STI Ord	Other net changes Ord	Held directly as at 30 June 2017 Ord	Held nominally as at 30 June 2017 Ord[2]
Non-Executive Directors						
Peter Costello	301,786	–	–	–	–	301,786
Catherine West	–	–	–	–	–	–
David Gyngell	4,878,048	–	–	–	4,878,048	487
Janette Kendall[1]	–	–	–	–	–	–
Samantha Lewis[1]	–	–	–	–	–	–
Executive Director						
Hugh Marks	102,396	–	57,917	200,000	132,917	227,396
Other Key Management Personnel						
Greg Barnes[1]	–	–	–	682,556	682,556	–
Amanda Laing	207,687	170,407	28,125	(119,406)	286,813	–
Michael Stephenson	487	8,130	2,927	–	11,544	–
Total	**5,490,404**	**178,537**	**88,969**	**763,150**	**5,991,878**	**529,669**

1. Details given from the date on which the individual became a KMP
2. H Kramer who is a former Non-Executive Director held 76,181 ordinary shares at the date of her resignation (3 Feb 2017)

8. Non-Executive Director (NED) Remuneration Arrangements and detailed disclosures of NED remuneration

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.

The shareholders of NEC approved an aggregate fee pool of $3 million at the AGM on 21 October 2013. The Board will not seek any increase to the NED fee pool at the 2017 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.

Non-executive director fees were reduced with effect from 1 February 2017, after a benchmarking review of the market data for comparable listed companies. Before this, NED fees had not changed since 2014.

The NED fees are set out below.

Role	From 1 February 2017	To 31 January 2017
Chairman	$340,000	$425,000
Directors	$135,000	$180,000
Audit & Risk Committee chair	$30,000	$15,000
Audit & Risk Committee member	$20,000	$10,000
People & Remuneration Committee chair	$25,000	$15,000
People & Remuneration Committee member	$15,000	$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 2017 financial year. This table below includes fees for the period, when they held the position of NEDs.

NED Remuneration for years ended 30 June 2017 and 2016

	Financial year	Salary and fees $	Superannuation $	Total $
Non-Executive Directors				
Peter Costello	**2017**	**370,453**	**19,616**	**390,068**
	2016	249,012	17,254	266,266
Catherine West	**2017**	**174,141**	**16,543**	**190,685**
	2016	25,127	2,387	27,514
David Gyngell	**2017**	**149,688**	**14,220**	**163,908**
	2016	95,666	9,088	104,754
Janette Kendall	**2017**	**9,972**	**947**	**10,920**
	2016	–	–	–
Samantha Lewis	**2017**	**43,825**	**4,163**	**47,989**
	2016	–	–	–
Former Non-Executive Directors				
Elizabeth Gaines	**2017**	**106,361**	**10,104**	**116,466**
	2016	59,361	5,639	65,000
Holly Kramer	**2017**	**113,803**	**10,475**	**124,279**
	2016	177,010	16,816	193,826
David Haslingden	**2017**	**–**	**–**	**–**
	2016	270,461	12,872	283,333
Hugh Marks[1]	**2017**	**–**	**–**	**–**
	2016	64,226	6,099	70,325
Total NED	**2017**	**968,244**	**76,070**	**1,044,314**
	2016	940,864	70,156	1,011,018

1. Mr Marks was a non-executive director for part of the 2016 financial year before becoming CEO in November 2015. Since then, he has not received director fees.

9. 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 $
Other Key Management Personnel				
Amanda Laing	**2017**	**6,816**	**48,519**	**55,335**
	2016	30,673	189,222	219,895
Michael Stephenson	**2017**	**–**	**2,315**	**2,315**
	2016	–	347	347
Former Key Management Personnel				
David Gyngell	**2017**	**–**	**–**	**–**
	2016	131,708	1,020,832	1,152,540
Simon Kelly	**2017**	**–**	**–**	**–**
	2016	61,346	475,482	536,828
Peter Wiltshire	**2017**	**–**	**–**	**–**
	2016	18,029	139,741	157,770

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 2017 cash bonuses were paid under these arrangements during the 2017 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 6,183,414 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, 4,053,656 were issued (valued at $8,259,995 at the IPO issue price of $2.05 per share) to the following current or former 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 was amortised over the applicable vesting period for the purpose of statutory remuneration disclosures unless the Executive KMP left the business in which case the remaining fair value of any performance rights not yet vested was recognised on termination.

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 $
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
Michael Stephenson	24,390	$50,000

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

Grant date	11 December 2013
Consideration	Nil
Share Rights	Each Share Right, at the Company's election, converted to a Share on a one-for-one basis or entitled the Participant to receive cash to the value of a Share at the relevant Vesting Date. No amount was payable on conversion. These had no expiry date, as rights were exercised on the vesting date.
Vesting dates	Subject to the employment conditions described below, one-third of Share Rights held by each Participant vested 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 was 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 lapsed. If the Participant was not employed by NEC or any NEC Group member on a particular Vesting Date and: • NEC or an NEC Group member terminated the Participant's employment agreement (other than summarily) and his/her salary was being paid out in lieu of notice, then the only unvested Share Rights that lapsed were 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 validly terminated his or her employment agreement and NEC or an NEC Group member elected to pay the Participant his/her salary in lieu of notice, then the only unvested Share Rights that lapsed were those that would ordinarily have vested after the end of the notice period, any unvested Share Rights that did not lapse in accordance with the above remained on foot until the relevant vesting date.
Disposal restrictions	Any Shares issued or transferred to the Participant upon vesting of any Share Rights were 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).
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.

10. Loans to Key Management Personnel and their related parties

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

11. 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.

Operating and Financial Review

Review of Operations

	2017 $m	2016 $m	Variance $m	Variance %
Revenue from Continuing Operations (before Specific Items)	**1,244.9**	1,286.4	(41.5)	(3%)
Group EBITDA from Continuing Operations (before Specific Items)[1]	**205.6**	201.7	3.9	2%
Finance Costs from Continuing Operations (excluding specific finance cost)	**(12.6)**	(9.4)	(3.2)	34%
Profit after tax before specific items from Continuing Operations	**123.6**	118.6	5	4.2%
Specific Items from Continuing Operations (before income tax)	**(355.6)**	(107.0)	(248.6)	<100%
(Loss)/Profit from Continuing Operations after Income Tax	**(203.4)**	33.2	(236.6)	<100%
Profit from Discontinuing Operations after Income Tax	**–**	291.5	(291.5)	<100%
Net Cash Flows (used in)/from Operating Activities	**(4.2)**	50.3	(54.5)	>100%
Net Debt[2]	**224.5**	177.6	46.9	26%
Leverage[3]	**1.1X**	0.8X	0.3X	–

1. EBITDA plus share of associates.
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 3% to $1,244.9 million while Group EBITDA before Specific Items (from Continuing Operations) increased by $3.9 million (2%) to $205.6 million. In both the current and prior years Specific Items had significant impacts on the bottom line result with a Loss after Income Tax of $203.4 million in the current year compared with a $33.2 million Profit after Income Tax in the prior year.

In the current year, Specific Items of $355.6 million (refer to note 3(iv)) include a $260 million non-cash impairment charge against goodwill on the balance sheet, a $87.5 million inventory and onerous contract provision, an increase in the value of the options to acquire the remaining 40% in Pedestrian and restructuring and termination costs of $7.2 million.

Specific Items in the prior year of $107.0 million (refer note 3 (iv) and 3 (v)) included 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. In addition, the prior year included a profit on discontinued operations of $291.5 million related to the disposal of Nine Live.

Finance Costs (excluding specific items) increased from $9.4 million in the prior year to $12.6 million in the current year in line with the average increase in Net Debt throughout the year.

Operating Cash Flow reduced year on year largely due to the increased investment in local program inventory, to replace under-performing content from (US-based) output deals and working capital timing, including a higher receivables balance in Free-to-Air due to sales growth in May and June 2017. Income tax paid increased as a result of the tax payment related to the gain on sale of Nine Live during the year. At balance sheet date, Net Debt increased from $177.6 million to $224.5 million due, in addition to operating cash movements, to the acquisitions of CarAdvice for $17.4 million, additional loans to Stan amounting to $32.8 million and dividend payments of $73.9 million, partially offset by the proceeds from the sale of the investment in Southern Cross Media Group Limited (SXL). Net Leverage at 30 June 2017 was 1.1X, well within bank covenants.

Segmental Results

	2017 $m	2016 $m	Variance $m	Variance %
Revenue[1]				
Network	**1,080.4**	**1,130.0**	(49.6)	(4%)
Digital	**154.7**	**149.9**	4.8	3%
Corporate	**2.7**	**2.5**	0.2	8%
Total Revenue from Continuing Operations[1]	**1,237.8**	**1,282.4**	(44.6)	(3%)
EBITDA				
Network	**188.3**	**183.5**	4.8	3%
Digital	**28.9**	**26.0**	2.9	11%
Corporate	**(11.8)**	**(9.9)**	(1.9)	19%
Share of Associates	**0.2**	**2.1**	(1.9)	(90%)
Group EBITDA Continuing Operations	**205.6**	**201.7**	3.9	2%
Group EBITDA including Discontinued Operations	**205.6**	**209.4**	(3.8)	(2%)

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, the sale of which was completed on 31 July 2015, are included in Discontinued Operations.

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

Nine Network

	2017 $m	2016 $m	Variance $m	Variance %
Revenue	**1,080.4**	**1,130.0**	(49.6)	(4%)
EBITDA	**188.3**	**183.5**	4.8	3%
Margin	**17.4%**	**16.2%**	–	1.2%

Nine Network recorded revenue of $1,080.4 million, a decline of $49.6 million on last year, and an increase in EBITDA of 3% to $188.3 million compared to the prior year. This increase reflects the combination of reduced revenues, more than offset by a decrease in costs incurred during the year.

The Metro Free-to-Air (FTA) advertising market remained difficult for much of FY17. In the December half, Metro FTA advertising declined by 6%; in the June half the decline was 2%, resulting in an overall Metro FTA advertising market decline of 3.7% for the year. Regional markets underperformed, recording overall TV advertising revenue which was down 4% on FY16.

Nine Network's Metro FTA revenue share of 35.7% over the year incorporated a first half share of 35% and a second half share of 36.4%. The weaker first half reflected the impact of the Rio Olympics on both the overall market and Nine's share. In the second half, Nine's improved ratings momentum, underpinned by more hours of premium Australian content, began to flow through to revenue share particularly in Q4. Nine's commitment to premium local content, and a willingness to trial new formats have resulted in a markedly more consistent and improved performance across the calendar year to date. Albeit with some lag, this improved ratings performance has translated to increased revenue share momentum.

