



Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

22 February 2018: Nine Entertainment Co. Holdings Limited [ASX:NEC] today announced the half yearly results for the six months ended 31 December 2017 (H1 FY18).

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

1. Appendix 4D
2. H1 FY18 Financial Report

 **Results for Announcement to the Market**

Key Financial Information		Dec 2017 \$'000	Dec 2016 \$'000
Revenue, excluding specific items	Up 9% to	723,853	662,560
Profit/(Loss) after tax attributable to members	n/m	174,060	(236,883)
Net profit after tax, excluding specific items	Up 55% to	116,168	75,009

n/m means not meaningful

Dividends

An interim fully franked dividend of 5c has been declared payable on 18 April 2018.

Dividends	Amount per share cents	Franked amount per share cents
Final 2017 dividend per share (paid 19 October 2017)	5.0	5.0
Interim 2018 dividend per share (to be paid 18 April 2018)	5.0	5.0

The interim 2018 dividend was declared following the approval by the Directors of the 31 December 2017 Financial Report.

Interim 2018 Dividend Dates

Ex-dividend date 6 March 2018
 Record date 7 March 2018
 Payment date 18 April 2018

Net Tangible Assets per Share

	Dec 2017 cents	June 2017 cents
Net tangible asset backing per ordinary share	23.0	7.1
Net asset backing per ordinary share	127.6	111.7



Nine Entertainment Co. Holdings Limited

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Financial Report for the half year ended 31 December 2017

Directors' Report

The Directors present their financial report for the half year ended 31 December 2017. The financial report includes the results of Nine Entertainment Co. Holdings Limited (the "Company") and the entities that it controlled during the period (the "Group").

Directors

The Directors of the Company in office during the half year and up to the date of this report unless stated otherwise are as follows:

Name	Title	Date Appointed
Peter Costello	Independent Non-Executive Chairman	6 February 2013
Hugh Marks	Chief Executive Officer	6 February 2013
David Gyngell	Non-Executive Director	25 November 2010
Janette Kendall	Independent Non-Executive Director	5 June 2017
Samantha Lewis	Independent Non-Executive Director	20 March 2017
Catherine West	Independent Non-Executive Director	9 May 2016

Dividends

A fully franked final dividend of 5.0 cents per share, in respect of the year ended 30 June 2017, amounting to \$43,537,908 was paid during the period ended 31 December 2017 (31 December 2016: \$34,752,636). Since the end of the period, the Company has proposed an interim dividend in respect of the year ended 30 June 2018 of 5 cents per share fully franked amounting to \$43,568,660.

Operating and Financial Review

Financial Results

For the period to 31 December 2017, the Group reported a consolidated net profit after income tax of \$174,060,000 (31 December 2016: net loss of \$236,883,000). This result is after specific items, which included a gain on disposal of assets held for sale of \$78,161,000, revaluation of the derivative liabilities to acquire Pedestrian of \$12,890,000 (expense) and other specific net costs of \$3,155,000 (refer to Note 3(iv)). The profit after income tax and before specific items was \$116,168,000 (31 December 2016: \$75,009,000).

The Group's revenues from operations excluding specific items for the period to 31 December 2017 increased by \$61,293,000 (9%) to \$723,853,000 (31 December 2016: \$662,560,000).

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(iv)) for the period ended 31 December 2017 was \$181,269,000 (31 December 2016: \$119,750,000).

The Group's cash flows from operations for the period to 31 December 2017 were \$129,317,000 (31 December 2016: cash flows used in operations \$32,828,000).

Acquisition

During the current period, the Group did not acquire any interest in any new entities (31 December 2016: the Group acquired a 59.22% interest in CarAdvice.com Ltd).

Segmental Results

Television

Nine Network reported revenue of \$636,210,000, an increase of \$57,962,000 (10%) from the comparative period. The increase is primarily a result of a stronger Metro free-to-air market and an increase in Nine's share of market revenue.

EBITDA of \$171,926,000 represented an increase of \$62,504,000 (57%) from the comparative period. The increase principally reflects the impact of higher revenues noted above, the benefit of the change to the licence fee legislation (the benefit of the change in FY17 was booked in H2 in the prior year), as well as the benefit of ongoing cost controls.

Directors' Report (continued)

Nine Digital

Revenue of \$83,401,000 increased by \$5,112,000 (7%) and EBITDA of \$18,272,000 increased by \$4,503,000 (33%) from the comparative period. This is a result of a focus on more profitable revenue streams, particularly the 9Now video on demand platform, as well as firm cost controls.

