26 February 2020

ASX Markets Announcement Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

APPENDIX 4D AND HALF YEAR FINANCIAL REPORT

Attached is a copy of Nine Entertainment Co. Holdings Limited's Appendix 4D and financial report for the 6 months to 31 December 2019.

Rachel Launders
Company Secretary

Authorised for release: Nine Board sub-committee

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Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

26 February 2020: Nine Entertainment Co. Holdings Limited (ASX: NEC) today announced the results for the half year ended 31 December 2019 (H1 FY20).

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

1. Appendix 4D
2. H1 FY20 reviewed Financial Report

Appendix 4D (Rule 4.2A.3)
For the half year ended 31 December 2019

Results for Announcement to the Market

Key Financial Information		1H FY20 $'000	1H FY19 $'000
Continuing operations			
Revenue from ordinary activities, excluding specific items	Up by 65.7%	**1,183,382**	714,225
Profit from ordinary activities after tax	Down by 40.5%	**101,861**	171,337
Discontinued operations			
Profit/(loss) from ordinary activities after tax	n/m	**(14,589)**	248
Total income attributable to:			
Net profit from ordinary activities after tax - owners of the parent	Down by 55.6%	**76,100**	171,556
Net profit from ordinary activities after tax - non-controlling interest	n/m	**11,172**	29
Net profit after tax, excluding specific items - continuing operations	Up by 5.3%	**114,289**	108,504

Dividends

An interim fully franked dividend of 5c has been declared payable on 20 April 2020.

Dividends	Amount per share cents	Franked amount per share cents
Final 2019 dividend per share (paid 17th October 2019)	**5**	5
Interim 2020 dividend per share (to be paid 20 April 2020)	**5**	5

The interim 2020 dividend was declared following the approval by the Directors of the 31 December 2019 Financial Report.

Interim 2020 Dividend

Ex-dividend date: 5th March
Record date: 6th March
Payment date: 20th April

Net Tangible Assets per Share

Reported	1H FY20 cents	1H FY19 cents
Net tangible asset (deficit)/ backing per ordinary share[1]	**(31.2)**	6.5
Net asset backing per ordinary share	**155.1**	159.5

[1] If the deferred tax liability which relates to intangible assets is removed and the right of use asset is added back, then the net tangible asset backing per share is 7.9 cents (2018: 14.9 cents).

Supplementary information

For additional Appendix 4D disclosures, refer to the accompanying Directors' Report and the Financial Report for the half year ended 31 December 2019.

Nine Entertainment Co. Holdings Limited

ABN 60 122 203 892

Financial Report for the half year ended 31 December 2019

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DIRECTORS' REPORT

The Directors present the financial report for the half year ended 31 December 2019. The financial report includes the results of Nine Entertainment Co. Holdings Limited (the "Company") and the entities that it controlled during the period (the "Group").

Directors

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

Name	Title	Date Appointed
Peter Costello	Independent Non-Executive Chairman	6 February 2013
Nick Falloon	Independent Non-Executive Deputy Chairman	7 December 2018
Hugh Marks	Chief Executive Officer	6 February 2013
Patrick Allaway	Independent Non-Executive Director	7 December 2018
Samantha Lewis	Independent Non-Executive Director	20 March 2017
Mickie Rosen	Independent Non-Executive Director	7 December 2018
Catherine West	Independent Non-Executive Director	9 May 2016

Dividends

Nine Entertainment Co. Holdings Limited paid a final dividend of 5 cents per share, fully franked, in respect of the year ended 30 June 2019 amounting to $85,269,663 during the period ended 31 December 2019. Since the end of the period, the Company has proposed an interim dividend in respect of the year ending 30 June 2020 of 5 cents per share fully franked amounting to $85,269,663.

Operating and Financial Review

Review of Operations

The prior year comparatives include three weeks results of the enlarged group following the merger with Fairfax. The period to December 2019 was the first period in which the new accounting standard for leases (AASB16) was implemented. Therefore, the comparison to the prior year results are affected by the impact of these changes.

For the half year ended 31 December 2019, the Group reported a consolidated net profit after income tax of $87,272,000 (2018: $171,585,000). The Group reported a consolidated net profit after income tax of $101,861,000 (2018: $171,337,000) from continuing operations.

The Group's revenues from continuing operations (excluding specific items) for the half year ended 31 December 2019 increased by $469,157,000 (65.7%) to $1,183,382,000 (2018: $714,225,000).

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) and before specific items (Note 2.1) for continuing operations for the half year ended 31 December 2019 was a profit of $250,812,000 (2018: $177,752,000).

The Group's cash flows generated from operating activities for the period ended 31 December 2019 were $130,636,000 (2018: $81,443,000).

Significant Changes in the State of Affairs

Acquisition of Macquarie Media Limited

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

DIRECTORS' REPORT (continued)

Significant Events after the Balance Sheet Date

On 31 January 2020, the Group refinanced its existing facilities for 100% owned entities. The new facilities totalling $625 million comprise 3 and 4 year revolving cash advance facilities ($272.5 million in each facility) and a one year $80 million working capital facility. The facilities replace the $650 million facility available to the 100% owned entities at 31 December 2019 (refer to the June 2019 financial statements for further details). There are no material changes to the terms of the facilities or the permitted uses of the facilities. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

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

Auditor's Independence Declaration

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

Rounding

The amounts contained in the financial statements have been rounded off to the nearest thousand dollars (where rounding is applicable) under the option available to the Group under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Nine Entertainment Co. Holdings Limited is an entity to which the Instrument applies.

Signed on behalf of the Directors in accordance with a resolution of the Directors.

P Costello

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 26 February 2020

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

As lead auditor for the review of the half year financial report of Nine Entertainment Co. Holdings Limited for the half year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 half year.

