Nine Entertainment Co. Holdings Limited

Financial report for the half year ended 31 December 2013

27 February 2014: Nine Entertainment Co. Holdings Limited (ASX:NEC) today announced its half yearly results for the half year ended 31 December 2013.

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

1. Appendix 4D
2. Financial Report for the half year ended 31 December 2013

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Nine Entertainment Co. Holdings Limited
Appendix 4D
Half Year Report
For the half year ended 31 December 2013
Previous corresponding period 31 December 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		$'000
Reported		
Revenue from ordinary activities	Up 22.2% to	802,732
Profit from ordinary activities after tax attributable to members	nm [1]	31,679
Net profit for the period attributable to members	nm [1]	31,679

[1] Calculation not meaningful

	Corresponding period	Current period
Net tangible asset backing per ordinary security (cents)	-	-

There have been no dividends proposed during or subsequent to the interim period.

Refer to Note 7 in the attached Half Year Report for details of entities for which the Company has gained control during the period.

DIRECTORS' REPORT

The Directors present their financial report for the half year ended 31 December 2013. The financial report includes the results of Nine Entertainment Co. Holdings Limited (formerly Nine Entertainment Co. Holdings Pty Limited) (the "Company") and the entities that it controlled during the period (the "Group").

Directors

The Directors of Nine Entertainment Co. Holdings Limited in office during the period and up until the date of this report and their appointment dates are:

Name	Date Appointed
David Haslingden	6 February 2013
David Gyngell	25 November 2010
Peter Costello	6 February 2013
Kevin Crowe Jr	6 February 2013
Edgar Lee	6 February 2013
Hugh Marks	6 February 2013
Steve Martinez	6 February 2013
Joanne Pollard	6 February 2013
Rajath Shourie	6 February 2013

Trading Results

The consolidated net profit of the Group for the period after income tax was $31,679,000 (31 December 2012: loss of $94,132,000).

Dividends

The directors do not recommend payment of a dividend for the period ended 31 December 2013 (31 December 2012: nil).

Operating and Financial Review

Financial Results

For the period to 31 December 2013, the Group reported a consolidated net profit after income tax of $31,679,000 (31 December 2012: loss of $94,132,000).

The Group's revenues from continuing operations for the period to 31 December 2013 were $802,732,000 (31 December 2012: $656,715,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) including share of associates' net profit and before specific items (refer to Note 3(d)) from continuing operations for the period ended 31 December 2013 was $185,378,000 (31 December 2012: $125,564,000).

The Group's cash flows from operations for the period to 31 December 2013 were $149,892,000 (31 December 2012: used in operating activities $4,305,000).

Initial Public Offering ("IPO")

On 6 December 2013, the Company completed an initial public offering ("IPO") with an issue of 134,146,341 million ordinary shares at a price of $2.05 raising $275.0 million and was listed on the Australian Stock Exchange. The cash obtained as part of the IPO allowed the Company to repay debt and provides the Group with the financial capacity to execute its growth strategy.

DIRECTORS' REPORT (continued)

Acquisitions

During the period, the Company completed the following acquisitions:

Company acquired	Acquisition date	Interest acquired %	Interest after acquisition %
Channel 9 South Australia Pty Limited	1 July 2013	100	100
Swan Television & Radio Broadcasters Pty Ltd	30 September 2013	100	100
ninemsn Pty Limited	1 November 2013	16.67 [1]	66.67 [1]

[1] During the period, the Company agreed to acquire the remaining 50% interest in ninemsn Pty Limited ("Mi9") it did not already own to effectively gain control as of 1 November 2013 (refer to Note 7(c)). As a consequence, the results of Mi9 have been consolidated from 1 November 2013 with equity accounting ceasing at that time. The actual transfer of shares during the period was 16.67%, taking the legal ownership to 66.67% at the end of the period, with the remaining shares to be transferred on 1 July 2014 and 1 July 2015.

Nine Television

With the acquisitions of Channel 9 South Australia Pty Limited and Swan Television & Radio Broadcasters Pty Ltd, the Group now has a presence in the 5 metro free-to-air television markets in Australia.

Revenue increased by $60.5 million (10.5%) from the comparative period. The acquisitions during the period contributed $29.8 million to this increase. The remaining increase is a result of improved revenue share and market growth.

The EBITDA result for television increased by $45.9 million (47.8%) from the comparative period. The acquisitions during the period contributed $14.8 million to the increase in EBITDA. The remaining increase reflects the benefits of increased revenue.

Nine Events

Revenue increased by $60.2 million (80.8%) from the comparative period. The increase is primarily a result of the growing Nine Live promoter business and an increase in event volumes at Allphones Arena.

The EBITDA result for Nine events increased by $14.2 million (54.6%) from the comparative period. The increase is due to the improved performance of all principle business units within the Events segment.

Nine Digital

During the period, the Company agreed to the acquisition of the 50% of Mi9 which it did not already own. The acquisition of the remaining interest gives the Group control over Mi9 allowing greater flexibility in pursuing other digital opportunities.

In the comparative period and up to 31 October 2013, the Company equity accounted its 50% investment in Mi9.

In December, Mi9 announced a joint venture with The Daily Mail Group to bring the Daily Mail to Australia in 2014 providing original Australian content and leveraging the global resources of the Daily Mail Group, Mi9 and the Group.

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.

Auditor's Independence

The Directors have received the Auditor's Independence Declaration, a copy of which is included on page 6.

DIRECTORS' REPORT (continued)

Rounding

The amounts contained in this report and the financial statements have been rounded off to the nearest thousand dollars (where rounding is applicable) under the option available to the Group under ASIC Class Order 98/0100. Nine Entertainment Co. Holdings Limited is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors.

