Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

21 February 2019: Nine Entertainment Co. Holdings Limited (ASX: NEC) today announced the half year results for the six months ended 31 December 2018 (H1 FY19).

Attached are the following documents relating to the Nine Entertainment Co. Holdings Limited results for this period.

1. Appendix 4D
2. H1 FY19 audited Financial Report

Appendix 4D (Rule 4.2A.3)
For the half year ended 31 December 2018

Results for Announcement to the Market

Key Financial Information		1H FY19 $'000	1H FY18 $'000
Continuing operations			
Revenue from ordinary activities, excluding specific items	Down by 1.3%	714,225	723,853
Profit from ordinary activities after tax	Down by 1.6%	171,337	174,060
Discontinued operations			
Profit from ordinary activities after tax	n/m	248	-
Total income attributable to:			
Net profit from ordinary activities after tax - owners of the parent	Down by 1.4%	171,556	174,060
Net profit from ordinary activities after tax - non-controlling interest	n/m	29	-
Net profit after tax, excluding specific items	Down by 6.6%	108,504	116,168

Dividends

An interim fully franked dividend of 5c has been declared payable on 18 April 2019.

Dividends	Amount per share cents	Franked amount per share cents
Final 2018 dividend per share (paid 17th October 2018)	5	5
Interim 2019 dividend per share (to be paid 18 April 2019)	5	5

The interim 2019 dividend was declared following the approval by the Directors of the 31 December 2018 Financial Report.

Interim 2019 Dividend

Ex-dividend date: 5th March
Record date: 6th March
Payment date: 18th April

Net Tangible Assets per Share

Reported	1H FY19 cents	1H FY18 cents
Net tangible asset backing per ordinary share	6.5	23.0
Net asset backing per ordinary share	159.5	127.6

Supplementary information

For additional Appendix 4D disclosures, refer to the accompanying Directors' Report and the Financial Report for the half year ended 31 December 2018.

Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

Financial Report for the half year ended 31 December 2018

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DIRECTORS' REPORT

The Directors present the financial report for the half year ended 31 December 2018. The financial report includes the results of Nine Entertainment Co. Holdings Limited (the "Company") and the entities that it controlled during the period (the "Group").

Directors

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

Name	Title	Date Appointed	Date Resigned
Peter Costello	Independent Non-Executive Chairman	6 February 2013	
Nick Falloon	Independent Non-Executive Deputy Chairman	7 December 2018	
Hugh Marks	Chief Executive Officer	6 February 2013	
Patrick Allaway	Independent Non-Executive Director	7 December 2018	
Samantha Lewis	Independent Non-Executive Director	20 March 2017	
Mickie Rosen	Independent Non-Executive Director	7 December 2018	
Catherine West	Independent Non-Executive Director	9 May 2016	
David Gyngell	Non-Executive Director	25 November 2010	7 December 2018
Janette Kendall	Independent Non-Executive Director	5 June 2017	7 December 2018

Dividends

Nine Entertainment Co. Holdings Limited paid a final dividend of 5 cents per share, fully franked, in respect of the year ended 30 June 2018 amounting to $43,555,855 during the period ended 31 December 2018. Since the end of the period, the Company has proposed an interim dividend in respect of the year ending 30 June 2019 of 5 cents per share fully franked amounting to $85,269,662.

Operating and Financial Review

Review of Operations

On 7 December 2018, the Group merged with Fairfax Media Limited ("Fairfax") (see below). The operating results include the results of Fairfax and Stan for the period from 7 December to 31 December 2018.

For the half year ended 31 December 2018, the Group reported a consolidated net profit after income tax of $171,585,000 (2017: profit $174,060,000). The Group reported a consolidated net profit after income tax of $171,337,000 (2017: $174,060,060) from continuing operations.

The Group's revenues from continuing operations (excluding specific items) for the half year ended 31 December 2018 decreased by $9,628,000 (1.3%) to $714,225,000 (2017: $723,853,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) and before specific items (Note 2.1) for continuing operations for the half year ended 31 December 2018 was a profit of $177,752,000 (2017: profit of $181,268,000).

The Group's cash flows generated from operations for the period ended 31 December 2018 were $81,443,000 (2017: $129,317,000). The principal reason for the decline from the prior year was due to increased income tax paid.

Significant Changes in the State of Affairs

Acquisition

On 7 December 2018, the Group merged with Fairfax by acquiring all of the outstanding shares in Fairfax, in return for the issue of 0.3627 shares in Nine and 2.5 cents per Fairfax share. Refer Note 5.1 for details.

On 5 November 2018, the Group acquired the remaining 40.78% of CarAdvice.com Pty Ltd's shares which it did not already own for a cash consideration of $26.5m. Refer to Note 5.1 for details.

On 14 December 2018, a controlled entity of the Group, Domain Holdings Australia Limited, through a partially owned subsidiary (Commercial Real Estate Media Limited ("CREM")) acquired a 100% interest in Commercialview.com.au Limited, an Australian commercial property portal, for consideration of $8.2 million in newly issued CREM shares and $1.9 million in cash. Refer to Note 5.1 for details.

DIRECTORS' REPORT (continued)

Significant Events after the Balance Sheet Date

In the time between the end of the half year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature, in the opinion of the Directors of the Company, to affect significantly the operations, results or the state of affairs of the Group, currently or in future financial years.

Auditor's Independence Declaration

The Directors have received the Auditor's Independence Declaration, a copy of which is included on page 4.

