# PRIME MEDIA GROUP LIMITED

# HALF-YEARLY REPORT

# 31 DECEMBER 2010

## Contents

# Appendix 4D

HALF-YEAR ENDED 31 DECEMBER 2010

Name of entity

PRIME MEDIA GROUP LIMITED

| ABN | Financial half year ended ('current period') |
|---|---|
| 97 000 764 867 | 31 December 2010<br>(Previous corresponding period: half-year ended 31 December 2009) |

## Results for announcement to the market

*Extracts from this report for announcement to the market. This information should be read in conjunction with the most recent annual report of Prime Media Group Limited.*

| | Notes | 6 months ended 31/12/2010 $'000 | 6 months ended 31/12/2009 $'000 | % increase / (decrease) |
|---|---|---|---|---|
| Revenues from continuing operations | 3 | 133,455 | 121,338 | 10.0% |
| Earnings from continuing operations before finance costs, income tax, depreciation, amortisation and significant items (EBITDA) | | 32,884 | 23,597 | 39.4% |
| Earnings from continuing operations before finance costs, income tax and significant items (EBIT) | | 27,813 | 18,169 | 53.1% |
| Net profit after tax from continuing operations and before significant items | 8 | 15,697 | 9,079 | 72.9% |
| Significant items after income tax | 8 | 700 | (3,000) | |
| Net loss from discontinuing operations after income tax | 4 | (1,000) | (9,276) | |
| Net profit/(loss) after income tax | | 15,397 | (3,197) | |
| Net profit/(loss) after income tax attributable to members | | 15,397 | (3,112) | |

| Dividends | Amount per security (cents) | Franked amount per security (cents) |
|---|---|---|
| Final dividend 2010 – paid 22 October 2010<br>Ordinary | 1.4 | 1.4 |
| Interim dividend 2010 – 29 March 2011<br>Ordinary | 2.1 | 2.1 |

Record date for determining entitlements to the dividend. **15 March 2011**

There are no dividend or distribution reinvestment plans in operation.

| Earnings per security (cents per share) | Current period | Previous corresponding period |
|---|---|---|
| Basic EPS | 4.2 | (0.9) |
| Basic EPS from continuing operations | 4.5 | 1.7 |
| Basic EPS from continuing operations excluding significant items | 4.3 | 2.5 |
| Diluted EPS | 4.2 | (0.9) |
| Diluted EPS from continuing operations | 4.5 | 1.7 |
| Diluted EPS from continuing operations excluding significant items | 4.3 | 2.5 |

# Appendix 4D

HALF-YEAR ENDED 31 DECEMBER 2010

| NTA backing | Current period | Previous corresponding Period |
|---|---|---|
| Net tangible asset backing per ordinary security (cents) | (21) | (21) |

## Explanation of Profit/(Loss) from ordinary activities after tax attributable to members

The consolidated net profit after tax of the Group attributable to the members of Prime Media Group Limited for the half-year was of 15,397,000 (2009: loss $3,112,000) represents an increase of $18,509,000 from the prior comparative period.

Excluding the impact of discontinued operations and significant items, the net profit after tax from continuing operations for the half year of $15,697,000 (2009: $9,079,000) was $6,618,000 or 73% up on the previous corresponding period.

During the period the Company disposed of its businesses in outside broadcast production and outdoor cinema and closed down its Prime Media Singapore business. The prior period comparatives have been restated to reclassify the revenues and expenses of these businesses as discontinued operations.

Revenue from continuing operations of $133,455,000 represents a growth of $12,117,000, or 10%, on the previous corresponding period. The Company's revenue growth in its 3 Aggregate markets of NNSW, SNSW and VIC of 11.1% is in line with provisional market growth rates released by KPMG of 11.4% (3 Aggregate Market). The Company's overall growth in revenue of 10% is below market due to the inclusion of our GWN market in WA which grew by 8.6% year on year. GWN represents 15% of the Company's total revenues.

The introduction of Prime's 2 digital channels 7two and 7mate has assisted this growth in Revenue with further growth expected from 7mate which was only introduced in October 2010.