David Haslingden
Chairman

David Gyngell
Chief Executive Officer and Director

Sydney, 27 February 2014

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

In relation to our review of the financial report of Nine Entertainment Co. Holdings Limited for the half year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst + Young

Ernst & Young

John Robinson
Partner
27 February 2014

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Continuing operations			
Revenues	3	**802,732**	656,715
Expenses	3	**(704,394)**	(559,291)
Finance costs	3	**(38,812)**	(186,276)
Share of profits of associate entities	8	**4,903**	8,863
Profit/(loss) from continuing operations before income tax		**64,429**	(79,989)
Income tax expense	5	**(32,750)**	(2,420)
Profit/(loss) from continuing operations after income tax		**31,679**	(82,409)
Discontinued operations			
Loss from discontinued operations after income tax – Australian Consolidated Press Limited Group	6	**-**	(11,723)
Net profit/(loss) for the period		**31,679**	(94,132)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**56**	(534)
Reclassification of foreign currency translation reserve to loss from discontinued operations	6	**-**	22,089
Fair value movement in investment in listed or unlisted equities		**161**	8,119
Fair value movement in cash flow hedges		**11,492**	28,603
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on defined benefit plan		**5,455**	-
Other comprehensive income for the period		**17,164**	58,277
Total comprehensive income/(loss) for the period		**48,843**	(35,855)
Profit/(loss) for the period is attributable to:			
Equity holders of the parent		**31,679**	(93,772)
Non-controlling interest		**-**	(360)
Total profit/(loss) for the period		**31,679**	(94,132)
Comprehensive income/(loss) for the period is attributable to:			
Equity holders of the parent		**48,843**	(35,495)
Non-controlling interest		**-**	(360)
Total comprehensive income/(loss) for the period		**48,843**	(35,855)
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent	18	**3.9 cents**	nm[1]
Diluted, profit for the year attributable to ordinary equity holders of the parent	18	**3.9 cents**	nm[1]
Earnings per share for continuing operations			
Basic, profit from continuing operations attributable to ordinary equity holders of the parent	18	**3.9 cents**	nm[1]
Diluted, profit from continuing operations attributable to ordinary equity holders of the parent	18	**3.9 cents**	nm[1]

[1] nm – not meaningful. Refer to Note 18.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 Dec 2013 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents	14	429,422	392,450
Trade and other receivables		301,293	263,974
Inventories		960	742
Program rights		170,141	172,187
Derivative financial instruments	17	2,175	9,085
Other assets		27,811	20,590
Total current assets		931,802	859,028
Non-current assets			
Receivables		3,165	3,066
Program rights		67,534	67,092
Investments in associates accounted for using the equity method	8	37,599	136,507
Investment in listed or unlisted equities		17,508	17,349
Property, plant and equipment		182,853	161,160
Licences	9	593,353	344,669
Other intangible assets	10	1,381,540	1,222,243
Deferred tax assets	5	6,329	-
Derivative financial instruments	17	151,617	91,448
Other assets		91,921	86,466
Total non-current assets		2,533,419	2,130,000
Total assets		3,465,221	2,989,028
Current liabilities			
Trade and other payables		492,194	401,393
Interest-bearing loans and borrowings	11	5,582	32,940
Current income tax liabilities		2,002	7
Provisions	12	45,331	57,769
Derivative financial instruments	17	16,658	-
Total current liabilities		561,767	492,109
Non-current liabilities			
Payables		95,600	70,195
Interest-bearing loans and borrowings	11	892,357	865,310
Deferred tax liabilities	5	46,839	21,462
Provisions	12	55,291	56,311
Total non-current liabilities		1,090,087	1,013,278
Total liabilities		1,651,854	1,505,387
Net assets		1,813,367	1,483,641
Equity			
Contributed equity	13	862,723	2,773,295
Reserves		35,088	17,278
Retained earnings/(accumulated losses)		915,556	(1,306,932)
Total equity attributable to equity holders of the parent		1,813,367	1,483,641

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Note	31 Dec 2013 $'000	31 Dec 2012 $'000
Cash flows from operating activities			
Receipts from customers		845,576	1,009,800
Payments to suppliers and employees		(648,267)	(894,318)
Dividends received – associates	8	1,017	3,900
Interest received		2,665	6,136
Interest and other costs of finance paid		(29,810)	(129,823)
Income tax paid		(21,289)	-
Net cash flows from/(used in) operating activities		149,892	(4,305)
Cash flows from investing activities			
Purchase of property, plant and equipment and venue ticketing rights		(25,916)	(16,391)
Proceeds on disposal of property, plant and equipment		20	13
Acquisition of entities, net of cash acquired	7	(329,039)	-
Proceeds on disposal of subsidiary	6	-	485,652
Sale of investments in listed or unlisted equities		-	317
Net cash flows from/(used in) investing activities		(354,935)	469,591
Cash flows from financing activities			
Proceeds of share issue	13	275,001	-
Payment of share issue costs		(23,058)	-
Buy back of shares		-	(1,555)
Proceeds from borrowings, net of costs		193,878	-
Repayment of borrowings		(203,806)	(493,442)
Distributions to non-controlling interests		-	(762)
Net cash flows from/(used in) financing activities		242,015	(495,759)
Net increase/(decrease) in cash and cash equivalents		36,972	(30,473)
Cash and cash equivalents at the beginning of the financial year		392,450	272,109
Cash and cash equivalents at the end of the period	14	429,422	241,636

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Contributed equity $000	Foreign currency translation reserve $000	Net unrealised gains reserve $000	Cash flow hedge reserve $000	Share based payments reserve $000	Other reserve $000	Retained earnings/ accumulated losses $000	Owners of the parent - total $000	Non-controlling interest $000	Total equity $000
At 1 July 2013	2,773,295	(2,852)	4,918	12,041	-	3,171	(1,306,932)	**1,483,641**	-	**1,483,641**
Profit for the period	-	-	-	-	-	-	31,679	**31,679**	-	**31,679**
Other comprehensive income for the period	-	56	5,616	11,492	-	-	-	**17,164**	-	**17,164**
Total comprehensive income for the period	**-**	**56**	**5,616**	**11,492**	**-**	**3,171**	**31,679**	**48,843**	**-**	**48,843**
Transactions with owners in their capacity as owners:										
Issue of shares	275,001	-	-	-	-	-	-	**275,001**	-	**275,001**
Transaction costs, net of tax	(7,369)	-	-	-	-	-	-	**(7,369)**	-	**(7,369)**
Issue of shares to employees and directors	12,605	-	-	-	-	-	-	**12,605**	-	**12,605**
Share based payment expense	-	-	-	-	646	-	-	**646**	-	**646**
Capital reduction	(2,190,809)	-	-	-	-	-	2,190,809	-	-	-
At 31 December 2013	**862,723**	**(2,796)**	**10,534**	**23,533**	**646**	**3,171**	**915,556**	**1,813,367**	**-**	**1,813,367**

