NEWS

RADIO

BROADCASTING

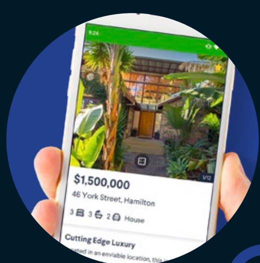
Nine

Annual Report 2020

STREAMING

STAN

PUBLISHING



DOMAIN

DIGITAL

Overview

Impact of COVID-19

The outbreak of COVID-19 in Australia had a marked impact on Nine's FY20 results, particularly in the 4th quarter. The effective shut-down of the country in mid-March had a significant impact across all of Nine's businesses.

Nine quickly transitioned the majority of its work-force to 'work at home' with minimal interruption. Notwithstanding, Nine's crucial newsrooms across the country remained open throughout, consistently providing premium news coverage for all Australians.

Nine, 9Now, Stan and our core publishing mastheads, all recorded marked growth in audiences which has continued into FY21.

However, the broad advertising market came under significant pressure through the fourth quarter, which negatively impacted revenue across Nine Network, Radio and Publishing.

In response, Nine was quick to focus on both short and long term cost initiatives across all of its businesses, as well as expediting the $100 million, 3-year linear TV cost out that was announced with Nine's interim results in February. In total, across the entire business in calendar 2020, Nine estimates it will remove ~$225 million of cash costs aimed at minimising the impact of the COVID-related advertising downturn.

In addition, the Government waived payment of Nine's annual FTA spectrum charges across calendar 2020 which resulted in a P&L saving of $1.3 million in FY20.

The JobKeeper allowance was received for Pedestrian Group, CarAdvice, Nine Events and Domain. In FY20, the benefit totalled $6.1 million, as an offset to expenses.

Further details of the impacts and initiatives are included in the commentary for the individual segments.

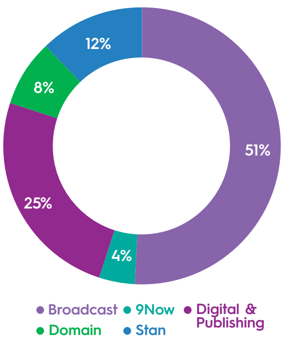
In FY20, Nine continued to focus on investing in its long-term growth assets and improving the operating performance of its traditional media portfolio, despite the difficult operating environment. The core growth assets of Stan, 9Now, Digital Publishing and Domain, now all scale businesses in their own right with strong market positions, contributed 32% of Group Revenue[1] and 43% of EBITDA[1] for the year. The traditional Free To Air business contributed around 35% of Group EBITDA, down from 50% in FY19 (pro forma[4] basis)[1]. Together, these changes reflect the continuing evolution of Nine's business to the digital platform.

Result in brief

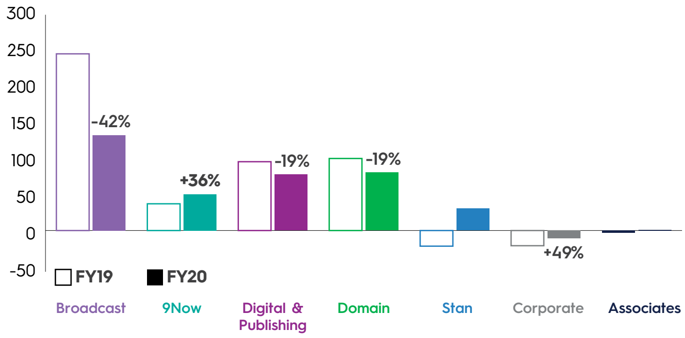
In FY20, on a continuing business basis, Nine reported Group EBITDA of $397 million, which, on a like-basis (pre AASB16), was down 16% on FY19. Revenues across the Group fell by 7% to $2.2 billion, as the operating environment impacted on all advertising markets. Net Profit after Tax was $141 million, which equated to a decline of 19% on a like (pre-AASB16) basis. After a Specific Item (non-recurring) cost of $665 million, after tax, the bulk of which related to non-cash accounting adjustments, a Statutory Loss of $509 million was reported.

Earnings per share was 8.3c and a fully franked dividend of 7c per share was declared across the year.

Revenue[2] split FY20



Strong growth in EBITDA[3] contribution from digital video



Year to June, $m, continuing business basis	FY20	FY20[3]	FY19[3]	Variance
Revenue	2,170.6	2,171.6	2,341.7[4]	-7%
Group EBITDA	396.7	354.6	423.8[4]	-16%
NPAT, before Specific Items and Minorities	155.9	176.0	224.8[4]	-22%
NPAT, before Specific Items	140.8	160.4	198.3[4]	-19%
Statutory Net Profit after Tax, after Specific Items	(508.8)		216.6	NM
Earnings per Share, before Specific Items – cents	8.3	9.4	11.6[4]	-19%
Dividend per Share – cents	7.0	7.0	10.0	-30%

Operating free cash flow for the year, pre Specific Items, was $373 million. Net Debt on a wholly-owned basis at 30 June 2020 was $291 million, compared with $121 million 12 months earlier. During the year, $170 million was paid in dividends to shareholders, $139 million was paid as consideration for Macquarie Media, approximately $30 million was received from the sale of non-core assets and $117 million was spent on capex, including $64 million on the new premises in North Sydney.

Reported, wholly owned basis	30 June 2020	30 June 2019	variance
Net Debt, $m	291.2	120.7	+$170.5m
Net Leverage	0.9X	0.4X	+0.5X

1 Reported basis, post AASB16.
2 Reflects split based on economic share of revenue (Domain 59%).
3 Pre AASB16, accounting for leases. All % variances are calculated on a Pre-AASB16 (consistent) basis.
4 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.

Where Australia Connects

With Australia's most trusted and loved brands spanning News, Sport, Lifestyle and Entertainment, we pride ourselves on creating the best content, accessed by consumers when and how they want, while celebrating our ability to give shared experiences to audiences.

It has always been Nine's role to provide Australians with the best possible, premium content

BROADCAST

Australia's leading broadcast brands across television, broadcast Video on Demand, and radio

- #1 FTA RATINGS[1] AND REVENUE[2] SHARE
- 6% REDUCTION IN FTA COSTS IN FY20
- #1 BVOD AUDIENCE[2] AND REVENUE[3] SHARE
- OVERHAUL OF RADIO BUSINESS POST ACQUISITION

1 12 months to June 2020, 25-54s, All People, prime time, main channel. *OzTAM data*
2 12 months to June 2020, *OzTAM data*
3 12 months to June 2020. *ThinkTV data*

DIGITAL AND PUBLISHING

One of Australia's leading digital publishers

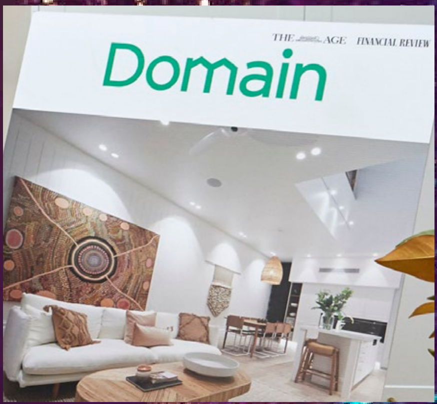
- 13.8m TOTAL DE-DUPLICATED METRO AUDIENCE ACROSS PRINT AND DIGITAL[4]
- READER REVENUE ~59c IN EVERY $ RECEIVED
- DIGITAL REVENUE CONTRIBUTES ~41% OF TOTAL REVENUE
- 8% REDUCTION IN METRO MEDIA COSTS[5]

4 EMMA data 12 months to March 2020
5 excluding Weatherzone, Events

STAN

Australia's leading local SVOD business

- ~2.2m ACTIVE SUBSCRIBERS (AS AT END AUGUST)
- 54% GROWTH IN SUBSCRIPTION REVENUE
- $50m EBITDA AND CASH IMPROVEMENT ON PRIOR YEAR
- 60+ EXCLUSIVES RELEASED ACROSS THE YEAR, FROM MORE THAN 15 DIFFERENT DISTRIBUTORS



DOMAIN (59%)

One of Australia's leading property technology and services businesses

- 6% INCREASE IN CONTROLLABLE YIELD
- INTRODUCTION OF NEW, INNOVATIVE PRICING STRUCTURE
- 23% GROWTH (YEAR ON YEAR) IN ORGANIC TRAFFIC TO DOMAIN
- 5% REDUCTION IN LIKE-FOR-LIKE COSTS

Chairman's address

We are confident that Nine will continue to occupy its place at the forefront of the media landscape as we move post-2020

This was an extremely difficult year for Australian business. The global economy went into reverse and Australia moved into recession for the first time in 30 years. The magnitude of the domestic downturn was sharp and steep as much of the economy was closed by Government in response to the pandemic. In the second half of the financial year, large parts of the Australian population were in lockdown.

Media companies began shedding staff and closing publications. Other companies, but not ours, qualified for significant JobKeeper subsidies as their revenues fell 50%. The ASX 200 index fell by over a third from peak to trough.

We will long remember the COVID-19 pandemic of 2020, its impact on our way of life, and the downturn in the economy it caused.

The severe downturn dramatically affected advertising revenue. Whilst Nine has growing subscription businesses in Stan and Publishing, the majority of our revenue still comes from advertising through free-to-air television, digital video-on-demand, and publishing. In 2020, our ratings and audiences were up across all our platforms, but overall advertising dollars were down very significantly as companies cut their advertising budgets in response to the downturn.

Given the circumstances, the outcome for the year with EBITDA pre-Specific Items and post AASB16 of close to $400 million, was a very pleasing result. It compares extremely well with our domestic competitors.

What this period has demonstrated is the benefit of diversity, the diversity we have been developing in our business over the past few years. Previous decisions to develop sources of revenue outside advertising have proven their worth in this economic downturn. We launched Stan when Subscription Video-on-Demand did not exist in Australia. Our focus on reader revenue in Publishing has been successful and is gathering momentum. Our growing subscription-based business helped us, and together with advertising on platforms that are structurally in growth, we weathered the storm.

As a result, we are now exceptionally well-placed to emerge from this period a stronger and more focused company. We continue to shift more of our business to a digital platform. At the same time, we have been improving the relative operating performance of our traditional media segments. Across almost all our operating platforms, we have gained audience and revenue share. And we have been able to bring forward years of planned cost reduction.

Underlying trends in the industry, which we anticipated and prepared for, continue to gather pace. Increased audiences in streaming and the migration to digital across both our Broadcast and Publishing businesses, stand us in good stead for the future. We are confident that Nine will continue to occupy a place at the forefront of the Australian media landscape as we move post-2020.

The challenges of the recent period also crystallised the need to deal with some long-term issues which were threatening our competitiveness. The first was sports rights. There has been a tendency in Australia to think that the value of sports rights will always and invariably increase. In fact, the challenges of the COVID environment showed that, in some circumstances, that value declines. We were forced to address this co-operatively with the NRL during the year. We have re-aligned values in a way that is fair both to the sport and the broadcaster.

The other great challenge in this industry is the market power of the global digital platforms like Facebook and Google. They are not subject to the content rules that apply to Free to Air broadcasters in the Australian market. They make very little Australian content and contribute very little to Australian employment. Nonetheless, they are able to use the premium content we produce to attract audiences in the Australian market. We have consistently invested in premium content – in FY20 as much as $1 billion across our business. The large global companies

use this content to generate revenue, but they do not pay for it at a rate that fairly shares the cost of making it or fairly shares the value they get from it. We cannot be expected to bear all the cost when it is being monetised by others. If we are not adequately compensated we will, regrettably, reduce our investment in this content. Simply, it will become uncommercial to make all the premium content we now make.

This outcome would not worry Facebook or Google since it would not affect their global businesses in any significant way. But it will affect Australian creators, Australian consumers, and Australian culture.

We know these companies have enormous market power and enjoy significant regulatory benefits including tax advantages that Australian companies do not have. So we are pleased the Government has recognised this problem and supports moves to address it. In July 2020, the ACCC released its draft mandatory code designed to facilitate fair bargaining between Facebook, Google and media businesses over the use of their news content. Of course, the final detail will be important, but we commend the ACCC on its work and the Government for its firm position on this issue – also supported by the Opposition. Local Australian production will benefit, but we believe the ultimate beneficiaries from this will be Australian consumers.

We have already paid an interim dividend of 5c per share and, notwithstanding the difficult operating environment, we will pay a further 2c in October, both of which are fully franked. This equates to a payout ratio of just over 80% of Net Profit after Tax, before Specific Items. We are committed to paying dividends to our shareholders and intend to maintain a payout ratio of 60-80% through the cycle. Our balance sheet remains strong, our operating performance is clearly ahead of our peers and our Company is increasingly well-positioned for its digital future, underpinning our confidence that payment of a final dividend this year was appropriate.

I would like to acknowledge the tireless leadership and dedication of our whole team led by CEO, Hugh Marks. Over the past five years, Nine has transitioned from a Free-to-Air television network to a diversified and increasingly digitised content company without parallel in the local market. This transition will benefit our shareholders into the future. Hugh has a strong and stable team around him who have helped to shape the Company to the business it is today.

We have also had comforting stability on our Board throughout the year. All our Directors have remained committed and focused and they continue to contribute in their individual ways. I want to thank them for their efforts. We have a broad diversity of skills and experience across the Board, which overall has been a great support to the management team throughout this testing period.

We are hopeful that we are through the worst of this crisis. Our focus on the business has been unrelenting. Notwithstanding the unprecedented conditions, we have continued to improve the relative performance of the traditional businesses, we have contained costs, and we have delivered on our longer-term goal of diversifying our revenue streams with new and growing digital assets.

PETER COSTELLO, AC
Chairman

We have the best suite of assets, and the smartest team to exploit those assets

Whilst 2020 was no doubt a challenging year for media, not only in Australia but around the world, our operating strength and the results of the strategic decisions we have made over the past 5 years, have sheltered us from the worst of the market impact of COVID-19. Our relative position has been further enhanced, and we will emerge from current events as a more focussed and stronger business that's well-positioned for long term growth.

At the core of Nine's business is content – news, sports and general entertainment. It has always been Nine's role to provide Australians with the best possible, premium content. Historically, audiences were only able to be reached through linear distribution platforms, be that free-to-air television or print. Now we are faced with the dual threat, and opportunity, of digital platforms, meaning audiences can now consume an expanding variety of content in the way they chose to, including the content owned by Nine.

This fundamental change has meant we have had to look at the degree to which we need to adapt our business model for the future. Challenging us not just to think about how we take advantage of new platforms to reach audiences but more fundamentally, also our approach to what genres we spend money on and why, and even the nature of the content that we create. In television, this means moving to higher margin content that has broader distribution potential and in publishing, to content that resonates with subscribers.

So, while our content investment has been relatively stable over the past five years, the nature of that investment has changed significantly. We have focussed on platforms we can monetise, and that are growing and on the content that works across those platforms. We also need to control more rights to our content, to ensure we can determine and capitalise on all forms of distribution.

That focus has paid off. Nine's exposure to the growth platforms in the market – primarily digitally based, and video-centric, coupled with our majority stake in Domain, now exceeds that of our traditional free-to-air television and print businesses. And in the year to June 2020, this combined digital contribution from Stan, 9Now, Domain and Publishing grew by around 40%, to almost half of our EBITDA total.

The health and economic events of 2020 have acted to expedite this process. Audiences have grown across all of our platforms – publishing audiences have migrated to digital; streaming through 9Now has become a larger component of our television audiences and Stan's subscriber numbers and engagement have grown substantially this year. And while many of these trends were already occurring, the evolution has accelerated.

We estimate that the average Australian watches around 120 hours of long-form video content or television each month, which is about 5% more than we watched in 2015. But with a definition of television that encapsulates free-to-air, and video on demand, both advertiser-supported like 9Now and subscription, like Stan. As a result of our strategy, notwithstanding the arrival of more international players into the Australian television market, Nine, across all our platforms, has retained around a 24% share of all television viewing. Clear evidence that we are evolving our business model to address changes in audience behaviour.

As markets recover, we expect this migration of audiences to be ongoing and, as a result, we will continue to focus our content investment on those growing platforms. This has meant that we have had to make some difficult decisions in our legacy businesses. During the year, we announced plans to remove up to $160 million of costs from our linear television business – around $100 million of which would be achieved by the end of calendar 2020, and the remaining $60 million within three years. Much of this can be achieved by doing what we do smarter and by not doing things that give us limited returns, but we have also looked at sports costs and sales structures and the process is ongoing. Our cost performance over the past couple of years has been creditable, and the underlying business has prospered. We will continue to reallocate resources towards the parts of our business that promise the greatest returns.

Quality news is a constant across our portfolio of assets. This year has thrown our news teams enormous challenges and each time they have risen to the challenge. From the depth of their coverage of the Summer bushfire disasters, the consistency of their coverage through and of the COVID-19 pandemic and the resilience they showed, without exception, through the US, and subsequently global, protests and riots, Nine's extended news teams did not miss a beat. I commend them all for their dedication and for ensuring that Australians are kept up to date with all the breaking news.

I'd also like to call out our People and Culture, and Technology teams at this point. These two groups particularly have carried enormous extra loads through this recent health crisis. The People and Culture team was quick to act, ensuring the physical and mental health and safety of our employees, while our Technology team ensured a smooth technical transition as people, some of whom had never worked remotely before, moved to work from home, in a seamless manner.

Notwithstanding all the disruption of COVID-19, there were some outstanding operational highlights in FY20. Nine won the TV ratings so clearly across the year and achieved a 20-year high revenue share. Stan surged through 2 million subscribers, *The Sydney Morning Herald, The Age* and the *Financial Review* gained share on both an audience and revenue basis and 9Now held a 50% share in a market that continues to outperform. So while the ad market was bleak, Nine's performance was far from it.

I continue to believe that we have the best suite of assets, and the smartest team to exploit those assets. It's been a challenging year. But, our staff and the Board have been unwavering in their commitment and support as we continue to redefine our business.

Thank you

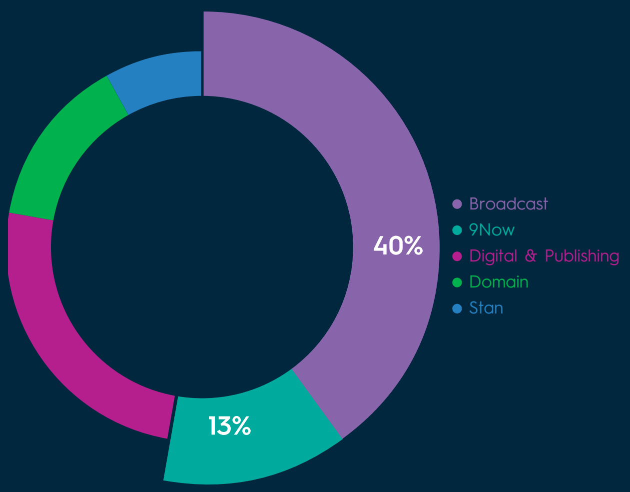
HUGH MARKS
Chief Executive Officer

Australia's leading broadcast brands, across television and radio

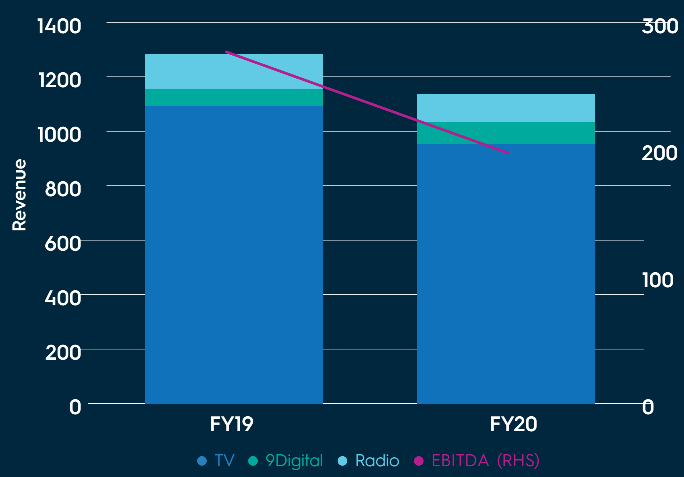
Broadcast

Nine's Broadcast division, which comprises Nine Network, 9Now and Nine Radio (previously Macquarie Media) reported EBITDA of $197 million on revenues of $1.1 billion for the year.

EBITDA[1] contribution – FY20



Broadcast results[2], $m



1. Economic interest adjusted basis, post AASB16, excludes corporate costs.
2. Like-for-like basis, pre AASB16.

The positive operating momentum of Nine's free-to-air business continued into FY20

Free To Air Television

The positive operating momentum of Nine's free-to-air (FTA) business continued into FY20 with growth in both ratings and revenue share across the year.

From March however, the broad advertising market was significantly impacted by the effective shut-down of much of Australia due to the COVID-19 pandemic, and this manifested itself in a very weak FTA ad market in the fourth quarter.

Overall, the metro FTA market declined by 14% across the year, which included a decline of 34% in the June quarter. Nine recorded a Television revenue decline of 13% in FY20 – Nine's share of metro revenues for the year was 39.8%[1], up from 39.6%[1], marking Nine's highest share since 2000, including a second half share of 41.4%[1].

In February, Nine announced a $100 million, 3-year cost-out program for its linear television business, focussing on costs that would not impact on the quality and depth of news coverage, nor inhibit Nine's ability to continue to invest in the growth opportunities around digital and video. This program reflected the impact of audience migration on linear television and the re-focussing of Nine's broader investment towards the growth components of the business.

The COVID-19 situation resulted in an expedition and expansion of this program, with an updated three-year target of $160 million. Specifically, this program is focussing on reduced sports and international content costs, as well as broader operational efficiencies which will benefit from the move of Channel 9 Sydney to North Sydney.

In FY20, Nine recorded a 6% decline in its television cost base, or ~$50 million. This performance was driven by a second half cost decline of 16%, as the benefits of the cost out program began to be realised.

Notwithstanding this cost performance, EBITDA declined by 42% to $124 million, pre AASB16, of $138 million on a reported basis – the strong relative operating performance of Nine on both a share and cost basis, masked by the very weak overall TV market.

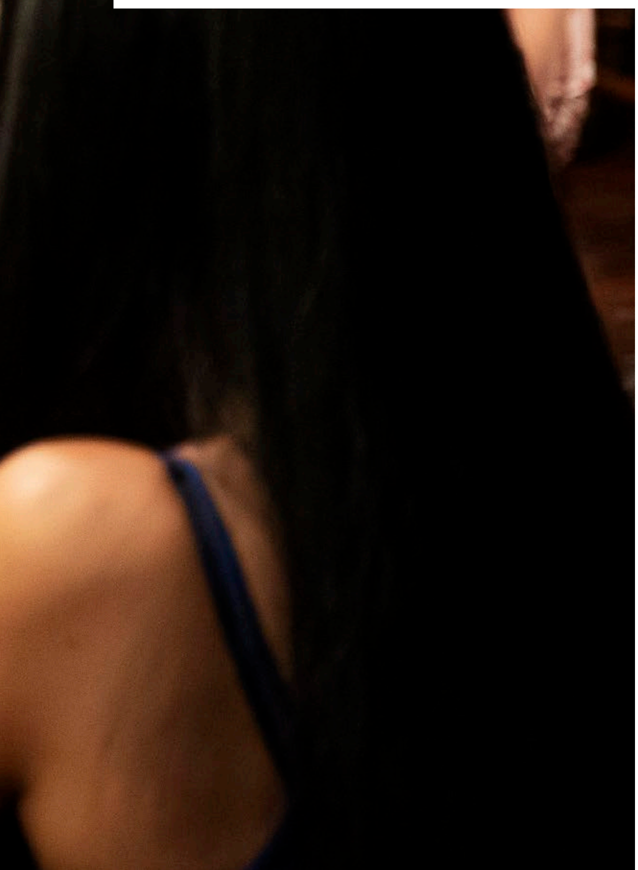
FY20 was one of Nine's best ratings years ever. For the year to June, Nine was the #1 free-to-air network in all of the key demographics.

1. Think TV, metro FTA share, 12 months to June 2020.

Network ratings for the year – commercial share

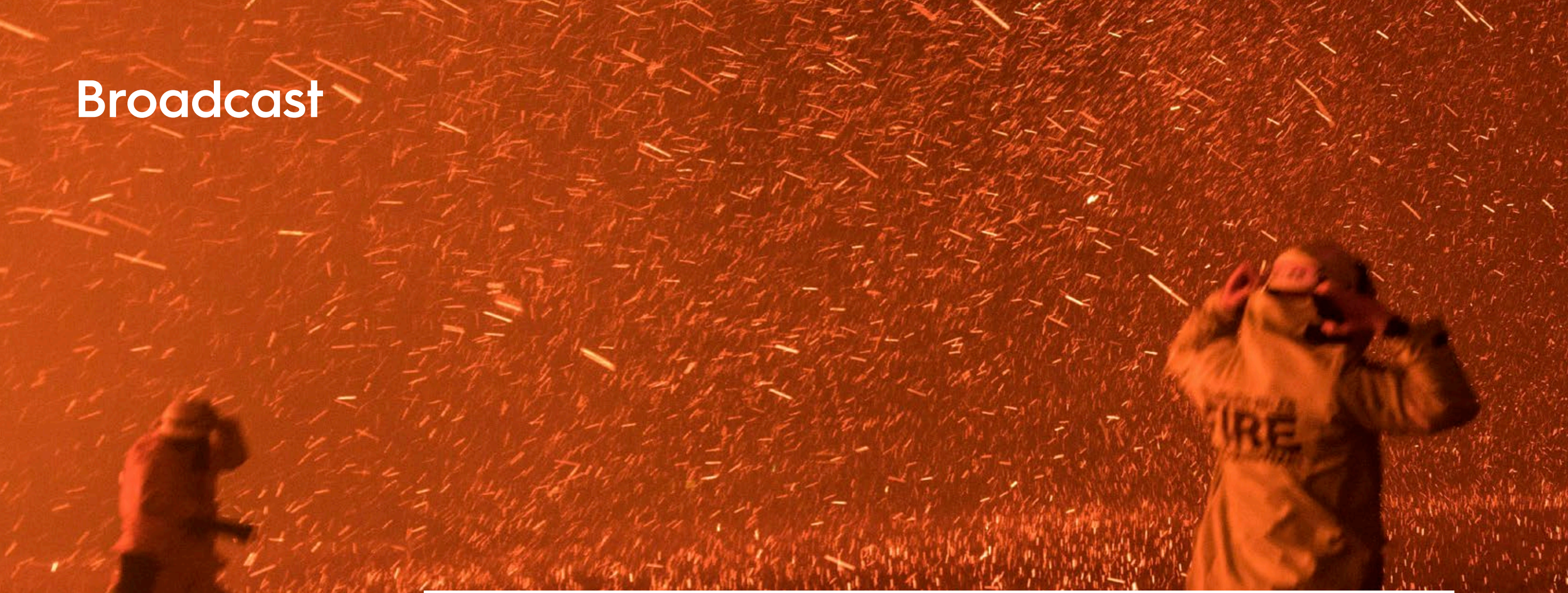
#1	**All People**	**38.6%**	**+0.7pts**
#1	**25-54s**	**38.2%**	**+0.1pts**
#1	**16-39s**	**37.1%**	**-0.1pts**
#1	**GB + CH**	**38.7%**	**-0.3pts**

OzTAM data, 12 months to end of June 2020, 6pm-midnight



For the second year in a row *Married At First Sight* cemented its place as Australia's No.1 series. No other show on television dominates the national conversation the way *MAFS* does.

Broadcast



Firefighters from FBNSW run for safety as the Green Wattle Creek fire exploded from the bush in Orangeville filling the air with millions of embers. Photo by Nick Moir 5th December 2019. ***Sydney Morning Herald***

News was front and centre in television in FY20, with the Australian bushfire crisis over summer, closely followed by the global COVID-19 pandemic and the US race riots. Through these periods, Nine's average nightly news audiences increased, during the first-wave virus coverage by as much as 25%, as Australians turned to their most trusted news providers. Nine continues to focus on being the primary supplier of news to all Australians, across all demographics, and distribution platforms.

In FY20, Nine broadcast around 63 hours of television news and current affairs each week. During these crisis periods, Nine's commitment to news increased to as much as 68 hours, with bulletins extended both morning and night. Reach of Nine's News during this period was a massive 17.9 million Australians, or 70% of the population.

Across the year, Nine's 6pm news service is almost always one of the top five shows for the night, attracting a metro free-to-air audience of almost 1m people each night. The Nine News and Current Affairs brands have extended their reach through Nine's regional network as well as its digital publishing platforms, nine.com.au and 9News.com, while Nine's video content reaches audiences via FaceBook, Twitter and Instagram as well as the Metro Media publishing titles.

