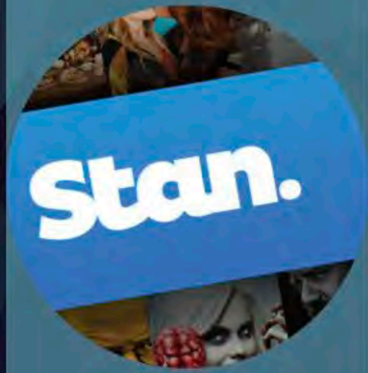
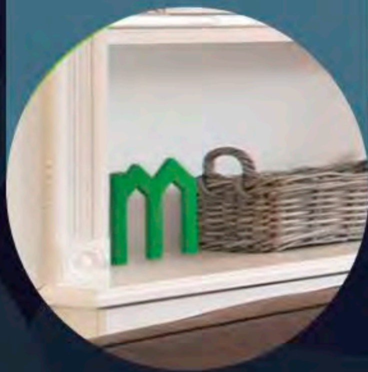




Nine

Annual Report 2019

OVERVIEW

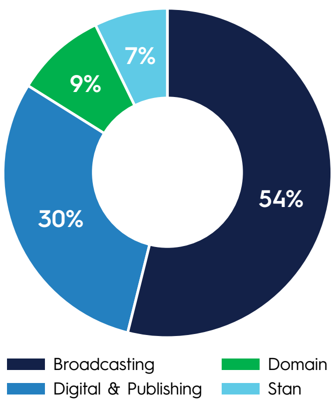
During FY19, Nine completed the merger with Fairfax Media, creating Australia's leading integrated media business. Nine today has a clearly diversified earnings base, with four key operational pillars – Broadcasting, Digital and Publishing, Stan as well as a 59% stake in Domain. These businesses are all at different stages of their evolution, and are all scale businesses in their own right. In FY19, on a Pro Forma basis, the traditional Broadcasting business contributed just over half of Group revenue, down from 84% in FY18, marking a real change in the drivers of Nine for the future.

Result in brief

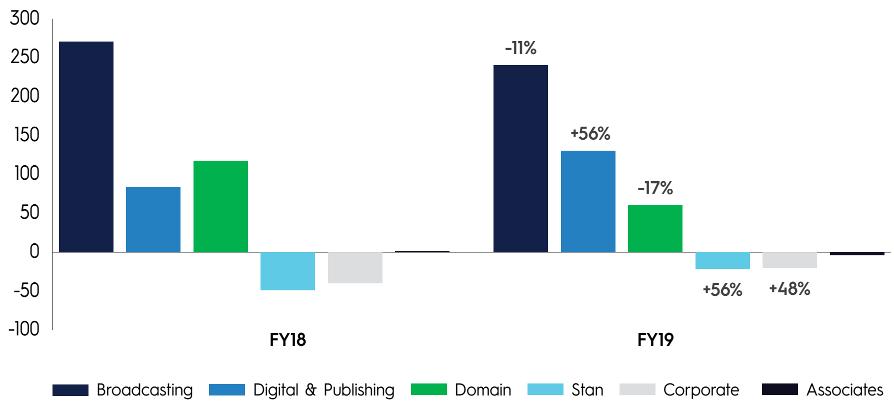
In FY19, Nine reported Group EBITDA of $350 million, up 36% on FY18, driven by a 40% increase in Group Revenues to $1.8 billion, reflecting the impact of the merger with Fairfax from 7 December. On a continuing business basis, Statutory Net Profit after Tax and Specific Items, which were predominately accounting led non-cash items, was $217 million, up 3%.

On a Pro Forma basis, NEC reported Group EBITDA of $424 million, up 10% on FY18, on revenue of $2.3 billion. Net Profit after Tax and minority interests increased by 16% to $198 million compared to the FY18 result. Earnings per share was 11.6 cents, (+16%) and a full-year dividend of 10c per share, fully franked, was declared.

Revenue[1] split FY19



10% Pro Forma EBITDA growth driven by



Yr to June, $m, continuing business basis	FY19	FY18	VARIANCE
Revenue[2]	2,341.7	2,364.0	-1%
Group EBITDA[2]	423.8	385.1	+10%
NPAT, before Specific Items and minorities[2]	224.8	205.9	+9%
NPAT, before Specific Items[2]	198.3	170.6	+16%
Statutory Net Profit After Tax, after Specific Items	216.6	209.7	+3%
Earnings per Share, before Specific Items – cents[2]	11.6	10.0	+16%
Dividend per Share – cents[2]	10.0	9.0	+11%

Operating Free Cash Flow for the year, ex the cash impact of the final Warner-related Specific Item, was $269 million. Net Debt on a wholly-owned basis at 30 June 2019 was $121 million, unchanged from 12 months earlier. During the year, $170 million was returned to shareholders through dividends, $130 million cash was paid as part of the consideration for Fairfax, including transaction costs, $166 million was received from the sale of non-core assets and nearly $110 million was invested in the business, in terms of both CapEx and acquisitions.

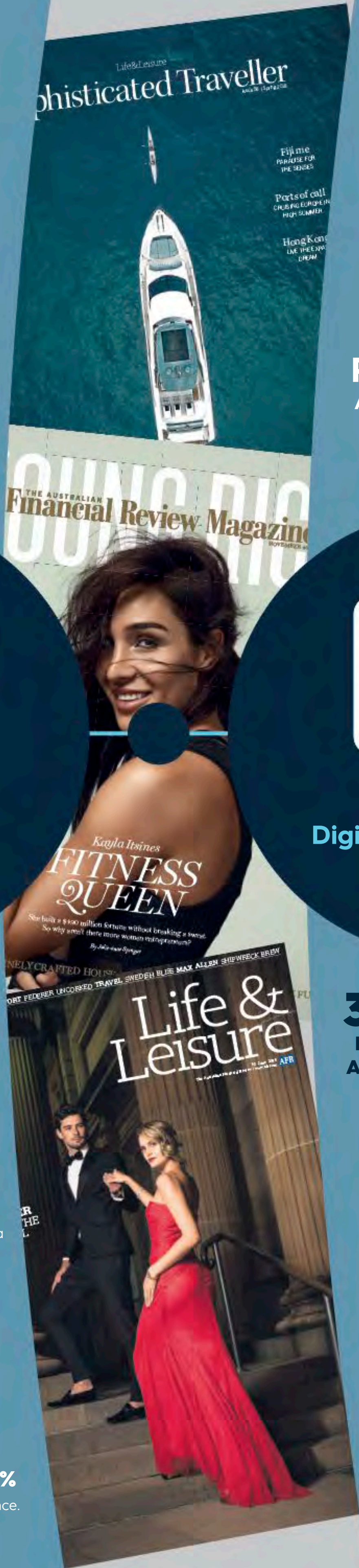
Reported, wholly owned basis	30 JUNE 2019	30 JUNE 2018	VARIANCE
Net Debt, $m	120.7	121.3	+$0.6m
Net Leverage	0.4x	0.5x	-0.1x
Interest Cover	21.8x	114.5x	nm

1. Split on an economic share basis.
2. Pro Forma – Consolidates the results of the former Nine and Fairfax for the full 12 months, including the consolidation of Stan. Results include synergies realised since the transaction was completed. Interest costs associated with the transaction are also for the period from completion. Pro Forma results are presented on a Continuing Business basis, and exclude Australian Community Media and Printing (ACM), Stuff New Zealand and Events.

Create Great Content Distribute it Broadly Engage Audiences and Advertisers

TRANSFORMING	BUILDING			RETURNING
INVESTING IN THE PREMIUM CONTENT THAT DRIVES PROFITABILITY	USING THE CORE OF BROADCAST TO POWER GROWTH BUSINESSES			STRONG CASH FLOWS AND DIVIDENDS TO SHAREHOLDERS
	9NOW	Stan	Domain	
Broadcasting and Metro Media focusing on the efficient delivery of premium content	Leading player in a fast-growing segment, new revenue streams from existing content spend	Grown brand to 1.7m-plus subscribers in 4 years in a new market segment	Leveraging Nine's reach to grow yield and geographic share	Strong cash flow conversion 10¢ fully franked dividend in FY19, equates to a yield of ~5%

OPERATIONAL HIGHLIGHTS 2019



Australia's leading broadcast brands, across television and radio

Reaches 19m
Australians nationally each week

Broadcasting

#1 FTA RATINGS SHARE
12 months to June 2019, 25-54s, prime time, main channel, OzTAM data

#1 Free To Air revenue share
12 months to June 2019, ThinkTV data

FTA costs down 4%

NEWS-TALK AUDIENCE AT MACQUARIE UP 5%
GfK Mon-Sun Average Audience. All People 10+, survey 5 2018-survey 4 2019 vs pcp

One of Australia's leading digital publishers, and most watched commercial BVOD operator

Reaches 14m
Australians nationally each month

Digital and Publishing

3% METRO MEDIA REVENUE GROWTH AFTER THREE YEARS OF DECLINES

65%
growth in Metro Media EBITDA

87%
GROWTH IN EBITDA FROM 9NOW TO $36M

Australia's leading local SVOD business

~1.7m-plus
active subscribers

Stan

62%
GROWTH IN SUBSCRIPTION REVENUE

LAUNCH OF 63 NEW EXCLUSIVES ACROSS THE YEAR, SOURCED FROM 16 DIFFERENT STUDIOS

EBITDA and cash flow break-even in H2

Evolving Australian property marketplace with core upside from relationship with Nine

6.9m
total audience reach

emma™ conducted by Ipsos, people 14+ for 12 months ending March 2019. Nielsen Digital Content Ratings (Monthly), people 14+ March 2019

Domain (59.2%)

12%
INCREASE IN RESIDENTIAL YIELD, OFFSETTING WEAKNESS IN KEY PROPERTY MARKETS

DISCIPLINED COST MANAGEMENT WITH UNDERLYING COSTS DOWN **5%**

Realignment of Group operating structure

Development of products to further enrich agent experience

"We are determined to ensure that Nine is at the forefront of the future media landscape in Australia"

CHAIRMAN'S ADDRESS

2019 has been a transformational year for Nine.

The merger with Fairfax, which completed in early December, has changed the scale of our business, creating one of the largest multi-platform media companies in Australia. It has allowed us to bring together premium assets that are complementary. It has given us diversified sources of revenue that overall, reduce our exposure to adverse cycles. It is a big development for our business that will provide greater opportunities in the digital age. And we retain a balance sheet that provides further flexibility into the future.

From a results perspective, the benefit of the diversification is clear. During the year, growth in our Video on Demand platforms and Metro Media has more than offset the short term cyclical issues facing our Broadcasting and Domain businesses. On a Pro Forma basis, this resulted in a 10% increase in combined Group EBITDA for the year, on broadly flat revenues.

But the essence of the merger was based around more than just short term profit considerations. Whilst the Nine business alone was doing well, and had strong profit momentum, the pace of change in the media market remains unabated, and we are determined to ensure that Nine is at the forefront of the future landscape in Australia.

The fragmentation of traditional media has been occurring for some time. There is more competition for audience, and more competition for revenue. The merger with Fairfax ensures us a strong future within that environment. We now have premium assets across multiple platforms, and therefore a greater ability to invest in the content that drives audiences and in the data, research and technology that ensures our relevance to advertisers. Through Nine, advertising can now be offered across the full spectrum of audiences, from mass-market brand-building to truly addressable advertising.

Nine's portfolio of complementary and inter-related assets places us in a unique position in Australia. At the core of our content creation abilities, Nine boasts a leading Free To Air TV business and the traditional mastheads that make up the Metro Media business. Each of them creates content, reaching audiences and generating revenue across multiple platforms including the digital platforms 9Now and our Digital Publishing mastheads. Together, these create a powerful platform for the promotion and development of our other digital assets, namely Stan and Domain. We have an enviable mix of assets which together, provide us great opportunities into the future.

The merger process has gone very smoothly. This is a testament to all of our people and their willingness to accept change and the challenges that change brings. A merging of cultures is never easy, but this one has been successful, and the underlying business has not missed a beat.

The merger with Fairfax has also resulted in the combining of our respective Boards. As a result, David Gyngell and Janette Kendall retired from the Nine board in early December. I would like to acknowledge the contributions of both David and Janette over the years, particularly through the merger process, and thank them for their commitment. Additionally, I'd like to welcome the appointment of Nick Falloon, Patrick Allaway and Mickie Rosen to the Nine board as Non-Executive Directors. It has been something of a transition year but your Board settled quickly, and has been a great support to the management team throughout this process.

I would like to highlight two businesses that are increasingly important to our future. The first is Stan – our subscription streaming business. With the merger, we now have full control of Stan. This business turned profitable in the second half of the year, which is an exceptional result. In the digital world, start-ups can attract huge market valuations without ever turning a profit. With more than 1.7m subscribers, coupled with positive cash flow, Stan has a strong future.

The second is Domain. Domain is principally a Digital business. Although it has been buffeted by the short term correction in the housing market, it has a proven model and track record and will clearly benefit from a close association with Nine. Both of these, Stan and Domain, are growth businesses.

Our advertising businesses are now in competition with global players like Facebook and Google. The Australian Competition and Consumer Commission (ACCC) has recently reported on the near-monopoly these players have in the areas of search, content aggregation and social media. They sell advertising on the basis of reach and targeting and distribute news and video content, yet they do not have the obligations of broadcasters and publishers. We are highly regulated, including content, viewing hours, advertising standards, defamation and public-decency. They are not.

There remain legitimate concerns about how they use their market power to commercially engage with media businesses with their `take it or leave it' terms.

The ACCC has rightly acknowledged that these businesses need regulatory oversight in areas including their commercial dealings with media businesses, the spread of disinformation on their platforms and copyright. The ACCC has also recommended regulatory changes to level the playing field. We welcome the steps the ACCC has outlined to deal with these issues in the public interest and look forward to the Government's response to this well-considered review of the Digital Platforms.

In a fast-moving and competitive world, we will continue to focus on generating superior returns for our shareholders. We believe the merged Group enhances our prospects. We are excited by what the future has to offer the new Nine, and look forward to sharing the rewards of that future with all of our stakeholders.

In this transformational year, we have completed one of the most significant mergers in Australian media history and have emerged a stronger company. We have continued to improve the relative performance of the traditional businesses, while containing costs, and we have delivered on our longer-term goal of broadening the base of our revenue streams with new and growing digital assets. We will continue to execute on this strategy.

PETER COSTELLO, AC
Chairman

"Nine has great momentum, and we have used this period to invest in our future"

CHIEF EXECUTIVE OFFICER'S ADDRESS

In 2019, Nine has laid the clear foundations for its long term growth.

The merger with Fairfax has created a business with four key operational pillars – the traditional Broadcasting business, predominantly Australia's leading Free to Air broadcaster in terms of ratings, revenue and profitability; Digital & Publishing – one of Australia's most read digital publishers and leading commercial BVOD operator; 100% of Stan – Australia's leading local SVOD business as well as our strategic 59.2% stake in Domain.

This combination gives Nine an increasingly digital earnings profile, which will underpin the growth of the business for years to come.

In terms of the result for the year, a year in which the cyclical nature of advertising and property worked heavily against us, we were very pleased to report 10% growth in Group EBITDA to $424 million. Net Profit After Tax and before Specific Items was $198 million, up 16%. We retained our dividend at 10c per share fully franked which, at the average of the share price across the year, equated to a yield of more than 5%. These results are reported on a Pro Forma basis – so incorporating a full period of the Fairfax acquisition and excluding the assets that we have either already sold, or earmarked for sale in the near future. And so are therefore reflective of Nine going forward.

The merger came at a time when Nine's own business was in great shape. The cost structure and focus of our Free to Air business had been significantly reworked and we had positive ratings and revenue share momentum. Momentum that continues today. And we had substantially completed the investments that we needed for the future of Nine – Stan and 9Now as well as our innovative sales platform technology, 9 Galaxy. Our balance sheet was, and remains, strong.

The merger with Fairfax brought operational diversity, but more importantly, it substantially changed the growth profile of the Nine business. And with businesses that were complemented by Nine's core Free to Air business either in terms of cross-platform content or from the tremendous marketing machine that is Free to Air television. In FY19, on a reported Pro Forma, ownership-weighted basis, 7% of Nine's revenue was sourced from Stan; 9% from Domain and 30% from our newly formed Digital & Publishing division which includes the high growth business of 9Now. We will see the mix of both our revenues and our profitability change even further in the coming financial year.

Operationally, there were a number of highlights in FY19.

In a difficult FTA television advertising market, Nine strongly outperformed. Our primary channel ratings were almost 6 points clear of the competition in our targeted 25-54 demographics and this underpinned a #1 revenue share for the year of 39.6%, up 1% point on FY18. This ratings success stemmed not only from Nine's consistent favourites of news, current affairs and entertainment products like *The Block* and *Married At First Sight*, but also some new content like *Lego Masters*. And extraordinarily, this gain in share was achieved on a 4% decline in operating costs, with the difficult decision to migrate Nine's summer sports allegiances from cricket to tennis vindicated on every measure.

Spurred by the broad success of Nine's schedule, 9Now continued its dominance of the strongly growing Broadcast Video On Demand (BVOD) market. 9Now's revenue growth of nearly 70% outperformed the overall market and with much of the associated cost already expensed through television, around 80c of each incremental $ of revenue flowed through to profit. We also incorporated 9Now inventory into the 9Galaxy sales platform from early 2019, and were the first local broadcaster to introduce true addressable advertising at scale, commencing with 9Now's live streaming of the Australian Open. Driven by further increases in active users, 9Now will continue to be a strong contributor to growth into the future.

The other key component of our Digital & Publishing division, Metro Media, has outperformed our own expectations on acquisition. This is a business which has completely reworked its operating model over the past three years. A renewed focus on profitable subscriptions and on our core print advertising base has coupled with the growth in digital advertising and ongoing cost focus to underpin the division's first period of growth in four years. And growth across both key components – subscription and advertising. It is a testament to the business which has now reached an interesting juncture – subscription revenues which exceed advertising revenues, and print advertising revenues which have stabilised at around 30% of total group revenues. And it is a business, which by virtue of the recent sale of ACM, no longer has ownership, and

Denison Street

From 2020, Nine is relocating its Sydney premises with all businesses relocating from the current 4 locations to a purpose built, state of the art facility at 1 Denison Street.

the associated fixed cost base, of print assets.

Stan has had a fabulous 12 months, consistently surpassing expectations across all key metrics. The achievement of positive cash flow in the second half, with more than 1.7 million increasingly active and loyal subscribers, is a testament both to the team involved and Nine's willingness four years ago to invest in a market segment that didn't really exist in Australia at the time. Stan's position as an aggregator of the best content from around the world, most specifically the US and UK, has enabled it to build a strong and profitable position in this fast-growing segment.

Domain has operated in a cyclically challenging property market across the year, particularly in its core markets of Sydney and Melbourne. Despite this backdrop, underlying depth and yield improvements have continued. During the year, Domain completed the reorganisation of its operating structure, allowing more focus on its core business of residential and commercial real estate, and reducing its exposure to low margin adjacencies. Overlaid with the opportunities presented by a Nine-Domain partnership, we remain excited about our investment in Domain and believe the leverage will be strongly positive when the cycle returns to normal.

Our unique suite of assets has brought with it vast amounts of first-party data through 9Now, Stan, nine.com.au as well as the major metro mastheads and Domain – data which will enable us to not only provide better platforms and products for our advertisers, but also target potential new customers for our subscription products. Our substantial first-party database and the way that will merge with our existing technology and improved audience measurement, will start to really take shape in the latter half of calendar 2019 and creates another exciting opportunity for Nine to continue to grow our revenues.

In summary, the new Nine is at a very exciting stage. The turnaround at Stan, continued growth at 9Now and the already implemented synergies will underpin profit growth for FY20 – and that is before we see any cyclical improvement in broadcast or the property markets. Our balance sheet is strong and the business is generating significant cash. It leaves us in a great position to focus on maximising the performance of our business, and consolidating our position as one of Australia's leading digital media companies.

It's been a big year. A big year for Nine, our staff and the Board who have been unwavering in their commitment and support as we continue to redefine our business. Nine has great momentum and we have used this period to invest in our future. These past twelve months have been both challenging and rewarding and I thank all my colleagues for the speed and effectiveness at which they have approached the opportunity.

I and my team are equally excited about our future.

HUGH MARKS
CEO

9
9HD
9Gem
9Go!
9Life
Nine Galaxy

Broadcasting

3AW693 NEWS TALK
2GB 873AM
4BC1116 NEWS TALK
6PR882 NEWS TALK
MACQUARIE SPORTS RADIO

BROADCASTING

Nine's Broadcasting division, which comprises Nine Network as well as the consolidated results of Macquarie Media (of which Nine currently owns a 54.4% stake), reported EBITDA of $241 million on revenues of $1,222 million for the year. These results are reported on a Pro Forma basis, which reflects the operations of both businesses for a full 12 month period.

Free to Air Television

The positive operating momentum of Nine's Free to Air business continued into FY19 with growth in both ratings and revenue share across the year. Coupled with a further reduction in operating costs, Nine mitigated much of the impact of a weak Free to Air (FTA) Television market.

The overall Metro FTA TV market was challenging in FY19, with the decline of more than 5% marked by softness in a number of key advertising categories, including Financials and Automotive, as well as the interruptive impact of both State and Federal elections. Conversely, Nine's share of Metro revenues for the year was strong at 39.6%, up one share point from 38.6% in FY18, marking Nine's highest share since 2000.

This growth in share was achieved on a 4% decline in Nine's television cost base. A combination of the change in sports rights, coupled with continued ongoing focus on cost management, resulted in a reduction in overall television costs of nearly $40 million.

For the year to June 2019, Nine was the #1 Free to Air Network in all of the key buying demographics[1].

Network ratings

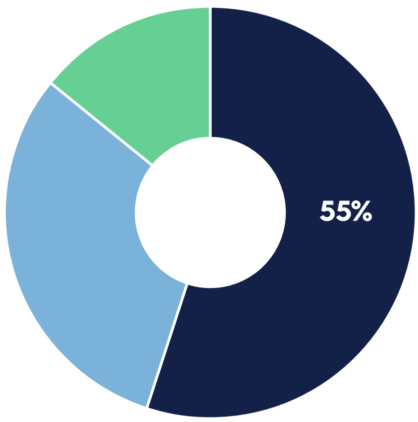
#1	25-54s	38.2%	+1.9pts
#1	16-39s	38.4%	+2.5pts
#1	GB+CH	40.5%	+2.6pts

OzTAM data, 12 months to end of June 2019, 6am–midnight.

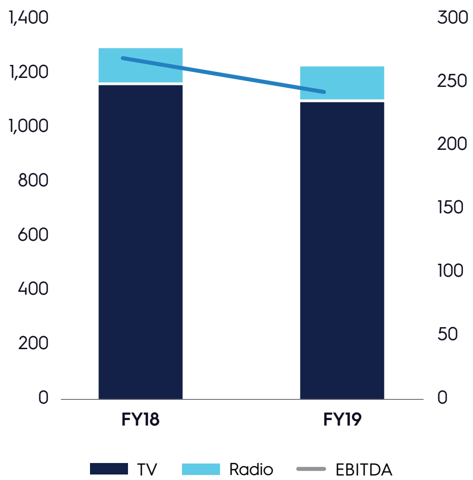
The most significant change in FY19 was the replacement of Nine's summer sport from a longstanding relationship with cricket to tennis. The decision was made with many considerations, not the least of which was the expectation of markedly superior economics of tennis at the prevailing rights prices. On all levels, Nine's decision has been vindicated.

From an audience perspective, Nine's Summer of Tennis attracted a cumulative audience reach of nearly 14.5 million people nationally, with the Australian Open Men's Final the highest rating session, attracting an average audience on Nine of more than 2 million. Across the Summer, 9Now recorded more than 6.2 million streams totalling 121 million minutes.

EBITDA[1] contribution – FY19



Broadcasting results[2] $m



1. On an economic interest adjusted and Pro Forma basis.
2. Pro Forma basis.

OPERATIONAL REVIEW

BROADCASTING continued

The more female skew of tennis enabled Nine to start calendar 2019 with significant momentum. The lead-in and demographic alignment of tennis to Nine's top-rating show of the year, *Married At First Sight*, gave Nine its strongest start to a calendar year since OzTAM became the measurement system in 2001.

And thirdly, the move to tennis enabled Nine to further refine its cost base – both reducing overall costs, with limited impact on revenue, but also reducing the portion of Nine's ~$650 million programming cost base that is contracted, creating increased future flexibility.

Sport remains a key pillar for Nine. In FY19, Nine broadcast more than 750 hours of premium sport across the year, in addition to around 350 hours of other sports-related content.

Coupled with tennis in summer, NRL is Nine's core winter sport. For the first 24 rounds of season 2019, Nine's regular NRL broadcasts attracted an average audience of around 3.4 million of league supporters each week, a fertile audience for advertisers chasing that tight demographic. The *State of Origin* series reached a massive 9.9m people nationally – one of the few events in Australia to reach such a big audience and accounted for three of the top ten shows on Australian television in the year to June 2019.

News is the other key pillar, underpinning a consistency to both audiences and advertisers that is crucial. Nine's commitment to news is unwavering, and the merger with Fairfax highlights this commitment – to be the primary supplier of news to all Australians, across all demographics, and distribution platforms.

In FY19, Nine broadcast around 65 hours of television news and current affairs each week. Nine's 6pm news service is almost always one of the top five shows, attracting a national Free to Air audience of almost 1.2m people each night. In addition, Nine's regional news coverage sourced directly from 13 different regional market hubs is broadcast through the affiliation with Southern Cross. The Nine news and current affairs brands have extended their reach through Nine's digital publishing platforms, 9.com.au and 9News.com while Nine's video content reaches audiences via FaceBook, Twitter and Instagram as well as the Metro Media mastheads.

Nine's entertainment schedule continues to perform well. Across the year, Nine has an enviable depth and breadth of content that entertains Australians. *Australian Ninja Warrior* returned for season 2 in July 2018 and was closely followed by Season 14 of *The Block*. Average audiences for *The Block* of around 1.2 million and 1.7 million people on a 5-city metro and national basis respectively again demonstrated Australians' obsession with their homes and renovations, and the enduringly successful formula of *The Block*. Moreover, it remains the best example of what can be achieved with original content and an integrated sales effort that brought more than 30 premium advertising relationships to the show.

The return of *Married At First Sight* at the start of calendar 2019, with the lead-in of the Australian Open Tennis, resulted in 5% growth in overnight audiences on the previous season and an average audience, including 9Now, of almost 2.4 million per episode.

Lego Masters, which launched in April, was an instant success, with families tuning in to watch the most extraordinary Lego creations being imagined and built. In its first season, *Lego Masters* averaged an audience of more than 2 million nationally (including 9Now), winning all of its time slots and guaranteeing its return in 2020.

Nine now has a strong and consistent schedule of premium entertainment content across the full calendar year. *Married at First Sight, Lego Masters, The Voice, Australian Ninja Warrior* and *The Block* which has created an unrivalled proposition for our advertisers. Moreover, Nine has further increased its depth around these core titles – *Travel Guides, This Time Next Year, Doctor Doctor* and *Hamish and Andy* to name a few.