	Contributed equity $000	Foreign currency translation reserve $000	Net unrealised gains reserve $000	Cash flow hedge reserve $000	Share based payments reserve $000	Other reserve $000	Accumulated losses $000	Owners of the parent - total $000	Non-controlling interest $000	Total equity $000
At 1 July 2012	1,329,981	(25,577)	(3,465)	(62,445)	3,965	-	(2,494,789)	(1,252,330)	774	**(1,251,556)**
Loss for the period	-	-	-	-	-	-	(93,772)	(93,772)	(360)	**(94,132)**
Other comprehensive income for the period	-	21,555	8,119	28,603	-	-	-	58,277	-	**58,277**
Total comprehensive income for the period	**-**	**21,555**	**8,119**	**28,603**	**-**	**-**	**(93,772)**	**(35,495)**	**(360)**	**(35,855)**
Transactions with owners in their capacity as owners:										
Share buy-back	(1,627)	-	-	-	-	-	-	(1,627)	-	**(1,627)**
Dividends paid	-	-	-	-	-	-	-	-	(762)	**(762)**
Share based payment	-	-	-	-	(1,302)	-	-	(1,302)	-	**(1,302)**
Transfer to parent	-	-	-	-	-	-	-	-	348	**348**
At 31 December 2012	**1,328,354**	**(4,022)**	**4,654**	**(33,842)**	**2,663**	**-**	**(2,588,561)**	**(1,290,754)**	**-**	**(1,290,754)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nine Entertainment Co. Holdings Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded.

The consolidated financial statements of the Group for the half year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Directors on 27 February 2014.

a) Basis of preparation

The consolidated financial statements for the half year ended 31 December 2013 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The financial report for the period does not include all notes of the type normally included within an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as an annual financial report.

The financial report for the period should be read in conjunction with the annual financial report of Nine Entertainment Co. Holdings Limited as at 30 June 2013 and the Prospectus lodged with the Australian Securities and Investments Commission ("ASIC") on 8 November 2013.

The financial report for the period is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applied.

b) Changes in accounting policies

AASB 119 Employee Benefits

In September 2011, a Revised AASB 119 *Employee Benefits* ("AASB 119") was issued and is effective for the Group for the year ending 30 June 2014. Management have reviewed the impact from adoption of this standard. AASB 119 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in Other Comprehensive Income and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised.

The revisions to AASB 119 have been applied during the current period as the changes were not material to prior periods, as such there was not an impact to the profit or loss in the comparative period in relation to the change in the accounting for the interest expense or the unvested past service costs of the defined benefit plan. This has no impact on the Group's consolidated basic and diluted EPS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other accounting standards adopted

In addition, the following accounting standards are effective for the year ended 30 June 2014 and have been adopted by the Group for the period. Adoption of these standards did not have a material impact on the Group's financial position or financial performance:

- AASB 10 *Consolidated Financial Statements* – replaces parts of AASB 127 *Consolidated and Separate Financial Statements,* changing the definition of control such that an investor controls an investee when it 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. The application of this standard does not impact the Group's consolidated financial statements.
- AASB 11 *Joint Arrangements* – replaces AASB 131 *Interests in Joint Ventures* removing the option to account for jointly controlled entities using proportionate consolidation, instead accounting for joint ventures using the equity method. . The application of this standard does not impact the Group's consolidated financial statements.
- AASB 12 *Disclosure of Interest in Other Entities* – disclosure requirements only relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Additional disclosures required under the standard are included in Note 7.
- AASB 13 *Fair Value Measurement* – provides guidance on how to measure fair value when fair value is required or permitted. The application of AASB 13 has not materially impacted the fair value measurements carried out by the Group. Additional disclosures required under the standard are included in Note 17.
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* – addresses a range of improvements including permitting the repeat application of AASB 1 and clarification of the comparative information requirements when an entity provides a third balance sheet as required per AASB 101 *Presentation of Financial Statements*. The application of this standard does not impact the Group's consolidated financial statements.

Accounting policies

Apart from the adoption of the accounting standards discussed above, the accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2013 annual financial report.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

c) Use of estimates

In conforming with generally accepted accounting principles, the preparation of financial statements for the Group requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

2. SEGMENT INFORMATION

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

- Television - includes free to air television activities.
- Events - includes Ticketek, a ticketing partner to the sports and live entertainment industry, the operation of Allphones Arena, a multipurpose indoor facility and a number of other event related businesses.
- Digital - ninemsn Pty Limited. The Company accounted for ninemsn Pty Limited as an associate until a controlling interest was acquired effective 1 November 2013 and the results were consolidated into the Group from that date (refer to Note 7(c)).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Australian Consolidated Press Limited was disposed of in September 2012 and was included as discontinued operations in the consolidated statement of comprehensive income. It was not classified as part of the segments identified above.

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.