Nine's year began with the *Australian Open* – the prestigious event delivered two weeks of consistently high audiences and gave Nine a flying start to the year.

Celebrating its 41st season in 2019, *60 Minutes* ended the year as Australia's No. 1 weekly public affairs program. In 2019, *60 Minutes* achieved a national average audience of 1.030 million viewers per episode.

Sport remains a core part of Nine's programming strategy. In FY20, Nine broadcast more than 1000 hours of premium sport across the year, in addition to around 350 hours of other sports-related content.

During the year, after a 9-week interruption, Nine resumed the broadcast of Rugby League in May 2020. Under the revised contract with the NRL, Nine expects a P&L benefit, resulting from the changes in rights fees and associated production and services arrangements, of an average of around $27 million each year, in FY21 and FY22. The revised contract sets a level of rights costs that will enable Nine to sustainably invest in Rugby League for the future.

For season 2020 to date, with many games played in extraordinary circumstances with reduced crowds and carefully monitored teams, Nine's NRL broadcasts have reached an average of around 3 million league supporters each week, a fertile audience for advertisers chasing a tight demographic. Season 2020 will be shortened by 5 rounds, with the finals and State of Origin series now expected to be played in October and November 2020 respectively.

Nine's 2020 Summer of Tennis reached a national audience of 14.5 million people, or more than half of the total Australian population. Year on year, the national average audience for the lead tournament, the Australian Open, grew across all demographics, with Total People up around 17% and Nine's targeted people aged 25-54s, recording growth of almost 22%, on Nine's first broadcast in 2019. Australians were front and centre in 2020, with the Nadal v Kyrgios 4th round match attracting the highest audience of the tournament, peaking at 3.4 million viewers and an average audience of 2.5 million viewers.

Tennis also attracted a growing digital audience. Across the Summer, 9Now recorded 10.6 million stream starts (up 70% on 2019) and a total of 258 million minutes streamed, more than double 2019.

The strong lead-in from tennis ensured Nine's start to the ratings season. Nine's March quarter ratings and revenue share in 2020 were both at record levels, as Nine's dating juggernaut, *Married At First Sight*, delivered an average of 2.2 million viewers per episode, across linear and streaming platforms.

The record-breaking Season 15 of *The Block*, in late 2019, attracted average cross-platform audiences of 1.7 million per episode as Australians again embraced the enduringly successful formula of the country's favourite renovation show. Moreover, it remains the best example of what can be achieved with premium original content and an integrated sales effort that brought around 30 advertising partners into the show, almost half of whom have been with the show for more than 3 seasons.

Lego Masters also had an excellent return for season 2020. The smash-hit program dominated its timeslot in all the key demographics, including Total People across every broadcast of the 11 episode series, also posting year-on-year growth in metro audiences across the key demographics.

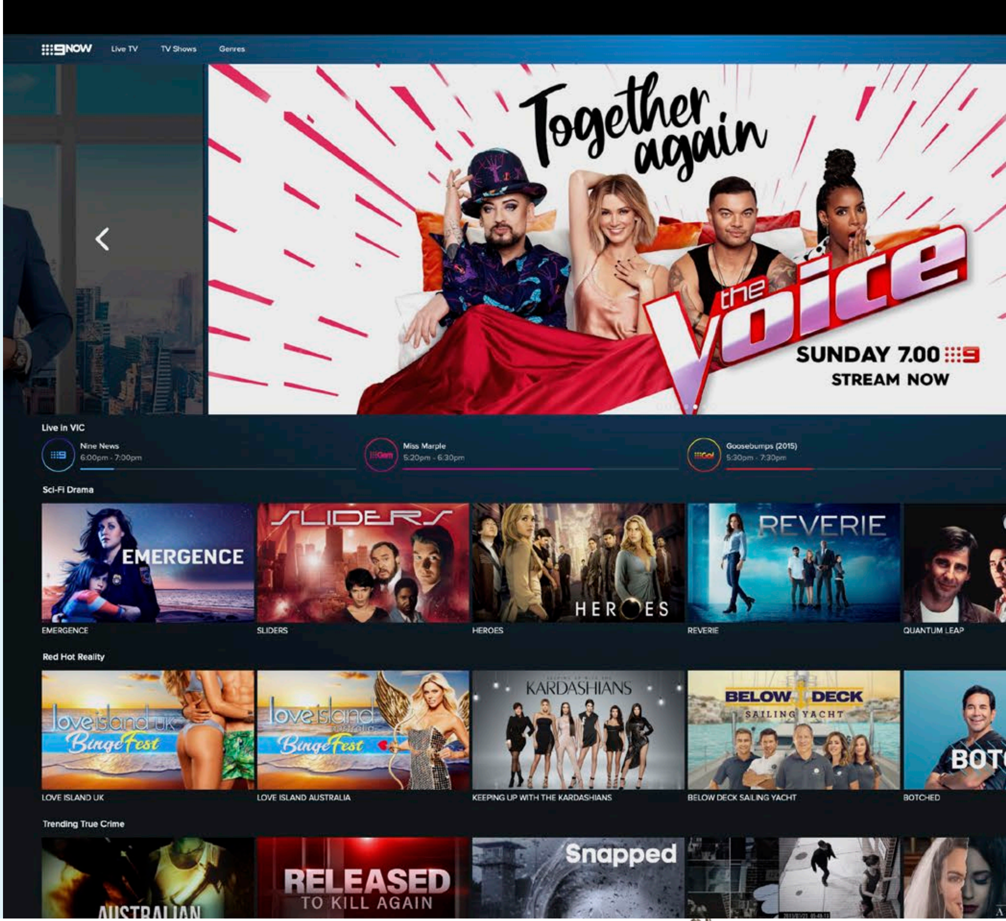
In FY20, Nine had a strong and consistent schedule of premium entertainment content across the full calendar year with *Married at First Sight*, *Lego Masters*, *The Voice*, *Australian Ninja Warrior* and *The Block*. Not only does this create an unrivalled proposition for advertisers with consistent and proven product and clear demographic strengths, but it also enables Nine to explore new content initiatives around this core. Remarkably, Nine's schedule of stripped content was little impacted by COVID-19, with the filming of most of the shows completed prior to lockdown. Other elements of Nine's key content, like *Travel Guides* and *Hamish and Andy*, will return as advertising markets recover.

Broadcast

#1 COMMERCIAL BVOD SITE BY UNIQUE AUDIENCE
Source: Nielsen, June 2020

#1 BVOD REVENUE SHARE
Source: Think TV, Yr to June 2020

#1 COMMERCIAL BVOD SITE BY ENGAGEMENT
Source: Nielsen, June 2020



9Now

In 2020, 9Now, Nine's advertiser-supported live streaming and catch-up service continued to grow on all key metrics, operational and financial. During the year, 9Now broadened its content offering, which resulted in further growth in audiences and engagement.

In FY20, industry-wide Broadcast Video On Demand (BVOD) revenue grew by 31% to $170 million. Across the year, Nine increased its share of industry revenues to more than 50%, reflective of its market-leading proposition. As a result, 9Now reported revenue growth of 32%, and a 36% increase in EBITDA to around $50 million.

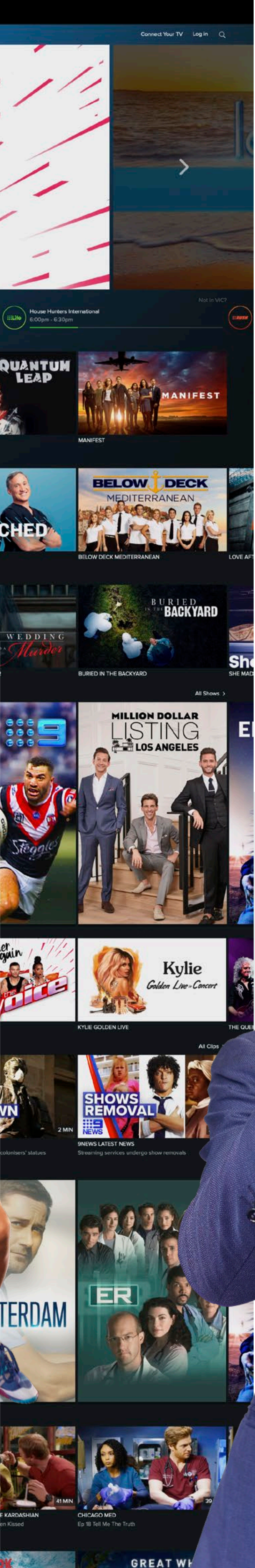
This success has been primarily driven by the broad performance of Nine's schedule. In particular, the popularity of *Married At First Sight* and *Love Island* helped to underpin a 42% increase in streams for the year. There was also strong growth in live streaming across the year – particularly for sports, news and Nine's key platform shows.

In November, Nine signed a multi-year deal to acquire content from NBC Universal – including scripted and unscripted, library content and feature films. This deal markedly amplified the offering of 9Now, marking its transformation from a catch-up service, to an advertiser-supported entertainment destination. The deal included content like *Chicago Hope*, *The Arrangement* and *Suits* spin-off, *Pearson*. Since this expansion, 9Now has recorded clear growth in daily active users, whilst viewers of this investment content have tended to watch markedly more hours.

9Now's unique single sign-in process has enabled the development of a proprietary database which has become a key asset for Nine. Together with data from Nine's publishing assets and Domain, Nine now has access to more than 12.1 million registered, unique audience IDs. As a result, 9Now can offer 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 – premium content, auditable measurement systems and addressability.

With Nine, 9Now and Stan, Nine now has significant, profitable assets across all key video platforms – Linear Television, Broadcast Video on Demand (BVOD) and Subscription Video On Demand (SVOD).

For its third series, *Australian Ninja Warrior* headed south to Melbourne, where it drew a cross-platform average audience of more than 1.7 million viewers per episode.



Nine Radio

Nine acquired the minorities in Macquarie Media in November 2019. With 54.5%, it was Nine's decision at that time that the business would be better served by being part of the Nine Group, from both a sales and news perspective, with the radio news bulletins subsequently rebranded 9News. Key assets include 3AW (Melbourne), 2GB (Sydney), 4BC (Brisbane) and 6PR (Perth).

It has been a difficult year for Nine Radio. Whilst from a ratings and audience perspective, Nine's talk stations maintained their lead audience positions, profitability was disappointing. Metro radio market revenues declined by 20% across the year, and 30% in the June half. Nine's revenue decline of 22% reflected a clear loss of share during the year.

Costs for the year were down by 8%, or $8 million. Much of this decline related to cost savings on consolidation, augmented by further initiatives post the onset of COVID-19.

As a result, Radio EBITDA declined markedly to $10 million (post AASB16).

Nine has made a number of significant changes during the year. On the core talk network, particularly in Sydney, a number of key personnel changes have occurred since acquisition. The previously loss-making Macquarie Sports Radio Network has been replaced with a music format playing the best of 70s, 80s and 90s, with a return to the airwaves of heritage brands 2UE, Magic and 4BH.

With these changes now implemented, Nine is confident that, combined with the extension of the 9News brand and the restructuring of the sales team, this will result in improved returns when advertising market conditions improve.

3AW's ***Ross Stevenson*** and ***John Burns*** are the undisputed kings of breakfast radio, having notched up 147 consecutive ratings survey wins, before John Burns' retirement at the end of July.

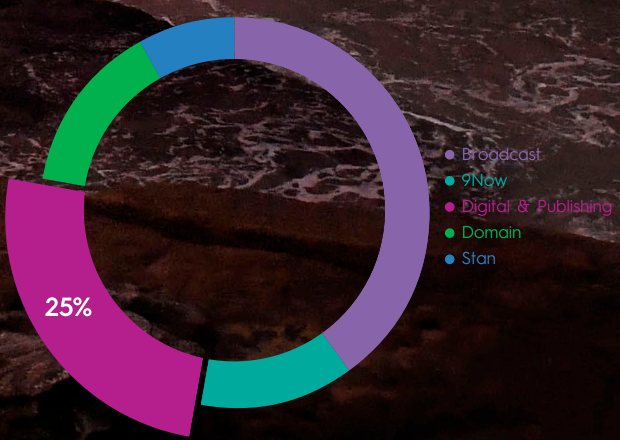
Ben Fordham consistently dominated the drive timeslot on 2GB. In June of this year, he began hosting the breakfast slot, after the retirement of Alan Jones.

One of Australia's leading digital publishers

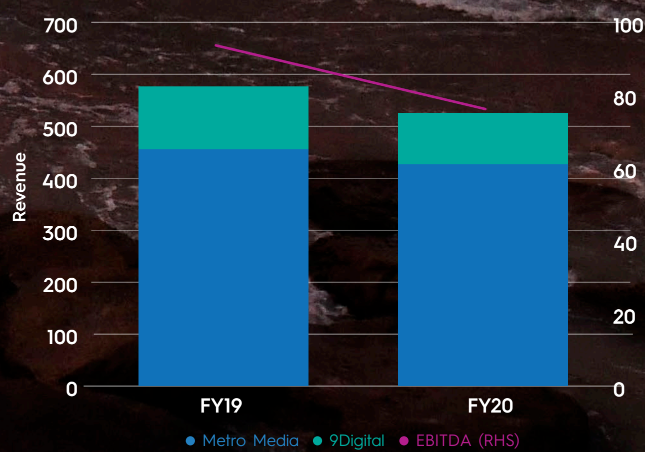
Nine's Digital & Publishing division includes Metro Media (*The Sydney Morning Herald, The Age* and the *Financial Review*) and Nine's other Digital Publishing titles including Pedestrian Group, CarAdvice/Drive and nine.com.au. Together, Digital & Publishing reported revenue of $525 million and a combined EBITDA of $92 million post AASB16.

Surfers and swimmers climbed and squeezed around barriers to use Tamarama Beach during the Coronavirus shutdown of beaches.
Dawn Photo: Nick Moir. 16th April 2020

EBITDA[1] contribution – FY20



Digital & Publishing results[2], $m



1. Economic interest adjusted basis, post AASB16, excludes corporate costs.
2. Like-for-like basis, pre AASB16.

Digital & Publishing

There were a number of key achievements in FY20 for Metro Media, as the business continues to evolve to its digital future. Firstly, reader revenues which include subscriptions, circulation, syndication and reader events now account for 59c in each $1 of revenue, greatly reducing the Group's historical reliance on advertising. Secondly, in FY20, digital revenues accounted for a growing 41% of total revenues, as the business migrates away from the legacy print business. Both of these are trends which will help to ensure the long term prosperity of the business.

However, the COVID crisis resulted in significant, broad advertising market weakness, more than offsetting the strong growth in subscription revenues. As a result, Metro Media reported a revenue decline of 6% which, notwithstanding a 5% decrease in costs, resulted in an EBITDA decline to $88 million, post AASB16.

2020 was a big year for news, with events like the summer bushfire crisis and the global COVID-19 pandemic capturing the interest of all Australians. Nine's commitment to quality and consistency of content, and specifically news, was quickly reflected in improving readership and subscription trends.

In the year to June, Nine's portfolio of Metro mastheads reached a total de-duplicated audience of 13.8 million people across print and digital platforms, with *The Sydney Morning Herald*, *The Age* and the *Financial Review* all clear leaders in their respective sectors. This growth in readership translated to increased subscription revenue, which across the Group's titles, increased by ~5%. Through the lock-down period, and the associated restrictions to general access, the migration from print to digital accelerated with digital subscribers growth of more than 20%, June 2020 on June 2019, for all three key titles.

During the peak of the COVID-pandemic, Nine dropped its paywall for related articles, allowing all Australians to keep abreast of the rapidly evolving environment.

Image: Emergency nurse and incident response manager at St Vincent's Hospital, Darlinghurst, Sydney 12th May 2020, Kate Geraghty. ***Sydney Morning Herald***

In a difficult broader advertising market, Nine grew its digital advertising revenues by 4%. This was offset, however, by a 19% decline in print, reversing the improved trend of the previous year. The effectiveness of print for categories like travel and luxury goods exacerbated the impact of the general slowdown and also resulted in a number of the print titles being paused during the height of the lockdown.

Digital advertising outperformed the broader ad market, driven both by the benefits of consolidation within the Nine Group as well as the advertising sales agreement with Google which resulted in an increased share of digital revenues.

Metro Media's strong history on costs continued in FY20, with total costs declining by 8%, on a like-for-like basis. With the sale of ACM in June 2019, Nine retains no ownership of print plants, which provides increased flexibility in the Group cost base. Since the end of the year, Nine has renegotiated its printing contracts to a variable model, giving full optionality on volumes, products and frequencies.

The recent outcome of the Digital Platforms Inquiry was welcomed by Nine and is of particular significance to Metro Media. Nine prides itself on the quality of its journalism and depth of its coverage but in a world where distribution is proliferating, Nine needs to be able to monetise that content across all available platforms. The findings of the ACCC concur with Nine's position and through FY21, Nine is expecting the ACCC's proposed Code to be implemented across the industry. This will enable and ensure future investment in Nine's journalists and editorial process which in turn will ensure the future of news in Australia. A benefit for all Australians.

9Digital

9Digital comprises Nine's digital publishing assets – namely our core digital sites including network home (nine.com.au) as well as Pedestrian Group (Nine's publishing platform targeting young Australians) and CarAdvice/Drive (the number one publisher of new car editorial content in Australia). Across the portfolio, both revenue and costs recorded double-digit declines, resulting in an EBITDA contribution of $4 million.

It is expected that Nine will further refine this portfolio in the future, focussing investment on areas which present clear opportunities and consistencies with the rest of Nine's business.

Australia's leading local SVOD business

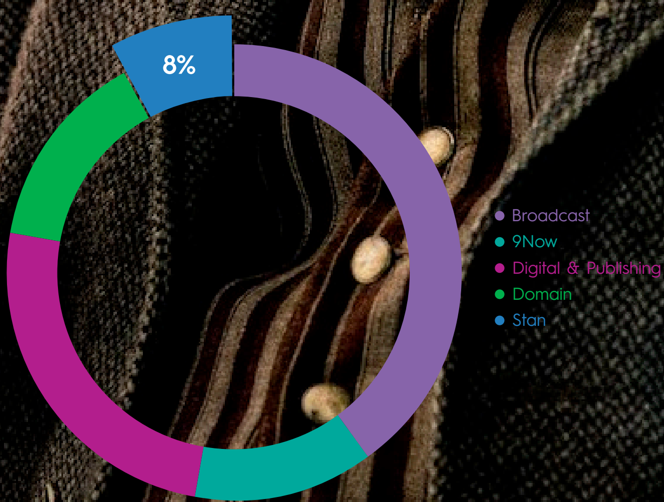
Stan is Nine's Subscription Video On Demand (SVOD) platform. With more than 2 million subscribers, Stan is the lead local player in what continues to be a rapidly expanding market.

FY20 was a big year for Stan, with continued strong growth in active subscribers and the Group's first period of both EBITDA and cash profit. Stan finished the year with more than 2 million active subscribers (2.2 million by end of August), and with a revenue run rate of more than $275 million.

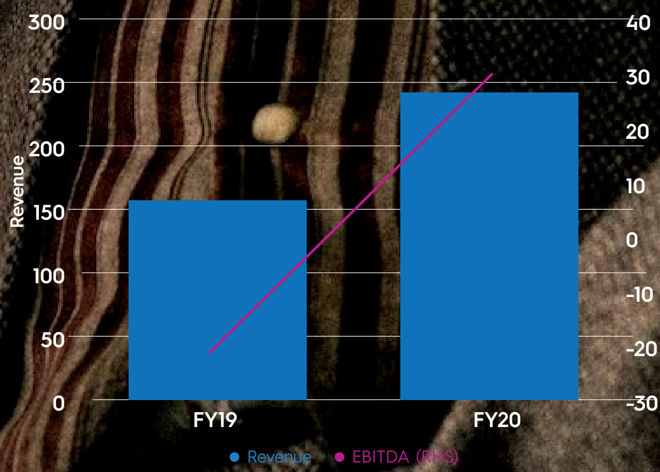
Like Nine's other video businesses, the disruption of COVID-19 had a positive impact on Stan's audiences, both in terms of additional subscriptions and increased usage. During the year, Stan added more than 450,000 active subscribers, particularly through the March-June period, when many Australian's were confined to their homes. And as the subscriber numbers have grown, so too has their engagement with Stan. Total streams increased by more than 50% across the year, while during the second half, average weekly viewing hours per subscriber increased by around 20%.

Stan

EBITDA[1] contribution - FY20



Stan results[2], $m

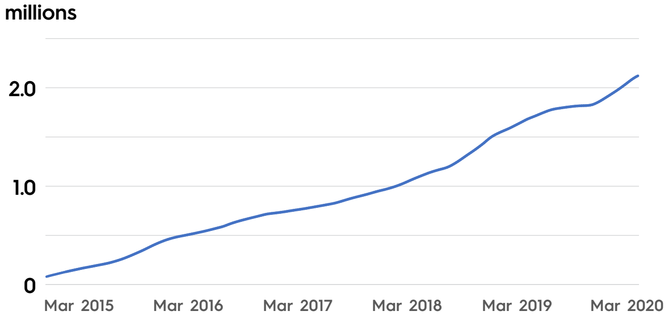


1. Economic interest adjusted basis, post AASB16, excludes corporate costs.
2. Like-for-like basis, pre AASB16.

As audiences continue to look for broader content options and the convenience of on-demand, Stan has positioned itself as a key aggregator of premium exclusive and library content from studios and production houses from around the world, as well as a creator of key local franchises. In FY20, Stan's 60+ first-run exclusive shows, the key ones that drive subscriber uptake, were sourced from 17 different distributors from around the world. In addition, Stan launched five Stan originals – all of which have also been distributed into overseas markets.

Particularly popular were Lionsgate's *Love Life*, Paramount's *Yellowstone* and *Normal People* from Element Pictures as well as Stan Originals like *The Gloaming*, *The Commons* and *The True History of the Kelly Gang* which captured the imagination of audiences both in Australia and overseas. Stan's extensive library of internationally and locally-sourced content, including the *Iconic Series*, helped drive both subscriber take-up and engagement.

Weekly total active subscribers



The very strong growth in subscribers underpinned revenue growth of 52% for the year to $242 million. This resulted in an EBITDA (and cash) profit of $31 million, a $50 million improvement on FY19.

Stan continues to consistently reach the milestones it has set for the business. Across content, subscribers and profitability, Stan has consistently reached or exceeded expectations. In a market which continues to grow rapidly, Stan is in a unique and exciting position.

One of Australia's leading property technology and services businesses

Nine holds a 59% stake in separately ASX-listed Domain Group, home to Domain, Allhomes, Commercial Real Estate and CommercialView. Domain's portfolio also includes agent products Homepass, Pricefinder and Real Time Agent as well as consumer solutions Domain Loan Finder and Domain Insure.

The underlying cycle of the property market was significantly interrupted early in calendar 2020 by both the extensive summer bushfires, and the outbreak of COVID-19, which saw an effective shutdown of the property marketplace. Notwithstanding an overall listing market that was down in the double-digits, Domain performed strongly, benefitting from its newly introduced pricing model, increased depth penetration and ongoing cost focus.

In FY20, Domain reported EBITDA of $84 million (down 16% like-for-like) on revenue of $262 million.

In Domain's core residential business, which accounts for around 62% of Group Revenues, revenue fell by 7%, against the backdrop of a market decline in new listing volumes of around 11%. After a stronger start to calendar 2020, the challenges relating to COVID-19 heavily impacted on the property market and Domain through the fourth quarter. The Group's new flexible pricing model enabled a partially offsetting 6% increase in controllable yield.

Domain continues to focus on lifting its value proposition for vendors and agents – resulting in growth of 39% in unique digital audience to 6.6 million, and a record number of new depth contracts with agents. Domain's focus on delivering a superior value proposition, utilising its evolving data and analytics as well as its market-specific approach should underpin longer-term growth opportunities as the property market recovers.

The general market weakness also impacted across all arms of Domain's Media, Developers and Commercial operations, with revenue down 9%. This reflected a challenging market environment for Developers and Commercial property, and a general softness in advertising markets.

During the year, Domain acquired Real Time Agent, providing enhanced digital tools for the property transaction process. This proved particularly timely through a period when social distancing requirements interrupted the traditional property sale process, requiring innovative solutions. Underlying revenue from Agent Services increased by 1% in FY20 as Domain continues to invest in products to differentiate and enrich both the agent and consumer experience.

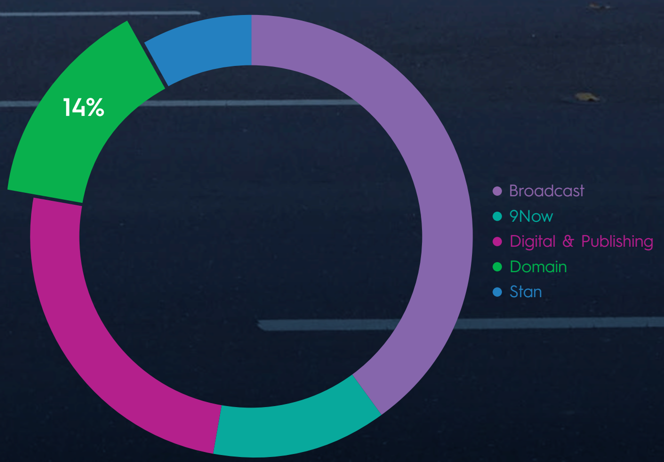
There was strong revenue growth in Domain's fledgling Consumer Solutions business to $6 million. This growth was underpinned by Domain Loan Finder, which delivered growth in both new home loans and refinancing.

Domain's print revenues declined by 41% to $27 million as a number of the Group's products were paused for much of the second half reflecting the impact of COVID-19 on the property market. Notwithstanding Print continues to deliver strategic value to Domain, from both an agent and consumer perspective.

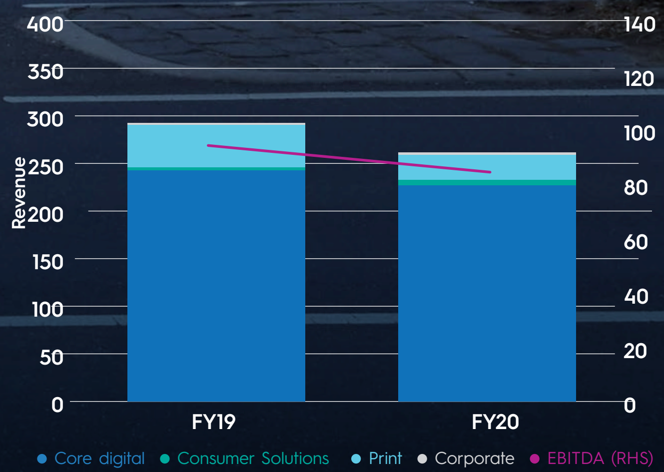
Like Nine, Domain was quick to act when the extent of the COVID became evident. Central to this was Domain's Project Zipline initiative which resulted in a reduction in cash salary costs, as employees elected to take part of their salary in share rights. Domain also provided a range of support packages to its agent customers, the cost of which was broadly offset by a $5 million benefit relating to JobKeeper. On a like-for-like basis, total costs declined by 5%, reflecting a continuation of Domain's multi-year strategy to drive cost discipline, partially offset by investment in growth initiatives.

During the year, Domain continued to grow its audiences, and focus on providing innovative solutions for both agents and consumers. Notwithstanding the difficult operating environment, depth and yield improvements have continued, which will result in strong leverage when the cycle returns to normal.

EBITDA[1] contribution – FY20



Domain results[2], $m



1. Economic interest adjusted basis, post AASB16, excludes corporate costs.
2. Like-for-like basis, pre AASB16.

Nine Sydney: Creating a Better Workplace

2020-21 will be a transformative period for Nine's Sydney operations, as current operating sites at Willoughby, Pyrmont, Australia Square and North Richmond will be consolidated into a single creative campus – Nine Sydney at 1 Denison Street, North Sydney.

It will be a transformative move not just for Nine's people in Sydney but for the whole of Nine, regardless of location as it will also act as the catalyst for new digital and technological ways of working.

The 1 Denison building will be North Sydney's first premium-grade, large-scale commercial office tower. It is a purpose-built facility, with Nine as the anchor tenant, occupying 14 of the 37 floors across a 60,000 square metre building.