Ernst & Young

Christopher George
Partner
26 February 2020

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2019

	Note	31 Dec 2019[1] $'000	31 Dec 2018 $'000
Continuing operations			
Revenues	2.1	1,195,684	816,634
Expenses	2.3	(1,036,352)	(593,847)
Finance costs	2.3	(14,073)	(5,868)
Share of profits/(losses) of associate entities		25	(1,982)
Net profit from continuing operations before income tax expense		145,284	214,937
Income tax expense	6.1	(43,423)	(43,600)
Net profit from continuing operations after income tax expense		101,861	171,337
Discontinued operations			
(Loss)/Profit after tax from discontinued operations	5.2	(14,589)	248
Net profit for the period		87,272	171,585
Net profit for the period attributable to:			
Owners of the parent		76,100	171,556
Non-controlling interest		11,172	29
Net profit for the period		87,272	171,585
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		470	205
Items that will not be reclassified subsequently to profit or loss:			
Fair value movement in Asset revaluation reserve		(486)	-
Fair value movement in investment in listed equities (net of tax)		1,472	419
Actuarial gain /(loss) on defined benefit plan		1,033	(3,031)
Other comprehensive income/(loss) for the period		2,489	(2,407)
Total comprehensive income attributable to equity holders		89,761	169,178
Total comprehensive income attributable to:			
Owners of the parent		78,589	169,149
Non-controlling interest		11,172	29
Total comprehensive income for the period		89,761	169,178
Earnings per share			
Basic earnings attributable to ordinary equity holders of the parent	2.5	$0.04	$0.18
Diluted earnings attributable to ordinary equity holders of the parent	2.5	$0.04	$0.17
Earnings per share for continuing operations			
Basic earnings attributable to ordinary equity holders of the parent	2.5	$0.05	$0.18
Diluted earnings attributable to ordinary equity holders of the parent	2.5	$0.05	$0.17

[1] The December 2019 financial results include the adoption of AASB 16 *Leases* for this period only. Refer Note 7.1 for further transition details. In addition, the prior period included the results of the enlarged group for only three weeks, following the merger with Fairfax in December 2018.

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

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	31 Dec 2019[1] $'000	30 June 2019 $'000
Current assets			
Cash and cash equivalents		103,419	256,121
Trade and other receivables		330,514	403,716
Program rights & inventories		216,048	267,690
Prepayments		111,148	36,327
Other assets		21,766	23,508
Income tax receivable		13,535	-
Assets held for sale - continuing operations		3,621	1,583
Assets held for sale - discontinued operations	5.2	120,254	90,772
Total current assets		920,305	1,079,717
Non-current assets			
Receivables		17,032	14,262
Program rights & inventories		121,424	109,902
Investments accounted for using the equity method		22,223	26,145
Other financial assets		7,000	5,949
Property, plant and equipment	7.1	424,131	165,322
Intangible assets	3.1	2,920,665	2,958,405
Prepayments		20,900	26,125
Defined benefit plan		20,223	23,231
Total non-current assets		3,553,598	3,329,341
Total assets		4,473,903	4,409,058
Current liabilities			
Trade and other payables	3.2	381,097	433,142
Financial Liabilities	4.1	282,676	195,375
Current income tax liabilities		-	47,723
Provisions	3.3	138,079	131,060
Liabilities held for sale - discontinued operations		86,248	58,061
Total current liabilities		888,100	865,361
Non-current liabilities			
Payables	3.2	67,708	72,639
Financial Liabilities	4.1	537,832	316,577
Deferred tax liabilities	6.2	307,147	314,380
Provisions	3.3	22,037	54,373
Derivative financial instruments		6,665	12,405
Total non-current liabilities		941,389	770,374
Total liabilities		1,829,489	1,635,735
Net assets		2,644,414	2,773,323
Equity			
Contributed equity	4.2	2,123,201	2,126,216
Reserves		(55,269)	5,652
Retained earnings		439,804	448,811
Total equity attributable to equity holders of the parent		2,507,736	2,580,679
Non-controlling interest		136,678	192,644
Total equity		2,644,414	2,773,323

[1] The December 2019 financial position includes the adoption of AASB 16 *Leases* for this period only. Refer Note 7.1 for further transition details.

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

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2019

	Contributed equity	Rights Plan Shares	Foreign currency translation reserve	Fair value reserve of financial assets at FVOCI	Share-based payments reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	$'000	$000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2019	2,134,803	(8,587)	(1,058)	(6,218)	6,604	6,324	448,811	2,580,679	192,644	2,773,323
Profit for the period	-	-	-	-	-	-	76,100	76,100	11,172	87,272
Other comprehensive income/(loss) for the period	-	-	470	2,505	-	(486)	-	2,489	-	2,489
Total comprehensive income/(loss) for the period	**-**	**-**	**470**	**2,505**	**-**	**(486)**	**76,100**	**78,589**	**11,172**	**89,761**
Vesting of Rights Plan shares (Note 4.4)	-	2,732	-	-	(3,396)	-	-	(664)	664	-
Weatherzone Disposal (Note 5.1)	-	-	(163)	-	-	-	163	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	(60,704)	-	(60,704)	(52,200)	(112,904)
Purchase of shares	-	(5,747)	-	-	-	-	-	(5,747)	-	(5,747)
Share-based payment expense	-	-	-	-	853	-	-	853	-	853
Dividends to shareholders	-	-	-	-	-	-	(85,270)	(85,270)	(15,602)	(100,872)
At 31 December 2019	**2,134,803**	**(11,602)**	**(751)**	**(3,713)**	**4,061**	**(54,866)**	**439,804**	**2,507,736**	**136,678**	**2,644,414**
At 1 July 2018	751,998	(6,971)	(1,624)	(764)	4,626	3,171	358,603	1,109,039	-	1,109,039
Effect of adoption of new accounting standards[1]	-	-	-	-	-	-	(2,333)	(2,333)	-	(2,333)
As at 1 July 2018 (restated)	751,998	(6,971)	(1,624)	(764)	4,626	3,171	356,270	1,106,706	-	1,106,706
Profit for the period	-	-	-	-	-	-	171,556	171,556	29	171,585
Other comprehensive income/(loss) for the period	-	-	205	(2,612)	-	-	-	(2,407)	-	(2,407)
Total comprehensive income/(loss) for the period	**-**	**-**	**205**	**(2,612)**	**-**	**-**	**171,556**	**169,149**	**29**	**169,178**
Vesting of Rights Plan shares (Note 4.4)	-	3,091	-	-	(3,091)	-	-	-	-	-
Acquisition of a subsidiary (Note 5.1)	1,382,805	-	-	-	-	3,125	-	1,385,930	107,214	1,493,144
Purchase of shares	-	(4,692)	-	-	--	-	-	(4,692)	-	(4,692)
Share-based payment expense	-	-	-	-	2,564	-	-	2,564	-	2,564
Dividends to shareholders	-	-	-	-	-	-	(43,556)	(43,556)	(3,225)	(46,781)
At 31 December 2018	**2,134,803**	**(8,572)**	**(1,419)**	**(3,376)**	**4,099**	**6,296**	**484,270**	**2,616,101**	**104,018**	**2,720,119**