Significant Events after the Balance Sheet Date

On 15 February 2018, the Group completed the refinancing of its existing corporate debt facilities. The new facilities comprise 3, 4 and 5 year revolving cash advance facilities, of \$400 million and a one year \$50 million working capital facility. These facilities replaced the \$500 million facilities existing at 31 December 2017. There are no material changes to the terms of the facilities or the permitted uses of funds.

On 5 February 2018, the Company completed the sale of its former operations site in Adelaide for \$9.5million. The sale was made under a contract with an unrelated party entered on 29 August 2017.

Other than noted above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future years.

Auditor's Independence

The Directors have received the Auditor's Independence Declaration, a copy of which is included on page 3.

Rounding

The amounts contained in this report and the financial statements have been rounded 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 in accordance with a resolution of the Directors.



Peter Costello
Chairman



Hugh Marks
Chief Executive Officer and Director

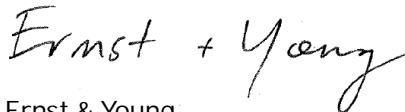
Sydney, 22 February 2018

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

As lead auditor for the review of Nine Entertainment Co. Holdings Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Ernst & Young



John Robinson
Partner
22 February 2018

Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2017

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenues	3	802,014	662,740
Expenses	3	(572,708)	(896,794)
Finance costs	3	(6,456)	(6,454)
Share of profits of associate entities		347	268
Profit/(Loss) before income tax expense		223,197	(240,240)
Income tax (expense)/benefit	5	(49,137)	3,357
Net profit/(loss) for the period attributable to equity holders		174,060	(236,883)
Earnings per share			
Basic profit/(loss) attributable to ordinary equity holders of the parent	15	\$0.20	(\$0.27)
Diluted profit/(loss) year attributable to ordinary equity holders of the parent	15	\$0.20	(\$0.27)
		\$'000	\$'000
Profit/(loss) for the year		174,060	(236,883)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		29	139
Items that will not be reclassified subsequently to profit or loss			
Fair value movement in investment in listed equities		1,227	14,584
Actuarial (loss)/gain on defined benefit plan		2,749	2,792
Other comprehensive income for the period		4,005	17,515
Total comprehensive income/(loss) for the period attributable to equity holders		178,065	(219,368)

Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31 Dec 2017 \$'000	30 June 2017 \$'000
Current assets			
Cash and cash equivalents		97,839	66,700
Trade and other receivables		266,962	261,339
Program rights		154,659	171,672
Other assets		59,329	44,092
Property, plant and equipment held for sale	6	11,769	50,941
Income tax receivable		-	12,647
Total current assets		590,558	607,391
Non-current assets			
Receivables		116,329	96,275
Program rights		63,357	63,356
Investments in associates accounted for using the equity method		12,171	12,324
Investment in listed or unlisted equities		6,873	5,646
Property, plant and equipment		125,883	129,289
Licences	8	477,784	477,784
Other intangible assets	8	433,543	434,230
Other assets		67,476	75,266
Total non-current assets		1,303,416	1,294,170
Total assets		1,893,974	1,901,561
Current liabilities			
Trade and other payables	9	227,642	248,399
Current income tax liabilities		28,865	-
Provisions	11	51,398	49,271
Derivative financial instruments	14	48,552	21,197
Total current liabilities		356,457	318,867
Non-current liabilities			
Payables	9	28,446	59,642
Interest-bearing loans and borrowings	10	144,053	291,175
Deferred tax liabilities		192,792	194,416
Provisions	11	45,164	34,693
Derivative financial instruments	14	15,220	29,068
Total non-current liabilities		425,675	608,994
Total liabilities		782,132	927,861
Net assets		1,111,842	973,700
Equity			
Contributed equity	12	749,688	748,627
Reserves		7,809	1,250
Retained earnings		354,345	223,823
Total equity attributable to equity holders		1,111,842	973,700