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, 21 February 2019

Building a better
working world

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

As lead auditor for the review of Nine Entertainment Co. Holdings Limited for the half year ended 31 December 2018, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Christopher George
Partner
21 February 2019

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FINANCIAL STATEMENTS

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Continuing operations			
Revenues	2.2	816,634	802,014
Expenses	2.3	(593,847)	(572,708)
Finance costs	2.3	(5,868)	(6,456)
Share of (losses)/profits of associate entities		(1,982)	347
Net profit from continuing operations before income tax expense		214,937	223,197
Income tax expense	6.1	(43,600)	(49,137)
Net profit from continuing operations after income tax expense		171,337	174,060
Discontinued operations			
Profit after tax from discontinued operations	5.2	248	-
Net profit for the period		171,585	174,060
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		205	29
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement in investment in listed equities (net of tax)		419	1,227
Actuarial (loss)/gain on defined benefit plan		(3,031)	2,749
Other comprehensive (loss)/income for the period		(2,407)	4,005
Total comprehensive income attributable to equity holders		169,178	178,065
Total comprehensive income attributable to:			
Owners of the parent		169,149	178,065
Non-controlling interest		29	-
Total comprehensive income for the period		169,178	178,065
Earnings per share			
Basic profit attributable to ordinary equity holders of the parent	2.5	$0.18	$0.20
Diluted profit attributable to ordinary equity holders of the parent	2.5	$0.17	$0.20
Earnings per share for continuing operations			
Basic profit attributable to ordinary equity holders of the parent	2.5	$0.18	$0.20
Diluted profit attributable to ordinary equity holders of the parent	2.5	$0.17	$0.20

The above consolidated statement of profit or loss and other comprehensive income should read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2018

	Note	31 Dec 2018 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents		247,800	36,375
Trade and other receivables		376,785	285,469
Program rights & inventories		247,560	190,427
Prepayments		75,826	19,657
Other assets		11,067	1,228
Assets held for sale - continuing operations		3,090	18,528
Assets held for sale - discontinued operations	5.2	335,477	-
Total current assets		1,297,605	551,684
Non-current assets			
Receivables		21,968	134,470
Program rights & inventories		114,102	69,865
Investments accounted for using the equity method		17,802	12,479
Other financial assets		7,484	4,468
Property, plant and equipment		149,818	106,516
Intangible assets	3.1	2,608,622	911,984
Prepayments		31,350	36,575
Defined benefit plan		24,396	25,584
Deferred tax assets	6.2	84,282	-
Total non-current assets		3,059,824	1,301,941
Total assets		4,357,429	1,853,625
Current liabilities			
Trade and other payables	3.2	389,744	225,460
Current income tax liabilities		47,079	35,632
Provisions	3.3	131,858	52,315
Derivative financial instruments		-	26,228
Liabilities held for sale - discontinued operations	5.2	158,477	-
Total current liabilities		727,158	339,635
Non-current liabilities			
Payables	3.2	83,423	34,123
Interest-bearing loans and borrowings	4.1	618,012	157,646
Deferred tax liabilities	6.2	138,405	173,049
Provisions	3.3	69,702	39,530
Derivative financial instruments	4.5	610	603
Total non-current liabilities		910,152	404,951
Total liabilities		1,637,310	744,586
Net assets		2,720,119	1,109,039
Equity			
Contributed equity	4.2	2,126,231	745,027
Reserves		5,600	5,409
Retained earnings		484,270	358,603
Total equity attributable to equity holders of the parent		2,616,101	1,109,039
Non-controlling interest		104,018	-
Total equity		2,720,119	1,109,039

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

	Contributed equity $'000	Rights Plan Shares $000	Foreign currency translation reserve $'000	Fair value reserve of financial assets at FVOCI $'000	Share-based payments reserve $'000	Other reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2018	751,998	(6,971)	(1,624)	(764)	4,626	3,171	358,603	1,109,039	-	1,109,039
Effect of adoption of new accounting standards (Note 7.1)	-	-	-	-	-	-	(2,333)	(2,333)	-	(2,333)
As at 1 July 2018 (restated)	751,998	(6,971)	(1,624)	(764)	4,626	3,171	356,270	1,106,706	-	1,106,706
Profit for the period	-	-	-	-	-	-	171,556	171,556	29	171,585
Other comprehensive income/(loss) for the period	-	-	205	(2,612)	-	-	-	(2,407)	-	(2,407)
Total comprehensive income/(loss) for the period	**-**	**-**	**205**	**(2,612)**	**-**	**-**	**171,556**	**169,149**	**29**	**169,178**
Vesting of Rights Plan shares (Note 4.4)	-	3,091	-	-	(3,091)	-	-	-	-	-
Acquisition of a subsidiary (Note 5.1)	1,382,805	-	-	-	-	3,125	-	1,385,930	107,214	1,493,144
Purchase of shares	-	(4,692)	-	-	-	-	-	(4,692)	-	(4,692)
Share-based payment expense	-	-	-	-	2,564	-	-	2,564	-	2,564
Dividends to shareholders	-	-	-	-	-	-	(43,556)	(43,556)	(3,225)	(46,781)
At 31 December 2018	**2,134,803**	**(8,572)**	**(1,419)**	**(3,376)**	**4,099**	**6,296**	**484,270**	**2,616,101**	**104,018**	**2,720,119**
At 1 July 2017 (restated)*	751,998	(3,371)	(1,390)	(2,319)	1,788	3,171	236,013	985,890	-	985,890
Profit for the period	-	-	-	-	-	-	174,060	174,060	-	174,060
Other comprehensive income/(loss) for the period	-	-	29	3,976	-	-	-	4,005	-	4,005
Total comprehensive income/(loss) for the period	**-**	**-**	**29**	**3,976**	**-**	**-**	**174,060**	**178,065**	**-**	**178,065**
Vesting of Rights Plan shares (Note 4.4)	-	1,061	-	-	(1,061)	-	-	-	-	-
Share-based payment expense	-	-	-	-	3,615	-	-	3,615	-	3,615
Dividends to shareholders	-	-	-	-	-	-	(43,538)	(43,538)	-	(43,538)
At 31 December 2017 (restated)	751,998	(2,310)	(1,361)	1,657	4,342	3,171	366,535	1,124,032	-	1,124,032