Broadcasting and transmission expenses increased by $3,304,000, or 5%, over the previous corresponding period. A scheduled increase in the contract rate under the program supply agreement, together with increased sales volumes resulted in an increase of in program costs of 13.6% in the current period. This was partly offset by a reduction in ACMA license fees of 29% in the current period as a result of the introduction of the ACMA license fee rebate program with effect from 1 Jan 2010. The effective rebate rate in the current period was 41.5% (2009: nil) and will continue at this rate in the second half of FY 2011. Additionally the Company incurred increased staff costs associated with the new digital channels 7mate and 7two.

Sales, marketing and administration costs have reduced by $484,000, or 1% over the previous corresponding period. Whilst variable selling costs increased in line with the increase in revenue, the benefits of the Company's cost reduction program has resulted in significant savings in the corporate head office and digital media business.

In relation to the cash flow statement, the net cash inflow from operating activities of $11,646,000 for the half year is $16,288,000, or 58% below the prior comparative period. This is largely due to the timing of the payment of $11,000,000 in annual ACMA license fees paid in the current period but not in the prior comparative period (paid in Jan 2010). Additionally the prior year included a tax refund of $4,577,000.

## Explanation of Dividends

The directors have declared a fully franked interim dividend of 2.1c per share for this period (2009: 1.2c per share fully franked).

## Details of entities over which control has been gained or lost during the period

On 28 October 2010, the Group completed the sale of its Australian outside broadcasting operations. As part of the sale, the Group sold 100% of its interests in Zero1Zero HD Pty Limited to Gearhouse Broadcast Pty Ltd.

# PRIME MEDIA GROUP LIMITED

# DIRECTORS' REPORT and CONDENSED FINANCIAL REPORT

## Half-Year Ended 31 DECEMBER 2010

# Corporate Information

ABN 97 000 764 867

This half year report covers the consolidated entity comprising Prime Media Group Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

## Directors

| Name | Position | Date Appointed | Date Resigned |
|---|---|---|---|
| Paul Joseph Ramsay AO | Chairman | 17 April 1985 | - |
| Michael Stanley Siddle | Deputy Chairman | 17 April 1985 | - |
| Lachlan Keith Murdoch | | 7 October 2010 | 9 November 2010 |
| Peter John Evans | | 27 March 1991 | - |
| Alexander Andrew Hamill | | 2 October 2003 | - |
| Patrick S Grier AM | | 6 June 2008 | - |
| Ian Richard Neal | | 6 June 2008 | - |
| Siobhan Louise McKenna | | 20 August 2009 | - |
| Ian Craig Audsley | Chief Executive Officer | 24June 2010 | - |

## Company Secretaries

| | | | |
|---|---|---|---|
| Robert Reeve | | 20 February 2009 | 14 October 2010 |
| Andrew Cooper | | 16 June 2005 | - |
| Lesley Kennedy | | 16 December 2010 | - |

## Registered Office

363 Antill Street
Watson, ACT 2602
(02) 6242 3700

## Share Register

Link Market Services Limited
Level 12
680 George Street
Sydney, NSW, 2000
Ph: 1300 554 474

Prime Media Group Limited shares are listed on the Australian Securities Exchange (Listing Code PRT).

## Bank

ANZ
8/20 Martin Place
Sydney NSW 2000

## Auditors

Ernst & Young
680 George Street
Sydney NSW 2000

# Directors' Report

Your directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

| | |
|---|---|
| Paul J. Ramsay AO | Chairman |
| Michael S. Siddle | Deputy Chairman |
| Lachlan K. Murdoch (appointed 7 October 2010, resigned 9 November 2010) | |
| Peter J. Evans | |
| Siobhan L. McKenna | |
| Alex A. Hamill | |
| Patrick S. Grier AM | |
| Ian R. Neal | |
| Ian C. Audsley | Chief Executive Officer |

REVIEW AND RESULTS OF OPERATIONS

The consolidated net profit after tax of the Group attributable to the members of Prime Media Group Limited for the half-year was of 15,397,000 (2009: loss $3,112,000) represents an increase of $18,509,000 from the prior comparative period.

Excluding the impact of discontinued operations and significant items, the net profit after tax from continuing operations for the half year of $15,697,000 (2009: $9,079,000) was $6,618,000 or 73% up on the previous corresponding period.

During the period the Company disposed of its businesses in outside broadcast production and outdoor cinema and closed down its Prime Media Singapore business. The prior period comparatives have been restated to reclassify the revenues and expenses of these businesses as discontinued operations.