1 Refer 2019 Annual Report for details

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

Consolidated Statement of Cash Flows
For the half year ended 31 December 2019

	Note	31 Dec 2019[1] $'000	31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers		1,535,892	913,150
Payments to suppliers and employees		(1,305,980)	(786,988)
Dividends received - associates		3,118	755
Interest received		1,085	1,507
Interest and other costs of finance paid		(12,438)	(4,615)
Income tax paid		(91,041)	(42,366)
Net cash flows generated from operating activities		130,636	81,443
Cash flows from investing activities			
Purchase of property, plant and equipment		(37,605)	(10,604)
Purchase of other intangible assets		(24,844)	(7,618)
Proceeds on disposal of property, plant and equipment		760	15,662
Acquisition of subsidiaries, net of cash acquired	5.1	(139,090)	15,088
Proceeds from disposal of assets held for sale		29,250	9,246
Loans to associates		(690)	(17,925)
Net cash flows (used in)/from investing activities		(172,219)	3,849
Cash flows from financing activities			
Net proceeds from borrowings		16,910	177,606
Purchase of rights plan shares		(5,747)	(4,692)
Principal lease repayments		(21,410)	-
Dividends paid to non-controlling interest		(15,602)	(3,225)
Dividends paid to shareholders of the Group	4.3	(85,270)	(43,556)
Net cash flows from/ (used in) financing activities		(111,119)	126,133
Net (decrease)/increase in cash and cash equivalents		(152,702)	211,425
Cash and cash equivalents at the beginning of the financial period		256,121	36,375
Cash and cash equivalents at the end of the period		103,419	247,800

[1] The December 2019 financial results includes the adoption of AASB 16 *Leases* for this period only. Refer Note 7.1 for further transition details.
The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2019

1. ABOUT THIS REPORT

The financial report includes the consolidated entity consisting of Nine Entertainment Co. Holdings Limited (the Company) and its controlled entities (collectively, the Group) for the half year ended 31 December 2019. The half year ended 31 December 2018 included the results of the enlarged group for three weeks, following the merger with Fairfax in December 2018. The results to December 2019 include the adoption of AASB16 *Leases* for the first time; prior year comparatives have not been restated.

Nine Entertainment Co. Holdings Limited is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The consolidated general purpose financial report of the Group for the half year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 26 February 2020. The Directors have the power to amend and reissue the financial report.

1.1 Significant events during the period

During the period, the Group acquired the remaining 45.6% stake in Macquarie Media Limited which it did not already own, for a total consideration of $113.9 million, with the acquisition completed on 21 November 2019. Refer to Note 5.1 for details.

1.2 Basis of preparation

This financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*.

The half year report does not include notes of the type normally included in an annual financial report and therefore should be read in conjunction with the 2019 annual report of Nine Entertainment Co. Holdings Limited and its controlled entities and any public announcements made by Nine Entertainment Co. Holdings Limited during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of the half year financial report are consistent with those applied and disclosed in the 2019 annual report, except as set out in Note 7.1.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the instrument applies.

The consolidated financial statements provide comparative information in respect of the previous period, which is reclassified where necessary in order to provide consistency with the current period.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2019

2. GROUP PERFORMANCE

2.1 Segment Information

	Segment revenue[1]		EBITDA before specific items		Depreciation and amortisation		EBIT before specific items	
	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Broadcasting	588,818	570,252	118,219	161,860	(20,766)	(11,491)	97,453	150,369
Digital and Publishing	330,225	115,700	81,060	30,362	(22,367)	(6,701)	58,693	23,661
Domain Group	146,956	16,335	47,044	2,875	(23,353)	(1,739)	23,691	1,136
Stan	116,621	8,221	14,034	(5,378)	(6,486)	(237)	7,548	(5,615)
Segment total	**1,182,620**	**710,508**	**260,357**	**189,719**	**(72,972)**	**(20,168)**	**187,385**	**169,551**
Corporate	9,166	836	(9,570)	(9,985)	(928)	(149)	(10,498)	(10,134)
Associates	-	-	25	(1,982)	-	-	25	(1,982)
Total Group	**1,191,786**	**711,344**	**250,812**	**177,752**	**(73,900)**	**(20,317)**	**176,912**	**157,435**

[1] includes intersegment revenue of $9,269,000 (2018: $1,497,000).

Reconciliation of total group revenue from continuing operations on the Consolidated Statement of Profit or Loss and Other Comprehensive Income	31 Dec 2019 $'000	31 Dec 2018 $'000
Total Group revenue (per above)	1,191,786	711,344
Inter-segment eliminations	(9,269)	(1,497)
Total Group revenue	1,182,517	709,847
Interest income	865	4,378
Net profit on sale of assets held for sale	12,302	9,409
Gain on consolidation of Stan	-	93,000
Revenue per the Consolidated Statement of Profit or Loss and Other Comprehensive Income	1,195,684	816,634

Reconciliation of EBIT before specific items to profit after tax from continuing operations	Notes	31 Dec 2019 $'000	31 Dec 2018 $'000
EBIT before specific items		176,912	157,435
Interest income		865	4,378
Finance costs	2.3	(14,073)	(5,868)
Income tax expense	6.1	(49,415)	(47,441)
Profit before specific items		114,289	108,504
Specific items	2.4	(18,420)	58,992
Income tax benefit/(expense) on specific items	6.1	5,992	3,841
Net profit/(loss) from operations after income tax expense		101,861	171,337

Geographic information

A majority of the Group's external revenues arise out of sales to customers within Australia.

Major customers

The Group did not have any customers which accounted for more than 10% of operating revenue for the period (2018: none).