*See note 4.2 of the 2018 Annual Report for details of an adjustment made to opening retained earnings.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

	Note	31 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		913,150	779,538
Payments to suppliers and employees		(786,988)	(637,652)
Dividends received - associates		755	500
Interest received		1,507	1,130
Interest and other costs of finance paid		(4,615)	(4,950)
Income tax paid		(42,366)	(9,249)
Net cash flows generated from operating activities		81,443	129,317
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,604)	(10,956)
Purchase of other intangible assets		(7,618)	(3,960)
Proceeds on disposal of property, plant and equipment		15,662	124,976
Acquisition of subsidiaries, net of cash acquired	5.1	15,088	-
Proceeds from disposal of assets held for sale		9,246	-
Loans to associates		(17,925)	(17,200)
Net cash flows from investing activities		3,849	92,860
Cash flows from financing activities			
Proceeds from borrowings		392,533	164,500
Repayment of borrowings and borrowing costs		(214,927)	(312,000)
Purchase of rights plan shares		(4,692)	-
Dividends paid to non-controlling interest		(3,225)	-
Dividends paid	4.3	(43,556)	(43,538)
Net cash flows from/(used in) financing activities		126,133	(191,038)
Net increase in cash and cash equivalents		211,425	31,139
Cash and cash equivalents at the beginning of the financial period		36,375	66,700
Cash and cash equivalents at the end of the period		247,800	97,839

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2018

1. ABOUT THIS REPORT

The financial report includes the consolidated entity consisting of Nine Entertainment Co. Holdings Limited (the Company) and its controlled entities (collectively, the Group) for the half year ended 31 December 2018.

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 consolidated general purpose financial report of the Group for the half year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 21 February 2019. The Directors have the power to amend and reissue the financial report.

1.1 Significant events during the period

On 7 December 2018, the Group merged with Fairfax. As a result of this merger the results presented in the consolidated financial report include Fairfax's operating results from 7 December 2018 and all the net assets as at 31 December 2018. Refer Note 5.1 for more details.

1.2 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 AASB 134 *Interim Financial Reporting*.

The half year report does not include notes of the type normally included in an annual financial report and therefore should be read in conjunction with the 2018 annual report of Nine Entertainment Co. Holdings Limited and its controlled entities and any public announcements made by Nine Entertainment Co. Holdings Limited during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of the half year financial report are consistent with those applied and disclosed in the 2018 annual report, except as set out in Note 7.1.

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 period.

2. GROUP PERFORMANCE

2.1 Segment Information

Description of segments

The results reflect the operations of the businesses acquired (refer Note 5.1) for the period from 7 December. For the financial report for the period ended 31 December 2018, management have adopted the segments as previously described in the separate financial reports of the Group and the acquired entities prior to 7 December. The segmental reporting will be reviewed for the year ending 30 June 2019 to reflect how the Chief Operating Decision Makers (determined to be the Board of Directors) review and manage the business.

The reportable segments for continuing operations for the period ended 31 December 2018 are:

- Television - includes free to air television activities.
- Nine Digital - includes Nine Digital Pty Limited and other digital activities.
- Domain - real estate media and services businesses.
- Metropolitan Media - metropolitan news, sport, lifestyle and business media across various platforms.
- Radio - metropolitan radio networks in Australia.
- Stan - subscription video on demand service.

Segment performance is evaluated based on continuing operations segment EBITDA before specific items. Specific items are items that by size and nature or incidence are relevant in explaining the financial performance of the Group.

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. No operating segments are aggregated to form the reportable operating segments.

	Segment revenue[1]		EBITDA before specific items		Depreciation and amortisation		EBIT before specific items	
	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000
Television	563,466	636,551	161,145	171,926	(11,235)	(12,712)	149,910	159,214
Nine Digital	86,652	83,401	20,687	18,272	(6,106)	(5,260)	14,581	13,012
Domain Group[2]	16,335	-	2,875	-	(1,739)	-	1,136	-
Metropolitan Media[2]	29,048	-	9,675	-	(595)	-	9,080	-
Radio[2]	6,786	-	715	-	(256)	-	459	-
Stan	8,221	-	(5,378)	-	(237)	-	(5,615)	-
Segment total	**710,508**	719,952	**189,719**	190,198	**(20,168)**	(17,972)	**169,551**	172,226
Corporate	836	-	(9,985)	(9,277)	(149)	(1)	(10,134)	(9,278)
Associates	-	-	(1,982)	347	-	-	(1,982)	347
Total Group	**711,344**	719,952	**177,752**	181,268	**(20,317)**	(17,973)	**157,435**	163,295

[1] includes intersegment revenue of TV: $757,000 (2017: $341,000), Nine Digital: $492,000 (2017: nil) and Fairfax $248,000 (2017: $nil).

[2] collectively referred to as "Fairfax activities".