***Doctor Doctor* continues to be a consistent timeslot winner for Nine – series 3 delivered a national average audience of 1.2m per episode**

Over the past year, *60 Minutes* has cemented itself as the nation's most watched weekly public affairs program

Macquarie Media (54.4%)

FY19 was a difficult year for Macquarie Media. While audience performance was strong, this performance did not translate through to revenues.

In FY19, Macquarie's top-rating News Talk stations 2GB in Sydney and 3AW in Melbourne, combined with the growing 4BC in Brisbane and 6PR in Perth for average audience growth across the network of 5%. Despite this strong audience performance, revenues declined by 3%, in a subdued advertising market. Costs were up by 1%, partially reflecting the increased investment in the Macquarie Sports Radio Network which resulted in a 16% decline in EBITDA to $27 million.

In August 2019, Nine announced an off-market takeover offer for all of the outstanding shares in Macquarie Media. Successful completion will further consolidate Nine's position as a leading supplier of news and current affairs content across all the key platforms – Television, Digital, Print and Radio. The offer is expected to close later in 2019.

***Travel Guides* enjoyed its best season to date, with a national series average audience for season 3 of 1.1m per episode, up 15% on season 2**

FINANCIAL REVIEW

The Sydney Morning Herald

THE AGE
INDEPENDENT. ALWAYS.

9NOW

nine.com.au

9NEWS.com.au

Digital & Publishing

goodfood

Life & Leisure

ExecutiveStyle

BOSS

WAtoday
INDEPENDENT. ALWAYS.

brisbane times
INDEPENDENT. ALWAYS.

DIGITAL & PUBLISHING

Nine's Digital & Publishing division includes Metro Media and 9Now, as well as Nine's other Digital Publishing titles including Nine.com.au, Pedestrian TV and CarAdvice. Together, on a Pro Forma basis, Digital & Publishing reported revenue of $637 million and a combined EBITDA of $130 million, up 56% for the year.

Metro Media

Metro Media performed strongly in FY19, with revenue growth of 3% coupling with a 5% cost decline, for an EBITDA increase of 65% to $83 million.

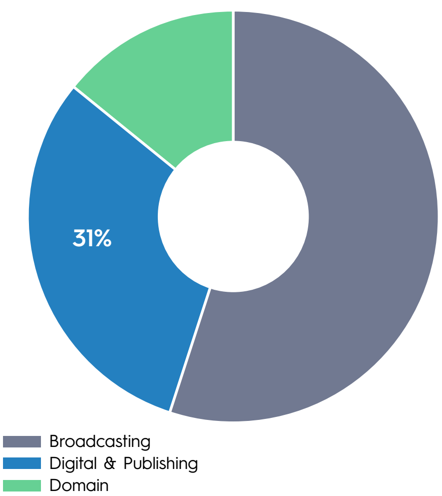
There was growth in both advertising and subscription/circulation revenues across the year. This result marks an interesting juncture in the evolution of this business. Not only have the previous sharp declines in print revenues stabilised, but the combined circulation and subscription revenues of the mastheads now comfortably exceed advertising, marking a real change in dynamics of a business that traditionally relied on advertising for the bulk of its revenue.

The focus is now clearly on reader revenue, which will continue to be driven by distinctive journalism and engaging products. This has resulted in strong and growing readership of the Group's mastheads while a tightening of the paywall and a focus on targeted marketing has driven subscription revenue growth across each of the key titles – the *SMH, the Age* and most significantly, the *AFR*. Nine's commitment to content and specifically to news will result in a further increase in focus on editorial content and quality in the future.

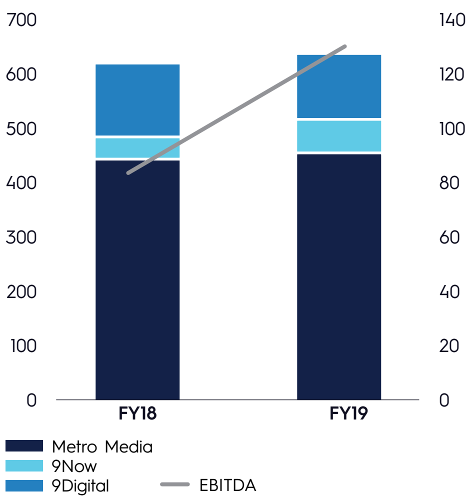
There was strong growth in advertising in digital (+17%) and a real stabilisation in print. The business attracted an increased share of digital revenues, while print advertising has benefited from a renewed appreciation of the value of the medium to certain advertising categories, most specifically Travel and Homewares. Additionally, the benefit of being part of the larger Nine Group has been reflected in enhanced agency relationships across the Metro Media business.

Metro Media's strong history on costs continued in FY19, with total costs declining by 5%. A key driver to this decline was the print deal announced with News Ltd in July 2018, which resulted in increased capacity utilisation at a smaller number of print facilities owned between the two groups, with surplus facilities closed. The subsequent sale by Nine of ACM in June took this one step further from Nine's perspective, with there now being no residual ownership of print facilities, creating further flexibility in the business's cost base longer term.

EBITDA[1] contribution – FY19



Digital & Publishing results[2] $m



1. On an economic interest adjusted and Pro Forma basis.
2. Pro Forma basis.

OPERATIONAL REVIEW

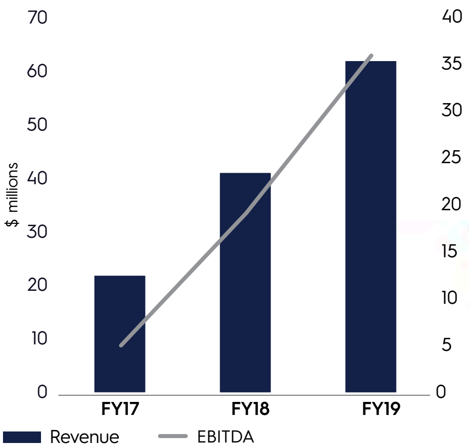
DIGITAL & PUBLISHING continued

9Now

In 2019, 9Now, Nine's live streaming and catch-up service, made significant progress, both operationally and financially. Nine's schedule of premium content has continued to attract growth in registered users and audiences, while our ability to monetise those audiences has improved with sales focus, education and technology. On average, around 8% of Nine's general entertainment audiences access the content through 9Now, weighted to catch-up, but with consumption via both catch-up and live streaming growing strongly.

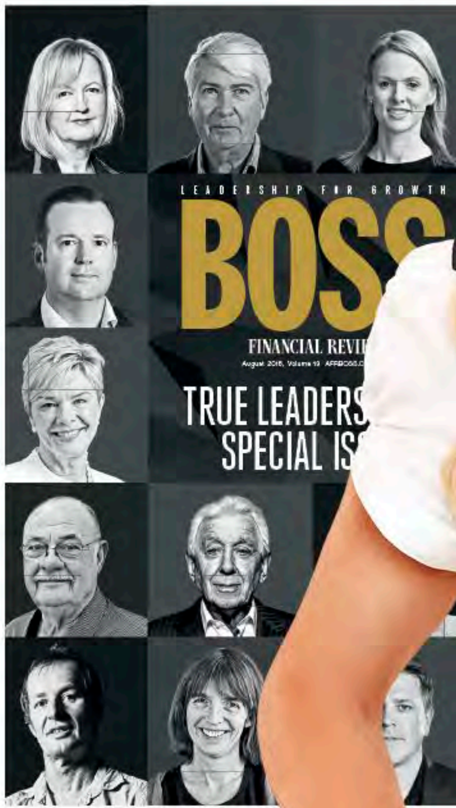
Industry-wide BVOD revenue of $125 million in FY19 was up 38%. Across the year, Nine grew its share of industry revenues to 49%, up 10 share points, reflective of its market leading proposition. This resulted in revenue growth of 51% to $62 million and an 87% increase in EBITDA contribution from 9Now to $36 million.

9Now results, $m



This success has been primarily driven by the broad performance of Nine's schedule. In particular, the popularity of *Married At First Sight*, *The Voice* and *The Block* helped to underpin a 71% increase in BVOD minutes for the year.

9Now's unique single sign-in process has enabled the development of a proprietary database which has become a key asset for Nine, particularly when combined with the data from Stan, nine.com.au, the Metro mastheads as well as Domain. Data will allow advertisers to more effectively target their audiences, increasing advertising effectiveness and ultimately yield. In late 2018, 9Now introduced addressable advertising, enabling the serving of differentiated advertising content to customer bases with specific gender, age and location characteristics. From an advertiser's perspective, addressable advertising brings together the very best of television and the best of digital, and 9Now's signed in user base gives Nine an important and unique competitive advantage.



#1[1]
Commercial BVOD site By Monthly Unique Audience (2.3m)

#1[2]
BVOD revenue share Year to June 2019 (49%)

#1[3]
Audience share of BVOD Minutes Year to June 2019 (45%)

#1[3]
VPM rating for a reality program with MAFS, Year to June 2019 Up 86% from previous season

Source: 1. Nielsen June 2019
2. Think TV
3. OzTAM

44%
of the audience of *Love Island Australia* watched through 9Now

The inclusion of the 9Now advertising inventory on 9Galaxy, Nine's proprietary advertising platform, from February, has made it easier for advertisers and Nine to work together to maximise the return an advertiser receives for their advertising dollar.

All of these innovations are expected to allow 9Now to continue to grow and expand its position in the broader digital video market. 9Now is instrumental to the success of Nine – a distribution platform adding incrementally to the returns Nine is achieving on its premium content, and enabling broader demographics to engage with this content.

9Digital

9Digital comprises Nine's digital publishing assets – namely core digital sites including network home (nine.com.au), 9News, WWOS and 9Honey as well Pedestrian TV (recently merged with Allure Media) and CarAdvice (recently merged with Drive.com.au).

During the year, Nine reviewed the status of a number of its digital publishing assets, resulting in the emergence of a more consolidated portfolio. This tightening of focus will continue into FY20.

As a result, and also reflecting the general weakness of the digital display market, 9Digital recorded declines in both revenue and costs, resulting in an EBITDA contribution of $11 million.

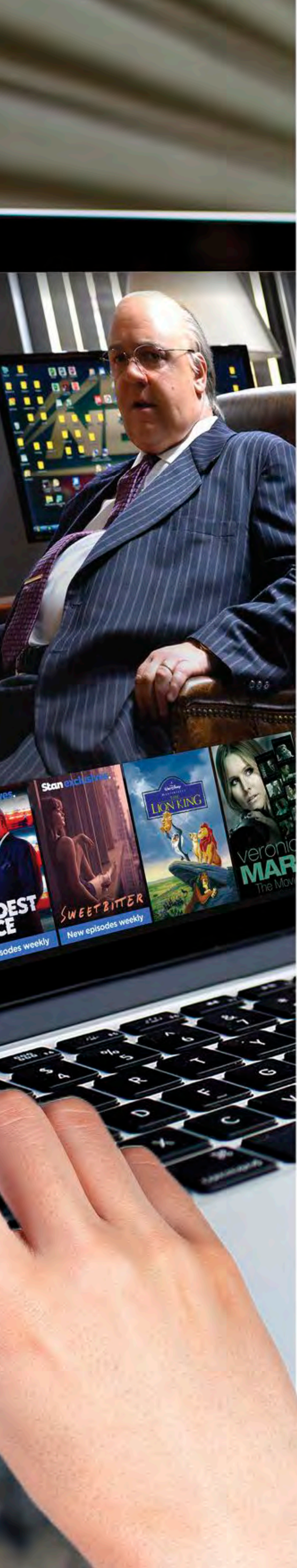
Stuff NZ

Our New Zealand business Stuff delivered $28 million in EBITDA on revenue of $253 million. This result reflected the difficult trading conditions in the New Zealand market, including the broad withdrawal of advertising following the March Christchurch attacks.

Stuff remains an asset held for sale.

Stan


TV
Movies
Kids
My List
Stan exclusives.
THE LOUDEST VOICE
WATCH LATEST EPISOD
Watch
Extras
Latest Episodes
111 MIN
Ep 20 Grand Finale
Ep 19 Semi Finals



STAN

Stan is Nine's Subscription Video On Demand (SVOD) platform. Established in 2015, Stan is now the lead local player in what continues to be a rapidly expanding market.

As audiences demand the option of on-demand services, and the breadth of content that brings, Stan has positioned itself as a key aggregator of premium exclusive and library content. During FY19, Stan delivered more than 60 first-run exclusive premieres, sourced from 16 different studios and distributors from around the world.

During FY19, Stan added around 600,000 active subscribers, ending the year with around 1.7 million active subscribers and a revenue run rate of around $200 million. Consistent subscriber adds across the year were underpinned by exclusive international content like *Billions*, *Who Is America* and *The Truth About the Harry Quebert Affair* sourced from major studios including Sony, MGM, Showtime and Starz. In addition, Stan originals like *Bloom*, *The Second* and *No Activity* captured the imagination of audiences both in Australia and overseas.

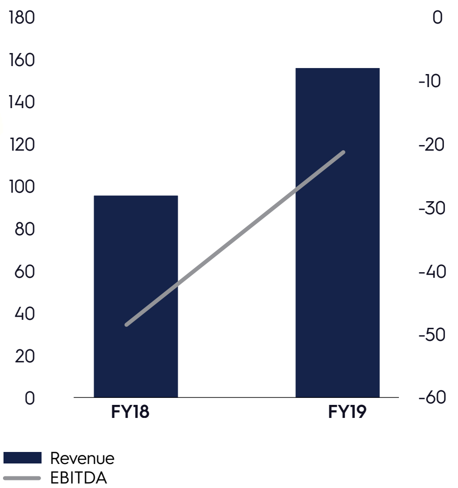
In December, Stan added Disney movies and television series to the platform, which added further to the subscriber momentum.

As the subscriber numbers have grown, so too has their engagement with Stan. Average hours of viewing per subscriber continued to increase across the year, as Australians embraced the platform and watched increasing hours of SVOD-delivered content.

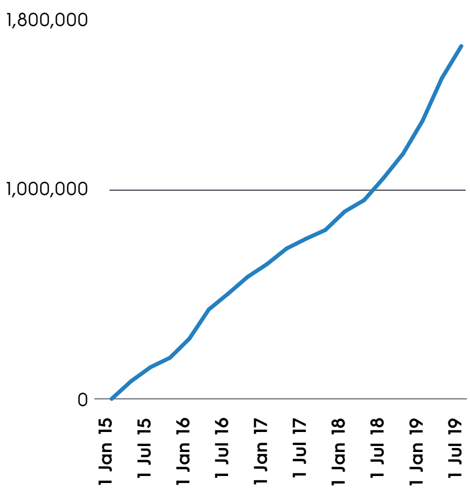
The very strong growth in subscribers, coupled with an average price increase of around $2 per subscriber from March, underpinned revenue growth of 62% for the year to $157 million, and a reduced full-year loss of $21 million.

Since March, Stan has passed through the break-even EBITDA point, and this continued for a second-half EBITDA and cash flow positive result. This an outstanding milestone for a business that is just 4½ years old, in a market segment that did not exist five years ago and augurs well for the future of the business.

Stan results, $m



Stan hits 1.7 million subscribers



Stan Original series – Bloom

Bloom is Stan's most successful original drama to date, securing two wins at the 2019 TV Week Logie Awards. Its launch date on 1 January 2019, marked Stan's biggest sign up day on record. *Bloom* has also been sold for distribution into the US market.

Domain

Domain
(59.2%)

THE BLOCK

DOMAIN

Nine's 59.2% owned, and separately ASX listed Domain, performed well in a challenging year for the Australian property market. In FY19, Domain reported a 15% decline in EBITDA to $98 million, from a 6% decline in Group Revenues.

It was a difficult operating market for Domain, but the business responded well with growth in yield, underlying cost reductions and clarified focus overall.

Domain comprises five businesses, all of which are focussed on consolidating the Group's position as a leading Australian property marketplace. Nine's proven ability in marketing and promoting new digital businesses, coupled with the extensive combined database, will create significant opportunities for Domain as it continues to extend its geographical footprint further across Australia and deepen its relationships with the property market participants.

Residential is Domain's largest business, and contributes more than half of Group revenues.

Unprecedented weakness in the Australian residential property market resulted in markedly lower listing volumes in FY19, particularly in Domain's key geographic exposures of Sydney and Melbourne. Notwithstanding, Domain's residential revenue increased by 0.5%, as a result of yield growth, driven by both price and increased depth penetration. Domain's focus on delivering a superior value proposition, utilising its evolving data and analytics as well as its market-specific approach, supported this yield performance and should underpin longer-term growth opportunities as the property market stabilises.

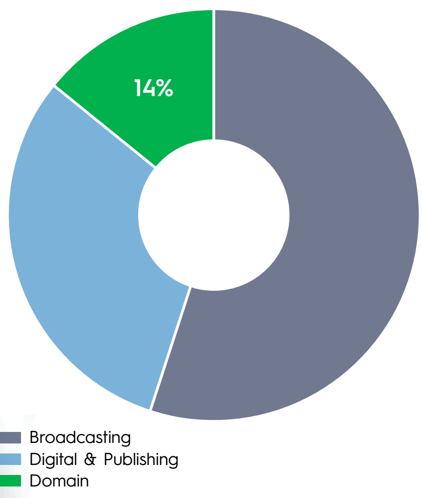
Media, Developer and Commercial revenue declined by 13%. This reflected a challenging market environment for Media and Developers, and the adoption of a new operating model for Media (lower revenue, lower cost). These factors offset 30% revenue growth in Commercial Real Estate.

Agent Services provides, data, analytics and reporting tools to the property industry. Underlying revenue increased by 10% in FY19 as Domain continues to invest in innovation to enrich both the agent and consumer experience and to help differentiate the Domain product.

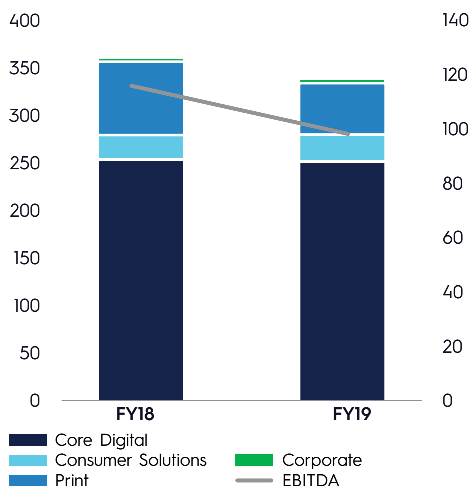
Domain's Consumer Solutions business comprises home loans, insurance and utilities connections – all markets adjacent to the core listings business that aim to leverage Domain's audience and brand. These remain early-stage investments for Domain with significant potential to contribute post this current period of investment.

Print continues to deliver strategic value to Domain, from both an agent and consumer perspective, and is also bundled with the Group's digital offerings. Domain managed costs in this business, partially matching the declining revenue with a 29% reduction in costs.

EBITDA split[1] – FY19



Domain results, $m



1. On an economic interest adjusted and Pro Forma basis.

CORPORATE RESPONSIBILITY

CORPORATE RESPONSIBILITY

Nine's Corporate Responsibility strategy is based on the three key pillars illustrated above. During the year, the merger with Fairfax enabled the Group to combine the best of the Corporate Responsibility practices of the two groups. Corporate responsibility is a ongoing focus and Nine will continue to evolve and improve its practices over time.

People

Nine is a people business. At the heart of what we do to *create great content, distribute it broadly and engage audiences and advertisers* are the incredible people who bring it all together. We are committed to building an environment that allows those people to bring their best every day, that provides them with the opportunity to create, that empowers them to deliver outstanding results, and that reflects the incredible diversity of our audience.

With the merger with Fairfax, the reach of our business and our audiences, have increased. So too has the diversity of voices with which we speak. Merging two strong cultures, such as those that existed within both Nine and Fairfax, has not been an easy task. With respect to the legacy of both organisations, we are committed to a culture at Nine that continues to enable the delivery of our long term strategy.

Caring for our people

The merger marked a significant change for all our people, regardless of originating from Fairfax or Nine. We were conscious of the magnitude of this change, particularly with many employees exiting the business at the time. All impacted employees were given access to support through our Employee Assistance Program, as well as outplacement guidance through external providers. Across Benestar and Converge, there was a total of 382 people who used the service in FY19.

During the merger process, we increased internal communications, and ensured consistency in messaging to our people across all sites through the creation of a merger portal on both company's intranets. Leaders, including the CEO, were encouraged to hold face to face sessions with their new teams as quickly as possible post 10 December. Nine's CEO also held face to face sessions for editorial staff in Sydney and Melbourne.

In addition to the support provided through the integration process, we have continued to provide holistic care to our people through the provision of services and access to external support for health and wellbeing. In May 2019, we piloted Mental Health First Aid training, accrediting 10 internal employees as Mental Health First Aiders. Each metropolitan site now has an accredited *mental health first aider* on-site, and we intend to continue to roll out this accreditation into FY20. Trauma training, previously conducted for Nine's broadcast journalists, has now been extended to all our journalists and editorial employees, and provides tools and support for our people who are often amongst first responders to difficult situations.

A significant benefit of the merger was the ability to leverage the work done by Fairfax to improve and focus on safety across all of the merged Group. We have harmonised all our Health, Safety and Wellbeing policies across Nine and have commenced group-wide reporting against key leading and lag indicators (including Lost Time Injury Frequency Rate and Hazard reporting). Full-year reporting on the combined entity will be provided in the FY20 Annual Report.

Women @ Nine

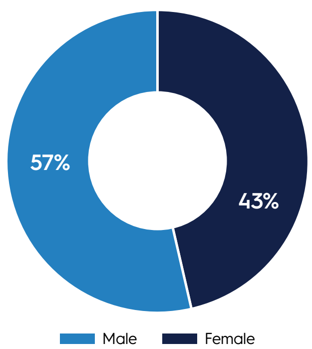
Nine continues to strongly represent women across the business, and in particular at Board level (50% Non-Executive Directors), CEO-direct report (46%) and broader NEC management (38%). We believe that these strong, visible female leaders provide inspiration and demonstrate our ongoing commitment to attracting, developing and retaining women across Nine.

In 2019, we continued to build *Women @ Nine*, a range of initiatives for our people centred around development through mentoring, inspiration and networking.

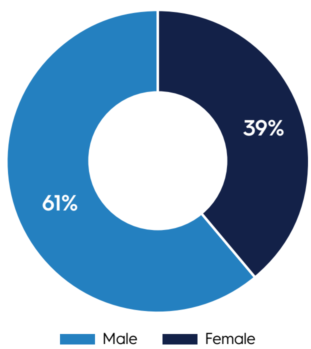
Women @ Nine consists of the following initiatives:

- **9Mentor Program**, designed to support the career progression of women at Nine. Two programs were introduced, one for senior executives with more than 9 years experience in the media industry who aspire to leadership roles, and a second, 9Gen, for those earlier in their

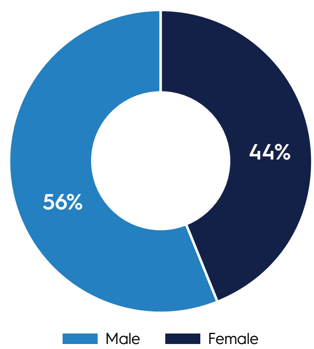
NEC Board



NEC Management



NEC Total Employees



career wanting support and professional advice for important decisions, workplace challenges and goal setting. The 9Mentor Program was launched in October 2018. 27 women were mentored by 15 Executives across Nine for a period of 6 months. Feedback from both the mentees and mentors was very positive, and we will continue to incorporate mentoring into our *Women @ Nine* plans.

- **Through her Lens** a video and event series to showcase the stories behind Nine's leading women and share inspiration and knowledge. Two *Through Her Lens* events have been held. The first had CEO Hugh Marks interviewing Tracey Grimshaw on her experiences in News, whilst our second introduced *Through Her Lens* to the wider Nine Group, with an interview with Kate McClymont in Studio 22 and live-streamed across all sites.
- **Future Women** all Nine employees received a 12-month subscription to *Future Women*, which could be used for themselves or for a friend or family member. On International Women's Day 2019, we extended our free subscription to all employees of the combined Group.

We plan to continue to build on *Women@ Nine* into FY20. In addition to the initiatives above, the following will be launched:

- **Women Leading @ Nine**
  In FY 20, we will pilot the Women Leading @ Nine program. The 6-month program is focused on leveraging the strengths of our mid to senior level, high potential female leaders. It is designed to help the talented leaders accelerate their leadership journey through applying a strengths-based approach to development, coupled with three face to face workshops built around Create, Distribute and Engage, coaching and individual challenges.
- **Women of Influence**
  We will leverage the strength of the *Women of Influence* awards, previously run successfully for internal nominees at Fairfax. The criteria for nomination will be slightly amended around Connect (includes collaboration), Create (innovation), Distribute (customer-centric), Engage (leadership).

Developing our People

In August 2019, we launched our second Senior Leadership program with twenty of our high performing leaders from across Nine. Working with an external provider, the program covered critical areas of leadership including personal leadership, strategic leadership, disruption and innovation and leading culture. Participants were also required to work on a strategic business project from outside of their immediate area of responsibility, and present back to the Executive Leadership Team. As we look to FY20, we will review this program, as well as our approach to management development across Nine, developing a new language and expectation for leadership across the Group.

Engaging our People

In October 2018, Nine ran its first employee engagement survey, NineConnect. 73% of our people completed the survey, which measured both engagement and the employee experience. The survey was deliberately conducted pre-merger to allow us to have a baseline for Nine, as well as to identify those areas that would require primary focus post-merger.

Our people overwhelmingly told us they were confident in our future, proud to work for Nine, know what they needed to do to be successful in their role, and how their role contributed to the goals of Nine. Opportunities were identified in communication and management fundamentals, and these formed the foundation of our People Integration strategy.

A short 'pulse' survey was conducted six months post-merger to gather insight into the integration process, and identify our strengths and areas to focus on to accelerate integration. 61% of the total organisation participated in the survey. Pleasingly, pride in working for Nine and confidence in our success over the next three years continued to be strong, a great result just six months into the combined business. However, we know there is more to do, and have developed action plans to address focus areas such as internal communication. A full organisation survey will be conducted in October 2019.

Corporate Governance

Nine's 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

Nine aims to be a good corporate citizen, by maintaining the trust of the communities which we are a part of, through responsible journalism and providing high-quality content.

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

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

Nine's Metro Publishing business is a member of the Press Council of Australia. The Press Council has issued a Statement of General Principles, a Statement of Privacy Principles, Specific Principles covering matters such as the reporting of suicides, and Advisory Guidelines on matters such as reporting elections, which guide the publication of content by Nine. As a member of the Press Council, Nine 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.

Nine provides regular training for employees on our obligations as a broadcaster and publisher and compliance with other applicable laws, relating to matter such as defamation and contempt of court.

NINE CARES

Nine Cares provides a valuable service utilising Nine's network of media assets across television, publishing, digital and social, and Nine's role as a content creator and distributor to connect communities. Nine's reach in terms of both depth and breadth makes it a unique platform for many needy individuals and organisations, and Nine Cares' commitment to continuing its role in drawing attention and support to some of Australia's most critical social issues remains unwavering.