Costs were down by 6% on the prior year, a comparison which benefitted from the industry-wide licence fee reduction ($32.8 million saving to Nine). Excluding license fees, costs were down by 2%, with savings achieved across all aspects of the television business.

Operating and Financial Review continued

Nine Digital

	2017 $m	2016 $m	Variance $m	Variance %
Revenue	**154.7**	**149.9**	4.8	3%
EBITDA	**28.9**	**26.0**	2.9	11%
Margin	**18.7%**	**17.3%**	–	+1.4 pts

In FY17, Nine Digital recorded an increase in revenue to $154.7 million, and growth of 11% in EBITDA to $28.9 million compared to the prior year. Revenue growth was underpinned by long form video, particularly at 9Now as well as increased contributions from CarAdvice and Pedestrian TV. Costs were up by 1.5% as the Group continued to focus on higher margin, mainly owned and operated revenues.

Over the past 12 months, Nine Digital has strengthened its position in a number of targeted consumer facing verticals, with investments in 9Now, nine.com.au, 9News, Honey and CarAdvice. The recent restructuring of the sales team is also beginning to deliver positive sales momentum and will remain a focus in the year ahead.

Share of Associates' profit

Share of Associates' profit declined from $2.1 million to $0.2 million. The key driver of this decline was from the disposal of Sky News.

Review of Financial Position

At 30 June 2017 the Net Assets of the Group were $973.7 million which is approximately $260 million lower than as at 30 June 2016. The key impact during the period was the write-down in the carrying value of goodwill of $260 million, the operating profit, other specific items and gain on sale of SXL (which was booked through Other Comprehensive Income and not operating profit) offsetting the dividends paid.

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, growth in premium or integrated revenue and maintaining disciplined cost management.

In programming, the Group recognises the importance of leading news and current affairs, sports content, entertainment and lifestyle, 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 and 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 broadcast and digital media assets, 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, particularly across the core pillars of News, Sports, Entertainment and Lifestyle, and broaden the utilisation of this content across its own integrated platform as well as third-party platforms.

The Group remains committed to the achievement of further cost efficiencies through FY18 and FY19.

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 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenues	3	1,244,955	1,286,360
Expenses	3	(1,423,421)	(1,220,578)
Finance costs	3	(12,600)	(10,844)
Share of profits of associate entities	10	212	2,111
(Loss)/profit from continuing operations before income tax expense		**(190,854)**	57,049
Income tax expense	5	(12,584)	(23,826)
Net (loss)/profit from continuing operations for the period attributable to equity holders		**(203,438)**	33,223
Discontinued operations			
Profit from discontinued operations after income tax – Live business	6(a)	–	291,532
Net (loss)/profit for the period attributable to equity holders		**(203,438)**	324,755
Earnings/(loss) per share			
Basic (loss)/profit attributable to ordinary equity holders of the parent	31	$(0.23)	$0.37
Diluted (loss)/profit attributable to ordinary equity holders of the parent	31	$(0.23)	$0.37
Earnings/(loss) per share for continuing operations			
Basic profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	31	$(0.23)	$0.04
Diluted profit/(loss) from continued operations attributable to ordinary equity holders of the parent	31	$(0.23)	$0.04

	Note	$'000	$'000
(Loss)/Profit for the year		**(203,438)**	324,755
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(111)	258
Reclassification of foreign currency translation reserve to profit from discontinued operations	6(a)	–	634
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement in investment in listed equities (net of tax)	11	11,884	(9,715)
Actuarial gain/(loss) on defined benefit plan	22	3,565	(222)
Other comprehensive income/(loss) for the period		**15,338**	(9,045)
Total comprehensive (loss)/income for the period attributable to equity holders		**(188,100)**	(315,710)

Consolidated Statement of Financial Position

as at 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 Restated $'000	1 July 2015 Restated* $'000
Current assets				
Cash and cash equivalents	20	66,700	42,860	50,855
Trade and other receivables	7	261,339	286,703	281,698
Program rights	8	171,672	139,203	192,637
Derivative financial instruments	29	–	31	436
Other assets	9	44,092	72,695	25,136
Property, plant and equipment held for sale	12	50,941	9,338	11,916
Assets of discontinued operations	6(a)	–	–	424,107
Income tax receivable		12,647	–	–
Total current assets		**607,391**	**550,830**	**986,785**
Non-current assets				
Receivables	7	96,275	59,067	23,548
Program rights	8	63,356	61,177	36,353
Investments in associates accounted for using the equity method	10	12,324	19,680	19,081
Investment in listed equities	11	5,646	104,695	23,813
Property, plant and equipment	12	129,289	123,344	118,769
Licences	13	477,784	477,784	493,870
Other intangible assets	14	434,230	648,430	657,326
Property, plant and equipment held for sale	12	–	41,823	36,209
Other assets	9	75,266	61,210	100,112
Total non-current assets		**1,294,170**	**1,597,210**	**1,509,081**
Total assets		**1,901,561**	**2,148,040**	**2,495,866**
Current liabilities				
Trade and other payables	15	248,399	327,896	398,129
Interest-bearing loans and borrowings	16	–	60	23
Current income tax liabilities		–	30,567	4,786
Provisions	17	49,271	47,256	42,315
Derivative financial instruments	29	21,197	–	297
Liabilities of discontinued operations	6(a)	–	–	230,476
Total current liabilities		**318,867**	**405,779**	**676,026**
Non-current liabilities				
Payables	15	59,642	47,800	37,460
Interest-bearing loans and borrowings	16	291,175	220,425	575,671
Deferred tax liabilities	5	194,416	182,202	75,566
Provisions	17	34,693	46,569	37,317
Derivative financial instruments	29	29,068	11,426	11,113
Total non-current liabilities		**608,994**	**508,422**	**737,127**
Total liabilities		**927,861**	**914,201**	**1,413,153**
Net assets		**973,700**	**1,233,839**	**1,082,713**
Equity				
Contributed equity	18	748,627	746,563	793,004
Reserves		1,250	6,446	18,935
Retained earnings		223,823	480,830	270,774
Total equity attributable to equity holders of the parent		**973,700**	**1,233,839**	**1,082,713**

* Refer to Note 1(c) Change in accounting policy.

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		1,376,721	1,505,839
Payments to suppliers and employees		(1,323,278)	(1,406,264)
Dividends received – associates	10	1,200	2,500
Interest received		2,424	1,777
Interest and other costs of finance paid		(11,684)	(15,519)
Income tax paid		(49,569)	(38,054)
Net cash flows (used in)/from operating activities	20(b)	**(4,186)**	**50,279**
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,871)	(34,432)
Purchase of venue ticketing rights		–	(10,628)
Purchase of other intangible assets		(9,077)	(12,912)
Proceeds on disposal of property, plant and equipment		81	–
Acquisition of subsidiaries, net of cash acquired	6(b)	(17,341)	(17,100)
Proceeds from/(Investment in) listed equities and associates	10,11	123,998	(88,948)
Loans to associates		(32,800)	(36,700)
Proceeds from sale of controlled entities (net of cash acquired)	6(a)	–	534,670
Net cash flows from investing activities		**31,990**	**333,950**
Cash flows from financing activities			
Proceeds from borrowings		307,500	670,000
Repayment of borrowings		(237,560)	(1,027,523)
Share buy-back	18	–	(49,033)
Dividends paid	4	(73,904)	(114,699)
Net cash flows (used in)/from financing activities		**(3,964)**	**(521,255)**
Net increase/(decrease) in cash and cash equivalents		**23,840**	**(137,026)**
Cash and cash equivalents at the beginning of the financial year		42,860	179,886
Cash and cash equivalents at the end of the period	20(a)	**66,700**	**42,860**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Contributed equity $'000	Rights Plan Shares $'000	Foreign currency translation reserve	Net unrealised gains reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Retained earnings $'000	Total equity $'000
At 30 June 2016	751,998	(5,435)	(1,279)	2,567	1,987	3,171	480,830	1,233,839
Profit for the period	–	–	–	–	–	–	(203,438)	(203,438)
Other comprehensive income/(loss) for the period	–	–	(111)	15,449	–	–	–	15,338
Total comprehensive income/(loss) for the period	**–**	**–**	**(111)**	**15,449**	**–**	**–**	**(203,438)**	**(188,100)**
Transfers of fair value movement on disposal of listed equities	–	–	–	(20,335)	–	–	20,335	–
Vesting of Rights Plan shares (Note 25(c))	–	2,064	–	–	(2,064)	–	–	–
Share-based payment expense	–	–	–	–	1,865	–	–	1,865
Dividends to shareholders	–	–	–	–	–	–	(73,904)	(73,904)
At 30 June 2017	**751,998**	**(3,371)**	**(1,390)**	**(2,319)**	**1,788**	**3,171**	**223,823**	**973,700**

	Contributed equity $'000	Rights Plan Shares $'000	Foreign currency translation reserve	Net unrealised gains reserve $'000	Share-based payments reserve $'000	Other reserve $'000	Retained earnings/ accumulated losses $'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	(49,033)							(49,033)
Vesting of Rights Plan shares	–	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**

Notes to the Consolidated Financial Statements

for the year ended 30 June 2017

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 2017 and was authorised for issue in accordance with a resolution of the Directors on 24 August 2017.

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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the instrument 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

- AASB 112 Income Taxes

In the current year, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets when measuring deferred income taxes in accordance with AASB 112 Income Taxes. This clarified its interpretation that indefinite life intangible assets, such as television licences, do not have an unlimited life and their economic benefit flows to an entity in future period through use and not just through future sale. IFRIC concluded that the assumption of sale could not be presumed and that the expected manner of recovery under AASB 112 needed to be applied. Accordingly, it is appropriate to measure the associated deferred income tax liability at the income tax rate applicable to that expected manner of recovery.

As a result of the IFRIC determination, the Group implemented this guidance in the current year on a retrospective basis as an accounting policy change in accordance with AASB 8 *Accounting Policies, Changes to Accounting Estimates and Errors*. The impact of this change as at 1 July 2015 was as follows:

	$'000
Increase in Goodwill	143,300
(Increase in) Deferred Income tax liabilities	(143,300)
Change in net assets	nil

The change has impacted the following notes:

- Note 5 *Income tax*
- Note 14 *Other Intangible Assets*
- Note 28 *Deed of Cross Guarantee*

There was no earnings impact in either 2016 or 2017 as a result of this change.