2. GROUP PERFORMANCE (continued)

Reconciliation of total group revenue from continuing operations on the Consolidated Statement of Profit or Loss and Other Comprehensive Income	31 Dec 2018 $'000	31 Dec 2017 $'000
Total Group revenue (per above)	711,344	719,952
Inter-segment eliminations	(1,497)	(341)
Total Group revenue from customers	709,847	719,611
Interest income	4,378	4,242
Net profit on sale of assets held for sale	9,409	78,161
Gain on consolidation of Stan (Refer Note 5.1)	93,000	-
Revenue per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	**816,634**	802,014

Reconciliation of EBIT before specific items to profit after tax from continuing operations	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
EBIT before specific items		157,435	163,295
Interest income		4,378	4,242
Finance costs		(5,868)	(6,456)
Income tax expense	6.1	(47,441)	(44,913)
Profit before specific items		**108,504**	116,168
Specific items	2.4	58,992	62,116
Income tax benefit/(expense) on specific items	6.1	3,841	(4,224)
Net profit/(loss) from operations after income tax expense		**171,337**	174,060

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 period. (2017: >10%).

2.2. Revenue and other income from continuing operations

	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
Revenues			
Revenue from contract with customers		709,847	719,611
Net profit on sale of assets held for sale		9,409	78,161
Interest		4,378	4,242
Gain on consolidation of Stan	5.1	93,000	-
Total revenues and other income		**816,634**	802,014

2. GROUP PERFORMANCE (continued)

2.3. Expenses from continuing operations

	31 Dec 2018 $'000	31 Dec 2017 $'000
Expenses		
Television activities	**433,465**	479,371
Fairfax activities	**51,970**	-
Nine Digital and other activities	**108,412**	93,337
Total expenses	**593,847**	572,708
Included in the expenses above are the following:		
Depreciation and amortisation (excluding program rights)	**20,317**	17,973
Salary and employee benefit expenses	**210,899**	201,165
Program rights	**191,242**	243,421
Total depreciation, salary and program rights	**422,458**	462,559
Finance Costs		
Interest on debt facilities	**5,481**	4,694
Amortisation of debt facility	**387**	1,762
Total finance costs	**5,868**	6,456

2.4. Specific items

The net profit after tax includes the following specific items, which by size and nature or incidence are relevant in explaining the financial performance of the Group:

	Notes	31 Dec 2018 $'000	31 Dec 2017 $'000
Net profit on sale of assets held for sale[1]		**9,409**	78,161
Program stock provision write up/ (write down)		**-**	905
Revaluation to fair value	5.1	**(241)**	(12,890)
Restructuring and termination costs[2]		**(29,613)**	(3,166)
Acquisition related costs[3]		**(13,563)**	-
Gain on consolidation of Stan	5.1	**93,000**	-
Other		**-**	(894)
Net specific items profit before tax from continuing operations		**58,992**	62,116
Income tax benefit/(expense) on specific items from continuing operations		**3,841**	(4,224)
Net specific items profit after tax from continuing operations		**62,833**	57,892

[1] 2018: Includes net profit on sale of property held in Newcastle and other assets held for sale (2017: includes profit on disposal of sale of Willoughby).

[2] 2018: Includes redundancy costs in relation to the Fairfax merger and other restructuring and termination costs incurred during the period (2017: includes various restructuring costs for the Group).

[3] 2018: costs related to the merger with Fairfax (excluding redundancies) (2017: Nil).

2. GROUP PERFORMANCE (continued)

2.5. Earnings per share

	31 Dec 2018	31 Dec 2017
From continuing and discontinued operations		
Basic and diluted earnings per share before specific items	**$0.11**	$0.13
Basic earnings per share after specific items	**$0.18**	$0.20
Diluted earnings per share after specific items[1]	**$0.17**	$0.20
Profit attributable to the ordinary equity holders of the parent used in calculating the basic and diluted earnings per share ($'000) from continuing and discontinued operations	171,556	174,060
From continuing operations		
Basic and diluted earnings per share before specific items	**$0.11**	$0.13
Basic earnings per share after specific items	**$0.18**	$0.20
Diluted earnings per share after specific items[1]	**$0.17**	$0.20
Profit attributable to the ordinary equity holders of the parent used in calculating the basic and diluted earnings per share ($'000) from continuing operations	171,308	174,060
Weighted average number of ordinary shares used as denominator for basic earnings per share ('000)	978,755	870,500
Effect of dilution:		
Rights Plan shares under the performance rights plan (Note 4.4) ('000)	7,261	9,214
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	986,016	879,714

[1] Diluted earnings per share assumes that the executive long term incentive plan (Refer Note 4.4) is satisfied by issuing new shares. The Company's practice to date has been to purchase the shares on the open market and if this practice continues there will be no difference between basic and diluted earnings per share.

3. OPERATING ASSETS AND LIABILITIES

3.1. Intangible assets

	Goodwill and other indefinite life intangibles $'000	Licences $'000	Other[1] $'000	Total $'000
Half year ended 31 December 2018				
At 1 July 2018, net of accumulated amortisation and impairment	416,520	477,784	17,680	911,984
Acquisition of subsidiaries (Note 5.1)	1,482,291	101,166	112,675	1,696,132
Purchases	-	-	8,325	8,325
Amortisation expense	-		(7,819)	(7,819)
At 31 December 2018, net of accumulated amortisation and impairment	**1,898,811**	**578,950**	**130,861**	**2,608,622**
Year ended 30 June 2018				
At 1 July 2017, net of accumulated amortisation and impairment	415,922	477,784	18,308	912,014
Purchases	-	-	8,981	8,981
Acquisition of subsidiaries (Note 5.1)	598	-	-	598
Amortisation expense	-	-	(9,609)	(9,609)
At 30 June 2018, net of accumulated amortisation and impairment	416,520	477,784	17,680	911,984
At 31 December 2018				
Cost (gross carrying amount)	3,005,972	1,551,519	177,445	4,734,936
Accumulated amortisation and impairment	(1,107,161)	(972,569)	(46,584)	(2,126,314)
Net carrying amount	**1,898,811**	**578,950**	**130,861**	**2,608,622**
At 30 June 2018				
Cost (gross carrying amount)	1,523,681	1,450,353	56,445	3,030,479
Accumulated amortisation and impairment	(1,107,161)	(972,569)	(38,765)	(2,118,495)
Net carrying amount	416,520	477,784	17,680	911,984

[1] This includes capitalised development costs of software being, in part, an internally generated intangible asset, customer relationships and tradenames.