Consolidated Statement of Cash Flows
For the half year ended 31 December 2017

	Note	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash flows from operating activities			
Receipts from customers		779,538	749,205
Payments to suppliers and employees		(637,652)	(738,201)
Dividends received – associates		500	700
Interest received		1,130	833
Interest and other costs of finance paid		(4,950)	(5,436)
Income tax paid		(9,249)	(39,929)
Net cash flows from/(used in) operating activities		129,317	(32,828)
Cash flows from investing activities			
Purchase of property, plant and equipment		(10,956)	(13,748)
Purchase of other intangible assets		(3,960)	(4,741)
Proceeds on disposal of property, plant and equipment		124,976	66
Acquisition of subsidiaries, net of cash acquired		–	(17,405)
Loans to associates and joint ventures		(17,200)	(20,050)
Net proceeds from disposal of listed equities and associates		–	123,998
Net cash flows from investing activities		92,860	68,120
Cash flows from financing activities			
Proceeds from borrowings		164,500	190,000
Repayment of borrowings		(312,000)	(110,060)
Dividends paid	4	(43,538)	(34,753)
Net cash flows (used in)/from financing activities		(191,038)	45,187
Net increase in cash and cash equivalents		31,139	80,479
Cash and cash equivalents at the beginning of the financial year		66,700	42,860
Cash and cash equivalents at the end of the period		97,839	123,339

Consolidated Statement of Changes in Equity
For the half year ended 31 December 2017

	Contributed equity \$'000	Rights Plan Shares \$'000	Foreign currency translation reserve \$'000	Net unrealised gains reserve \$'000	Share based payments reserve \$'000	Other reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1 July 2017	751,998	(3,371)	(1,390)	(2,319)	1,788	3,171	223,823	973,700
Profit for the period	-	-	-	-	-	-	174,060	174,060
Other comprehensive income for the period	-	-	29	3,976	-	-	-	4,005
Total comprehensive income for the period	-	-	29	3,976	-	-	174,060	178,065

Vesting of Rights Plan shares (Note 13)	-	1,061	-	-	(1,061)	-	-	-
Share based payment expense (Note 13)	-	-	-	-	3,615	-	-	3,615
Dividends to shareholders	-	-	-	-	-	-	(43,538)	(43,538)
At 31 December 2017	751,998	(2,310)	(1,361)	1,657	4,342	3,171	354,345	1,111,842

	Contributed equity \$'000	Rights Plan Shares \$'000	Foreign currency translation reserve \$'000	Net unrealised gains reserve \$'000	Share based payments reserve \$'000	Other reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1 July 2016	751,998	(5,435)	(1,279)	2,567	1,987	3,171	480,830	1,233,839
Loss for the period	-	-	-	-	-	-	(236,883)	(236,883)
Other comprehensive income/(expense) for the period	-	-	139	17,376	-	-	-	17,515
Total comprehensive income/(expense) for the period	-	-	139	17,376	-	-	(236,883)	(219,368)
Vesting of Rights Plan shares (Note 13)	-	2,064	-	-	(2,064)	-	-	-
Share based payment expense (Note 13)	-	-	-	-	1,312	-	-	1,312
Dividends to shareholders	-	-	-	-	-	-	(34,753)	(34,753)
Transfer of fair value movement on disposal of listed equities	-	-	-	(20,335)	-	-	20,335	-
At 31 December 2016	751,998	(3,371)	(1,140)	(392)	1,235	3,171	229,529	981,030

Notes to the Consolidated Financial Statements

for the half year ended 31 December 2017

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 2017 were authorised for issue in accordance with a resolution of the Directors on 22 February 2018.

a) Basis of preparation

The condensed consolidated financial statements for the half year ended 31 December 2017 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 2017.

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

Comparative information provided in the consolidated financial statements has been reclassified where necessary to provide consistency with the current financial period.

b) Changes in accounting policies and accounting standards

The accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2017 annual financial report. The Group has not early adopted any further standards, interpretations or amendments that have been issued but are not yet effective.

The standards which may impact the Group's financial report are as follows:

- **AASB 15 Revenue from Contracts with Customers** - The AASB has issued a new standard for the recognition of revenue effective from 1 January 2018. This will replace AASB 118 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The Group is in the process of assessing the impact of this standard and has not yet concluded on the impact of the standard.
- **AASB 9 Financial Instruments** - AASB 9 was issued in phases, with the phased approach reflecting a number of versions of the standard being issued. The Company early adopted the version of AASB 9 (issued in June 2014) on 1 July 2014, which provided guidance on the classification and measurement of financial assets. On the adoption of AASB 9 (2014), those financial assets classified as either amortised cost, fair value through other comprehensive income or fair value through profit & loss were measured as such under AASB 9. The final complete standard, AASB 9 (2014), is effective for the Company commencing 1 July 2018. The new expected-loss impairment model requires credit losses to be recognised when financial instruments are first recognised and results in full lifetime expected credit losses recognised on a more timely basis. The key AASB 9 (2014) requirements that have not yet been adopted include the impairment of financial assets. These requirements will not have any material impact on the Group's financial statements.
- **AASB 16 Leases** – The AASB issued a new standard which, amongst other things, will have the impact of requiring the Group to account for material operating leases in a similar manner to which it already accounts for finance leases. The Group has not yet assessed the impact of this standard on the Group's financial statements.