2. GROUP PERFORMANCE (continued)

2.2. Revenue and other income from continuing operations

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

	Broadcasting $'000	Digital and Publishing $'000	Domain Group $'000	Stan $'000	Corporate $'000	Total $'000
Period ended 31 Dec 2019						
Advertising revenue	530,407	196,077	132,117	-	-	858,601
Subscription revenue	-	64,665	-	116,621	-	181,286
Affiliate revenue	31,337	-	-	-	-	31,337
Circulation revenue	-	46,123	-	-	-	46,123
Program Sales	1,528	-	-	-	-	1,528
Other revenue	25,546	23,360	14,839	-	9,166	72,911
Total segment revenue (Note 2.1)[1]	588,818	330,225	146,956	116,621	9,166	1,191,786

[1] Includes intersegment revenue of $9,269,000

	Broadcasting $'000	Digital and Publishing $'000	Domain Group $'000	Stan $'000	Corporate $'000	Total $'000
Period ended 31 Dec 2018						
Advertising revenue	505,038	95,962	14,667	-	-	615,667
Subscription revenue	-	8,497	-	8,221	-	16,718
Affiliate revenue	33,256	-	-	-	-	33,256
Circulation revenue	-	6,201	-	-	-	6,201
Program Sales	1,181	-	-	-	-	1,181
Other revenue	30,777	5,040	1,668	-	836	38,321
Total revenue[1]	570,252	115,700	16,335	8,221	836	711,344

[1] Includes intersegment revenue of $1,497,000

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2019

2. GROUP PERFORMANCE (continued)

2.3. Expenses from continuing operations

	31 Dec 2019 $'000	31 Dec 2018 $'000
Expenses		
Broadcasting	505,314	441,917
Publishing	273,874	93,270
Domain Group	126,612	14,285
Stan	109,073	13,836
Other	21,479	30,539
Total expenses from continuing operations	1,036,352	593,847
Included in the expenses above are the following:		
Depreciation and amortisation (excluding program rights)	74,483	20,317
Salary and employee benefit expenses	343,347	210,899
Program rights	298,243	191,242
Total depreciation, salary and program rights	716,073	422,458
Finance Costs		
Interest on debt facilities	7,409	5,481
Interest on lease liabilities[1]	5,952	-
Amortisation of debt facility establishment costs	712	387
Total finance costs	14,073	5,868

[1]The December 2019 financial results includes the adoption of AASB 16 Leases for this period only. Refer Note 7.1 for further transition details.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2019

2. GROUP PERFORMANCE (continued)

2.4. Specific items

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

	31 Dec 2019 $'000	31 Dec 2018 $'000
Net gain on contingent consideration payable and sale of financial assets[1]	10,044	9,409
Revaluation to fair value	-	(241)
Restructuring and termination costs[2]	(11,449)	(29,613)
Acquisition related costs[3]	(8,548)	(13,563)
Other specific provisions[4]	(8,467)	-
Gain on consolidation of Stan[5]	-	93,000
Net specific items (loss)/profit before tax from continuing operations	(18,420)	58,992
Income tax benefit/(expense) on specific items from continuing operations	5,992	3,841
Net specific items (loss)/profit after tax from continuing operations	(12,428)	62,833

[1] 2019: Includes $10.6 million for Domain relating to the release of contingent consideration for Commercialview Tranche 2 and Tranche 3 and Review Property Tranche 3 (2018: Includes net profit on sale of property held in Newcastle and other assets held for sale).

[2] 2019: Includes $9.3 million of redundancy, restructuring and termination costs incurred during the period and $2.1 million in Domain principally arising from the implementation of new pricing models and continued restructuring charges relating to the implementation of the new organisational structure (2018: Includes redundancy costs in relation to the Fairfax merger and other restructuring and termination costs incurred during the period).

[3] 2019: Costs related to the acquisition of Macquarie Media Limited (excluding redundancies) and the merger with Fairfax (excluding redundancies) (2018: Costs related to the merger with Fairfax, excluding redundancies).

[4] 2019: includes provision for defamation and other provisions related to prior financial periods.

[5] 2018: Gain arising on the consolidation of Stan following the merger with Fairfax in December 2018.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2019

2. GROUP PERFORMANCE (continued)

2.5. Earnings per share

	31 Dec 2019	31 Dec 2018
From continuing and discontinued operations		
Basic and diluted earnings per share before specific items	$0.07	$0.11
Basic earnings per share after specific items	$0.04	$0.18
Diluted earnings per share after specific items[1]	$0.04	$0.17
Profit attributable to the ordinary equity holders of the parent used in calculating the basic and diluted earnings per share ($'000) from continuing and discontinued operations	76,100	171,556
From continuing operations		
Basic and diluted earnings per share before specific items	$0.06	$0.11
Basic earnings per share after specific items	$0.05	$0.18
Diluted earnings per share after specific items[1]	$0.05	$0.17
Profit attributable to the ordinary equity holders of the parent used in calculating the basic and diluted earnings per share ($'000) from continuing operations	90,893	171,308
Weighted average number of ordinary shares used as denominator for basic earnings per share ('000)	1,703,501	978,755
Effect of dilution:		
Rights Plan shares under the performance rights plan (Note 4.4) ('000)	5,781	7,261
Weighted average number of ordinary shares adjusted for the effect of dilution ('000)	1,709,282	986,016

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

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2019

3. OPERATING ASSETS AND LIABILITIES

3.1. Intangible assets

	Goodwill $'000	Licences $'000	Mastheads and Brand Names $'000	Other[1] $'000	Total $'000
Half year ended 31 December 2019					
At 1 July 2019, net of accumulated amortisation and impairment	1,516,748	624,082	562,893	254,682	2,958,405
Finalisation of purchase price accounting (Note 5.1(b))	(17,668)	-	-	-	(17,668)
Acquisition of subsidiaries (Note 5.1(a))	24,048	-	-	684	24,732
Purchases	-	-	-	24,844	24,844
Disposals (Note 5.1(a))	(32,558)	-	-	-	(32,558)
Amortisation expense	-	-	-	(37,090)	(37,090)
At 31 December 2019, net of accumulated amortisation and impairment	1,490,570	624,082	562,893	243,120	2,920,665
Year ended 30 June 2019					
At 1 July 2018, net of accumulated amortisation and impairment	416,520	477,784	-	17,680	911,984
Acquisition of subsidiaries (Note 5.1)	1,122,355	146,298	563,681	249,735	2,082,069
Purchases	-	-	-	32,708	32,708
Disposals	(3,217)	-	-	(507)	(3,724)
Impairment	(18,910)	-	(788)	-	(19,698)
Amortisation expense	-	-	-	(44,934)	(44,934)
At 30 June 2019, net of accumulated amortisation and impairment	1,516,748	624,082	562,893	254,682	2,958,405
At 31 December 2019					
Cost (gross carrying amount)	2,616,641	1,596,651	563,681	363,908	5,140,881
Accumulated amortisation and impairment	(1,126,071)	(972,569)	(788)	(120,788)	(2,220,216)
Net carrying amount	1,490,570	624,082	562,893	243,120	2,920,665
At 30 June 2019					
Cost (gross carrying amount)	2,642,819	1,596,651	563,681	338,380	5,141,531
Accumulated amortisation and impairment	(1,126,071)	(972,569)	(788)	(83,698)	(2,183,126)
Net carrying amount	1,516,748	624,082	562,893	254,682	2,958,405