3. OPERATING ASSETS AND LIABILITIES (continued)

3.1(a) Allocation of non-amortising intangibles and goodwill

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

	Goodwill and other indefinite life intangible assets $'000	Licences $'000
31 December 2018		
Nine Network	**301,913**	**466,784**
NBN	**3,300**	**11,000**
Nine Digital[1]	**111,307**	**-**
Acquisition of subsidiaries[2]	**1,482,291**	**101,166**
Total licences and goodwill as at 31 December 2018	**1,898,811**	**578,950**
30 June 2018		
Nine Network	301,913	466,784
NBN	3,300	11,000
Nine Digital[1]	111,307	-
Total licences and goodwill as at 30 June 2018	416,520	477,784

[1] Nine Digital goodwill is made up of Nine Digital Pty Ltd $47.6 million (June 2018: $47.6 million), Pedestrian TV $19.3 million (June 2018: $19.3 million), CarAdvice $43.8 million (June 2018: $43.8 million) and Future Women $0.6 million (June 2018: $0.6 million).

[2] In accordance with AASB 3 *Business Combination*, the Group has 12 months from the date of acquisition to finalise the purchase price accounting and the allocation of fair value to net assets, including goodwill and other indefinite life intangible assets. Refer Note 5.1 for details of acquisition.

3.1(b) Determination of recoverable amount

At 31 December 2018 a review was performed for indicators of impairment in order to determine whether a formal impairment assessment was required. As noted in Note 3.1(a), the Group has 12 months from the date of acquisition to finalise the allocation of the fair value to net assets, including goodwill and other indefinite life intangible assets and therefore no review for impairment has been undertaken on these recently acquired assets. The Group assessed whether there were indicators of impairment for each of its cash generating units ("CGUs"), being Nine Network, NBN and Nine Digital, excluding recently acquired businesses. The Directors have determined that there are no impairment indicators as at 31 December 2018.

The recoverable amount of the CGUs, which are classified within Level 3 (Refer Note 4.5) 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.

The cash flow projections which are used in determining any impairment require the Group to make significant estimates and judgements. Key assumptions in preparing the cash flow projections for each CGU at 30 June 2018 are set out in the annual financial report as at 30 June 2018.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2018

3. OPERATING ASSETS AND LIABILITIES (continued)

3.2 Trade and other payables

	31 Dec 2018 $'000	30 June 2018 $'000
Current - unsecured		
Trade and other payables	202,037	121,323
Program contract payables	141,651	96,226
Deferred income	46,056	7,911
Total current trade and other payables	389,744	225,460
Non-current - unsecured		
Program contract payables	73,128	26,668
Deferred income	10,295	7,455
Total non-current trade and other payables	83,423	34,123

3.3. Provisions

	Employee entitlements $'000	Onerous contracts $'000	Other[1] $'000	Total $'000
At 1 July 2018	62,845	18,412	10,588	91,845
Acquired as part of business combination[2]	54,875	-	56,604	111,479
Amounts provided / (Utilised) during the period	(15,935)	10,942	3,229	(1,764)
At 31 December 2018	**101,785**	**29,354**	**70,421**	**201,560**
Represented by:				
Current	68,470	15,748	47,640	131,858
Non-current	33,315	13,606	22,781	69,702
At 31 December 2018	**101,785**	**29,354**	**70,421**	**201,560**

[1] Included in other provisions are provision for properties (make good and deferred leases) of $28 million, provision for defamation of $8.9 million, provision for redundancies of $3.5 million, provision for acquisition consideration (held by controlled entities of the Group) of $22.5 million and provision for services to be provided to Nine Live following its disposal.

[2] Balances of provisions of subsidiaries acquired during the period. Refer Note 5.1 for details.

3. OPERATING ASSETS AND LIABILITIES (continued)

3.4 Commitments

	<1 year $'000	1-5 years $'000	>5years $'000	Total $'000
Half year ended 31 December 2018				
Capital expenditure	11,597	1,528	-	13,125
Operating lease commitments	70,562	182,344	156,564	409,470
Television and subscription video on demand program, and sporting broadcast rights	319,395	670,366	24,136	1,013,897
Total Commitments	**401,554**	**854,238**	**180,700**	**1,436,492**

	<1 year $'000	1-5 years $'000	>5years $'000	Total $'000
Year ended 30 June 2018				
Capital expenditure	18,430	2,010	-	20,440
Operating lease commitments	33,371	74,576	71,864	179,811
Television program and sporting broadcast rights	220,197	669,520	60,000	949,717
Total Commitments	271,998	746,106	131,864	1,149,968

The Group 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). Due to the merger with Fairfax on 7 December 2018, the Group is seeking additional floor space which if concluded would increase the total per annum rent by a further $7.1 million (approximately), albeit with some offsetting savings from rent on sites currently occupied. 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.

Operating lease commitments include leases for telecommunications rental agreements, 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.