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 ended 30 June 2017. To the extent noted below, the Group has assessed the impact of these recently issued or amended standards on the Group's financial statements. The standards which may impact the Group's financial report are as follows:

- IFRIC interpretation 23 Uncertainty over income tax treatments (effective date 1 January 2019) – This interpretation addresses accounting for income taxes when tax treatments involve uncertainty and specifically addresses whether an entity considers uncertain tax treatments individually or collectively, whether the entity assumes the taxation authorities have full knowledge of all information and how the entity measures uncertainty. The Group is still assessing the impact of this standard on results in the financial statements.
- 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. 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. The Group is in the process of assessing the impact of this standard and has not yet concluded on the impact of the standard.
- AASB 9 *Financial Instruments* (effective date 1 January 2018) - AASB 9 was issued in phases, with the phased approach reflecting a number of versions of the standard being issued. The Company early adopted the version of AASB 9 (issued in June 2014) on 1 July 2014, which provided guidance on the classification and measurement of financial assets. On the adoption of AASB 9 (2014), those financial assets classified as either amortised cost, fair value through other comprehensive income or fair value through profit & loss were measured as such under AASB 9. The Company's accounting policies under AASB 9 are disclosed in note 1 (m). The final complete standard, AASB 9 (2014), is effective for the Company commencing 1 July 2018. The new expected-loss impairment model requires credit losses to be recognised when financial instruments are first recognised and results in full lifetime expected credit losses recognised on a more timely basis. The key AASB 9 (2014) requirements that have not yet been adopted include the impairment of financial assets. The Group has not yet assessed the impact of this standard on the Group's financial statements.
- 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. The Group has not yet assessed the impact of this standard on the Group's financial statements.
- 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 yet assessed the impact of this standard on the Group's financial statements.

The Group has not included disclosures of new and amended standards and interpretations that do not have any material 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 2016 annual financial report, except as noted in Note 1(c).

(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.

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 acquisition 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.

1. Summary of Significant Accounting Policies *continued*

(e) Significant accounting estimates, judgements and assumptions *continued*

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.

Loans to related parties

The Group has loan balances outstanding from Stan Entertainment Pty Limited (refer note 26). The Group has determined that the loans are recoverable and they are planned and likely to be repaid. This determination has been based on certain assumptions being made by the Group, including the adoption rate for Subscriber Video on Demand ("SVOD"), subscriber numbers, revenue and EBITDA. Should repayment of the loan no longer be planned and likely, it would result in the loan being reclassified in the statement of financial position from loan receivable to an investment in associate and the Group's share of any cumulative losses of the joint venture being recorded in the statement of comprehensive income.

(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.

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.

(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 ($). 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.

The non-current loan receivable from Stan Entertainment Pty Limited is carried at amortised cost. Its classification was assessed with respect to AASB 9 *Financial Instruments* and AASB 128 *Investments in Associates and Joint Ventures*.

(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. Program rights are classified as current or non-current based on the expected realisation of economic benefits flowing from their use.

(m) Investments and Other Financial Assets

Certain of the Group's investments are categorised as investments in listed equities under AASB 9 – *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 and joint ventures are accounted for under the equity method of accounting in the consolidated financial statements. Associates are entities over 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 or joint ventures. Dividends received from associates and joint ventures are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in the associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

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 performs an impairment test to determine 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*

(q) Intangible assets *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 or website. Costs related to design or maintenance of software for internal use and websites are expensed as incurred.

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.

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 as a finance cost. 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 and loss. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is recognised over the remaining term of the hedging relationship using the Effective Interest Rate method. 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.

1. Summary of Significant Accounting Policies *continued*

(z) Derivative financial instruments *continued*

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 forecast 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 provides 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 Plans are purchased by the plan trust, 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 acquisition 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 acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the 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 in employee benefit expense, together with a corresponding increase in share-based payment reserves, over the period in which the performance and/or service conditions are fulfilled. 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.

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.

Notes to the Consolidated Financial Statements continued
for the year ended 30 June 2017

2. Segment Information

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

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

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

Segment performance is evaluated based on continuing operations segment EBITDA before specific items (refer to Note 3(iv)) which are 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 2017	Television $'000	Digital $'000	Consolidated $'000
(i) Segment revenue			
Operating revenue	1,080,402	154,712	1,235,114
Inter-segment revenue	1,053	–	1,053
Total segment revenue	**1,081,455**	**154,712**	**1,236,167**
Reconciliation of segment revenue from continuing operations to the Consolidated Statement of Comprehensive Income			
Dividend received from investment in listed entity			2,688
Interest income			6,973
Inter-segment eliminations			(1,053)
Other			180
Revenue from continuing operations per the Consolidated Statement of Comprehensive Income			**1,244,955**
(ii) Segment result			
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	188,330	28,945	217,275
Depreciation and amortisation	(25,984)	(9,302)	(35,286)
Segment earnings before interest and tax (EBIT)	**162,346**	**19,643**	**181,989**
Share of associates' net profit after tax			212
Corporate costs			(11,870)
EBIT after share of associates			**170,331**
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income			
Interest income			6,973
Finance costs			(12,600)
Profit from continuing operations before tax and before specific items			**164,704**
Tax			(41,083)
Profit from continuing operations after tax and before specific items			**123,621**
Specific items (refer Note 3(iv))			(355,558)
Tax on specific items			28,499
Loss from continuing operations after tax and specific items			**(203,438)**

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**
(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
Corporate costs			(10,089)
EBIT after share of associates			**169,458**
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income			
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
Loss from continuing operations after tax and specific items			**33,223**

	2017	2016
Earnings/(loss) per share from continuing operations		
Basic and diluted profit/(loss) before specific items	$0.14	$0.13
Basic and diluted profit/(loss) after specific items	($0.23)	$0.04

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 (2016: nil).

3. Revenues and Expenses

	2017 $'000	2016 $'000
Profit/(loss) before income tax expense includes the following revenues and expenses:		
(i) Revenues and income from continued operations		
Revenue from rendering services	1,235,090	1,279,862
Profit on sale of non-current assets	24	–
Dividend received from investment in listed entity	2,688	2,496
Interest	6,973	4,002
Other	180	–
Total revenues and income from continuing operations	**1,244,955**	**1,286,360**
(ii) Expenses from continuing operations		
Television activities	999,033	1,060,221
Other activities	424,387	160,357
Total expenses from continuing operations	**1,423,420**	**1,220,578**
(iii) Other expense disclosures from continuing operations (included in expenses (ii) above)		
Depreciation of non-current assets		
Buildings	1,292	2,352
Plant and equipment	23,742	23,451
Total depreciation	**25,034**	**25,803**
Amortisation of non-current assets		
Plant and equipment under finance lease	13	43
Leasehold property	2,123	1,864
Other assets	8,118	4,581
Total amortisation	**10,254**	**6,488**
Total depreciation and amortisation expense	**35,288**	**32,291**
Salary and employee benefit expense (included in expenses (ii) above)	358,723	345,073
Program rights (included in expenses (ii) above)	440,236	455,870

	2017 $'000	2016 $'000
(iv) Specific items from continuing operations included in revenues and income (i) and expenses (ii) above:		
Goodwill impairment (Note 14)	260,000	17,227
Licence impairment (Note 14)	–	16,086
Program stock provision/write down (Note 15)	87,469	47,931
Onerous contracts	–	7,299
Withholding tax[1]	(10,700)	–
Write-off of loans to DailyMail.com Australia Pty Ltd	–	5,905
Investment writedown (Note 10)	–	512
Mark to market of derivatives (Note 29(a))	9,545	405
Restructuring and termination costs	7,204	8,729
Other	2,040	1,473
Total specific items included in income (i) and expenses (ii) above	**355,558**	**105,567**
(v) Finance Costs		
Finance costs expensed:		
Interest on debt facilities	10,902	8,209
Amortisation of debt facility and non-cash interest on derivatives	1,693	1,151
Finance leases	5	7
	12,600	**9,367**
Specific item		
Write off of debt establishment fees for debt cancelled	–	1,477
Total finance costs	**12,600**	**10,844**

1. During the year to 30 June 2014, the Group recognised an expense of $10.7 million relating to a dispute with the Australian Taxation Office ("ATO") regarding payments the Group made to the International Olympic Committee in relation to the exclusive Australian television broadcast rights for the 2010 Vancouver Winter Olympics and 2012 Summer Olympic Games without deducting withholding tax. The Group subsequently paid $5.35 million in respect of the amount in order to reduce any potential interest or penalty charges; however the Group disputed the claim. In February 2017 the ATO notified the Group that the ATO had allowed the Group's objection in full. As a result, in accordance with accounting standards, the Group has reflected a reversal of the $10.7 million expense in the financial statements during the current year.

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 4.5 cents per share, fully franked (amounting to $39,151,434) in respect of the year ended 30 June 2017 and a final dividend of 4.0 cents per share, fully franked (amounting to $34,752,636) in respect of the year ended 30 June 2016.

(b) Proposed Dividends on Ordinary Shares not recognised as a liability

The final cash dividend fully franked, proposed for 2017 of 5.0 cents per share amounts to $43,568,660 million (2016: final dividend, fully franked of 4.0 cents per share amounting to $34,752,636).