Period ended 31 December 2013	Television $'000	Events $'000	Digital $'000	Consolidated $'000
a) Segment revenue				
Operating revenue	637,084	134,645	27,945	799,674
Inter-segment revenue	178	3,939	76	4,193
Total segment revenue	**637,262**	**138,584**	**28,021**	**803,867**
Reconciliation of segment revenue from continuing operations to the Consolidated Statement of Comprehensive Income				
Interest income				3,058
Inter-segment eliminations				(4,193)
Segment revenue from continuing operations per the Consolidated Statement of Comprehensive Income				**802,732**
b) Segment result				
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	141,921	40,072	6,129	188,122
Depreciation and amortisation	(11,506)	(12,287)	(280)	(24,073)
Segment earnings before interest and tax (EBIT)	**130,415**	**27,785**	**5,849**	**164,049**
Share of associates' net profit after tax				4,903
EBIT after share of associates				**168,952**
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income				
Corporate costs				(7,659)
Specific items (refer to Note 3)				(61,110)
Finance income				3,058
Finance costs				(38,812)
Profit from continuing operations before tax per the Consolidated Statement of Comprehensive Income				**64,429**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Period ended 31 December 2012	Television $'000	Events $'000	Digital $'000	Consolidated $'000
a) Segment revenue				
Operating revenue	576,624	74,481	-	651,105
Inter-segment revenue	649	1,689	-	2,338
Total segment revenue	**577,273**	**76,170**	**-**	**653,443**
Reconciliation of segment revenue from continuing operations to the Consolidated Statement of Comprehensive Income				
Interest income				5,571
Other corporate revenue				39
Inter-segment eliminations				(2,338)
Segment revenue from continuing operations per the Consolidated Statement of Comprehensive Income				**656,718**
b) Segment result				
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	96,024	25,913	-	121,937
Depreciation and amortisation	(10,335)	(11,278)	-	(21,613)
Segment earnings before interest and tax (EBIT)	**85,689**	**14,635**	**-**	**100,324**
Share of associates' net profit after tax				8,863
EBIT after share of associates				**109,187**
Reconciliation of segment EBIT after share of associates to profit from continuing operations before tax to the Consolidated Statement of Comprehensive Income				
Corporate costs				(5,248)
Specific items (refer to Note 3)				(3,223)
Finance income				5,571
Finance costs				(186,276)
Loss from continuing operations before tax per the Consolidated Statement of Comprehensive Income				**(79,989)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. REVENUE AND EXPENSES

Profit/(loss) from continuing operations before income tax includes the following revenues and expenses:

	31 Dec 2013 $'000	31 Dec 2012 $'000
a) Revenues and income from continuing operations		
Revenue from rendering services	799,674	651,094
Profit on sale of non-current assets	-	50
Interest	3,058	5,571
Total revenue from continuing operations	**802,732**	656,715
b) Expenses from continuing operations		
Television activities	506,667	491,755
Other activities	197,727	67,536
Total expenses from continuing operations	**704,394**	559,291
c) Other expense disclosures from continuing operations (included in expenses (b) above)		
Depreciation of non-current assets		
Buildings	1,500	1,345
Plant and equipment	11,352	10,400
Total depreciation	**12,852**	11,745
Amortisation of non-current assets		
Plant and equipment under finance lease	37	49
Leasehold property	718	678
Ticketing rights	9,326	8,495
Other assets	1,153	659
Total amortisation	**11,234**	9,881
Total depreciation and amortisation expense	**24,086**	21,626
Salary and employee benefit expense (excluding specific items)	**159,194**	136,468
Program rights	**244,590**	239,459
d) Specific items from continuing operations *Included in expenses (b) above:*		
Reversal of previous impairment of Mi9	**(7,547)**	-
Mark to market of derivatives	**6,975**	-
Acquisition related costs	**18,484**	-
Withholding tax provision (refer to Note 12)	**10,700**	-
Transaction costs for IPO related activities	**31,084**	-
Other	**1,414**	3,223
Total specific items included in expenses (b) above	**61,110**	3,223
e) Finance costs from continuing operations		
Interest on debt facilities	31,426	176,016
Amortisation of debt facility and derivative establishment costs	3,427	10,248
Finance leases	9	12
Write-off of debt establishment fees for debt repaid	3,950	-
Total finance costs from continuing operations	**38,812**	186,276

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. DIVIDENDS PAID AND PROPOSED

Nine Entertainment Co. Holdings Limited did not declare or pay any dividends during the period and has not declared any dividend subsequent to 31 December 2013 (31 December 2012: nil).

5. INCOME TAX

	31 Dec 2013 $'000	31 Dec 2012 $'000
a) Income tax expense		
The prima facie tax expense, using tax rates applicable in the country of operation, on profit or loss differs from income tax provided in the financial statements as follows:		
Profit/(loss) from continuing operations	64,429	(79,989)
Loss from discontinued operations – Australian Consolidated Press Limited	-	(8,702)
Profit/(loss) before income tax	64,429	(88,691)
Prima facie income tax expense/(benefit) at the Australian rate of 30%	19,329	(26,607)
Tax effect of:		
Share of associates' net profits	(620)	(2,641)
Loss on disposal and acquisition of investments and assets	4,433	5,493
Debt deduction denied under thin capitalisation regime	-	21,916
Share based payments (including IPO related share based payments)	4,086	-
Withholding tax provision	3,210	-
Prior year adjustments from discontinued operations	-	2,452
Tax losses not recognised	-	2,284
Other items – net	2,312	2,544
Income tax expense	32,750	5,441
Current tax expense/(benefit)	10,859	(12,097)
Deferred tax expense/(benefit) relating to the origination and reversal of temporary differences	21,891	17,538
Income tax expense	32,750	5,441
Aggregate income tax expense is attributable to:		
Continuing operations	32,750	2,420
Discontinued operations	-	3,021
Income tax expense	32,750	5,441
b) Deferred income taxes		
Deferred tax assets	6,329	-
Deferred tax liabilities	(46,839)	(21,462)
Net deferred income tax liabilities	(40,510)	(21,462)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	31 Dec 2013 $'000	30 June 2013 $'000	P&L Expense Movement $'000
c) Deferred income tax assets and liabilities at the end of the period			
TV licence fees accrued	**10,101**	14,585	4,484
Employee benefits provision	**12,710**	10,917	(1,793)
Other provisions and accruals	**36,375**	32,944	(3,430)
Income tax losses carried forward	**18,464**	64,684	46,220
Investments in associates	**(3,242)**	(1,869)	1,373
Accelerated depreciation for tax purposes	**(132,007)**	(153,493)	(21,486)
Derivative instruments	**-**	22	22
Other	**17,089**	10,748	(3,498)
Net deferred income tax liabilities	**(40,510)**	(21,462)	21,891
d) Deferred income tax assets not brought to account			
Capital losses	**128,613**	126,535	

Deferred income tax of $3,157,000 (31 December 2012: $12,258,000) has been charged directly to equity in relation to the transaction costs for the issuance of capital (refer to Note 13).

6. DISCONTINUED OPERATIONS

On 30 September 2012 the Group sold its 100% shareholding in its subsidiary Australian Consolidated Press Limited.