4. CAPITAL STRUCTURE AND MANAGEMENT

4.1 Interest-bearing Loans and Borrowings

	31 Dec 2018 $'000	30 June 2018 $'000
Non-current		
Bank facilities unsecured[1]	618,012	157,646
Total non-current interest-bearing loans and borrowings	618,012	157,646

1 Bank facilities include unamortised financing costs of $3,313,000 (June 2018: $2,354,000).

During the period the Group entered into a syndicated bank facility of $200 million which will mature in June 2020. Syndicated bank facilities totalling $650 million (2017: $500 million) are available to the Group for its 100% owned subsidiaries with varying maturities from February 2020 to February 2023. At 31 December 2018, $397,533,000 of these facilities was drawn (2017:$145,000,000). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

On acquisition of Fairfax (Refer Note 5.1), the Group also has exposure to the following:

- A $250.0 million syndicated bank facility is available to a controlled entity, Domain Holdings Australia Limited, with tranches maturing in November 2020 and November 2021. At 31 December 2018, $188.0 million was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.
- A $36.0 million revolving cash advance facility is available to a controlled entity, Macquarie Media Limited, until September 2020. At 31 December 2018, $35.8 million was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

A $15.85 million bank guarantee is also available to the Group's 100% owned subsidiaries on a rolling annual basis. As at 31 December 2018, $13,382,679 was drawn (2017:$10,828,000).

A $6 million revolving cash advance facility is available to the Group on a rolling annual basis. At 31 December 2018 the facility was not drawn (2017: Nil). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

Corporate facilities

The corporate facilities available to the Group for its 100% owned subsidiaries 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. 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.

4.2 Share capital

	31 Dec 2018 $'000	30 June 2018 $'000
Issued share capital		
Ordinary shares authorised and fully paid	2,126,231	745,027
	2,126,231	745,027
Movements in issued share capital - ordinary shares		
Carrying amount at the beginning of the financial period (871,373,191 ordinary shares fully paid)	745,027	748,627
Purchase of rights plan shares	(4,692)	(4,661)
Vesting of Rights Plan shares (Note 4.4)	3,091	1,061
Issue of shares (834,020,062) ordinary shares fully paid) (Note 5.1)	1,382,805	-
Carrying amount at the end of the financial period (1,705,393,253 ordinary shares fully paid)	2,126,231	745,027

4. CAPITAL STRUCTURE AND MANAGEMENT (continued)

During the period, 2,500,000 shares were acquired by the Trust. The shares were purchased for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 4.4 for further details.

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.

4.3 Dividends paid and proposed

	31 Dec 2018 $'000	31 Dec 2017 $'000
Dividends		
Final dividend for the year ended 30 June 2018 of 5 cents per share fully franked (2017: 5 cents)	43,556	43,538
Dividends not recognised at half year end		
Since 31 December 2018, the directors have declared a fully franked interim dividend for the year ending 30 June 2019 of 5 cents per fully paid ordinary shares (2017: 5 cents)	85,269	43,569

4.4 Share based payments

Under the executive long-term incentive plan, performance rights ("Rights") have been granted to executives and other senior management who have an impact on the Group's performance. On 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 of the 2018 Annual Report.

The total expense recognised for share-based payments during the financial period for the Group was $1,399,000 (2017: $2,554,000).

Movement during the period

The following table sets out the number of Rights outstanding as at 31 December.

	31 Dec 2018 Number	31 Dec 2017 Number
Outstanding at 1 July[1]	7,189,072	7,544,012
Granted during the period	2,098,776	3,205,820
Forfeited during the period[2]	(100,871)	(263,840)
Outstanding at 31 December	9,186,977	10,485,992

[1] 2,233,182 rights vested during the period which had been accounted as at and were measured based on performance up to 30 June 2018.

[2] These Rights were forfeited by executives that left during the period.

During the period ended 31 December 2018, the Group awarded 726,626 shares to senior management as part payment of their short-term incentives for the year ended 30 June 2018. The total cost of $1,164,875 was expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year ended 30 June 2018.

4.5. Financial instruments

Carrying Value and Fair Values of Financial Instruments

The carrying value of a financial instrument will approximate its fair value where the balances are predominantly short-term in nature, can be traded in highly liquid markers and incur little or no transaction costs. The carrying amounts of financial instruments in the Statement of Financial Position approximate their fair value.

4. CAPITAL STRUCTURE AND MANAGEMENT (continued)

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

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2018

5. GROUP STRUCTURE

5.1. Business Combinations

Acquisitions for the half year ended 31 December 2018

Fairfax Media

On 7 December 2018 the Group merged with Fairfax, by acquiring all of the outstanding shares in Fairfax, in return for the issue of 0.3627 shares in Nine) and 2.5 cents cash per Fairfax share (total of 834,020,062 shares and $57,487,000 cash consideration). The Group merged with Fairfax as a diversified portfolio of assets and cross-platform capabilities of the Combined Group is set to drive enhanced audience engagement in a changing and dynamic media market.

The Group has elected to measure the non-controlling interests in Fairfax at its share of identifiable net assets.

Assets acquired and liabilities assumed

As part of the merger, the Group also acquired the remaining 50% interest in Stan Entertainment Pty Limited ("Stan") (previously 50% held associate). The goodwill on the Fairfax merger has been allocated between Fairfax and Stan as Stan became a wholly owned subsidiary of the Group after the merger.

The provisional values assigned to the identifiable assets and liabilities of Fairfax and Stan as at the date of acquisition were:

Fairfax Media Limited and its controlled entities	Note	Fair value recognised on acquisition $'000
Assets		
Cash and cash equivalents		78,200
Receivables	(i)	188,076
Assets held for sale		9,469
Income tax receivable		15,586
Equity accounted investments held for sale		2,471
Equity accounted investments		2,484
Other assets		17,028
Property, plant and equipment		45,072
Deferred tax assets		40,219
Defined benefits		1,843
Finite life intangible assets		108,756
50% interest and loan to Stan[1]		237,809
Assets held for sale - discontinued operations	(ii)	335,477
Total assets		1,082,490
Liabilities		
Payables		(141,729)
Interest bearing liabilities		(282,373)
Current tax liabilities		(17,482)
Provisions		(110,251)
Liabilities held for sale - discontinued operations	(ii)	(156,599)
Total liabilities		(708,434)
Total net assets		374,056
Non-controlling interest measured at its share of identifiable net assets		(106,873)
Goodwill and indefinite life intangible assets on acquisition		1,190,109
Purchase consideration		1,457,292

[1] Includes $191.9 million of goodwill provisionally allocated to Stan. See table below for components of Stan acquired.