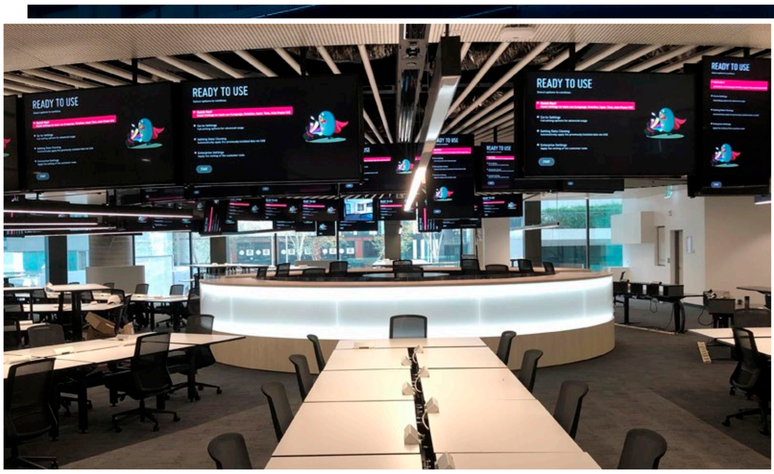
Nine's occupancy will encompass around 24,000 square metres including office space, studios, meeting rooms and other dedicated facilities. There will be approximately 2,000 workpoints, catering to the needs of all the business divisions. Nine's tenancy has been designed to facilitate creativity and collaboration and will be fully interconnected with internal stairs reaching throughout the low-rise and mid-rise

Nine Sydney will be a 5 Green Star building, meaning it complies with the highest environmental and sustainability standards. Green Star is Australia's trusted mark of quality for the design, construction and operation of sustainable buildings, fit-outs and communities.

There will be multiple content-creation spaces built primarily for our television business. The automated technology assets in these studios will be world-leading, enabling flexible, scalable, virtualisation and simplification of content curation and manipulation.

The model is designed to simultaneously create and distribute content across multiple platforms.

Bespoke newsrooms for *The Sydney Morning Herald* and the *Financial Review* have also been created benchmarked against world standards. These newsrooms will be open plan, fostering an inclusive and collaborative culture.



Nine's new integrated Broadcast Newsroom modelled on the successful BBC Hub and Spoke design

Corporate Responsibility

CORPORATE RESPONSIBILITY

Nine's Corporate Responsibility strategy is based on the three key pillars illustrated above – People, Governance and Community. Corporate Responsibility is an ongoing focus and Nine will continue to evolve and improve its practices over time.

People and Culture

The talent, quality and capability of our people has never been more evident than in FY20. In this unprecedented year, the importance of our ability to tell diverse stories to our audience was paramount. From fires to floods to COVID-19, we delivered news, current affairs, sports and entertainment to our audience and readers through the strength of our passionate, creative and ambitious people.

Our People and Culture strategy starts with our purpose – to be where Australia connects. In order to ensure our people connect, not only with their audience but also each other, we must build and maintain an environment where every person feels confident and comfortable that no matter their background, experience, gender, race, sexual orientation or education, their opinion will be heard. It is through this connection that we ensure we continually create great content, that is distributed broadly and engages our advertisers and audience.

Centred around our strategic pillars of Create, Distribute and Engage, the People and Culture strategy aims to:

- Build capability (leadership, functional and creative) to create competitive advantage for Nine;
- Create the enabling infrastructure to optimise performance through collaboration and the leveraging of our platforms and scale; and
- Engage our people through building trust and our reputation as an employer of preference internally and externally.

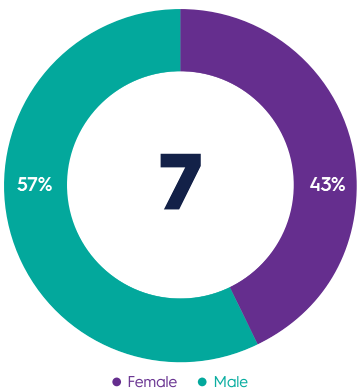
Caring for our People

This year has been one of the most challenging for our people. Through fires, floods, COVID-19, protests and riots our people were consistently on the frontline to ensure that the stories that needed to be told were delivered to our audiences across all our platforms.

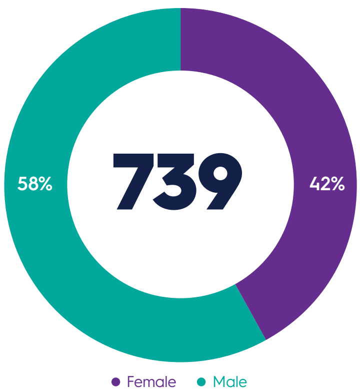
To do this safely, in FY20 we conducted a full review of our safety systems and processes. This approach highlighted the genuine care our people have for each other, as well as presenting an opportunity for us to move from compliance to best practice. As a result of the review, we invested in the capability of our safety team, bringing in experienced leaders to continue to build our safety strategy and support the development of our leaders in behavioural safety. Further leading indicators have been introduced, such as high potential incidents, and these are measured and shared with the People and Remuneration Committee and Leaders on a quarterly basis. We have further strengthened our approach to risk management by using risk assessment tools to add rigour and structure to our approach to the management of key incidents such as through COVID-19, and the protests in the US and UK in May and June.

Recognising the ongoing need for support for mental health for our people, we accredited a further fifteen mental health first aiders, building on the network established in FY19. We created a Broadcast-focused program, allowing those who support other employees and also participants in reality television programs (such as producers and publicity) to be developed in the particular skills required to support mental health.

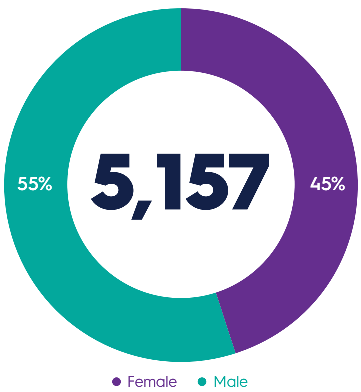
NEC Board



NEC Management



NEC Total Employees



Corporate Responsibility

In addition to the support provided to our people, we continued to extend support to participants in reality television. In FY20, we introduced a dedicated support hotline, partnering with our employee assistance program provider, Converge International. This dedicated hotline was provided to current and former participants of all our reality programs, including *Married at First Sight*, *Love Island* and *The Block* and was in addition to the support provided to participants through our production partners.

During the 2020 production of *The Block,* we piloted a 'Peer Support' program, whereby a suitably qualified former participant provided a level of support to participants drawing on their own experience on the program. This provided participants with support from someone who could empathise with the experiences of the participants given the unique environment and challenges associated with the creation of a program like *The Block*.

Our health and safety reporting will continue to evolve. The metrics below are indicative of the low level of workplace injuries and will be included in future reports.

	FY20
Total injury numbers	29
Lost time injury	15
Lost time injury frequency rate	1.94
Total recorded injury frequency rate	3.76
Hazards identified	74
EAP (employee assistance plan) usage	~5%

COVID-19

In March 2020, we responded swiftly to the evolving COVID-19 crisis. We prepared our people to work remotely, including running work-from-home drills across the business. This allowed for a smooth transition to remote work from 16 March 2020, at which point we encouraged our people who could work from home to do so.

In a business like ours, not everyone could work remotely, and additional precautions were put in place to support those who were required to be in the office daily. This included increased deep cleaning, access to hand sanitiser and wipes, restriction of access to critical areas (such as news floors), and separation of teams into 'red' and 'blue' to ensure business continuity.

Additional resources were created to support our people during these unusual times, as many were experiencing remote working for the first time. Easily accessible over the intranet or through local communication channels, this included how to set up a home office, leading people remotely, tips for working at home with children, managing stress and communication tips. Frequently Asked Questions relating to COVID-19 were updated regularly and remained on the home page since early March. Virtual development was also shared to support our people, including *Leading at a Distance*, and *Time Management: Working from Home.*

As we shifted to return to the workplace, Leader and Employee Guidelines were created to help our people consider their own return to the workplace in a way that acknowledged their individual needs and concerns, and those of the business. We recognised the different experiences our people had with COVID-19, including the level of uncertainty generated during this time, we encouraged leaders to reach out to their people individually, knowing a one size fits all approach would not work.

With the benefits of remote working and the flexibility that allowed, many of our employees, in consultation with their leaders, chose to continue their flexible working arrangements, including staggered start and finish times and working from home. We anticipate these arrangements to continue and fundamentally change our approach to the way we work.

Women @ Nine

Women @ Nine continued to strengthen in FY20. Encompassing initiatives for our people focused on inspiring and developing our current and future leaders, Women @ Nine demonstrates our ongoing commitment to, and recognition of the importance of, strong, visible leadership from inspirational female leaders. In FY20, we once again maintained equal gender representation in our Non-Executive Directors on the Board, whilst women occupy 42% of the roles at our Executive Leadership level.

In FY20, we updated our gender objectives to include:

- At least 30% of Board positions to be held by women;
- At least 40% of Senior Executive and Management positions to be held by women; and
- Achieve gender balance in leadership and talent development.

To support our objectives, in FY20, Women @ Nine grew from mentoring and networking to also include formal development and recognition through the introduction of Women Leading @ Nine and the internal Women of Influence Awards.

In FY20, we piloted the Women Leading @ Nine program with 20 mid-to-senior level high potential female leaders. Facilitated by an external partner, the 6-month program was designed to help these talented leaders accelerate their leadership journey through applying a strengths-based approach to development, coupled with three face-to-face workshops, coaching and individual challenges. Participants were also paired with a Senior Executive for individual mentoring. Feedback from participants was positive, with many participants able to articulate business actions they have already taken as a direct consequence of the program. We will continue to monitor the career progression of these participants as a metric of the success of the program.

Women of Influence

Leveraging the foundation of the *Australian Financial Review* Women of Influence Awards, and the internal program previously run at Fairfax, we restructured the internal Awards to reflect the merged Nine. New categories included 'Leading the Way', 'Up and Comer', and 'Cultural Influencer', whilst the 'Agenda Setter', 'Innovators' and 'Woman of Influence' categories were maintained. A total of 133 nominations were received from across all parts of Nine, with Leader, Peer and Self nominations invited. The Executive judging panel identified 26 finalists who were presented to CEO, Hugh Marks and non-Executive Director Catherine West for final assessment. The Awards were presented at an intimate event to coincide with International Women's Day.

Developing our People

We recognised that, following the merger in 2018 and in light of the constant evolution of the media industry and Nine's increasing focus on our digital growth assets, a reset of leadership expectations and capabilities was required to reflect the modern leadership needs of the business. This resulted in new leadership development programs, '*Take the Lead*', a bespoke program created to reflect the leadership needs for Nine at all levels, and to build the connection of our people through cross-functional cohorts. 50 participants commenced the program in FY20, and we will continue to roll the program out to a further 100 leaders over FY21 (subject to any COVID-19 related restrictions).

In addition to our leadership programs, our Sales team launched a new '*Sales Academy*' – a custom internally led training and development program designed to upskill our sales professionals. With a focus on the integration of recently merged teams, the Sales Academy delivered twelve modules across all platforms including Broadcast, Digital, Publishing & Radio. The modules provided exposure across the breadth of the business, enabling the sales team to have a broader understanding of Nine, improve sales skills, and have conversations with clients about cross-platform solutions for the first time. Modules were delivered nationally through a series of face to face and online sessions utilising 37 of our own people who were themselves developed in training and facilitation skills. More than 550 of our employees have now taken part in the Sales Academy, with positive feedback from participants, with 91% of participants recommending the sessions to others. The Sales Academy is now recognised in the media advertising industry and we are working on tailoring our training modules to be used in agencies externally. As the needs of our sales team change, particularly in relation to changes in market conditions and expectations, we will continue to evolve content to ensure the Sales Academy continues to deliver relevant capability build into FY21.

Supporting our People

Recognising the challenges that caring responsibilities present, particularly when caring for school-age children during school holidays, in FY20 we partnered with KidsCo Australia to provide onsite vacation care for primary school-aged children. KidsCo provided qualified school teachers who developed an engaging STEAM-based curriculum utilising the unique brand assets of Nine (for example 'Nine's *The Voice*', News for a day). Subsidised by Nine, the program was run in Sydney and Melbourne, with 'virtual' vacation care introduced during the COVID-19 restrictions. 243 employees used the program, with 366 children making the most of the activities.

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 (https://www.nineforbrands.com.au/investors/).

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. In respect of its radio business, Nine is bound by the Commercial Radio Code of Practice and the Commercial Radio Guidelines which also promote editorial accuracy and guide reporting on sensitive topics such as mental illness.

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. There are similar restrictions on Nine's commercial radio licences.

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 is committed to providing charities and communities with the right support

As one of Australia's most connected media companies, Nine is committed to providing charities and communities with the right support. This primarily comes in the form of media exposure, but also through employee engagement opportunities, as well as the two days of incremental leave granted for charity work to each employee across Nine.

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.

Across FY20 we have provided support and coverage across Nine's different platforms. In the wake of COVID-19, Nine knew that it would be a very tough period for everyone. We opened up additional inventory across our network to support key messages around hygiene, mental health, family assistance, and a variety of support networks. Since we opened this inventory, we have provided over 43 million digital impressions.

We connected our sales force to support Gotcha 4 Life, taking on the #COLIV19 challenge. Employees were required to reach out to 19 people in 19 days via a video chat to check in and see how they were. Our most senior members of the team participated in this cause and drew increased attention to it by posting daily updates on their extensive LinkedIn networks. We have also provided in-program support across the NRL via Gotcha 4 Life ambassador, Gus Worland.

$23m
Broadcast CSAs

$3.1m
Nine Radio CSAs

$3.2m
Publishing

$22.8m
Telethons

$27m
Publicity/Editorial

$79.1m
Total FY20

CSA = community service announcement

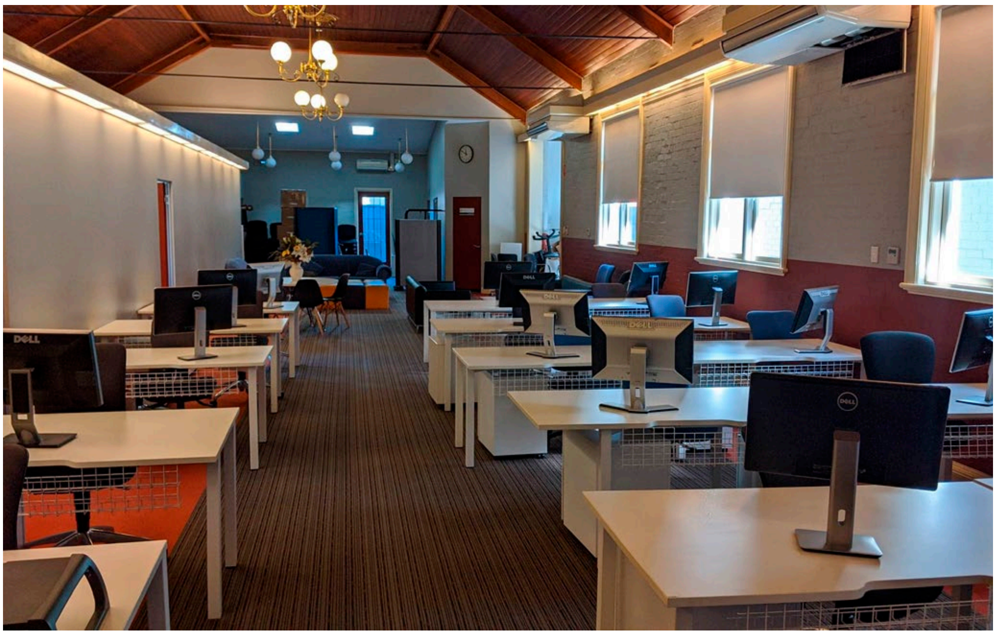
9 News and *A Current Affair* are instrumental vehicles to share stories and raise awareness. Across FY20, some of the key stories we promoted and shared included Children's Hospital Telethons, The Sunrise Orphanage in Cambodia which raised over $700,000 in donations and coverage of Ocean Heroes Australia, bringing awareness for a cause that injects joy to children living with autism.

Nine continues to support the Mark Hughes Foundation, which raises awareness and funding for Brain Cancer research. We supported the *Beanie for Brain Cancer campaign* across our broadcast properties, through in-program promotion and utilised our own talent to wear and post themselves wearing the beanies. We also encouraged all staff to participate by sharing links to where beanies could be purchased. This year $2.6 million was raised across the period.

Nine Cares continues its involvement in communities around Australia by 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 capital cities.

The Fairfax Foundation

The Fairfax Foundation, established in 1959 with an independent charter, provides assistance to current and former employees and their dependants through a range of grants and other benefits. The Foundation provided $956,796 in financial grants and other benefits to eligible beneficiaries (employees and former employees of Nine and associated eligible companies) during the 2020 financial year.



The image shows the new 'Transition to Work' space, constructed for the Exodus Foundation, and furnished entirely by TCN Willoughby on the transition to 1 Denison Street. The Exodus Foundation provides real and direct assistance to address the cause and effect of homelessness, intergenerational poverty and unemployability.

Board of Directors

Peter Costello, AC

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 of 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, Domain Holdings Australia, Woolworths South Africa, and Chairman of Saltbush Capital Markets. In May 2019, he was appointed Non-Executive Director of the Bank of Queensland, and as Chairman of the Bank in October 2019. He is also a Non-Executive Director of Dexus and Allianz 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 is a chartered accountant, with extensive experience in accounting, finance, auditing, risk management, corporate governance, capital markets and due diligence. Ms Lewis has been a non-executive director since 2014, and in addition to Nine Entertainment, serves on 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.

Prior to becoming a non-executive director, Ms Lewis spent 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.

Mickie Rosen

Independent Non-Executive Director

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

Ms Rosen currently serves on public, private, and non-profit boards, including Ascendant Digital Acquisition Company and TechStyle Fashion Group, and she advises early to growth-stage companies. 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 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

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. She is a consultant to media companies internationally and to the healthcare sector.

Ms West is a Graduate Member of the Australian Institute of Company Directors, Vice-President of the Sydney Breast Cancer Foundation at Chris O'Brien Lifehouse, a director of the NIDA Foundation Trust and a Governor of Wenona School. Ms West holds a Bachelor of Laws (Hons) and Bachelor of Economics degree from the University of Sydney.

Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

Financial Report

for the year ended 30 June 2020

Contents

Directors' Report

The Directors present the financial report for the year ended 30 June 2020. 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
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

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 (since November 2017). 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, he had ownership and management interests in a number of independent companies producing content for broadcast and pay TV, talent management and digital production. 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 is also a director of Domain Holdings Australia (since February 2020).

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 17 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, Domain Holdings Australia, Woolworths South Africa, and Chairman of Saltbush Capital Markets. In May 2019, he was appointed Non-Executive Director of the Bank of Queensland, and as Chairman of the Bank in October 2019. He is also a Non-Executive Director of Dexus Funds Management (since February 2020) and Allianz Australia (since July 2020). 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 and Risk Management Committee and a member of the People and Remuneration Committee. Ms Lewis is a chartered accountant with extensive experience in accounting, finance, auditing, risk management, corporate governance, capital markets and due diligence. Ms Lewis has been a non-executive director since 2014, and in addition to Nine Entertainment, serves on 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. Prior to becoming a non-executive director, Ms Lewis spent 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.

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 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, Ms West was responsible for all of Sky's content relationships, distribution, commercial activities and joint ventures. She is a consultant to media companies internationally and to the healthcare sector. Ms West is a Graduate Member of the Australian Institute of Company Directors, Vice President of the Sydney Breast Cancer Foundation at Chris O'Brien Lifehouse, a director of the NIDA Foundation Trust and a Governor of Wenona School.

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

Remuneration Report

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

Directors' Interests

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

Directors' Meetings

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

	BOARD		AUDIT AND RISK MANAGEMENT COMMITTEE		PEOPLE AND REMUNERATION COMMITTEE	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Peter Costello	14	14	5	5		
Nick Falloon	14	14			4	4
Hugh Marks	14	14				
Patrick Allaway	14	13	5	5		
Samantha Lewis	14	14	5	5	4	4
Mickie Rosen	14	14				
Catherine West	14	14	5	5	4	4

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.

There have been no significant changes in the nature of activities during the financial year.

Dividends

Nine Entertainment Co. Holdings Limited paid an interim dividend of 5 cents per share, fully franked, in respect of the half year ended 31 December 2019 amounting to $85,269,663 on 20 April 2020. Since the year end, the Company has proposed a dividend of 2 cents per share, fully franked, payable in October 2020 in respect of the year ended 30 June 2020 amounting to $34,107,865.

The Company declared and paid a final dividend of 5 cents per share, fully franked, in respect of the year ended 30 June 2019 amounting to $85,269,663 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 Level 9, 1 Denison Street, North Sydney NSW 2060.

Review of Operations

On 7 December 2018, the Group merged with Fairfax Media Limited ("Fairfax"). The 2019 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 2020, the Group reported a consolidated net loss after income tax of $574,967,000 (2019: profit $233,880,000). This included a loss after tax of $66,189,000 from discontinued operations (2019: profit $17,314,000).

The Group's revenues from continuing operations for the year to 30 June 2020 increased by $222,222,000 (11%) to $2,187,296,000 (2019: $1,965,074,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) and before specific items (Note 2.4) for continuing operations for the year ended 30 June 2020 was a profit of $396,693,000 (2019: profit of $349,862,000).

The Group's cash flows generated in operations for the year to 30 June 2020 were $377,411,000 (2019: $221,570,000). Further information is provided in the Operating and Financial Review on pages 60 to 65.

COVID-19

The COVID-19 pandemic created an uncertain economic environment which caused significant volatility across the Group during the last three months of FY20, continuing into FY21. The Group has responded during this period by focusing on the health and well-being of employees whilst taking quick and decisive measures to mitigate the significant impact on profitability and ensure a strong balance sheet going into FY21. During the period, the Group announced a $225 million cash cost out program for the remainder of FY20. The program included savings related to the postponed NRL season and renegotiation of the NRL contract, content format and timing, operational savings as well as reductions in working capital and CAPEX, with the main objective being to conserve cash reserves in a time of significant uncertainty. In addition, the Group entered an additional short term borrowing facility totalling $47.5 million and Domain entered into an additional facility of $80 million (see below for details) to ensure sufficient availability of funds in the short-term. This has resulted in a strong cash balance of $187.4 million and available debt facilities, net of amounts drawn, of $389.5 million (including Domain Holdings) as at 30 June 2020.

Given the diversified nature of the Group, certain business units have been more heavily impacted than others. The advertising market across our FTA, radio and digital platforms has experienced significant disruption, whilst government restrictions have also significantly impacted the housing market and related listings for the Domain business. However, the digital subscription, Stan and 9Now businesses have continued to perform strongly across this period. The Group has also benefitted from Government benefits in the form of waived spectrum fees, which resulted in a P&L benefit of $1.3 million in FY20 and will benefit FY21 by $9.5 million, and JobKeeper allowance across a number of the Group's smaller digital and events businesses, as well as Domain, which totalled to $6.1 million in FY20, with a further $8.4 million expected in FY21. In addition, whilst under Group ownership, Stuff NZ received a total of NZ$4.2 million in government subsidies related to the New Zealand government Wage Subsidy program.

As a result of the significant impact of COVID-19 on the FTA, digital advertising and property markets, an impairment charge of $588.7 million was recognised in FY20 primarily related to Nine Network, Domain and Digital. In determining this impairment, Management have made judgements regarding the expected timing and extent of market recovery from COVID-19, as well as the probability of further outbreaks and the related impact on the Group's businesses.

Significant Changes in the State of Affairs

Acquisitions

During the financial year, the Group acquired the remaining 45.6% stake in Macquarie Media Limited which it did not already own, for a total consideration of $113.9 million, with the acquisition completed on 21 November 2019. The Group acquired the remainder of Macquarie Media Limited to consolidate its position as a supplier of news and current affairs across all of the Group's key platforms. Macquarie Media Limited has previously been consolidated into the Group's results as a result of the Fairfax merger in December 2018.

Discontinued operations and disposals

Following the acquisition of Fairfax on 7 December 2018, the Board agreed to sell the Events, Australian Community Media (ACM) (including printing operations) and Stuff NZ, wholly owned businesses of Fairfax. Consequently, the Group classified these businesses as a disposal group held for sale and as discontinued operations. During the year ended 30 June 2019, the Group disposed of the Events business, on 31 May 2019, and the Australian Community Media business, including printing operations, on 30 June 2019.

Stuff NZ was sold on 31 May 2020. Refer to Note 6.1 for details. Profit after tax from discontinued operations includes the loss on disposal of Stuff NZ ($42.4 million) and finalisation of the ACM disposal ($6.7 million), including working capital adjustments and the termination of a related printing operations agreement ($14.0 million).

Debt Refinancing

On 31 January 2020, the Group refinanced its existing facilities for 100% owned entities. The new facilities, totalling $625 million, comprise 3 and 4 year revolving cash advance facilities ($272.5 million in each facility) and a one year $80 million working capital facility. The facilities replace the $650 million facility available to the 100% owned entities at 30 June 2019 (refer to the June 2019 financial statements for further details). In light of the economic uncertainty caused by the COVID-19 pandemic, Nine reached agreement on 30 June 2020 with its banking group for a new one-year debt facility of $47.5 million.

The Group also has exposure to the debt facilities of a controlled entity, Domain Holdings Australia Limited (Domain). During the year, Domain refinanced its syndicated bank facility of $225 million, maturing in November 2022 and November 2023, and entered an additional facility of $80 million, maturing in October 2021, as a response to COVID-19. Domain also agreed financial covenant waivers with its banking group for 30 June 2020 and 31 December 2020. The next covenant testing date on these facilities is therefore 30 June 2021. Domain Group was in compliance with its financial covenants at 30 June 2020 and is forecasting covenant compliance at 31 December 2020 and 30 June 2021.

There are no material changes to the terms of the facilities or the permitted uses of the facilities. The interest rate for drawings under these facilities is the applicable bank bill rate plus a credit margin.

Significant Events after the Balance Sheet Date

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 38.

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.

P Costello

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 27 August 2020

Auditor's Independence Declaration

to the Directors of Nine Entertainment Co. Holdings Limited

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 the financial report of Nine Entertainment Co. Holdings Limited for the financial year ended 30 June 2020, 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

Christopher George
Partner
27 August 2020

Remuneration Report – Audited

Remuneration Report – Audited

Letter from Committee Chair

On behalf of the Board, I am pleased to present the Company's Remuneration Report for the financial year ended 30 June 2020 (FY20).

This year has been an extraordinary one for a number of reasons. The soft advertising market and global outbreak of COVID-19 during the financial year, which resulted in an effective shutdown of the country, had a significant impact on our business and therefore our FY20 results. As businesses and industries were forced to close, and Australians were instructed to stay home during the initial lockdown period, we saw an adverse impact on advertising revenues across our platforms in television, radio, digital and publishing. At the same time, audiences actually increased across these platforms, expediting the digital shift across television and publishing. Linked to this shift, we recorded strong growth in subscription revenues both in Stan and Publishing through our digital mastheads, and similarly strong growth at 9Now.

As the COVID-19 crisis was upon us, our CEO Hugh Marks and the rest of the Executive team were very quick to respond and prioritised dealing with the global pandemic from a people, financial and business perspective. Whilst putting in place measures to protect the health and wellbeing of our people as a priority, the team focused on ensuring the business could adapt and continue to thrive.

To minimise the revenue impact of COVID-19 the Company implemented a range of cost saving initiatives across all our businesses. This program was significant, and included both short term and structural cost reductions. Specifically, it included no short-term incentives for FY20 being paid to Executive KMP and other participants on the Nine STI plan.

Notwithstanding the unprecedented conditions, the Executive team continued to deliver on our strategy to diversify our revenue base, particularly migrating towards a greater reliance on, and therefore investment in, our digital assets, whilst containing costs across the entire business. This strategy was successful in FY20 delivering 40% growth in EBITDA from our digital assets, which accounted for almost half of the group total. For FY20, Nine delivered a Group EBIT of $246.8 million for continuing businesses, which was 11% below last year. Net Profit After Tax and before Specific Items for continuing businesses is $155.9 million for the year, down 17%.

CEO Remuneration

During the year the Board reviewed the remuneration arrangement of our CEO, Hugh Marks. The Board was of the view that an increase in remuneration was appropriate for Mr Marks and approved an increase effective from 1 July 2019. The Board increased the base salary (with a commensurate increase in his potential STI and LTI) and added an additional "at risk" equity allocation with the introduction of an additional CEO Long-Term Incentive Plan (CEO-LTI) based on digital transformation of the business. Further details on the change to Mr Marks remuneration is in section 3.3, and details of the CEO-LTI in section 3.8.