	31 December 2012 $'000
a) Financial performance of the operations disposed for the period:	
Revenue	149,277
Expenses	(139,515)
Finance costs	(55)
Share of associated entity profit/(loss)	(60)
Loss on disposal [1]	(18,349)
Loss before tax	(8,702)
Income tax expense	(3,021)
Loss for the period from discontinued operations	(11,723)
b) The net cash flows of the Australian Consolidated Press Limited Group are as follows:	
Operating activities	13,686
Investing activities	(20)
Financing activities	(762)
Net cash inflow	12,904
Cash consideration (net of associated costs)	485,652
Less cash and cash equivalents balance disposed of	-
Reflected in the consolidated statement of cash flows	485,652
c) Earnings per share	
Basic and diluted, loss for the period to disposal from discontinued operation	nm [2]

[1] The loss on disposal includes the recognition of the foreign currency translation reserve loss of $22,089,000 through profit and loss.

[2] nm – not meaningful. Refer to Note 18.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. BUSINESS COMBINATIONS

a) Acquisition of Channel 9 South Australia Pty Limited

On 1 July 2013, the Company completed the acquisition of a 100% interest in Channel 9 South Australia Pty Limited ("Adelaide") for cash consideration of $139.5 million. The acquisition of Adelaide was completed to consolidate the Group's presence in the 5 metro free-to-air markets in Australia.

The Group has recognised the provisional fair values of identifiable assets and liabilities as follows:

	Fair value at acquisition date $'000
Cash	10
Receivables	14,348
Property, plant and equipment	13,712
Licenses	72,306
Deferred tax asset	701
Other assets	105
Total assets	**101,182**
Trade and other payables	10,069
Provisions	1,802
Total liabilities	**11,871**
Fair value of identifiable net assets	89,311
Goodwill arising on acquisition	50,189
Total purchase consideration	**139,500**
Cash outflow on acquisition	
Net cash acquired	10
Cash paid	(139,500)
Acquisition costs paid	(3,766)
Net cash outflow	**(143,256)**

Fair values recognised for property, plant and equipment and licences are provisional and within one year of the date of acquisition may be adjusted as a result of the finalisation of valuations with the corresponding adjustment to goodwill.

The fair value of receivables amounts to $14.3 million and the gross amount of receivables is $14.8 million. None of the receivables have been impaired and it is expected that the full contractual amount will be collected.

Goodwill of $50.2 million has been recognised as the purchase price exceeds the tangible and intangible assets and liabilities identified and is allocated to the television segment. None of the goodwill recognised is expected to be deductible for tax purposes.

From the date of acquisition, Adelaide has contributed $16.4 million of revenue and $6.9 million to the net profit before tax of the Group.

Acquisition costs of $4.4 million in relation to the acquisition are included in the Statement of Comprehensive Income (refer to Note 3(d)) during the period ended 31 December 2013.

b) Acquisition of Swan Television & Radio Broadcasters Pty Ltd

At the time of the acquisition of Adelaide, the Company also acquired an option, for consideration of $10.5 million, to acquire Swan Television & Radio Pty Ltd. On 30 September 2013, the Company completed the acquisition of a 100% interest in Swan Television & Radio Broadcasters Pty Ltd ("Perth") for cash consideration of $223 million. In conjunction with the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

acquisition of Adelaide, the acquisition of Perth was completed to consolidate the Group's presence in the 5 metro free-to-air markets in Australia.

At the completion of the transaction the payment of $10.5 million to acquire the option for Perth was written off through the Statement of Comprehensive Income within acquisition related costs (refer to Note 3(d)).

The Group has recognised the provisional fair values of identifiable assets and liabilities as follows:

	Fair value at acquisition date $'000
Cash	18
Receivables	21,256
Property, plant and equipment	7,370
Licences	176,378
Deferred tax asset	650
Other assets	622
Total assets	**206,294**
Trade and other payables	18,511
Provisions	1,652
Total liabilities	**20,163**
Fair value of identifiable net assets	**186,131**
Goodwill arising on acquisition	37,048
Total purchase consideration	**223,179**
Cash outflow on acquisition	
Net cash acquired	18
Cash paid	(223,179)
Acquisition costs paid	(12,805)
Net cash outflow	**(235,966)**

Fair values recognised for property, plant and equipment and licences are provisional and within one year of the date of acquisition may be adjusted as a result of the finalisation of valuations with the corresponding adjustment to goodwill.

The fair value of receivables amounts to $21.3 million and the gross amount of receivables is $21.5 million. None of the receivables have been impaired and it is expected that the full contractual amount will be collected.

Goodwill of $37.0 million has been recognised as the purchase price exceeds the tangible and intangible assets and liabilities identified and is allocated to the television segment. None of the goodwill recognised is expected to be deductible for tax purposes.

From the date of acquisition, Perth has contributed $13.4 million of revenue and $7.4 million to the net profit before tax of the Group.

Acquisition costs of $13.7 million, including the payment for the option, in relation to the acquisition are included in the Statement of Comprehensive Income (refer to Note 3(d)) during the period ended 31 December 2013.

c) Acquisition of remaining 50% of ninemsn Pty Limited

Effective 1 November 2013, the Company agreed with Microsoft to acquire the 50% of shares in ninemsn Pty Limited ("Mi9") which it did not already own for total cash consideration of US$39.4 million (A$40.8 million). The acquisition of the 50% interest in Mi9 will allow the Group better flexibility to realise its digital growth strategy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The payments of consideration and transfer of shares are to be completed in three equal tranches. The first tranche was completed on 1 November 2013 with the remaining two tranches to be completed on 1 July 2014 and 1 July 2015. The payments due to be paid on 1 July 2014 and 1 July 2015 are recorded as liabilities in the balance sheet and forward foreign currency contracts have been entered into for the USD amounts.

Prior to the acquisition of the remaining 50% share of Mi9, the Company held 50% of the interest of Mi9 and the investment was accounted for using the equity method. Mi9 has been 100% consolidated from 1 November 2013 and equity accounting ceased at that time. As the remaining consideration and transfer of shares has been agreed upon and the Company has effective control of Mi9, no non-controlling interest has been recorded.