5. GROUP STRUCTURE (continued)

(i) Trade receivables acquired with a fair value of $188,076,000 had a gross contractual amount of $190,999,767 and based on estimate at acquisition date $2,923,767 is not expected to be collected.

(ii) Following the acquisition, Stuff NZ, Australian Community Media ("ACM") (including print operations) and Events businesses qualify as held for sale and discontinued operations. Refer note 5.2.

Stan Entertainment Pty Ltd	Fair value recognised on acquisition $'000
Assets	
Cash and cash equivalents	33,582
Inventories	108,336
Finite life intangible assets	3,919
Property, plant and equipment	716
Other assets	1,196
Deferred tax asset on tax losses (recognised on acquisition)	85,000
Total assets	232,749
Liabilities	
Payables	(139,832)
Provisions	(1,111)
Total liabilities	(140,943)
Total identifiable net assets at fair value	91,806
Goodwill on acquisition	383,814
Deemed fair value of 100% interest	475,620

From the date of acquisition, Fairfax contributed $51,921,000 of revenue and $10,675,000 to profit before tax from continuing operations of the Group and Stan contributed $8,221,000 of revenue and losses of $5,615,000 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the financial period, revenue from continuing operations for the Group would have been $1,203,500,000 and profit before tax from continuing operations for the Group would have been $200,397,000.

The initial accounting for the acquisition of Fairfax and Stan has only provisionally been determined at 31 December 2018. At the date of the finalisation of the half year financial report the necessary market valuations and other calculations had not been finalised, and the fair value of the assets and liabilities, including deferred tax balances and goodwill have therefore only provisionally been determined based on the directors' best estimate of the likely value. In accordance with AASB 3 Business Combination, the Group has 12 months from the date of acquisition to finalise the purchase price accounting and the allocation of fair value to goodwill and other indefinite life intangible assets.

None of the goodwill / indefinite life intangibles recognised are expected to be deductible for income tax purposes.

	$'000
Purchase consideration	
Share based payment	17,000
Shares issued at fair value (Note 5.2)	1,382,805
Cash consideration	57,487
Total consideration	1,457,292

5. GROUP STRUCTURE (continued)

	$'000
Analysis of cash flows on acquisitions	
Transaction costs of the acquisition (included in cash flows from investing activities)	(12,092)
Net cash acquired with Fairfax and Stan (included in cash flows from investing activities)	111,782
Cash consideration	(57,487)
Total net cash	**42,203**

Acquisition of remaining 40% interest in CarAdvice.com Pty Ltd

In November 2018 the Group exercised its option to acquire the remaining 40.78% of the shares and voting interests in CarAdvice.com Pty Ltd ("CarAdvice") for a cash consideration of $26.5 million plus acquisition costs. The option exercise price was determined at the date of the exercise of the option based on EBITDA of CarAdvice at that time. CarAdvice has been 100% consolidated from the date of initial acquisition of its 59.22% shares, as the Group had obtained effective control and the exercise of the put and call option was considered probable.

During the half year ended 31 December 2018, the Group recognised an expense of $0.2 million in specific items relating to the revaluation of the fair value of the put and call option in relation to CarAdvice prior to it being settled.

Acquisition of Commercialview.com.au

On 14 December 2018, Commercial Real Estate Media Pty Limited (a controlled subsidiary of Domain Holdings Australia Limited) acquired 100% of the share capital in Commercialview.com.au Limited. The consideration for the acquisition is to be paid in three tranches with two of the three being contingent on the future financial performance of the Commercial Real Estate Media and Commercialview.com.au businesses.

The first tranche payment of $4.2 million was settled on 21 December 2018 and comprised 1,924,039 Commercial Real Estate Media shares and a net cash payment of $0.6 million respectively. Tranches two and three are due to be settled in early 2020 and 2021 respectively. The maximum consideration for the transaction across the three tranches is $17.2 million of which a maximum of $2.0 million is payable in cash and the remainder in newly issued shares in Commercial Real Estate Media. The expected consideration for the transaction is $10.2 million, which is equivalent to four times the projected increase in EBITDA from the transaction for calendar year 2020 including synergies.

The contingent consideration for tranches two and three is recognised as a financial liability on the balance sheet and is measured at fair value through the profit and loss.

The issuance of Commercial Real Estate Media shares as consideration for the acquisition of Commercialview.com.au was accounted for as a transaction with non-controlling interests.

The Group recognised $9.4 million of goodwill on the acquisition of Commercialview.com.au.

Per AASB 3 Business Combination, the Group has 12 months from the date of acquisition to identify and measure all the various components of the business combination as at acquisition date.

There were no acquisitions in the half year ended 31 December 2017.