In FY20 there were no other changes to the structure of Executive incentive arrangements and no changes to Non-Executive Director fees.

Short-Term Incentives

The STI Plan in FY20 for Executive KMP remained unchanged, 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 our strategy.

Overall, performance for FY20 was greatly affected by a weak advertising market and then COVID-19. The Company introduced a number of cost saving initiatives to counter the decline in revenue however the Group EBITDA target was not met and no STI was earnt based on this measure. Included in these cost saving initiatives was a management-led decision that no other STI based on individual objectives would be paid to Executive KMP and other management on the Nine STI plan.

Long-Term Incentives

The FY18 Long-Term Incentive Plan (LTI) grant was tested at the conclusion of FY20. The required targets for the FY18 LTI grant were Total Shareholder Return (TSR) and Earnings Per Share Growth (EPSG) measured over a three year performance period.

The LTI participants received a total of 37% of the maximum possible benefits under the FY18 Long-Term Incentive Plan. The remainder of the FY18 LTI Rights lapsed.

The EPSG target (50% of total grant) was not achieved, resulting in no vesting of this portion of the grant. The TSR performance (50% of total grant) was above the 50th percentile, resulting in vesting of 74% of the rights attributable to that hurdle equating to 37% of the maximum rights available.

Changes for FY21

During the year the People and Culture Committee and the Board reviewed the Executive Remuneration Framework and made some changes to the STI and LTI Plans for FY21.

The changes to the STI plan include:

- an equal weighting to the Group Financial and Individual Objectives components. This enables the continued focus on the overall Group result whilst providing greater flexibility to focus executives on delivery of key transformation and strategic objectives of the Group within their area of responsibility;
- the Individual Objectives will continue to be a combination of financial and non-financial measures, but there will now be a requirement of at least one mandatory non-financial measure included for all participants on the STI plan; and
- the Group Financial performance measure for STI will be Group EBIT in FY21 (as opposed to EBITDA previously).

There is one change to the LTI plan for FY21. The Earnings Per Share (EPS) performance hurdle which represents 50% of the performance required for vesting, will change from a compound annual growth rate (CAGR) approach to a point-to-point measure. This change removes the volatility and uncertainty around the recovery of COVID-19, and we are measuring the EPS performance from a pre COVID-19 starting point. If the Executive team achieves the EPS point-to-point target at the end of FY23, Nine will have come out of the COVID-impacted period in a strong financial position, and with a higher quality earnings base.

Otherwise the STI and LTI structures for FY21 remain the same as FY20.

On behalf of the Board I would like to commend and thank our CEO Hugh Marks and every single member of the Nine team for their extraordinary efforts and commitment to Nine in an unprecedented year, and for continuing to execute the strategic priorities of the business whilst managing and mitigating the challenges presented.

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

Remuneration Report – Audited

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 2020. 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 table details movements during the 2020 financial year and current KMP and Directors.

Key Management Personnel

Name	Position	Term 2020
Non-Executive Directors (NEDs)		
Peter Costello	Chairman (independent, Non-Executive)	Full year
Nick Falloon	Deputy Chairman (independent Non-Executive)	Full year
Patrick Allaway	Director (independent Non-Executive)	Full year
Samantha Lewis	Director (independent Non-Executive)	Full year
Mickie Rosen	Director (independent Non-Executive)	Full year
Catherine West	Director (independent Non-Executive)	Full year
Executive Director		
Hugh Marks	Chief Executive Officer	Full year
Other Executive KMP		
Paul Koppelman[1]	Chief Financial Officer	From 2 September 2019
Michael Stephenson	Chief Sales Officer	Full year
Other Executive KMP		
Greg Barnes[2]	Chief Financial Officer	Up to 31 August 2019

1 Mr Koppelman commenced as Chief Financial Officer on 2 September 2019. Effective 10 July 2020 Mr Koppelman resigned and ceased to be an employee of the Company.

2 Mr Barnes ceased to be an employee of the Company on 31 August 2019.

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 3.5.*	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 3.6.*	Group Financial measure: 60% – Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before specific items. 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 determining of dividend outcomes and share price performance over time. Individual measures reflect individuals' performance and contribution to the achievement of both business unit and Group long-term objectives. This year's focus was on driving growth in revenues and audiences, meeting the growth targets for 9Now and Stan, integrating Macquarie Radio into Nine, and meeting cost management initiatives. A portion is paid in cash (67%) and a portion (33%) delivered as Nine shares deferred for up to two years to ensure continued alignment to shareholder outcomes.
Long-term incentive (LTI) Performance rights used to align the reward of executives to the returns generated for Nine shareholders. *Further detail in Section 3.7.*	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.
Additional CEO Long term incentive (LTI) Performance rights used to align the reward of the CEO to the returns generated for Nine shareholders through a focus on strategic transformation. *Further detail in section 3.8.*	100% – Transformation and Strategic Objectives. Measured over a three-year performance period.	Chief Executive Officer only: 25% of fixed remuneration.	Creates a strong link with the creation of shareholder value. Transformation and strategic objectives are chosen to focus on key initiatives to position Nine for medium to long term growth and sustainability. The objectives for the FY20 grant focus on transformation of Nine into a digital focused business, demonstrated by increasing digital audience and engagement and growth in digital revenue and subscription revenue.
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 2020.

Fixed remuneration	• Following a review by the Board, Hugh Marks received an increase in fixed remuneration to $1,550,000 (from $1,400,000) effective 1 July 2019. Further details are in section 3.3. • Paul Koppelman commenced with the Company as the Chief Financial Officer on 2 September 2019 on a fixed remuneration of $850,000. On 10 July 2020 the Company announced the resignation of Mr Koppelman. • During FY20 there was no increase to Michael Stephenson's fixed remuneration.
Short-term incentive (STI)	• During the financial year, the Company announced to the market that cost initiatives were being implemented to counter the impact of COVID-19. One of these initiatives was the removal of short-term incentives for FY20. This was a Management led decision resulting in no STI being paid to Executive KMP and other management on the Nine STI plan. • The Group financial target (60%) was not achieved as this was impacted by the decline in the advertising market and then further impacted in H2 by COVID-19. • Management continued to drive performance against the agreed measures of the Individual component (40%). These measures were assessed against the specific targets but any achieved outcomes were forfeited.
Long-term Incentive (LTI)	• LTI grants were made in line with plan rules for Executive KMP in financial year 2020.
Award vesting	• LTI grants made in financial year 2018 were tested at 30 June 2020 in line with the plan rules. • TSR requirements were achieved at above threshold level performance, resulting in 74% 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 Nine and Fairfax merger. That is, EPSG was calculated by applying legacy Nine up to the merger date (7 December 2018) and the merged entity thereafter. The EPSG target was not achieved, resulting in no vesting of this portion of the grant (50% of total grant). • This resulted in participants receiving a total of 37% of the possible benefits under the FY18 LTI plan. The remainder of the FY18 Rights lapsed.
Non-executive director fees	• The total amount paid by Nine to Non-Executive Directors in financial year 2020 was $1,140,000. This is well below the aggregate fee pool of $3m 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, reward delivery against our objectives and align to 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 is also consideration of other Australian listed companies of a similar size, complexity and prominence.

The table in section 3.4 summarises the Executive KMP remuneration structure and mix under the Company's Remuneration Framework.

3.3 Changes to the CEO Remuneration

Following a review by the Board, the remuneration arrangement for the CEO increased effective 1 July 2019. The review took into consideration:

- relevant market information for media industry peers, other industry peers of the Nine TSR comparator group and companies of similar market capitalisation;
- the CEO had not received any increase in remuneration since his appointment to the role in 2015;
- the increased scope and responsibility following the merger with Fairfax Media;
- criticality to the success of the business by leading Nine in its transformation from a TV broadcasting business to a large and diversified multimedia business; and
- the CEO's position as an industry leader in the media sector which is an industry that is undergoing extreme disruption.

The new total remuneration for the CEO is above the 75th percentile for industry peers and between the median and the 75th percentile for listed companies of similar size, complexity and prominence.

The Board increased the base salary (with a commensurate increase in his potential STI and LTI) and added an additional "at risk" equity allocation with the introduction of an additional CEO Long-Term Incentive Plan (CEO-LTI). The CEO-LTI for FY20 will be measured on the performance of Nine's digital transformation objectives over a 3 year performance period. For more information on the new CEO-LTI plan see section 3.8. A summary of the new remuneration package is tabled below:

Remuneration Components	New from 1 July 2019	Previous arrangement
Fixed Remuneration (FR) (base pay, non-monetary benefits, superannuation)	$1,550,000	$1,400,000
Short Term Incentive Plan (STI)	100% of FR (target)	100% of FR (target)
Long Term Incentive Plan (LTI)	100% of FR (target)	100% of FR (target)
CEO Additional LTI Plan (CEO-LTI)	25% of FR (target)	n/a
Total Targeted Remuneration	$5,037,500	$4,200,000
'At Risk' Remuneration	69.2%	66.6%

3.4 Remuneration Mix (at target)

Chief Executive Officer

Fixed Remuneration	Short-Term Incentive	Long-Term Incentive	
30.8%	30.8%	38.4%	**Total at Risk 69.2%**
	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		

3.5 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.

3.6 Short Term Incentive Plan (STI)

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 objectives.

STI Opportunity (at target)

	% of fixed remuneration
CEO	100
Other Executive KMP	50

Group Financial Measures

- Group EBITDA pre specific items (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.
- 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 FY20 were focused on driving growth in revenues and audiences, meeting growth targets for 9Now and Stan, integrating Macquarie Radio into the business, and meeting cost management initiatives.

Payouts based on individual measures are detailed below.

Performance Assessment based on delivery of Individual 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 2020.

	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 any 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 fair outcomes that reflect management's delivery of financial performance, with 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 individual objectives.
- The Board has the discretion to clawback awards made under the Short Term Incentive plan to ensure that participants do not unfairly benefit, including in the event of fraud, dishonesty or a breach of obligation to the Company. In addition, the Board may also clawback awards in the case of material risk issues arising or where any information becomes available after awards are granted, which suggests that the outcome was not justified.

3.7 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):

- 26 November 2018 – FY19 grant
- 1 December 2019 – FY20 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 four 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, at the Board's discretion, 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 FY20 grant, the performance period is the three year period from 1 July 2019 to 30 June 2022. (**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 Earnings Per Share Growth (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.

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%

Vesting Conditions *continued*	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: • having been summarily dismissed; • resigning (subject to the Board exercising discretion to allow rights to be retained); or • having terminated his/her employment agreement otherwise than in accordance with the terms of that agreement, any unvested Performance Rights held on or after the date of termination will lapse. If the Participant has ceased to be employed by 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.
Clawback provision	The Board has the discretion to clawback awards made under the Long Term Incentive plans to ensure that participants do not unfairly benefit, including in the event of fraud, dishonesty or a breach of obligation to the Company. In addition, the Board may also clawback awards in the case of material risk issues arising or where any information becomes available after awards are granted (whether vested or unvested), which suggests that the initial grant or result was not justified.
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.

3.8 Additional CEO Long Term Incentive (CEO-LTI) Plan

The CEO-LTI plan involves the annual grant of conditional rights to only the CEO of Nine.

Overview	The CEO Long-Term Incentive Plan is an equity incentive plan used to align the CEO's remuneration to the returns generated for Nine shareholders.
Grant Date	Subject to receiving shareholder approval at the 2020 Annual General Meeting, rights will be granted to the CEO. The nature and structure of the CEO-LTI grant is materially consistent with the Group LTI plan except for the vesting conditions.
Consideration	Nil
Performance Rights	Performance rights are awarded based on the fixed amount to which the CEO 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 CEO to receive cash to the value of a Share. No amount is payable on conversion.
CEO-LTI opportunity	25% of fixed remuneration ($387,500)
Performance Period	Three years. For the FY20 grant, the performance period is from 1 July 2019 to 30 June 2022. (Vesting Date).
Vesting Date	Subject to the Vesting Condition below and Employment Conditions described above, Performance Rights held by the CEO will vest on the Vesting Date (with no opportunity to retest).
Vesting Condition	Performance Rights granted will vest based on the Board's assessment of performance against strategic measures set by the Board. For the FY20 grant, performance will be based on targets supporting our digital strategy, including targets relating to: • Digital audience growth in reach and engagement; • Digital revenue growth; and • Subscription revenue growth. The number of rights that vest will be based on the Board's assessment of performance, on an aggregated level, across a group of quantitative measures. 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 their assessment upon vesting of any performance rights.

4. Linking Pay to Performance

4.1 Impact of Nine's 2020 performance on remuneration

This year was no doubt a challenging year for Nine, the media industry as a whole and the global economy. The outbreak of COVID-19, and the subsequent decline in the advertising market impacted our revenues and overall FY20 result.

The Company implemented a range of cost saving initiatives to minimise the impact that COVID-19 had on our revenues. This included no short-term incentives for FY20 to be paid to Executive KMP and other participants on the Nine STI plan.

The FY20 Group EBITDA target, which represented 60% of the STI opportunity, was not achieved. This was mainly due to the weak external advertising market, primarily as a result of the impact of COVID-19.

At the beginning of the year, Executives were provided with clear targets for their Individual Objectives (representing 40% of STI opportunity) that were important to the delivery of the company's strategic plan and objectives. For FY20, these measures were mainly focused on driving growth in revenues and audiences, meeting the growth targets for 9Now and Stan, integrating Macquarie Radio into the business and meeting cost management initiatives. The performance of each Executive's Individual Objectives was assessed against the specific targets but any achieved outcomes for STI purposes were forfeited.

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

	30 June 20[1] Reported $m	30 June 19[2] Pro-Forma $m	30 June 18[2] Pro-Forma $m	30 June 19[3] $m	30 Jun 18 $m	30 Jun 17 $m
Revenue	2,187.3	2,341.7	2,364.0	1,965.1	1,403.9	1,244.9
Group EBITDA	396.7	**423.8**	**385.1**	**349.9**	**257.2**	**205.6**
Group EBITDA %	18%	18%	16%	18%	18%	17%
Net profit before tax and specific items	220.4	318.8	287.1	265.6	218.2	164.7
Net profit after tax before specific items	155.9	**224.8**	**170.6**	**187.1**	**156.7**	**123.6**
Earnings per share – cents	8.3 cents	11.6 cents	10.0 cents	13.0 cents	18.0 cents	14.0 cents
	30 Jun 20 Cents/Share	**30 Jun 19 Cents/Share**	**30 Jun 18 Cents/Share**	**30 June 19 Cents/Share**	**30 June 18 Cents/Share**	**30 June 17 Cents/Share**
Opening share price	188	248	138	248	138	105
Closing share price	138	188	248	188	248	138
Dividend	7	10	10	10	10	9.5
Executive KMP STI Payments	**30 Jun 20**	**30 Jun 19**	**30 Jun 18**	**30 June 19**	**30 June 18**	**30 June 17**
Awarded	0%	69%	129%	69%	129%	94%
Forfeited (at target)	100%	31%	–	31%	–	6%

1 FY20 results are presented pre specific items and on a continuing operations basis.

2 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.

3 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 $8.7m pre-tax, $6.1m after tax.

4.2 Short-Term Incentives (STI)

In FY20, the Executive KMP short-term incentive plan was allocated 60% for 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.

As described in section 4.1, as part of the cost saving initiatives implemented across the business to counter the impact of COVID-19, no short-term incentives were paid for FY20 to Executive KMP and other management on the Nine STI plan.

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

		Proportion of Target STI (%)		Proportion of Maximum STI (%)	
Executive KMP		Awarded %	Forfeited %	Awarded %	Forfeited %
Hugh Marks	FY20	0%	100%	0%	100%
	FY19	69%	31%	46%	54%
Paul Koppelman[1]	FY20	0%	100%	0%	100%
	FY19	–	–	–	–
Michael Stephenson	FY20	0%	100%	0%	100%
	FY19	70%	30%	47%	53%
Former Executive KMP					
Greg Barnes[2]	FY20	0%	100%	0%	100%
	FY19	70%	30%	47%	53%

1 Mr Koppelman commenced as Chief Financial Officer on 2 September 2019. On 10 July 2020 the Company announced the resignation of Mr Koppelman.

2 Mr Barnes ceased to be an employee of the Company on 31 August 2019.

4.3 Long-Term Incentives (LTI)

Plan	Grant Date	Test Date	Performance Hurdles	Vesting outcome (%)
FY18 LTI	1 December 2017	30 June 2020	• 50% - Total Shareholder Return • 50% - Earnings Per Share Growth	37%
FY19 LTI	26 November 2018	30 June 2021	• 50% - Total Shareholder Return • 50% - Earnings Per Share Growth	NA
FY20 LTI	1 December 2019	30 June 2022	• 50% - Total Shareholder Return • 50% - Earnings Per Share Growth	NA
FY20 CEO-LTI	To be granted following shareholder approval	30 June 2022	• 100% - Digital Transformation Measures	NA

The performance period of the FY18 Long Term Incentive Plan (granted 1 December 2017) commenced on 1 July 2017 and concluded on 30 June 2020. Performance was assessed at the conclusion of the FY20 year, and as a result of performance over the three year period, 37% vesting was achieved.

The Total Shareholder Return (TSR) hurdle was achieved above the threshold level of performance. The TSR result was at the 62nd percentile compared to the comparator group, resulting in 74% 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 Nine and Fairfax merger. That is, EPSG was calculated by applying legacy Nine up to the merger date (7 December 2018) and the merged entity thereafter. The EPSG targets for the FY18 LTI plan were 1% per annum for threshold performance and 5% per annum for stretch performance. The EPSG targets were not achieved, resulting in no vesting of this portion of the grant (50% of total grant).

The portion of rights (63% of total FY18 grant) that did not meet the required performance hurdles were forfeited and lapsed. There is no retesting of the hurdles.

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 2020 were as follows:

	Fixed Remuneration[1]	Target STI	Target LTI	Additional CEO LTI	Notice Period by Executive	Notice Period by Company	Restraint
Hugh Marks	$1,550,000	$1,550,000	$1,550,000	$387,500	12 months	12 months	12 months
Paul Koppelman[2]	$850,000	$425,000	$425,000	–	6 months	12 months	12 months
Michael Stephenson	$840,000	$420,000	$420,000	–	12 months	12 months	12 months

1 Fixed remuneration comprises of base cash remuneration, superannuation and other benefits.

2 Mr Koppelman commenced as the Chief Financial Officer on 2 September 2019. On 10 July 2020 the Company announced the resignation of Mr Koppelman.

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 aligns their interests with those of key stakeholders, complies with WHS obligations and effectively manages 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 35 of the Directors' Report.

Further information on the PRC's role, responsibilities and membership is included in the committee charter which is available at www.nineforbrands.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 PwC as the Company's remuneration advisor during the 2020 financial year. There were no remuneration recommendations provided to the Committee by PwC or any other consultants in the 2020 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.nineforbrands.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 2020 are set out in the following table in accordance with statutory disclosure requirements.

KMP remuneration outcomes 2020		Short-term benefits			Post-employment benefits	Long-term benefits						
		Salary and Fees $	Cash Bonus $	Other[1] $	Superannuation $	Annual Leave[2] $	Long Service Leave[3] $	Deferred STI[4] $	Long-term incentives[5] $	Termination Payments $	Total $	Performance Related $
Executive Director												
Hugh Marks	FY20	1,528,997	–	–	21,003	58,808	69,935	–	646,056	–	2,324,799	28
	FY19	1,379,469	647,220	–	20,531	31,834	–	318,780	850,250	–	3,248,084	56
Other KMP												
Paul Koppelman[6]	FY20	691,224	–	54,200	17,502	30,491	1,265	–	89,542	–	884,224	10
	FY19	–	–	–	–	–	–	–	–	–	–	–
Michael Stephenson	FY20	818,998	–	–	21,003	(9,450)	25,861	–	146,273	–	1,002,685	15
	FY19	819,469	196,980	–	20,531	(18,911)	13,658	97,020	229,828	–	1,358,575	39
Former Executive KMP												
Greg Barnes[7]	FY20	146,500	–	–	25,000	1,471	–	–	40,651	880,251	1,093,873	4
	FY19	857,644	315,000	–	20,531	(10,593)	–	–	258,112	–	1,440,694	40
Total Executive KMP	FY20	3,185,719	–	54,200	84,508	81,320	97,061	–	922,522	880,251	5,305,581	
	FY19	3,056,582	1,159,200	–	61,593	2,330	13,658	415,800	1,338,190	–	6,047,353	

Notes

1 Represents a relocation and rent allowance for Mr Koppelman.

2 Amounts may be negative where the KMP's annual leave taken in the year exceeds that accrued.

3 As a result of the Fairfax merger, Management has adjusted the LSL provision methodology during the current year to ensure consistency across the Group.

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 Details of the Long Term Incentive Plans are outlined in sections 3.7 and 3.8.

6 Mr Koppelman commenced as Chief Financial Officer on 2 September 2019. Effective on 10 July 2020 Mr Koppelman resigned and ceased to be an employee of the Company.

7 Mr Barnes ceased to be an employee of the Company on 31 August 2019. Mr Barnes was paid notice of one year's salary, which was his contractual entitlement to notice.

7.2 Non-statutory remuneration disclosures

The actual remuneration awarded to current executives in the year ended 30 June 2020 ("FY20") is set out in the table below. This information is considered to be relevant as it provides details of the remuneration actually receivable by the Company's executives in regard to FY20. STI amounts include both the cash and deferred shares elements awarded for the respective financial year. 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 allowance of cash bonus $	Other remuneration[2] $	Deferred STI[3] $	Long term incentives[4] $	Remuneration "earned" for 2020 $
Executive Director								
Hugh Marks	FY20	1,528,997	–	1,528,997	149,745	–	482,521	2,161,263
	FY19	1,379,469	647,220	2,026,689	52,365	318,780	2,559,804	4,957,638
Other KMP								
Paul Koppelman[5]	FY20	745,424	–	745,424	49,258	–	–	794,682
	FY19	–	–	–	–	–	–	–
Michael Stephenson	FY20	818,998	–	818,998	37,414	–	125,800	982,212
	FY19	819,469	196,980	1,016,449	15,278	97,020	667,377	1,796,124
Total Executive KMP	FY20	3,093,419	–	3,093,419	236,417	–	608,321	3,938,157
	FY19	2,198,938	844,200	3,043,138	67,643	415,800	3,227,181	6,753,762

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.

3 Deferred STI relates to STI awarded in relation to the financial year but deferred in Nine shares. This is settled in two equal tranches over the following two years, assuming continuity of employment.

4 Rights which vested subsequent to 30 June 2020 but which were measured based on performance up to 30 June 2020. The value attributed to these Rights has been calculated based on the share price as at 31 July 2020 as an approximation of the cash value on vesting.

5 Mr Koppelman commenced as Chief Financial Officer on 2 September 2019. Effective on 10 July 2020 Mr Koppelman resigned and ceased to be an employee of the Company.

7.3 Performance Rights and Share Interests of Key Management Personnel

2020 Rights over shares held by Executive KMP

The number of Performance Rights granted to Executive KMP as remuneration, the number vested and lapsed 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.	Lapsed during the year No.	Share Rights Outstanding at End of Year No.
Executive Director								
Hugh Marks	958,904		1 Dec 17	1.136	1 Jul 20	354,794	604,110	–
	584,795		26 Nov 18	1.065	1 Jul 21			584,795
		760,869	1 Dec 19	1.163	1 Jul 22			760,869
Other Executive KMP								
Paul Koppelman[2]		230,978	1 Dec 19	1.163	1 Jul 22			230,978
Michael Stephenson								
	250,000		1 Dec 17	1.136	1 Jul 20	92,500	157,500	–
	175,439		26 Nov 18	1.065	1 Jul 21			175,439
		228,260	1 Dec 19	1.163	1 Jul 22			228,260
Former Executive KMP								
Greg Barnes[3]	291,096		1 Dec 17	1.136	1 Jul 20	77,804	213,292	–
	177,527		26 Nov 18	1.065	1 Jul 21		104,403	73,124
	10,433		1 Dec 18	1.065	1 Jul 21		10,433	–

1 Rights which vested subsequent to 30 June 2020 but which were measured based on performance up to 30 June 2020.

2 Mr Koppelman resigned and ceased to be an employee of the Company on 10 July 2020. The 230,978 Performance Rights granted to Mr Koppelman on 1 December 2019 were forfeited and lapsed on resignation.

3 Mr Barnes ceased to be an employee of the Company on 31 August 2019. In accordance with the termination agreement Mr Barnes retains a time-based pro rata number of rights.

2020 Shareholding of Key Management Personnel

The Board has a policy of encouraging directors to acquire shares to the value of one year's base fees, to be acquired within 5 years of appointment.

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

	As at 1 July 2019 Ord	Granted on conversion of Share Rights Ord	Granted as STI Ord	Other Net Changes Ord	Held directly as at 30 June 2020 Ord	Held nominally as at 30 June 2020 Ord
Non-Executive Directors						
Peter Costello	301,786	–	–	–	–	301,786
Nick Falloon	396,222	–	–	–	51,142	345,080
Catherine West	40,000	–	–	–	–	40,000
Mickie Rosen	–	–	–	80,000	–	80,000
Patrick Allaway	73,542	–	–	–	–	73,542
Samantha Lewis	40,000	–	–	20,000	–	60,000
Executive Director						
Hugh Marks	1,687,061	1,372,549	173,250	(916,216)	2,034,364	282,280
Other Key Management Personnel						
Paul Koppelman	–	–	–	105,000	–	105,000
Michael Stephenson	149,368	357,843	52,728	(40,852)	161,244	357,843
Total	2,687,979	1,730,392	225,978	(752,068)	2,246,750	1,645,531

Greg Barnes who is a former Executive KMP held 1,145,616 shares at the date he ceased to be employed by Nine (31 August 2019).

Related Body Corporate – Domain Holdings Australia Limited (Domain) equity holdings of Directors

The following table represent the number of Domain ordinary shares and Domain rights over shares held by Directors of Nine and their related parties.

Director	Related Body Corporate	Relevant Interest as at 1 July 2019	Relevant Interest as at 30 June 2020
Nick Falloon[1]	Domain Holdings Australia Limited	101,239 ordinary shares	101,239 ordinary shares 31,105 shares rights
Patrick Allaway	Domain Holdings Australia Limited	87,000 ordinary shares	–

1. Domain ran a program where employees and Directors could voluntarily sacrifice a portion of their cash salary for a 6 month period, and in return would be granted an allocation of share rights to this value. The period of the arrangement is from 4 May to 1 November 2020. Further details of the Domain program can be found in the Domain Annual Report. Mr Falloon took up the offer and sacrificed 25% in cash fees and received 31,105 share rights which are anticipated to vest on the 7 November 2021.

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 2020 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 & Risk Committee chair	$30,000
Audit & Risk Committee member	$20,000
People & Remuneration Committee chair	$25,000
People & 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 2020 financial year. The table below includes fees for the period, when they held the position of NEDs.

Directors' Fees Paid by Domain Holdings Australia Limited

In the following statutory table representing fees paid to Nine NEDs, Mr Falloon and Mr Allaway (until 1 February 2020) 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 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, and the Audit & Risk Committee from 1 February 2020 (replacing Mr Allaway). The Chairman's fee on the Domain Board is $250,000 per annum. The Chairman does not receive any additional fees for being a member of Committees at Domain.

Mr Allaway retired from the Domain board on 1 February 2020 and was 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.

Mr Marks, Nine's CEO, joined the Domain Board on the 1 February 2020 as a Non-Executive Director. Mr Marks receives no fees for his services on the Domain Board.

NED Remuneration for years ended 30 June 2020 and 2019

	Financial year	Nine Non-Executive Director Fees $	Domain Fees $	Superannuation[6] $	Total $
Non-Executive Directors					
Peter Costello	2020	329,499	–	10,501	340,000
	2019	319,469	–	20,531	340,000
Nick Falloon[1, 2, 3]	2020	143,493	211,626	26,611	381,730
	2019	74,868	131,718	19,625	226,211
Catherine West	2020	164,384	–	15,616	180,000
	2019	164,384	–	15,616	180,000
Mickie Rosen[1]	2020	123,288	–	11,712	135,000
	2019	68,966	–	6,552	75,518
Patrick Allaway[1, 4, 5]	2020	141,552	69,687	20,068	231,307
	2019	76,747	67,439	13,698	157,884
Samantha Lewis	2020	164,384	–	15,616	180,000
	2019	164,384	–	15,616	180,000
Former Non-Executive Directors					
David Gyngell[1]	2020	–	–	–	–
	2019	54,795	–	5,205	60,000
Janette Kendall[1]	2020	–	–	–	–
	2019	60,883	–	5,784	66,667
Total NED	2020	1,066,600	281,313	100,124	1,448,037
	2019	984,496	199,157	102,627	1,286,280

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. It should be noted that in response to the impact of COVID-19, Domain ran a program where employees and Directors could voluntarily sacrifice a portion of their cash salary for a 6 month period, and in return would be granted an allocation of share rights to this value. The period of the arrangement is from 4 May to 1 November 2020. Further details of the Domain program can be found in the 2020 Domain Annual Report. Mr Falloon took up the offer and sacrificed in total 25% in cash fees and received 31,105 share rights which are anticipated to vest on 7 November 2021. For the purposes of FY20 this equated to a fair value amount of $6,342. The fees sacrificed are not represented in the above table.