In FY19, Nine Cares managed and provided almost $23 million of airtime for Community Service Announcements (CSAs) for community or not-for-profit organisations in support of causes including MND Australia, the Children's Tumour Foundation, the Gidget Foundation, the Melanoma Institute and the Mark Hughes Foundation. Nine Cares is committed to providing community groups with the ability to connect with the general public and maximise the reach and understanding of their messages.

During FY19, Channel Nine was again instrumental in the raising of almost $20 million for the local children's hospitals through telethons in Sydney and Brisbane. These telethons remain key to the hospitals' annual fundraising efforts, with the proceeds used to provide essential equipment, services and research. The telethons are televised on Channel Nine in their local markets, with many of the Nine's key talent volunteering to staff the phone lines, further encouraging the public's generosity.

The *AFL Footy Show* My Room Telethon raised $1.6 million in a national broadcast on Nine to support the fight against childhood cancer.

Nine again joined forces with the NRL and the broader rugby league community to help fund brain cancer research. Through the Beanie for Brain Cancer Round 19 in July this year, The Mark Hughes Foundation raised more than $3 million, helping to fund research into a cancer that kills more people under 40 in Australia than any other cancer and yet receives less than 5% of government cancer research funding.

Every day through December, the *Today* Show joined forces with a number of key corporates to give a meaningful gift to a deserving individual or charity – The *Today* Show Advent giveaway. The recipients were all aligned to Nine's key charity partners.

$20m

RAISED FOR SYDNEY AND MELBOURNE CHILDREN'S HOSPITALS

$3m

MARK HUGHES FOUNDATION

Nine cares

A Current Affair also 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.

During the year, Nine celebrated 30 years as media partner with Starlight Children's Foundation, and remains a key platinum partner.

Nine Cares also continues its active involvement in communities around Australia, sponsoring local council events and surf clubs, as well as The Monash Children's Hospital, the Treasure Chest Charity and the Mothers' Day Classic, as well as Carols by Candlelight across many of the Australian capital cities.

The Fairfax Foundation

The Fairfax Foundation, established in 1959 with an independent charter, provides assistance to current and former employees and their dependents through a range of grants and other benefits. The Foundation provided $774,281 in financial grants and other benefits to eligible beneficiaries (employees and former employees of Fairfax Media and associated eligible companies) during the 2019 financial year.

30yrs+

NINE'S PARTNERSHIP WITH STARLIGHT CHILDREN'S FOUNDATION

$50m in publicity and assistance through airtime, program integration, advertising and stories

$23m in CSA airtime (CSA = Community Service Announcement)

$90m raised by telethons since inception

OPERATIONAL REVIEW | CORPORATE GOVERNANCE | NINE CARES | BOARD OF DIRECTORS

BOARD OF DIRECTORS

Peter Costello

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Peter 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 domestic and international advisory boards. He commenced his career as a solicitor, and then a barrister. Mr Costello was a member of the Australian House of Representatives from 1990 to 2009 and Treasurer of the Commonwealth of Australia from March 1996 to December 2007. From 2009, Mr Costello has worked as a corporate advisor in the field of mergers, acquisitions and foreign investment.

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.

Nick Falloon

INDEPENDENT NON-EXECUTIVE DEPUTY CHAIRMAN

Prior to the merger of Nine and Fairfax, Mr Falloon was chairman of the Fairfax Board before taking up the role of deputy chairman of Nine in December 2018. He is also chairman of Domain Holdings Australia. Mr Falloon has had 30 years' experience in the media industry, 19 years working for the Packer-owned media interests from 1982 until 2001.

Mr Falloon served as CEO of Publishing and Broadcasting Limited (PBL) from 1998 to 2001 and before that as Chief Executive Officer of PBL Enterprises and Group Financial Director of PBL. The PBL experiences provided a strong background in the television, pay TV, magazine, radio and digital industries.

From 2002, Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings. He holds a Bachelor of Management Studies (BMS) from Waikato University in New Zealand.

Hugh Marks

CHIEF EXECUTIVE OFFICER AND DIRECTOR

Hugh Marks was appointed Chief Executive Officer of Nine in November 2015. Prior to this, he 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. Before his appointment as CEO, he had ownership and management interests in a number of independent companies providing content for broadcast and pay TV, talent management, and digital production.

Before joining the board Mr Marks was an authority member of the Australian Communications and Media Authority for more than two years. Previously he was CEO of the Southern Star Group. He has also worked with the Nine Network as legal counsel, and was Director of Nine Films & Television for seven years.

Mr Marks holds a Bachelor of Commerce/Laws degree from the University of New South Wales.

Patrick Allaway

INDEPENDENT NON-EXECUTIVE DIRECTOR

Patrick Allaway served on the Fairfax Board from April 2016, before moving on to the new board when Nine and Fairfax merged in December 2018. He has had 30 years' experience in the global financial industry across capital markets and corporate advisory; and 16 years Non-Executive Director experience across property, retail, media, and finance.

Mr Allaway commenced his executive career with Citibank in Sydney, London and New York and with Swiss Bank Corporation in Zurich and London. He was previously a Director of Macquarie Goodman, Metcash, Fairfax, Woolworths South Africa, and Chairman of Saltbush Capital Markets. In May 2019, he was appointed Non-Executive Director of the Bank of Queensland, and will take over as Chair of the Bank in October 2019. He is also a Non-Executive Director of Domain Holdings Australia. Mr Allaway has a Bachelor of Arts/Law degree from the University of Sydney.

Samantha Lewis

INDEPENDENT NON-EXECUTIVE DIRECTOR

Samantha 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/fast-moving consumer goods (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 Australia, 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.

Mickie Rosen

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mickie Rosen served on the Fairfax Board from March 2017, before moving on to the new board when Nine and Fairfax merged in December 2018. Ms Rosen has nearly three decades of strategy, operating, advisory, and investment experience at the intersection of media and technology. She has built and led businesses for iconic global brands such as Yahoo, Fox, and Disney, and early-stage start-ups such as Fandango and Hulu.

Ms Rosen currently serves on public, private, and non-profit boards, and she advises early to growth stage companies in digital media and commerce. Until recently, she served on the board of Pandora Media, and was the President of Tribune Interactive, the digital arm of Tribune Publishing, and concurrently the President of the Los Angeles Times. Ms Rosen has also served as a Senior Advisor to the Boston Consulting Group, and was a co-founder and partner of a boutique strategic advisory firm, Whisper Advisors.

The foundation of Ms Rosen's career was built with McKinsey & Company, and she holds an MBA from Harvard Business School.

Catherine West

INDEPENDENT NON-EXECUTIVE DIRECTOR

Catherine 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 of 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, she was responsible for all of Sky's content relationships, distribution, commercial activities and joint ventures.

A Graduate Member of the Australian Institute of Company Directors, Ms West is currently a non-executive director of Southern Phones, Vice-President of the Sydney Breast Cancer Foundation at Chris O'Brien Lifehouse and a director of the NIDA Foundation Trust.

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

Nine

Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

Financial Report

for the year ended 30 June 2019

CONTENTS

DIRECTORS' REPORT

The Directors' present the financial report for the year ended 30 June 2019. 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.

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

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. He commenced his career as a solicitor and then a barrister. Mr Costello was a member of the Australian House of Representatives from 1990 to 2009 and was Treasurer of the Commonwealth of Australia from March 1996 to December 2007. From 2009, Mr Costello has worked as a corporate adviser in the fields of mergers, acquisitions and foreign investment.

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

Nick Falloon (Independent Non-Executive Deputy Chairman)

Mr Falloon was appointed to the Board on 7 December 2018 as an independent, Non-Executive Director. Prior to the merger of Nine and Fairfax, Mr Falloon was chairman of the Fairfax Board before taking up the role of deputy chairman of Nine in December 2018. He is also chairman of Domain Holdings Australia. Mr Falloon has had 30 years experience in the media industry, 19 years working for the Packer-owned media interests from 1982 until 2001.

Mr Falloon served as CEO of Publishing and Broadcasting Limited (PBL) from 1998 to 2001 and before that as Chief Executive Officer of PBL Enterprises and Group Financial Director of PBL. PBL provided a strong background in the television, pay TV, magazine, radio and digital industries. From 2002, Mr Falloon spent nine years as Executive Chairman and CEO of Ten Network Holdings. He holds a Bachelor of Management Studies (BMS) from Waikato University in New Zealand.

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.

Patrick Allaway (Independent Non-Executive Director)

Mr Allaway served on the Fairfax Board from April 2016, before moving on to the new board when Nine and Fairfax merged in December 2018. He has had 30 years' experience in the global financial industry across capital markets and corporate advisory; and 16 years Non-Executive Director experience across property, retail, media, and finance.

Mr Allaway commenced his executive career with Citibank in Sydney, London and New York and with Swiss Bank Corporation in Zurich and London. He was previously a Director of Macquarie Goodman, Metcash, Fairfax, Woolworths South Africa, and Chairman of Saltbush Capital Markets. In May 2019, he was appointed Non-Executive Director of the Bank of Queensland and will take over as Chair of the Bank in October 2019. He is also a Non-Executive Director of Domain Holdings Australia. Mr Allaway has a Bachelor of Arts/Law degree from the University of Sydney.

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 raising. Since retiring from Deloitte in 2014, Ms Lewis has been appointed to the Boards of ASX-listed Orora Ltd (since March 2014) and Aurizon Holdings Ltd (since February 2015) 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.

Mickie Rosen (Independent Non-Executive Director)

Ms Rosen served on the Fairfax Board from March 2017, before moving on to the new board when Nine and Fairfax merged in December 2018. Ms Rosen has nearly three decades of strategy, operating, advisory, and investment experience at the intersection of media and technology. She has built and led businesses for iconic global brands such as Yahoo, Fox, and Disney, and early-stage start-ups such as Fandango and Hulu.

Ms Rosen currently serves on public, private, and non-profit boards, and she advises early to growth stage companies in digital media and commerce. Until recently, she served on the board of Pandora Media, and was the President of Tribune Interactive, the digital arm of Tribune Publishing, and concurrently the President of the Los Angeles Times. Ms Rosen has also served as a Senior Advisor to the Boston Consulting Group and was a co-founder and partner of a boutique strategic advisory firm, Whisper Advisors.

Prior, Ms Rosen served as Senior Vice President of Global Media & Commerce for Yahoo, where she led Yahoo's media division worldwide. Prior to Yahoo, she was a partner with Fuse Capital, a consumer Internet-focused venture capital firm, investing in early-stage video, publishing, advertising technology, and e-commerce companies. She was also an executive with Fox Interactive Media, Fandango, and The Walt Disney Company.

The foundation of Ms Rosen's career was built with McKinsey & Company, and she holds an MBA from Harvard Business School.

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 Vice President of the Sydney Breast Cancer Foundation at Chris O'Brien Lifehouse and a director of the NIDA Foundation Trust.

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

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. Mr Gyngell resigned from the Board on 7 December 2018.

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 (since October 2016), Vicinity Centres (since December 2017), Wellcom Group (since January 2016), Placer Property 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. Ms Kendall resigned from the Board on 7 December 2018.

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
Peter Costello	15	15	5	5	–	–
Nick Falloon	5	5	–	–	2	2
Hugh Marks	15	15	–	–	–	–
Patrick Allaway	5	5	3	3	–	–
Samantha Lewis	15	15	5	5	6	6
Mickie Rosen	5	5	–	–	–	–
Catherine West	15	15	5	5	6	6
David Gyngell	10	10	–	–	–	–
Janette Kendall	10	10	–	–	4	4

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

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 graduate of the Australian Institute of Company Directors.

Principal Activities

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

- Broadcasting and program production across Free to Air television and metropolitan radio networks in Australia;
- Publishing across digital platforms and newspapers;
- Real estate media and technology services; and
- Subscription video on demand.

Dividends

Nine Entertainment Co. Holdings Limited paid an interim dividend of 5 cents per share, fully franked, in respect of the year ended 30 June 2019 amounting to $85,131,858 during the year. Since the year-end, the Company has proposed a final dividend of 5 cents per share, fully franked, in respect of the year ended 30 June 2019 amounting to $85,131,858.

The Company declared and paid a final dividend of 5 cents per share, fully franked, in respect of the year ended 30 June 2018 amounting to $43,557,105 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

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 30 June 2019, Stan having been consolidated in the Group's accounts from 7 December 2018.

For the year to 30 June 2019, the Group reported a consolidated net profit after income tax of $233,880,000 (2018: $209,666,000). This included $17,314,000 from discontinued operations (2018: Nil).

The Group's revenues from continuing operations for the year to 30 June 2019 increased by $561,129,000 (40%) to $1,965,074,000 (2018: $1,403,945,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) and before specific items (Note 2.1) for continuing operations for the year ended 30 June 2019 was a profit of $349,862,000 (2018: profit of $257,237,000).

The Group's cash flows generated in operations for the year to 30 June 2019 were $221,570,000 (2018: generated in operations: $161,087,000).

Further information is provided in the Operating and Financial Review on pages 53 to 58.

Significant Changes in the State of Affairs

Merger with 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 per Fairfax share. Refer to Note 6.1 for details.

Other acquisitions

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. On 10 April 2019 the group acquired the remaining 41.3% of 112 Pty Ltd (the business known as "Drive") which it did not already own in return for 12% of shares in CarAdvice. Refer to Note 6.1 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 6.1 for details.

Discontinued operations and disposals

Following the acquisition of Fairfax on 7 December 2018, the Board agreed to sell Stuff NZ, Australian Community Media (including printing operations) and Events, wholly owned businesses of Fairfax. Consequently, the Group classified these businesses as a disposal group held for sale and as discontinued operations. Australian Community Media (including printing operations) was sold on 30 June 2019, and Events was sold on 31 May 2019. The sale of Stuff NZ is expected to be completed within a year from the date of the initial acquisition.

Significant Events after the Balance Sheet Date

On 12 August 2019, the Group announced to the ASX an offer to acquire the remaining shares in radio broadcaster Macquarie Media, being those the Group did not already own.

The Group inherited the majority shareholding in Macquarie Media following its merger with Fairfax Media in December 2018.

The offer will result in the Group paying $113.9 million (at $1.46 per share) for the remaining 45.6 percent stake, provided enough shareholders accept the offer to lift Nine to 90 percent (and the Group can then acquire the remainder).

The acquisition will be 100 percent financed from cash reserves and existing debt facilities. Subject to obtaining Macquarie Media shareholder acceptances, the transaction is due to complete by December 2019.

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 31.

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 7.3 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, AC
Chairman

HUGH MARKS
CEO

Sydney, 22nd August 2019

AUDITOR'S INDEPENDENCE DECLARATION

to the Directors of Nine Entertainment Co. Holdings Limited

Building a better working world

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

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

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 2019, 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

Christopher George
Partner
22 August 2019

REMUNERATION REPORT – AUDITED

Letter from Committee Chair

On behalf of the Board, I am pleased to present the Company's Remuneration Report for financial year 2019 (FY19).

This year the Company has undergone a significant strategic transformation with the successful merger between Nine and Fairfax Media Limited (Fairfax) to create one of the largest multi-platform media companies in Australia. The merger provides the Group with a diverse suite of assets across television, digital, publishing and radio which in turn provides a greater audience reach and diverse revenue growth streams, providing the foundations for future long-term growth.

The executive team has successfully completed the merger and delivered strong results despite challenging external market impacts on the advertising and property markets. The team has delivered Pro Forma FY19 EBITDA[1] of $423.8 million representing 10% growth. Net Profit After Tax and before Specific Items is $198 million for the year, up 16%, also on a Pro Forma basis. Nine's FTA revenue share grew 1 share point to 39.6% and was achieved on a 4% lower cost base. Across the Group, annualised cost synergies of $50 million were realised. Digital and Publishing has grown EBITDA by 56%, with Metro Media revenue up 3% resulting in 65% EBITDA growth. 9Now performed strongly in the BVOD market with 51% revenue growth and 87% growth in EBITDA. Stan achieved positive EBITDA in the second half of FY19, with more than 1.7 million active subscribers. Domain has been affected by the housing cycle but has achieved growth in yield from both pricing and depth penetration. The team successfully sold Australian Community Media and part of the Events business during the year.

In FY19 there were no changes to the structure of executive incentive arrangements. The Board remains committed to an executive remuneration framework that is focused on driving a performance culture and linking pay to the achievement of Nine's long-term strategy and business objectives. These in turn drive long-term shareholder value. For Executive KMP a portion of any Short-Term Incentive and the entire Long-Term Incentive is delivered in the form of deferred equity aligning a significant amount of any awards earned with shareholder interests, and supporting the retention of key executives.

During the financial year there was no increase made to the CEO's fixed remuneration and the Non-Executive Director base pay and committee fees remained unchanged in FY19.

Short-Term Incentives

In FY19 the Short-Term Incentive Plan for Executive KMP remained the same as FY18, with 60% allocated to achievement of the Group EBITDA target and 40% allocated to individual objectives which were made up of financial and strategic objectives aligned to Nine's strategy.

The Group financial STI target was originally the budgeted Group EBITDA for Nine. Following the merger with Fairfax, the Board revised the Group EBITDA target. The new target comprised of the original Group EBITDA budget set at the beginning of the financial year for Nine and forecast EBITDA for the continuing businesses of Fairfax following the merger. The target was also adjusted to reflect targeted synergies to be delivered within the year. The final Pro Forma FY19 EBITDA[1] result of $423.8 million was just below the level required to achieve a 50% payment requiring the Board to consider the payment level. The Board considered that the business had performed strongly on underlying key metrics to achieve that outcome, particularly in relation to revenue share growth, over achievement of cost targets and cost synergies and strong performance of growth assets. The Board considered the external market factors of a decline in the overall television market and the weaker listings environment on Domain and determined that based on the strong performance of the business on the aforementioned key metrics, the Group EBITDA result warranted a payment of 50% of target opportunity. The individual STI outcomes were assessed against specific targets and awarded where achieved. The combined group and individual FY19 short-term incentive payments to Executive KMP were consequently below target levels at payouts of 69% and 70% of target opportunity.

1. See page 44 for definition.

Long-Term Incentives

The FY17 Long-Term Incentive Plan (LTI) grant was tested at the conclusion of FY19. The required targets for the FY17 LTI grant were Total Shareholder Return (TSR) and Earnings Per Share Growth (EPSG) measured over a three year performance period.

The TSR performance was above the 75th percentile, resulting in vesting of 100% of the rights attributable to that hurdle. The EPSG performance was tested using statutory results pre-specific items and prior to the impact of purchase price accounting amortisation as a result of the merger. That is, it applied results for legacy Nine up to the merger date and the consolidated merged entity thereafter, pre-specific items. The EPSG performance was also achieved at maximum performance, resulting in vesting of 100% of the rights attributable to that hurdle. This resulted in participants receiving the maximum possible benefits under the FY17 Long-Term Incentive Plan.

On behalf of the Board I would like to thank our executives and the whole Nine team for executing the strategic priorities of the business in a transformational year for Nine to drive long-term performance and value for shareholders.

I trust you will find this report informative. I encourage you to vote in favour of the report, and welcome any questions at the Annual General Meeting.

Yours faithfully,

CATHERINE WEST
Chair of the People and Remuneration Committee

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 2019. 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 2019 financial year and current KMP and Directors.

Key Management Personnel

NAME	POSITION	TERM 2019
Non-Executive Directors (NEDs)		
Peter Costello	Chairman (Independent, Non-Executive)	Full year
Nick Falloon[1]	Deputy Chairman (Independent Non-Executive)	From 7 December 2018
Patrick Allaway[1]	Director (Independent Non-Executive)	From 7 December 2018
David Gyngell[1]	Director (Non-Executive)	Up to 7 December 2018
Janette Kendall[1]	Director (Independent Non-Executive)	Up to 7 December 2018
Samantha Lewis	Director (Independent Non-Executive)	Full year
Mickie Rosen[1]	Director (Independent Non-Executive)	From 7 December 2018
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	Full year
Michael Stephenson	Chief Sales Officer	Full year

1. As part of the merger with Fairfax Media Limited there were changes to the Board composition. David Gyngell and Janette Kendall retired from the Board on 7 December 2018 and Nick Falloon, Patrick Allaway and Mickie Rosen were appointed to the Board from 7 December 2018.

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

COMPONENT	PERFORMANCE MEASURE	AT RISK PORTION	LINK TO STRATEGIC OBJECTIVE
Annual short-term incentive (STI) Cash payments and deferred shares. *Further detail in Section 3.5.*	Group Financial measure: 60% — Group Earnings Before Interest, Tax, Depreciation and Amortisation before specific items (EBITDA). Individual measures: 40% — Individual objectives related to the KMP's role and responsibilities.	Chief Executive Officer: Target 100% of fixed remuneration Maximum 150% of fixed remuneration. Other Executive KMP: Target 50% of fixed remuneration Maximum 75% of fixed remuneration.	The group financial measure rewards Group performance. The Group EBITDA measure was chosen because it contributes to the determination 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. This year's focus was on the implementation and integration of the merger with Fairfax Media, meeting the cost management initiatives and driving growth in revenues and audiences. A portion is paid in cash and a portion (33%) delivered as Nine shares deferred for up to two years to ensure continued alignment to shareholder outcomes and a positive impact beyond the performance year of the incentive.
Long-term incentive (LTI) Performance rights used to align the reward of executives to the returns generated for Nine shareholders. *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 over time.
Total Remuneration	The remuneration mix is designed to align Executive remuneration and rewards to the creation of long-term shareholder value. The remuneration of Executive KMP is set on appointment and then reviewed annually. We set both fixed remuneration and the total remuneration opportunity by considering factors such as experience, competence and performance in the role, competitive market pressures, and internal equity with peers.		

2.1 Summary of Executive Remuneration outcomes

The table below is a summary of remuneration outcomes for financial year 2019.

Fixed remuneration	• During the 2019 financial year there was no increase made to the CEO's fixed remuneration. • Greg Barnes received an increase in fixed remuneration (from $850,000 to $900,000) effective from 10 December 2018 in light of the increased operational responsibilities following the merger with Fairfax. • Michael Stephenson received an increase in fixed remuneration (from $720,000 to $840,000) at the start of the financial year in recognition of his performance and consideration of the market.
Short-term incentive (STI)	• The Group financial STI target was originally budgeted Group EBITDA for Nine. Following the merger with Fairfax Media, the Board revised the Group EBITDA target. The new target comprised of the original Group EBITDA budget set at the beginning of the financial year for Nine and forecast EBITDA for the continuing businesses of Fairfax following the merger. The target was also adjusted to reflect targeted synergies to be delivered within the year. The final Pro Forma Group EBITDA result of $423.8 million was just below the level required to achieve a 50% payment requiring the Board to consider the payment level. The Board considered that the business had performed strongly on underlying key metrics to achieve that outcome, particularly in relation to revenue share growth, over achievement of cost targets and cost synergies and strong performance of growth assets. The Board considered the external market factors of a decline in the overall television market and the weaker listings environment on Domain and determined that based on the strong performance of the business on the aforementioned key metrics, the Group EBITDA result warranted a payment of 50% of target opportunity. • The individual objectives component of the STI was assessed against specific targets and awarded where achieved. • The combined group and individual FY19 short-term incentive payments to Executive KMP were consequently below target levels at payouts of 69% and 70% of target opportunity.
Long-term Incentive (LTI)	• LTI grants were made in line with plan rules for Executive KMP in financial year 2019.
Award vesting	• LTI grants made in financial year 2017 were tested at 30 June 2019 in line with the plan rules. • TSR requirements were met, resulting in maximum vesting of this portion of the grant (50% of total grant). • The cumulative EPSG performance was tested using statutory results, pre-specific items and prior to the purchase price accounting amortisation as a consequence of the merger. That is, EPSG was calculated by applying legacy Nine results up to the merger date (7 December 2018) and the merged entity results thereafter. The EPSG target was also achieved at maximum performance, resulting in maximum vesting of this portion of the grant (50% of total grant). • This resulted in participants receiving the maximum possible benefits under the FY17 LTI plan.
Non-Executive Director fees	• The total amount paid by the Company to Non-Executive Directors in financial year 2019 was $1,087,123. This is well below the aggregate fee pool of $3 million approved by shareholders at the AGM on 21 October 2013.

3 Executive Remuneration

3.1 Remuneration Principles

The remuneration framework is designed to attract and retain high performing individuals, align executive reward to Nine'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

Our Executive KMP reward is designed to support and reinforce the Nine strategy and reward delivery against our objectives and returns to shareholders. The Group aims to reward the Chief Executive Officer and other Executive KMP **(Executive KMP)** with competitive remuneration and benefits based on consideration of all the relevant inputs and provides a 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 taking into consideration 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 has also been consideration of other Australian listed companies of a similar size, complexity and prominence. Total remuneration at target has been positioned at the median of this comparator group, while providing the opportunity to earn top-quartile rewards for outstanding performance against stretch targets.

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 (67%)	STI – deferred shares (16.5%)	STI – deferred shares (16.5%)
LTI – 3-year performance period		

3.4 Fixed Remuneration

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

3.5 Short-Term Incentive Plan (STI) Plan

Purpose and overview

- The STI plan is the annual incentive plan that is used for the Executive KMPs and other Executives. 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.

STI funding

- The pool to fund STI rewards is determined by the Group's financial performance before significant items.
- The STI is weighted 60% to a Group financial measure and 40% to individual measures.

STI Opportunity (at target)

	% OF FIXED REMUNERATION
CEO	100
Other Executive KMP	50

Group Financial Measures

- Group EBITDA (60% of the STI).
- Group EBITDA was chosen to align executive performance with the key drivers of shareholder value and reflect the short-term performance of the business.
- During the year the Board set a new Group EBITDA target to incorporate the impacts of the merger with Fairfax. The new target included the Group EBITDA budget set at the beginning of the financial year of Nine and the forecasted EBITDA of the continuing businesses of Fairfax following the merger. The target was then adjusted to reflect synergies planned to be delivered within the year.
- Group Financial performance measures for future years will be determined annually.
- Payouts based on financial measures are detailed below (pro-rata between bands).

PERFORMANCE AGAINST TARGET	% PAYOUT (OF GROUP 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 set annually and are directly aligned to the Board approved financial, operational and strategic objectives and include quantitative measures where appropriate. Weightings are assigned to each objective to reflect their relative importance to delivery of the strategy and required focus. • Individual objectives in FY19 were focussed on implementation and integration of the merger with Fairfax Media, meeting the cost management initiatives and driving growth in revenues and audiences. Payouts based on individual measures are detailed below.

PERFORMANCE ASSESSMENT BASED ON DELIVERY OF PERSONAL KPIS	% PAYOUT (OF INDIVIDUAL COMPONENT)
Unsatisfactory	Nil
Performance Requires Development	25-75%
Valued Contribution	75-110%
Superior Contribution	110-130%
Exceptional Contribution	130-150%

Deferred STI Payment	• 33% of any STI outcome is deferred into Nine 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 2019.