 *Notes to the Consolidated Financial Statements*
for the half year ended 31 December 2017

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

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. Details of estimates and assumptions which may have an impact on the Group's financial statements are set out in note 1(e) of the 2017 annual financial report.

2. SEGMENT INFORMATION

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

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

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

Segment performance is evaluated based on segment EBITDA before specific items (refer to Note 3(iv)) which are included in corporate costs or disclosed separately in the table below. Group finance costs, interest income and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties and are eliminated on consolidation.

Period ended	Television	Digital	Consolidated
31 December 2017	\$'000	\$'000	\$'000
(i) Segment revenue			
Operating revenue	636,210	83,401	719,611
Inter-segment revenue	341	-	341
Total segment revenue	636,551	83,401	719,952
Reconciliation of segment revenue to the Consolidated Statement of Comprehensive Income			
Gain on sale of assets held for sale			78,161
Interest income			4,242
Inter-segment eliminations			(341)
Segment revenue per the Consolidated Statement of Comprehensive Income			802,014
(ii) Segment result			
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	171,926	18,272	190,198
Depreciation and amortisation	(12,712)	(5,260)	(17,972)
Segment earnings before interest and tax (EBIT)	159,214	13,012	172,226
Share of associates' net profit after tax			347
Corporate costs			(9,278)
EBIT after share of associates			163,295
Reconciliation of segment EBIT after share of associates to profit before tax to the Consolidated Statement of Comprehensive Income			
Interest income			4,242
Finance costs			(6,456)
Profit before tax and before specific items			161,081
Tax			(44,913)
Profit after tax and before specific items			116,168
Specific items (refer note 3(iv))			62,116
Tax on specific items			(4,224)
Profit after tax and specific items			174,060

2. SEGMENT INFORMATION (continued)

Period ended 31 December 2016	Television \$'000	Digital \$'000	Consolidated \$'000
(i) Segment revenue			
Operating revenue	578,248	78,289	656,537
Inter-segment revenue	371	-	371
Total segment revenue	578,619	78,289	656,908
Reconciliation of segment revenue to the Consolidated Statement of Comprehensive Income			
Interest income			3,335
Gain on sale of Australia News Channel Pty Ltd			180
Dividend received from investment in listed entity			2,688
Inter-segment eliminations			(371)
Segment revenue per the Consolidated Statement of Comprehensive Income			662,740
(ii) Segment result			
Segment earnings before interest, tax, depreciation and amortisation (EBITDA)	109,422	13,769	123,191
Depreciation and amortisation	(13,971)	(4,366)	(18,337)
Segment earnings before interest and tax (EBIT)	95,451	9,403	104,854
Share of associates' net profit after tax			268
Corporate costs			(3,711)
EBIT after share of associates			101,411
Reconciliation of segment EBIT after share of associates to profit before tax to the Consolidated Statement of Comprehensive Income			
Interest income			3,335
Finance costs			(6,454)
Profit before tax and before specific items			98,292
Tax			(23,283)
Profit after tax and before specific items			75,009
Specific items (refer note 3(iv))			(338,532)
Tax on specific items			26,640
Loss after tax and specific items			(236,883)
		2017	2016
Earnings/(loss) per share			
Basic and diluted profit/(loss) before specific items		\$0.13	\$0.09
Basic and diluted profit/(loss) after specific items		\$0.20	(\$0.27)