4 Mr Allaway joined the Audit and Risk Management 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 & Risk committee. This amount is disclosed separately and was paid by Domain. Mr Allaway retired from the Domain Board on 1 February 2020.

6 Superannuation is inclusive of $20,104 (FY19: $12,513) for Mr Falloon and $6,620 (FY19: $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 arrangement has been entered into by a Nine Group member:

- Sebastian Costello, the son of Peter Costello, is employed on a part time basis as a journalist and presenter on commercial, arm's length terms.

Operating and Financial Review

Review of Operations

	2020 $m	2019 Proforma $m	2019 Statutory $m	VARIANCE 2020 TO 2019 PROFORMA $m	%
Revenue from Continuing Operations (before specific Items)	2,170.6	2,341.7	1,848.1	(171.1)	(7.3%)
Group EBITDA from Continuing Operations (before specific Items)[1]	396.7	423.8	349.9	(27.1)	(6.4%)
Depreciation and Amortisation from Continuing operations	(149.9)	(85.3)	(73.7)	(64.6)	75.7%
Group EBIT from Continuing Operations (before specific Items)	246.8	338.5	276.2	(91.7)	(27.1%)
Net Finance Costs from Continuing Operations	(26.3)	(19.6)	(10.5)	(6.7)	34.2%
Profit after tax before specific items from Continuing Operations	155.9	224.8	187.1	(68.9)	(30.6%)
Specific Items from Continuing Operations (after income tax)	(664.7)	n/m	29.5	n/m	n/m
Profit/(Loss) from Continuing Operations after Income Tax	(508.8)	n/m	216.6	n/m	n/m
Net Cash Flows generated from/(used in) operating activities	377.4	n/m	221.6	n/m	n/m
Net Debt[2]	396.9	n/m	255.8	n/m	n/m
Leverage[3]	1.0x	n/m	0.7x	n/m	n/m

n/m: not meaningful

1 EBITDA plus share of associates

2 Bank facilities unsecured, 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, while the results for the year to 30 June 2020 include the consolidated results from continuing operations of Fairfax and Stan for the full period, the 2019 statutory results include the results of these businesses from 7 December to 30 June 2019 only. Therefore Pro Forma results have been presented to best demonstrate relative underlying performance year on year. The Pro Forma results presented consolidate the results for the former Nine and Fairfax businesses for the full 12 months of 2019, including the consolidation of Stan. Pro Forma results include synergies realised since the merger was completed. Whilst interest costs of the Fairfax Group for the period prior to merger have been included, interest costs associated with the transaction are also from the period since the merger was completed. Pro Forma results represent non-IFRS information. Commentary on the review of operations is on movements from Pro Forma results where Pro Forma information has been presented.

Furthermore, given the Group's transition to AASB 16 Leases from 1 July 2019, results have been presented to EBIT to minimise the impact of this accounting standard change when comparing divisional results. Due to the adoption of AASB 16, the EBIT figure for FY20 is $0.3 million higher than it would have been under accounting standards applied prior to FY20. Further information in relation to AASB 16 is set out in Note 3.10.

Revenue from Continuing Operations before Specific items decreased by 7% to $2,170.6 million driven by a weak advertising market in Broadcast and Digital and Publishing and decreased listing volumes in Domain, resulting primarily from the impact of COVID-19. These declines have been offset to some extent by an increase in Stan revenues.

Group EBITDA before Specific Items (from Continuing Operations) decreased by $27.1 million (6%) to $396.7 million. This consists of an underlying decline of $69.2 million primarily due to the impact of COVID-19 on revenues net of cost saving programs initiated by the Group, offset by a positive impact of $42.1 million due to the transition to AASB 16 from 1 July 2019.

Specific Items (refer to note 2.4) relate principally to the impact of COVID-19 on the advertising and housing markets and an associated review of carrying values, as well as asset acquisitions/disposals and group restructuring. These include: $591.8 million in intangible impairments (Nine Network $310.8 million, Other $40.9 million, CarAdvice $46.8 million, Pedestrian TV $5.0 million and Domain $188.2 million); $48.4 million in restructuring and redundancy costs; $61.4 million in provisions relating to program inventory and sports rights; as well as Specific Items reported by Domain.

Depreciation and Amortisation increased from $85.3 million to $149.9 million. Net Finance Costs increased from $19.6 million in the prior year to $26.3 million in the current year. Both of these movements are principally as a result of the impact of the introduction of AASB 16 Leases with a $41.9 million increase in depreciation and an $11.6 million increase in finance costs. In addition, FY19 Pro Forma results exclude Purchase Price Accounting adjustments.

Operating Cash Flow increased year on year largely due to the consolidation of Fairfax since the date of the merger. The Group continues to consolidate its operations around its core business, with the acquisition of the remaining 45.6% of Macquarie Radio ($113.9 million) and the sale of the Weatherzone ($30 million) and Stuff NZ (NZ$1) businesses. In addition, capital expenditure during the period increased to $138.9 million, primarily reflecting investment in Nine's new Sydney headquarters at 1 Denison Street, North Sydney. The Group made dividend payments of $170.5 million or 10 cents per share, to shareholders during the year. Net Debt of the wholly owned Group at 30 June 2020 was $291.2 million (excluding lease liabilities) which, based on wholly-owned EBITDA, resulted in net leverage of 0.9x, well within bank covenants.

Segmental Results

The results of the continuing operations are set out below:

	2020	2019 Proforma	2019 Statutory	VARIANCE 2020 TO 2019 PROFORMA	
	$m	$m	$m	$m	%
Revenue[1]					
Broadcasting	1,054.3	1,221.8	1,160.3	(167.5)	(13.7%)
Digital and Publishing	606.9	637.3	425.6	(30.4)	(4.8%)
Domain	267.8	335.6	168.1	(67.8)	(20.2%)
Stan	242.1	157.1	100.1	85.0	54.1%
Corporate	14.2	19.1	10.9	(4.9)	(25.7%)
Total Revenue from Continuing Operations[1]	2,185.4	2,370.9	1,865.0	(185.5)	(7.8%)
EBIT					
Broadcasting	104.4	214.1	201.5	(109.7)	(51.2%)
Digital and Publishing	93.0	108.5	78.0	(15.5)	(14.3%)
Domain	41.7	66.0	28.4	(24.3)	(36.8%)
Stan	17.9	(24.1)	(11.5)	42.0	(174.3%)
Corporate	(11.1)	(23.0)	(17.4)	11.9	(51.7%)
Share of Associates	0.9	(2.9)	(2.9)	3.8	(131.0%)
Group EBIT Continuing Operations	246.8	338.6	276.1	(91.8)	(27.1%)

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

Operating and Financial Review

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

As noted above, Pro Forma results (referred to as "2019 Pro Forma" throughout) have been presented which consolidate the results for the former Nine and Fairfax businesses for the full 12 months of 2019, including the consolidation of Stan. The commentary in relation to the businesses acquired as part of the merger with Fairfax is compared with the Pro Forma results, to enable like-for-like comparison and in order to provide context on the operating performance and environment of each of the businesses.

Broadcasting

	2020 $m	2019 Proforma $m	2019 Statutory $m	VARIANCE 2020 TO 2019 PROFORMA $m	%
Revenue	1,054.3	1,221.8	1,160.3	(167.5)	(13.7%)
EBIT	104.4	214.1	201.5	(109.7)	(51.2%)
Margin	10%	18%	17%		(7.6) pts

Nine's Broadcasting division, which comprises Nine Network and Nine Radio (previously Macquarie Media), reported EBIT of $104.4 million on revenues of $1,054.3 million for the year.

Nine Network reported a revenue decline from $1,090.0 million to $951.8 million for the year primarily as a result of FTA advertising markets being heavily impacted by COVID-19. The FTA advertising market declined by 14.1%[1] across the year, with a first half decline of 7.0%[1] and second half decline of 21.9%[1] reflecting the significant impact of COVID-19. After a first half Metro FTA share of 38.7%[2], Nine's second half share of 41.4%[2] was up 1.4 pts on the previous corresponding period (pcp) and resulted in a full year revenue share of 39.8%[1].

Costs improved by 5% or $48.5 million for the year. The onset of COVID-19 resulted in an increased focus on second half costs, and an expedition of the group's previously announced cost-out program. There was also a one-off benefit of approximately $30 million relating to the interruption of the NRL season.

As a result, Nine Network EBIT fell by 47% or $89.7 million for the year, to $100.9 million.

Nine Radio reported EBIT of $3.5 million (2019: $23.5 million) on revenue of $102.5 million (2019: $131.8 million). On a comparable basis, the 22% decline in revenue was driven by a Metro radio market which declined by 20%[3], coupled with a lower market share. Radio costs declined by 9% or $9.2 million reflecting synergies since Nine acquired the minority interests in November 2019. Since taking full ownership, Nine has made significant changes to its Radio business both in terms of personnel, as well as the consolidation of back-office functions, sales and news into Nine and the reformat of the loss-making Sports Network to easy-listening.

Digital and Publishing

	2020 $m	2019 Proforma $m	2019 Statutory $m	VARIANCE 2020 TO 2019 PROFORMA $m	%
Revenue	606.9	637.3	425.6	(30.4)	(4.8%)
EBIT	93.0	108.5	78.0	(15.5)	(14.3%)
Margin	15%	17%	18%		(1.7)pts

Nine's Digital and Publishing division includes Metro Media and 9Now, as well as Nine's other Digital Publishing titles, including Pedestrian Group, CarAdvice and nine.com.au. Digital and Publishing reported revenue of $606.9 million and a combined EBIT of $93.0 million.

Metro Media contributed revenue of $426.3 million (2019: $454.4 million) and EBIT of $53.7 million (2019: $73.2 million) for the year to 30 June 2020. The 6% decline in revenue was weighted towards a second half decline of 11%. Audiences grew strongly across all mastheads, albeit with accelerating growth in digital subscriptions (revenue up 9% or $6.7 million), partially at the expense of print (revenue down 1% or $0.5 million). Advertising revenue was impacted by the COVID-19 crisis, with print advertising revenues down 19% or $25.4 million, partially offset by 4% or $2.5 million growth in digital advertising across the year. The sale of Weatherzone accounted for a $10.5 million decrease in revenue. Costs at Metro Media declined by $16 million as the Group's ongoing focus on costs resulted in a further decline in expenses offset by the sale of Weatherzone and the re-inclusion of the residual Events business not disposed which accounted for a net $7.5 million increase in costs. For the full year to June 2020, EBIT fell by $19.5 million or 27% to $53.7 million driven by the negative impact of COVID-19.

1 Source: Think TV, Metro Free To Air revenue, 12 months to June 2020.

2 Source: Think TV, Metro Free To Air revenue share, 12 months to June 2020.

3 Source: Commercial Radio Australia, 12 months to June 2020.

In a BVOD market which grew by 31[4]% for the year to $162.5 million, 9Now further increased its share to approximately 50% resulting in revenue growth of 32% to $81.7 million. Users and engagement continued to grow, with Monthly Active Users up 24% and Minutes Streamed up 42%, partially reflecting the incremental content acquisitions made during the period. Overall, 9Now increased its EBIT contribution from $30.6 million to $49.0 million.

Other key components of Digital & Publishing together contributed revenue of $98.9 million, and negative EBIT of ($9.7) million with softer advertising conditions, predominantly due to COVID-19, impacting performance..

Domain (ASX: DHG)

	2020 $m	2019 Proforma $m	2019 Statutory $m	VARIANCE 2020 TO 2019 PROFORMA $m	%
Revenue	267.8	335.6	168.1	(67.8)	(20.2%)
EBIT	41.7	66.0	28.4	(24.3)	(36.8%)
Margin	16%	20%	17%		(4.1) pts

Despite some signs of a recovery in the property market in early calendar 2020, the impact of COVID-19 on the economy, and the associated Government measures, had a negative impact on Domain's operating performance particularly through Q4. Across the year to June 2020, new 'for sale' listing volumes were down by 11% nationally. Domain increased its controllable yield by 6% which, coupled with the Group's favourable mix (greater exposure to Sydney and Melbourne), resulted in a 4% decline in like-for-like residential revenues. The market weakness also impacted on Domain's Commercial, Developer and Print operations – the latter being suspended through Q4.

Operating costs declined by 16% or $43.5 million across the year, driven by the divestment of Compare and Connect, Star Weekly and MyDesktop. Underlying savings of $20.7 million stemmed primarily from printing and marketing, as well as overall cost management.

In the year to 30 June 2020, full-year EBIT was down by 37% from $66.0 million in 2019 due to the negative impact of COVID-19. During the year, Domain continued to focus on its core business of residential and commercial real estate, improving its offering for both agents and vendors/purchasers whilst continuing to prudently invest in its Consumer Solutions adjacencies.

Stan

	2020 $m	2019 Proforma $m	2019 Statutory $m	VARIANCE 2020 TO 2019 PROFORMA $m	%
Revenue	242.1	157.1	100.1	85.0	54.1%
EBIT	17.9	(24.1)	(11.5)	42.0	(174.3%)
Margin	7%	(15%)	(11%)		22.7 pts

Across the full year, Stan grew its active subscriber numbers to around 2.1 million, with an acceleration of subscriber growth through the second half. Stan's consistent roll-out of exclusive content like *Normal People* and *Love Life* and local content like *The Commons* complemented the Group's offering of back-catalogue content, particularly its *Iconic Series*. Usage per subscriber continues to increase, with average weekly viewing hours per subscriber up by more than 20% in the last quarter.

The combination of the strong subscriber growth and the $2 price rise from March 2019 increased Stan's revenue by 54% across the full year to 30 June 2020 and resulted in EBIT of $17.9 million for the year, an improvement of $42.0 million on the previous year.

Share of Associates profit

Share of Associates profit increased from a loss after tax of $2.9 million to a profit after tax of $0.9 million, largely reflecting the discontinuation of the Group's investment in the Australian Money Channel.

Review of Financial Position

At 30 June 2020, the Net Assets of the Group were $1,885.9 million which is $887.5 million lower than as at 30 June 2019. This decline primarily reflected the write-downs detailed in the Specific Item commentary.

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

Operating and Financial Review

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 FTA and Radio, Nine's share of those advertising sectors, the regulatory environment and the ability to secure key programming contracts. Nine's ability to control costs, particularly associated with content.
- 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. Nine's ability to control costs, particularly associated with printing and distribution.
- 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:

- **Consolidation of position as leading distributor of video content**

The Group intends to build on Nine's position as a leading supplier of premium video content, through its FTA, Subscription (through Stan) and Broadcast Video On Demand (through 9Now) businesses. 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. Through growth in audiences, the Group's goal is to increase its revenue via both subscriptions and advertising. The Group is committed to supporting the continued growth of Stan and 9Now, particularly through cross-promotion across Nine's multiplatform ecosystem. In addition, the Group intends to make use of its data assets to improve yields and the effectiveness of advertising.

- **Growth of digital businesses**

The Group intends to continue to migrate its audiences across both Broadcasting and Publishing onto its digital platforms. This will drive the Group's ability to offer a broader range of advertising options and subscription options. Continued migration to digital platforms builds the Group's data asset which enables it to enhance the effectiveness of its advertising and support the growth of its own businesses

- **Growth of 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 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, as the relatively soft listing environment of the past two years returns to more normal levels.

- **Optimisation of performance of the Group's traditional media assets**

As Nine focuses on growing its digital assets, the Group will continue to focus on optimising the performance of its traditional media assets. Nine has announced a 3-yr $150 million cost out program for its FTA business, has restructured much of its Radio business since acquisition and continues to achieve cost efficiencies across its print publishing assets. Content investment will also be more targeted towards content that works across multiple platforms, and exclusivity of content.

- **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 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:

- Longer term impact of COVID-19, including the timing and extent of recovery and potential for future outbreaks;
- 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;
- Declines in property market conditions; and
- Securing access to premium content.

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 at film and television production studios, and in sporting competitions broadcast by Nine), defamation and other execution risks, including those that significantly impact production (such as COVID-19 in FY20). 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 level 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.

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

Cyber security and data privacy – while Nine has policies and procedures in place to address cyber 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.

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

Financial Statements

30 June 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Revenues	2.1	2,187,296	1,965,074
Expenses	2.3	(2,641,926)	(1,662,541)
Finance costs	2.3	(27,793)	(17,132)
Share of profit/(loss) of associate entities	6.2(c)	928	(2,857)
Net (loss)/profit from continuing operations before income tax expense		(481,495)	**282,544**
Income tax expense	5.1	(27,283)	(65,978)
Net (loss)/profit from continuing operations after income tax expense		(508,778)	**216,566**
Discontinued operations			
(Loss)/Profit after tax from discontinued operations	6.7	(66,189)	17,314
Net (loss)/profit for the period		(574,967)	**233,880**
Net (loss)/profit for the period attributable to:			
Owners of the parent		(590,033)	221,229
Non-controlling interest		15,066	12,651
Net (loss)/profit for the period		(574,967)	**233,880**
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(168)	566
Other		145	28
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement in investment in listed and unlisted equities (net of tax)	7.1	(489)	(1,031)
Loss on defined benefit plan	7.2	(4,176)	(4,423)
Other comprehensive loss for the period		(4,688)	**(4,860)**
Total comprehensive (loss)/income attributable to equity holders		(579,655)	**229,020**
Total comprehensive (loss)/income attributable to:			
Owners of the parent		(594,721)	216,369
Non-controlling interest		15,066	12,651
Total comprehensive (loss)/income for the period		(579,655)	**229,020**
Earnings per share (in cents)			
Basic (loss)/profit attributable to ordinary equity holders of the parent	2.5	($0.35)	$0.17
Diluted (loss)/profit attributable to ordinary equity holders of the parent	2.5	($0.34)	$0.16
Earnings per share from continuing operations (in cents)			
Basic (loss)/profit attributable to ordinary equity holders of the parent	2.5	($0.31)	$0.15
Diluted (loss)/profit attributable to ordinary equity holders of the parent	2.5	($0.31)	$0.15

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

Consolidated Statement of Financial Position

as at 30 June 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	3.1	187,394	256,121
Trade and other receivables	3.2	258,061	403,716
Program rights & inventories	3.3	229,758	267,690
Prepayments		28,739	36,327
Other assets	3.9	10,978	23,508
Assets held for sale – continuing operations		3,622	1,583
Assets held for sale – discontinued operations	6.7	–	90,772
Total current assets		718,552	**1,079,717**
Non-current assets			
Receivables	3.2	13,511	14,262
Program rights & inventories	3.3	118,571	109,902
Investments accounted for using the equity method	6.2	25,766	26,145
Other financial assets	7.1	5,460	5,949
Property, plant and equipment	3.5	415,172	165,322
Intangible assets	3.6	2,325,244	2,958,405
Prepayments		12,449	26,125
Defined benefit plan	7.2	14,805	23,231
Total non-current assets		2,930,978	**3,329,341**
Total assets		3,649,530	**4,409,058**
Current liabilities			
Trade and other payables	3.4	370,527	433,142
Financial liabilities	4.1	106,791	195,375
Current income tax liabilities		9,983	47,723
Provisions	3.7	161,154	131,060
Liabilities held for sale – discontinued operations	6.7	–	58,061
Total current liabilities		648,455	865,361
Non-current liabilities			
Payables	3.4	74,096	72,639
Financial liabilities	4.1	749,192	316,577
Deferred tax liabilities	5.2	266,814	314,380
Provisions	3.7	22,405	54,373
Derivative financial instruments	4.5	2,700	12,405
Total non-current liabilities		1,115,207	770,374
Total liabilities		1,763,662	**1,635,735**
Net assets		1,885,868	**2,773,323**
Equity			
Contributed equity	4.2	2,123,146	2,126,216
Reserves		(61,531)	5,652
Retained earnings		(311,611)	448,811
Total equity attributable to equity holders of the parent		1,750,004	**2,580,679**
Non-controlling interest		135,864	**192,644**
Total equity		1,885,868	**2,773,323**

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Contributed equity $'000	Rights Plan Shares $'000	Foreign currency translation reserve $'000	Fair value reserve of financial assets at FVOCI $'000	Share-based payments reserve $'000	Other reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2019	2,134,803	(8,587)	(1,058)	(6,190)	6,604	6,296	448,811	2,580,679	192,644	2,773,323
Profit/(loss) for the period	–	–	–	–	–	–	(590,033)	(590,033)	15,066	(574,967)
Other comprehensive income/(loss) for the period	–	–	(168)	(4,520)	–	–	–	(4,688)	–	(4,688)
Total comprehensive income/(loss) for the period	**–**	**–**	**(168)**	**(4,520)**	**–**	**–**	**(590,033)**	(594,721)	**15,066**	(579,655)
Acquisition of non-controlling interest	–	–	–	–	(1,683)	(60,700)	–	(62,383)	(55,376)	(117,759)
Transfers from reserve to equity	–	–	(150)	–	–	–	150	–	–	–
Transactions with non-controlling interest	–	–	–	–	–	–	–	–	3,913	3,913
Vesting of Rights Plan shares (Note 4.4)	–	2,730	–	–	(2,730)	–	–	–	–	–
Purchase of shares	–	(5,800)	–	–	–	–	–	(5,800)	–	(5,800)
Share-based payment expense	–	–	–	–	2,768	–	–	2,768	–	2,768
Dividends to shareholders	–	–	–	–	–	–	(170,539)	(170,539)	(20,383)	(190,922)
At 30 June 2020	**2,134,803**	**(11,657)**	**(1,376)**	**(10,710)**	**4,959**	**(54,404)**	**(311,611)**	1,750,004	**135,864**	1,885,868
At 1 July 2019	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	(5,426)	–		–	(4,860)	–	(4,860)
Total comprehensive income/(loss) for the period	**–**	**–**	**566**	**(5,426)**	**–**	**–**	**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)**	**(6,190)**	**6,604**	**6,296**	**448,811**	2,580,679	**192,644**	2,773,323

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 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		2,780,822	2,454,441
Payments to suppliers and employees		(2,294,639)	(2,166,544)
Dividends received – associates	6.2	5,467	880
Interest received		1,619	6,909
Interest and other costs of finance paid		(27,330)	(15,605)
Income tax paid		(88,528)	(58,511)
Net cash flows generated from operating activities	3.1	377,411	**221,570**
Cash flows from investing activities			
Purchase of property, plant and equipment		(85,310)	(26,524)
Purchase of other intangible assets		(53,557)	(35,979)
Proceeds on disposal of property, plant and equipment		807	28,172
Acquisition of subsidiaries, net of cash and acquisition costs	6.1	(132,864)	(7,362)
Funding to associates		(6,454)	(7,200)
Proceeds from sale of controlled entities, including transaction costs	6.1	382	127,757
Net cash flows (used in)/from investing activities		(276,996)	**78,864**
Cash flows from financing activities			
Proceeds from borrowings, net of costs		761,442	417,769
Repayments of borrowings		(691,473)	(355,360)
Purchase of rights plan shares		(5,800)	(4,707)
Payments of the principal portion of leases		(42,389)	–
Dividends paid to non-controlling interest		(20,383)	(9,704)
Dividends paid to shareholders of the group	4.3	(170,539)	(128,686)
Net cash flows used in financing activities		(169,142)	(80,688)
Net (decrease)/increase in cash and cash equivalents		(68,727)	219,746
Cash and cash equivalents at the beginning of the financial year		256,121	36,375
Cash and cash equivalents at the end of the period	3.1	187,394	**256,121**

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 2020

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 2020.

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 2020 was authorised for issue in accordance with a resolution of the directors on 27th August 2020. The Directors have the power to amend and reissue the financial report.

1.1 Significant events during the period

COVID-19

The COVID-19 pandemic created an uncertain economic environment which caused significant volatility across the Group during the last three months of FY20. Given the diversified nature of the Group, certain business units have been more heavily impacted than others. The advertising market across the Group's FTA, radio and digital platforms has experienced significant disruption, whilst government restrictions have also significantly impacted the housing market and related listings for the Domain business.

As a result of the significant impact of COVID-19 on the FTA, digital advertising and housing markets, an impairment charge of $588.7 million was recognised in FY20.

The Group benefitted from Government benefits in the form of waived spectrum fees, which resulted in a P&L benefit of $1.3 million in FY20 and will benefit FY21 by $9.5 million, and JobKeeper allowance across a number of the Group's smaller digital and events businesses, as well as Domain, which totalled $6.1 million in FY20, with a further $8.4 million expected in FY21. In addition, whilst under Group ownership, Stuff NZ received a total of NZ$4.2 million in government subsidies related to the New Zealand government Wage Subsidy program.

Acquisitions and Disposals

On 31 May 2020, the Group disposed of its 100% interest in Stuff Limited ("Stuff NZ") for consideration of NZ$1. Since the Fairfax merger in December 2018, Stuff New Zealand has been held for sale and recognised as a discontinued operation in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Following the disposal, a loss on disposal was recognised within the Discontinued Operations line of the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income.

During the financial year, the Group acquired the remaining 45.6% stake in Macquarie Media Limited which it did not already own, for a total consideration of $113.9 million, with the acquisition completed on 21 November 2019. The Group acquired the remainder of Macquarie Media Limited to consolidate its position as a supplier of news and current affairs across all of the Group's key platforms. Macquarie Media Limited has previously been consolidated into the Group's results as a result of the Fairfax merger in December 2018. Refer to note 6.1 for further detail.

Debt Refinancing

On 31 January 2020, the Group refinanced its existing facilities for 100% owned entities. The new facilities totalling $625 million comprise 3 and 4 year revolving cash advance facilities ($272.5 million in each facility) and a one year $80 million working capital facility. The facilities replace the $650 million facility available to the 100% owned entities at 30 June 2019 (refer to the June 2019 financial statements for further details). In light of the economic uncertainty caused by the COVID-19 pandemic, Nine reached agreement on 30 June 2020 with its banking group for an additional one year debt facility of $47.5 million and Domain entered into an additional facility of $80 million. There are no material changes to the terms of the facilities or the permitted uses of the facilities. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin. Refer to note 4.1 for details.

AASB 16 Leases

The Group has applied AASB 16 Leases from 1 July 2019. AASB 16 sets out the principles for recognising, measuring and disclosing leases and requires leases to account for most leases under a single on-balance sheet model. This has resulted in the recognition of $284 million of right-of-use assets and $312 million of right-of-use liabilities on transition. The Group adopted AASB 16 using the modified retrospective transition method which resulted in no adjustment to opening retained earnings. Refer to note 3.10 for details.

1. About this Report continued

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 joint ventures and 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 2019 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.

On 7 December 2018, the Group merged with Fairfax Media Limited ("Fairfax"). The 2019 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 financial statements from 7 December 2018.

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
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 which 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

2019 comparative financial information includes Fairfax and Stan operations for the period from 7 December 2018 to 30 June 2019.

	Segment Revenue		EBITDA before specific items[2]		Depreciation and amortisation[2]		EBIT before specific items[2]	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Broadcasting	1,054,323	1,160,344	147,602	225,867	(43,231)	(24,378)	104,371	201,488
Digital and Publishing	606,921	425,574	141,682	100,139	(48,682)	(22,141)	93,000	77,998
Domain Group	267,844	168,072	86,035	48,220	(44,334)	(19,823)	41,701	28,397
Stan	242,113	100,137	31,028	(4,866)	(13,152)	(6,636)	17,876	(11,502)
Segment total	2,171,201	**1,854,127**	406,347	**369,360**	(149,399)	**(72,978)**	256,948	**296,381**
Corporate	14,214	10,823	(10,582)	(16,641)	(534)	(731)	(11,116)	(17,371)
Associates	–	–	928	(2,857)	–	–	928	(2,857)
Total Group[1]	2,185,415	**1,864,950**	396,693	**349,862**	(149,933)	**(73,709)**	246,760	**276,153**

1 Includes intersegment revenue of $14,855,000 (2019: $16,884,000)

2 From 1 July 2019, the Group adopted AASB 16. 2020 EBIT is presented before lease interest of $11.6 million related to this change in accounting standard. Refer to note 3.10 for details.