(c) Franking credits Nine Entertainment Co. Holdings Limited had a franking account balance as follows:

	2017 $'000	2016 $'000
Franking account balance as at the beginning of the financial year	3,051	2,613
Franking credits that arose from the payment of income tax payable during the financial year	48,508	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	(31,673)	(49,157)
Franking credits that arose from the receipt of dividends	1,944	2,163
Franking account balance at the end of the financial year	**21,830**	**3,051**

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

	2017 $'000	2016 $'000
Exempting account balance as at the beginning of the financial year	41,069	41,069
Exempting debit allocated to 30 June 2015 Interim Dividend	–	–
Exempting debit allocated to 30 June 2014 Final Dividend	–	–
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

	2017 $'000	2016 $'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:		
(Loss)/profit from continuing operations	(190,853)	57,049
Profit from discontinued operations	–	415,333
(Loss)/profit before income tax	**(190,853)**	**472,382**
Prima facie income (benefit)/tax expense at the Australian rate of 30%	(57,256)	141,715
Tax effect of:		
Share of associates' net profits	(63)	(633)
Difference between tax and accounting profit from disposal of investments	(54)	(1,037)
Gain on disposal of investments and assets	–	424
Deferred tax liability movement in investment and tangible assets	163	111
Impairment and write down of investments	81,136	10,376
Withholding tax refund not assessable	(3,210)	–
Post, digital and visual effects offset	(1,500)	
Recognition of research and development tax offset in respect of prior years	(4,474)	–
Other items – net	(2,158)	(3,329)
Income tax expense	**12,584**	**147,627**
Current tax (benefit)/expense	(1,779)	63,381
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	14,363	84,246
Income tax expense	**12,584**	**147,627**
Aggregate income tax expense is attributable to:		
Continuing operations	12,584	23,826
Discontinued operations	–	123,801
Income tax expense	**12,584**	**147,627**

5. Income Tax *continued*

	2017 $'000	2016 Restated $'000	1 July 2015 Restated $'000
(b) Deferred income taxes			
Deferred income tax assets			
– Continuing operations	54,643	85,614	202,147
– Discontinued operations	–	–	3,672
Total deferred income tax assets	54,643	85,614	205,819
Deferred income tax liabilities			
Restatement due to change in accounting policy (note 1 (c))	–	–	(143,300)
– Continuing operations	(249,059)	(267,816)	(134,413)
– Discontinued operations	–	–	(46,879)
Total deferred income tax liabilities	(249,059)	(267,816)	(324,592)
Net deferred income tax liabilities continuing operations	**(194,416)**	**(182,202)**	**(75,566)**

	2017 $'000	2016 Restated $'000	P&L Expense/ (Benefit) Movement $'000
(c) Deferred income tax assets and liabilities at the end of the financial year			
Unamortised television license (Note 1(c))	(143,300)	(143,300)	–
TV licence fees accrued	1,706	12,676	10,970
Employee benefits provision	14,986	14,418	(568)
Other provisions and accruals	19,525	32,328	12,803
Investments in associates	(1,855)	(3,841)	163
Accelerated depreciation for tax purposes	(98,982)	(118,474)	(19,492)
Other	13,504	23,991	10,487
Net deferred income tax liabilities	**(194,416)**	**(182,202)**	**14,363**

	2017 $'000	2016 $'000
(d) Deferred income tax assets not brought to account		
Capital losses	–	–

During the year ended 30 June 2017, an income tax effect of $6.6 million (30 June 2016: $2.1 million) was taken directly to equity in relation to the fair value movement in listed equities, prior to their disposal (Note 11). As at 30 June 2017, there were no deferred income tax assets not brought to account in respect of carried forward income or capital losses (30 June 2016: Nil).

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.

	2017 $'000	2016 $'000
(i) Results of the discontinued operation:		
The results of the discontinued operation for the period are presented below		
Revenue	–	57,260
Expenses	–	(52,144)
Results from operating activities	**–**	**5,116**
Income tax expense	–	(1,773)
Results from operating activities, net of tax	**–**	**3,343**
Gain on sale of discontinued operation	–	410,217[1]
Income tax expense on gain on sale of discontinued operation	–	(122,028)
Profit for the year from discontinued operation[2]	**–**	**291,532**
(ii) Earnings per share		
Basic and diluted, profit for the year from the discontinued operation	–	$0.33

1. The profit on disposal includes the recycling of the foreign currency translation reserve loss of $634,000 through profit and loss.
2. The profit from the discontinued operation of $291.5 million is attributable entirely to the owners of the Company.

	2017 $'000	2016 $'000
(iii) Cash flows of the discontinued operation were as follows:		
Operating activities	–	1,120
Investing activities	–	(11,293)
Financing activities	–	–
Net cash (outflow)/inflow	**–**	**(10,173)**
Net cash inflow on disposal		
Cash consideration (net of associated costs)	–	642,291
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). Discontinued Operations – Live Business *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 2017

Acquisition of CarAdvice.com Pty Ltd

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

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

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

The Group has completed its assessment to determine the fair value of the assets acquired and liabilities assumed and whether any of the intangible assets arising from the acquisition are amortising in nature. Goodwill of $43.8 million has been recognised, as the purchase price (including put and call option) exceeds the tangible and intangible assets and liabilities identified, and is allocated to the Digital segment The option liability has been valued at $29.1 million and has been included as a non-current derivative financial instrument on the balance sheet. This valuation is based on forecast EBITDA after two and three years, multiplied by an agreed multiple and discounted to current values. The valuation represents the Group's best estimate of amounts payable under the option, noting that total consideration paid will vary based on changes to EBITDA of CarAdvice for the 2018 and 2019 years (and working capital at the time of completion). Any changes to the expected value for the option exercise will be accounted for through the Statement of Comprehensive Income.

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

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. There is a put and call option for the remaining 40% of Pedestrian TV 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.

During the year ending 30 June 2017, the Group recognised a $9.5 million expense in specific items for the mark to market movements on the put and call option in relation to the remaining shares in Pedestrian TV.

There were no other material business combinations for the year ended 30 June 2017.

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.

7. Trade and Other Receivables

	2017 $'000	2016 $'000
Current		
Trade receivables[1]	234,260	249,885
Provision for impairment loss	(1,438)	(1,310)
	232,822	248,575
Related parties receivables (Note 26)	2,803	6,285
Other receivables	25,714	31,843
Total current trade and other receivables	**261,339**	**286,703**
Non-current		
Loans to related parties (Note 26)	96,275	59,067
Total non-current trade and other receivables	**96,275**	**59,067**

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 charge from the provision of $798,000 (2016: release of $67,000) 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:

	2017 $'000	2016 $'000
Balance at the beginning of the year	(1,310)	(1,425)
(Charge)/release for the year	(798)	67
Provision utilised during the year	670	48
Balance at the end of the year	**(1,438)**	**(1,310)**

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]
2017	**Consolidated**	**234,260**	**214,833**	**–**	**9,979**	**–**	**1,972**	**–**	**6,039**	**1,438**
2016	Consolidated	249,885	221,387	–	12,538	–	1,895	–	12,755	1,310

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

	2017 $'000	2016 $'000
Current		
Program rights	178,431	176,622
Stock provision	(6,759)	(37,419)
Total current program rights	**171,672**	**139,203**
Non-current		
Program rights	64,666	69,862
Stock provision	(1,310)	(8,685)
Total non-current program rights	**63,356**	**61,177**

9. Other Assets

	2017 $'000	2016 $'000
Current		
Prepayments	21,243	65,366
Other	22,849	7,329
Total current other assets	**44,092**	**72,695**
Non-current		
Prepayment	52,250	41,500
Defined Benefit Fund Asset (Note 22)	22,851	19,286
Other	165	424
Total non-current other assets	**75,266**	**61,210**

10. Investments Accounted for using the Equity Method

(a) Investments at equity accounted amount:

	2017 $'000	2016 $'000
Associated entities – unlisted shares	**12,324**	19,680

(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 2017	30 June 2016
Australian News Channel Pty Ltd[2]	Pay TV news service	Australia	**–**	33
Darwin Digital Television Pty Ltd	Television transmission	Australia	**50**	50
Intrepica Pty Ltd	Online learning service	Australia	**27**	32
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 December 2016, the Company disposed of its interest in Australian News Channel Pty Ltd for consideration of $6,500,000, realising a gain on disposal of $180,000. The share of associate profit attributable to Australian News Channel Pty Ltd was a loss of $180,000 in the year.

(c) Carrying amount of investments in associates

	2017 $'000	2016 $'000
Balance at the beginning of the financial year	19,680	19,081
Acquired during the period	–	1,500
Share of associates' net profit for the year	212	2,111
Dividends received or receivable	(1,200)	(2,500)
Disposal of Australian News Channel Pty Ltd and other Associates	(6,368)	–
Write-down of investments	–	(512)
Carrying amount of investments in associates at the end of the financial year	**12,324**	**19,680**

(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.

	2017 $'000	2016 $'000
Net profit/(loss) after income tax from continuing operations	(36,301)	(36,592)

The Group's current year share of losses of associates and joint ventures not recognised is $36.5 million (2016: $38.7 million). The Group's cumulative share of losses of associates and joint ventures not recognised is $95.6 million. These losses are not recognised as the carrying value of these investments is nil.

10. Investments Accounted for using the Equity Method *continued*

(e) Share of associates and joint ventures assets and liabilities

	2017 $'000	2016 $'000
Current assets	86,228	35,016
Non-current assets	18,255	56,087
Total assets	**104,483**	**91,103**
Current liabilities	42,356	36,360
Non-current liabilities	147,519	103,992
Total liabilities	**189,875**	**140,352**

(f) Impairment

30 June 2017
There was no impairment recorded during the current financial year.

30 June 2016
Management determined the accounting fair value less costs to disposal for Australian News Channel Pty Limited to be the likely net proceeds which it was estimated would be received on a disposal of the Group's shares in this entity. This resulted in an impairment of $512,000 being recognised on the investment in Australian News Channel Pty Limited during the financial year.

11. Investment in Listed Equities

	2017 $'000	2016 $'000
Opening balance at 1 July	104,695	23,813
Disposal of investment in listed equities	(118,266)	–
Acquisition of Australian shares	–	88,448
Mark to market of investment in listed equities	19,217	(7,566)
Closing balance at 30 June	**5,646**	**104,695**

30 June 2017
On 30 September 2016 the Group disposed of its shares in Southern Cross Media Group Ltd (ASX: SXL) for a gross consideration of $118,265,514 less transaction costs resulting in net proceeds of $117,497,556. A gain on disposal of Southern Cross Media Group Ltd of $20,335,000 was included in the net unrealised gains reserve and was subsequently transferred to retained earnings during the period. During the period the Group received dividends from Southern Cross Media Group Ltd of $2,687,853 (June 2016: 2,495,863). Additionally, the Group holds 17.65% of the ordinary issued capital of Yellow Brick Road Limited (ASX: YBR).