3. REVENUE AND EXPENSES

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Profit before income tax expense includes the following revenues and expenses:		
(i) Revenues and income from operations		
Revenue from rendering services	719,611	656,537
Interest income	4,242	3,335
Dividend received from investment in listed entity	–	2,688
Gain on disposal of assets held for sale (Note 6)	78,161	–
Gain on disposal of Australian News Channel Pty Ltd	–	180
Total revenues and income from operations	802,014	662,740
(ii) Expenses from operations		
Television activities	479,371	820,039
Other activities	93,337	76,755
Total expenses from operations	572,708	896,794
(iii) Other expense disclosures from operations (included in expenses (ii) above)		
<i>Depreciation of non-current assets</i>		
Buildings	274	989
Plant and equipment	11,985	12,668
Total depreciation	12,259	13,657
<i>Amortisation of non-current assets</i>		
Plant and equipment under finance lease	–	11
Leasehold property	1,067	857
Other assets	4,647	3,814
Total amortisation	5,714	4,682
Total depreciation and amortisation expense	17,973	18,339
Salary and employee benefit expense (included in expenses (ii) above)	201,165	172,587
Program rights (included in expenses (ii) above)	243,421	220,012
(iv) Specific items from operations included in income (i) and expenses (ii) above:		
Goodwill impairment (Note 8)	–	(260,000)
Program stock provision/write-down	–	(84,877)
Withholding tax	–	10,700
Mark to market of derivatives (Note 14)	(12,890)	(26)
Gain on disposal of assets held for sale (Note 6)	78,161	–
Gain on disposal of Australian News Channel Pty Ltd	–	180
Other	(3,155)	(4,509)
Total specific items (income / (expense)) included in income (i) and expenses (ii) above	62,116	(338,532)

3. REVENUES AND EXPENSES (continued)

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
(v) Finance costs		
Finance costs expensed:		
Interest on debt facilities	4,694	5,755
Amortisation of debt facility establishment costs and non-cash interest on derivatives and payables	1,762	694
Finance leases	-	5
Total finance costs	6,456	6,454

4. DIVIDENDS PAID AND PROPOSED

(a) Dividends appropriated during the period

During the period, Nine Entertainment Co. Holdings Limited paid a final fully franked dividend of 5.0 cents per share in respect of the year ended 30 June 2017 amounting to \$43,537,908 (31 December 2016: \$34,752,636).

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

The Company has proposed an interim cash dividend fully franked of 5 cents per share amounting to \$43,568,660, in respect of the year ending 30 June 2018.

5. INCOME TAX

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
a) Income tax expense		
<i>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:</i>		
Profit/(Loss) before income tax	223,197	(240,240)
Prima facie income tax (expense)/benefit at the Australian rate of 30%	(66,959)	72,072
<i>Tax effect of:</i>		
Share of associates' net profits	104	80
Difference between tax and accounting profit from disposal of investments and property, plant and equipment held for sale	18,546	54
Impairment and write down of investments	-	(78,008)
Movement in value of derivatives	(4,052)	-
Withholding tax refund not assessable	-	3,210
Post, digital and visual effects offset	984	-
Recognition of research and development tax offset in respect of prior years	2,020	4,474
Other items – net	220	1,475
Income tax (expense)/benefit	(49,137)	3,357
Current tax expense	(50,761)	(14,405)
Deferred tax benefit relating to the origination and reversal of temporary differences	1,624	17,762
Income tax (expense)/benefit	(49,137)	3,357

6. PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

	31 Dec 2017 \$'000	30 June 2017 \$'000
Total property, plant and equipment held for sale	11,769	50,941

On 15 September 2017, following exercise of a call option granted in August 2015, the Group completed the disposal of property held at Willoughby, Sydney with a sale price of \$147.5 million; the Group received \$22.1 million proceeds by way of deposit in 2015, with the balance received in the period to 31 December 2017. The Group will rent the site until August 2020 at a starting rent of \$9.6 million per annum, exclusive of outgoings, for which the Group is also responsible under the terms of the lease agreements. This transaction resulted in a profit before tax being booked in the period to 31 December 2017 of \$78.2 million (net of costs and an onerous provision of \$26.9 million for the cost of the rent and outgoings which the Group considers to be in excess of a market rent).

On 5 February 2018, the Company completed the sale of its former operations site in Adelaide for \$9.5 million. The sale was made under a contract with an unrelated party entered on 29 August 2017.

In addition to the site in Adelaide, the property plant and equipment held for sale at 31 December 2017 included a property in Perth, WA.

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Share of associates' and joint ventures' net (loss)/profit

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

	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Net loss after income tax	(18,274)	(18,790)

The Group's current year share of losses of associates and joint ventures not recognised is \$18.6 million (Dec 2016: \$19.1 million). The Group's cumulative share of losses of associates and joint ventures not recognised is \$114.8 million. These losses are not recognised as the carrying value of these investments is nil.