Reconciliation of total Group revenue from continuing operations to the Consolidated Statement of Profit or Loss and Other Comprehensive Income	2020 $'000	2019 $'000
Total Group revenue (per above, refer to Note 2.2)[1]	2,185,415	1,864,950
Inter-segment eliminations	(14,855)	(16,884)
Total Group revenue	2,170,560	1,848,066
Interest income	1,461	6,610
Net gain on contingent consideration payable and sale of assets	15,275	12,126
Gain on consolidation of Stan (Refer to Note 6.1)	–	93,000
Net gain/(loss) on disposal of investments and controlled entities[2]	–	5,272
Revenue per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	2,187,296	1,965,074

1 Includes intersegment revenue of $14,855,000 (2019: $16,884,000)

2 The disposal of Stuff NZ is classified as a discontinued operation refer to note 6.7 for details.

Reconciliation of EBIT before specific items to profit after tax from continuing operations	Notes	2020 $'000	2019 $'000
EBIT before specific items		246,760	276,153
Interest income		1,461	6,610
Finance costs		(27,793)	(17,132)
Income tax expense	5.1	(64,491)	(78,567)
Profit before specific items		155,937	187,064
Specific items	2.4	(701,923)	16,913
Income tax benefit on specific items	2.4	37,208	12,589
Net profit/(loss) from operations after income tax expense		(508,778)	216,566

2. Group Performance continued

2.1 Segment Information continued

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 (2019: none).

Accounting Policy

The results reflect the operations of the businesses for the period from 1 July 2019. For the financial report for the year ended 30 June 2020, 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 2020 are:

- Broadcasting – includes free to air television activities and metropolitan radio networks in Australia.
- Digital and Publishing – includes Other (Nine.com.au, 9Now 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. These are detailed in note 2.4.

Group finance costs on bank facilities, interest income and income taxes are managed on a Group basis and are not allocated to operating segments. Lease finance costs resulting from the transition to AASB 16 Leases are 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

2.2.1 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 2020						
Advertising revenue	957,636	347,797	242,325	–	–	1,547,758
Subscription revenue	–	132,062	–	242,113	–	374,175
Affiliate revenue	54,833	–	–	–	–	54,833
Circulation revenue	–	87,990	–	–	–	87,990
Program Sales	16,098	–	–	–	–	16,098
Other revenue	25,756	39,072	25,519	–	14,214	104,561
Total revenue[1]	1,054,323	606,921	267,844	242,113	14,214	2,185,415

1 Includes intersegment revenue of $14,855,000.

	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	–	70,215	–	100,137	–	170,352
Affiliate revenue	70,450	–	–	–	–	70,450
Circulation revenue	–	54,572	–	–	–	54,572
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.

2019 revenue includes Fairfax and Stan operations for the period from 7 December 2018 to 30 June 2019.

2. Group Performance continued

2.2 Revenue and other income from continuing operations continued

Accounting Policy

Revenue

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 is generally 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.
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 of advertising revenue derived by broadcast partners, payable to the Group as consideration for use of the Group's program inventory.
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.
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) Operating lease income	Recognised on a straight-line basis over the term of the lease.

2.3 Expenses from continuing operations

	2020 $'000	2019 $'000
Expenses		
Broadcasting[2]	1,334,127	984,904
Digital and Publishing[2]	360,921	347,576
Domain Group[2]	676,790	144,209
Stan	224,238	113,189
Other	45,850	72,663
Total expenses from continuing operations[1]	2,641,926	1,662,541
Included in the expenses above are the following:		
Depreciation and amortisation (excluding program rights)[3]	150,515	76,238
Salary and employee benefit expenses[1]	645,600	544,326
Program rights	486,632	534,450
Total depreciation, salary and program rights	1,282,747	**1,155,014**
Finance Costs		
Interest on debt facilities	15,279	15,605
Interest on lease liabilities[3]	11,561	–
Amortisation of debt facility establishment costs	953	1,527
Total finance costs	27,793	**17,132**

1 Total expenses from continuing operations are net of government grants of $6.8 million ($5.4 million of which is attributable to Domain) relating to JobKeeper, $4.5 million of which has been received prior to 30 June 2020.

2 Expenses include Specific Items, including impairment, for Broadcasting ($310.8 million), Digital and Publishing ($95.7 million), Domain Group ($188.2 million). Refer to Note 2.4 for details. (2019: Digital and Publishing ($17.7 million).

3 From 1 July 2019, the Group adopted AASB 16. Refer to note 3.10 for details. Depreciation and amortisation includes $0.6 million of depreciation related to excess lease space reported as a Specific Item in the Group's accounts. (2019: 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). Refer to Note 2.4.

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 loss 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:

	2020 $'000	2019 $'000
Impairment of goodwill and other intangibles	(591,776)	(17,739)
Impairment of other assets	(61,412)	–
Restructuring and termination costs	(48,377)	(36,558)
Net gain on contingent consideration payable and sale of financial asset	15,455	–
Other specific provisions	(8,574)	–
Acquisition related costs	(9,169)	(21,205)
Net profit on sale of assets held for sale[1]	1,930	9,408
Gain on consolidation of Stan[2]	–	93,000
Other	–	(9,993)
Net specific items profit/(expense) before tax from continuing operations	(701,923)	16,913
Income tax benefit on specific items from continuing operations	37,208	12,589
Net specific items profit/(expense) after tax from continuing operations	(664,715)	29,502

1 2020: Relates to the disposal of Healthshare (2019: relates to net profit on sale of property held in Newcastle and other assets held for sale).
2 2019: Gain arising on the consolidation of Stan following the merger with Fairfax in December 2018.

Impairment of goodwill and other intangibles

An impairment charge has been recognised in respect of Nine Network ($310.8 million), Other ($40.9 million), CarAdvice ($46.8 million, inclusive of $3.0 million of specific software impairments), Pedestrian TV ($5.0 million) and Domain ($188.2 million) cash generating units. The decrease in the estimated recoverable amount of these businesses compared to prior years is a result of the COVID-19 pandemic significantly impacting the markets in which the Group operates. Refer to Note 3.6 for details. In the prior year, the charge relates to impairment of the CarAdvice cash-generating unit.

Impairment of other assets

The impairment of other assets includes:

- $36.4 million of program inventory and sports rights, principally related to the impact of COVID-19 on the 2020 NRL season and resulting contract renegotiations.
- $17.2 million of PP&E (including $9.6 million related to right of use assets) relating to surplus property leases and other asset impairments no longer considered recoverable due to the relocation of the Group's headquarters to 1 Denison Street, North Sydney. The ability to sublease surplus property has been reassessed as a result of the impact on COVID-19 on property markets.
- $7.8 million of other investments and debtor write offs.

Restructuring and termination costs

Includes redundancy costs in relation to the Fairfax merger, Macquarie Radio acquisition and other restructuring and termination costs for the Group, including $11.5 million relating to onerous short-term property leases excess to requirements as a result of the Fairfax merger and relocation of the Group's headquarters to 1 Denison Street, North Sydney.

Net gain on contingent consideration payable and sale of financial asset

Consists of $11.3 million for Domain relating to the release of contingent consideration for Commercialview Tranche 2 and Tranche 3, Review Property Tranche 3 and RTA, and a $4.1 million decrease in the Option over controlled entity.

Other specific provisions

Includes provision for defamation and other provisions related to prior financial periods.

Acquisition related costs

Costs related to the acquisition of Macquarie Media Limited (excluding redundancies) and the merger of Fairfax (excluding redundancies). In the prior year, expenses include costs related to the acquisition of Fairfax, excluding redundancies.

2.5 Earnings per share

	2020	2019
From continuing and discontinuing operations (in cents)		
Basic and diluted earnings per share before specific items[1]	$0.08	$0.14
Basic (Loss)/earnings per share after specific items	($0.35)	$0.17
Diluted (Loss)/earnings per share after specific items[1]	($0.34)	$0.16
Profit/(Loss) attributable to the ordinary equity holders of the Group used in calculating the basic and diluted earnings per share ($'000) from continuing and discontinuing operations	(590,033)	221,229
From continuing operations (in cents)		
Basic and diluted earnings per share before specific items[1]	$0.08	$0.13
Basic (Loss)/earnings per share after specific items	($0.31)	$0.15
Diluted (Loss)/ earnings per share after specific items[1]	($0.31)	$0.15
Profit/(Loss) attributable to the ordinary equity holders of the Group used in calculating the basic and diluted earnings per share ($'000)	(523,739)	204,135
Weighted average number of ordinary shares for basic earnings per share ('000)	1,703,446	1,337,721
Effect of dilution:		
Rights Plan shares under the performance rights plan (Note 4.4) ('000)	4,827	7,932
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	1,708,273	1,345,653

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 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

3. Operating Assets and Liabilities

3.1 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash balances representing continuing operations:		
a) For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June:		
– Cash on hand and at bank	187,394	256,121
Total cash and cash equivalents	187,394	256,121
b) Reconciliation of (loss)/profit after tax to net cash flows from operations:		
(Loss)/profit after tax from continuing operations	(508,778)	216,566
(Loss)/profit after tax from discontinuing operations	(66,189)	17,314
(Loss)/profit on sale of properties and other assets	71,989	(9,408)
Depreciation and amortisation	150,515	83,438
Impairment of assets	42,358	17,739
Impairment of Intangibles	591,776	–
Share based payment expense	2,768	5,069
Share of associates net profit	(928)	2,857
Mark to market on derivatives	–	241
Derivative interest unwinding	365	1,100
Gain on consolidation of Stan	–	(93,000)
Other non-cash items	23,106	–
Changes in assets and liabilities:		
Trade and other receivables	146,851	63,363
Program rights and inventories	14,097	7,090
Prepayments and other assets	38,186	533
Trade and other payables	(54,927)	(62,478)
Provision for income tax	(37,741)	(4,038)
Provision for employee entitlements	(6,567)	(36,136)
Other provisions	19,601	(8,521)
Deferred income tax liability	(48,912)	19,742
Foreign currency movements in assets and liabilities of overseas controlled entities	(159)	–
Net cash flows from operating activities	377,411	221,570

3.1.1 Changes in liabilities from financing activities

	Bank facilities $'000
At 1 July 2019	511,953
Net cash flows	69,969
Other changes (liability related)	2,394
At 30 June 2020	584,316
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**

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

	2020 $'000	2019 $'000
Current		
Trade receivables	251,328	384,386
Allowance for expected credit loss	(7,390)	(3,507)
	243,938	380,879
Related party receivables (Note 6.6)	6,302	3,457
Allowance for expected credit loss	(2,910)	–
Other receivables	10,731	19,380
Total current trade and other receivables	258,061	403,716
Non-current		
Loans to related parties (Note 6.6)	4,021	5,421
Other	9,490	8,841
Total non-current trade and other receivables	13,511	14,262

A net charge from the allowance for expected credit loss ("ECL") of $4,626,000 (2019: $74,000) has been recognised by the Group in the current period following an assessment of credit risk of the Group customer base, including any impact as a result of COVID-19.

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
2020	243,938	222,430	17,058	1,134	3,316
2019	380,879	339,232	24,794	9,124	7,729

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

Key judgements, estimates and assumptions

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

	2020 $'000	2019 $'000
Current		
Program rights – cost less accumulated amortisation and impairment	214,094	250,648
Inventories	15,664	17,042
Total current program rights & inventories	229,758	267,690
Non-current		
Program rights – cost less accumulated amortisation and impairment	118,571	109,902
Total non-current program rights	118,571	109,902

During the year, $36.4 million of program inventory and sports rights were impaired as a result of the COVID-19 pandemic. These have been classified as Specific Items - refer to Note 2.4 for details

Accounting Policy

Program Rights

The Group recognises program rights which are available for use. 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.

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

	2020 $'000	2019 $'000
Current – unsecured		
Trade and other payables	183,710	228,524
Program contract payables	128,709	151,488
Deferred income	58,108	53,130
Total current trade and other payables	370,527	433,142
Non-current – unsecured		
Program contract payables	67,806	58,470
Other creditor	1,095	–
Deferred income	5,195	14,169
Total non-current trade and other payables	74,096	72,639

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[1] $'000	ROU property[2] $'000	ROU plant and equipment[2] $'000	Total property, plant and equipment $'000
Year ended 30 June 2020							
At 1 July 2019, net of accumulated depreciation and impairment	16,484	33,375	95,107	20,356	–	–	165,322
Opening reclassification to Intangibles[3]	–	–	(13,794)	–	–	–	(13,794)
AASB16 Initial recognition	–	–	–	–	270,324	13,660	283,984
Additions	8,859	194	16,865	67,940	2,465	983	97,306
Finalisation of purchase price accounting (Note 6.1)	–	–	(8,877)	–	–	–	(8,877)
Transfers	365	(169)	9,571	(9,767)	–	–	–
Disposals	(44)	(3,383)	(3,423)	(732)	(8,913)	–	(16,495)
Impairment	–	(2,931)	(6,195)	0	(10,236)	–	(19,362)
Depreciation expense	(1,734)	(5,448)	(23,296)	0	(37,100)	(5,334)	(72,912)
At 30 June 2020, net of accumulated depreciation and impairment	23,930	21,638	65,958	77,797	216,540	9,309	415,172
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)	(4,958)	(25,787)	–	–	–	(31,304)
At 30 June 2019, net of accumulated depreciation and impairment	**16,484**	**33,375**	**95,107**	**20,356**	**–**	**–**	**165,322**
At 30 June 2020, net of accumulated depreciation and impairment							
Cost (gross carrying amount)	31,998	60,281	465,937	77,797	263,876	14,643	914,532
Accumulated depreciation and impairment	(8,068)	(38,643)	(399,979)	0	(47,336)	(5,334)	(499,360)
Net carrying amount	23,930	21,638	65,958	77,797	216,540	9,309	415,172
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**

1 Work in progress additions primarily relate to the Group's new headquarters of 1 Denison Street, North Sydney.

2 For further information on right of use assets, refer to note 3.10.

3 An opening balance reclassification of $13.8 million from property, plant and equipment to other intangible assets has been undertaken in relation to software asset to ensure consistency of classification across the Group.

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
- right of use property – lease term
- right of use plant and equipment – up to 6 years
- 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.

Refer to note 3.10 for details of accounting for right of use property and right of use plant and equipment.

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. Refer to Note 3.6 for details of CGU recoverable amount assessment.

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 a distribution rather than through continuing use. Such non-current assets and disposals 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.

Key judgements, estimates and assumptions

The Group has applied certain judgements including which contractual arrangements represent a lease, the period over which the lease exists, the variability of future cash flows and the applicable incremental borrowing rates used to calculate the lease liability.

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 2020					
At 1 July 2019, net of accumulated amortisation and impairment	1,516,748	624,082	562,893	254,682	2,958,405
Opening reclassification from Property, plant and equipment[2]	–	–	–	13,794	13,794
Finalisation of purchase price accounting (Note 6.1)	(17,668)	–	–	2,186	(15,482)
Acquisition of subsidiaries (Note 6.1)	20,782	–	225	5,190	26,197
Purchases	–	–	–	53,557	53,557
Disposals	(39,849)	–	–	(1,999)	(41,848)
Impairment	(579,847)	(8,900)	–	(3,029)	(591,776)
Amortisation expense	–	–	–	(77,603)	(77,603)
At 30 June 2020, net of accumulated amortisation and impairment	900,166	615,182	563,118	246,778	2,325,244
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**
At 30 June 2020					
Cost (gross carrying amount)	2,606,084	1,596,651	563,906	411,109	5,177,750
Accumulated amortisation and impairment	(1,705,918)	(981,469)	(788)	(164,331)	(2,852,506)
Net carrying amount	900,166	615,182	563,118	246,778	2,325,244
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**

1 This includes customer relationships of $161.8 million and capitalised development costs of software of $78.9 million being, in part, an internally generated intangible asset.

2 An opening reclassification of $13.8 million from property, plant and equipment to other intangible assets has been undertaken in relation to software assets to ensure consistency of classification across the Group.

During the year an impairment charge was recognised against goodwill in respect of Nine Network ($301.9 million), Nine.com.au ($40.9 million), CarAdvice ($43.8 million), Pedestrian TV ($5.0 million) and Domain ($188.2 million) cash generating units. TV licenses were impaired by $8.9 million and $3.0 million of obsolete software intangible assets have been impaired. These have been classified as Specific Items – refer to Note 2.4 for details.

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

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

	Goodwill $'000	Licences $'000	Mastheads and Brand names $'000
Year ended 30 June 2020			
Nine Network	–	457,884	–
NBN	3,300	11,000	–
Stan	315,302	–	71,452
Domain	444,319	–	407,253
Metropolitan Media	71,480	–	84,413
Macquarie Media	44,789	146,298	–
Other[1]	20,976	–	–
Total goodwill and non-amortising intangibles as at 30 June 2020	900,166	615,182	563,118
Year ended 30 June 2019			
Nine Network	301,913	466,784	–
NBN	3,300	11,000	–
Stan	315,302	–	71,452
Domain	620,261	–	407,028
Metropolitan Media	124,444	–	84,413
Macquarie Media	40,818	146,298	–
Other[1]	110,710	–	–
Total goodwill and non-amortising intangibles as at 30 June 2019	1,516,748	624,082	562,893

1 Other goodwill is made up of Nine.com.au $6.7 million (2019: $47.6 million), Pedestrian TV $14.3 million (2019: $19.3 million), CarAdvice $nil (2019: $43.8 million).

3.6(b) Determination of recoverable amount

The recoverable amount of the CGUs 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 which is based on fair value less cost of disposal calculations (and which is classified within Level 3 of the fair value hierarchy) using cash flow projections for up to ten years and a terminal growth rate applied thereafter. The Group determined Nine Network, NBN, Domain, Nine Radio (formerly "Macquarie Radio"), Metropolitan Media, Stan and each of the components of Other (Nine.com.au, Pedestrian TV and CarAdvice) to be CGUs.

As at 30 June 2020, the Group adjusted the composition of Group CGUs by moving the 9Now business from the Nine.com.au CGU to the Nine Network CGU. This adjustment was undertaken following an assessment of cash inflows and other relevant factors in accordance with accounting standards. As a result of this change, accounting standards require impairment testing to be performed both before and after the change occurs. The assumptions disclosed below for the Nine Network and Nine.com.au CGUs exclude the 9Now business which has significant headroom as at 30 June 2020.

The Group performed its annual impairment test in June 2020 for each CGU. The cash flow projections which are used in determining any impairment require management to make significant estimates and judgements. Each of the assumptions is subject to significant judgement about future economic conditions and the ongoing structure of industries in which the CGUs operate. Forecasted cashflows are risk-adjusted allowing for estimated changes in the business, the competitive trading environment and potential changes in customer behaviour.

During the year to 30 June 2020, the Group's performance and the economy as a whole were significantly impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic and this uncertainty remains at 30 June 2020. Accordingly, the outlook for FY21 and beyond continues to be uncertain due to the ongoing economic impact of COVID-19 and any potential changes to customer behaviour. In addition, the following factors create uncertainty over forecasting the Group's operating cash flows: the risk of further waves of coronavirus, such as that already experienced in Victoria subsequent to year end; uncertainties surrounding macroeconomic indicators, such as unemployment and GDP growth; and the timing and impact on the economy of the withdrawal of government support packages. Management has considered the potential impacts of COVID-19 and as a result has assumed an extended recovery period for the purposes of impairment testing, given this uncertainty.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

3. Operating Assets and Liabilities continued

3.6 Intangible Assets continued

3.6(c) Impairment losses recognised

As a result of impairment analysis performed at 30 June 2020, management identified impairments in the Nine Network ($310.8 million), Domain ($188.2 million), CarAdvice ($43.8 million), Nine.com.au ($40.9 million) and Pedestrian TV ($5.0 million) CGUs (2019: $17.7 million CarAdvice impairment). There is headroom in the Group's remaining CGUs (NBN, Nine Radio, Metropolitan Media and Stan).

The COVID-19 pandemic has significantly impacted the markets in which the Group operates during the current year, specifically the free-to-air, radio and digital advertising markets. Given the uncertain timing and extent of recovery in these markets, management has risk adjusted forecasts and longer-term assumptions to reflect this uncertainty. As a result, goodwill and other intangible assets totalling $588.7 million have been impaired and are included within Expenses in the statement of profit and loss and other comprehensive income. This has been disclosed as a specific item in Note 2.4.

3.6(d) Key assumptions

Operating cashflow projections have been determined based on expectations of future performance, considering recent trading during the COVID-19 pandemic. Significant assumptions used in the impairment testing are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets. In the context of this uncertain environment, the Group has based its impairment testing upon conditions existing at 30 June 2020 and what the Directors believe can reasonably be expected at that date. Key assumptions in the cash flows include revenue growth, cost of sales and operating expenses. These assumptions take into account management's expectations of market demand and operational performance.

The key assumptions on which management has based its cash flow projections when determining the value in use calculations for each CGU are set out below. Management has applied its best estimates to each of these variables but cannot warrant their outcome.

Nine Network:

- The advertising market for metro FTA television reflects management's expectation of continued decline in FY21 as COVID-19 continues to impact the market, before single-digit recovery in the short to medium term. Management has assumed the economic recovery from COVID-19 commences in FY22 and is gradual over the forecast period.
- Nine Network's share of the metro FTA 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 changes in committed expenditure.
- Terminal growth rate of 0.5% (30 June 2019: 1.0%) reflecting a moderated view on longer term growth potential as a result of COVID-19.
- The pre-tax discount rate applied to the cash flow projections was 14.39% (30 June 2019: 13.72%) 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.

NBN:

- The advertising market for Regional FTA television shows continued decline in FY21 as a result of COVID-19 followed by single-digit recovery over the short to medium term. Management has assumed the economic recovery from COVID-19 commences in FY22 and is gradual over the forecast period.
- Expenditure is assumed to remain relatively flat over the life of the model.
- The pre-tax discount rate applied to the cash flow projections was 14.70% (30 June 2019: 14.24%) 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 2019: 0.0%).

Nine.com.au:

- Following the change in CGU for the 9Now business, the remaining digital platforms within this CGU are forecasted to be challenged in line with market maturity and management's expectations of market development.
- Expenditure is assumed to decline in line with revenue over the life of the model.
- The pre-tax discount rate applied to the cash flow projections was 20.60% (30 June 2019: 15.76%) which reflects management's best estimate of the time value of money and the risks specific to the digital display market.
- Terminal growth rate of 0% (30 June 2019: 2.0%).

Pedestrian TV:

- Following further market challenges in the short term, some market recovery in digital advertising is expected over the medium term consistent with industry market participant expectations. Management has assumed the economic recovery from COVID-19 commences in FY22 and a gradual over the forecast period. Long term revenue growth is in line with digital business industry trends, market maturity and management's expectations of market development.
- 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 16.67% (30 June 2019: 15.5%) which reflects management's best estimate of the time value of money and the risks specific to the digital display market.
- Terminal growth rate of 2% (30 June 2019: 2.0%).

CarAdvice:

- The impact of COVID-19 is expected to continue with further challenges to the digital advertising and new car market in which this CGU operates in the short term, followed by some market recovery expected over the medium term consistent with industry market participant expectations. Long term revenue growth is in line with business industry trends, market maturity and management's expectations of market development.
- Expenditure is assumed to remain relatively flat over the life of the model.
- The pre-tax discount rate applied to the cash flow projections was 19.36% (30 June 2019: 15.5%) which reflects management's best estimate of the time value of money and the risks specific to the digital display market.
- Terminal growth rate of 0% (30 June 2019: 2.0%) reflects a moderated view on longer term growth potential as a result of COVID-19 and the market in which CarAdvice operates.

Metropolitan Media:

- Revenue is forecast to show continued decline in FY21 as a result of the market impact of COVID-19, after which single-digit growth is expected in the short to medium term as the market recovers. Following this, a flat market is assumed in the medium term based on 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 14.25% 2019: 19.05%) which reflects current market assessment of the time value of money and the risks specific to the relevant segments in which the CGU operates.
- Terminal growth rate of 0% (2019: 0%) consistent with industry forecasts specific to the CGU.

Nine Radio (formerly "Macquarie Radio"):

- Revenue is based on assumptions around market growth and market share by station, considering past performance and trends, and reflects management's expectation of continued decline in FY21 as COVID-19 continues to impact the market, before single-digit recovery in the short to medium term.
- Expenditure is assumed to decline in the short term as a result of ongoing committed cost saving programs, after which they remain relatively flat over the life of the model.
- The pre-tax discount rate applied to the cash flow projections was 16.61% (2019: 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 2.0% (2019: 2.5%) consistent with industry forecasts specific to the CGU.

Stan:

- Revenue growth is in line with subscription video on demand business industry trends.
- 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 15.41% (2019: 17.0%) which reflects current market assessment of the time value of money and the risks specific risk to the Australian subscription video on demand market.
- Terminal growth rate of 3.5% (2019: 3.5%) consistent with industry forecasts specific to the CGU.

Domain:

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:

- The outbreak of COVID-19 impacted the listing and auction volumes in the last quarter of the current financial period. The uncertainty around the near-term impacts on the industry, the economy, and the shape of recovery have resulted in continued decline expected in the near term before revenue growth returns in line with digital business industry trends, market maturity and management's expectations of market development.
- Expenditure is assumed to decline in the short term as a result of ongoing cost saving programs resulting from COVID-19, after which they 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 13.30% (2019: 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% (2019: 2.5%) consistent with industry forecasts specific to the CGU.

3. Operating Assets and Liabilities continued

3.6 Intangible Assets continued

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 NBN CGU is in excess of the carrying amounts of intangible and tangible assets of the CGU. 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 recoverable amount of the Metropolitan Media, Nine Radio and Stan CGUs are in excess of the carrying amounts of intangible and tangible assets of the respective CGUs. Any reasonable adverse change in key assumptions would not lead to impairment.
- The estimated recoverable amount of Nine Network, Domain, Pedestrian TV and nine.com.au CGUs are equal to the carrying value, following the impairment charges previously discussed. Any future events that results in adverse changes to forward assumptions would accordingly result in further impairment. The following changes to the impairment assessment of these CGUs are considered to be reasonably possible and would increase the impairment charge, assuming all other assumptions are held constant, by the following amounts:

Assumption ($million)	Nine Network	Domain	PedestrianTV	Nine.com.au
1.0% reduction in forecasted revenue growth per annum	(327.2)	(137.0)	(1.7)	(3.6)
0.50% increase in the pre-tax discount rate	(38.8)	(82.5)	(0.7)	(0.6)
0.25% reduction in the terminal growth rates	(12.5)	(29.7)	(0.2)	(0.1)

Together any adverse changes in key inputs would cumulatively result in a more significant additional impairment impact.

- The estimated recoverable amount of the CarAdvice CGU is equal to the fair value of the CGU's net tangible assets, following the impairment charges previously discussed. Any adverse change in the assumptions would not result in additional impairment being recognised for this CGU.

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 and 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 twelve years.

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 annually in the case of indefinite life intangibles, 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. As noted above, given the impact of COVID-19 in FY20 the degree of uncertainty is higher than normal. Refer above for key assumptions used.

3.7 Provisions

	Employee entitlements[3] $'000	Onerous contracts $'000	Other[1,2] $'000	Total $'000
At 1 July 2019	113,191	22,788	49,454	185,433
Amounts provided/(utilised) during the period	(6,567)	(7,762)	12,455	(1,874)
At 30 June 2020	106,624	15,026	61,909	183,559
Represented by:				
Current	95,824	12,762	52,568	161,154
Non-current	10,800	2,264	9,341	22,405
Total at 30 June 2020	106,624	15,026	61,909	183,559

1 Included in other provisions are defamation provisions $23.5 million, content and royalties provisions $12.0 million, disposal related provisions $10.6 million, provisions for property $5.8 million and contingent acquisition consideration $4.2 million as detailed below (2019: provision for properties (make good and deferred leases) $18.9 million, provision for defamation $16.3 million, provision for redundancies $1.6 million, and provision of services to be provided to Nine Live following its disposal).

2 Includes current contingent consideration of $1.6 million and non-current contingent consideration of $2.6 million in respect of Domain's acquisition of Bidtracker Group (2019: 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).

3 During the year, the classification of long service leave provisions has been aligned across the Group, resulting in a reclassification of $21.2 million from non-current provisions to current provisions.