5. GROUP STRUCTURE (continued)

5.2 Discontinued operations

Following the acquisition of Fairfax, the Board agreed to sell Stuff NZ, ACM (including printing operations) and Events, wholly owned businesses of Fairfax. The sale of these businesses is expected to be completed within a year from the reporting date. As at 31 December 2018, the Group has classified these business as a disposal group held for sale and as discontinued operations.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2018

6. Taxation

6.1 Income tax expense

	31 Dec 2018 $'000	31 Dec 2017 $'000
Current tax expense	**38,266**	50,761
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	**5,334**	(1,624)
Income tax expense	**43,600**	49,137
Reconciliation of tax expense to prima facie tax payable		
Profit/ (loss) from continuing operations	**214,937**	223,197
Prima facie income tax/(benefit)expense at the Australian rate of 30%	**64,481**	66,959
Tax effect of:		
Share of associates' net profits	**721**	(104)
Difference between tax and accounting profit from disposal of properties	**(860)**	(18,546)
Deferred tax liability movement in investment and tangible assets	**1,065**	
Write up of derivative financial instruments and impairment and write down of investments	**74**	4,052 -
Cost in relation to acquisition	**4,021**	-
Gain on Stan on consolidation	**(27,900)**	-
Post, digital and visual effects offset	**(484)**	(984)
Research and development tax offset	**-**	(2,020)
Other items - net	**2,482**	(220)
Income tax expense	**43,600**	49,137

6.2. Deferred tax assets and liabilities

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	Dec 2018 $'000	June 2018 $'000	Dec 2018 $'000	Dec 2017 $'000
Indefinite life television license	**(143,300)**	(143,300)	**-**	-
TV licence fees accrued	**-**	3,382	**3,382**	(27)
Employee benefits provision	**44,339**	15,109	**935**	594
Other provisions and accruals	**51,064**	20,368	**(1,424)**	(3,575)
Investments in associates	**(2,396)**	(1,958)	**24**	57
Accelerated depreciation for tax purposes	**(79,016)**	(72,522)	**6,494**	(6,752)
Stan tax losses	**85,000**	-	**-**	-
Other	**(9,814)**	5,872	**(4,077)**	8,079
Net deferred income tax liabilities	**(54,123)**	(173,049)	**5,334**	(1,624)

7. OTHER

7.1. Changes in accounting policies and accounting standards

The accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2018 annual report except for those disclosed below.

7.1 (a) New accounting standards and interpretations

The Group has applied AASB 15 and the full AASB 9 standard for the first time. The nature and effect of the changes as a result of these new accounting standards are described below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

7.1 (a) (i) AASB 15 Revenue from Contract with Customers

AASB 15 replaces all existing revenue recognition standards including *AASB 118 Revenue* and became effective for the Group from 1 July 2018. It establishes a five-step framework for determining whether, how much and when revenue is recognised, in particular due to the performance obligation criteria.

The Group's key business activity is the provision of advertising on television, digital platforms and newspapers, circulation and subscription revenue for newspapers, magazines and other publications together with the provision of subscription on demand video streaming.

The Group adopted AASB 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the Group elected to apply the standard to all uncompleted contracts as at 1 July 2018. The cumulative effect of initially applying AASB 15 is recognised as at 1 July 2018 as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under AASB 118 and related interpretations.

The pre-tax effect of adopting AASB 15 as at 1 July 2018 and the reasons for the changes were as follows:

	Reference	Increase / (decrease) $'000
Total adjustments to liabilities		
Deferred revenue	(a)	**2,333**
Total adjustment to equity		
Retained profits	(a)	**(2,333)**

(a) Before adopting AASB 15, the Group recognised Television revenue when the associated advertisement had been broadcast. Digital revenue was recognised when the media services had been performed, which is similar to the recognition criteria for circulation and subscription revenue. Under AASB 15, revenue for Television is recognised by reference to when an advertisement has been broadcast and specific viewer metrics contained in the agreement with the customer have been met. Revenue for Digital, circulation and subscription revenue will continue to be recognised when the media services contained in the agreement with the customer have been met.

The adjustment to the retained profits was determined by first ascertaining when an advertising contract is considered fulfilled. The Group analysed sales data to determine the time it took to fulfil its obligations within the advertising contracts to customers. All performance obligations that were not met after the end of a campaign were considered deferred revenue, with an impact to opening retained earnings as at 1 July 2018 of a reduction of $2.3 million.

7.1 (b) AASB 9 Financial Instruments

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 final complete standard, AASB 9 (2014), became effective for the Group from 1 July 2018, the impact of which is as follows:

7. OTHER (continued)

Impairment

Under AASB 9 the impairment model requires a 12-month expected credit loss provision (doubtful debts) to be recognised when financial instruments, including trade debtors are first recognised. Subsequently, if there is a significant increase in credit risk, then a lifetime expected credit loss provision needs to be recognised. There was no material impact to the Group's credit loss provision as a result of adopting AASB 9.

7.1 (c) AASB 16 Leases

AASB 16 requires all leases be recognised on the balance sheet as a 'right of use asset' and 'lease liability,' and removes the concept of operating and finance leases for lessees. Depreciation of leased assets and interest on lease liabilities will be recognised over the lease term. Small value assets and short term leases are excluded from the standard.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019. The date of adoption by the Group is 1 July 2019. The Group is assessing the full impact of the new standard and the application of AASB 16 may have a material effect on the Group's reported assets and liabilities.

7.2. Events after the balance sheet date

In the time between the end of the half year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature, in the opinion of the Directors of the Company, to affect significantly the operations, results or the state of affairs of the Group, currently or in future financial years.

Directors' Declaration

In accordance with the resolution of the Directors of Nine Entertainment Co. Holdings Limited, in the opinion of the Directors:

1. the consolidated financial statements and notes that are set out on pages 5 to 28 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 31 December 2018 and of its performance for the financial period ended on that date; and
   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 21 February 2019

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

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Nine Entertainment Co. Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2018, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Company as at 31 December 2018 and of its consolidated financial performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its consolidated financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Christopher George
Partner
Sydney
21 February 2019