Revenue from continuing operations of $133,455,000 represents a growth of $12,117,000, or 10%, on the previous corresponding period. The Company's revenue growth in its 3 Aggregate markets of NNSW, SNSW and VIC of 11.1% is in line with provisional market growth rates released by KPMG of 11.4% (3 Aggregate Market). The Company's overall growth in revenue of 10% is below market due to the inclusion of our GWN market in WA which grew by 8.6% year on year. GWN represents 15% of the Company's total revenues.

The introduction of Prime's 2 digital channels 7two and 7mate has assisted this growth in Revenue with further growth expected from 7mate which was only introduced in October 2010.

Broadcasting and transmission expenses increased by $3,304,000, or 5%, over the previous corresponding period. A scheduled increase in the contract rate under the program supply agreement, together with increased sales volumes resulted in an increase of in program costs of 13.6% in the current period. This was partly offset by a reduction in ACMA license fees of 29% in the current period as a result of the introduction of the ACMA license fee rebate program with effect from 1 Jan 2010. The effective rebate rate in the current period was 41.5% (2009: nil) and will continue at this rate in the second half of FY 2011. Additionally the Company incurred increased staff costs associated with the new digital channels 7mate and 7two.

Sales, marketing and administration costs have reduced by $484,000, or 1% over the previous corresponding period. Whilst variable selling costs increased in line with the increase in revenue, the benefits of the Company's cost reduction program has resulted in significant savings in the corporate head office and digital media business.

In relation to the cash flow statement, the net cash inflow from operating activities of $11,646,000 for the half year is $16,288,000, or 58% below the prior comparative period. This is largely due to the timing of the payment of $11,000,000 in annual ACMA license fees paid in the current period but not in the prior comparative period (paid in Jan 2010). Additionally the prior year included a tax refund of $4,577,000.

<u>Dividends</u>

The directors have declared a fully franked interim dividend of 2.1c per share for this period (2009: 1.2c per share fully franked).

ROUNDING

The amounts contained in this report and in the half-year financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

# Directors' Report

AUDITORS INDEPENDENCE DECLARATION

We have obtained the following independence declaration from our auditors, Ernst & Young.

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

## Auditor's Independence Declaration to the Directors of Prime Media Group Limited

In relation to our review of the financial report of Prime Media Group Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

David Simmonds
Partner
17 February 2011



Signed in accordance with a resolution of the directors.

Peter J. Evans
Director
Sydney, 17 February 2011

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | AS AT 31 DECEMBER 2010 $'000 | AS AT 30 JUNE 2010 $'000 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 5,932 | 5,664 |
| Trade and other receivables | | 48,907 | 51,514 |
| Other assets | | 3,207 | 2,462 |
| Intangible assets | 12 | 832 | 832 |
| Current tax assets | | 473 | 57 |
| | | 59,351 | 60,529 |
| Assets of disposal group classified as held for sale | | - | 39,888 |
| TOTAL CURRENT ASSETS | | 59,351 | 100,417 |
| NON-CURRENT ASSETS | | | |
| Receivables | | 619 | 317 |
| Investments in associates | | - | 80 |
| Investments in available for sale financial assets | | 5,138 | 3,137 |
| Property, plant and equipment | | 53,960 | 56,308 |
| Deferred tax assets | | 8,049 | 12,093 |
| Intangible assets and goodwill | 12 | 224,929 | 225,284 |
| Prepayments | | 1,473 | 1,561 |
| TOTAL NON-CURRENT ASSETS | | 294,168 | 298,780 |
| TOTAL ASSETS | | 353,519 | 399,197 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 47,011 | 58,031 |
| Interest bearing loans and borrowings | | 601 | 408 |
| Current tax liabilities | | 588 | - |
| Provisions | | 4,551 | 10,477 |
| Derivative financial instruments | 11 | 1,756 | 3,020 |
| | | 54,507 | 71,936 |
| Liabilities directly associated with assets classified as held for sale | | - | 24,162 |
| TOTAL CURRENT LIABILITIES | | 54,507 | 96,098 |
| NON-CURRENT LIABILITIES | | | |
| Trade and other payables | | 231 | 68 |
| Interest bearing loans and borrowings | | 150,770 | 165,201 |
| Provisions | | 475 | 520 |
| TOTAL NON-CURRENT LIABILITIES | | 151,476 | 165,789 |
| TOTAL LIABILITIES | | 205,983 | 261,887 |
| NET ASSETS | | 147,536 | 137,310 |