At the time of the acquisition, the Company completed an assessment to determine the fair value of the assets acquired and liabilities assumed. This resulted in a $7.5 million reversal of previously recognised impairment.

The Group has recognised the provisional fair values of identifiable assets and liabilities as follows:

	Fair value at acquisition date $'000
Cash and cash equivalents	64,092
Receivables	36,293
Property, plant and equipment	937
Goodwill	9,771
Other intangible assets	6,361
Deferred tax assets	5,579
Other assets [1]	30,198
Total assets	**153,231**
Trade and other payables	19,807
Tax payable	20,780
Provisions	6,985
Other liabilities	636
Total liabilities	**48,208**
Fair value of identifiable net assets	**105,023**
Goodwill arising on acquisition	46,194
Purchase consideration	**151,217**
Made up of:	
Cash paid	13,854
Accrued consideration	26,979
Fair value of equity accounted investment (refer to Note 8)	110,384
Total purchase consideration	**151,217**
Cash inflow on acquisition	
Net cash acquired	64,092
Cash paid	(13,854)
Acquisition costs paid	(55)
Net cash inflow	**50,183**

[1] Other assets includes a $27.5 million loan receivable from the Group, upon consolidation this balance is eliminated.

Values recognised for tax and other payables are provisional and within one year of the date of acquisition may be adjusted with the corresponding adjustment to goodwill.
The fair value of the receivables amounts to $36.3 million and the gross amount of receivables is $36.5 million. None of the receivables have been impaired and it is expected that the full contractual amount will be collected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Goodwill of $46.2 million has been recognised as the purchase price exceeds the tangible and intangible assets and liabilities identified and is allocated to the digital segment. None of the goodwill recognised is expected to be deductible for tax purposes.

From the date control was obtained on 1 November 2013, Mi9 has contributed $27.9 million of revenue and $6.5 million to the net profit before tax of the Group.

Acquisition costs of $0.4 million in relation to the acquisition of Mi9 are included in the Statement of Comprehensive Income (refer to Note 3(d)) during the period ended 31 December 2013.

d) Impact of acquisitions

Had these acquisitions taken place at 1 July 2013, the impact to the Group's profit after income tax would have been an additional profit of $8.7 million and an increase to revenue of $64.0 million.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 Dec 2013 $'000	30 June 2013 $'000
a) Investments at equity accounted amount:		
Associated entities – unlisted shares	**37,599**	136,507

	31 Dec 2013 % interest [1]	30 June 2013 % interest [1]
b) Investments in associates		
ninemsn Pty Limited ("Mi9")	- [2]	50
Australian News Channel Pty Ltd	**33**	33
TX Australia Pty Ltd	**33**	33
Oztam Pty Ltd	**33**	33
RateCity Pty Limited	**50**	-

[1] The proportion of ownership interest is equal to the proportion of voting power held.

[2] During the period, the Company agreed to acquire the remaining 50% interest in Mi9 to effectively gain control as of 1 November 2013 (refer to Note 7(c)). As a consequence, the results of Mi9 are consolidated with the Group from 1 November 2013 and equity accounting ceased at that time. $2.8 million was included in the share of profits of associated entities for the period for Mi9's equity accounted results prior to consolidation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	31 Dec 2013 $'000	30 June 2013 $'000
c) Carrying amount of investments in associates		
Balance at the beginning of the period	136,507	245,516
Acquired during the period	43	-
Share of associates' net profit for the period	4,903	36,896
Dividends received or receivable	(1,017)	(25,270)
Reversal of impairment and write down of investments	7,547	(120,635)
Reclassification of associate to consolidated entity	(110,384)	-
Carrying amount of investments in associates at the end of the period	37,599	136,507
Represented by:		
Investments at equity accounted amount:		
ninemsn Pty Limited	-	100,000
Australian News Channel Pty Ltd	32,036	31,165
Other	5,563	5,342
Carrying amount of investments in associates at the end of the period	37,599	136,507

9. LICENCES

	31 Dec 2013 $'000	30 June 2013 $'000
Balance at the beginning of the period, net of accumulated impairment	344,669	344,669
Acquisitions of entities (refer to Note 7)	248,684	-
Balance at the end of the period, net of accumulated impairment	593,353	344,669
Cost (gross carrying amount)	1,450,353	1,201,669
Accumulated impairment	(857,000)	(857,000)
Net carrying amount	593,353	344,669

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER INTANGIBLE ASSETS

	Goodwill $'000	Venue Ticketing Rights $'000	Other [1] $'000	Total $'000
Period ended 31 December 2013				
At 1 July 2013, net of accumulated amortisation and impairment	**1,186,095**	**30,186**	**5,962**	**1,222,243**
Purchases	**-**	**18,901**	**1,312**	**20,213**
Acquisitions of entities (refer to Note 7)	**143,202**	**-**	**6,361**	**149,563**
Amortisation expense	**-**	**(9,326)**	**(1,153)**	**(10,479)**
At 31 December 2013, net of accumulated amortisation and impairment	**1,329,297**	**39,761**	**12,482**	**1,381,540**
Year ended 30 June 2013				
At 1 July 2012, net of accumulated amortisation and impairment	1,186,095	30,559	4,588	1,221,242
Purchases	-	17,347	3,043	20,390
Amortisation expense	-	(17,720)	(1,669)	(19,389)
At 30 June 2013, net of accumulated amortisation and impairment	1,186,095	30,186	5,962	1,222,243
At 31 December 2013				
Cost (gross carrying amount)	**1,662,297**	**96,942**	**21,300**	**1,780,539**
Accumulated amortisation and impairment	**(333,000)**	**(57,181)**	**(8,818)**	**(398,999)**
Net carrying amount	**1,329,297**	**39,761**	**12,482**	**1,381,540**
At 30 June 2013				
Cost (gross carrying amount)	1,519,095	80,446	13,627	1,613,168
Accumulated amortisation and impairment	(333,000)	(50,260)	(7,665)	(390,925)
Net carrying amount	1,186,095	30,186	5,962	1,222,243

[1] Includes capitalised development costs being an internally generated intangible asset.