	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 which have vested can only be traded, within specified trading windows, consistent with Nine'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 group financial and individual measures is assessed at the end of the financial year. • In assessing the achievement of Group financial and individual measures the People and Remuneration Committee 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. Adjustments are by exception and are not intended to be regular. Any adjustment will require the judgement of the PRC and should balance ensuring fair outcomes that reflect management's delivery of financial performance, with ensuring the outcomes experienced by Nine's shareholders. • 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 150% 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 Long-Term Incentive Plan is an equity incentive plan used to align the Executive KMPs' remuneration to the returns generated for Nine shareholders.
Grant Date(s)	The following grants have been issued and remain on foot (or subject to testing against vesting conditions): • 1 December 2017 – FY2018 grant • 26 November 2018 – FY2019 grant The nature and structure of each grant is materially consistent and discussed collectively below.
Consideration	Nil
Performance Rights	Performance rights are awarded based on the fixed amount to which the individual is entitled divided by the VWAP. The 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)	% OF FIXED REMUNERATION CEO: 100 Other Executive KMP: 50
Performance Period	The Performance Period for each grant is three financial years from the financial year of granting. For the FY19 grant, the performance period is the three year period from 1 July 2018 to 30 June 2021. **(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 and provides a clear focus on meeting the earnings expectations delivered to the market.

Vesting Conditions continued

Total Shareholder Return (TSR)

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%

Earnings Per Share Growth (EPSG)

EPSG vesting schedule

OUTCOME	VESTING
The EPSG hurdle assesses cumulative growth in EPS as the sum of the annual EPS growth relative to actual EPS for the year preceding commencement of the plan. This is 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 having regard to factors including:

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

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

The PRC undertakes reviews of the targets on LTI grants on-foot to ensure they remain relevant in light of any Company transactions and external or legislative impacts.

Cessation of employment (Employment Conditions)

If the Participant is not employed by Nine or any Nine 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 or, for the FY19 grant, by resigning,

any unvested Performance Rights held on or after the date of termination will lapse.

If the Participant has ceased to be employed by Nine in any other circumstances (e.g. redundancy, retirement, ill health), 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 Nine.
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 or 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 Nine's 2019 performance on remuneration

This year the Company has undergone a significant strategic transformation with the successful merger between Nine and Fairfax to create one of the largest multi-platform media companies in Australia. The merger provides the Group with a diverse suite of assets across television, digital, publishing and radio which in turn provides a greater audience reach and diverse revenue growth streams, providing the foundations for future long-term growth.

When considering business performance, Management and the Board use results prepared on a Pro Forma basis. Pro Forma results refer to consolidated results for the full financial year, for both Nine and former Fairfax businesses, as if they had been owned by Nine for the full year. As the results consider performance prior to the merger implementation date (7 December 2018), they are unaudited.

The executive team has successfully completed the merger and delivered strong results despite challenging external market impacts on advertising and the property markets. The team has delivered Pro Forma FY19 EBITDA of $423.8 million representing 10% growth. Net Profit After Tax and before Specific Items is $198 million for the year, up 16 %, also on a Pro Forma basis. Nine's FTA revenue grew 1% to 39.6% and was achieved on a 4% lower cost base. Annualised cost synergies of $50 million were realised. Digital and Publishing has grown EBITDA by 56% with Metro Media revenue up 3% resulting in 65% EBITDA growth. 9Now performed strongly in the BVOD market with 51% revenue growth and 87% growth in EBITDA. Stan achieved positive EBITDA in the second half of FY19, with more than 1.7 million active subscribers. Domain has been affected by the housing cycle but has achieved growth in yield from both pricing and depth penetration. The team successfully sold Australian Community Media and part of the Events business during the year.

In FY19 the Short-Term Incentive Plan for Executive KMP remained the same as FY18, with 60% allocated to achievement of the Group EBITDA target and 40% allocated to individual objectives which were made up of financial and strategic objectives aligned to Nine's strategy.

The Group financial STI target was originally budgeted Group EBITDA for Nine. Following the merger with Fairfax, the Board revised the Group EBITDA target. The new target comprised of the original Group EBITDA budget set at the beginning of the financial year for Nine and forecast EBITDA for the continuing businesses of Fairfax following the merger. The target was also adjusted to reflect targeted synergies to be delivered within the year. The final Pro Forma FY19 EBITDA[2] result of $423.8 million was just below the level required to achieve a 50% payment requiring the Board to consider the payment level. The Board considered that the business had performed strongly on underlying key metrics to achieve that outcome, particularly in relation to revenue share growth, over achievement of cost targets and cost synergies and strong performance of growth assets. The Board considered the external market factors of a decline in the overall television market and the weaker listings environment on Domain and determined that based on the strong performance of the business on the aforementioned key metrics, the Group EBITDA result warranted a payment of 50% of target opportunity.

2. See note on page 44 for definition of Pro Forma FY19 EBITDA.

Executives were provided with clear targets in their individual objectives during the year that were important to the delivery of the company's strategic plan and objectives. For FY19 these measures mainly related to achievement of a successful merger and integration of Fairfax, meeting the cost management initiatives, and driving growth in revenues and audiences.

Detailed assessments of the Executive KMP performance were prepared by the CEO and discussed with the PRC. The Board and the PRC believe that the performance in FY19 has been appropriately reflected in the Short-Term Incentive outcomes.

The combined Group and individual FY19 short-term incentive payments to Executive KMP were consequently below target levels at payouts of 69% and 70% of target opportunity.

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

	30 JUNE 19[1] PRO-FORMA $M	30 JUNE 18[1] PRO-FORMA $M	30 JUNE 19[2] $M	30 JUNE 18 $M	30 JUNE 17 $M	30 JUNE 16 $M
Revenue	2,341.9	2,364.0	1,965.1	1,403.9	1,244.9	1,286.4
Group EBITDA	423.8	**385.1**	**349.9**	**257.2**	**205.6**	**201.7**
Group EBITDA %	18%	16%	18%	18%	17%	16%
Net profit before tax and specific items	318.8	287.1	265.6	218.2	164.7	164.1
Net profit after tax and minority interests, before specific items	198.3	**170.6**	**174.6**	**156.7**	**123.6**	**118.6**
Earnings per share — cents	11.6 cents	10.0 cents	13.0 cents	18.0 cents	14.0 cents	13.5 cents
	30 JUNE 19 CENTS/SHARE	**30 JUNE 18 CENTS/SHARE**	**30 JUNE 19 CENTS/SHARE**	**30 JUNE 18 CENTS/SHARE**	**30 JUNE 17 CENTS/SHARE**	**30 JUNE 16 CENTS/SHARE**
Opening share price	248	138	248	138	105	155
Closing share price	188	248	188	248	138	105
Dividend	10	10	10	10	9.5	12
EXECUTIVE KMP STI PAYMENTS	**30 JUNE 19**	**30 JUNE 18**	**30 JUNE 19**	**30 JUNE 18**	**30 JUNE 17**	**30 JUNE 16**
Earned	69%	129%	69%	129%	94%	19%
Forfeited (at target)	31%	–	31%	–	6%	81%

1. FY19 Pro-forma results aggregate the results for the former Nine and Fairfax businesses for the full 12 months to 30 June 2019, including 100% of Stan. They are presented pre specific items and purchase price accounting adjustments and on a continuing operations basis. These were used for STI purposes. These figures are unaudited.
2. FY19 includes the contribution from the former Fairfax businesses since the merger implementation date of 7 December 2018 and are from continuing operations only. They are presented pre specific items but inclusive of purchase price accounting adjustments, which total $8.7 million pre-tax, $6.1 million after-tax.

4.2 Short-Term Incentives (STI)

In FY19, the Executive KMP short-term incentive outcomes were allocated 60% for the Group EBITDA performance and the remaining 40% for individual measures that reflect the individuals' performance and contribution to the achievement of both business unit and Group objectives.

Each Executive KMP has a target opportunity specified in their contract. The FY19 target for the CEO was 100% of fixed remuneration. For the other Executive KMP, it was 50% of fixed remuneration. The maximum award an individual can earn is 150% of their respective target opportunity.

As described in Section 4.1, the combined group and individual FY19 short-term incentive payments for FY19 to Executive KMP were below target levels with payouts of 69% and 70% of target opportunity equating to 46% and 47% of maximum available STI.

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.

NAME		PROPORTION OF TARGET STI (%)		PROPORTION OF MAXIMUM STI (%)	
		EARNED %	FORFEITED %	EARNED %	FORFEITED %
Hugh Marks	FY19	69%	31%	46%	54%
	FY18	136%	0%	91%	9%
Greg Barnes	FY19	70%	30%	47%	53%
	FY18	100%	0%	68%	33%
Michael Stephenson	FY19	70%	30%	47%	53%
	FY18	137%	0%	91%	9%

In accordance with the share deferral component of the STI plan, 33% of the 2019 financial year STI payments earned by Executive KMP, at 30 June 2019, 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 2019 financial results.

Given Mr Barnes will cease to be an employee of the Company at the end of August 2019 his short-term incentive payment for FY19 will be paid entirely in cash.

4.3 Long-Term Incentives (LTI)

GRANT DATE	TEST DATE	PERFORMANCE HURDLES	VESTING OUTCOME (%)
1 December 2016	30 June 2019	50% – Total Shareholder Return 50% – Earnings Per Share Growth	100%
1 December 2017	30 June 2020	50% – Total Shareholder Return 50% – Earnings Per Share Growth	NA
26 November 2018	30 June 2021	50% – Total Shareholder Return 50% – Earnings Per Share Growth	NA

The performance period of the FY17 Long-Term Incentive Plan (granted 1 December 2016) commenced on 1 July 2016 and concluded on 30 June 2019. Performance was assessed at the conclusion of the FY19 year, and as a result of performance over the three year period, full vesting was achieved.

The Total Shareholder Return achieved the requirements for maximum vesting.

The Company's three-year Earnings Per Share growth resulted in maximum vesting. The performance was tested on a pro-rata basis to incorporate the merger with Fairfax on 7 December 2018 (legacy Nine up to the merger date and the consolidated merged entity thereafter), in line with the statutory accounts adjusted for specific items and prior to the impact of purchase price accounting amortisation as a result of accounting for the merger.

GRANT	PERFORMANCE PERIOD	PERFORMANCE MEASURE	WEIGHTING	TARGET	STRETCH	ACTUAL PERFORMANCE	PERFORMANCE ACHIEVED
FY17	1 July 2016 to 30 June 2019	EPS	50%	1%pa	4.6%pa	6.5%pa	100%
				0.832¢ (growth pooled)	3.919¢ (growth pooled)	5.60¢ (growth pooled)	
		TSR	50%	50th percentile	75th percentile	> 75th percentile	100%
		Total	100%	n/a	n/a		100%

5 Executive Agreements

Each Executive KMP has a formal employment agreement. Each of these employment agreements, which are of a continuing nature and 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 2019 were as follows:

	FIXED REMUNERATION[1]	TARGET STI	TARGET LTI	NOTICE PERIOD BY EXECUTIVE	NOTICE PERIOD BY COMPANY	RESTRAINT
Hugh Marks	$1,400,000	$1,400,000	$1,400,000	12 months	12 months	12 months
Greg Barnes[2]	$900,000	$450,000	$450,000	3 months	12 months	12 months
Michael Stephenson[3]	$840,000	$420,000	$420,000	12 months	12 months	12 months

1. Fixed remuneration comprises of base cash remuneration, superannuation and other benefits which can be sacrificed for cash at the employee's election.
2. Mr Barnes' fixed remuneration increased to $900,000 (from $850,000) effective from 10 December 2018 in light of the increased operational responsibilities following the merger with Fairfax. At the same time, the notice period he is required to give on resignation was reduced to 3 months (from 12 months). We note that on 14 August the Company announced the departure of Mr Barnes.
3. Mr Stephenson received an increase in fixed remuneration, (from $720,000 to $840,000) effective 1 July 2018 in recognition of his performance and consideration of market.

6 Remuneration Governance

6.1 The Board

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.

6.2 The People and Remuneration Committee (PRC)

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

The PRC makes recommendations to the Board on CEO and Non-Executive Director remuneration. The PRC approves the executive reward strategy, and incentive plans and provides oversight of management's implementation of approved arrangements.

Details of the membership, number and attendance at meetings held by the PRC are set out on page 27 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.

6.3 Management

Management prepares recommendations and information for the PRC's consideration and approval. Management also implements the approved remuneration arrangements.

6.4 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 (PwC) as the Company's remuneration advisor during the 2019 financial year. There were no remuneration recommendations provided to the Committee by PwC or any other consultants in the 2019 financial year.

6.5 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 2019 are set out in the following table in accordance with statutory disclosure requirements.

KMP REMUNERATION OUTCOMES 2019		SHORT-TERM BENEFITS		POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS					
		SALARY AND FEES $	CASH BONUS $	SUPER/ ANNUATION $	ANNUAL LEAVE[1] $	LONG SERVICE LEAVE $	DEFERRED STI[3] $	LONG-TERM INCENTIVES[2] $	TOTAL $	PERFORMANCE RELATED %
Executive Director										
Hugh Marks	FY19	1,379,469	647,220	20,531	31,834	–	318,780	850,250	3,248,084	56
	FY18	1,379,951	1,269,333	20,049	10,615	–	634,667	1,135,990	4,450,605	68
Other KMP										
Greg Barnes[4]	FY19	857,644	315,000	20,531	(10,593)	–	–	258,112	1,440,694	40
	FY18	829,874	283,495	20,049	(6,384)	–	141,747	403,373	1,672,154	50
Michael Stephenson[5]	FY19	819,469	196,980	20,531	(18,911)	13,658	97,020	229,828	1,358,575	39
	FY18	709,643	333,587	20,049	10,922	9,859	166,793	167,547	1,418,400	47
Total Executive KMP	FY19	3,056,582	1,159,200	61,593	2,330	13,658	415,800	1,338,190	6,047,354	
	FY18	2,919,468	1,886,415	60,147	15,153	9,859	943,207	1,706,910	7,541,159	

Notes

1. Amounts may be negative where the KMP's annual leave taken in the year exceeds that accrued.
2. Details of the Long-Term Incentive Plan are outlined in Section 3.6.
3. Deferred STI relates to STI awarded in relation to the financial year but deferred in Nine shares. This will be settled in two equal tranches over the next two years, assuming continuity of employment.
4. Mr Barnes fixed remuneration increased to $900,000 (from $850,000) effective from 10 December 2018 in light of the increased operational responsibilities following the merger with Fairfax. Mr Barnes' short-term incentive payment for FY19 will be paid entirely in cash, given he will cease to be an employee of the Company at the end of August 2019.
5. Mr Stephenson received an increase in fixed remuneration (from $720,000 to $840,000) effective 1 July 2018 in recognition of his performance and consideration of market.

7.2 Non-statutory remuneration disclosures

The actual remuneration earned by current executives in the year ended 30 June 2019 ("FY19") 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 FY19. It includes the proposed payments relating to the FY19 STI plan, albeit payment will be received in FY20. 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.

		SALARY AND FEES $	CASH BONUS[1] $	FIXED SALARY AND CASH BONUS %	OTHER REMUNERATION[2] $	DEFERRED STI[4] $	LONG-TERM INCENTIVES[3] $	REMUNERATION EARNED FOR 2019 $
Executive Director								
Hugh Marks	FY19	1,379,469	647,220	2,026,689	52,365	318,780	2,559,804	4,957,638
	FY18	1,379,951	1,269,333	2,649,284	30,664	634,667	1,708,254	5,022,869
Other Key Management Personnel								
Greg Barnes[5]	FY19	857,644	315,000	1,172,644	9,939	–	777,083	1,959,666
	FY18	829,874	283,495	1,113,369	13,665	141,747	755,850	2,024,632
Michael Stephenson[6]	FY19	819,469	196,980	1,016,449	15,278	97,020	667,377	1,796,124
	FY18	709,643	333,587	1,043,230	40,830	166,793	–	1,250,853
Total Executive KMP	FY19	3,056,582	1,159,200	4,215,782	77,582	415,800	4,004,264	8,713,428
	FY18	2,919,468	1,886,415	4,805,883	85,159	943,207	2,464,104	8,298,354

Notes:

1. Cash bonus includes cash benefits such as STI.
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. Rights which vested subsequent to 30 June 2019 but which were measured based on performance up to 30 June 2019. The value attributed to these Rights has been calculated based on the share price as at 13 August 2019 as an approximation of the cash value on vesting.
4. Deferred STI relates to STI awarded in relation to the financial year but deferred in Nine shares. This will be settled in two equal tranches over the next two years, assuming continuity of employment.
5. Mr Barnes fixed remuneration increased to $900,000 (from $850,000) effective from 10 December 2018 in light of the increased operational responsibilities following the merger with Fairfax. Mr Barnes' short-term incentive payment for FY19 will be paid entirely in cash, given he will cease to be an employee of the Company at the end of August 2019.
6. Mr Stephenson received an increase in fixed remuneration (from $720,000 to $840,000) effective 1 July 2018 in recognition of his performance and consideration of market.

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.

	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[1] NO.	CASH SETTLED DURING THE YEAR NO.	LAPSED DURING THE YEAR NO.	SHARE RIGHTS OUTSTANDING AT END OF YEAR NO.
Executive Director									
Hugh Marks	1,372,549	–	1-Dec-16	0.61	1-Jul-19	1,372,549	–	–	–
	958,904	–	1-Dec-17	1.136	1-Jul-20	–	–	–	958,904
		584,795	26-Nov-18	1.065	1-Jul-21	–	–	–	584,795
Other Executive KMP									
Greg Barnes[2]	416,667	–	1-Dec-16	0.61	1-Jul-19	416,667	–	–	–
	291,096	–	1-Dec-17	1.136	1-Jul-20	–	–	–	291,096
		177,527	26-Nov-18	1.065	1-Jul-21	–	–	–	177,527
		10,433	1-Dec-18	1.065	1-Jul-21	–	–	–	10,433
Michael Stephenson	357,843	–	1-Dec-16	0.61	1-Jul-19	357,843	–	–	–
	250,000		1-Dec-17	1.136	1-Jul-20	–	–	–	250,000
		175,439	26-Nov-18	1.065	1-Jul-21	–	–	–	175,439

1. Rights which vested subsequent to 30 June 2019 but which were measured based on performance up to 30 June 2019.
2. Mr Barnes received a further issue of Performance Rights granted on the 1 December 2018 relating to the FY19 Long-Term Incentive Plan following the increase in his remuneration arrangement on 10 December 2018.

2019 Shareholding of Key Management Personnel

Last year, the Board adopted a policy of encouraging directors to acquire shares to the value of one year's base fees, to be acquired within five years of appointment.

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

	AS AT 1 JULY 2018 ORD	GRANTED ON CONVERSION OF SHARE RIGHTS ORD	GRANTED AS STI ORD	OTHER NET CHANGES ORD	HELD DIRECTLY AS AT 30 JUNE 2019 ORD	HELD NOMINALLY AS AT 30 JUNE 2019 ORD
Non-Executive Directors'						
Peter Costello	301,786	–	–	–	–	301,786
Nick Falloon[1]	396,222	–	–	–	51,142	345,080
Catherine West	40,000	–	–	–	–	40,000
David Gyngell[1]	4,988,535	–	–	–	4,988,048	487
Janette Kendall[1]	30,500	–	–	–	–	30,500
Mickie Rosen[1]	–	–	–	–	–	–
Patrick Allaway[1]	73,542	–	–	–	–	73,542
Samantha Lewis	40,000	–	–	–	–	40,000
Executive Director						
Hugh Marks	718,715	705,890	262,456	–	1,404,781	282,280
Other Key Management Personnel						
Greg Barnes	774,696	312,303	58,617	–	1,145,616	–
Michael Stephenson	80,393	–	68,975	–	149,368	–
Total	**7,444,389**	**1,018,193**	**390,048**	**–**	7,738,955	1,113,675

1. As part of the merger with Fairfax Media Limited, there were changes to the Board composition. David Gyngell and Janette Kendall retired from the Board on 7 December 2018 and Nick Falloon, Patrick Allaway and Mickie Rosen were appointed to the Board on 7 December 2018. Share numbers provided are as at the start/end of their term as KMP.

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 Nine 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 2019 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 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.

The NED fees are set out below:

ROLE	FEES
Chairman	$340,000
Directors'	$135,000
Audit and Risk Committee Chair	$30,000
Audit and Risk Committee member	$20,000
People and Remuneration Committee Chair	$25,000
People and Remuneration Committee member	$15,000

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 2019 financial year. This table below includes fees for the period when they held the position of NEDs.

Directors' Fees Paid by Domain Holdings Australia Limited

Mr Falloon and Mr Allaway are Board members of Domain Holdings Australia Limited (Domain). The fees paid to Mr Falloon and Mr Allaway from 10 December 2018 (post-merger with Fairfax Media) are included in the Nine statutory tables, provided below, as controlled entity transactions. The fees are paid by Domain.

Mr Falloon is the Chairman of the Domain Board and a member of the Domain People and Culture Committee. The Chairman's fee on the Domain Board is $250,000 per annum. The Chairman does not receive any Committee fees for being a member of Committees.

Mr Allaway is a Non-Executive Director of Domain and a member of the Domain Audit and Risk Committee. The Non-Executive Directors' fee for the Domain Board is $110,000 per annum. Audit and Risk Committee members are also paid a Committee fee of $18,000 per annum.

NED Remuneration for years ended 30 June 2019 and 2018

	FINANCIAL YEAR $	NINE NON-EXECUTIVE DIRECTOR FEES $	DOMAIN FEES $	SUPER-ANNUATION[6] $	TOTAL $
Non-Executive Directors'					
Peter Costello	2019	319,469		20,531	340,000
	2018	319,951		20,049	340,000
Nick Falloon[1, 2, 3]	2019	74,868	131,718	19,625	226,211
	2018	–	–	–	–
Catherine West	2019	164,384		15,616	180,000
	2018	164,384		15,616	180,000
David Gyngell[1]	2019	54,795		5,205	60,000
	2018	123,288		11,712	135,000
Janette Kendall[1]	2019	60,883		5,784	66,667
	2018	136,986		13,014	150,000
Mickie Rosen[1]	2019	68,966		6,552	75,518
	2018	–		–	–
Patrick Allaway[1, 4, 5]	2019	76,747	67,439	13,698	157,884
	2018	–	–	–	–
Samantha Lewis	2019	164,384		15,616	180,000
	2018	164,384		15,616	180,000
Total NED	2019	984,496	199,157	102,627	1,286,280
	2018	908,993	–	76,007	985,000

Notes

1. As part of the merger with Fairfax Media Limited there were changes to the Board composition. Mr Gyngell and Ms Kendall retired from the Board on 7 December 2018 and Mr Falloon, Mr Allaway and Ms Rosen were appointed to the Board from 7 December 2018.
2. Mr Falloon joined the People and Remuneration Committee on 24 January 2019.
3. Mr Falloon received Director fees from a controlled entity, Domain Holdings Australia Limited (Domain), in respect of his services as Chairman of Domain. This amount is disclosed separately and was paid by Domain.
4. Mr Allaway joined the Audit and Risk Committee on 24 January 2019.
5. Mr Allaway received Director and Committee fees from a controlled entity, Domain Holdings Australia Limited (Domain), in respect of his services as a non-executive director of Domain and as a member of the Audit and Risk Committee. This amount is disclosed separately and was paid by Domain.
6. Superannuation is inclusive of $12,513 for Mr Falloon and $6,407 for Mr Allaway from Domain in respect of their services as non-executive directors. These amounts were paid by Domain.

9 Loans to Key Management Personnel and their related parties

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

10 Other transactions and balances with Key Management personnel and their related parties

The following related party arrangements have been entered into by a Nine Group member:

- Leila McKinnon, the wife of David Gyngell, is employed by Nine Network as a journalist and news presenter. Mr Gyngell resigned from the Nine Board on 7 December 2018; 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

	2019 $m	2018 $m	VARIANCE $m	VARIANCE %
Revenue from Continuing Operations (before specific Items)	1,848.1	1,318.2	529.9	40.2%
Group EBITDA from Continuing Operations (before specific Items)[1]	349.9	257.2	92.7	36.0%
Depreciation and Amortisation from Continuing operations	(73.7)	(36.7)	(37.0)	(101.0%)
Net Finance Costs from Continuing Operations	(10.5)	(2.2)	(8.3)	(377.3%)
Profit after tax before specific items from Continuing Operations	187.1	156.7	30.4	19.4%
Specific Items from Continuing Operations (after income tax)	29.5	52.9	(23.4)	(44.2%)
Profit/(Loss) from Continuing Operations after Income Tax	216.6	209.7	6.9	3.3%
Net Cash Flows generated from/ (used in) operating activities	221.6	161.1	60.5	37.6%
Net Debt[2]	255.8	121.3	134.5	110.9%
Leverage[3]	0.7x	0.5x	0.2x	

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

On 7 December 2018, the Group merged with Fairfax Media Limited ("Fairfax"). Consequently, the operating results include the consolidated results from continuing operations of Fairfax and Stan for the period from 7 December to 30 June 2019, Stan having been consolidated on becoming 100% owned, effective 7 December 2018.

Revenue from Continuing operations before Specific items increased by 40.2% to $1,848.1 million. Revenue growth was achieved predominantly due to the consolidation of Fairfax since the date of the merger on 7th December 2018.

Group EBITDA before Specific Items (from Continuing Operations) increased by $92.7 million (36.0%) to $349.9 million as a result of the consolidation of Fairfax since the date of merger.

Specific Items (refer to note 2.4) relate principally to the merger and integration with Fairfax. These include: $21.2 million in acquisition-related costs; $36.6 million in redundancy costs; a $93 million notional gain on sale in relation to Stan (that arises on the Group's original shareholding) as a consequence of consolidating Stan into the Group following the acquisition of Fairfax's interest (in Stan) at the time of the merger; and an impairment of intangibles of $17.7 million in CarAdvice, following the scrip-based acquisition of the minority interests in Drive by CarAdvice. Specific Items also include the gain on sale of the NBN operating site in Newcastle ($10.8 million) and items reported by Domain and Macquarie Radio.

Net Finance Costs increased from $2.2 million in the prior year to $10.5 million in the current year, reflecting the higher average Net Debt throughout the year as a result of the acquisition of Fairfax.

Operating Cash Flow increased year on year largely due to the consolidation of Fairfax since the date of the merger. The Group made its final payment in relation to the Warner Bros life of series settlement of $33 million during the period, marking the end of that obligation. The Group received proceeds from the sale of Australian Community Media of ($97 million) and Fairfax's key sporting events ($31 million), which were used to reduce net debt. The Group continues to invest in longer-term growth with the acquisition of the remaining 40.78% of CarAdvice for $26.5 million. The Group made dividend payments of $170.8 million or 10 cents per share, to shareholders during the year. Net Debt of the wholly owned group at 30 June 2019 was $120.7 million and, based on pro-forma EBITDA for a full 12 months, meant net leverage was 0.4x, well within bank covenants.

Segmental Results

The results of the continuing operations are set out below:

	2019 $m	2018 $m	VARIANCE $m	VARIANCE %
Revenue[1]				
Broadcasting	1,160.3	1,152.4	7.9	0.7
Digital and Publishing	425.6	165.8	259.8	156.7
Domain	168.1	–	168.1	100.0
Stan (since consolidation)	100.1	–	100.1	100.0
Corporate	10.9	–	10.9	100.0
Total Revenue from Continuing Operations[1]	1,865.0	1,318.2	546.8	41.5
EBITDA				
Broadcasting	225.9	238.2	(12.3)	(5.2)
Digital and Publishing	100.1	34.1	66.0	193.5
Domain	48.2	–	48.2	100.0
Stan	(4.9)	–	(4.9)	100.0
Corporate	(16.6)	(16.2)	(0.4)	(2.5)
Share of Associates	(2.9)	1.2	(4.1)	(341.7)
Group EBITDA Continuing Operations	349.9	257.3	92.6	36.0

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

A summary of each division's performance is set out below. The results in the table above include the results of the businesses acquired as part of the merger with Fairfax from 7 December (the date of acquisition and consolidation in the Group results). The commentary in relation to these acquired businesses is for the full year to June 2019 (including the period from 1 July 2018 to 6 December 2018 which was not consolidated in the Group results), in order to provide context on the operating performance and environment of each of these businesses.