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2010

| | Notes | CONSOLIDATED | |
|---|---|---|---|
| | | AS AT 31 DECEMBER 2010 $'000 | AS AT 30 JUNE 2010 $'000 |
| EQUITY | | | |
| Contributed equity | | 310,262 | 310,262 |
| Other reserves | | (1,579) | (1,537) |
| Accumulated losses | | (161,147) | (171,415) |
| Parent entity interests | | 147,536 | 137,310 |
| TOTAL EQUITY | | 147,536 | 137,310 |

# Consolidated Statement of Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER 2010

| | Notes | CONSOLIDATED 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Revenue and other income | | | |
| Revenue from services | | 132,580 | 120,105 |
| Interest income | | 155 | 190 |
| Other income | | 720 | 1,043 |
| Total revenue and other income | 3(a)(i) | 133,455 | 121,338 |
| Expenses | | | |
| Broadcasting and transmission expenses | | (69,308) | (66,004) |
| Sales, marketing and administration expenses | | (35,719) | (36,203) |
| Total expenses, excluding finance costs and specific items | 3(a)(ii) | (105,027) | (102,207) |
| Share of associates losses | | (460) | (772) |
| Profit from continuing operations before finance costs, specific items and income tax | | 27,968 | 18,359 |
| Finance costs | 3(a)(iii) | (5,846) | (5,551) |
| *Specific items* | | | |
| Gain from MtM Derivative Financial Instruments | | 1,264 | 1,630 |
| Gain from disposal of available for sale financial assets | | - | 218 |
| Impairment expense – property, plant and equipment | 3(a)(v) | - | (2,833) |
| Impairment expense – loan to associates | 3(a)(v) | - | (2,200) |
| Administrator expenses of associate | | - | (97) |
| Staff restructuring and redundancy expenses | | (263) | (61) |
| PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX | | 23,123 | 9,465 |
| Income tax expense | | (6,726) | (3,386) |
| PROFIT AFTER TAX FROM CONTINUING OPERATIONS | | 16,397 | 6,079 |
| Profit/(loss) after tax from discontinuing operations | 4 | (1,000) | (9,276) |
| NET PROFIT / (LOSS) FOR THE PERIOD AFTER TAX | | 15,397 | (3,197) |
| Other comprehensive income | | | |
| Fair value revaluation of available-for-sale financial assets | | - | 701 |
| Currency translation differences for the period recognised directly in equity | | (226) | 173 |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD BEFORE INCOME TAX | | (226) | 874 |
| Income tax expense on items of other comprehensive income | | - | (210) |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD AFTER INCOME TAX | | (226) | 664 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD AFTER TAX | | 15,171 | (2,533) |

# Consolidated Statement of Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER 2010

| | Notes | CONSOLIDATED 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| Net Profit/(Loss) for the period is attributable to: | | | |
| Non-controlling interest | | - | (85) |
| Owners of the Parent | | 15,397 | (3,112) |
| | | 15,397 | (3,197) |
| Total comprehensive income for the period is attributable to: | | | |
| Non-controlling interest | | - | (85) |
| Owners of the Parent | | 15,171 | (2,448) |
| | | 15,171 | (2,533) |
| Basic Earnings per share (cents per share) | | | |
| - profit for the half year | | 4.2 | (0.9) |
| - profit from continuing operations | | 4.5 | 1.7 |
| Diluted Earnings per share (cents per share) | | | |
| - profit for the half year | | 4.2 | (0.9) |
| - profit from continuing operations | | 4.5 | 1.7 |

# Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2010

| CONSOLIDATED | Contributed Equity $'000 | Accumulated Losses $'000 | Employee Benefits Reserve $'000 | Foreign Currency Translation Reserve $'000 | Net Unrealised Gains Reserve $'000 | General Reserve $'000 | Total Parent Entity Interest $'000 | Non-Controlling Interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2010 | 310,262 | (171,415) | 2,044 | (794) | - | (2,787) | 137,310 | - | 137,310 |
| Profit for the period | - | 15,397 | - | - | - | - | 15,397 | - | 15,397 |
| Other comprehensive income | - | - | - | (226) | - | - | (226) | - | (226) |
| Total comprehensive income and expense for the period | - | 15,397 | - | (226) | - | - | 15,171 | - | 15,171 |
| Transactions with equity holders in their capacity as equity holders: | | | | | | | | | |
| Share based payments | - | - | 184 | - | - | - | 184 | - | 184 |
| Dividends on ordinary shares | - | (5,129) | - | - | - | - | (5,129) | - | (5,129) |
| At 31 December 2010 | 310,262 | (161,147) | 2,228 | (1,020) | - | (2,787) | 147,536 | - | 147,536 |

# Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2010

| CONSOLIDATED | Contributed Equity $'000 | Accumulated Losses $'000 | Employee Benefits Reserve $'000 | Foreign Currency Translation Reserve $'000 | Net Unrealised Gains Reserve $'000 | General Reserve $'000 | Total Parent Entity Interest $'000 | Non-Controlling Interest $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 July 2009 | 305,643 | (108,941) | 2,028 | (2,044) | - | - | 196,686 | 652 | 197,338 |
| Loss for the period | - | (3,112) | - | - | - | - | (3,112) | (85) | (3,197) |
| Other comprehensive income | - | - | - | 173 | 491 | - | 664 | - | 664 |
| Total comprehensive income and expense for the period | - | (3,112) | - | 173 | 491 | - | (2,448) | (85) | (2,533) |
| Transactions with equity holders in their capacity as equity holders: | | | | | | | | | |
| Shares issued as consideration of equity settled transactions | 1,102 | - | - | - | - | - | 1,102 | - | 1,102 |
| Shares issued as consideration for acquisition of non-controlling interest in controlled entities | 3,354 | - | - | - | - | - | 3,354 | - | 3,354 |
| Transaction costs of acquiring non-controlling interest | (625) | - | - | - | - | - | (625) | - | (625) |
| Non-controlling interests acquired in controlled entities | - | - | - | - | - | (2,787) | (2,787) | (567) | (3,354) |
| Dividends on ordinary shares | - | (3,633) | - | - | - | - | (3,633) | - | (3,633) |
| At 31 December 2009 | 309,474 | (115,686) | 2,028 | (1,871) | 491 | (2,787) | 191,649 | - | 191,649 |

# Consolidated Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2010

| | Notes | CONSOLIDATED 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) (1) | | 155,860 | 155,638 |
| Payments to suppliers and employees (inclusive of GST) | | (136,241) | (123,732) |
| Interest received | | 166 | 196 |
| Finance costs paid | | (5,373) | (6,325) |
| Income tax paid | | (2,766) | (2,420) |
| Income tax refunds | | - | 4,577 |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES (2) | | 11,646 | 27,934 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (4,250) | (21,285) |
| Proceeds from sale of business operations | | 20,854 | - |
| Proceeds from sale of property, plant and equipment | | 1,105 | 33 |
| Proceeds from sale of available for sale financial assets | | 34 | 469 |
| Payment of deferred consideration for acquisition of subsidiaries and related business assets | | (1,250) | (487) |
| Proceeds from deferred consideration from disposal of business operations | | 94 | - |
| Repayment of loan funds from related entity | | - | 23 |
| Loan to associates | | (150) | (2,063) |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | 16,437 | (23,310) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 31,000 | 40,000 |
| Repayment of borrowings | | (52,933) | (41,820) |
| Finance lease liability payments | | (765) | (1,014) |
| Transaction costs paid in acquiring non controlling interest in controlled entities | | - | (159) |
| Equity dividends paid | | (5,129) | (3,633) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | | (27,827) | (6,626) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 256 | (2,002) |
| Cash and cash equivalents at beginning of period | | 5,664 | 6,669 |
| Net foreign exchange difference | | 12 | 121 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 5,932 | 4,788 |

(1) Receipt from customers is inclusive of receipts from customers in discontinued activities.

(2) The net cash inflow from operating activities of $11,646,000 for the half year is $16,288,000, or 58% below the prior comparative period. This is largely due to the timing of the payment of $11,000,000 in annual ACMA license fees paid in the current period but not in the prior comparative period (paid in Jan 2010). Additionally the prior year included a tax refund of $4,577,000.