3. Operating Assets and Liabilities continued

3.7 Provisions continued

	Employee entitlements $'000	Onerous contracts $'000	Other $'000	Total $'000
At 1 July 2018	62,845	18,412	10,588	91,845
Acquisition of subsidiaries	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

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 (other than property contracts) where, due to changes in market conditions, the expected benefit derived from the contract is lower than the committed contractual terms.

Other

Other provisions include:

- Defamation, content and royalties' provisions, estimated based on the expected costs to be incurred.
- Disposal related provisions, including ACM printing operations termination costs and Events contra advertising, based on related disposal agreements.
- Property leases, other than those accounted for in accordance with AASB 16, 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.

Accounting Policy continued

- 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.

Key judgements, estimates and assumptions

Onerous contract provisions

The Group has recognised an onerous contract provision in relation to the various short term property leases which are excess to requirements and are not covered by AASB 16. The provision is calculated as the excess of the cost of the leases (and other property related costs) over what the Group considers to be market cost.

Defamation Provision

The Group has recognised a defamation provision related to a number of ongoing claims and proceedings against the Group. This provision is calculated based on Management's best estimate of the costs expected to be incurred.

3.8 Commitments

	<1 year $'000	1-5 years $'000	>5years $'000	Total $'000
Year ended 30 June 2020				
Capital expenditure	39,769	4,386	–	44,155
Operating lease commitments – Group as lessee[1]	19,095	96,347	176,785	292,227
Operating lease commitments – Group as lessor[2]	(10,159)	(24,263)	–	(34,422)
Television and Subscription Video on Demand program and sporting broadcast rights	274,057	423,563	–	697,620
Total Commitments	322,762	500,033	176,785	999,580

	<1 year $'000	1-5 years $'000	>5years $'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[2]	(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 Includes leasing commitments of the Group's new headquarters of 1 Denison Street North Sydney, within one year $12.7 million, within 5 years $76.9 million and after 5 years of $159.9 million which are not accounted for under AASB 16 Leases.

2 The Group has commercial subleases on office premises and amounts disclosed above represent the future minimum rentals receivable under non-cancellable operating leases at 30 June 2020.

Operating lease commitments include lease of land and buildings where the lease term has not yet commenced and outgoings where the application of AASB 16 is not applicable. 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.

3. Operating Assets and Liabilities continued

3.9 Other assets

	2020 $'000	2019 $'000
Current		
Deferred consideration – sale of subsidiaries	–	10,000
Other	10,978	13,508
Total other assets	10,978	23,508

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.

3.10 Changes in accounting policies and accounting standards – AASB 16 Leases

The Group has applied AASB 16 Leases for the first time. AASB 16 replaces all existing lease accounting standards including AASB 117 *Leases* and became effective for the Group from 1 July 2019. The standard sets out the principles for recognising, measuring and disclosing leases and requires lessees to account for most leases under a single on-balance sheet model. As a lessee, the Group has entered into lease contracts on various properties, equipment and motor vehicles in Australia. Under AASB 16, the Group, with certain exceptions, is required to recognise a 'right-of-use (ROU) asset' representing its right to use the underlying assets and a related 'lease liability' representing the present value of future lease payments.

Transition

The Group adopted AASB 16 using the modified retrospective transition method from its initial application date of 1 July 2019, whereby on a lease-by-lease basis the right of use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. Under this method transition reclassifications and adjustments have been recognised in the opening balance sheet at 1 July 2019 and therefore no restatement of comparatives was required.

In determining the transition adjustment, the Group has applied certain judgements including which contractual arrangements represent a lease, the period over which the lease exists, the variability of future cash flows and the applicable incremental borrowing rates used to calculate the lease liability.

The Group also applied the available practical expedients as follows:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Low value exemption applied for leases less than $5,000;
- Initial direct costs have been excluded in the measurement of the right of use asset; and
- To not separate non-lease components from lease components and account for them as a single component.

Based on the above, the Group recognised the following during the period for continuing operations[1]:

	RIGHT-OF-USE ASSET[2]				LEASE LIABILITIES	SUBLEASE RECEIVABLE
	Property $'000	Technology $'000	Other $'000	Total $'000	Total $'000	Total $'000
As at 30 June 2019	–	–	–	–	–	–
AASB 16 initial recognition[3]	270,324	2,394	11,266	283,984	(312,213)	–
Restated as at 1 July 2019	270,324	2,394	11,266	283,984	(312,213)	–
Additions/acquisitions	2,465	–	983	3,448	(1,834)	–
Derecognition of sublease	(8,913)	–	–	(8,913)	–	7,869
Impairment	(10,236)	–	–	(10,236)	–	–
Depreciation	(37,100)	(1,427)	(3,907)	(42,434)	–	–
Foreign Exchange and other movements	–	–	–	–	(8)	–
Interest expenses	–	–	–	–	(11,561)	–
Payments	–	–	–	–	53,949	–
Interest Income	–	–	–	–	–	122
Receipts	–	–	–	–	–	(478)
As at 30 June 2020	216,540	967	8,342	225,849	(271,667)	7,513

1 The right of use asset is included in Property, Plant & Equipment in the Statement of Financial Position. Refer note 3.5.

2 The lease liabilities are included in Financial liabilities in the Statement of Financial Position. Refer note 4.1.

3 Onerous lease and straight-line provisions previously recorded totalling $28.2 million were offset against the right of use asset on initial recognition.

There was no adjustment to opening retained earnings as a result of the transition to AASB 16 Leases.

The operating lease commitments, as disclosed in the Group's 2019 financial report can be reconciled to the transition lease liabilities as shown below:

	Increase/ (decrease) $'000
Operating lease commitments as at 30 June 2019	**390,895**
Less:	
Impact of discounting[1]	(86,751)
Commitments relating to short-term leases	(7,794)
Payments related to leases contracted but not commenced	(3,934)
Payments related to outgoings & similar costs	(32,170)
Commitments not treated as leases under AASB16	(31,135)
CPI escalations not included in AASB16 lease liability	(13,928)
Other	(763)
Add:	
Payments in optional extension periods not included in lease commitment	97,793
Lease liability recognised as at 1 July 2019	**312,213**

1 The weighted average incremental borrowing rate on transition is 3.86%.

3. Operating Assets and Liabilities continued

3.10 Changes in accounting policies and accounting standards – AASB 16 Leases continued

The following are the amounts recognised in the profit or loss:

	30 June 20 AASB 16 $'000
Depreciation expense of right-of-use assets	42,434
Interest expense on lease liabilities	11,561
Expense relating to short-term leases (included in expenses)	8,186
Variable lease payments (included in expenses)	1,519
Total amount recognised in profit or loss	63,700

The Group had total cash outflows for leases of $65.5 million in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $3.4 million.

The Group has various lease contracts that have not yet commenced as at 30 June 2020. Refer to note 3.8 for further detail.

The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

	Fixed Payments $'000	Variable Payments $'000	Total $'000
Fixed rent	53,949	–	53,949
Variable rent and minimum payment	–	9,705	9,705
Variable rent only	–	–	–
Total	53,949	9,705	63,654

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension that are not included in the lease liability recognised on transition and termination options that are not included in the lease term:

	Fixed Payments $'000	Variable Payments $'000	Total $'000
Extension options expected not to be exercised	108,903	1,009	109,912
Termination options expected to be exercised	–	–	–
Total	108,903	1,009	109,912

Impact of AASB 16 on Profit after tax from continuing operations

The adoption of AASB 16 has impacted the reported segment information (Note 2.1) as illustrated below.

The impact on EBITDA before specific items is as follows:

	EBITDA BEFORE SPECIFIC ITEMS		
	30 June 20 Reported $'000	30 June 20 Pre AASB 16 $'000	AASB 16 Impact $'000
Broadcasting	147,602	129,725	17,877
Digital and Publishing	141,682	125,597	16,085
Domain Group	86,035	78,988	7,047
Stan	31,028	29,909	1,119
Segment total	406,347	364,219	42,128
Corporate	(10,582)	(10,582)	–
Associates	928	928	–
Total Group	396,693	354,565	42,128

The impact on Depreciation and Amortisation before specific items is as follows:

	DEPRECIATION AND AMORTISATION		
	30 June 20 Reported $'000	30 June 20 Pre AASB 16 $'000	AASB 16 Impact $'000
Broadcasting	(43,231)	(26,807)	(16,424)
Digital and Publishing	(48,682)	(32,566)	(16,116)
Domain Group	(44,334)	(36,121)	(8,213)
Stan	(13,152)	(12,053)	(1,099)
Segment total	(149,399)	(107,547)	(41,852)
Corporate	(534)	(534)	–
Associates	–	–	–
Total Group	(149,933)	(108,081)	(41,852)

The impact on EBIT before specific items is as follows:

	EBIT BEFORE SPECIFIC ITEMS		
	30 June 20 Reported $'000	30 June 20 Pre AASB 16 $'000	AASB 16 Impact $'000
Broadcasting	104,372	102,917	1,455
Digital and Publishing	93,000	93,031	(31)
Domain Group	41,701	42,867	(1,166)
Stan	17,876	17,856	20
Segment total	256,948	256,671	278
Corporate	(11,116)	(11,116)	–
Associates	928	928	–
Total Group	246,760	246,483	278

3. Operating Assets and Liabilities continued

3.10 Changes in accounting policies and accounting standards – AASB 16 Leases continued

The impact on profit after tax from continuing operations is as follows:

Reconciliation of EBIT before specific items to profit after tax from continuing operations	30 June 20 Reported $'000	30 June 20 Pre AASB 16 $'000	AASB 16 Impact $'000
EBIT before specific items	246,760	246,483	277
Interest income	1,461	1,461	–
Finance costs	(27,793)	(16,232)	(11,561)
Income tax expense	(64,491)	(67,876)	3,385
Profit before specific items	155,937	163,836	(7,899)
Specific items	(701,923)	(701,923)	–
Income tax benefit/(expense) on specific items	37,208	37,208	–
Net profit/(loss) from operations after income tax expense	(508,778)	(500,879)	(7,899)

Accounting Policy

Accounting where Group is the lessee (AASB 16)

The Group leases property, technology, vehicles and other equipment. Contract periods are generally fixed and may include multiple extension options. At contract commencement date, when the leased asset is available for use, leases are recognised as a right of use asset with a corresponding lease liability.

i. Right-of-use assets (ROU)

ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. ROU asset costs include the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. The ROU asset is depreciated over the lease term on a straight-line basis and subject to impairment.

ii. Lease liabilities

Lease liabilities are measured at amortised cost using the effective interest rate method calculated as the present value of lease payments over the lease term using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily available. Interest expense is recognised in the income statement as part of "Finance costs". Lease liabilities are re-measured to reflect changes in future lease payments associated with (a) changes in index or contracted terms, (b) extension, purchase or termination options (c) modifications and (d) residual value guarantee payments.

iii. Presentation

In the statement of financial position, ROU assets are included in "Property, plant and equipment" and lease liabilities in "Financial liabilities".

iv. Short-term leases and leases of low-value assets

The Group applies the short-term and low-value lease exemption and does not recognise ROU assets or lease liabilities on such leases. Instead, lease payments are recognised in the income statement as part of "Expenses" on a straight-line basis over the lease term.

v. Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, by taking all relevant factors into account.

Accounting where Group is the lessor (AASB 16)

When the Group is an intermediate lessor (enters into a sub-lease), it accounts for its interests in the head lease and the sub-lease separately. The lease classification of the sublease is determined with reference to the ROU asset arising from the head lease.

Accounting where Group is the lessee (Prior year AASB 117)

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.

4. Capital Structure and Management

4.1 Financial liabilities

	2020 $'000	2019 $'000
Current		
Lease liabilities[1]	27,165	–
Bank facilities unsecured[2]	79,626	195,375
Total current financial liabilities	106,791	195,375
Non-current		
Lease liabilities[1]	244,502	–
Bank facilities unsecured[2]	504,690	316,577
Total non-current financial liabilities	749,192	316,577

1 For further information on Lease liabilities recognised on transition to AASB 16 Leases refer to note 3.10.

2 Bank facilities include unamortised financing costs of $3,905,151 (2019: $2,060,000).

100% Owned Facilities

On 31 January 2020, the Group refinanced its existing facilities for 100% owned entities. The new facilities totalling $625 million comprise 3 and 4 year revolving cash advance facilities ($272.5 million in each facility) and a one year $80 million working capital facility. At 30 June 2020, $415 million was drawn. The facilities replace the $650 million facility available to the 100% owned entities at 30 June 2019 (refer to the June 2019 financial statements for further details).

In light of the economic uncertainty caused by the COVID-19 pandemic, Nine reached agreement on 30 June 2020 with its banking group for an additional one year debt facility of $47.5 million. At 30 June 2020, none of this facility was drawn.

A $33.3 million bank guarantee facility is also available to the Group's 100% owned subsidiaries on a rolling annual basis. As at 30 June 2020, $24,000,493 was drawn (2019: $14,648,454).

On acquisition of Macquarie Media Limited, a $36.0 million revolving cash advance facility was repaid and cancelled.

There are no material changes to the terms of the facilities or the permitted uses of the facilities. The interest rate for drawings under these facilities is the applicable bank bill rate plus a credit margin.

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 guarantees from most of the Company's wholly-owned subsidiaries (refer to note 6.3) 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 2020.

Domain

The Group has exposure to a $225.0 million syndicated bank facility which is available to a controlled entity, Domain Holdings Australia Limited (Domain), with tranches maturing in November 2022 ($125.0 million) and November 2023 ($100.0 million). At 30 June 2020, $173 million was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin. During the period Domain refinanced its debt resulting in this $225.0 million facility (previously $250.0 million).

In April 2020, in light of the economic uncertainty caused by the COVID-19 pandemic Domain reached agreement with its banking group for an additional debt facility of $80 million maturing in October 2021. At 30 June 2020, none of this facility was drawn.

Domain Group agreed financial covenant waivers with its banking group for 30 June 2020 and 31 December 2020. The next covenant testing date on these facilities is therefore 30 June 2021. Domain Group was in compliance with its financial covenants at 30 June 2020 and is forecasting covenant compliance at 31 December 2020 and 30 June 2021.

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

	2020 $'000	2019 $'000
Issued share capital		
Ordinary shares authorised and fully paid	2,123,146	2,126,216
	2,123,146	2,126,216
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the financial period	2,126,216	745,027
Purchase of Rights Plan shares	(5,800)	(4,707)
Vesting of Rights Plan shares (Note 4.4)	2,730	3,091
Issue of shares	–	1,382,805
Carrying amount at the end of the financial year	2,123,146	2,126,216

	30 June 20 No. of shares	30 June 19 No. of shares
Balance at beginning of the financial period	1,705,393,253	871,373,191
Issue of ordinary shares fully paid	–	834,020,062
Balance at the end of the financial period	1,705,393,253	1,705,393,253

At 30 June 2020, a trust controlled by the Company held 2,011,252 (30 June 2019: 2,756,094) ordinary fully paid shares in the Company. During the year, 3,140,000 shares were acquired by the Trust. The shares were purchased for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 4.4 for further details.

Terms and Conditions of Contributed Equity

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

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.

4.3 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 $85,269,663) in respect of the half year ended 31 December 2019 and a final dividend of 5.0 cents per share, fully franked (amounting to $85,269,663) in respect of the year ended 30 June 2019.

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

The Directors propose a dividend, fully franked of 2 cents per share amounting to $34,107,865 to be paid in October 2020 (2019: final dividend, fully franked of 5.0 cents per share amounting to $85,269,663).

4. Capital Structure and Management continued

4.3 Dividends paid and proposed continued

4.3(c) Franking credits available for subsequent years

The franking credits available for subsequent years as at 30 June 2020 was $35,980,358 (2019: $8,203,764). This balance represents the franking account balance as at 30 June 2020. 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 $37,395,350.

Nine had an exempting account balance of $41,069,000 for the year ended 30 June 2020 (2019: $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 39 to 59.

The total expense recognised for share-based payments during the financial year for the Group was $2,767,844 (2019: $5,068,733), including $2,659,816 (2019: $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.

	2020 Number	2019 Number
Outstanding at 1 July	9,267,322	9,422,254
Granted during the year	5,014,005	2,286,747
Forfeited during the year[1]	(326,444)	(208,497)
Vested[2]	(3,950,809)	(2,233,182)
Lapsed during the year	(2,304,503)	–
Outstanding at 30 June[3]	7,699,571	9,267,322

1 These Rights were forfeited by executives that left during the year.

2 3,950,809 rights vested during the period which had been accounted as at and were measured based on performance up to 30 June 2019. This includes 341,095 (2019: 455,712) Rights in relation to executives that left in prior years which were cash settled.

3 This includes 565,978 (2019: 181,458) Rights in relation to executives that left in prior years which may be cash settled if they vest at the end of the testing period.

During the year ended 30 June 2020, the Group granted 286,145 shares (2019: 486,539 shares) to senior management as part payment of their short-term incentives for the year ended 30 June 2020. The total cost of $526,509 (2019: $1,060,874) was expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year ended 30 June 2019.

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 date, 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.

Where terms of an individual's share-based payment is modified to settle in cash, the cumulative expense is transferred from the share-based payment reserve to Payables in the Statement of Financial Position.

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;
- 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 repayment of debt, increased dividends or buy back 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 financial liabilities 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 2020.

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

Level 2: Forward foreign exchange contracts, interest rate swaps and financial liabilities and options over listed equities.

Level 3: Options over unlisted shares and options over controlled entities and CGU recoverable amount for Domain.

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:

		2020		2019	
	Note	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Derivative financial liabilities					
Option over controlled entity – non-current		2,700	2,700	12,405	12,405
Total derivative financial instruments – liabilities		2,700	2,700	12,405	12,405
Lease Liabilities					
Lease liabilities - current	4.1	27,165	27,165	–	–
Lease liabilities - non-current	4.1	244,502	244,502	–	–
Total lease liabilities		271,667	271,667	–	–
Bank facilities - current					
Syndicated facility secured - at amortised cost	4.1	79,626	79,626	195,375	195,375
Bank facilities - non-current					
Syndicated facility unsecured - at amortised cost	4.1	504,690	504,690	316,577	316,577
Total bank facilities		584,316	584,316	511,952	511,952

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 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)

	2020				2019			
	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) – non-current	–	2,700	–	–	–	12,405	–	–
Other financial assets[1]								
Cash assets	187,394	–	–	–	256,121	–	–	–
Trade and other receivables	258,061	5,101	8,410	–	403,716	4,731	9,531	–
Other financial liabilities[1]								
Trade and other payables	370,527	54,848	19,248	–	433,142	72,639	–	–
Lease liabilities	28,165	34,587	89,427	175,935	–	–	–	–
Contingent consideration	1,580	2,644	–	–	11,650	2,812	–	–
Bank facilities (including interest)[2]	88,682	8,082	512,210	–	208,974	271,431	48,868	–

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 2020 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.

	2020				2019			
	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	1.15	187,394	–	187,394	2.0	256,121	–	256,121
Trade and other receivables	N/A	N/A	271,572	271,572	N/A	N/A	417,978	417,978
Financial liabilities								
Trade and other payables	N/A	N/A	444,623	444,623	N/A	N/A	505,781	505,781
Lease liabilities	3.86	271,667	–	271,667	N/A	N/A	–	–
Syndicated facilities – at amortised cost	1.54	584,316	–	584,316	2.7	511,952	–	511,952

4. Capital Structure and Management continued

4.5. Financial instruments continued

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. As at 30 June 2020, the Group does not have any material cross-currency hedges.

Accounting Policy

The Group uses derivative financial instruments, such as interest rate swaps and 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

	2020 $'000	2019 $'000
Current tax expense/(benefit)	49,947	46,236
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	(22,664)	19,742
Income tax expense	27,283	65,978
Reconciliation of tax expense to prima facie tax payable		
Profit/(loss) from continuing operations	(481,495)	282,544
Prima facie income tax (benefit)/expense at the Australian rate of 30%	(144,449)	84,763
Tax effect of:		
Share of associates' net profits	(214)	918
Difference between tax and accounting profit from disposal of properties	(442)	3,285
Non-assessable gain on the consolidation of Stan (refer Note 2.4)	–	(27,900)
Impairment and write down of investments and revaluation of derivative financial instruments	175,026	6,636
Adjustments in respect of current tax of prior years	(676)	(945)
Post, digital and visual effects offset	–	(1,396)
Research and development tax offset	(1,855)	(1,411)
Other items – net	(107)	2,028
Income tax expense	27,283	65,978

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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Employee benefits provision	30,373	33,958	(3,411)	(763)
Other provisions and accruals	31,376	27,720	3,653	(7,097)
Property, plant and equipment	35,983	(9,183)	13,693	(7,721)
Intangible assets	(403,853)	(376,049)	(17,037)	848
Tax losses	64,501	69,000	(9,945)	–
Business related costs deductible over 5 years	9,568	15,042	(5,694)	1,289
Accelerated depreciation – program stock	(50,783)	(78,714)	27,930	(4,870)
Leases AASB 16	11,460	–	11,460	–
Other	4,561	3,846	2,015	(1,428)
Net deferred income tax liabilities	(266,814)	(314,380)	22,664	(19,742)

5. Taxation continued

5.2 Deferred tax assets and liabilities continued

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.

Accounting Policy continued

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 2020

Acquisition of remaining 45.6% interest in Macquarie Media Limited

During the period, the Group acquired the remaining 45.6% stake in Macquarie Media Limited which it did not already own, for a total consideration of $113.9 million, with the acquisition completed on 21 November 2019. The Group acquired the remainder of Macquarie Media Limited to consolidate its position as a supplier of news and current affairs across all of the Group's key platforms. Macquarie Media Limited has previously been consolidated into the Group's results as a result of the Fairfax merger on 7 December 2018 and therefore there was no change to the net assets recorded in relation to this entity as a result of the acquisition of the remaining 45.6% stake.

Bidtracker Group

On 27 November 2019, the Group (through Domain) acquired 100% of the share capital in the Bidtracker Group which operates the business Real Time Agent. The consideration of the acquisition is to be paid in three tranches, with two of the three being contingent on defined targets over FY20 and FY21.

The first tranche included payment of $19.4 million which was settled in cash on 27 November 2019 and $0.5 million cash effective settlement of the intercompany loan. Tranches two and three are anticipated to be settled in September 2020 and 2021 based on the performance against defined revenue targets in FY20 and FY21 respectively. An additional amount between nil and $15.6 million in cash is payable; the maximum consideration for the transaction across the three tranches is $35.5 million, the expected total consideration for the transaction as at 30 June 2020 is between $24.0 million and $24.5 million.

The contingent consideration for tranches two and three is recognised as a financial liability on the Consolidated Balance Sheet and is measured at fair value through the profit and loss. Goodwill of $20.6 million was recognised at the time of acquisition. The goodwill comprises expected synergies arising from the acquisition.

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.

Disposals for the year ended 30 June 2020

Stuff NZ

On 31 May 2020, the Group disposed of its 100% interest in Stuff Limited ("Stuff NZ") for consideration of $1 resulting in a loss on disposal of $44.0 million. Since the Fairfax merger in December 2018, Stuff New Zealand has been held for sale and recognised as a discontinued operation in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Following the disposal, a loss on disposal was recognised within the Discontinued Operations line of the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income.

6. Group Structure continued

6.1 Business Combinations continued

Disposal of The Weather Company Pty Ltd

On 30 September 2019, the Group disposed of its 75% stake in The Weather Company Pty Ltd ("Weatherzone") for $30 million. The transaction did not create any profit or loss on disposal as it was sold at fair value recognised under purchase price accounting on the Fairfax merger.

Commerce Australia Pty Limited

On 13 March 2020, the Group (through Domain) completed the disposal of its 100% share in Commerce Australia Pty Limited (MyDesktop) for a total maximum cash consideration of $14.4 million, of which $7.0 million is contingent on achieving a number of conditions in 2021. The expected consideration for this transaction is $10.5 million. The sale was part of Domain's strategy to simplify and optimise and work in alignment with all agents. A net gain on disposal of $0.6 million being $1.3 million revenue and $0.7 million disposal costs was recognised through Other Revenue and Income in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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

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.

In accordance with AASB 3 *Business Combination*, the Group finalised the purchase price accounting and the allocation of fair value to goodwill and other indefinite life intangible assets within 12 months from the date of acquisition. The 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	Initial fair value recognised on acquisition $'000	Final fair value recognised on acquisition $'000	Movement $'000
Assets			
Cash and cash equivalents	77,914	77,914	–
Receivables	181,807	181,807	–
Assets held for sale	9,469	16,747	7,278
Income tax receivable	15,895	15,895	–
Other financial assets	2,471	2,471	–
Equity accounted investments	2,161	2,161	–
Other assets	17,000	17,000	–
Property, plant and equipment	64,532	55,655	(8,877)
Defined benefits	1,843	1,843	–
Finite life intangible assets	205,057	207,243	2,186
Indefinite life intangible assets	637,453	637,453	–
50% interest in Stan (including goodwill)	237,400	237,655	255
Assets held for sale – discontinued operations	298,734	294,670	(4,064)
Total assets	1,751,736	1,748,514	(3,222)

Fairfax Media Limited and its controlled entities	Initial fair value recognised on acquisition $'000	Final fair value recognised on acquisition $'000	Movement $'000
Liabilities			
Payables	(129,140)	(139,504)	(10,364)
Interest bearing liabilities	(291,898)	(282,373)	9,525
Current tax liabilities	(17,790)	(17,790)	–
Provisions	(107,646)	(114,838)	(7,192)
Deferred tax liabilities	(204,254)	(179,352)	24,902
Liabilities held for sale – discontinued operations	(140,453)	(136,605)	3,848
Total liabilities	(891,181)	(870,462)	20,719
Total net assets	860,555	878,052	17,497
Non-controlling interest measured at its share of identifiable net assets	(185,309)	(185,138)	171
Goodwill	782,046	764,378	(17,668)
Purchase consideration	1,457,292	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 as discontinued operations. In May 2019, the Group completed the sale of the Events businesses and ACM was disposed on 30 June 2019. On 31 May 2020, the Group completed the disposal of Stuff NZ. Refer 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

6. Group Structure continued

6.1 Business Combinations continued

From the date of acquisition to 30 June 2019, 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 1 July 2018, 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 for the year ended 30 June 2019.

The goodwill of $1,079,680,000 comprises the value of expected synergies arising from the acquisition. Goodwill has been allocated across each CGU (Domain, Metropolitan Media, Nine Radio and Stan). Refer to Note 3.6(a) for details. None of the goodwill/indefinite life intangibles recognised are expected to be deductible for income tax purposes.

	$'000
Purchase consideration	
Share based payment	17,000
Shares issued at fair value (Note 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 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.

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, which were due to be settled in early 2020 and 2021 respectively, were initially expected to be met and therefore total consideration assumed for the transaction across the three tranches was $10.2 million. The contingent consideration for tranches two and three was recognised as a financial liability on the Statement of Financial Position and is measured at fair value through the profit and loss. 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.

During the year ended 30 June 2020, the hurdles related to Tranches two and three were determined not to have been met and therefore a net gain on contingent consideration payable has been recognised in the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income. This amount has been disclosed as a Specific Item as per Note 2.4.

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. Consideration 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 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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

6. Group Structure continued

6.2. Investments accounted for using the equity method

6.2(a) Investments at equity accounted amount:

	2020 $'000	2019 $'000
Associated entities – unlisted shares	25,766	26,145

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 20	30 June 19
Adventure TV Channel Pty Ltd	Television channel providers	Australia	50	0
Australia Money Channel Pty Ltd	Television channel providers	Australia	50	50
CopyCo Pty Ltd	Content licensing	Australia	20	20
Darwin Digital Television Pty Ltd	Television broadcast	Australia	50	50
Future Women Pty Ltd	Online content provider	Australia	50	80
Homebush Transmitters Pty Ltd	Transmission services	Australia	50	50
Intrepica Pty Ltd	Online learning service	Australia	15	27
NPC Media Pty Ltd	Television playout services	Australia	50	50
Oztam Pty Ltd	Television audience measurement	Australia	33	33
RateCity Pty Ltd	Operator of a financial product comparison service	Australia	50	50
The Premium Content Alliance	Media research and promotion	Australia	25	0
TX Australia Pty Ltd	Television transmission	Australia	50	50
Digital Radio Broadcasting Sydney Pty Ltd	Digital audio broadcasting	Australia	12	12
Digital Radio Broadcasting Melbourne Pty Ltd	Digital audio broadcasting	Australia	18	18
Digital Radio Broadcasting Brisbane Pty Ltd	Digital audio broadcasting	Australia	25	25
Digital Radio Broadcasting Perth Pty Ltd	Digital audio broadcasting	Australia	17	17
Future Energy New Zealand Limited[3]	Electricity Retailer	New Zealand	0	49
Future Foresight Group Pty Ltd[4]	Weather safety and risk information provider	South Africa	0	50
Australian Associated Press Pty Ltd	Newsagency & information service	Australia	47	47
Healthshare Pty Ltd[5]	Information technology tools	Australia	0	28
Oneflare Pty Ltd	Home services marketplace	Australia	21	21
RSVP.com.au Pty Limited[2]	Online dating services	Australia	58	58
Skoolbo Pte Ltd	Online learning service	Singapore	19	19

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 This entity was disposed on 30 April 2020.