Broadcasting

	2019 $m	2018 $m	VARIANCE $m	VARIANCE %
Revenue	1,160.3	1,152.4	7.9	0.6
EBITDA	225.9	238.2	(12.3)	(5.2)
Margin	19.5%	20.7%		-1.2 pts

Nine's Broadcasting division, which comprises Nine Network as well as the consolidated results of Macquarie Media (of which Nine owns a 54.4% stake) from 7 December 2018, reported EBITDA of $225.9 million on revenues of $1,160 million for the year.

Nine Network reported a revenue decline from $1,152 million to $1,090 million for the year. The decline however, was confined to the first half, with second half revenues growing by 2%, as share gains more than offset the impact of a difficult FTA market (-5.1%[1] for the year and -5.2%[2] in the second half). After a first half Metro FTA share of 39.3%[2], Nine's second half share of 39.9% was up 2.9 pts on pcp and resulted in a full-year revenue share of 39.6%[1].

1. Source: Think TV, Metro Free To Air revenue, 12 months to June 2019.
2. Source: Think TV, Metro Free To Air revenue share, 12 months to June 2019.

Reported costs improved by 4% or $40 million for the year, reflecting both the move from cricket to tennis as well as other cost-saving initiatives, offset by the conscious decision by Nine to further strengthen its first half CY19 programming schedule.

FTA EBITDA fell by 10% or $25 million for the year, to $213 million. Nine's strong performance in both share and costs was more than offset by the softer overall Free to Air market.

Macquarie Media's result since 7 December was EBITDA $13 million on revenue of $70.3 million. Macquarie Media (ASX: MRN) reported its FY19 results on 7th August. For the full year, (including the period not included in the consolidated results of the Group), revenue was down by 3%, to $132 million, primarily reflecting the slower second half radio advertising market. Coupled with a cost increase of less than 1%, Macquarie Media reported EBITDA before Specific Items of $27 million, down 17% on previous corresponding period. From an average audience perspective, Macquarie's NewsTalk and Sports Networks performed well with growth of nearly 5%[3], which should underpin leverage when the ad market improves.

Digital and Publishing

	2019 $m	2018 $m	VARIANCE $m	VARIANCE %
Revenue	425.6	165.8	259.8	156.7
EBITDA	100.1	34.1	66.0	193.5
Margin	23.5%	20.6%		2.9 pts

Nine's Digital and Publishing division includes Metro Media (since 7 December 2018) and a full twelve months of 9Now, as well as Nine's other Digital Publishing titles including Pedestrian, CarAdvice and nine.com.au. Publishing reported revenue of $425.6 million and a combined EBITDA of $100.1 million.

Metro Media contributed revenue of $250 million and EBITDA of $53 million since being consolidated on 7 December. On a full-year basis (including the period prior to 7 December not consolidated in the Group results), Metro Media reported overall revenue growth of 3% after three years of declining revenues. This growth was underpinned by growth in digital advertising, as the Group benefitted from the Google sales arrangement. Overall, circulation/subscription revenues grew by 2%, with 10% growth in digital subscribers across each of The Age, SMH and the AFR, while print circulation and subscription revenues fell by 1%. Metro Media's ongoing focus on costs resulted in a further expenses decline of c$20 million (full year, including the period prior to consolidation), which was weighted to the second half reflecting the benefit of Group synergies and a full period of the print outsourcing arrangement with News Limited. For the full year to June 2019 EBITDA increased by 65% to $83 million.

In a BVOD market[4] which grew by 38% for the year to $125 million, 9Now further increased its share to approximately 49%, for revenue growth of nearly 51% to $62 million. Users and engagement continued to grow with long-form VOD streams increasing by 53% across the year, and live streams up by 73%. 9Now increased its EBITDA contribution from $19 million to $36 million, up 87%, reflecting the scalability of the current 9Now business model.

Other key components of Digital and Publishing together contributed revenue of $114 million, and EBITDA of $11 million with softer advertising conditions, in the broader and highly competitive digital display market, impacting performance.

Domain

	2019 $m	2018 $m	VARIANCE $m	VARIANCE %
Revenue	168.1	–	168.1	n/m
EBITDA	48.2	–	48.2	n/m
Margin	28.7%	–		n/m

3. Source: GfK Mon-Sun Average Audience All People 10+ Survey 4 2019 versus Survey 4 2018.

4. Source: KPMG Data. BVOD market includes 9Now, 10Play and 7Plus.

The results of Domain were consolidated in the Group results from 7 December 2018. Across the year to June 2019 (including the period not consolidated in the Group results), Domain (ASX: DHG) operated in a cyclically challenging property market, particularly in its core markets of Sydney and Melbourne. New listing volumes were down by 8% nationally, and approximately 12%, weighted for Domain's geographic exposure. Against this backdrop, Domain increased residential yields and depth penetration by 6%. The market weakness also impacted on Domain's commercial and Print operations – the latter now representing less than 15% of Group revenues.

Core digital operating costs declined by 4% in the second half, for a 2.9% increase across the full year to 30 June 2019. Savings stemmed primarily from printing and marketing, while the Group continues to invest in other initiatives, particularly its consumer solutions businesses, to extend and develop new growth pathways for the business.

In the year to 30 June 2019, full-year EBITDA was down by 15%. During the year, Domain completed the reorganisation of its operating structure, allowing more focus on its core business of residential and commercial real estate, and reducing its exposure to low margin adjacencies. Underlying depth and yield improvements have continued, which will result in strong leverage when the cycle returns to normal.

Stan

	2019	2018	VARIANCE	
	$m	$m	$m	%
Revenue	100.1	–	100.1	n/m
EBITDA	(4.9)	–	(4.9)	n/m
Margin	(4.9%)	–		n/m

The results for Stan were consolidated in the Group results from 7 December 2018. Across the full year (including period not consolidated in Group results), Stan grew its active subscriber numbers to 1.7 million, with the very strong summer period continuing through the second half of the year. Stan's consistent roll-out of exclusive content like Billions and Who Is America? and local content like Bloom complemented the addition of Disney from mid-December. Usage per subscriber continues to increase, with daily total hours streamed now reaching 1.5 million.

The combination of the strong subscriber growth and the $2 price rise from March increased Stan's revenue by 62% across the full year to 30 June 2019 and resulted in Stan generating positive EBITDA in the second half of the year.

Share of Associates profit

Share of Associates profit decreased from a profit after tax of $1.2 million to a loss after tax of $2.9 million, largely reflecting the Group's now discontinued investment in the Australian Money Channel.

Review of Financial Position

At 30 June 2019, the Net Assets of the Group were $2,773 million which is approximately $1,664 million higher than as at 30 June 2018. The key impact during the period was the Fairfax merger.

Underlying Drivers of Performance

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

- Broadcasting – size of the advertising market and the share attributed to Free-to-Air television and Radio, Nine's share of those advertising sectors, the regulatory environment and the ability to secure key programming contracts.
- Digital and Publishing – size of the advertising market and the share attributed to Online and Broadcast Video on Demand (BVOD), Nine's share of those advertising sectors, the ability of Nine to engage with audiences across print media and digital platforms with their content.
- Real Estate Media and Technology Services – size of the real estate classifieds market largely driven by new property listings and Domain's share of that market, as well as Domain's ability to sell premium services to agents and users (often referred to as "depth penetration").
- Subscription Video on Demand (SVOD) – size of the SVOD market, Nine's share of the SVOD market and the ability to secure key programming contracts.

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**

Nine's strong ratings performance, driven by a focus on the key advertiser 25-54 demographic in making prime time content decisions, is expected to continue into FY20. Nine expects to continue to grow its revenue share in FY20 due to its ratings performance and strong relationships with advertising agencies.

Overall Network performance is driven primarily by that of the primary channel, Channel Nine, as well as but to a lesser extent the multi-channels, 9GO!, 9GEM and 9Life. The Group is 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, sport, entertainment and lifestyle content, and is focused on continuing to make targeted investments in content to reflect audience and advertiser preferences.

- **Continue to grow digital media assets**

The Group intends to build on Nine's position as a leading online network in Australia to grow audience and advertising revenues. The Group plans to expand its audience by increasing the content that appeals to them, and by increasing the ways customers find and access this content, including via mobile devices. Nine is particularly focused on both short and long-form video with its strength in these areas supported by the Group's large library of FTA television content. The Group's goal is to increase its digital advertising revenue via growth in audience and inventory and an increased focus on growing premium revenue, as well as making use of its data assets to improve yields and the effectiveness of advertising.

- **Grow the Domain business**

The Group is focused on growing Domain, with a clear operational focus on the core residential listings business. Residential revenue growth is expected to come via both yield (more, and a more favourable mix of, depth listings) and geographical expansion (growth in the business outside of Sydney and central Melbourne), expedited by the relationship with, and access to, other Nine assets, most notably FTA television and digital. Group-wide initiatives are underway to facilitate the growth of Domain via increased brand recognition, more traffic to Domain.com.au and the strengthening of Domain's relationships with agents. Growth in Domain is expected via both an increase in revenue, as well as a strong focus on cost efficiencies, particularly in seasonal low listing periods.

- **Continue to grow Stan and maintain position as a key SVOD provider with scale in Australia**

The Group is committed to support the continued growth of Stan. Support is provided via the cross-promotion of Stan across Nine's multi-platform ecosystem and the provision of strategic advice on content acquisitions. This aims to enhance Stan's content offer, drive new subscriber growth and reduce customer churn.

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

Across its assets, Nine's strengths lie in the production and broad distribution of its premium content. The Group will continue to identify and pursue opportunities where it can increase its content, rights to use content and premium revenue, and broaden the utilisation of this content across its well-established distribution platforms.

The Group remains committed to the achievement of further cost efficiencies through FY20 and beyond.

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

The key risks which may impact the operations or results of the Group are set out below:

Revenue – the major risks which could affect the revenue of the Group are:

- A significant change to advertising market conditions that leads to a prolonged decline in the advertising market or an adverse shift in FTA television, Print or Digital publishing relative shares of the broader advertising market;
- Nine's share of the FTA market itself;
- A change in the way content is viewed or consumed by audiences; and
- Declines in property market conditions.

A contributor to these risks is a change in audience behaviours and preferences. Peak-time programming performance or loss of key programming rights may also contribute to this risk materialising. In addition, the continued development of alternative forms of media may lead to increased competition for advertising revenue.

Operational – from an operational perspective, the business is subject to operational risks of various kinds, including transmission failure, systems failure, data loss, inaccurate reporting, industrial action (such as a film and television production studios, in sporting competitions broadcast by Nine), defamation and other execution risks. These risks could have a negative effect on Nine's reputation and its ability to conduct its business without disruption or at the budgeted level of cost in various ways.

Regulation and Legislation – Nine's businesses are subject to changes in regulation at Federal, State and local levels as well as changes in government policy and decisions by the courts. These risks include changes to: the regulatory environment under which the FTA industry operates; the anti-siphoning legislation; the licence conditions under which Nine operates (including the granting of a fourth licence in the major markets in which Nine operates); regulation of content; advertising restrictions in relation to certain types of products; and interpretation of privacy and defamation laws. These risks could adversely impact Nine's reputation and/or Nine's revenues, costs or financial performance.

Fairfax merger integration – The merger between Nine and Fairfax was implemented on 7 December 2018. As a result, there is a risk that unexpected issues or complications arise during the process of integration. Furthermore, prior to the merger, Fairfax had been the subject of or undertaken a range of corporate actions. Those actions are likely to have required the exercise of judgment in assessing the approach which should be taken, or the treatment of the corporate action or the effect of it, including from a tax or accounting standpoint. There is a risk that other parties and stakeholders, including a regulatory authority such as the ATO, could hold a different view and may seek that adjustments be made that could have an adverse impact on the Group.

Domain and Macquarie Media – Each of Domain and Macquarie Media is a separate company that has minority investors and is listed on the ASX. As such, decisions by their respective boards and the actions of those companies must be made having regard to their separate interests. This may mean that if their interests diverge from those of Nine, the relevant company may adopt an approach contrary to the preferences of Nine.

Systems security and data privacy – while Nine has policies and procedures in place to address system security and data risks, there is a risk that these may not be sufficient which could adversely affect Nine's reputation and financial position.

Key management personnel and employees – Nine relies upon its ability to attract and retain experienced and high performing executives and other employees. The failure to achieve this may impact upon Nine's ability to develop and meet its strategies and may lead to a loss in revenue and profitability.

Purchase Price Accounting (PPA) – Nine's financial position at 30 June 2019 has been prepared to include adjustments to allocate the purchase price resulting from Nine's acquisition of Fairfax. Under the relevant accounting standards, Nine has 12 months from implementation of the transaction to finalise these adjustments and, as such, the adjustments included at 30 June 2019 are provisional and may change. Any subsequent changes may impact the carrying value of individual assets or classes of assets, which may then impact reported financial performance.

These risks are managed on an ongoing basis. Mitigations and strategies to address them are maintained and regularly reviewed, including via regular reporting to the Board.

Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

Contents

Financial Statements

ASX Information

Note Index

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	NOTE	2019 $'000	2018 $'000
Continuing operations			
Revenues	2.1	1,965,074	1,403,945
Expenses	2.3	(1,662,541)	(1,119,001)
Finance costs	2.3	(17,132)	(11,121)
Share of profit/(loss) of associate entities	6.2(c)	(2,857)	1,155
Net profit from continuing operations before income tax expense		282,544	274,978
Income tax expense	5.1	(65,978)	(65,312)
Net profit from continuing operations after income tax expense		216,566	209,666
Discontinued operations			
Profit after tax from discontinued operations	6.7	17,314	–
Net profit for the period		233,880	209,666
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		566	(234)
Other		28	–
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement in investment in listed equities (net of tax)	7.1	(1,031)	(1,178)
Gain/(loss) on defined benefit plan	7.2	(4,423)	2,733
Other comprehensive income for the period		(4,860)	1,321
Total comprehensive income/(loss) attributable to equity holders		229,020	210,987
Total comprehensive income attributable to:			
Owners of the parent		216,369	210,987
Non-controlling interest		12,651	–
Total comprehensive income for the period		229,020	210,987
Earnings per share (in cents)			
Basic profit attributable to ordinary equity holders of the parent	2.5	$0.17	$0.24
Diluted profit attributable to ordinary equity holders of the parent	2.5	$0.16	$0.24
Earnings per share for continuing operations (in cents)			
Basic profit attributable to ordinary equity holders of the parent	2.5	$0.15	$0.24
Diluted profit attributable to ordinary equity holders of the parent	2.5	$0.15	$0.24

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 30 June 2019

	NOTE	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	3.1	256,121	36,375
Trade and other receivables	3.2	403,716	285,469
Program rights and inventories	3.3	267,690	190,427
Prepayments		36,327	19,657
Other assets	3.9	23,508	1,228
Assets held for sale – continuing operations	3.5	1,583	18,528
Assets held for sale – discontinued operations	6.7	90,772	-
Total current assets		1,079,717	551,684
Non-current assets			
Receivables	3.2	14,262	134,470
Program rights and inventories	3.3	109,902	69,865
Investments accounted for using the equity method	6.2	26,145	12,479
Other financial assets	7.1	5,949	4,468
Property, plant and equipment	3.5	165,322	106,516
Intangible assets	3.6	2,958,405	911,984
Prepayments		26,125	36,575
Defined benefit plan	7.2	23,231	25,584
Total non-current assets		3,329,341	1,301,941
Total assets		4,409,058	1,853,625
Current liabilities			
Trade and other payables	3.4	433,142	225,460
Interest-bearing loans and borrowings	4.1	195,375	–
Current income tax liabilities		47,723	35,632
Provisions	3.7	131,060	52,315
Derivative financial instruments	4.5	–	26,228
Liabilities held for sale – discontinued operations	6.7	58,061	–
Total current liabilities		865,361	339,635
Non-current liabilities			
Payables	3.4	72,639	34,123
Interest-bearing loans and borrowings	4.1	316,577	157,646
Deferred tax liabilities	5.2	314,380	173,049
Provisions	3.7	54,373	39,530
Derivative financial instruments	4.5	12,405	603
Total non-current liabilities		770,374	404,951
Total liabilities		1,635,735	744,586
Net assets		2,773,323	1,109,039
Equity			
Contributed equity	4.2	2,126,216	745,027
Reserves		5,652	5,409
Retained earnings		448,811	358,603
Total equity attributable to equity holders of the parent		2,580,679	1,109,039
Non-controlling interest		192,644	–
Total equity		2,773,323	1,109,039

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	CON-TRIBUTED 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-CON-TROLLING 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 7.6)	–	–	–	–	–	–	(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	–	–		–	–	–	221,229	221,229	12,651	233,880
Other comprehensive income/(loss) for the period	–	–	566	(5,454)	–	28	–	(4,860)	–	(4,860)
Total comprehensive income/(loss) for the period	**–**	**–**	**566**	**(5,454)**	**–**	**28**	**221,229**	**216,369**	**12,651**	**229,020**
Acquisition of subsidiaries (Note 6.1)	1,382,805	–	–	–	–	3,125	–	1,385,930	–	1,385,930
Recognition of NCI in subsidiaries	–	–	–	–	–	–	–	–	189,695	189,695
Vesting of Rights Plan shares (Note 4.4)	–	3,091	–	–	(3,091)	–	–	–	–	–
Purchase of shares	–	(4,707)	–	–	–	–	–	(4,707)	–	(4,707)
Share-based payment expense	–	–	–	–	5,069	–	–	5,069	–	5,069
Dividends to shareholders	–	–	–	–	–	–	(128,688)	(128,688)	(9,702)	(138,390)
At 30 June 2019	2,134,803	(8,587)	(1,058)	(6,218)	6,604	6,324	448,811	2,580,679	192,644	2,773,323
At 1 July 2017[1] (restated)	751,998	(3,371)	(1,390)	(2,319)	1,788	3,171	236,013	985,890	–	985,890
Profit for the period	–	–	–	–	–	–	209,666	209,666	–	209,666
Other comprehensive income/(loss) for the period	–	–	(234)	1,555	–	–	–	1,321	–	1,321
Total comprehensive income/(loss) for the period	**–**	**–**	**(234)**	**1,555**	**–**	**–**	**209,666**	**210,987**	**–**	**210,987**
Vesting of Rights Plan shares (Note 4.4)	–	1,061	–	–	(1,061)	–	–	–	–	–
Purchase of Shares	–	(4,661)	–	–	–	–	–	(4,661)	–	(4,661)
Share-based payment expense	–	–	–	–	3,899	–	–	3,899	–	3,899
Dividends to shareholders	–	–	–	–	–	–	(87,076)	(87,076)	–	(87,076)
At 30 June 2018	751,998	(6,971)	(1,624)	(764)	4,626	3,171	358,603	1,109,039	–	1,109,039

1. 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 year ended 30 June 2019

	NOTE	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		2,454,441	1,418,625
Payments to suppliers and employees		(2,166,544)	(1,226,086)
Dividends received – associates	6.2	880	1,000
Interest received		6,909	1,927
Interest and other costs of finance paid		(15,605)	(8,185)
Income tax paid		(58,511)	(26,194)
Net cash flows generated from operating activities	3.1	221,570	161,087
Cash flows from investing activities			
Purchase of property, plant and equipment		(26,524)	(22,666)
Purchase of other intangible assets		(35,979)	(8,981)
Proceeds on disposal of property, plant and equipment		28,172	134,544
Acquisition of subsidiaries, net of cash and acquisition costs	6.1	(7,362)	(40,147)
Loans to associates		(7,200)	(27,300)
Proceeds from sale of controlled entities	6.7	127,757	–
Net cash flows from investing activities		78,864	35,450
Cash flows from financing activities			
Net proceeds from borrowings		62,409	(135,125)
Purchase of rights plan shares		(4,707)	(4,661)
Dividends paid	4.3	(138,390)	(87,076)
Net cash flows used in financing activities		(80,688)	(226,862)
Net (decrease)/increase in cash and cash equivalents		219,746	(30,325)
Cash and cash equivalents at the beginning of the financial year		36,375	66,700
Cash and cash equivalents at the end of the period	3.1	256,121	36,375

This statement of cash flows includes the cash flows of both continuing and discontinuing operations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

1 About this Report

The financial report includes the consolidated entity consisting of Nine Entertainment Co. Holdings Limited (the "Company" or "Parent Entity") and its controlled entities (collectively, the "Group") for the year ended 30 June 2019.

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 are described in the Directors' Report. Information on the Group's structure is provided in Note 6. Information on other related party relationships is provided in Note 6.6

The consolidated general purpose financial report of the Group for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 22 August 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 Media Limited and its controlled entities' and Stan Entertainment Pty Limited's operating results from 7 December 2018 and all the net assets as at 30 June 2019. Refer Note 6.1 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 Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared using the going concern basis of accounting and the historical cost convention, 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 accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2018 annual report except as set out in Note 7.6. 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.

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.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

Note 3.3 Program rights and inventories

Note 3.6 Intangible assets

Note 3.7 Provisions – onerous contracts

Note 6.1 Business Combinations

1.3 The Notes to the Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business or it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

1. *About this report*: provides an introduction to the structure and preparation of the report.
2. *Group performance*: provides a breakdown of individual line items in the statement of profit or loss and other comprehensive income that the directors consider most relevant and the accounting policies, judgements and estimates relevant to understanding these line items;
3. *Operating assets and liabilities*: provides a breakdown of the key assets and liabilities and the accounting policies, judgements and estimates relevant to understanding these line items.
4. *Capital structure and management*: provides information about the capital management practices of the Group, shareholders return and the Group's exposure to various financial risks, how they affect the Group's performance and are managed;
5. *Taxation*: discusses the tax position of the Group;
6. *Group structure*: explains aspects of the Group structure and how changes have affected the financial position and performance of the Group; and
7. *Other*: provides information on items that require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements. However, these are not considered critical in understanding the historical financial performance or position of the Group.

2 Group Performance

2.1 Segment Information

	SEGMENT REVENUE		EBITDA BEFORE SPECIFIC ITEMS		DEPRECIATION AND AMORTISATION		EBIT BEFORE SPECIFIC ITEMS	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Broadcasting	1,160,344	1,152,944	225,867	238,223	(24,378)	(25,880)	201,488	212,343
Digital and Publishing	425,574	165,768	100,139	34,071	(22,141)	(10,860)	77,998	23,211
Domain Group	168,072	–	48,220	–	(19,823)	–	28,397	–
Stan	100,137	–	(4,866)	–	(6,636)	–	(11,502)	–
Segment total	1,854,127	**1,318,712**	369,360	**272,294**	(72,978)	**(36,740)**	296,381	**235,554**
Corporate	10,823	–	(16,641)	(16,212)	(731)	(2)	(17,371)	(16,214)
Associates	–	–	(2,857)	1,155	–	–	(2,857)	1,155
Total Group[1]	1,864,950	**1,318,712**	349,862	**257,237**	(73,709)	**(36,742)**	276,153	**220,495**

1. Includes intersegment revenue of $16,884,000 (2018: $548,000).

RECONCILIATION OF TOTAL GROUP REVENUE FROM CONTINUING OPERATIONS TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2019 $'000	2018 $'000
Total Group revenue (per above, refer to Note 2.2)	1,864,950	1,318,712
Inter-segment eliminations	(16,884)	(548)
Total Group revenue	1,848,066	1,318,164
Interest income	6,610	8,875
Net profit on sale of assets held for sale	12,126	76,906
Gain on consolidation of Stan (Refer to Note 6.1)	93,000	–
Net gain (loss) on disposal of investments and controlled entities	5,272	–
Revenue per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	1,965,074	1,403,945

2 Group Performance (continued)

2.1 Segment Information (continued)

RECONCILIATION OF EBIT BEFORE SPECIFIC ITEMS TO PROFIT AFTER TAX FROM CONTINUING OPERATIONS	NOTES	2019 $'000	2018 $'000
EBIT before specific items		276,153	220,495
Interest income		6,610	8,875
Finance costs		(17,132)	(11,121)
Income tax expense	5.1	(78,567)	(61,524)
Profit before specific items		187,064	156,725
Specific items	2.4	16,913	56,729
Income tax (expense)/benefit on specific items	2.4	12,589	(3,788)
Net profit/(loss) from operations after income tax expense		216,566	209,666

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 (2018: none).

ACCOUNTING POLICY

The results reflect the operations of the businesses acquired (refer Note 6.1) for the period from 7 December 2018. For the financial report for the year ended 30 June 2019, management have reviewed the segments 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 30 June 2019 are:

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

Segment performance is evaluated based on continuing operations segment earnings before interest tax depreciation and amortisation ("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 and are excluded when assessing the underlying performance of the business.

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.

2.2 Revenue and other income from continuing operations

2.2.(a) Revenue from contracts with customers

In the following table, revenue is disaggregated by major products/service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 2.1).

	BROADCASTING $'000	PUBLISHING $'000	DOMAIN GROUP $'000	STAN $'000	CORPORATE $'000	TOTAL $'000
Year ended 30 June 2019						
Advertising revenue	1,047,648	281,959	151,855	–	–	1,481,462
Subscription revenue	–	–	–	100,137	–	100,137
Affiliate revenue	70,450	–	–	–	–	70,450
Circulation revenue	–	124,787	–	–	–	124,787
Program Sales	16,190	–	–	–	–	16,190
Other revenue	26,056	18,828	16,217	–	10,823	71,924
Total revenue[1]	1,160,344	425,574	168,072	100,137	10,823	1,864,950

1. Includes intersegment revenue of $16,884,000.

	BROADCASTING $'000	PUBLISHING $'000	DOMAIN GROUP $'000	STAN $'000	CORPORATE $'000	TOTAL $'000
Year ended 30 June 2018						
Advertising revenue	1,029,456	153,799	–	–	–	1,183,255
Affiliate revenue	85,043	–	–	–	–	85,043
Other revenue	38,445	11,969	–	–	–	50,414
Total revenue[1]	1,152,944	165,768	–	–	–	1,318,712

1. Includes intersegment revenue of $548,000.

2 Group Performance (continued)

2.2 Revenue and other income from continuing operations (continued)

ACCOUNTING POLICY

Revenue

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in Note 7.6. Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

The Group recognises revenue only when the performance obligation is satisfied and the control of goods or services is transferred, typically at the point of being published, broadcast or streamed. Amounts disclosed as revenue are net of commissions, rebates, discounts and returns which are recognised when they can be reliably measured. All performance obligations are expected to be recognised within one year. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

The following specific recognition criteria must also be met before revenue is recognised:

TYPE OF SALES REVENUE	RECOGNITION CRITERIA
Advertising revenue	Broadcasting – Recognised by reference to when an advertisement has been broadcast and specific viewer metrics contained in the agreement with the customer have been met. Publishing and Domain – Revenue from advertising for newspapers, magazines and other publications is recognised on the publication date. Revenue from the provision of advertising on websites is recognised over the period the advertisements are placed. Revenue from the provision of property listings is accounted for as a single performance obligation, the provision of a listing being a distinct service. Revenue is recognised over the listing period.
Subscription revenue	Revenue from subscriptions for newspapers, magazines, other publications is recognised on the publication date. Revenue for digital subscriptions and Stan subscriptions is recognised over time.
Circulation revenue	Revenue from circulation for newspapers, magazines and other publications is recognised on the publication date.
Program sales revenue	Revenue from program sales and recoveries, including syndicated programming content, is recognised in the month that it is broadcast or as the program content is distributed.
Affiliate revenue	Revenue from affiliates is recognised on a monthly basis based on a percentage of revenue generated by the affiliate. Affiliate revenue relates to the Group's entitlement to a percentage advertising revenue derived by broadcast partners, payable to the Group as consideration for use of the Group's program inventory.
Other revenue includes: a. Transactional revenue	Recognised when the services are performed.
b. Non-trading revenue	Recognised when the services are performed.