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 1. CORPORATE INFORMATION

The financial report of Prime Media Group Limited (the Group) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 17 February 2011. Prime Media Group Limited is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in note 7.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The half-year financial statement is a general-purpose condensed 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 financial report does not include all notes of the type normally included within the 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 the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report of Prime Media Group Limited for the year ended 30 June 2010 and considered together with any public announcements made by Prime Media Group Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The comparative financial results have been restated to reclassify previously disclosed continuing operations of Broadcast Production Services, Moonlight Cinema, On Site Broadcasting and Prime Media Singapore as discontinuing operations following the disposal or closure of these units during the current period.

| | CONSOLIDATED | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| **3. REVENUE, INCOME AND EXPENSES** | | |
| (a) Revenue, Income and Expenses from Continuing Operations | | |
| (i) Income | | |
| Media sales revenue | 129,534 | 117,692 |
| Rental income | 1,022 | 1,171 |
| Government grants | 655 | 655 |
| Production revenue | 972 | 478 |
| Sales Representation fees | 397 | 109 |
| Total operating revenues | 132,580 | 120,105 |
| Other income | 720 | 1,043 |
| Interest received | 155 | 190 |
| | 875 | 1,233 |
| Total income | 133,455 | 121,338 |

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | CONSOLIDATED 2010 $'000 | 2009 $'000 |
|---|---|---|
| **3. REVENUE, INCOME AND EXPENSES (continued)** | | |
| (a) Revenue, Income and Expenses from Continuing Operations (continued) | | |
| (ii) Expenses | | |
| Broadcasting and transmission expenses | 69,308 | 66,004 |
| Sales, marketing and administration expenses | 35,719 | 36,203 |
| Total expenses and losses from continuing activities before finance costs | 105,027 | 102,207 |
| (iii) Finance costs expensed | | |
| - Interest expense – other persons | 5,846 | 5,551 |
| Total finance costs expensed | 5,846 | 5,551 |
| (iv) Specific expenses included in 3(ii) above: | | |
| Bad and doubtful debts – trade debtors | 211 | 166 |
| Operating lease expenditure | 8,665 | 8,743 |
| Superannuation contributions | 1,655 | 1,598 |
| Share-based payments expense | 184 | - |
| Depreciation and amortisation | 5,071 | 5,428 |
| (v) Impairment expenses: | | |
| Impairment expense – loan to associate (a) | - | 2,200 |
| Impairment expense – property, plant and equipment | - | 2,833 |
| (vi) Disclosure of tax effects relating to each component of other comprehensive income: | | |
| Fair value revaluation of available-for-sale financial assets | - | (210) |
| | - | (210) |

Notes

(a) In the prior year the directors reviewed the forecast cashflows of the associate company in order to assess the collectability of the loan funds advanced. This review gave rise to a provision for impairment of loan receivable of $2,200,000.

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 4. DISCONTINUED OPERATIONS

2010

*MOONLIGHT CINEMA*

On 1 October 2010, the Group completed the sale of Moonlight Cinema, its Australian outdoor cinema operation, to Amalgamated Holdings Limited for a disposal sale consideration of $1,750,000.

*ON SITE BROADCASTING*

On 9 July 2010, the Group completed the sale of its On Site Broadcasting business in New Zealand to Sky Network Television Limited for cash consideration of $10,669,578 and a contingent deferred consideration component fair valued at $565,000. The deferred consideration is repayable over a period of 4 years to 30 June 2014 and the amount earned is contingent upon the amount of profit earned under various contracts transferred as part of the sale.

On 28 October 2010, the Group completed the sale of its On Site Broadcasting business in Australia to Gearhouse Broadcast Pty Ltd for total consideration of $10,434,021.