30 June 2016
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 2017						
At 1 July 2016, net of accumulated depreciation and impairment	14,634	6,505	78,357	23,780	68	123,344
Additions	210	2,826	15,771	15,160	–	33,967
Acquisition of subsidiaries (Note 6(b))	–	111	381	–	–	492
Transfer from construction work in progress	17	5,375	18,241	(23,633)	–	–
Disposals	–	–	(11)	–	(55)	(66)
Depreciation expense	(1,292)	–	(23,742)	–	–	(25,034)
Amortisation expense	–	(2,123)	–	–	(13)	(2,136)
Transfer to assets held for sale[1]	–	–	(1,278)	–	–	(1,278)
At 30 June 2017, net of accumulated depreciation and impairment	**13,569**	**12,694**	**87,719**	**15,307**	**–**	**129,289**
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
At 30 June 2017						
Cost (gross carrying amount)	30,759	23,129	413,505	15,307	129	482,829
Accumulated depreciation and impairment	(17,190)	(10,435)	(325,786)	–	(129)	(353,540)
Net carrying amount	13,569	12,694	87,719	15,307	–	129,289
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

1. Assets held for sale includes $40.7 million (2016 $41.8 million) in respect of the sale of the Willoughby, Sydney site (refer to note 21); these are treated as current assets (2016: non-current assets). The remaining assets held for sale for the year ended 30 June 2017 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

	2017 $'000	2016 $'000
Balance at the beginning of the period, net of accumulated impairment	477,784	493,870
Impairment loss[1]	–	(16,086)
Balance at the end of the period, net of accumulated impairment	**477,784**	**477,784**
Cost (gross carrying amount)	1,450,353	1,450,353
Accumulated impairment	(972,569)	(972,569)
Net carrying amount	**477,784**	**477,784**

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

14. Other Intangible Assets

	Goodwill $'000	Other[1] $'000	Total $'000
Year ended 30 June 2017			
At 1 July 2016, net of accumulated amortisation and impairment after restatement	632,088	16,342	648,430
Purchases	–	9,077	9,077
Acquisition of subsidiaries (Note 6(b))	43,834	1,007	44,841
Amortisation expense	–	(8,118)	(8,118)
Impairment loss	(260,000)	–	(260,000)
At 30 June 2017, net of accumulated amortisation and impairment	**415,922**	**18,308**	**434,230**
At 1 July 2015, net of accumulated amortisation and impairment prior to restatement	506,015	8,011	514,026
Restatement due to change in accounting policy – Note 1(c)	143,300	–	143,300
At 1 July 2015, net of accumulated amortisation and impairment after restatement	649,315	8,011	657,326
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	632,088	16,342	648,430
At 30 June 2017			
Cost (gross carrying amount)	1,523,083	47,463	1,570,546
Accumulated amortisation and impairment	(1,107,161)	(29,155)	(1,136,316)
Net carrying amount	**415,922**	**18,308**	**434,230**
At 30 June 2016 Restated			
Cost (gross carrying amount)	1,479,249	37,379	1,516,628
Accumulated amortisation and impairment	(847,161)	(21,037)	(868,198)
Net carrying amount	632,088	16,342	648,430

1. This includes capitalised development costs of software 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"):

Licences	2017 $'000	2016 $'000
Nine Network	466,784	466,784
NBN	11,000	11,000
Total licences	**477,784**	**477,784**

Goodwill	2017 $'000	2016 Restated* $'000	1 July 2015 Restated* $'000
Nine Network	301,913	561,913	561,913
NBN	3,300	3,300	20,527
Digital	110,709	66,875	66,875
Total goodwill	**415,922**	**632,088**	**649,315**

* Refer Note 1(c) for restatement due to change in accounting policy.

(b) Determination of recoverable amount

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

30 June 2017

An annual impairment test was performed in addition to the review conducted at 31 December 2016 (refer below). 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. Each of the assumptions is subject to significant judgement about future economic conditions and the ongoing structure of the free-to-air television and digital industries. Management have applied their best estimates to each of these variables but cannot warrant their outcome. Management has determined that there is no further impairment for Nine Network beyond that provided for at 31 December 2016 and no impairment for Digital or NBN as at 30 June 2017. In determining that no impairment was required at 30 June 2017, Management also took into consideration that the market capitalisation of the Group was above the book value of its equity.

31 December 2016

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

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

(c) Impairment losses recognised

As a result of lower than previously expected growth forecast in the metropolitan Free-to-Air television advertising market, an impairment charge of $260 million in respect of goodwill relating to Nine Network was recognised in the year ended 30 June 2017 (2016: nil).

During the year end 30 June 2016 an impairment charge of $16.1 million was recognised in respect of NBN's TV licence and an impairment charge of $17.2 million in respect of goodwill relating to NBN was recognised.

14. Other Intangible Assets *continued*

(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 Nine Network are set out below. These assumptions are considered to be consistent with industry market participant expectations.

- The advertising market for metro free-to-air television reflects management's expectation of a low single-digit decline in short term market activity, and a flat market in the medium term.
- Nine Network's share of the metro free-to-air advertising market in future years is assumed to return to recent historical levels of share which have been achieved.
- Expenditure is assumed to remain broadly flat in nominal terms over the life of the model, reflecting known increases in committed expenditure being largely offset by cost saving initiatives and operational efficiencies.
- Terminal growth rate of 1.0% (30 June 2016: 1.5%).
- The pre-tax discount rate applied to the cash flow projections was 13.6% (30 June 2016: 13.6%) which reflects management's best estimate of the time value of money and the risks specific to the free-to-air television metro market not already reflected in the cash flows.

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 set out below. These assumptions are considered to be consistent with industry market participant expectations.

- The advertising market for Regional Free-to-Air television shows single digit declines over the short term followed by a flat market in the medium term.
- The pre-tax discount rate applied to the cash flow projections was 14.3% (30 June 2016: 13.8%) 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 2016: 0.0%).

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 15.8% (30 June 2016: 15.4%) which reflects management's best estimate of the time value of money and the risks specific to the Digital industry.
- Terminal growth rate of 2.0% (30 June 2016: 2.0%).

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 $1,066.2 million and $32.6 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% will, if occurring in isolation, result in a further impairment of intangible assets of $57.8 million;
- Decrease in forecast revenue of 1.0% will, if occurring in isolation, result in a further impairment of intangible assets of $96.3 million; and
- Decline in terminal growth rate of 0.5% will, if occurring in isolation, result in a further impairment of intangible assets of $41.0 million.

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

	2017 $'000	2016 $'000
Current – unsecured		
Trade and other payables[1,3]	124,333	152,619
Program contract payables[2]	105,641	137,784
Deferred income	18,425	37,493
Total current trade and other payables	**248,399**	**327,896**
Non-current – unsecured		
Program contract payables[2]	56,940	25,875
Other[3]	2,702	21,925
Total non-current trade and other payables	**59,642**	**47,800**

1. Terms of trade in relation to trade payables are, on average, 30 to 60 days from the date of invoice. The Group operates in a number of diverse markets and accordingly, the terms of trade vary by business.
2. Program contract payables are settled according to the contract negotiated with the program supplier.
3. Includes a deposit of $21,925 million (net of costs) in respect of the sale of the Willoughby, Sydney site (FY17: Trade and other payables; FY16: Non-current other payables).

The Group has entered into an 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 seasons were released and irrespective of how this content performed in the Australian market. To the extent that such content was loss-making, it was impaired as it became available.

The agreement enables the Group to exit the life of series obligations in exchange for foregoing the relevant rights to certain content. As compensation for exiting those life of series obligations in the original contract, the Group agreed to make financial payments to Warner Bros, of approximately $101 million. Accordingly, during the year to 30 June 2017, the Group has recognised an expense of $86.6 million in respect of future seasons not available for broadcast at 30 June 2016, with the remaining $14.7 million recognised in the year to 30 June 2016. $76 million remains payable at 30 June 2017 and is to be paid over the next two financial years. This is reflected in current payables of $43 million and non-current payables of $33 million (net of discounting to net present value of approximately $0.8 million).

16. Interest-bearing Loans and Borrowings

	2017 $'000	2016 $'000
Current		
Lease liabilities secured[1] (Note 19(b))	–	60
Total current interest-bearing loans and borrowings	**–**	**60**
Non-current		
Bank facilities unsecured[2]	291,175	220,425
Lease liabilities secured1 (Note 19(b))	–	–
Total non-current interest-bearing loans and borrowings	**291,175**	**220,425**

1. Lease liabilities are secured by a charge over the assets.
2. Bank facilities include unamortised financing costs of $1,325,000 (2016: $2,075,000).

16. Interest-bearing Loans and Borrowings *continued*

Credit facilities	Facility type	Maturity	Committed Facility Amount $'000	Facility drawn at 30 June 2017 $'000
Bank facilities				
– Tranche A Syndicated facility	Revolving syndicated facility	16 June 2018	87,500	–
– Tranche B Syndicated facility	Revolving syndicated facility	16 June 2019	412,500	292,500
Bank guarantees	Bank guarantees	5 February 2018	15,000	10,828
Working capital facility bilateral facility	Cash advance and other transactional banking facilities	5 February 2018	1,000	–
Total			**516,000**	**303,328**

Credit facilities	Facility type	Maturity	Committed Facility Amount $'000	Facility drawn at 30 June 2016 $'000
Bank facilities				
– Tranche A Syndicated facility	Revolving syndicated facility	16 June 2018	87,500	87,500
– Tranche B Syndicated facility	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

*Reconciliation of Facility Drawn to Statement of Financial Position	30 June 2017 $'000	30 June 2016 $'000
Total debt drawn (above)	303,328	233,692
Unamortised balance of establishment costs	(1,325)	(2,075)
Bank guarantees	(10,828)	(11,192)
Lease liabilities	–	60
Total debt per Statement of Financial Position	**291,175**	**220,485**

Corporate facilities

The corporate facilities 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 year ended 30 June 2017.

Assets pledged as security

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

	2017 $'000	2016 $'000
Finance lease		
Plant and equipment (Note 12)	–	68
Total assets pledged as security	**–**	**68**

17. Provisions

	Employee entitlements $'000	Onerous contracts $'000	Other $'000	Total $'000
Year ended 30 June 2017				
At 1 July 2016	53,206	7,802	32,817	93,825
Arising/(Utilised) during the period	6,805	(3,811)	(12,855)	(9,861)
At 30 June 2017	**60,011**	**3,991**	**19,962**	**83,964**
Year ended 30 June 2016				
At 1 July 2015	52,925	2,218	24,489	79,632
(Utilised)/arising during the period	281	5,584	8,328	14,193
At 30 June 2016	53,206	7,802	32,817	93,825
At 30 June 2017				
Current	**34,824**	**3,991**	**10,456**	**49,271**
Non-current	**25,187**	**–**	**9,506**	**34,693**
Total at 30 June 2017	**60,011**	**3,991**	**19,962**	**83,964**
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

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

Other provisions principally relate to the value of services which are to be provided to Nine Live following its disposal. These services are expected to be provided over the next four years. 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 over the next two years.