11. INTEREST BEARING LOANS AND BORROWINGS

	31 Dec 2013 $'000	30 June 2013 $'000
Current		
Lease liabilities – secured [1]	**113**	135
Bank facilities – secured [2]	**5,469**	5,255
Loan from associate – unsecured (refer to Note 7(c))	**-**	27,550
Total current interest-bearing loans and borrowings	**5,582**	32,940
Non-current		
Lease liabilities – secured [1]	**16**	85
Bank facilities – secured [2]	**892,341**	865,225
Total non-current interest-bearing loans and borrowings	**892,357**	865,310

[1] The lease liabilities are secured by a charge over the assets.
[2] Includes unamortised financing costs of $22,815,000 (June 2013: $24,699,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. PROVISIONS

	Employee entitlements $'000	Onerous contracts $'000	Other $'000	Total $'000
Period ended 31 December 2013				
At 1 July 2013	**40,325**	**17,505**	**56,250**	**114,080**
Acquisitions of entities (refer to Note 7)	**8,056**	**-**	**2,383**	**10,439**
Utilised during the period	**(3,367)**	**(3,602)**	**(16,928)**	**(23,897)**
At 31 December 2013	**45,014**	**13,903**	**41,705**	**100,622**
Year ended 30 June 2013				
At 1 July 2012	37,066	47,695	10,670	95,431
(Utilised)/arising during the period	3,259	(30,190)	45,580	18,649
At 30 June 2013	40,325	17,505	56,250	114,080
At 31 December 2013				
Current	**23,617**	**6,386**	**15,328**	**45,331**
Non-current	**21,397**	**7,517**	**26,377**	**55,291**
Total at 31 December 2013	**45,014**	**13,903**	**41,705**	**100,622**
At 30 June 2013				
Current	21,413	10,314	26,042	57,769
Non-current	18,912	7,191	30,208	56,311
Total at 30 June 2013	40,325	17,505	56,250	114,080

Other provisions

During the period, a provision of $10.7 million was recognised relating to a dispute with the Australian Taxation Office ("ATO") regarding payments the Group made to the International Olympic Committee in relation to the exclusive Australian television broadcast rights for the 2010 Vancouver Winter Olympics and 2012 London Summer Olympic Games without deducting withholding tax. The Group has received a notice of assessment from the ATO and notwithstanding that the Group considers it has a strong position and has lodged an objection to the notice of assessment it has raised a provision for $10.7 million in respect of the amount in dispute. This matter was disclosed as a contingent liability in the 30 June 2013 financial report.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CONTRIBUTED EQUITY

	31 Dec 2013 $'000	30 June 2013 $'000
Issued share capital		
Ordinary shares fully paid	**862,723**	2,773,295
B Class shares fully paid	**-**	-
Issued share capital	**862,723**	2,773,295
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the period	**2,773,295**	1,325,183
Capital reduction	**(2,190,809)**	-
Issue of shares	**275,001**	1,460,000
Transaction costs related to the issue of shares	**(10,526)**	(16,982)
Deferred tax asset in relation to transaction costs	**3,157**	5,094
Issue of shares to employees and directors	**12,212**	-
Conversion of restricted share units	**393**	-
Carrying amount at the end of the period	**862,723**	2,773,295
Movements in issued share capital – B class shares		
Carrying amount at the beginning of the period	**-**	4,798
Buyback of shares	**-**	(1,627)
Transfer to other reserve	**-**	(3,171)
Carrying amount at the end of the period	**-**	-

	31 Dec 2013 Number	30 June 2013 Number
Issued share capital		
Ordinary shares fully paid	**940,295,023**	199,999,958
B Class shares fully paid	**-**	-
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the period	**199,999,958**	381,653,647,017
Consolidation of shares	**-**	(381,653,647,016)
Share split	**599,999,874**	-
Issue of shares	**134,146,341**	199,999,957
Issue of shares to employees and directors	**5,957,074**	-
Conversion of restricted share units	**191,776**	-
Carrying amount at the end of the period	**940,295,023**	199,999,958
Movements in issued share capital – B class shares		
Carrying amount at the beginning of the period	**-**	35,352,853
Share buyback	**-**	(35,352,853)
Carrying amount at the end of the period	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Capital reduction

The Company completed a capital reduction in the amount of $2,190.8 million during the period, with a corresponding increase to retained earnings as approved at the Company's Annual General Meeting on 21 October 2013.

Share split

At the Company's Annual General Meeting on 21 October 2013, a resolution was passed to approve the conversion of each ordinary share into four ordinary shares, resulting in an increase in the number of ordinary shares to 799,999,832 at the time.

Initial public offering

On 6 December 2013, the Company completed an initial public offering ("IPO") raising $275.0 million in funds by issuing 134.2 million shares at an issue price of $2.05 per share. Funds received were offset by $10.5 million in transaction costs incurred in relation to the issue of new shares in the Company.

In conjunction with the IPO, some of the existing shareholders sold a portion of their shares to new investors. The Company incurred transaction costs of $13.8 million in relation to the sale of these shares which were expensed through the Statement of Comprehensive Income (refer to Note 3(d)).

Additional costs, including management bonuses and share issues to employees and directors (discussed below), were incurred in relation to the IPO which were disclosed as part of "Transaction costs for IPO related activities" in Note 3(d).

Employee gift offer

As part of the completion of the IPO, the Company issued certain employees with ordinary shares in the Company to a value of $1,000 per employee for nil consideration. This resulted in the issue of 883,905 shares at an issue price of $2.05 for a cost of $1.8 million which is included in the Statement of Comprehensive Income as "Transaction costs for IPO related activities" in Note 3(d).

Senior management share offer

As part of the completion of the IPO, the Company issued two senior managers with ordinary shares in the Company. This resulted in the issue of 5,073,169 shares at an issue price of $2.05 for a cost of $10.4 million which is included in the Statement of Comprehensive Income as "Transaction costs for IPO related activities" in Note 3(d). These shares are subject to disposal restrictions for a period of three years from the date of issue.

Conversion of restricted share units

At the completion date of the IPO, the restricted share units ("RSU") issued to certain of the Directors in February 2013 were converted to ordinary shares. Each RSU was converted into four ordinary shares with a total of 191,776 ordinary shares issued at an issue price of $2.05. Refer to Note 16 for additional information.