TYPE OF OTHER INCOME	RECOGNITION CRITERIA
Other income includes:	
a. Dividends	Recognised when the right to receive payment has been established.
b. Interest	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).
c. Rental income	Recognised on a straight-line basis over the term of the lease.

2.3 Expenses from continuing operations

	2019 $'000	2018 $'000
Expenses		
Broadcasting	984,904	943,828
Publishing	347,576	–
Domain Group	144,209	–
Stan	113,189	–
Other	72,663	175,173
Total expenses from continuing operations	1,662,541	1,119,001
Included in the expenses above are the following:		
Depreciation and amortisation (excluding program rights)[1]	76,238	36,742
Salary and employee benefit expenses	544,326	384,040
Program rights	534,450	466,778
Total depreciation, salary and program rights	1,155,014	887,560
Finance Costs		
Interest on debt facilities	15,605	7,867
Amortisation of debt facility establishment costs	1,527	3,254
Total finance costs	17,132	11,121

1. Includes $2,529,000 of accelerated depreciation relating to prior years, reported as a specific item in the Group's accounts, reflecting the policy of a listed subsidiary.

ACCOUNTING POLICY

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.

2. Group Performance (continued)

2.4 Specific items

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

	2019 $'000	2018 $'000
Net profit on sale of assets held for sale[1]	9,408	76,906
Net impairment adjustment on merger of CarAdvice and Drive[2]	(17,739)	–
Program stock provision write up/(write down)[3]	–	1,720
Mark to market of derivatives (Notes 4.5 and 6.1)	–	(14,653)
Restructuring and termination costs (Note 3.7)[4]	(36,558)	(5,811)
Acquisition related costs[5] (Note 6.1)	(21,205)	–
Gain on consolidation of Stan (Note 6.1)	93,000	–
Other[6]	(9,993)	(1,433)
Net specific items profit/(expense) before tax from continuing operations	16,913	56,729
Income tax (expense)/benefit on specific items from continuing operations	12,589	(3,788)
Net specific items profit/(expense) after tax from continuing operations	29,502	52,941

1. 2019: relates entirely to net profit on sale of property held in Newcastle and other assets held for sale (2018: includes profit on disposal of sale of Willoughby and Tynte Street, Adelaide properties).
2. Relates to impairment of CarAdvice. Refer to Note 3.6.
3. Includes amounts payable for series cancellation costs, local program cancellation costs and program rights net recoverable value write-downs.
4. Includes redundancy costs in relation to the Fairfax merger and other restructuring and termination costs incurred during the year (2018: includes various restructuring costs for the Group).
5. 2019: includes costs related to the acquisition of Fairfax (excluding redundancies) (2018: Nil).
6. 2019: includes specific items associated with listed subsidiaries and settlements relating to prior years.

2.5 Earnings per share

	2019	2018
From continuing and discontinuing operations (in cents)		
Basic and diluted earnings per share before specific items[1]	$0.14	$0.18
Basic earnings per share after specific items	$0.17	$0.24
Diluted earnings per share after specific items[1]	$0.16	$0.24
Profit/(Loss) attributable to the ordinary equity holders of the Group used in calculating the basic and diluted earnings per share ($'000) from continuing and discontinuing operations	221,229	209,666
From continuing operations (in cents)		
Basic and diluted earnings per share before specific items[1]	$0.13	$0.18
Basic earnings per share after specific items	$0.15	$0.24
Diluted earnings per share after specific items[1]	$0.15	$0.24
Profit/(Loss) attributable to the ordinary equity holders of the Group used in calculating the basic and diluted earnings per share ($'000)	204,135	209,666
Weighted average number of ordinary shares for basic earnings per share ('000)	1,337,721	870,351
Effect of dilution:		
Rights Plan shares under the performance rights plan (Note 4.4) ('000)	7,932	7,137
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	1,345,653	877,488

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

ACCOUNTING POLICY

Basic 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, as adjusted for shares held in Trust (refer to Note 4.4).

Diluted Earnings Per Share

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

3 Operating assets and liabilities

3.1 Cash and cash equivalents

	2019 $'000	2018 $'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	256,121	36,375
Total cash and cash equivalents	256,121	36,375
b. Reconciliation of profit after tax to net cash flows from operations:		
Profit after tax from continuing operations	216,566	209,666
Profit after tax from discontinuing operations	17,314	–
Profit on sale of properties	(9,408)	(76,906)
Depreciation and amortisation	83,438	36,742
Impairment of assets	17,739	–
Share based expense	5,069	3,899
Share of associates net profit	2,857	1,000
Mark to market on derivatives	241	14,653
Derivative interest unwinding	1,100	623
Gain on consolidation of Stan	(93,000)	–
Other non-cash items	–	(522)
Changes in assets and liabilities:		
Trade and other receivables	63,363	(34,063)
Program rights and inventories	7,090	(6,616)
Prepayments and other assets	533	18,724
Trade and other payables	(62,379)	(25,995)
Provision for income tax	(4,038)	48,279
Provision for employee entitlements	(36,136)	2,834
Other provisions	(8,521)	(21,830)
Deferred income tax liability	19,742	(9,177)
Foreign currency movements in assets and liabilities of overseas controlled entities	–	(224)
Net cash flows from operating activities	221,570	**161,087**

3.1.(a) Changes in liabilities from financing activities

	LIABILITIES
	INTEREST BEARING LIABILITIES $'000
At 1 July 2018	**157,646**
Net cash flows	**62,409**
Debt acquired on acquisition (Refer Note 6.1)	**291,898**
At 30 June 2019	**511,953**
At 1 July 2017	**291,175**
Net cash flows	**(135,125)**
Other changes (liability related)	**1,596**
At 30 June 2018	**157,646**

ACCOUNTING POLICY

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand, deposits held at call with financial institutions and other short-term investments with original maturities of three months or less that are readily convertible to cash and subject to insignificant risk of changes in value. Bank overdrafts are shown within interest bearing liabilities in current liabilities on the Consolidated Statement of Financial Position.

3.2 Trade and other receivables

	2019 $'000	2018 $'000
Current		
Trade receivables	384,386	265,589
Allowance for expected credit loss	(3,507)	(775)
	380,879	264,814
Related party receivables (Note 6.6)	3,457	1,634
Other receivables	19,380	19,021
Total current trade and other receivables	403,716	285,469
Non-current		
Loans to related parties (Note 6.6)	5,421	130,018
Other	8,841	4,452
Total non-current trade and other receivables	14,262	134,470

A net charge from the allowance for expected credit loss ("ECL") of $74,169 (2018: $97,000) has been recognised by the Group in the current period.

3 Operating assets and liabilities (continued)

3.2 Trade and other receivables (continued)

The ageing analysis of trade receivables not considered impaired is as follows:

	TOTAL	NOT PAST DUE	PAST DUE BUT NOT IMPAIRED <30 DAYS	31-60 DAYS	>61 DAYS
2019	380,879	339,232	24,794	9,124	7,729
2018	264,814	245,746	11,724	2,914	4,430

ACCOUNTING POLICY

Trade receivables are recognised and carried at original invoice amount less an allowance for expected credit loss. They are non-interest bearing and are generally on 30 to 60 day terms.

Expected credit losses for trade receivables are initially recognised based on the Group's historical observed default rates. If appropriate, the Group will adjust the historical credit loss with forward-looking information. For instance, if forecast economic conditions are expected to materially deteriorate over the next year, which could lead to an increased number of defaults in debtors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Expected credit losses for individual trade receivables are recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original trade terms. 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. 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.

3.3 Program rights and inventories

	2019 $'000	2018 $'000
Current		
Program rights – cost less accumulated amortisation and impairment	250,648	177,179
Inventories	17,042	13,248
Total current program rights and inventories	267,690	190,427
Non-current		
Program rights – cost less accumulated amortisation and impairment	109,902	69,865
Total non-current program rights	109,902	69,865

ACCOUNTING POLICY

Program Rights

The Group recognises program rights which are available for use. Television programs which are available for use, including those acquired overseas, are recorded at cost less amounts charged to the Statement of Profit or Loss and Other 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.

Inventories

Inventories are carried at lower of cost or net realisable value ("NRV"). The NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The methods used to determine cost for the main items of inventory are:

- raw materials (comprising mainly newsprint and paper on hand) are assessed at average cost and newsprint and paper in transit by specific identification cost;
- finished goods and work in progress are assessed as the cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity; and
- in the case of other inventories, cost is assigned by the weighted average cost method.

Key judgements, estimates and assumptions

The assessment of the appropriate carrying value of program rights and inventories 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.

3.4 Trade and other payables

	2019 $'000	2018 $'000
Current – unsecured		
Trade and other payables	228,524	121,323
Program contract payables	151,488	96,226
Deferred income[1]	53,130	7,911
Total current trade and other payables	433,142	225,460
Non-current – unsecured		
Program contract payables	58,470	26,668
Deferred income[1]	14,169	7,455
Total non-current trade and other payables	72,639	34,123

1. $36,122,000 was recognised in deferred income as a result of the acquisition of Fairfax Media Limited.

ACCOUNTING POLICY

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. Terms of trade in relation to trade payables are, on average, 30 to 60 days from the date of invoice. Program contract payables are settled according to the contract negotiated with the program supplier.

Deferred income represents the fair value of cash received for revenue relating to future periods.

3 Operating assets and liabilities (continued)

3.5 Property, plant and equipment

	FREEHOLD LAND AND BUILDINGS $'000	LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	WORK IN PROGRESS $'000	LEASED PLANT AND EQUIPMENT $'000	TOTAL PROPERTY, PLANT AND EQUIPMENT $'000
Year ended 30 June 2019						
At 1 July 2018, net of accumulated depreciation and impairment	7,914	10,630	78,370	9,602	–	106,516
Acquisition of subsidiaries (Note 6.1)	9,026	27,107	30,128	190	–	66,451
Additions	131	660	10,699	12,623	–	24,113
Transfer from construction work in progress	–	–	2,059	(2,059)	–	–
Disposals	(28)	(64)	(362)	–	–	(454)
Depreciation expense	(559)	–	(25,787)	–	–	(26,346)
Amortisation expense	–	(4,958)	–	–	–	(4,958)
At 30 June 2019, net of accumulated depreciation and impairment	16,484	33,375	95,107	20,356	–	165,322
Year ended 30 June 2018						
At 1 July 2017, net of accumulated depreciation and impairment	13,569	12,694	87,719	15,307	–	129,289
Additions	9	63	15,525	7,348	–	22,945
Transfer from construction work in progress	–	–	13,053	(13,053)	–	–
Disposals	–	–	(57)	–	–	(57)
Depreciation expense	(514)	–	(24,492)	–	–	(25,006)
Amortisation expense	–	(2,127)	–	–	–	(2,127)
Transfer to assets held for sale[1]	(5,150)	–	(13,378)	–	–	(18,528)
At 30 June 2018, net of accumulated depreciation and impairment	**7,914**	**10,630**	**78,370**	**9,602**	**–**	**106,516**
At 30 June 2019						
Cost (gross carrying amount)	23,912	57,810	421,752	20,356	96	523,926
Accumulated depreciation and impairment	(7,428)	(24,435)	(326,645)	–	(96)	(358,604)
Net carrying amount	**16,484**	**33,375**	**95,107**	**20,356**	**–**	**165,322**
At 30 June 2018						
Cost (gross carrying amount)	14,783	30,107	379,087	9,602	129	433,708
Accumulated depreciation and impairment	(6,869)	(19,477)	(300,717)	–	(129)	(327,192)
Net carrying amount	**7,914**	**10,630**	**78,370**	**9,602**	**–**	**106,516**

1. **Assets held for sale in 2019**
Assets held for sale relates solely to land and buildings held in Perth.

Assets held for sale in 2018

Assets held for sale included $13.9 million in respect of the National Playout Centre. The remaining assets held for sale for the year ended 30 June 2018 related to assets held in Newcastle and Perth. Contracts for the sale of the National Playout Centre and Newcastle assets had been entered into as at 30 June 2018 with completion post year-end. The net proceeds for the National Playout Centre were in line with its carrying value, with a gain on sale expected with the disposal of Newcastle assets.

ACCOUNTING POLICY

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 60 years;
- other production equipment – up to 15 years;
- leasehold improvements – lease term;
- plant and equipment – 2 to 15 years; and
- computer equipment – up to 6 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. The recoverable amount is the greater of fair value less costs to sell and value in use. The recoverable amounts are based on the present value of expected future cash flows. 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.

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 Profit or Loss and Other Comprehensive Income in the year the item is derecognised.

Assets held for sale

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 no distribution rather than through continuing use. Such non-current assets and disposal 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. 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.

3 Operating assets and liabilities (continued)

3.6 Intangible assets

	GOODWILL $'000	LICENCES $'000	MASTHEADS AND BRAND NAMES $'000	OTHER[1] $'000	TOTAL $'000
Year ended 30 June 2019					
At 1 July 2018, net of accumulated amortisation and impairment	416,520	477,784	–	17,680	911,984
Acquisition of subsidiaries (Note 6.1)	1,122,355	146,298	563,681	249,735	2,082,069
Purchases	–	–	–	32,708	32,708
Disposals	(3,217)	–	–	(507)	(3,724)
Impairment	(18,910)	–	(788)	–	(19,698)
Amortisation expense	–	–	–	(44,934)	(44,934)
At 30 June 2019, net of accumulated amortisation and impairment	1,516,748	624,082	562,893	254,682	2,958,405
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 6.1)	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 30 June 2019					
Cost (gross carrying amount)	2,642,819	1,596,651	563,681	338,380	5,141,531
Accumulated amortisation and impairment	(1,126,071)	(972,569)	(788)	(83,698)	(2,183,126)
Net carrying amount	1,516,748	624,082	562,893	254,682	2,958,405
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 customer relationships of $177.5 million and capitalised development costs of software of $77.2 million being, in part, an internally generated intangible asset.

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

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

	GOODWILL $'000	LICENCES $'000	MASTHEADS AND BRAND NAMES $'000
30 June 2019			
Nine Network	301,913	466,784	–
NBN	3,300	11,000	–
Nine Digital[1]	110,710	–	–
Stan[2]	315,302	–	71,452
Domain[2]	620,261	–	407,028
Metropolitan Media[2]	124,444	–	84,413
Macquarie Media[2]	40,818	146,298	–
Total goodwill and non-amortising intangibles as at 30 June 2019	1,516,748	624,082	562,893
30 June 2018			
Nine Network	301,913	466,784	–
NBN	3,300	11,000	–
Nine Digital[1]	111,307	–	–
Total goodwill and non-amortising intangibles as at 30 June 2018	416,520	477,784	–

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

2. New CGUs as a result of the merger with Fairfax. Refer to Note 6.1 for details of acquisition.

3.6(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 value in use calculations using discounted cash flow projections based on financial forecasts covering a five-year period with a terminal growth rate applied thereafter, with the exception of the Domain CGU Group which is based on fair value less cost of disposal calculations using cash flow projections for up to ten years and a terminal growth rate applied thereafter. The Group determined Nine Network, NBN, Domain, Macquarie Radio, Metropolitan Media, Stan and each of the components of Nine Digital (Nine Digital Pty Ltd, Pedestrian TV and CarAdvice) to be CGUs.

The Group performed its annual impairment test in June 2019 for each CGU, except for Stan. Stan was valued as part of the allocation of fair value exercise following the acquisition of Fairfax (refer note 6.1). At 30 June 2019 Management assessed whether there were any indicators of impairment for Stan and have determined that there was none.

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 industries in which the CGUs operate. Management has applied its best estimates to each of these variables but cannot warrant their outcome.

3.6(c) Impairment losses recognised

As a result of the analysis performed, there is headroom in the Group's CGUs and management did not identify an impairment charge for any of the CGUs (2018: Nil) other than CarAdvice. Impairment analysis conducted at 30 June 2019 did not support the carrying value of the increased goodwill in CarAdvice following the accounting for the acquisition of the remaining shares in Drive not previously owned (refer to Note 6.1). Therefore, goodwill was written off in the statement of profit and loss and other comprehensive income, offsetting an accounting gain that arose on consolidation resulting in a net charge of $17.7 million to the statement of profit and loss and other comprehensive income. This has been disclosed as a specific item in Note 2.4.

3 Operating assets and liabilities (continued)

3.6 Intangible assets (continued)

3.6(d) Key assumptions

The key assumptions on which management has based its cash flow projections when determining the value in use 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 single-digit decline in the market in the short-term followed by a flat market in the medium term.
- Nine Network's share of the metro free-to-air advertising market in future years is estimated after consideration of recent audience performance in key demographics and revenue share performance and the impact of investment in prime time programming.
- 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 2018: 1.0%).
- The pre-tax discount rate applied to the cash flow projections was 13.72% (30 June 2018: 13.9%) 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 value in use 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 to medium term.
- The pre-tax discount rate applied to the cash flow projections was 14.24% (30 June 2018: 14.2%) which reflects management's best estimate of the time value of money and the risks specific to the regional free-to-air television market not already reflected in the cash flows.
- Terminal growth rate of 0.0% (30 June 2018: 0.0%).

The key assumptions on which management has based its cash flow projections when determining the value in use calculations for Nine Digital are as follows:

- The digital industry in terms of digital advertising grows consistent with industry market participant expectations.
- Expenditure is assumed to increase over the life of the model, to support the forecast growth in revenue.
- The pre-tax discount rate applied to the cash flow projections was 15.76% (30 June 2018: 15.5%) which reflects management's best estimate of the time value of money and the risks specific to the Nine Digital industry.
- Terminal growth rate of 2% (30 June 2018: 2.0%).

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

- Revenue growth is in line with digital business industry trends, market maturity and management's expectations of market development.
- Management forecasts the operating costs based on the current structure of the business and does not reflect any future restructurings or cost-saving measures.
- The pre-tax discount rate applied to the cash flow projections was 12.50% which reflects current market assessment of the time value of money and the risks specific to the relevant market in which the CGU operates.
- Terminal growth rate of 2.5% consistent with industry forecasts specific to the CGU.

The key assumptions on which management has based its cash flow projections when determining the value in use calculations for Metropolitan Media are as follows:

- Revenue is forecast to show single-digit declines in the short to medium term, based on the market maturity and is in line with industry trends and management's expectation of market development.
- Expenses are forecast to remain relatively flat over the period of the model.
- The pre-tax discount rate applied to the cash flow projections was 19.05% which reflects current market assessment of the time value of money and the risks specific to the relevant segments and countries in which the CGU operates.
- Terminal growth rate of 0% consistent with industry forecasts specific to the CGU.

The key assumptions on which management has based its cash flow projections when determining the value in use calculations for Macquarie Media are as follows:

- Revenue is based on assumptions around market growth and market share by station, taking into account past performance and trends.
- The pre-tax discount rate applied to the cash flow projections was 17.77% which reflects current market assessment of the time value of money and the specific risk within the cash flow projections applicable to the relevant licence.
- Terminal growth rate of 2.5% consistent with industry forecasts specific to the CGU.

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.

3.6(e) Sensitivity

The estimated recoverable amounts of the CGUs represent Management's assessment of future performance based on historical performance and expected future economic and industry conditions.

The recoverable amount of the Nine Network and NBN CGUs are in excess of the carrying amounts of intangible and tangible assets of the respective CGUs. The excess is deemed to relate to previously impaired goodwill, which cannot be reversed according to Australian Accounting Standards. Any reasonable adverse change in key assumptions would not lead to impairment.

The estimated recoverable amount of the Core Digital and PedestrianTV CGUs are in excess of the carrying amount of intangible assets. Any reasonable adverse change in key assumptions would not lead to impairment in Core Digital and PedestrianTV.

The estimated recoverable amount of CarAdvice is equal to the carrying amount of the intangible assets, following the impairment previously discussed. Any adverse change in the assumptions will result in additional impairment being recognised for CarAdvice.

The estimated recoverable amount and carrying amount of the Domain CGU is consistent. As such, any detrimental change in key assumptions would result in an impairment.

The estimated recoverable amount of the Metropolitan Media and Macquarie Media CGUs are in excess of the carrying amount of intangible and tangible assets. Any reasonable adverse change in key assumptions would not lead to impairment.

ACCOUNTING POLICY

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.

Licences

Licences are carried at cost less any accumulated impairment losses. The Directors regularly assess the carrying value of licences 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.

Mastheads and Brand names

The Group's mastheads and brand names operate in established markets with limited licence conditions and are expected to continue to complement the Group's new media initiatives. On this basis, the Directors have determined that the majority of mastheads and brand names have indefinite useful lives as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. These assets are not amortised but are tested for impairment annually.

Customer Relationships

Customer relationships purchased in a business combination are amortised on a straight-line basis over their useful lives, which are between two and 12 years.

3 Operating assets and liabilities (continued)

3.6 Intangible assets (continued)

ACCOUNTING POLICY 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.

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.

Intangible assets, excluding development costs, created within the business are expensed in the year in which the expenditure is incurred.

Only intangible assets with a finite life are amortised.

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 Profit or Loss and Other Comprehensive Income when the net asset is derecognised.

Key judgements, estimates and assumptions

The Group determines whether goodwill, and other identifiable intangible assets with indefinite useful lives are impaired at least on an annual basis. Other intangible assets are reviewed at least annually to determine whether any indicators of impairment exist, and if necessary an impairment analysis is performed. Impairment testing requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and other intangible assets with indefinite useful lives are allocated. Refer above for key assumptions used.

3.7 Provisions

	EMPLOYEE ENTITLEMENTS $'000	ONEROUS CONTRACTS $'000	OTHER[1,3] $'000	TOTAL $'000
At 1 July 2018	62,845	18,412	10,588	91,845
Acquisition of subsidiaries (Note 6.1)[2]	55,405	141	52,099	107,645
Amounts provided/(Utilised) during the period	(5,059)	4,235	(13,233)	(14,057)
At 30 June 2019	113,191	22,788	49,454	185,433
Represented by:				
Current	81,791	16,075	33,194	131,060
Non-current	31,400	6,713	16,260	54,373
Total at 30 June 2019	113,191	22,788	49,454	185,433

1. Included in other provisions are provision for properties (make good and deferred leases) of $18.9 million, provision for defamation of $9.3 million, provision for redundancies of $1.6 million, and provision of services to be provided to Nine Live following its disposal.
2. Balances of provisions of subsidiaries acquired during the period. Refer Note 6.1 for details.
3. Includes current contingent consideration of $11.7 million and non-current contingent consideration of $2.8 million in respect of Domain's acquisition of Commercialview.com.au Limited (refer to Note 6.1)

	EMPLOYEE ENTITLEMENTS $'000	ONEROUS CONTRACTS $'000	OTHER $'000	TOTAL $'000
At 1 July 2017	60,011	3,991	19,962	83,964
Amounts provided/(Utilised) during the period	2,834	14,421	(9,374)	7,881
At 30 June 2018	62,845	18,412	10,588	91,845
Represented by:				
Current	37,174	8,645	6,496	52,315
Non-current	25,671	9,767	4,092	39,530
Total at 30 June 2018	62,845	18,412	10,588	91,845

ACCOUNTING POLICY

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.

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.

Onerous contracts

The Group is carrying provision for onerous contracts, where due to changes in market conditions, the expected benefit is lower than the committed contractual terms. This includes an onerous provision for the cost of the rent for Willoughby (and other property related costs) which the Group considered to be in excess of a market rent as part of a sale and lease back transaction.

3 Operating assets and liabilities (continued)

3.7 Provisions (continued)

ACCOUNTING POLICY continued

Other

Other provisions include 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 two years.

The current year provision also includes make good provisions, deferred lease incentives and onerous lease provisions. The make good provisions and deferred lease incentives are amortised over the shorter of the term of the lease or the useful life of the assets, being up to 20 years.

Property leases are considered to be an onerous contract if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where a decision has been made to vacate the premises or there is excess capacity and the lease is considered to be onerous, a provision is recorded.

The current year provision also includes amounts payable in connection with restructuring, including termination benefits, on-costs, outplacement and consultancy services. Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Other provisions include defamation and various other costs relating to the business. Defamation provisions are based on management estimates of the costs expected to be incurred.

Key judgements, estimates and assumptions

Onerous contract provisions

The Group has recognised an onerous contract provision in relation to the Willoughby sale and leaseback. The provision is calculated as the excess of the cost of the lease (and other property-related costs) over what the Group considers to be market cost.

3.8 Commitments

	<1 YEAR $'000	1-5 YEARS $'000	>5 YEARS $'000	TOTAL $'000
Year ended 30 June 2019				
Capital expenditure	49,369	1,200	–	50,569
Operating lease commitments – Group as lessee	71,056	170,252	149,587	390,895
Operating lease commitments – Group as lessor[1]	(11,355)	(18,066)	–	(29,421)
Television and Subscription Video on Demand program and sporting broadcast rights	277,856	599,022	–	876,878
Total Commitments	386,926	752,408	149,587	1,288,921

	<1 YEAR $'000	1-5 YEARS $'000	>5 YEARS $'000	TOTAL $'000
Year ended 30 June 2018				
Capital expenditure	18,430	2,010	–	20,440
Operating lease commitments – Group as lessee	33,371	74,576	71,864	179,811
Operating lease commitments – Group as lessor[1]	–	–	–	–
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

1. The Group has commercial subleases on office premises and amounts disclosed above represent the future minimum rentals receivable under non-cancellable operating leases at the year-end.

The Group has entered into two Agreements for Lease with Winten Property Group to move the Sydney operations to 1 Denison Street, North Sydney. The parties to the current agreements are required to enter lease agreements 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, in respect of 10 floors and late 2020 in respect of a further 4 floors. 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 $17.9 million per annum (with an annual increase which approximates CPI). The minimum lease term is expected to be 12 years (from first commencement) 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.

ACCOUNTING POLICY

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.

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

3.9 Other Assets

	2019 $'000	2018 $'000
Current		
Deferred consideration – sale of subsidiaries	10,000	–
Other	13,508	1,228
Total other assets	23,508	1,228

ACCOUNTING POLICY

Deferred consideration is classified as an asset or liability that is a financial instrument and is within the scope of *AASB 9 Financial Instruments.*

It is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9.