18. Contributed Equity

	2017 $'000	2016 $'000
Issued share capital		
Ordinary Shares fully paid	748,627	746,563
	748,627	**746,563**
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the financial year	746,563	793,004
Vesting of Rights Plan shares (Note 25(c))	2,064	2,592
Share buy-back	–	(49,033)
Carrying amount at the end of the financial year	**748,627**	**746,563**

	2017 Number	2016 Number
Issued share capital		
Ordinary Shares fully paid	871,373,191	871,373,191
Movements in issued share capital – Ordinary Shares		
Balance at the beginning of the financial year	–	903,997,035
Share buy-back	–	(32,623,844)
Carrying amount at the end of the financial year	**871,373,191**	**871,373,191**

At 30 June 2017, a trust controlled by the Company held 1,341,576 (30 June 2016: 2,703,073) ordinary fully paid shares in the Company. These were purchased during the years ended 30 June 2015 and 2016 for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 25 for further details.

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

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

	2017 $'000	2016 $'000
(i) Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
• within one year	11,694	13,145
• after one year but not more than five years	2,781	1,411
• more than five years	–	88
	14,475	**14,644**

	2017 $'000	2016 $'000
(ii) Television program and sporting broadcast rights contracted for at balance date, but not provided for, payable:		
• within one year	271,074	281,153
• after one year but not more than five years	485,869	538,446
• more than five years	39,269	157,342
	796,212	**976,941**

(b) Lease expenditure commitments

	Minimum lease payments 2017 $'000	Present value of lease payments 2017 $'000	Minimum lease payments 2016 $'000	Present value of lease payments 2016 $'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
• after one year but not more than five years	–	–	–	–
Total minimum lease payments	**–**	**–**	**63**	**60**
Less amounts representing finance charges	–	–	(3)	–
Present value of minimum lease payments	**–**	**–**	**60**	**60**

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

	2017 $'000	2016 $'000
(ii) Non-cancellable operating lease commitments:		
Payable within one year	19,423	18,794
Payable after one year but not more than five years	49,480	54,406
Payable more than five years	43,311	43,924
Total non-cancellable operating lease commitments	**112,214**	**117,124**

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.

The Group has entered into an Agreement for Lease with Winten Property Group to move the Sydney operations to 1 Denison Street, North Sydney. The parties to the current agreement are required to enter a lease agreement once the building construction is finalised and the Group is able to take possession of its areas of the building, which is expected to occur in early 2020. The rent which will be payable is dependent on the floor space which the group occupies and this is still subject to final determination. Based on the Group's best estimate the annual rent will be approximately $10.8 million per annum (with an annual increase which approximates CPI). The minimum lease term is expected to be 12 years with options for up to a further 10 years should the Group wish to exercise them. The operating lease commitments in the table above do not include the commitments which will arise if the Group enters this lease agreement.

20. Reconciliation of the Statement of Cash Flows

	2017 $'000	2016 $'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	66,700	42,860
Total cash and cash equivalents	**66,700**	**42,860**
(b) Reconciliation of profit after tax to net cash flows from operations:		
(Loss)/profit after tax from continuing operations	(203,438)	33,223
Profit after tax from discontinued operation	–	291,532
Depreciation and amortisation		
• Property, plant and equipment	27,170	28,112
• Amortisation of ticketing rights	–	2,074
• Amortisation of other assets	8,118	4,796
• Amortisation of financing costs	750	2,314
Share of associates' net profit	(212)	(2,111)
Impairment of assets	260,000	33,825
Provision for doubtful debts	128	(370)
(Profit)/loss on sale of property, plant and equipment	(15)	28
(Profit)/loss on disposal of investments	(133)	(410,217)
(Profit)/loss on sale of other assets	–	5,905
Management and employee share accounting expense	1,864	1,935
Investment distributions from associates	1,200	2,500
Mark to market on derivatives	9,545	405
Derivative interest unwinding	910	–
Acquisition costs of consolidated entities	–	–
Changes in assets and liabilities:		
Trade and other receivables	22,967	(18,135)
Inventories	–	177
Program rights	(34,648)	28,609
Prepayments	44,250	(13,828)
Other assets	(24,481)	5,126
Payables relating to cash held on Trust	–	(3,787)
Other payables	(70,070)	(42,321)
Provision for income tax	(52,067)	25,781
Provision for employee entitlements	6,156	(679)
Other provisions	(16,667)	(8,167)
Deferred income tax liability	14,598	83,294
Foreign currency movements in assets and liabilities of overseas controlled entities	(111)	258
Net cash flows from operating activities	**(4,186)**	**50,279**

21. Events after the Balance Sheet Date

On 18 August 2017, following exercise of a call option granted in August 2015, the Group entered an agreement to sell the property held at Willoughby, Sydney with an expected completion date of 15 September 2017 and sale price of $147.5 million; the Group received $22.1 million proceeds by way of deposit in 2015, with the balance due on completion. The Group will rent the site until August 2020 at a starting rent of $9.6 million per annum. This transaction will result in a profit before tax being booked in the year to 30 June 2018 of $81 million (net of costs and an onerous provision for the cost of the rent which the Group considers to be in excess of a market rent).

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 52% 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 2017 was performed by Mercer Investment Nominees Limited for the purpose of satisfying accounting requirements.

22. Superannuation Commitments *continued*

Reconciliation of the Net Defined Benefit Asset

Financial year ended	30 June 2017 $'000	30 June 2016 $'000
Net defined benefit asset at start of year	(19,286)	(19,508)
Current service cost	598	829
Net interest	(516)	(709)
Actual return on Plan assets less interest income	(3,789)	1,175
Actuarial losses/(gains) arising from changes in financial and demographic assumptions	(1,254)	697
Actuarial gains arising from liability experience	1,420	(1,592)
Employer contributions	(24)	(178)
Net defined benefit (asset)/liability at end of year	**(22,851)**	**(19,286)**

Reconciliation of the Fair Value of Plan Assets

Financial year ended	30 June 2017 $'000	30 June 2016 $'000
Fair value of Plan assets at beginning of the year	54,979	54,787
Interest income	1,667	2,260
Actual return on Plan assets less Interest income	3,789	(1,175)
Employer contributions	24	178
Contributions by Plan participants	704	616
Benefits paid	(5,759)	(1,559)
Taxes, premiums and expenses paid	(84)	(128)
Fair value of planned assets obligations at 30 June	**55,320**	**54,979**

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ended	30 June 2017 $'000	30 June 2016 $'000
Present value of defined benefit obligations at beginning of year	35,693	35,279
Current service cost	598	829
Interest cost	1,151	1,551
Contributions by Plan participants	704	616
Actuarial losses arising from changes in financial and demographic assumptions	(1,254)	697
Actuarial losses arising from liability experience	1,420	(1,592)
Benefits paid	(5,759)	(1,559)
Taxes, premiums and expenses paid	(84)	(128)
Present value of defined benefit obligations at 30 June	**32,469**	**35,693**

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

Fair value of Plan assets

As at 30 June 2017, total Plan assets of $55,319,000 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 2017[1]	30 June 2016
Australian Equity	24%	23%
International Equity	28%	31%
Fixed Income	14%	16%
Property	7%	8%
Alternatives/Other	18%	12%
Cash	9%	10%

1. Asset allocation as at 31 March 2017 (2016: 31 May 2016).

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 2017	30 June 2016
Assumptions to Determine Benefit Cost		
Discount rate	3.1% pa	4.2% pa
Expected salary increase rate	2% pa	3.0% pa
Assumptions to Determine Benefit Obligation		
Discount rate	3.6% pa	3.1% pa
Expected salary increase rate	2% pa	2.0% pa

Sensitivity Analysis

The defined benefit obligation as at 30 June 2017 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenarios 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	3.6% pa	3.1% pa	4.1% pa	3.6% pa	3.6% pa
Salary increase rate	2.0% pa	2.0% pa	2.0% pa	1.5% pa	2.5% pa
Defined benefit obligation ($'000s)[1]	**32,469**	**33,723**	**31,273**	**31,446**	**33,531**

1. Includes defined benefit contributions tax provision.

22. Superannuation Commitments *continued*

Sensitivity Analysis *continued*

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

Asset-liability matching strategies

No asset and liability matching strategies have been adopted by the Plan.

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).

Expected Contributions

Financial year ending	30 June 2018 $'000
Expected employer contributions	–

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2017 is seven years (30 June 2016: seven years).

Expected benefit payments for the financial year ending on:	$'000
30 June 2017	2,687
30 June 2018	3,199
30 June 2019	4,558
30 June 2020	2,845
30 June 2021	4,651
Following five years	21,158

23. Contingent Liabilities and Related Matters

	2017 $'000	2016 $'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	10,828	11,192

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. Auditor's Remuneration

	2017 $	2016 $
Amounts received, or due and receivable, by the auditor of the parent entity for:		
Audit and review of the financial report of the entity	535,357	499,858
Taxation services	592,641	733,370
Assurance related services	51,061	50,462
Other non-audit services	175,972	58,780
Total auditor's remuneration	**1,355,031**	**1,342,470**

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 is 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	2017 $	2016 $
Short-term employee benefits	6,526,278	5,991,964
Post-employment benefits	154,532	163,572
Long-term benefits	34,390	359,445
Termination benefits	1,933,501	3,555,403
Share-based payments	1,455,240	1,376,945
Total remuneration of Key Management Personnel	**10,103,941**	**11,447,329**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 25 to 43.

(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.

25. Key Management Personnel Disclosures and Share-Based Payments *continued*

(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. Details of the plan are included in the Remuneration Report on pages 25 to 43.

On 10 December 2013, the Company granted 6,183,414 Rights to certain senior management following the Company's listing on the ASX. The Rights were issued at fair value of $2.05 per share, resulting in a cost of $72,774 for the year ended 30 June 2017 (30 June 2016: $1,288,569) which has been expensed in the profit and loss for the period and included in the share-based payments reserve in equity during the period.

During the year to 30 June 2015, 6,003,083 shares in the parent entity to the value of $12,192,321 were purchased by a trust on behalf of the Company. These shares have been used by the trust to satisfy grants to holders of the Rights on vesting in lieu of the Company issuing new shares. The consideration paid to the trust to acquire these shares has been deducted from total shareholders' equity. During the year to 30 June 2016, 280,000 shares in the parent entity to the value of $441,420 were purchased by the Trust to satisfy short term incentives of executives. As at 30 June 2017 the Trust held 1,341,576 shares in the parent entity and these have been, and will continue to be, used by the Trust to satisfy shares provided to certain senior management as part of their short term incentive and will also be used to satisfy New Rights (see below) which vest in the future.