14. CASH AND CASH EQUIVALENTS

	31 Dec 2013 $'000	30 June 2013 $'000
Cash on hand and at bank	**211,696**	191,263
Deposits at call	**81,447**	90,256
Cash held on Trust	**136,279**	110,931
Total cash and cash equivalents	**429,422**	392,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. CONTINGENT LIABILITIES AND RELATED MATTERS

Contingent liabilities are unsecured and relate primarily to the following:

	31 Dec 2013 $'000	30 June 2013 $'000
Controlled entities The consolidated entity has made certain guarantees regarding contractual, performance and other commitments	**9,538**	16,862

The probability of having to meet these contingent liabilities is remote, and therefore it is not practicable to disclose an indication of the uncertainties relating to each amount or the timing of any outflows.

16. SHARE-BASED PAYMENTS

Restricted share units ("RSU's")

On 6 February 2013, certain Directors were issued with RSU's which convert to ordinary shares (or a cash payment in lieu) under certain circumstances. All outstanding RSU's were converted into ordinary shares during the period. Refer to Note 13.

Performance rights

On 10 December 2013, the Company granted 6,183,414 performance rights ("Rights") to certain senior management. The Rights were issued at fair value of $2.05 per share resulting in a cost of $0.6 million for the half year 31 December 2013 which has been included in the share based payments reserve in equity. The Rights vest according to the following schedule:

Vesting date	% vesting	No. rights vesting
11 December 2014	33%	2,029,425
11 December 2015	33%	2,029,425
11 December 2016	33%	2,029,425

17. FINANCIAL INSTRUMENTS

Carrying value and fair values of financial assets and financial liabilities

For items not carried at fair value 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 cash and cash equivalents, trade and other receivables and interest-bearing loans and borrowings approximate their fair value.

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

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

Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data which includes discounted cash flows, the maturity date and interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair values are determined as follows:
Level 1: Investment in listed equities
Level 2: Cross currency hedges, forward foreign currency contract, option over Yellow Brick Road
Level 3: The Group does not have any financial assets or financial liabilities with a fair value determined using level 3
There were no transfers between the level 1 and level 2 fair value measurements during the period.

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

	31 December 2013		30 June 2013	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Derivative financial assets				
Cross currency cash flow hedges – current	-	-	8,137	8,137
Option over Yellow Brick Road – current	**1,448**	**1,448**	948	948
Forward foreign currency contracts - current	**727**	**727**	-	-
Cross currency cash flow hedges – non-current	**150,584**	**150,587**	91,448	91,448
Forward foreign currency contracts – non-current	**1,033**	**1,033**	-	-
Total derivative financial instruments - assets	**153,792**	**153,792**	100,533	100,533
Derivative financial liabilities				
Cross currency cash flow hedges – current	**16,658**	**16,658**	-	-
Total derivative financial instruments - liabilities	**16,658**	**16,658**	-	-
Investments in listed equities	**17,508**	**17,508**	17,348	17,348
Loan facilities – current				
Term B loan facility secured – at amortised cost	**9,206**	**9,206**	8,949	8,949
Loan from associate unsecured	-	-	27,550	27,550
Total loan facilities – current	**9,206**	**9,206**	36,499	36,499
Loan facilities – non-current				
Term B loan facility secured – at amortised cost	**911,418**	**911,418**	885,930	885,930
Total loan facilities – non-current	**911,418**	**911,418**	885,930	885,930
Total loan facilities	**920,624**	**920,624**	922,429	922,429

Foreign currency risk

During the period, the Group entered into United States Dollar ("USD") foreign currency forward contracts to hedge certain contracted USD payments. The terms of the foreign currency forwards contracts match the terms of the outstanding USD payments and have been assessed to be highly effective.

At the end of the period, an unrealised gain of $1.8 million in relation to the foreign currency forward contracts was included in Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Valuation techniques

The fair value of the cross currency cash flow hedges is measured based on observable BBSW and LIBOR interest rate curves, future forward exchange rates, interest rate swap rates, tenor swap rates, currency swap rates, interest rate and foreign currency volatilities and the spot exchange rate.

18. EARNINGS PER SHARE

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

	31 Dec 2013 $'000	30 Dec 2012 $'000
Net profit/(loss) attributable to ordinary equity holders of the parent from continuing operations	31,679	nm [1]
Loss attributable to ordinary equity holders of the parent from discontinued operations	-	nm [1]
Net profit/(loss) attributable to ordinary equity holders of the parent for basic and diluted earnings	31,679	nm [1]

	31 Dec 2013 No. '000	30 Dec 2012 No. '000
Weighted average number of ordinary shares for basic earnings per share	820,010	nm [1]
Effect of dilution:		
Restricted share units	166	nm [1]
Peformance rights	-	nm [1]
Weighted average number of ordinary shares adjusted for the effect of dilution	820,176	nm [1]

[1] nm – not meaningful. In February 2013 the Company consolidated its ordinary shares into one share (refer to Note 13). In October 2013 the Company completed a one for four share split (refer to Note 13). The application of accounting standards results in the weighted average number of shares for the comparative period being four (4) shares. Accordingly comparative earnings per share data is meaningless.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

To calculate the earnings per share amounts for discontinued operations (refer to Note 6), the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above.

19. 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.

nine entertainment co.

DIRECTORS' DECLARATION

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

(a) The financial statements and notes of Nine Entertainment Co. Holdings Limited for the half year ended 31 December 2013 are in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and

ii. complying with Accounting Standards and the *Corporations Regulations 2001*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

David Haslingden
Chairman

David Gyngell
Chief Executive Officer and Director

Sydney, 27 February 2014

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To the members of Nine Entertainment Co. Holdings Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Nine Entertainment Co. Holdings Limited ("the company"), which comprises the consolidated condensed statement of financial position as at 31 December 2013, the consolidated condensed statement of comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, notes comprising a summary of significant accounting and other explanatory information and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Nine Entertainment Co. Holdings Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Nine Entertainment Co. Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

i giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and

ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

Ernst & Young

John Robinson
Partner
Sydney
27 February 2014