4 Capital structure and management

4.1 Interest-bearing Loans and Borrowings

	2019 $'000	2018 $'000
Current		
Bank facilities unsecured[1]	195,375	–
Total non-current interest-bearing loans and borrowings	195,375	–
Non-current		
Bank facilities unsecured[1]	316,577	157,646
Total non-current interest-bearing loans and borrowings	316,577	157,646

1. Bank facilities include unamortised financing costs of $2,060,000 (2018: $2,354,000).

During the period the Group entered into a syndicated bank facility of $200 million which will mature in June 2020. At 30 June 2019, $195.6 million of the facility was drawn. Syndicated bank facilities totalling $650 million (2018: $450 million) are available to the Group for its 100% owned subsidiaries with varying maturities from February 2020 to February 2023. At 30 June 2019, $315.6 million of these facilities were drawn (2018: $160,000,000). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

On acquisition of Fairfax (Refer Note 6.1) and included in the table above, 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 October 2020 and October 2021. At 30 June 2019, $163 million was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.
- A $45.0 million revolving cash advance facility is available to a controlled entity, Macquarie Media Limited, until September 2020. At 30 June 2019, $35.8 million was drawn. The floating interest rate is reset every 30 days.

A $25.95 million bank guarantee facility is also available to the Group's 100% owned subsidiaries on a rolling annual basis. As at 30 June 2019, $14,648,454 was drawn (2018: $11,725,000).

A $6 million revolving cash advance facility is available to the Group on a rolling annual basis. At 30 June 2019 the facility was not drawn (2018: 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.

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 2019.

ACCOUNTING POLICY

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.

4.2 Share capital

	2019 $'000	2018 $'000
Issued share capital		
Ordinary shares authorised and fully paid	2,126,216	745,027
	2,126,216	745,027
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the financial period	745,027	748,627
Purchase of Rights Plan shares	(4,707)	(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 6.1)	1,382,805	–
Carrying amount at the end of the financial year	2,126,216	745,027

	30 JUNE 2019 NO. OF SHARES	30 JUNE 2018 NO. OF SHARES
Balance at beginning of the financial period	871,373,191	871,373,191
Issue of ordinary shares fully paid through acquisition of Fairfax Media Limited (Note 6.1)	834,020,062	–
Balance at the end of the financial period	1,705,393,253	871,373,191

At 30 June 2019, a trust controlled by the Company held 2,756,094 (30 June 2018: 2,614,950) ordinary fully paid shares in the Company. During the year, 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 of winding up or sale of the Company in proportion to the number of shares held.

ACCOUNTING POLICY

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 Plan 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.

4 Capital structure and management (continued)

4.3 Dividends paid and proposed

4.3(a) Dividends appropriated during the financial year

During the year Nine Entertainment Co. Holdings Limited ("Nine") paid an interim dividend of 5.0 cents per share, fully franked (amounting to $85,131,858) in respect of the year ended 30 June 2019 and a final dividend of 5.0 cents per share, fully franked (amounting to $43,557,105) in respect of the year ended 30 June 2018.

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

The final cash dividend fully franked, proposed for 2019 of 5.0 cents per share amounts to $85,131,858 (2018: final dividend, fully franked of 5.0 cents per share amounting to $43,557,105).

4.3(c) Franking credits available for subsequent years

The franked dividends declared after 30 June 2019 will be franked out of existing franking credits or out of franking credits arising from the receipt of franked dividends and the payment of tax in the year ending 30 June 2020. The franking credits available for subsequent years as at 30 June 2019 was $8,203,764 (2018: $38,067,759). This balance represents the franking account balance as at 30 June 2019. After adjusting for franking credits which arise from the payment of income tax payable balances as at the end of the financial year, the franking account balance is $18,737,853.

Nine had an exempting account balance of $41,069,000 for the year ended 30 June 2019 (2018: $41,069,000). Nine became a former exempting entity as a consequence of the IPO in December 2013. As a result, Nine'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.

ACCOUNTING POLICY

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.

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 on pages 32 to 52.

The total expense recognised for share-based payments during the financial year for the Group was $5,068,733 (2018: $3,899,000), including $1,320,669 in relation to a non-wholly owned subsidiary.

Movement during the year

The following table sets out the number of Rights outstanding as at 30 June.

	2019 NUMBER	2018 NUMBER
Outstanding at 1 July	7,189,072	7,544,012
Granted during the year	2,286,747	3,205,820
Forfeited during the year[1]	(208,497)	(694,031)
Vested[2]	(3,950,811)	(2,233,182)
Lapsed during the year	–	(633,547)
Outstanding at 30 June[3]	5,316,511	7,189,072

1. These Rights were forfeited by executives that left during the year.
2. These Rights vested subsequent to 30 June but were measured based on performance up to 30 June. This includes 455,712 (2018: 360,829 Rights) in relation to executives that left in prior years which will be cash-settled.
3. This includes 181,458 (2018: 341,095 Rights) in relation to executives that left in prior years which will be cash-settled if they vest at the end of the testing period.

During the year ended 30 June 2019, the Group granted 486,539 shares to senior management as part payment of their short-term incentives for the year ended 30 June 2018. The total cost of $1,060,874 was expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year ended 30 June 2018.

ACCOUNTING POLICY

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. 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.

4.5 Financial instruments

4.5(a) Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash and short-term deposits and credit facilities (refer to Notes 3.1 and 4.1). 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. Derivative instruments that the Group uses to hedge risks such as interest rate, foreign currency and commodity price movements include:

- Interest rate swaps; and
- forward foreign currency contracts.

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

4.5(b) 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; and
- compliance with all financial covenants.

Where excess funds arise with respect to the funds required to enact the Group's business strategies, consideration is given to increased dividends or buyback of shareholder equity.

4.5(b)(i) 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	3.1
Trade and other receivables	3.2
Trade and other payables	3.4

4 Capital structure and management (continued)

4.5 Financial instruments (continued)

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 2019.

Level 1: Investment in listed equities (refer to Note 7.1).

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

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

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

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

		2019		2018	
	NOTE	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Derivative financial liabilities					
Option over controlled entity – current*	6.3	–	–	26,228	26,228
Option over controlled entity – non-current	6.3	12,405	12,405	603	603
Total derivative financial instruments – liabilities		12,405	12,405	26,831	26,831
Loan facilities – current					
Syndicated facility secured – at amortised cost	4.1	195,375	195,375		
Loan facilities – non-current					
Syndicated facility unsecured – at amortised cost	4.1	316,577	316,577	157,646	157,646
Total loan facilities		511,952	511,952	157,646	157,646

* (2018: Option in relation to the acquisition of the remaining 40.78% shares in CarAdvice, which the Group exercised in November 2018).

4.5(b)(ii) 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.

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)							
	2019				2018			
	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 6.3) — current	–	–	–	–	26,228	–	–	–
Option over controlled entity (Note 6.3) — non-current	–	12,405	–	–	–	603	–	–
Other financial assets[1]								
Cash assets	256,121	–	–	–	36,375	–	–	–
Trade and other receivables	403,716	4,731	9,531	–	285,469	4,973	165,800	–
Other financial liabilities[1]								
Trade and other payables	433,142	72,639	–	–	225,460	25,460	7,262	1,401
Contingent consideration	11,650	2,812	–	–	–	–	–	–
Debt facilities (including interest)[2]	208,974	271,431	48,868	–	5,300	134,094	35,774	–

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 2019 remains drawn until the facilities mature.

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.

4 Capital structure and management (continued)

4.5 Financial instruments (continued)

	2019				2018			
	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	256,121	–	256,121	2.0	36,375	–	36,375
Trade and other receivables	N/A	N/A	417,978	417,978	5.86	126,916	293,023	419,939
Financial liabilities								
Trade and other payables	N/A	N/A	505,781	505,781	N/A	N/A	259,583	259,583
Syndicated facilities – at amortised cost	2.65	511,952	–	511,952	3.31	157,646	–	157,646

Interest rate sensitivity analysis

There will be no material impact on net profit after tax if interest rates were higher or lower by 1% with all other variables held constant. A sensitivity of 1% was selected as it is considered reasonable given the current level of both the short-term and long-term Australian financial market.

4.5(c) 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. Refer Note 3.2 for details on the Group's policy on impairment, its ageing analysis of trade receivables and the allowance for expected credit losses.

4.5(c)(i) 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.

4.5(c)(ii) 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.

ACCOUNTING POLICY

The Group uses derivative financial instruments such as foreign currency contracts 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.

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, 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. Any adjustment to the carrying amount of a hedged interest-bearing financial instrument is recognised over the remaining term of the hedging relationship using the Effective Interest Rate method.

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.

5 Taxation

5.1 Taxes

	2019 $'000	2018 $'000
Current tax expense/(benefit)	46,236	74,489
Deferred tax expense relating to the origination and reversal of temporary differences	19,742	(9,177)
Income tax expense	65,978	65,312
Reconciliation of tax expense to prima facie tax payable		
Profit/(loss) from continuing operations	282,544	274,978
Prima facie income tax/(benefit)expense at the Australian rate of 30%	84,763	82,493
Tax effect of:		
Share of associates' net profits	918	(347)
Difference between tax and accounting profit from disposal of properties	3,285	(18,243)
Non-assessable gain on the consolidation of Stan (refer to Note 2.4)	(27,900)	–
Deferred tax liability movement in investment and tangible assets	–	(8)
Impairment and write-down of investments and revaluation of derivative financial instruments	6,636	4,583
Adjustments in respect of current tax of prior years	(945)	(1,057)
Post, digital and visual effects offset	(1,396)	(2,047)
Research and development tax offset	(1,411)	(2,020)
Other items – net	2,028	1,958
Income tax expense	65,978	65,312

5.2 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Employee benefits provision	33,958	15,071	(763)	123
Other provisions and accruals	27,720	20,869	(7,097)	843
Property, plant and equipment	(9,183)	1,321	(7,721)	–
Intangible assets	(376,049)	(139,918)	848	1,676
Tax losses	69,000	–	–	–
Business related costs deductible over five years	15,042	168	1,289	–
Accelerated depreciation – program stock	(78,714)	(73,843)	(4,870)	14,270
Other	3,846	3,283	(1,428)	(7,735)
Net deferred income tax liabilities	(314,380)	(173,049)	(19,742)	9,177

ACCOUNTING POLICY

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

Nine Entertainment Co. Holdings Limited ("Nine") and its 100% owned Australian subsidiaries are part of a tax consolidated group. As a result, 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.

Nine has recognised the current tax liability of the tax consolidated group.

Members of the tax consolidated group are part of 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. 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.

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.

6 Group Structure

6.1 Business Combinations

Acquisitions for the year ended 30 June 2019

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		77,914
Receivables	(i)	181,807
Assets held for sale		9,469
Income tax receivable		15,895
Other financial assets		2,471
Equity accounted investments		2,161
Other assets		17,000
Property, plant and equipment		64,532
Defined benefits		1,843
Finite life intangible assets		205,057
Indefinite life intangible assets		637,453
50% interest in Stan (including goodwill)		237,400
Assets held for sale – discontinued operations	(ii)	298,734
Total assets		1,751,736
Liabilities		
Payables		(129,140)
Interest bearing liabilities		(291,898)
Current tax liabilities		(17,790)
Provisions		(107,646)
Deferred tax liabilities		(204,254)
Liabilities held for sale – discontinued operations	(ii)	(140,453)
Total liabilities		(891,181)
Total net assets		860,555
Non-controlling interest measured at its share of identifiable net assets		(185,309)
Goodwill		782,046
Purchase consideration		1,457,292

(i) Trade receivables acquired with a fair value of $181,807,000 had a gross contractual amount of $191,457,000 and based on estimate at acquisition date $2,462,318 is not expected to be collected.

(ii) Following the acquisition, Stuff NZ, Australian Community Media ("ACM") (including print operations) and Events businesses qualify and were held for sale and discontinued operations. In May 2019, the Group completed the sale of the Events businesses and ACM was disposed on 30 June 2019. Refer to Note 6.7.

STAN ENTERTAINMENT PTY LTD	FAIR VALUE RECOGNISED ON ACQUISITION $'000
Assets	
Cash and cash equivalents	33,582
Inventories	108,336
Indefinite life intangibles	71,452
Finite life intangible assets	39,678
Property, plant and equipment	207
Other assets	1,196
Deferred tax asset including on tax losses (recognised on acquisition)	45,990
Total assets	300,441
Liabilities	
Payables	(139,832)
Provisions	(1,111)
Total liabilities	(140,943)
Total identifiable net assets at fair value	159,498
Goodwill on acquisition	315,302
Deemed fair value of 100% interest	474,800

From the date of acquisition, Fairfax contributed $518,242,000 of revenue and $30,163,000 to profit before tax from continuing operations of the Group and Stan contributed $100,137,000 of revenue and losses of $14,385,000 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 $1,098,727,000 and profit before tax from continuing operations for the Group would have been $138,974,000.

The initial accounting for the acquisition of Fairfax and Stan was provisionally determined at 31 December 2018. At the date of finalisation of the annual report for the year ended 30 June 2019 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 were therefore only provisionally 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.

The goodwill of $1,097,348,000 comprises the value of expected synergies arising from the acquisition. Goodwill is allocated across each CGU (Domain, Metropolitan Media, Macquarie Media and Stan). Refer to Note 3.6(a). None of the goodwill/indefinite life intangibles recognised are expected to be deductible for income tax purposes.

6 Group Structure (continued)

6.1 Business Combinations (continued)

	$'000
Purchase consideration	
Share-based payment	17,000
Shares issued at fair value (Note 4.2)	1,382,805
Cash consideration	57,487
Total consideration	1,457,292

	$'000
Analysis of cash flows on acquisitions	
Transaction costs of the acquisition (included in cash flows from investing activities)	(21,205)
Net cash acquired with Fairfax and Stan (included in cash flows from investing activities)	111,496
Cash consideration	(57,487)
Total net cash	32,804

Transaction costs of $21,205,000 (excluding redundancies) were expensed and are included in specific items (Note 2.4).

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.

On 10 April 2019 the Group acquired the remaining 41.3% of 112 Pty Ltd (the business known as "Drive") which it did not already own in return for 12% of shares in CarAdvice.

During the year ended 30 June 2019, the Group recognised an expense of $0.2 million which is reflected 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 Limited

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 $1.9 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, up to $1.9 million in cash with the balance in Commercial Real Estate Media Pty Limited shares.

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 (see Note 3.7). The contingent consideration is recognised in accordance with AASB 132 Financial Instruments: Presentation as a financial liability as the number of shares to be paid is variable, based upon the post-acquisition financial performance of the combined business.

Goodwill of $8.2 million and non-controlling interest of $0.1 million were recognised at the time of acquisition. The goodwill comprises expected synergies arising from the acquisition.

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.

AASB 3 Business Combinations allows a measurement period after a business combination to provide the acquirer a reasonable time to obtain the information necessary to identify and measure all of the various components of the business combination as of the acquisition date. The period cannot exceed one year from the acquisition date.

Acquisitions in the year ended 30 June 2018

Acquisition of remaining 40% interest in Pedestrian Group Pty Ltd

In May 2018, the Group acquired the remaining 40% of the shares and voting interests in Pedestrian Group Pty Ltd and Pedestrian Corporation Holdings Pty Ltd ("Pedestrian") for a cash consideration of $39.3 million plus acquisition costs. The option exercise price was determined at the date of the exercise of the option based on EBITDA of Pedestrian at that time. Pedestrian has been 100% consolidated from the date of initial acquisition of its 60% shares, as the Group had obtained effective control and the exercise of the put and call option was considered probable.

During the year ended 30 June 2018, the Group recognised an expense of $17.9 million in specific items for the mark to market movements on the put and call option in relation to Pedestrian prior to it being settled.

Acquisition of 80% interest in Future Women Pty Ltd

In January 2018, the Group acquired 80% of the shares and voting interests in Future Women Pty Ltd ("Future Women") for cash consideration of $2.5 million. There is a put and call option for the remaining 20% not owned by the Group that can be exercised for the years ending 30 June 2020 through to 30 June 2022. The option exercise price is to be determined at the date of the exercise of the option based on the EBITDA of Future Women.

The Group has completed its fair value assessment of the assets and liabilities acquired and as a result has recognised goodwill of $598,000. This has been allocated to the Digital segment.

Future Women has been 100% consolidated as the Group has gained effective control. On 1 July 2019, the Group divested 30% of its shares in Future Women and the option arrangements were restructured.

ACCOUNTING POLICY

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 acquisition date. Where equity instruments are issued in a business combination, the fair value of the instruments is their published price at the acquisition date unless, in rare circumstances, it can be demonstrated that the published price at the acquisition date 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 acquisition date. 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.

Key judgements, estimates and assumptions

The Group has determined provisional values for goodwill and other indefinite life intangible assets based on an estimation of the recoverable amount of the cash-generating units to which these assets are allocated.

6 Group Structure (continued)

6.2 Investments Accounted for Using the Equity Method

6.2(a) Investments at equity accounted amount:

	2019 $'000	2018 $'000
Associated entities – unlisted shares	26,145	12,479

6.2(b) Investments in Associates and Joint Ventures

Interests in associates and joint ventures 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 2019	30 JUNE 2018
Darwin Digital Television Pty Ltd	Television broadcast	Australia	50	50
Intrepica Pty Ltd	Online learning service	Australia	27	27
Oztam Pty Ltd	Television audience measurement	Australia	33	33
RateCity Pty Ltd	Operator of a financial product comparison service	Australia	50	50
TX Australia Pty Ltd[3]	Television transmission	Australia	50	33
Digital Radio Broadcasting Sydney Pty Ltd[4]	Digital audio broadcasting	Australia	12	–
Digital Radio Broadcasting Melbourne Pty Ltd[4]	Digital audio broadcasting	Australia	18	–
Digital Radio Broadcasting Brisbane Pty Ltd[4]	Digital audio broadcasting	Australia	25	–
Digital Radio Broadcasting Perth Pty Ltd[4]	Digital audio broadcasting	Australia	17	–
Future Energy New Zealand Limited[4]	Electricity Retailer	New Zealand	49	–
Future Foresight Group Pty Ltd[4]	Weather safety and risk information provider	South Africa	50	–
Australian Associated Press Pty Ltd[4]	Newsagency and information service	Australia	47	–
Healthshare Pty Ltd[4]	Information technology tools	Australia	28	–
NGA.net Pty Ltd[4]	Provider of e-recruitment software	Australia	24	–
Oneflare Pty Ltd[4]	Home services marketplace	Australia	21	–
RSVP.com.au Pty Limited[2,4]	Online dating services	Australia	58	–
Stan Entertainment Pty Ltd[5]	Subscription Video on Demand	Australia	100	50

1. The proportion of ownership is equal to the proportion of voting power held, except where stated.
2. The Group does not have control of this company as it is not exposed, or does not have rights, to variable returns from its involvement with the investee and does not have the ability to affect those returns through its power over the investee.
3. During the year, the Group acquired a further 17% interest in TX Australia. Total consideration of $11 million was transferred, in cash, in settlement of this transaction.
4. Acquired as part of the acquisition of the Fairfax Media Limited group during the year.
5. The remaining 50% of Stan Entertainment was acquired on 7 December 2018 and therefore this entity has been fully consolidated since that date.

6.2(c) Carrying amount of investments in associates

	2019 $'000	2018 $'000
Balance at the beginning of the financial year	12,479	12,324
Acquired during the year	18,211	–
Disposed during the year	(808)	–
Share of associates' net (loss)/profit for the year	(2,857)	1,155
Dividends received or receivable	(880)	(1,000)
Carrying amount of investments in associates at the end of the financial year	26,145	12,479

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

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

	2019 $'000	2018 $'000
Net profit/(loss) after income tax from continuing operations	(16,982)	(30,951)

The Group's current year share of losses of associates and joint ventures not recognised is $14.1 million (2018: $32.1 million). The Group's cumulative share of losses of associates and joint ventures not recognised is $nil (2018: $127.3 million). These losses were not recognised as the carrying value of these investments was nil.

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

	2019 $'000	2018 $'000
Current assets	19,340	73,459
Non-current assets	60,350	18,738
Total assets	79,690	92,197
Current liabilities	13,828	47,831
Non-current liabilities	11,999	161,536
Total liabilities	25,827	209,367

6.2(f) Impairment

There was no impairment recorded during the current financial year (2018: Nil).

6. Group Structure (continued)

ACCOUNTING POLICY

Associates are entities over which the Group has significant influence and which are not subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.

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 investments in the associate or joint venture are accounted for using the equity method. They are 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 Consolidated Profit or Loss and Other 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.

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.

Impairment

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 Consolidated Profit or Loss and Other Comprehensive Income.

6.3 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	OWNERSHIP INTEREST JUNE 2019 %	OWNERSHIP INTEREST JUNE 2018 %
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	88	59
Ecorp Pty Ltd	A, B	Australia	100	100
Future Women Pty Ltd[3]		Australia	80	80
General Television Corporation Pty Limited	A, B	Australia	100	100
Mi9 New Zealand Limited		New Zealand	100	100
Micjoy Pty Ltd	A, B	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

	FOOTNOTE	PLACE OF INCORPORATION	OWNERSHIP INTEREST JUNE 2019 %	OWNERSHIP INTEREST JUNE 2018 %
Nine Films & Television Distribution Pty Ltd[4]	A, 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	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		Australia	100	100
Pedestrian Group Pty Limited	B	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
Stan Entertainment Pty Ltd[2,4]	A, B	Australia	100	50
Swan Television & Radio Broadcasters Pty Ltd	A, B	Australia	100	100
TCN Channel Nine Pty Ltd	A, B	Australia	100	100
Television Holdings Darwin Pty Limited	A, B	Australia	100	100
Territory Television Pty Ltd	A, B	Australia	100	100
White Whale Pty Ltd	A, B	Australia	100	100
All Homes Pty Limited[2]		Australia	59	–
ACT Real Estate Media Pty Ltd[2]		Australia	59	–
Alldata Australia Pty Ltd[2]		Australia	59	–
Allure Media Pty Ltd[2]	B	Australia	100	–
Australian Openair Cinemas Pty Limited[2]	B	Australia	100	–
Australian Property Monitors Pty Limited		Australia	100	–
Buyradio Pty Ltd[2]		Australia	55	–
Commerce Australia Pty Ltd[2]		Australia	59	–
Commercial Real Estate Holdings Pty Ltd[2]		Australia	59	–
Commercial Real Estate Media Pty Limited[2,5]		Australia	40	–
Commercialview.com.au Ltd[2,5]		Australia	40	–
David Syme & Co Pty Limited[2,4]	A, B	Australia	100	–

6 Group Structure (continued)

6.3 Investment in controlled entities (continued)

	FOOTNOTE	PLACE OF INCORPORATION	OWNERSHIP INTEREST JUNE 2019 %	OWNERSHIP INTEREST JUNE 2018 %
Digital Home Loans Pty Limited[2]		Australia	36	–
Domain Group Finance Pty Limited[2]		Australia	59	–
Domain Holdings Pty Limited[2]		Australia	59	–
Domain Insure Pty Ltd[2,5]		Australia	41	–
Domain Operations Pty Limited[2]		Australia	59	–
Fairfax Corporation Pty Limited[2,4]	A, B	Australia	100	–
Fairfax Digital Australia & New Zealand Pty Limited[2,4]	A, B	Australia	100	–
Fairfax Digital Pty Limited[2,4]	A, B	Australia	100	–
Fairfax Entertainment Pty Limited[2,4]	A, B	Australia	100	–
Fairfax Event Sub Pty Ltd[2]	B	Australia	100	–
Fairfax Media Limited[2,4]	A, B	Australia	100	–
Fairfax Media Events Pty Ltd[2,4]	A, B	Australia	100	–
Fairfax Media Management Pty Limited[2,4]	A, B	Australia	100	–
Fairfax Media Publications Pty Limited[2,4]	A, B	Australia	100	–
Fibre Communications Limited[2]		New Zealand	100	–
Find a Babysitter Pty Ltd[2]	B	Australia	100	–
Harbour Radio Pty Ltd[2]		Australia	55	–
Homepass Australia Pty Ltd[2,5]		Australia	40	–
Homepass Pty Ltd[2,5]		Australia	40	–
John Fairfax & Sons Pty Limited[2,4]	A, B	Australia	100	–
John Fairfax Pty Limited[2,4]	A, B	Australia	100	–
Macquarie Media Limited[2]		Australia	55	–
Macquarie Media Network Pty Limited[2]		Australia	55	–
Macquarie Media Operations Pty Limited[2]		Australia	55	–
Macquarie Media Syndication Pty Limited[2]		Australia	55	–
Map and Page Pty Ltd[2]		Australia	55	–
Mapshed Pty Ltd[2]		Australia	59	–
Metro Media Publishing Pty Ltd[2]		Australia	55	–
Metro Media Services Pty Ltd[2]		Australia	59	–
MMP Community Network Pty Ltd[2]		Australia	59	–
MMP (DVH) Pty Ltd[2,5]		Australia	37	–
MMP (Melbourne Times) Pty Ltd[2,5]		Australia	41	–
MMP Bayside Pty Ltd[2,5]		Australia	46	–

	FOOTNOTE	PLACE OF INCORPORATION	OWNERSHIP INTEREST JUNE 2019 %	OWNERSHIP INTEREST JUNE 2018 %
MMP Eastern Pty Ltd[2,5]		Australia	41	–
MMP Greater Geelong Pty Ltd[2,5]		Australia	28	–
MMP Holdings Pty Ltd[2,5]		Australia	59	–
MMP Moonee Valley Pty Ltd[2,5]		Australia	41	–
National Real Estate Media Pty Limited[2]		Australia	59	–
National Real Estate Nominees Pty Ltd		Australia	59	–
Neighbourly Limited[2]		New Zealand	100	–
New South Wales Real Estate Media Pty Limited[2,5]		Australia	42	–
Northern Territory Real Estate Media Pty Ltd[2,5]		Australia	44	–
Property Data Solutions Pty Ltd[2]		Australia	100	–
Queensland Real Estate Media Pty Ltd[2,5]		Australia	42	–
Radio 1278 Melbourne Pty Limited[2]		Australia	55	–
Radio 2UE Sydney Pty Ltd[2]		Australia	55	–
Radio 3AW Melbourne Pty Limited[2]		Australia	55	–
Radio 4BC Brisbane Pty Limited[2]		Australia	55	–
Radio 6PR Perth Pty Limited[2]		Australia	55	–
Radio Magic 882 Brisbane Pty Limited[2]		Australia	55	–
Residential Connections Pty Ltd[2,5]		Australia	30	–
Review Property Pty Ltd[2]		Australia	59	–
South Australia Real Estate Media Pty Ltd[2,5]		Australia	40	–
Stuff Limited[2]	B	New Zealand	100	–
Tasmania Real Estate Media Pty Ltd[2,5]		Australia	44	–
The Age Company Pty Limited[2,4]	A, B	Australia	100	–
The Weather Company Pty Limited[2]		Australia	75	–
Western Australia Real Estate Media Pty Ltd[2,5]		Australia	41	–

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 6.4).