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

During the period, 1,805,852 Rights vested on 11 December 2016, resulting in 633,169 shares being transferred to employees. 181,300 Rights were forfeited in the period as employees left the Group (30 June 2016: 167,477).

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

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

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

During the year ended 30 June 2016, the Company granted or agreed to grant 2,952,588 performance rights ("New Rights") to certain senior management, with effective grant dates of 1 July 2015 or on the date of commencement of employment, where later. 334,025 rights were forfeited in the period to 30 June 2016 as employees left the Group. 94,444 rights were forfeited in the period to 30 June 2017. The New Rights will vest on 1 July 2018 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2015 to 30 June 2018. As at 30 June 2016, it has been assumed that none of these New Rights will vest, resulting in no cost for the period to 30 June 2017 (30 June 2016: $782,839). Each of these New Rights has been valued at an average of $1.09.

During the year ended 30 June 2017, the Company granted or agreed to grant a further 4,524,510 New Rights to certain senior management, with effective grant dates of 1 July 2016 or on the date of commencement of employment, where later. 277,778 rights were forfeited in the period to 30 June 2017 as employees left the Group. These New Rights will vest on 1 July 2019 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2016 to 30 June 2019. As at 30 June 2017 it is expected that all of these New Rights will vest, resulting in a cost of $859,483 for the period to 30 June 2017. Each of these New Rights has been valued at an average of $0.61.

During the year ended 30 June 2017, the Company granted Greg Barnes 582,556 shares as part of his employment agreement. The shares are held in escrow for a period of two years from his commencement date. Each share has been valued at an average of $1.06 and a cost of $617,510 was expensed in the year to 30 June 2017. In addition Greg Barnes received 400,943 New Rights which will vest on 1 July 2018 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period to 30 June 2018. Each of the New Rights has been valued at an average of $0.41 resulting in a cost of $165,991.

During the year ended 30 June 2017, the Company granted 145,772 shares to senior management as part payment of their short term incentive for the year ended 30 June 2016. Each share has been valued at an average of $1.02 and a cost of $148,687 was expensed in the Statement of Comprehensive Income in the year ended 30 June 2016.

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).

	2017 $'000	2016 $'000
Rendering of services to and other revenue from –		
Associates of Nine Entertainment Co.		
Stan Entertainment Pty Ltd – revenue	5,185	3,972
Stan Entertainment Pty Ltd – interest income	4,567	2,360
Ratecity Pty Ltd	82	–
Other	–	123
Dividends received from –		
Listed Equity investments of Nine Entertainment Co.		
Southern Cross Media	2,688	2,496
Associates of Nine Entertainment Co.		
Australian News Channel Pty Ltd	–	1,300
Oztam Pty Ltd	1,200	1,200

	2017 $'000	2016 $'000
Amounts owed by related parties –		
Stan Entertainment Pty Ltd	2,643	6,124
Ratecity Pty Ltd	160	161
Loans to related parties –		
Stan Entertainment Pty Ltd[1]	92,990	55,623
Darwin Digital Television Pty Ltd[2]	2,760	2,760
Other[2]	525	684

1. The loans granted to the related party are interest bearing on interest rates that prevail on arm's length transactions. The interest is currently being capitalised and is included within the loan balance above.
2. The loans granted to these related parties are non-interest bearing.

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 2017, 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 Controlled 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 an ASIC instrument with the parent entity are:

	Footnote	Place of Incorporation	Beneficial Interest Held by the Consolidated Entity 2017 %	Beneficial Interest Held by the Consolidated Entity 2016 %
Nine Entertainment Co. Holdings Ltd	**A, B**	**Australia**	**Parent Entity**	**Parent Entity**
Channel 9 South Australia Pty Ltd	A, B	Australia	**100**	100
CarAdvice.com Pty Ltd[1]		Australia	**100**	–
ecorp Pty Ltd	A, B	Australia	**100**	100
General Television Corporation Pty Limited	A, B	Australia	**100**	100
Mi9 New Zealand Limited		New Zealand	**100**	100
Micjoy Pty Ltd[3]	A	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 Digital Pty Ltd (formerly Ninemsn Pty Ltd)	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[2]		Australia	**100**	100
Pedestrian Group Pty Limited[2]		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
Swan Television & Radio Broadcasters Pty Ltd	A, B	Australia	**100**	100
TCN Channel Nine Pty Ltd	A, B	Australia	**100**	100

	Footnote	Place of Incorporation	Beneficial Interest Held by the Consolidated Entity 2017 %	Beneficial Interest Held by the Consolidated Entity 2016 %
Television Holdings Darwin Pty Limited	A, B	Australia	**100**	100
Territory Television Pty Ltd	A, B	Australia	**100**	100
Tipstone Australia Pty Ltd		Australia	**100**	100
White Whale Pty Ltd	A, B	Australia	**100**	100
5th Finger Pty Ltd		Australia	**100**	100

A. These controlled entities have entered into a deed of cross guarantee with the parent entity under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 – 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. The Group currently owns 59.22% of the shares in CarAdvice.com Pty Ltd, however it is consolidated 100% in accordance with accounting standards.
2. The Group currently owns 60% of the shares in these entities, however they are consolidated 100% in accordance with accounting standards.
3. Micjoy Pty Ltd became a party to the Deed of Cross Guarantee on 1 June 2017.

28. Deed of Cross Guarantee

Pursuant to ASIC Corporations (wholly-owned companies) instrument 2016/785 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 2017 is as follows:

	Closed Group[1]		Extended Closed Group[2]	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Consolidated Statement of Comprehensive Income				
(Loss)/Profit from continuing operations before income tax	(194,222)	470,536	(194,253)	470,131
Income tax expense	(11,066)	(146,320)	(11,066)	(146,606)
Net (loss)/profit after income tax from continuing operations	**(205,288)**	**324,216**	**(205,319)**	**323,525**
Profit from discontinued operations after income tax	–	–	–	–
Net (loss)/profit attributable to members of the parent	(205,288)	324,216	(205,319)	323,525
Dividends paid during the period	(73,304)	(114,519)	(73,304)	(114,519)
Transfers from reserve to equity	20,335	–	20,335	–
Accumulated losses of disposed entities	–	43,886	–	27,130
Accumulated profits at the beginning of the financial year	466,555	212,972	475,171	239,035
Accumulated profits at the end of the financial year	**208,298**	**466,555**	**216,883**	**475,171**

1. Closed Group are those entities party to the Deed of Cross Guarantee.
2. Refer to Note 16.

Notes to the Financial Statements

28. Deed of Cross Guarantee *continued*

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 2017 is as follows:

	Closed Group		Extended Closed Group	
	2017 $'000	2016 Restated[1] $'000	2017 $'000	2016 Restated[1] $'000
Current assets				
Cash and cash equivalents	55,492	37,139	55,492	37,139
Trade and other receivables	254,454	283,530	254,454	283,530
Program rights	161,180	139,203	171,672	139,203
Derivative financial instruments	–	–	–	31
Property, plant and equipment held for sale	50,941	9,338	50,941	9,338
Other assets	28,145	72,157	28,145	72,157
Income tax receivables	12,931	–	13,495	–
Total current assets	**563,143**	**541,367**	**574,199**	**541,398**
Non-current assets				
Receivables	137,059	74,155	110,359	59,068
Program rights	63,259	61,177	63,356	61,177
Investment in associates accounted for using the equity method	12,324	19,680	12,324	19,680
Investment in group entities	83,340	28,292	83,330	28,282
Investment in listed equities	–	95,611	5,646	104,694
Property, plant and equipment	128,010	123,036	128,010	123,036
Licences	477,784	477,784	477,784	477,784
Other intangible assets	369,731	629,123	369,731	629,123
Property, plant and equipment held for sale	–	41,823	–	41,823
Other assets	75,266	61,210	75,266	61,210
Total non-current assets	**1,346,773**	**1,611,891**	**1,325,806**	**1,605,877**
Total assets	**1,909,916**	**2,153,258**	**1,900,005**	**2,147,275**
Current liabilities				
Trade and other payables	246,628	324,263	247,572	325,366
Interest-bearing loans and borrowings	–	60	–	60
Income tax liabilities	–	29,607	–	30,465
Provisions	47,932	45,662	47,932	45,662
Derivative financial instruments	21,197	–	21,197	–
Total current liabilities	**315,757**	**399,592**	**316,701**	**401,553**
Non-current liabilities				
Payables	59,642	47,800	59,642	47,808
Interest-bearing loans and borrowings	291,175	220,425	291,175	220,425
Deferred tax liabilities	195,346	183,038	195,338	182,466
Derivative financial instruments	29,068	11,426	29,068	11,426
Provisions	34,522	46,488	34,522	46,488
Total non-current liabilities	**609,753**	**509,177**	**609,745**	**508,613**
Total liabilities	**925,510**	**908,769**	**926,446**	**910,166**
Net assets	**984,406**	**1,244,489**	**973,559**	**1,237,109**

1. Refer to Note 1(c)

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 a 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 2017.

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.

29. Financial Instruments *continued*

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

		2017		2016	
	Note	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Derivative financial assets					
Option over listed entities – current		–	–	31	31
Total derivative financial instruments – assets		**–**	**–**	**31**	**31**
Derivative financial liabilities					
Option over controlled entity*		21,197	21,197	–	–
Option over controlled entity (Note 6(b)) – non-current		29,068	29,068	11,426	11,426
Total derivative financial instruments – liabilities		50,265	50,265	11,426	11,426
Loan facilities – non-current					
Syndicated facility unsecured – at amortised cost	16	291,175	291,175	220,425	220,425
Total loan facilities		**291,175**	**291,175**	**220,425**	**220,425**

* The Group has incurred an additional $9.5m expense for mark to market movements related to the options exercisable by the Group over the 40% shares which it does not currently own in Pedestrian Group Pty Ltd ("Pedestrian"), in accordance with the sale and purchase agreement signed on acquisition of Pedestrian during the financial year ended 30 June 2015. Given these options are exercisable during the next financial year (30 June 2018), the liability associated with the option is now classified as a current liability on the Group's balance sheet.

(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.