[1] This includes customer relationships $209 million and capitalised development costs of software of $34.2 million being, in part, an internally generated intangible asset.

3. OPERATING ASSETS AND LIABILITIES (continued)

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

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

	Goodwill $'000	Licences $'000	Mastheads and Brand Names $'000
31 December 2019			
Nine Network	301,913	466,784	-
NBN	3,300	11,000	-
Nine Digital[1]	110,710	-	-
Stan	315,302	-	71,452
Domain	643,108	-	407,028
Metropolitan Media	71,480	-	84,413
Macquarie Media	44,757	146,298	-
Total licences and goodwill as at 31 December 2019	1,490,570	624,082	562,893
30 June 2019			
Nine Network	301,913	466,784	-
NBN	3,300	11,000	-
Nine Digital[1]	110,710	-	-
Stan	315,302	-	71,452
Domain	620,261	-	407,028
Metropolitan Media	124,444	-	84,413
Macquarie Media	40,818	146,298	-
Total licences and goodwill as at 30 June 2019	1,516,748	624,082	562,893

[1] Nine Digital goodwill is made up of Nine Digital Pty Ltd $47.6 million (June 2019: $47.6 million), Pedestrian TV $19.3 million (June 2019: $19.3 million) and CarAdvice $43.8 million (June 2019: $43.8 million).

3.1(b) Determination of recoverable amount

At 31 December 2019 a review was performed for indicators of impairment in order to determine whether a formal impairment assessment was required.

The recoverable amount of the CGUs, which are classified within Level 3 of the fair value hierarchy, is determined based on value in use calculations using discounted cash flow projections based on financial forecasts covering a five-year period with a terminal growth rate applied thereafter. This is with the exception of the Domain CGU Group which is based on fair value less cost of disposal calculations using cash flow projections for up to ten years and a terminal growth rate applied thereafter. The Group determined Nine Network, NBN, Domain, Macquarie Radio, Metropolitan Media, Stan and each of the components of Nine Digital (Nine Digital Pty Ltd, Pedestrian TV and CarAdvice) to be CGUs. The Directors have determined that there are no impairment indicators as at 31 December 2019, with the exception of the Domain CGU. Therefore, impairment testing was performed on this CGU (see below). In assessing CGUs for indicators of impairment, the Group has sensitised impairment models with respect to forecast and actual cash flows during the half year and assessed the impact on the headroom of recoverable value relative to the carrying amount of the CGUs.

The cash flow projections which are used in determining any impairment require the Group to make significant estimates and judgements. Key assumptions in preparing the cash flow projections for each CGU at 30 June 2019 are set out in the 2019 annual financial report.

3. OPERATING ASSETS AND LIABILITIES (continued)

The recoverable amount of the Domain CGU is determined based on the fair value less costs of disposal, using discounted cash flow methodology. The key assumptions on which management has based its cash flow projections when determining the fair value less cost of disposal calculations for Domain are as follows:

- Revenue growth is in line with business industry trends, market maturity and management's expectations of market development.
- Management forecasts the operating costs based on the current structure of the business and does not reflect any future restructurings or cost saving measures.
- The post-tax discount rate applied to the cash flow projections was 10% which reflects current market assessment of the time value of money and the risks specific to the relevant market in which the CGU operates.
- Terminal growth rate of 2.5%, consistent with industry forecasts specific to the CGU.

The impairment testing described above and performed in December 2019 did not result in any impairment being recognised. The estimated recoverable value and carrying amount of the Domain CGU are consistent. As such, any detrimental change in key assumptions would result in impairment.

3.2 Trade and other payables

	31 Dec 2019 $'000	30 June 2019 $'000
Current - unsecured		
Trade and other payables	191,441	228,524
Program contract payables	136,334	151,488
Deferred income	53,322	53,130
Total current trade and other payables	381,097	433,142
Non-current - unsecured		
Program contract payables	64,488	58,470
Deferred income	3,220	14,169
Total non-current trade and other payables	67,708	72,639

3.3. Provisions

	Employee entitlements $'000	Onerous contracts $'000	Other[1] $'000	Total $'000
At 1 July 2019	113,191	22,788	49,454	185,433
Amounts provided / (utilised) during the period[2]	919	(15,863)	(10,373)	(25,317)
At 31 December 2019	**114,110**	**6,925**	**39,081**	**160,116**
Represented by:				
Current	105,361	3,646	29,072	138,079
Non-current	8,749	3,279	10,009	22,037
At 31 December 2019	**114,110**	**6,925**	**39,081**	**160,116**

1 Included in other provisions are provision for properties which are not covered by AASB16 Leases (make good and deferred leases) of $7 million and provision for defamation of $24 million.

2The decrease in provisions from June 2019 is principally as a result of the adoption of AASB16 in the period with certain property provisions being offset with the right of use asset under AASB 16 (refer to Note 7.1).