4 Future Foresight Group Pty Ltd was disposed of as part of the WeatherZone disposal.

5 This investment was disposed of on 18 February 2020.

6.2(c) Carrying amount of investments in associates

	2020 $'000	2019 $'000
Balance at the beginning of the financial year	26,145	12,479
Acquired during the year	6,743	18,211
Impairments	(778)	(808)
Disposals	(1,805)	–
Share of associates' net (loss)/profit for the year	928	(2,857)
Dividends received or receivable	(5,467)	(880)
Carrying amount of investments in associates at the end of the financial year	25,766	26,145

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.

	2020 $'000	2019 $'000
Net profit/(loss) after income tax from continuing operations	928	(16,982)

The Group's current year share of losses of associates and joint ventures not recognised is nil (2019: $14.1 million). The Group's cumulative share of losses of associates and joint ventures not recognised is nil (2019: $nil).

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

	2020 $'000	2019 $'000
Current assets	17,148	19,340
Non-current assets	60,576	60,350
Total assets	77,724	79,690
Current liabilities	15,078	13,828
Non-current liabilities	15,626	11,999
Total liabilities	30,704	25,827

6.2(f) Impairment

There was $778,000 of impairment recorded during the current financial year (2019: $808,000).

6. Group Structure continued

6.2. Investments accounted for using the equity method 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 Statement of Financial Position 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 2020 %	Ownership interest June 2019 %
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	88
Ecorp Pty Ltd	A, B	Australia	100	100
Future Women Pty Ltd[8]		Australia	50	80
General Television Corporation Pty Limited	A, B	Australia	100	100
Mi9 New Zealand Limited	B	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
Nine Films & Television Distribution Pty Ltd	A, B	Australia	100	100

	Footnote	Place of Incorporation	Ownership interest June 2020 %	Ownership interest June 2019 %
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	A, B	Australia	100	100
Swan Television & Radio Broadcasters Pty Ltd	A, B	Australia	100	100
TCN Channel Nine Pty Ltd	A, B	Australia	100	100
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
2GTHR Pty Ltd	B	Australia	100	100
All Homes Pty Limited		Australia	59	59
ACT Real Estate Media Pty Ltd		Australia	59	59
Alldata Australia Pty Ltd		Australia	59	59
Allure Media Pty Ltd	B	Australia	100	100
Associated Newspapers Pty Ltd	B	Australia	100	100
Australian Openair Cinemas Pty Limited	B	Australia	100	100
Australian Property Monitors Pty Limited		Australia	59	59
Bidtracker Holdings Pty Ltd		Australia	59	0
Bodypass Trading Pty Ltd		Australia	100	100
Buyradio Pty Ltd	B	Australia	100	55
Commerce Australia Pty Ltd[5]		Australia	0	59
Commercial Real Estate Holdings Pty Ltd		Australia	59	59
Commercial Real Estate Media Pty Limited[3]		Australia	40	40
Commercialview.com.au Ltd[3]		Australia	40	40

6. Group Structure continued

6.3 Investment in controlled entities continued

	Footnote	Place of Incorporation	Ownership interest June 2020 %	Ownership interest June 2019 %
David Syme & Co Pty Limited	A, B	Australia	100	100
Digital Home Loans Pty Limited		Australia	36	36
Domain Group Finance Pty Limited		Australia	59	59
Domain Holdings Australia Limited		Australia	59	59
Domain Insure Pty Ltd[3]		Australia	41	41
Domain Operations Pty Limited		Australia	59	59
Fairfax Corporation Pty Limited	A, B	Australia	100	100
Fairfax Digital Australia & New Zealand Pty Limited	A, B	Australia	100	100
Fairfax Digital Pty Limited	A, B	Australia	100	100
Fairfax Entertainment Pty Limited	A, B	Australia	100	100
Fairfax Event Sub Pty Ltd	B	Australia	100	100
Fairfax Media Limited	A, B	Australia	100	100
Fairfax Media Events Pty Ltd	A, B	Australia	100	100
Fairfax Media Group Finance Pty Ltd	B	Australia	100	100
Fairfax Media Management Pty Limited	A, B	Australia	100	100
Fairfax Media Publications Pty Limited	A, B	Australia	100	100
Fairfax News Network Pty Ltd	B	Australia	100	100
Fibre Communications Limited[6]		New Zealand	0	100
Find a Babysitter Pty Ltd	B	Australia	100	100
Radio 2GB Sydney Pty Ltd (formerly Harbour Radio Pty) Ltd[2]	A, B	Australia	100	55
Homepass Australia Pty Ltd[3]		Australia	40	40
Homepass Pty Ltd[3]		Australia	40	40
John Fairfax & Sons Pty Limited	A, B	Australia	100	100
John Fairfax Pty Limited	A, B	Australia	100	100
Nine Radio Pty Limited (formerly Macquarie Media Limited)[2]	A, B	Australia	100	55
Macquarie Media Network Pty Limited	B	Australia	100	55
Nine Radio Operations Pty Limited (formerly Macquarie Media Operations Pty Limited)[2]	A, B	Australia	100	55
Nine Radio Syndication Pty Limited (formerly Macquarie Media Syndication Pty Limited)	B	Australia	100	55
Map and Page Pty Ltd		Australia	100	55
Mapshed Pty Ltd[4]		Australia	0	59
Metro Media Publishing Pty Ltd		Australia	55	55
Metro Media Services Pty Ltd		Australia	59	59

	Footnote	Place of Incorporation	Ownership interest June 2020 %	Ownership interest June 2019 %
MMP Community Network Pty Ltd		Australia	59	59
MMP (DVH) Pty Ltd[3]		Australia	37	37
MMP (Melbourne Times) Pty Ltd[3]		Australia	41	41
MMP Bayside Pty Ltd[3]		Australia	46	46
MMP Eastern Pty Ltd[3]		Australia	41	41
MMP Greater Geelong Pty Ltd[3]		Australia	28	28
MMP Holdings Pty Ltd[3]		Australia	59	59
MMP Moonee Valley Pty Ltd[3]		Australia	41	41
National Real Estate Media Pty Limited		Australia	59	59
National Real Estate Nominees Pty Ltd		Australia	59	59
Neighbourly Limited[6]		New Zealand	0	100
New South Wales Real Estate Media Pty Limited[3]		Australia	42	42
Northern Territory Real Estate Media Pty Ltd[3]		Australia	44	44
Property Data Solutions Pty Ltd		Australia	59	59
Queensland Real Estate Media Pty Ltd[3]		Australia	42	42
Radio 1278 Melbourne Pty Limited	B	Australia	100	55
Radio 2UE Sydney Pty Ltd	B	Australia	100	55
Radio 3AW Melbourne Pty Limited[2]	A, B	Australia	100	55
Radio 4BC Brisbane Pty Limited	B	Australia	100	55
Radio 6PR Perth Pty Limited	B	Australia	100	55
Radio Magic 882 Brisbane Pty Limited	B	Australia	100	55
Review Property Pty Ltd		Australia	59	59
South Australia Real Estate Media Pty Ltd[3]		Australia	40	40
Stuff Limited[6]		New Zealand	0	100
Tasmania Real Estate Media Pty Ltd[3]		Australia	44	44
The Age Company Pty Limited	A, B	Australia	100	100
The Weather Company Pty Limited[7]		Australia	0	75
Western Australia Real Estate Media Pty Ltd[3]		Australia	41	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 notes 4.1 and 6.4 for further detail).

1 The Group currently owns 88% of the shares in CarAdvice, however it is 100% consolidated in accordance with accounting standards.

2 These entities became a party to the Deed of Cross Guarantee during the year ended 30 June 2020.

3 This represents the Group's effective interest in the entity which is partially owned (yet controlled) by a non-wholly owned subsidiary.

4 Mapshed Pty Ltd was disposed of on 1 October 2019.

5 Commerce Australia was disposed of on 13 March 2020. Refer note 6.1.

6 These entities were disposed of on 31 May 2020 as part of the Stuff NZ disposal. Refer note 6.1.

7 The Weather Company Pty Limited was disposed of on 30 September 2019. Refer note 6.1.

8 Future Women Pty Ltd was deconsolidated upon disposal of 30% of the Group's shareholding and loss of control.

6. Group Structure continued

6.3 Investment in controlled entities continued

Accounting Policy

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent entity and its subsidiaries as at 30 June 2020. 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 Consolidated Statement of Financial Position 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 2020 is as follows:

	CLOSED GROUP[1]		EXTENDED CLOSED GROUP[2]	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Profit/(loss) from continuing operations before income tax	(446,989)	274,972	(470,773)	272,528
Income tax expense	(19,011)	(62,527)	(27,650)	(61,815)
Net profit/(loss) after income tax from operations	(466,000)	212,445	(498,423)	210,713
Dividends paid during the period	(170,539)	(128,688)	(170,539)	(128,688)
Adjustments to reserves	–	–	–	–
Accumulated profits at the beginning of the financial year	428,981	345,224	435,834	353,809
Accumulated profits at the end of the financial year	(207,558)	428,981	(233,128)	435,834

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

The debt facilities for the 100% owned group (refer to Note 4.1) are supported by guarantees from most of the Company's wholly owned subsidiaries; these guarantors are referred to as the "Extended Closed Group".

The Consolidated Statement of Financial Position of the entities which are some members of the "Closed Group" and the "Extended Closed Group" for the year ended 30 June 2020 is as follows:

	CLOSED GROUP		EXTENDED CLOSED GROUP	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current assets				
Cash and cash equivalents	112,831	200,255	114,978	179,206
Trade and other receivables	229,150	357,606	235,279	401,076
Program rights and inventories	229,758	267,690	229,758	270,409
Property, plant and equipment held for sale	3,622	1,583	3,622	1,583
Other assets	28,342	29,751	28,676	29,934
Total current assets	603,703	856,885	612,313	882,208
Non-current assets				
Receivables	4,443	4,931	4,443	4,931
Program rights	118,571	109,902	118,571	109,902
Investment in associates accounted for using the equity method	25,517	23,803	25,766	24,025
Investment in group entities	832,528	1,178,563	835,424	1,178,628
Investment in listed equities	2,269	–	5,460	3,437
Property, plant and equipment	335,819	104,376	366,245	122,304
Intangible assets	1,322,572	1,127,450	1,322,572	1,210,021
Other assets	27,255	49,248	27,255	49,248
Total non-current assets	2,668,974	2,598,273	2,705,736	2,702,496
Total assets	3,272,677	3,455,158	3,318,049	3,584,704
Current liabilities				
Trade and other payables	255,721	394,580	335,364	429,237
Financial liabilities	94,965	184,694	96,067	195,375
Income tax liabilities	5,566	47,097	6,014	44,242
Provisions	149,393	100,466	149,666	109,206
Total current liabilities	505,645	726,837	587,111	778,060
Non-current liabilities				
Payables	252,438	119,285	265,436	194,827
Financial liabilities	526,827	118,246	538,872	118,246
Deferred tax liabilities	266,304	148,097	254,681	143,833
Provisions	14,439	38,951	19,220	56,486
Total non-current liabilities	1,060,008	424,579	1,078,209	513,392
Total liabilities	1,565,653	1,151,416	1,665,320	1,291,452
Net assets	1,707,024	2,303,742	1,652,729	2,293,252

Notes to the Consolidated Financial Statements
for the year ended 30 June 2020

6. Group Structure continued

6.5 Parent entity disclosures

	PARENT ENTITY	
	2020 $'000	2019 $'000
(a) Financial Position		
Current assets	58,610	24,071
Non-current assets	2,408,637	3,059,282
Total assets	2,467,247	3,083,353
Current liabilities	869	661
Non-current liabilities	580,510	309,373
Total liabilities	581,379	310,034
Net assets	1,885,868	2,773,319
Contributed equity	2,134,803	2,134,803
Reserves	5,829	8,451
Retained earnings	(254,764)	630,065
Total equity	1,885,868	2,773,319
(b) Comprehensive (loss)/income		
Net (loss)/profit for the year	(714,290)[1]	631,451
Total comprehensive (loss)/income for the year	(714,290)	631,451

1 Current year loss is the result of impairments recognised in intergroup loans due to the significant intangible asset impairments recognised across the Group, as detailed in Note 2.4.

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.

	2020 $'000	2019 $'000
Rendering of services to and other revenue from –		
Associates of Nine Entertainment Co.:		
Stan Entertainment Pty Ltd – revenue[1]	–	5,324
Stan Entertainment Pty Ltd – interest income[1]	–	3,599
Future Women Pty Ltd	11	–
Adventure TV Channel Pty Ltd	421	–
Ratecity Pty Ltd	26	26
Darwin Digital Television Pty Ltd	77	77
Australian Money Channel Pty Ltd	–	599
NPC Media Pty Ltd	57	493
Receiving of services from related parties –		
Associates of Nine Entertainment Co.:		
Australian Associated Press Pty Ltd	300	3,614
Digital Radio Broadcasting Sydney Pty Ltd	574	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.:		
Digital Radio Broadcast Sydney Pty Ltd	267	–
Combined Translator Facilities Pty Ltd	100	–
TX Australia Pty Ltd	4,500	–
Oztam Pty Ltd	600	880

1 For the period prior to the merger with Fairfax on 7 December 2018, at which date Stan became 100% owned and was consolidated.

6. Group Structure continued

6.6 Related party transactions continued

	2020 $'000	2019 $'000
Amounts owed by related parties –		
Adventure TV Channel Pty Ltd	2,750	–
NPC Media Pty Ltd	433	986
Ratecity Pty Ltd	148	148
Homebush Transmitters Pty Ltd	54	410
Future Energy Management Ltd	–	1,913
Darwin Digital Television Pty Ltd	7	–
Amounts owed to related parties –		
Adventure TV Channel Pty Ltd	2,747	–
NPC Media Pty Ltd	2,055	–
Loans to related parties –		
Darwin Digital Television Pty Ltd	2,910	2,910
NPC Media Ltd	4,000	2,000
Other[1]	21	511

1 The loans granted to these related parties are non-interest bearing.

Terms and conditions of transactions with related parties

All of the above transactions, other than non-interest bearing loans, 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 2020, the Group has made an allowance for expected credit losses relating to amounts owed by related parties of $2.9 million. 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	2020 $	2019 $
Short-term employee benefits	4,587,831	5,399,434
Termination payments	880,251	–
Post-employment benefits	184,633	164,221
Long-term benefits	178,381	15,988
Share-based payments	922,522	1,753,989
Total remuneration of key management personnel	6,753,618	7,333,632

The table includes current and former key management personnel

Detailed remuneration disclosures are provided in the Remuneration Report on pages 39 to 59.

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. Consequently, the Group classified these businesses as a disposal group held for sale and as discontinued operations. Stuff NZ was sold on 31 May 2020 (refer note 6.1). Australian Community Media (including printing operations) was sold on 30 June 2019, and Events was sold on 31 May 2019.

Stuff NZ was sold on 31 May 2020. Refer to Note 6.1 for details. During the year to disposal, Stuff generated a profit before tax of $12.3 million, including $4.5 million of net income classified as a Specific Item. Furthermore, during this period NZ$4.2 million in government subsidies was received from the New Zealand government related to the NZ Government's Wage Subsidy program in response to COVID-19.

Profit after tax from discontinued operations includes the loss on disposal of Stuff NZ ($44.0 million) and finalisation of the ACM disposal including working capital adjustments ($6.7 million), and the termination of a related printing operations agreement ($14.0 million).

7. Other

7.1 Other financial assets

	2020 $'000	2019 $'000
Non-current		
Investments in listed entities	3,191	3,437
Investments in unlisted entities	2,269	2,512
Closing balance at 30 June	5,460	5,949

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

	2020 $	2019 $
Non-current		
As at 1 July	5,949	4,468
Acquired during the year	–	2,512
Movement in fair value	(489)	(1,031)
Closing balance at 30 June	5,460	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 $489,000 adjusted against the investment for the year ended 30 June 2020 (2019: $1,031,000 loss).

Certain of the Group's investments are categorised as investments in listed equities under AASB 9 – Financial Instruments.

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

Recognition and derecognition

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

Subsequent measurement

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

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

7.2 Defined benefit plan

	2020 $'000	2019 $'000
Non-current		
Defined benefits plan[1]	14,805	23,231
Closing balance at 30 June	14,805	23,231

1 30 June 2020 balance consists of Fairfax Media Super defined benefit plan (2020: $1,934,000, 2019: $2,070,000), Macquarie Media Ltd (MML) Super defined benefit plan (2020: $277,000) and Nine Network Superannuation Plan (2020: $12,594,000, 2019: $21,161,000).

Plan information

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

Regulatory framework

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

Responsibilities for the governance of the Plans

The Plan's Trustees are responsible for the governance of the Plans. The Trustees have 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 Plans expose 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 of the Nine Network superannuation plan 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 valuations of the defined benefits funds for the year ended 30 June 2020 were performed by Mercer Investment Nominees Limited for the purpose of satisfying accounting requirements.

The details of the plan disclosed throughout relates to the Nine Network Superannuation Plan and excludes the Fairfax Media and MML Plans, on the basis that they are not considered material to the Group.

Reconciliation of the Net Defined Benefit Asset

Financial year ended	30 June 20 $'000	30 June 19 $'000
Net defined benefit asset at start of year	21,161	25,584
Current service cost	(1,401)	(1,008)
Net interest	402	748
Actual return on Plan assets less interest income	(1,921)	1,715
Actuarial losses/(gains) arising from changes in financial assumptions	(1,393)	(2,827)
Actuarial gains arising from liability experience	(544)	(1,073)
Employer contributions	25	22
Contributions to accumulation section	(3,735)	(2,000)
Net defined benefit asset at end of year	12,594	21,161

Notes to the Consolidated Financial Statements
for the year ended 30 June 2020

7. Other continued

7.2 Defined benefits plan continued

Reconciliation of the Fair Value of Plan Assets

Financial year ended	30 June 20 $'000	30 June 19 $'000
Fair value of Plan assets at beginning of the year	58,519	58,483
Interest income	1,215	1,894
Actual return on Plan assets less Interest income	(1,921)	1,715
Employer contributions	25	22
Contributions by Plan participants	731	724
Benefits paid	(2,925)	(2,473)
Taxes, premiums and expenses received/(paid)	590	154
Contributions to accumulation section	(3,735)	(2,000)
Fair value of planned assets obligations at 30 June	52,499	58,519

Reconciliation of the Present Value of the Defined Benefit Obligation

Financial year ended	30 June 20 $'000	30 June 19 $'000
Present value of defined benefit obligations at beginning of year	37,359	32,900
Current service cost	1,401	1,008
Interest cost	813	1,146
Contributions by Plan participants	731	724
Actuarial losses/(gains) arising from changes in financial assumptions	1,393	2,827
Actuarial (gain)/losses arising from liability experience	544	1,073
Benefits paid	(2,925)	(2,473)
Taxes, premiums and expenses received/(paid)	589	154
Present value of defined benefit obligations at 30 June	39,905	37,359

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 2020, total Plan assets of $52,498,000 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 2020[1]	30 June 2019[1]
Australian Equity	23%	22%
International Equity	33%	32%
Fixed Income	20%	19%
Property	6%	11%
Alternatives/Other	15%	13%
Cash	3%	3%

1 Asset allocation as at 31 March 2019.

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 20	30 June 19
Assumptions to Determine Benefit Cost		
Discount rate	2.2% pa	3.4% pa
Expected salary increase rate	2.0% pa	2.0% pa
Assumptions to Determine Benefit Obligation		
Discount rate	1.6% pa	2.2% pa
Expected salary increase rate	2.0% pa	2.0% pa

Sensitivity Analysis

The defined benefit obligation as at 30 June 2020 under several scenarios is presented below.

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

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

% P.A.	BASE CASE	SCENARIO A	SCENARIO B	SCENARIO C	SCENARIO D
		–0.5% pa discount rate	+0.5% pa discount rate	–0.5% pa salary increase rate	+0.5% pa salary increase rate
Discount rate	1.6% pa	1.1% pa	2.1% pa	1.6% pa	1.6% pa
Salary increase rate	2.0% pa	2.0% pa	2.0% pa	1.5% pa	2.5% pa
Defined benefit obligation ($'000s)[1]	39,904	41,122	38,738	38,943	40,896

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.

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

7. Other continued

7.2 Defined benefits plan continued

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). During the year to 30 June 2020, contributions of $3.7 million (net of tax) were financed from defined benefit assets; 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 21 $'000
Expected employer contributions	–

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2020 is six years (30 June 2019: six years).

Expected benefit payments for the financial year ending on:	$'000
30 June 21	3,356
30 June 22	5,480
30 June 23	4,688
30 June 24	4,223
30 June 25	4,308
Following five years	22,227

Accounting Policy

The Group contributes to defined benefit superannuation funds which require contributions to be made to separately administered funds.

The cost of providing benefits under the defined benefit plans 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 Auditors' remuneration

	2020 $	2019 $
Amounts to Ernst & Young (Australia):		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities*	2,980,455	3,070,671
Fees for assurance services that are required by legislation to be provided by the auditor	–	–
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	99,550	90,000
Fees for other services – Tax compliance and advisory	370,383	368,161
Total auditors' remuneration	3,450,388	3,528,832

* Comprised of the audit and review of the consolidated group ($2,144,455) and the audit and review of other related entities ($835,468). (2019: consolidated group ($2,400,000) and the audit and review of other related entities ($670,671)).

7.4 Contingent liabilities and related matters

The consolidated entity has made certain guarantees regarding contractual leases, performance and other commitments of $24,000,493 (2019: $14,648,454). 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 predicted 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.

7.5 Events after the balance sheet date

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

Year ended 30 June 2020

The Group has applied AASB 16 and IFRIC interpretation 23 Uncertainty over income tax treatments for the first time from 1 July 2019. 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 2020 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 16 *Leases***

  The Group applied AASB 16 Leases from 1 July 2019. AASB 16 replaces the current AASB 17 Leases standard. Refer to note 3.10 for details of the transition to AASB 16 Leases.

7. Other continued

7.6 Other significant accounting policies continued

Accounting Policy continued

- **IFRIC interpretation 23 Uncertainty over income tax treatments (effective date 1 January 2019)**

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group

- **Other**

  Certain new accounting standards, amendments and interpretations have been issued that are not yet effective for the financial year ended 30 June 2020. However, the Group intends to adopt the following new or amended standards and interpretations, if applicable, when they become effective with no significant impact being expected on the Consolidated Financial Statements of the Group:

  - Amendments to References to Conceptual Framework in IFRS Standards.
  - Definition of a Business (Amendments to AASB 3 Business Combinations).
  - Definition of Material (Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).

Year ended 30 June 2019

- **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 was 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.

Accounting Policy continued

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 was 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) Other significant accounting policies

7.6(b)(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 2020.
2. in the opinion of the Directors, the consolidated financial statements and notes that are set out on pages 66 to 133 and the Remuneration Report in pages 39 to 59 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 2020 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 72 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.

P Costello

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 27 August 2020

Independent Auditor's Report

to the Members of Nine Entertainment Co. Holdings Limited

Building a better working world

Ernst & Young
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Sydney NSW 2000 Australia
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Independent Auditor's Report to the Members of Nine Entertainment Co. Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Nine Entertainment Co. Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 (including Independence Standards)* (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 judgment, 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.

Building a better working world

1. Carrying value of intangible assets

Why significant	How our audit addressed the key audit matter
At 30 June 2020, the Group's consolidated statement of financial position included goodwill and other intangible assets amounting to $2,325m, representing 64% of total assets. As disclosed in Note 3.6 to the financial statements, the Directors have assessed goodwill and other intangible assets for impairment and recorded an impairment charge of $591.8m for the year. This assessment involved critical accounting estimates and assumptions, based upon conditions existing as at 30 June 2020, specifically concerning factors such as forecast cashflows, discount rates and terminal growth rates. The estimates and assumptions relate to future performance, market and economic conditions. At 30 June 2020 the Group's performance and the economy as a whole, were impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets. In this situation the disclosures in the financial report provide particularly important information about the assumptions made in the impairment testing and the market conditions at 30 June 2020. As a result, we consider the impairment testing of goodwill and other intangible assets and the related disclosures in the financial report to be particularly significant to our audit. For the same reasons we consider it important that attention is drawn to the information in Note 3.6.	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 assets 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. ▸ Consideration of the effects of the change in cash-generating unit as disclosed in Note 3.6 on impairment testing. ▸ Testing 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. ▸ Consideration of the adequacy of the disclosures relating to intangible assets in the financial statements, including those made with respect to judgements and estimates, in particular those concerning the uncertainties caused by COVID-19.

Building a better working world

2. Valuation of program rights

Why significant	How our audit addressed the key audit matter
At 30 June 2020, the program rights balance of \$333m included \$214m of current and \$119m 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 recoverability of program rights involves judgement, relating to forecasting the amount 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. ▸ Assessment of the impact of COVID-19 on the amount, timing of rights payments, and forecasts of future revenue to be generated by these rights. This assessment included those for sporting rights acquired and expensed during the year. ▸ 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.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Building a better working world

- 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, actions taken to eliminate threats or safeguards applied.

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 27 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Nine Entertainment Co. Holdings Limited for the year ended 30 June 2020, 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
27 August 2020

Shareholder Information

Top 20 Shareholders

Twenty largest shareholders as at 8 September 2020.

	Name	Shares	%
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	538,261,094	31.56
2.	JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	261,401,038	15.33
3.	BIRKETU PTY LTD	254,760,442	14.94
4.	CITICORP NOMINEES PTY LIMITED	190,770,931	11.19
5.	NATIONAL NOMINEES LIMITED	114,133,941	6.69
6.	BNP PARIBAS NOMS PTY LTD	28,234,477	1.66
7.	CS THIRD NOMINEES PTY LIMITED	20,638,182	1.21
8.	BNP PARIBAS NOMINEES PTY LTD	19,774,653	1.16
9.	CITICORP NOMINEES PTY LIMITED	10,943,554	0.64
10.	BOND STREET CUSTODIANS LIMITED	8,535,447	0.50
11.	NAVIGATOR AUSTRALIA LTD	7,732,291	0.45
12.	UBS NOMINEES PTY LTD	6,954,181	0.41
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	5,271,349	0.31
14.	PACIFIC CUSTODIANS PTY LIMITED	5,240,911	0.31
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	5,038,615	0.30
16.	UBS NOMINEES PTY LTD	4,197,824	0.25
17.	CS FOURTH NOMINEES PTY LIMITED	3,839,366	0.23
18.	POWERWRAP LIMITED	2,959,651	0.17
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,745,664	0.16
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,661,899	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

The substantial shareholders as at 8 September 2020.

Name	Total Shares	%
BIRKETU PTY LTD/BRUCE GORDON	254,760,442	14.94
PENDAL GROUP	151,262,076	8.87
FRANKLIN RESOURCES INC/LEGG MASON	125,050,615	7.33
FIL LIMITED	97,384,206	5.71
NATIONAL AUSTRALIA BANK	85,483,498	5.01

RANGE	NO. OF HOLDERS	%
1 to 1,000	8,617	34.49
1,001 to 5,000	9,232	36.95
5,001 to 10,000	3,151	12.62
10,001 to 100,000	3,766	15.07
100,001 and Over	216	0.86
Total	**24,982**	**100.00**
Unmarketable Parcels	676	2.71

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

Nine Entertainment Co. Holdings Limited
ABN 60 122 203 892

Annual General Meeting

Nine will be holding its Annual General Meeting as a virtual meeting in 2020, as a result of the restrictions on travel and public gatherings which are currently in force. The AGM will be held on 12 November 2020, commencing at 10am AEST. Information on how to join the virtual AGM will be available with the Notice of Meeting.

Financial Calendar 2021

Interim Result	24 February 2021
Preliminary Final Result	25 August 2021
Annual General Meeting	11 November 2021

Company Secretary

Rachel Launders

Registered office

Nine Entertainment Co. Holdings Limited
Level 9, 1 Denison Street,
North Sydney, NSW 2060

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