(b) Share of associates' and joint ventures' assets and liabilities

	31 Dec 2017 \$'000	30 June 2017 \$'000
Current assets	72,858	86,228
Non-current assets	17,683	18,255
Total assets	90,541	104,483
Current liabilities	26,281	42,356
Non-current liabilities	165,338	147,519
Total liabilities	191,619	189,875

8. OTHER INTANGIBLE ASSETS

	Goodwill \$'000	Other ¹ \$'000	Total \$'000
Period ended 31 December 2017			
At 1 July 2017, net of accumulated amortisation and impairment	415,922	18,308	434,230
Purchases	–	3,960	3,960
Amortisation expense	–	(4,647)	(4,647)
At 31 December 2017, net of accumulated amortisation and impairment	415,922	17,621	433,543
Year ended 30 June 2017			
At 1 July 2016, net of accumulated amortisation and impairment	632,088	16,342	648,430
Purchases	–	9,077	9,077
Acquisition of subsidiaries	43,834	1,007	44,841
Amortisation expense	–	(8,118)	(8,118)
Impairment loss	(260,000)	–	(260,000)
At 30 June 2017, net of accumulated amortisation and impairment	415,922	18,308	434,230
At 31 December 2017			
Cost (gross carrying amount)	1,523,083	39,973	1,563,056
Accumulated amortisation and impairment	(1,107,161)	(22,352)	(1,129,513)
Net carrying amount	415,922	17,621	433,543
At 30 June 2017			
Cost (gross carrying amount)	1,523,083	47,463	1,570,546
Accumulated amortisation and impairment	(1,107,161)	(29,155)	(1,136,316)
Net carrying amount	415,922	18,308	434,230

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

8. OTHER INTANGIBLE ASSETS (continued)

(a) Allocation of non-amortising intangibles and goodwill

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

	31 Dec 2017 \$'000	30 June 2017 \$'000
Nine Network	466,784	466,784
NBN	11,000	11,000
Total licences	477,784	477,784

	31 Dec 2017 \$'000	30 June 2017 \$'000
Nine Network	301,913	301,913
NBN	3,300	3,300
Digital	110,709	110,709
Total goodwill	415,922	415,922

(b) Determination of recoverable amount

At 31 December 2017 a review was performed for indicators of impairment in order to determine whether a formal impairment assessment was required. The Group assessed whether there were indicators of impairment for each of its cash generating units ("CGUs") being Nine Network, NBN and Digital. Management has determined that there are no impairment indicators as at 31 December 2017.

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

The cash flow projections which are used in determining any impairment require management to make significant estimates and judgements. Key assumptions in preparing the cash flow projections for each CGU at 30 June 2017 are set out in the annual financial report as at 30 June 2017.

9. *TRADE AND OTHER PAYABLES*

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Current – unsecured		
Trade and other payables	110,473	124,333
Program contract payables ¹	108,001	105,641
Deferred income	9,168	18,425
Total current trade and other payables	227,642	248,399
Non-current – unsecured		
Program contract payables	24,615	56,940
Other	3,831	2,702
Total non-current trade and other payables	28,446	59,642

¹ Program contract creditors are settled according to the contract negotiated with the program supplier. These amounts include the amounts due under the Warner Bros settlement, as disclosed in Note 15 in the annual financial report as at 30 June 2017.

10. *INTEREST BEARING LOANS AND BORROWINGS*

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Non-current		
Bank facilities – unsecured ¹	144,053	291,175
Total non-current interest-bearing loans and borrowings	144,053	291,175

¹ As at 31 December 2017 bank facilities include unamortised financing costs of \$947,000 (30 June 2017 \$1,325,000).

On 15 February 2018, the Group completed the refinancing of its existing corporate debt facilities. The new facilities comprise 3, 4 and 5 year revolving cash advance facilities, of \$400 million and a one year \$50 million working capital facility. These facilities replaced the \$500 million facilities existing at 31 December 2017. There are no material changes to the terms of the facilities or the permitted uses of funds.