4. CAPITAL STRUCTURE AND MANAGEMENT

4.1 Financial Liabilities

	31 Dec 2019 $'000	30 June 2019 $'000
Current		
Finance lease liabilities	38,692	-
Bank facilities unsecured[1]	243,984	195,375
Total current financial liabilities	282,676	195,375
Non-current		
Finance lease liabilities	252,321	-
Bank facilities unsecured[1]	285,511	316,577
Total non-current financial liabilities	537,832	316,577

1 Bank facilities include unamortised financing costs of $2,200,000 (June 2019: $2,060,000).

On 31 January 2020, the Group refinanced its existing facilities for 100% owned entities. The new facilities totalling $625 million comprise 3 and 4 year revolving cash advance facilities ($272.5 million in each facility) and a one year $80 million working capital facility. The facilities replace the $650 million facility available to the 100% owned entities at 31 December 2019 (refer to the June 2019 financial statements for further details). There are no material changes to the terms of the facilities or the permitted uses of the facilities. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

The Group also has exposure to the following:

- A $225.0 million syndicated bank facility is available to a controlled entity, Domain Holdings Australia Limited (Domain), with tranches maturing in November 2022 and November 2023. At 31 December 2019, $163.0 million was drawn. The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin. During the period Domain refinanced its debt resulting in this $225.0 million facility (previously $250.0 million). There were no material changes to the term of the facilities or the permitted uses of the facilities.

A $33.6 million bank guarantee facility is also available to the Group's 100% owned subsidiaries on a rolling annual basis. As at 31 December 2019, $23,452,506 was drawn (2019: $14,648,454).

A $6.0 million revolving cash advance facility is available to the Group on a rolling annual basis. At 31 December 2019 the facility was not drawn (June 2019: Nil). The interest rate for drawings under this facility is the applicable bank bill rate plus a credit margin.

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

Corporate facilities

The corporate facilities available to the Group for its 100% owned subsidiaries are provided by a syndicate of banks and financial institutions.

These facilities are supported by Group guarantees from most of the Company's wholly-owned subsidiaries but are otherwise provided on an unsecured basis. These facilities impose various affirmative and negative covenants on the Company and the Group, including restrictions on encumbrances, and customary events of default, including a payment default, breach of covenants, cross-default and insolvency events.

Notes to the Consolidated Financial Statements
for the half year ended 31 December 2019

4. CAPITAL STRUCTURE AND MANAGEMENT (continued)

4.2 Share capital

	31 Dec 2019 $'000	30 June 2019 $'000
Issued share capital		
Ordinary shares authorised and fully paid	2,123,201	2,126,216
	2,123,201	2,126,216
Movements in issued share capital - ordinary shares		
Carrying amount at the beginning of the financial period	2,126,216	745,027
Purchase of rights plan shares[1]	(5,747)	(4,707)
Vesting of Rights Plan shares (Note 4.4)	2,732	3,091
Issue of shares (834,020,062) ordinary shares fully paid) (Note 5.1 (b))	-	1,382,805
Carrying amount at the end of the financial period	2,123,201	2,126,216

	31 December 2019 No. of shares	30 June 2019 No. of shares
Balance at beginning of the financial period	1,705,393,253	871,373,191
Issue of ordinary shares fully paid through acquisition of Fairfax Media Limited (Note 5.1 (b))	-	834,020,062
Balance at the end of the financial period	**1,705,393,253**	**1,705,393,253**

1 During the period, 3,140,000 shares were acquired by a trust controlled by the Company. The shares were purchased for the purpose of allowing the Group to satisfy performance rights to certain senior management of the Group. Refer to Note 4.4 for further details.

Terms and Conditions of Contributed Equity

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

4.3 Dividends paid and proposed

	31 Dec 2019 $'000	31 Dec 2018 $'000
Dividends paid in the period		
Final dividend for the year ended 30 June 2019 of 5 cents per share fully franked (2018: 5 cents)	85,270	43,556
Dividends not recognised at 31 December 2019		
Since 31 December 2019, the directors have declared a fully franked interim dividend for the year ending 30 June 2020 of 5 cents per fully paid ordinary shares (2019: 5 cents)	85,270	85,270

4. CAPITAL STRUCTURE AND MANAGEMENT (continued)

4.4 Share based payments

Under the executive long-term incentive plan, performance rights ("Rights") have been granted to executives and other senior management who have an impact on the Group's performance. On satisfaction of vesting conditions, each Right will convert to a share on a one-for-one basis or entitle the Participant to receive cash to the value of a share. Details of the plan are included in the Remuneration Report of the 2019 Annual Report.

Also, during the period to 31 December 2019, Rights were granted to 432 sales team staff, subject to satisfaction of vesting conditions relating to the overall sales performance in FY20. On satisfaction of all vesting conditions, each Right will convert to a share on a one-for-one basis or entitle the Participant to receive cash to the value of a share.

The total expense recognised for share based payments during the financial period for the group was $853,000 (2018: $1,399,000).

Movement during the period

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

	31 Dec 2019 Number	30 Jun 2019 Number
Outstanding at 1 July	9,267,322	7,189,072
Granted during the period	5,014,005	2,286,747
Vested during the period[1]	(3,950,809)	-
Forfeited during the period[2]	(237,435)	(208,497)
Outstanding at 31 December	10,093,083	9,267,322

[1] 3,950,809 rights vested during the period which had been accounted as at and were measured based on performance up to 30 June 2019.

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

In addition to the above, at 31 December 2019 Domain Holdings Australia Limited had 632,791 unvested employee incentive shares to satisfy future issuances under employee remuneration plans in that Group. The cost of this plan is included in the total expense recognised for share based payments of the Group noted above.

During the period ended 31 December 2019, the Group awarded 286,145 shares to senior management as part payment of their short-term incentives for the year ended 30 June 2019. The total cost of $526,509 was expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year ended 30 June 2019.

4.5. Financial instruments

Carrying Value and Fair Values of Financial Instruments

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

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

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

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, through valuation techniques including forward pricing and swap models and using present value calculations. The models incorporate various inputs including credit quality of counterparties and foreign exchange spot rates, forward rates and listed share prices. Fair values of the Group's interest-bearing borrowings and loans are determined by using a DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The fair value of the option over the controlled entity is determined based on a multiple of the controlled entity's EBITDA at a future date. As such, the fair value of the financial liability moves based on the EBITDA of the controlled entity and a significant increase/(decrease) in the EBITDA of the controlled entity would result in higher/(lower) fair value of the financial liability.

5. GROUP STRUCTURE

5.1. Business combinations and acquisition of non-controlling interests

5.1 (a) Information on current year acquisitions and disposals

Acquisition of additional interest in Macquarie Media Limited

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

Acquisition of Bidtracker Holdings Pty Limited

On 27 November 2019, Domain acquired 100% of the share capital in Bidtracker Holdings Pty Ltd and its subsidiaries ("Bidtracker Group") which operates the business Real Time Agent. The consideration for the acquisition is to be paid in three tranches with two of the three being contingent on the future financial performance of the Real Time Agent business.