B. Members of the "Extended Closed Group" (refer to Note 4.1 and 6.4 for further detail).

1. The Group currently owns 88% of the shares CarAdvice, however it is 100% consolidated in accordance with accounting standards.
2. The Group acquired Fairfax and its controlled entities as well as the remaining 50% of Stan Entertainment on 7 December 2018. These entities joined the Group as part of that acquisition. Refer to Note 6.1.
3. The Group divested 30% of its ownership in Future Women on 1 July 2019. As at 30 June 2019, Future Women was consolidated.
4. These entities became a party to the Deed of Cross Guarantee on 5 June 2019.
5. This represents the Group's effective interest in the entity which is partially owned (yet controlled) by a non-wholly owned subsidiary.

6 Group Structure (continued)

6.3 Investment in controlled entities (continued)

The following entities joined the Deed of Cross-Guarantee on 5 June 2019 and were the subject of a notice of disposal on 30 June 2019 on completion of the sale of the Australian Community Media business:

	PLACE OF INCORPORATION	OWNERSHIP INTEREST JUNE 2019 %	OWNERSHIP INTEREST JUNE 2018 %
Agricultural Publishers Pty Ltd	Australia	–	–
Fairfax Regional Media (Tasmania) Pty Ltd	Australia	–	–
Newcastle Newspapers Pty Ltd	Australia	–	–
Regional Publishers Pty Ltd	Australia	–	–
Regional Publishers (Western Victoria) Pty Limited	Australia	–	–
Rural Press Pty Ltd	Australia	–	–
Rural Press Printing Pty Ltd	Australia	–	–
Rural Press Printing (Victoria) Pty Ltd	Australia	–	–
Rural Publishers Pty Ltd	Australia	–	–
The Federal Capital Press of Australia Pty Ltd	Australia	–	–

ACCOUNTING POLICY

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries as at 30 June 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Controlled entities are de-consolidated from the date control ceases.

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated profit or loss and other comprehensive income, consolidated statement of changes in equity and balance sheet respectively.

6.4 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 Statement of Consolidated Profit or Loss and Other Comprehensive Income of the entities which are members of the "Closed Group" and the "Extended Closed Group" for the year ended 30 June 2019 is as follows:

	CLOSED GROUP[1]		EXTENDED CLOSED GROUP[2]	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Profit/(loss) from continuing operations before income tax	274,972	268,399	272,528	268,399
Income tax expense	(62,527)	(62,159)	(61,815)	(62,159)
Net profit/(loss) after income tax from operations	212,445	206,240	210,713	206,240
Dividends paid during the period	(128,688)	(81,504)	(128,688)	(81,504)
Adjustments to reserves	–	–	–	–
Accumulated profits at the beginning of the financial year	345,224	220,488	353,809	229,073
Accumulated profits at the end of the financial year	428,981	345,224	435,834	353,809

1. Closed Group are those entities party to the Deed of Cross Guarantee.
2. Refer to Note 6.3.

6 Group Structure (continued)

6.4 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 2019 is as follows:

	CLOSED GROUP		EXTENDED CLOSED GROUP	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current assets				
Cash and cash equivalents	200,255	22,394	179,206	22,394
Trade and other receivables	357,606	277,864	401,076	277,864
Program rights and inventories	267,690	166,026	270,409	190,427
Property, plant and equipment held for sale	1,583	18,528	1,583	18,528
Other assets	29,751	27,065	29,934	27,065
Income tax receivables	–	–	–	–
Total current assets	856,885	511,877	882,208	536,278
Non-current assets				
Receivables	4,931	169,890	4,931	132,180
Program rights	109,902	69,710	109,902	69,865
Investment in associates accounted for using the equity method	23,803	12,479	24,025	12,479
Investment in group entities	1,178,563	86,438	1,178,628	86,428
Investment in listed equities	–	–	3,437	4,468
Property, plant and equipment	104,376	104,982	122,304	104,982
Intangible assets	1,127,450	846,144	1,210,021	846,144
Other assets	49,248	62,159	49,248	62,159
Total non-current assets	2,598,273	1,351,802	2,702,496	1,318,705
Total assets	3,455,158	1,863,679	3,584,704	1,854,983
Current liabilities				
Trade and other payables	394,580	220,313	429,237	223,647
Interest-bearing loans and borrowings	184,694	–	195,375	–
Income tax liabilities	47,097	33,587	44,242	33,586
Provisions	100,466	50,854	109,206	50,854
Derivative financial instruments	–	26,228	–	26,228
Total current liabilities	726,837	330,982	778,060	334,315
Non-current liabilities				
Payables	119,285	34,123	194,827	34,123
Interest-bearing loans and borrowings	118,246	157,646	118,246	157,646
Deferred tax liabilities	148,097	174,020	143,833	174,016
Derivative financial instruments	–	603	–	603
Provisions	38,951	39,369	56,486	39,369
Total non-current liabilities	424,579	405,761	513,392	405,757
Total liabilities	1,151,416	736,743	1,291,452	740,072
Net assets	2,303,742	1,126,936	2,293,252	1,114,911

6.5 Parent entity disclosures

	PARENT ENTITY	
	2019 $'000	2018 $'000
a. Financial Position		
Current assets	24,071	50,796
Non-current assets	3,059,282	1,106,728
Total assets	3,083,353	1,157,524
Current liabilities	661	479
Non-current liabilities	309,373	269,951
Total liabilities	310,034	270,430
Net assets	2,773,319	887,094
Contributed equity	2,134,803	751,998
Reserves	8,451	7,794
Retained earnings	630,065	127,302
Total equity	2,773,319	887,094
b. Comprehensive (loss)/income		
Net (loss)/profit for the year	631,451	(477)
Total comprehensive (loss)/income for the year	631,451	(477)

6 Group Structure (continued)

6.6 Related party transactions

6.6(a) Transactions with related parties

The following table provides the total value of transactions that were entered into with related parties for the relevant financial year.

	2019 $'000	2018 $'000
Rendering of services to and other revenue from –		
Associates of Nine Entertainment Co.		
Stan Entertainment Pty Ltd – revenue[1]	5,324	10,251
Stan Entertainment Pty Ltd – interest income[1]	3,599	6,626
Ratecity Pty Ltd	26	71
Darwin Digital Television Pty Ltd	77	–
Australian Money Channel	599	–
NPC Media Pty Ltd	493	–
Receiving of services from related parties –		
Associates of Nine Entertainment Co.:		
Australian Associated Press Pty Ltd	3,614	–
Digital Radio Broadcasting Sydney Pty Ltd	60	–
Digital Radio Broadcasting Melbourne Pty Ltd	112	–
Digital Radio Broadcasting Perth Pty Ltd	60	–
Digital Radio Broadcasting Brisbane Pty Ltd	55	–
Homebush Transmitters Pty Ltd	178	–
RSVP.com.au Pty Limited	72	–
Dividends received from –		
Associates of Nine Entertainment Co.:		
Oztam Pty Ltd	880	1,000
Amounts owed by related parties –		
Stan Entertainment Pty Ltd[2]	–	1,486
NPC Media Pty Ltd	986	–
Ratecity Pty Ltd	148	148
Homebush Transmitters Pty Ltd	410	–
Future Energy Management Ltd	1,913	–
Loans to related parties –		
Stan Entertainment Pty Ltd[2]	–	126,916
Darwin Digital Television Pty Ltd[3]	2,910	2,910
NPC Media Ltd[3]	2,000	–
Other[3]	511	192

1. For the period prior to the merger with Fairfax on 7 December 2018, at which date Stan became 100% owned and was consolidated.
2. The loans granted to the related party and amounts owed by related parties are now eliminated on consolidation post the Fairfax and Nine merger and the Group acquiring 100% control of Stan Entertainment Pty Ltd.
3. The loans granted to these related parties are non-interest bearing.

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 and settlement occurs in cash.

For the year ended 30 June 2019, the Group has not made any material allowance for expected credit losses 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.

6.6(b) 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.

6.6(c) Controlled entities, associates and joint arrangements

Investments in associates and joint arrangements are set out in Note 6.2.

Interests in significant controlled entities are set out in Note 6.3.

6.6(d) Key management personnel

6.6(d)(i) Transactions with key management personnel

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.

6.6(d)(ii) Compensation of key management personnel

REMUNERATION BY CATEGORY	2019 $	2018 $
Short-term employee benefits	5,399,434	5,714,876
Post-employment benefits	164,221	136,154
Long-term benefits	15,988	25,012
Share-based payments	1,753,989	2,650,117
Total remuneration of key management personnel	7,333,632	8,526,159

Detailed remuneration disclosures are provided in the Remuneration Report on pages 32 to 52.

6.7 Discontinued operations

Following the acquisition of Fairfax on 7 December 2018, the Board agreed to sell Stuff NZ, Australian Community Media (ACM) (including printing operations) and Events, wholly-owned businesses of Fairfax. Following the acquisition, the Group classified these businesses as a disposal group held for sale and as discontinued operations. Australian Community Media (including printing operations) was sold on 30 June 2019, and Events was sold on 31 May 2019. The sale of Stuff NZ is expected to be completed within a year from the date of the initial acquisition.

7 Other

7.1 Other financial assets

	2019 $'000	2018 $'000
Non-current		
Investments in listed entities[1]	5,949	4,468
Closing balance at 30 June	5,949	4,468

1. Investments in Yellow Brick Road (ASX: YBR) and other shares held by controlled entities of the Group in other listed entities. These investments are carried at fair value through other comprehensive income.

	2019 $'000
Non-current	
As at 1 July 2018	4,468
Acquired during the year	2,512
Movement in fair value	(1,031)
Closing balance at 30 June	5,949

ACCOUNTING POLICY

The investment in listed equities is classified as a Level 1 instrument as described in Note 4.5(b). Fair value was determined with reference to a quoted market price with a mark to market loss of $1,031,000 (2018:$1,178,000 loss) adjusted against the investment for the year ended 30 June 2019.

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

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

Recognition and derecognition

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

Subsequent measurement

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

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

7.2 Defined benefits plan

	2019 $'000	2018 $'000
Non-current		
Defined benefits plan[1]	23,231	25,584
Closing balance at 30 June	23,231	25,584

1. 30 June 2019 balance consists of Fairfax Media Super defined benefits plan (2019: $2,070,000) and Nine Network Superannuation Plan (2019: $21,161,000, 2018: $25,584,000). The disclosure below is only in relation to the Nine Network Superannuation Plan.

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. The plan disclosed throughout relates to the Nine Network Superannuation Plan and excludes the Fairfax Media Plan, on the basis that it is not considered material to the Group.

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 55% 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 2019 was performed by Mercer Investment Nominees Limited for the purpose of satisfying accounting requirements.

7 Other (continued)

7.2 Defined benefits plan (continued)

Reconciliation of the Net Defined Benefit Asset

FINANCIAL YEAR ENDED	30 JUNE 2019 $'000	30 JUNE 2018 $'000
Net defined benefit asset at start of year	25,584	22,851
Current service cost	(1,008)	(667)
Net interest	748	708
Actual return on Plan assets less interest income	1,715	2,484
Actuarial losses/(gains) arising from changes in financial assumptions	(2,827)	(459)
Actuarial gains arising from liability experience	(1,073)	647
Employer contributions	22	20
Contributions to accumulation section	(2,000)	–
Net defined benefit asset at end of year	21,161	25,584

Reconciliation of the Fair Value of Plan Assets

FINANCIAL YEAR ENDED	30 JUNE 2019 $'000	30 JUNE 2018 $'000
Fair value of Plan assets at beginning of the year	58,483	55,320
Interest income	1,894	1,903
Actual return on Plan assets less Interest income	1,715	2,484
Employer contributions	22	20
Contributions by Plan participants	724	741
Benefits paid	(2,473)	(1,878)
Taxes, premiums and expenses received/(paid)	154	(107)
Contributions to accumulation section	(2,000)	–
Fair value of planned assets obligations at 30 June	58,519	58,483

Reconciliation of the Present Value of the Defined Benefit Obligation

FINANCIAL YEAR ENDED	30 JUNE 2019 $'000	30 JUNE 2018 $'000
Present value of defined benefit obligations at beginning of year	32,900	32,469
Current service cost	1,008	667
Interest cost	1,146	1,196
Contributions by Plan participants	724	741
Actuarial losses/(gains) arising from changes in financial assumptions	2,827	459
Actuarial (gain)/losses arising from liability experience	1,073	(647)
Benefits paid	(2,473)	(1,878)
Taxes, premiums and expenses received/(paid)	154	(107)
Present value of defined benefit obligations at 30 June	37,359	32,900

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 2019, total Plan assets of $58,519,000 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 2019[1]	30 JUNE 2018[1]
Australian Equity	22%	21%
International Equity	32%	33%
Fixed Income	19%	12%
Property	11%	6%
Alternatives/Other	13%	20%
Cash	3%	8%

1. Asset allocation as at 31 March 2019 (2018: 31 March 2018).

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 2019	30 JUNE 2018
Assumptions to Determine Benefit Cost		
Discount rate	3.4% p.a.	3.6% p.a.
Expected salary increase rate	2.0% p.a.	2.0% p.a.
Assumptions to Determine Benefit Obligation		
Discount rate	2.2% p.a.	3.4% p.a.
Expected salary increase rate	2.0% p.a.	2.0% p.a.

Sensitivity Analysis

The defined benefit obligation as at 30 June 2019 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% p.a. lower discount rate assumption.
- Scenario B: 0.5% p.a. higher discount rate assumption.
- Scenario C: 0.5% p.a. lower salary increase rate assumption.
- Scenario D: 0.5% p.a. higher salary increase rate assumption.

% P.A.	BASE CASE	SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO D
		−0.5% P.A. DISCOUNT RATE	+0.5% P.A. DISCOUNT RATE	−0.5% P.A. SALARY INCREASE RATE	+0.5% P.A. SALARY INCREASE RATE
Discount rate	2.2% p.a.	1.7% p.a.	2.7% p.a.	2.2% p.a.	2.2% p.a.
Salary increase rate	2.0% p.a.	2.0% p.a.	2.0% p.a.	1.5% p.a.	2.5% p.a.
Defined benefit obligation ($'000s)[1]	**37,358**	**38,626**	**36,144**	**36,353**	**38,395**

1. Includes defined benefit contributions tax provision.

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

7 Other (continued)

7.2 Defined benefits plan (continued)

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 2018 actuarial investigation of the Plan, in a report dated 21 December 2018, 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, the employer 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);
- except that one year of required Employer SG Contributions (not exceeding $1 million per month or $12 million in aggregate, gross of tax) will be financed from Defined Benefit Assets from 1 April 2019 to 31 March 2020 (or starting at a date as agreed between the Trustee and the Employer but no later than 1 July 2019); and
- any additional employer contributions agreed between the Employer and a member (e.g. additional salary sacrifice contributions).

Expected Contributions

FINANCIAL YEAR ENDING	30 JUNE 2020 $'000
Expected employer contributions	–

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2019 is six years (30 June 2018: six years).

EXPECTED BENEFIT PAYMENTS FOR THE FINANCIAL YEAR ENDING ON:	$'000
30 June 2020	3,585
30 June 2021	3,324
30 June 2022	5,138
30 June 2023	4,674
30 June 2024	4,801
Following five years	21,522

ACCOUNTING POLICY

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.

7.3 Auditor's remuneration

	2019 $	2018 $
Amounts paid or payable for services by the auditor of the parent entity, Ernst & Young Australia, for:		
Audit and review of the financial report of the consolidated entity	2,400,000	561,365
Audit and review of the financial reports of other related entities	670,671	–
Taxation services	368,161	411,877
Assurance related services	90,000	23,600
Total auditor's remuneration	3,528,832	996,842

7.4 Contingent liabilities and related matters

The consolidated entity has made certain guarantees regarding contractual leases, performance and other commitments of $14,648,454 (2018:$11,725,000). All contingent liabilities are unsecured. The probability of having to meet these commitments is remote and there are uncertainties relating to the amount and the timing of any outflows.

Certain entities in the Group are party to various legal actions and exposures that have arisen in the ordinary course of business. Appropriate provisions have been recorded, however the outcomes cannot be predicated with certainty. Prior to the acquisition of Fairfax by the Group, Fairfax had been the subject of or undertaken a range of corporate actions. Those actions are likely to have required the exercise of judgement in assessing the approach which should be taken, or the treatment of the corporate action or the effect of it, including from a tax or accounting standpoint. There is a risk that other parties and stakeholders, including a regulatory authority such as the ATO, could hold a different view and may seek that adjustments be made that could have an adverse impact on the Group. In relation to key known judgements, the Group is satisfied that appropriate support, including external advice where appropriate, has been provided and no provisions have been raised in respect of such judgements.

The parent entity is a party to the Deed of Cross Guarantee entered into with various Group companies. Refer to Note 6.4 for further details. Refer to Note 3.8 for disclosure of the Group's commitments. 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.

7 Other (continued)

7.5 Events after the balance sheet date

Acquisition offer for Macquarie Media Limited

On 12 August 2019, the Group announced to the ASX an offer to acquire the remaining shares in radio broadcaster Macquarie Media Limited it did not own.

The Group obtained its majority shareholding in Macquarie Media Limited following its merger with Fairfax Media in December 2018.

The offer will result in the Group paying $113.9 million (at $1.46 per share) for the remaining 45.5 percent stake, provided a minimum of 90% shareholders accept the offer, allowing the Group to compulsory acquire the remainder.

The acquisition will be 100 percent financed from cash reserves and existing debt facilities. Subject to getting sufficient Macquarie Media Limited shareholder acceptances, the transaction is due to complete by December 2019.

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.

7.6 Other significant accounting policies

ACCOUNTING POLICY

7.6(a) Changes in accounting policies and disclosures

The Group has applied AASB 15 and AASB 9 for the first time from 1 July 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2019 but do not have a material impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- ***AASB 15 Revenue from Contracts 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 activities are: 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 and tax payable	(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.

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 a reduction of $2.3 million to opening retained earnings as at 1 July 2018. There was no material current year impact on revenue or profit, nor any balance sheet line items, resulting from the implementation of AASB 15.

- ***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 Group 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:

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.

7.6(b) New accounting standards and interpretations

A number of new accounting standards have been issued or amended which were not yet effective but early adoption is permitted however the Group has not early adopted any new or amended standards in preparing these consolidated financial statements. Of those standards that are not yet effective, *AASB 16 Leases* is expected to have a significant impact on the Group's financial statements in the period of initial application.

- ***AASB 16 Leases***

The Group must apply AASB 16 Leases for the year ended June 2020. AASB 16 replaces the current AASB 17 Leases standard.

AASB16 provides a single lease accounting model for identifying and measuring lease arrangements with a term of 12 or more months, unless the underlying asset is of low value. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time. The Group, as lessee, will be required to recognise a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing the present value of future lease payments.

The Income Statement will include depreciation of the ROU asset and interest expense on the lease liability. The pattern of expense recognition changes with higher cost in the earlier stages of the lease as a result of the interest calculated on the lease liability that amortises over the lease term.

Lessor accounting under AASB 16 is substantially unchanged from AASB 17.

Transition

The Group will apply the modified retrospective approach as permitted by AASB 16. Under this approach, there is no requirement to restate the prior year comparatives financial statements and there are two methods of calculation the ROU asset on a lease by lease basis. The Group will measure the ROU asset for all existing operating leases as equal to the lease liability on transition. Existing lease incentive balances on transition will be offset against the new ROU asset.

Judgement has been applied by the Group in determining the incremental borrowing rate, which contractual arrangement represent a lease, the period over which the leases exist and the variability of the future cash flow.

Based on the transition approach chosen, the Group will recognise lease liabilities of between $289 million and $319 million (pretax). After adjusting for amounts currently recorded on the balance sheet (representing deferred lease incentives), the Group will recognise ROU assets of between $281 million and $311 million (pre-tax), (this range excludes held for sale leases). In conjunction with its non-wholly owned controlled entities, the Group is currently finalising the impact in of adopting AASB 16. These estimates may be materially different to the actual impact on initial application on 1 July 2019 due to changes in the application of practical expedients, recognition exemptions and changes to material judgmental areas.

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 on results in the financial statements.

7 Other (continued)

7.6 Other significant accounting policies (continued)

7.6(c) Other significant accounting policies

7.6(c)(i) 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 Profit or Loss and Other 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.

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 2019;
2. in the opinion of the Directors, the consolidated financial statements and notes that are set out on pages 60 to 120 and the Remuneration Report on pages 32 to 52 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 2019 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 on page 64 of 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 6.4 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, 22 August 2019

INDEPENDENT AUDITOR'S REPORT

to the Directors of Nine Entertainment Co. Holdings Limited

EY
Building a better working world

200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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

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

Report on the 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 2019, 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 2019 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
As 30 June 2019, the Group's consolidated statement of financial position included goodwill and other intangible assets amounting to $2,958m, representing 67%of total assets. This included $2,082m of goodwill and intangible assets recognised on the acquisition of Fairfax Media, for which purchase price accounting remains provisional. As disclosed in Note 3.6 to the financial statements, the Directors have assessed goodwill and other intangible assets for impairment or the reversal of prior year impairment. This assessment involved critical accounting estimates and assumptions, specifically relating to discounted future cash flows. These estimates and assumptions, are summarised in Note 3.6. We considered this to be a key audit matter given the carrying value of these assets relative to total assets and the significant judgements and assumptions involved in the impairment tests.	Our audit procedures included the following: • Assessment as to whether the models used by the Directors in their impairment testing of the carrying values of intangible asset met the requirements of Australian Accounting Standards. • Evaluation of the determination of each Cash Generating Unit ("CGU") with respect to the independent cash inflows generated by each CGU. • Assessment of the mathematical accuracy of the models. • Consideration of the underlying assumptions regarding future cash flows used in the models by comparing these to the Board approved five-year business plans and long-term capital and content investment plans. • Consideration of the historical accuracy of the Group's forecasting. • Assessment of the discount rates and growth rates (including terminal growth rates) applied in the models, with involvement from our valuation specialists and with reference to external data such as broker forecasts and valuations. • Consideration of the sensitivity analysis performed by the Group, focusing on the areas in the models where a reasonably possible change in assumptions could cause the carrying amount to differ from its recoverable amount and therefore indicate impairment or a reversal of prior year 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 2019, the program rights balance of $361m included $251m of current and $110m of non-current program rights. These program rights constitute free to air broadcast rights in the Nine television business and subscription video on demand rights in the STAN business. As disclosed in Note 3.3 to the financial statements, the Directors' assessment of the valuation 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 a key audit matter due to the carrying value of the program rights asset and the inherent subjectivity that is involved in forecasting future revenue.	Our audit procedures included the following: • Assessment as to whether the recognition, measurement and amortisation methodology applied by the Group to program rights met the requirements of Australian Accounting Standards. • Comparison of forecast revenue for significant program rights to the carrying value of the respective program rights. • Assessment of the forecast revenue to be derived from the usage of program rights by assessing the assumptions applied in the Group's forecast with reference to recent historical performance of program rights and actual revenue earned subsequent to year end. • Consideration of 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.

Building a better
working world

3. Fairfax Media Limited acquisition and associated matters

Why significant	How our audit addressed the key audit matter
As outlined in Note 6.1 to the financial statements, on 7 December 2018, the Group acquired Fairfax Media Limited ("Fairfax"), consideration being the issue of 0.3627 shares in the Group and 2.5 cents cash for each Fairfax share (total of 834,020,062 shares and $57,487,000 cash consideration). This transaction has been treated as a business combination, with the Group recognising the fair value of the assets acquired and liabilities assumed on that date. Accounting for this transaction was complex, requiring the Group to exercise judgement in identifying and determining the fair value of the acquired assets and liabilities As outlined in the disclosure included in Note 6.1, the Group's accounting for the acquisition in the year-end financial report remains provisional. The Group also classified certain operations and assets acquired as held for sale. This was considered to be a key audit matter due to the value of the acquisition and the judgement involved in accounting for the transaction and determining the provisional fair values of the related assets and liabilities.	Our audit procedures included the following: • Assessment of the Group's conclusion that the acquisition represents a business combination in accordance with Australian Accounting Standards. • With the involvement of our valuation specialists, considered the provisional allocation of the purchase price to the acquired assets and liabilities. • Assessment of whether the criteria set out in Australian Accounting Standards, for amounts to be classified as discontinued operations and disposal groups held for sale, were met and assessment of the valuations applied to these assets. • Assessment of the competency, qualifications, objectivity and methodologies of the independent experts engaged by the Group to identify and determine the provisional fair values of the assets acquired and liabilities assumed. • Our audit procedures relating to the Group's impairment testing of the acquired intangible assets are addressed in the Carrying value of intangible assets Key Audit Matter above. • Assessment of the adequacy of the related disclosures within the financial report relating to the acquisition.

Building a better working world

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 Group's 2019 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.

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.

Building a better working world

- 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.

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.

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 52 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Nine Entertainment Co. Holdings Limited for the year ended 30 June 2019, 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

Christopher George
Partner
Sydney
22 August 2019

SHAREHOLDER INFORMATION

Twenty largest shareholders as at 12 September 2019

RANK	NAME	12 SEP 2019	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	538,999,953	31.61
2	BIRKETU PTY LTD	254,760,442	14.94
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	238,160,120	13.97
4	CITICORP NOMINEES PTY LIMITED	233,666,312	13.70
5	NATIONAL NOMINEES LIMITED	119,331,514	7.00
6	BNP PARIBAS NOMINEES PTY LTD	27,169,680	1.59
7	BNP PARIBAS NOMS PTY LTD	20,908,077	1.23
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,286,754	1.01
9	CITICORP NOMINEES PTY LIMITED	15,065,208	0.88
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	14,638,510	0.86
11	PACIFIC CUSTODIANS PTY LIMITED	7,914,397	0.46
12	BOND STREET CUSTODIANS LIMITED	6,957,869	0.41
13	WARBONT NOMINEES PTY LTD	6,362,408	0.37
14	NAVIGATOR AUSTRALIA LTD	5,838,794	0.34
15	UBS NOMINEES PTY LTD	5,649,824	0.33
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	5,415,312	0.32
17	AMP LIFE LIMITED	4,384,919	0.26
18	DAVID GYNGELL	3,228,048	0.19
19	BOND STREET CUSTODIANS LIMITED	2,902,429	0.17
20	POWERWRAP LIMITED	2,767,786	0.16

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 shareholding notices received by the Company as at 12 September are:

NAME	TOTAL SHARES	%
Bruce Gordon/Birketu/WIN[1]	240,839,806	14.12%
Pendal Group	127,830,325	7.50%
Legg Mason Australia	125,591,175	7.36%
FIL Limited	97,384,206	5.71%
Vanguard Group	85,323,332	5.00%

1. In addition, Birketu has economic interests in 19,118,280 shares pursuant to swaps.

RANGE	NO. OF HOLDERS	%
1 to 1,000	13,371	48.31
1,001 to 5,000	8,752	31.62
5,001 to 10,000	2,609	9.43
10,001 to 100,000	2,754	9.95
100,001 and Over	189	0.68
Total	**27,675**	**100.00**
Unmarketable Parcels	4,941	17.85

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 Tuesday 12 November 2019 at the offices of Ashurst Australia,
5 Martin Place, Sydney NSW 2000

Financial Calendar 2020

Interim Result	February 2020
Preliminary Final Result	August 2020
Annual General Meeting	November 2020

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

Nine