11. PROVISIONS

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Current		
Employee Entitlements	32,089	34,824
Onerous Contracts	10,320	3,991
Other	8,989	10,456
Total current provisions	51,398	49,271
Non-current		
Employee Entitlements	24,483	25,187
Onerous Contracts	14,444	–
Other	6,237	9,506
Total non-current provisions	45,164	34,693

12. CONTRIBUTED EQUITY

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Issued share capital		
Ordinary shares fully paid	749,688	748,627
Issued share capital	749,688	748,627
Movements in issued share capital – ordinary shares		
Carrying amount at the beginning of the period	748,627	746,563
Vesting of Rights Plan shares (Note 13)	1,061	2,064
Carrying amount at the end of the period	749,688	748,627

	31 Dec 2017	30 June 2017
	Number	Number
Issued share capital		
Ordinary shares fully paid	871,373,191	871,373,191
Movements in issued share capital – ordinary shares		
Number at the beginning of the period	871,373,191	871,373,191
Number at the end of the period	871,373,191	871,373,191

At 31 December 2017, a trust controlled by the Company held 615,040 (30 June 2017: 1,341,576) ordinary fully paid shares in the Company. These were purchased during the years ended 30 June 2015 and 2016 for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 13 for further details.

13. SHARE-BASED PAYMENTS

Performance rights

During the year to 30 June 2015, 6,003,083 shares in the parent entity to the value of \$12,192,321 were purchased by a trust on behalf of the Company. These shares have been used by the trust to satisfy grants to holders of performance rights on vesting in lieu of the Company issuing new shares. The consideration paid to the trust to acquire these shares has been deducted from total shareholders' equity. During the year to 30 June 2016, 280,000 shares in the parent entity to the value of \$441,420 were purchased by the Trust to satisfy short term incentives of executives. As at 31 December 2017 the Trust held 615,040 shares in the parent entity and these have been, and will continue to be, used by the Trust to satisfy shares provided to certain senior management as part of their short term incentive and will also be used to satisfy New Rights (see below) which vest in the future.

During the year ended 30 June 2016, the Company granted or agreed to grant 2,952,588 performance rights ("New Rights") to certain senior management, with effective grant dates of 1 July 2015 or on the date of commencement of employment, where later. 58,333 rights were forfeited in the period to 31 December 2017, 94,444 were forfeited in the period to 30 June 2017 and 334,025 rights were forfeited in the period to 30 June 2016 as employees left the Group. The New Rights will vest on 1 July 2018 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2015 to 30 June 2018. As at 31 December 2017, it has been assumed that the majority of these New Rights will vest, resulting in a cost of \$1,349,601 for the period to 31 December 2017 (31 December 2016 \$nil). Each of these New Rights has been valued at an average of \$1.09.

During the year ended 30 June 2017, the Company granted or agreed to grant a further 4,524,510 New Rights to certain senior management, with effective grant dates of 1 July 2016 or on the date of commencement of employment, where later. 263,480 rights were forfeited in the period to 31 December 2017 (30 June 2017: 277,778 rights forfeited) as employees left the Group. These New Rights will vest on 1 July 2019 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2016 to 30 June 2019. As at 31 December 2017 it is expected that all of these New Rights will vest, resulting in a cost of \$399,596 for the period to 31 December 2017 (30 June 2017: \$859,483). Each of these New Rights has been valued at an average of \$0.61.

During the year ended 30 June 2017, the Company granted Greg Barnes 582,556 shares as part of his employment agreement. The shares are held in escrow for a period of two years from his commencement date. Each share has been valued at an average of \$1.06 and a cost of \$617,510 was expensed for the year to 30 June 2017. In addition Greg Barnes received 400,943 New Rights which will vest on 1 July 2018 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period to 30 June 2018. Each of the New Rights has been valued at an average of \$0.41 resulting in a cost of \$223,755 for the period to 31 December 2017 (30 June 2017: \$165,991).

During the period ended 31 December 2017, the Company granted or agreed to grant a further 3,068,836 New Rights to certain senior management, with effective grant dates of 1 July 2017 or on the date of commencement of employment, where later. These New Rights will vest on 1 July 2020 if certain financial hurdles are met in respect of Total Shareholder Return and Earnings Per Share for the period 1 July 2017 to 30 June 2020. As at 31 December 2017 it is expected that all of these New Rights will vest, resulting in a cost of \$581,288 for the period to 31 December 2017. Each of these New Rights has been valued at an average of \$1.14.

During the period ended 31 December 2017, the Company granted 726,536 shares to senior management as part payment of their short term incentive for the year ended 30 June 2017. Each share has been valued at an average of \$1.46 and a cost of \$1,060,874 was expensed in the Statement of Comprehensive Income in the year ended 30 June 2017.