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

The contingent consideration for tranches two and three is recognised as a financial liability on the balance sheet and is measured at fair value through the profit and loss. The contingent consideration is recognised in accordance with AASB 132 Financial Instruments: Presentation as a financial liability as there is an obligation to deliver cash consideration, based upon the post acquisition financial performance of the combined business.

Provisional goodwill of $23.9 million was recognised at the time of acquisition. The goodwill comprises expected synergies arising from the acquisition.

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

Disposal of The Weather Company Pty Ltd

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

5. GROUP STRUCTURE (continued)

5.1 (b) Information on prior year acquisitions

Fairfax Media

On 7 December 2018 the Group merged with Fairfax Media. The Group has finalised the fair value assigned to the identifiable assets and liabilities of Fairfax and Stan as at the date of acquisition. The following are changes in the allocation to the provisional values disclosed in the 2019 annual report.

Fairfax Media Limited and its controlled entities	Initial fair value recognised on acquisition $'000	Final fair value recognised on acquisition $'000	Movement[1] $'000
Assets			
Cash and cash equivalents	77,914	77,914	-
Receivables	181,807	181,807	-
Assets held for sale	9,469	16,747	7,278
Income tax receivable	15,895	15,895	-
Other financial assets	2,471	2,471	-
Equity accounted investments	2,161	2,161	-
Other assets	17,000	17,000	-
Property, plant and equipment	64,532	55,655	(8,877)
Defined benefits	1,843	1,843	-
Finite life intangible assets	205,057	207,243	2,186
Indefinite life intangible assets	637,453	637,453	-
50% interest in Stan (including goodwill)	237,400	237,655	255
Assets held for sale - discontinued operations	298,734	294,670	(4,064)
Total assets	1,751,736	1,748,514	(3,222)
Liabilities			
Payables	(129,140)	(139,504)	(10,364)
Interest bearing liabilities	(291,898)	(282,373)	9,525
Current tax liabilities	(17,790)	(17,790)	-
Provisions	(107,646)	(114,838)	(7,192)
Deferred tax liabilities	(204,254)	(179,352)	24,902
Liabilities held for sale - discontinued operations	(140,453)	(136,605)	3,848
Total liabilities	(891,181)	(870,462)	20,719
Total net assets	860,555	878,052	17,497
Non-controlling interest measured at its share of identifiable net assets	(185,309)	(185,138)	171
Goodwill	782,046	764,378	(17,668)
Purchase consideration	1,457,292	1,457,292	-

1 In accordance with the provisions of AASB 3 Business Combinations, the Group finalised its accounting for the acquisition of Fairfax during the half year. On finalisation, deferred tax assets of $24.9m were recognised and goodwill of $17.7m was derecognised.

5. GROUP STRUCTURE (continued)

5.2. Discontinued operations

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

In the current period the net profit after tax (before specific items) for Stuff NZ was $8 million. Specific items of $22.6 million (after tax) were recorded in the period relating to discontinued operations, predominantly arising from the finalisation of taxation and other balances under purchase price accounting for the Fairfax merger in relation to the businesses previously sold. The net impact on Stuff NZ of adopting AASB 16 as at 1 July 2019 was the recognition of a right of use asset of $24.9 million and a corresponding lease liability of $39.6 million; there was no impact on opening retained earnings, as the difference between the right of use asset and corresponding lease liability related to provisions in respect of leased properties.

6. Taxation

6.1 Income tax expense

	31 Dec 2019 $'000	31 Dec 2018 $'000
Current tax expense	54,067	38,266
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	(10,644)	5,334
Income tax expense	43,423	43,600
Reconciliation of tax expense to prima facie tax payable		
Profit/ (loss) from continuing operations	145,284	214,937
Prima facie income tax/(benefit)expense at the Australian rate of 30%	43,585	64,481
Tax effect of:		
Share of associates' net (profit)/loss	(7)	721
Difference between tax and accounting profit from disposal of properties	49	(860)
Deferred tax liability movement in investment and tangible assets	-	1,065
Write up of derivative financial instruments and impairment and write down of investments	161	- 74
Adjustments in respect of current income tax of previous years	2,314	-
Cost in relation to acquisition	-	4,021
Gain on Stan on consolidation	-	(27,900)
Post, digital and visual effects offset	-	(484)
Research and development tax offset	(3,529)	-
Other items - net	850	2,482
Income tax expense[1]	43,423	43,600

1 The income tax expense comprises an expense of $49,415,000 on profit before specific items and a tax credit of $5,992,000 on specific items

6. Taxation (continued)

6.2. Deferred tax assets and liabilities

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	Dec 2019 $'000	June 2019 $'000	Dec 2019 $'000	Dec 2018 $'000
Employee benefits provision	34,220	33,958	4,460	935
TV license fees accrued	-	-	-	3,382
Other provisions and accruals	27,325	27,720	(4,529)	(1,424)
Investments in associates	-	-	-	24
Property, plant and equipment	33,553	(9,183)	(8,995)	-
Intangible assets	(410,235)	(376,049)	(4,920)	-
Tax losses	67,709	69,000	3,566	-
Business related costs deductible over five years	14,779	15,042	266	-
Accelerated depreciation	(78,289)	(78,714)	(424)	6,494
Leases AASB16	1,691	-	(1,691)	-
Other	2,100	3,846	1,623	(4,077)
Net deferred income tax liabilities	(307,147)	(314,380)	(10,644)	5,334

7. OTHER

7.1. Changes in accounting policies and accounting standards

The accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the 2019 annual report except for those disclosed below.

New accounting standards and interpretations

The Group has applied *AASB 16 Leases* and *AASB Interpretation 23 Uncertainty over Income Tax Treatment* for the first time. The nature and effect of the changes as a result of this new accounting standard and interpretation is described below. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

7.1 (a) AASB 16 Leases

AASB 16 replaces all existing lease accounting standards including *AASB 117 Leases* and became effective for the Group from 1 July 2019. The standard sets out the principles for recognising, measuring and disclosing leases and requires lessees to account for most leases under a single on-balance sheet model. As a lessee, the Group has entered into lease contracts on various properties, equipment and motor vehicles in Australia and New Zealand. Under AASB16, the Group, with certain exceptions, is required to recognise a 'right-of-use (ROU) asset' representing its right to use the underlying assets and a related 'lease liability' representing the present value of future lease payments.