	Contractual maturity (nominal cash flows)							
	2017				2016			
	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]								
Option over controlled entity (Note 27) – current	21,197	–	–	–	–	–	–	–
Option over controlled entity (Note 27) – non-current	–	14,270	16,170	–	–	–	11,880	–
Other financial assets[1]								
Cash assets	66,700	–	–	–	42,860	–	–	–
Trade and other receivables	261,339	9,186	114,079	–	286,703	56,307	2,760	–
Other financial liabilities[1]								
Trade and other payables	248,399	59,642	–	–	327,896	42,568	5,232	–
Other interest bearing loans and borrowings	–	–	–	–	60	–	–	–
Debt facilities (including interest)[2]	8,621	301,121	–	–	7,287	234,234	–	–

1. For floating rate instruments, the amount disclosed is determined by reference to the interest rate at the last repricing date.
2. This assumes the amount drawn down at 30 June 2017 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:

	2017				2016			
	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	2.0	66,700	–	66,700	2.2	42,860	–	42,860
Trade and other receivables	5.87	92,990	264,624	357,614	6.26	55,623	290,147	345,770
Financial liabilities								
Trade and other payables	n/a	n/a	308,041	308,041	n/a	n/a	375,696	375,696
Syndicated facilities – at amortised cost	3.07	291,175	–	291,175	3.28	220,425	–	220,425

29. Financial Instruments *continued*

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:

	2017	2016
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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
If interest rates were higher with all other variables held constant – decrease	(2,048)	(1,558)	–	–
If interest rates were lower with all other variables held constant – increase	2,048	1,558	–	–

(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, other than to related parties. The Group has a loan balance due from Stan Entertainment Pty Limited of $92.99 million (Refer Note 26), the recoverability of which is subject to certain assumptions (Refer Note 1(e)).

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:

	2017 $'000	2016 $'000
Advertising	175,603	179,799
Television stations	13,589	14,605
Other	45,068	55,481
	234,260	**249,885**

(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 (2016: $nil) 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 (2016: nil).

30. Parent Entity Disclosures

	Parent Entity	
	2017 $'000	2016 $'000
(a) Financial Position		
Current assets	31,171	5,536
Non-current assets	1,058,928	1,256,405
Total assets	**1,090,099**	**1,261,941**
Current liabilities	480	3,123
Non-current liabilities	117,810	26,484
Total liabilities	**118,290**	**29,607**
Net assets	**971,809**	**1,232,334**
Contributed equity	751,998	751,998
Reserves	4,956	5,156
Retained earnings	214,855	475,180
Total equity	**971,809**	**1,232,334**
(b) Comprehensive (loss)/income		
Net (loss)/profit for the year	(186,421)	475,705
Total comprehensive (loss)/income for the year	**(186,421)**	**475,705**

(a) 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:

	2017 $'000	2016 $'000
Profit/(loss) attributable to ordinary equity holders for basic and diluted earnings		
Continuing operations	(203,438)	33,223
Discontinued operations	–	291,532

	2017 No. '000	2016 No. '000
Weighted average number of ordinary shares for basic earnings per share	869,507	879,606
Effect of dilution:		
Rights Plan shares[1]	521	3,781
Weighted average number of ordinary shares adjusted for the effect of dilution	**870,028**	**883,387**

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 Chief Executive Officer and the Chief Financial Officer for the year ended 30 June 2017.
2. in the opinion of the Directors, the consolidated financial statements and notes that are set out on pages 48 to 100 and the Remuneration Report in pages 25 to 43 in the Directors' 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 2017 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 Company 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 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.

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 24 August 2017

Independent Auditor's Report

to the Directors of Nine Entertainment Co. Holdings Limited

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Independent Auditor's Report to the Members of Nine Entertainment Co. Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nine Entertainment Co. Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of intangible assets

Why significant	How our audit addressed the key audit matter
At 30 June 2017, the Group's consolidated statement of financial position included \$415.9m of goodwill, \$477.8m of television licenses and \$18.3m of other intangible assets, collectively representing 47% of total assets. As disclosed in Note 1(e) and Note 14 to the financial statements, the Directors have assessed goodwill, television licenses and other identifiable intangible assets for impairment. This assessment involved critical accounting estimates and assumptions, specifically relating to future discounted cash flows, the future performance of the free-to-air television and digital advertising markets and the broader economic environment. We considered this to be a key audit matter given the value of these assets relative to total assets and the significant judgements and assumptions involved in the application of the Fair Value less Cost of Disposal model used by the Directors in testing these assets for impairment.	Our audit procedures included the following: • Assessed whether the impairment testing models ("the models") used by the Directors met the requirements of Australian Accounting Standard AASB136 *Impairment of Assets.* • Evaluated the determination of Cash Generating Units (CGUs) with respect to the independence of cash inflows generated by each CGU. • Tested the mathematical accuracy of the models. • Considered the underlying assumptions regarding future cash flows used in the model by comparing these to the five-year business plan and long term capital and content investment plans. • Considered the historical accuracy of the Group's forecasting ability. • Assessed the discount rates, growth rates and the terminal growth rates used in the model, with involvement from our valuation specialists and with reference to external evidence. • Considered the sensitivity analysis performed by the Group focusing on the areas in the model where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and therefore indicate impairment. • Considered the adequacy of the disclosures relating to intangible assets in the financial statements, including those made with respect to judgements and estimates.

2. Valuation of program rights

Why significant	How our audit addressed the key audit matter
At 30 June 2017, the consolidated statement of financial position contained program rights assets of $235.0m. This comprised $171.7m of current and $63.3m of non-current program rights. As disclosed in Notes 1(e) and 1(l) to the financial statements, the Directors' assessment of the net realisable value of program rights involves judgement, relating to forecasting the quantum of future revenue to be derived from the usage of those program rights. We considered this to be a key audit matter due to the magnitude of the program rights asset and the inherent subjectivity that is involved in forecasting future revenue.	Our audit procedures included the following: • Assessed whether the recognition, valuation and amortisation methodology applied by the Group met the requirements of Australian Accounting Standard AASB102 *Inventories.* • Compared the forecast revenue expected to be derived from the usage of material program rights against the carrying value of the respective program rights. • Assessed the forecast revenue to be derived from the usage of program rights by considering the assumptions applied in management's calculation with reference to recent historical performance of program rights and actual revenue earned subsequent to year end. • Evaluated the adequacy of the disclosures in the financial report relating to the valuation of program rights, including those made with respect to judgements and estimates.

3. Recoverability and classification of Stan loan receivable

Why significant	How our audit addressed the key audit matter
At 30 June 2017, a non-current loan receivable from the Stan joint venture of $93.0m is recorded at amortised cost in the consolidated statement of financial position. The loan classification is assessed in accordance with AASB 9 *Financial Instruments* and AASB 128 *Investments in Associates and Joint Ventures,* as disclosed in Note 1(j) to the financial statements. Note 1(e) refers to the judgement exercised by the Directors in assessing whether any indicators of impairment of the receivable were present at 30 June 2017.	Our audit procedures included the following: • Assessed whether the requirements of Australian Accounting Standard AASB 9 *Financial Instruments* and AASB 128 *Investments in Associates and Joint Ventures* have been satisfied, which includes the classification of the receivable as a financial asset carried at amortised cost. • Evaluated the Directors' assessment of indicators of impairment of the loan and their determination that repayments continue to be planned and likely. These procedures included assessment of forecast performance of Stan

The Directors considered matters such as Stan's historical performance and forecast assumptions, including the adoption rate for subscription video on demand services, subscriber numbers, revenue and earnings before interest, income tax, depreciation and amortisation ("EBITDA"). They also considered whether expected future repayment of the loan remains in accordance with the original business plan.

We considered this to be a key audit matter due to the judgements involved in considering indicators of impairment and the likelihood of repayment.

relative to actual results in respect of subscriber numbers, revenue and EBITDA to 30 June 2017.

- Evaluated the adequacy of the disclosures in the financial report relating to this matter, including those made with respect to judgements and estimates.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 30 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Nine Entertainment Co. Holdings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
24 August 2017

Shareholder Information

Twenty largest shareholders as at 6 September 2017

Rank	Name	Total Units	%
1	HSBC Custody Nominees (Australia) Limited	285,508,984	32.79%
2	JP Morgan Nominees Australia Limited	125,942,531	14.46%
3	Citicorp Nominees Pty Limited	122,943,851	14.12%
4	Birketu Pty Ltd	99,677,718	11.45%
5	National Nominees Limited	57,743,485	6.63%
6	Birketu Pty Ltd	30,000,000	3.45%
7	RBC Investor Services Australia Nominees Pty Ltd	21,909,625	2.52%
8	BNP Paribas Nominees Pty Ltd	10,386,176	1.19%
9	BNP Paribas Noms Pty Ltd	9,774,408	1.12%
10	HSBC Custody Nominees (Australia) Limited	9,432,291	1.08%
11	CS Third Nominees Pty Limited	9,017,194	1.04%
12	BNP Paribas Nominees Pty Ltd	8,101,000	0.93%
13	David Gyngell	4,878,048	0.56%
14	RBM Nominees Pty Ltd	4,868,257	0.56%
15	Citicorp Nominees Pty Limited	4,647,354	0.53%
16	RBC Investor Services Australia Nominees Pty Limited	4,587,600	0.53%
17	UBS Nominees Pty Ltd	4,250,724	0.49%
18	Bainpro Nominees Pty Limited	3,122,000	0.36%
19	Pacific Custodians Pty Limited	2,889,491	0.33%
20	HSBC Custody Nominees (Australia) Limited	2,742,935	0.31%

Options

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

Escrowed shares

There were no shares in escrow at the end of the financial year.

Substantial shareholders

Substantial shareholders as shown in substantial shareholder notices received by the Company as at 6 September are:

Name	Total Units	%
Birketu	131,277,718	14.96%
Allan Gray	88,719,604	10.18%
BT	76,749,641	8.81%
UBS Group	56,904,607	6.53%
Legg Mason Asset Management Australia	55,132,413	6.32%
Macquarie Group	54,125,028	6.21%
Deutsche Bank	43,656,953	5.01%

Distribution of holdings at 6 September 2017

No. of Securities	No. of ordinary shareholders
1 to 1,000	635
1,001 to 5,000	980
5,001 to 10,000	613
10,001 to 100,000	805
100,001 and over	71
Total	**3,104**
Number of holders holding less than a marketable parcel	**133**

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.

Buy-back

There is no current on-market buy-back.

Corporate Directory

ABN 60 122 203 892

Annual General Meeting

The Annual General Meeting will be held at 10.00am AEST on Monday, 13 November at the offices of Ashurst Australia, 5 Martin Place, Sydney 2000.

Financial Calendar 2018

Interim Result February 2018

Preliminary Final Result August 2018

Annual General Meeting November 2018

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