14. FINANCIAL INSTRUMENTS

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 cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair value.

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, forward rates and listed share prices.

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 options over the controlled entities 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 31 December 2017.

Level 1: Investment in listed equities.

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

Level 3: Options over unlisted shares in controlled entities.

There were no transfers between the Level 1, Level 2 and Level 3 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 2017		30 June 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<i>Financial liabilities</i>				
Options over controlled entities – current	48,552	48,552	21,197	21,197
Options over controlled entities – non current	15,220	15,220	29,068	29,068
Total financial instruments – liabilities *	63,772	63,772	50,265	50,265
Investments in listed equities	6,873	6,873	5,646	5,646
<i>Loan facilities – non-current</i>				
Syndicated facility unsecured – at amortised cost	144,053	144,053	291,175	291,175
Total loan facilities	144,053	144,053	291,175	291,175

* The Group has incurred an additional \$12.9 million expense for mark to market movements related to the options exercisable by the Group over the 40% shares which it does not currently own in Pedestrian Group Pty Ltd ("Pedestrian"), in accordance with the sale and purchase agreement signed on acquisition of Pedestrian during the financial year ended 30 June 2015.

15. EARNINGS PER SHARE

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

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Net profit/(loss) attributable to ordinary equity holders for basic and diluted earnings	174,060	(236,883)

	31 Dec 2017	31 Dec 2016
	No. '000	No. '000
Weighted average number of ordinary shares for basic earnings per share	870,500	868,996
<i>Effect of dilution:</i>		
Rights Plan shares ¹	9,214	5,483
Weighted average number of ordinary shares adjusted for the effect of dilution	879,714	874,479

¹ Rights Plan shares have been calculated as the full year impact of rights which have vested in the period and the impact assuming all rights granted in the period to 31 December 2017 and the year to 30 June 2017 vest. It has been assumed that the majority of the rights granted in the year to 30 June 2016 will vest (refer to Note 13).

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.

16. EXPENDITURE COMMITMENTS

a) Capital expenditure commitments

	Dec 2017	Jun 2017
	\$'000	\$'000
(i) Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
• within one year	20,941	11,694
• after one year but not more than five years	2,811	2,781
• More than five years	–	–
	23,752	14,475
(ii) Television program and sporting broadcast rights contracted for at balance date, but not provided for, payable:		
• within one year	255,922	271,074
• after one year but not more than five years	482,827	485,869
• more than five years	9,269	39,269
	748,018	796,212

16. **EXPENDITURE COMMITMENTS (continued)**

(b) **Lease expenditure commitments**

	Dec 2017	Jun 2017
	\$'000	\$'000
(i) Estimated non-cancellable operating lease expenditure contracted for at balance date, but not provided for, payable:		
• within one year	31,393	19,423
• after one year but not more than five years	82,990	49,480
• More than five years	66,214	43,311
	180,597	112,214

The Group has entered into non-cancellable operating leases. The leases vary in remaining duration but generally have an average lease term of approximately five years. Operating leases include telecommunications rental agreements and leases on assets including motor vehicles, land and buildings and items of plant and equipment. Renewal terms are included in certain contracts, whereby renewal is at the option of the specific entity that holds the lease. On renewal, the terms of the leases are usually renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

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

17. **EVENTS AFTER THE BALANCE SHEET DATE**

On 15 February 2018, the Group completed the refinancing of its existing corporate debt facilities. The new facilities comprise 3, 4 and 5 year revolving cash advance facilities, of \$400 million and a one year \$50 million working capital facility. These facilities replaced the \$500 million facilities existing at 31 December 2017. There are no material changes to the terms of the facilities or the permitted uses of funds.

On 5 February 2018, the Company completed the sale of its former operations site in Adelaide for \$9.5 million. The sale was made under a contract with an unrelated party entered on 29 August 2017.

Other than noted above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future years.

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 2017 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 2017 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



Peter Costello
Chairman



Hugh Marks
Chief Executive Officer and Director

Sydney, 22 February 2018

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

Report on the Half year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Nine Entertainment Co. Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Company as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Directors' Responsibility for the Half year Financial Report

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

Auditor's Responsibility

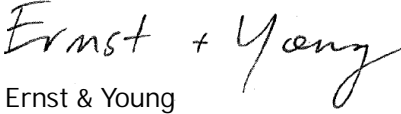
Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its consolidated financial performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Ernst & Young



John Robinson
Partner
Sydney
22 February 2018