Transition

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

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

7. OTHER (continued)

The Group also applied the available practical expedients as follows:

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

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

	Right-of-use asset[2]				Lease Liabilities $'000	Sublease Receivable $'000
	Property $'000	Technology $'000	Other $'000	Total $'000	Total $'000	Total $'000
As at 30 June 2019	-	-	-	-	-	-
AASB 16 initial recognition[3]	270,324	2,394	11,266	283,984	(312,213)	-
Restated as at 1 July 2019	**270,324**	**2,394**	**11,266**	**283,984**	**(312,213)**	**-**
Additions/acquisitions	-	-	210	210	(210)	-
Derecognition of sublease	(6,711)	-	-	(6,711)	-	7,018
Depreciation	(18,134)	(770)	(1,920)	(20,824)	-	-
Interest expenses	-	-	-	-	(5,952)	-
Payments	-	-	-	-	27,362	-
Interest Income	-	-	-	-	-	63
Receipts	-	-	-	-	-	(10)
As at 31 December 2019	**245,479**	**1,624**	**9,556**	**256,659[1]**	**(291,013)**	**7,071**

1The table above excludes the values in respect of the held for sale asset, Stuff NZ. Refer to Note 5.2 for the AASB 16 impact of Stuff NZ as at 1 July 2019.

2 The right of use asset is included in Property, Plant & Equipment in the Statement of Financial Position.

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

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

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

* The weighted average incremental borrowing rate on transition is 3.86%

7. OTHER (continued)

Impact of AASB16 on Profit after tax from continuing operations

The adoption of AASB16 has impacted the reported segment information (Note 2.1) as illustrated below.

The impact on EBITDA before specific items is as follows

	EBITDA before specific items		
	31 Dec 2019 Reported $'000	31 Dec 2019 Pre AASB16 $'000	AASB16 Impact $'000
Broadcasting	118,219	109,218	9,001
Digital and Publishing	81,060	73,857	7,203
Domain Group	47,044	43,472	3,572
Stan	14,034	13,527	507
Segment total	**260,357**	**240,074**	**20,283**
Corporate	(9,570)	(9,570)	-
Associates	25	25	-
Total Group	**250,812**	**230,529**	**20,283**

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

	Depreciation and Amortisation		
	31 Dec 2019 Reported $'000	31 Dec 2019 Pre AASB16 $'000	AASB16 Impact $'000
Broadcasting	(20,766)	(12,570)	(8,196)
Digital and Publishing	(22,367)	(15,149)	(7,218)
Domain Group	(23,353)	(19,352)	(4,001)
Stan	(6,486)	(5,933)	(553)
Segment total	**(72,972)**	**(53,004)**	**(19,968)**
Corporate	(928)	(928)	-
Associates	-	-	-
Total Group	**(73,900)**	**(53,932)**	**(19,968)**

The impact on EBIT before specific items is as follows

	EBIT before specific items		
	31 Dec 2019 Reported $'000	31 Dec 2019 Pre AASB16 $'000	AASB16 Impact $'000
Broadcasting	97,453	96,648	805
Digital and Publishing	58,693	58,708	(15)
Domain Group	23,691	24,120	(429)
Stan	7,548	7,594	(46)
Segment total	**187,385**	**187,070**	**315**
Corporate	(10,498)	(10,498)	-
Associates	25	25	-
Total Group	**176,912**	**176,597**	**315**

7. OTHER (continued)

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

Reconciliation of EBIT before specific items to profit after tax from continuing operations	31 Dec 2019 Reported $'000	31 Dec 2019 Pre AASB16 $'000	AASB16 Impact $'000
EBIT before specific items	176,912	176,597	315
Interest income	865	865	-
Finance costs	(14,073)	(8,121)	(5,952)
Income tax expense	(49,415)	(51,106)	1,691
Profit before specific items	114,289	118,235	(3,946)
Specific items	(18,420)	(18,420)	-
Income tax benefit/(expense) on specific items	5,992	5,992	-
Net profit/(loss) from operations after income tax expense	101,861	105,807	(3,946)

Accounting policy changes following adoption of AASB 16

Accounting where Group is the lessee

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

i. Right-of-use assets (ROU)

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

ii. Lease liabilities

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

iii. Presentation

In the statement of financial position, ROU assets are included in 'property, plant and equipment' and lease liabilities in financial liabilities.

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

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

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

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

7. OTHER (continued)

Accounting where Group is the lessor

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

7.1(b) AASB Interpretation 23 Uncertainty over Income Tax Treatment

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

• Whether an entity considers uncertain tax treatments separately

• The assumptions an entity makes about the examination of tax treatments by taxation authorities

• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

• How an entity considers changes in facts and circumstances

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

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

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

7.2. Events after the balance sheet date

Other than the refinancing discussed in Note 4.1, in the time between the end of the half year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature, in the opinion of the Directors of the Company, to affect significantly the operations, results or the state of affairs of the Group, currently or in future financial years.

7.3. Contingent liabilities and related matters

The consolidated entity has made certain guarantees regarding contractual leases, performance and other commitments of $23,453,000 (2018: $14,648,000). All contingent liabilities are unsecured. The probability of having to meet these commitments is remote and there are uncertainties relating to the amount and the timing of any outflows.

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

The parent entity is a party to the Deed of Cross Guarantee entered into with various Group companies. The operation of the Deed of Cross Guarantee has the effect of joining the parent entity as a guarantor to the Group's commitments and contingencies.

Directors' Declaration

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

1. the consolidated financial statements and notes that are set out on pages 6 to 29 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 2019 and of its performance for the financial period ended on that date; and
   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Peter Costello
Chairman

Hugh Marks
Chief Executive Officer and Director

Sydney, 26 February 2020

Building a better working world

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

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Nine Entertainment Co. Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 Group as at 31 December 2019 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 control as the directors determine is 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 Group's consolidated financial position as at 31 December 2019 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*.

Ernst & Young

Christopher George
Partner
Sydney
26 February 2020