The consideration comprised of the following:

| | |
|---|---|
| Cash consideration | 8,434,021 |
| Shares issued in Gearhouse Broadcast Pty Limited (unlisted) at fair value | 2,000,000 |
| Deferred Contingent Consideration, at fair value | - |
| Total consideration | $10,434,021 |

2009

*TELEVISION PRODUCTION*

On 20 November 2009, the board agreed to cease operation of the Screenworld television production business and transfer the production rights in current developments to Beyond International. The television production operations were wound up following the completion of the transfer to Beyond International on 18 January 2010.

| FINANCIAL PERFORMANCE OF DISCONTINUED OPERATIONS | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Revenue | 5,240 | 17,170 |
| Expenses | (5,639) | (18,943) |
| Net Profit / (loss) attributable to discontinued operations before significant items | (399) | (1,773) |
| Significant items (refer Note 7) | - | (10,114) |
| Loss on disposal of discontinuing operations | (583) | - |
| Net Profit / (loss) attributable to discontinued operations before income tax | (982) | (11,887) |
| Income tax (expense) / benefit | (18) | 2,611 |
| Net profit / (loss) attributable to discontinued operations after tax | (1,000) | (9,276) |
| Net profit / (loss) from discontinued operations attributable to members of parent entity | (1,000) | (9,276) |
| Earnings per share (cents per share) | | |
| - Basic from discontinued operations | (0.3) | (2.6) |
| - Diluted from discontinued operations | (0.3) | (2.6) |

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | AS AT 31 DECEMBER 2010 $'000 | AS AT 30 JUNE 2010 $'000 |
|---|---|---|
| **5. CONTRIBUTED EQUITY** | | |
| Ordinary shares | | |
| Issued and fully paid | | |
| 366,330,303 (June 2010: 366,330,303) | 310,262 | 310,262 |

| | Number of shares | $'000 |
|---|---|---|
| Movements in ordinary shares on issue | | |
| At 1 July 2010 | 366,330,303 | 310,262 |
| At 31 December 2010 | 366,330,303 | 310,262 |

| | CONSOLIDATED 2010 $'000 | 2009 $'000 |
|---|---|---|
| **6. DIVIDENDS PAID AND PROPOSED** | | |
| Equity dividends on ordinary shares | | |
| (a) Dividends declared and paid during the half-year | | |
| Final franked dividend for financial year ended 30 June 2010: 1.4 cent (2009: 1.0 cents) | 5,129 | 3,633 |
| (b) Dividends proposed and not recognised as a liability | | |
| Interim franked dividend for half year ended 31 December 2010: 2.1 cents (2009: 1.2 cents) | 7,693 | 4,383 |

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 7. OPERATING SEGMENTS

### Identification of reportable segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is delivered, and the nature of services provided. Discrete financial information about each of these operating businesses is reported to the board on a monthly basis.

### Description of segments

*Television Broadcasting*

Television Broadcasting comprises “free to air” television broadcasting through Prime and the Golden West Network (GWN).

The Prime television broadcast signal services the regional locations of Northern and Southern New South Wales, Canberra, Victoria, and the Gold Coast area while regional Western Australia is serviced by the GWN television broadcast signal. The majority of revenue is sourced from the sale of television advertising.

*Radio Broadcasting*

Radio Broadcasting consists of 10 radio stations which operate within coastal Queensland stretching from the Sunshine Coast to Cairns. The majority of revenue is sourced from the sale of radio advertising.

*Prime Digital Media*

Prime Digital Media produce and deliver digital content to out-of-home digital clients. The majority of revenue is sourced from the sale of content production.

*iPrime*

iPrime operates a network of hyper local websites that are based in the communities that make up the viewing regions of the television broadcasting business. The websites provide local content and revenue is sourced mainly from the sale of online advertising.

This business segment was acquired by the Group on 30 June 2010.

*Corporate and Other*

Includes administrative and financial support operations of the Group. These services are provided across the Group, mainly in its capacity as a public company, and are therefore not attributable to any of the operating units. These activities are reported separately to the Board.

### Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those reported in the most recent Annual Report.

The following table presents revenue and profit information for operating segments for the half years ended 31 December 2010 and 31 December 2009.

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 7. OPERATING SEGMENTS (continued)

| Half Year ended 31 December 2010 | Continuing Operations | | | | | | Discontinued Operations | |
|---|---|---|---|---|---|---|---|---|
| | Television Broadcasting | Radio Broadcasting | Prime Digital Media | iPrime | Unallocated | Total Continuing | Broadcast Production Services and Prime Media Singapore | Total Operations |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Segment Revenues | | | | | | | | |
| External sales and customers | 118,077 | 10,205 | 1,207 | 749 | (12) | 130,226 | 5,115 | 135,341 |
| Other income (excluding interest income) | 2,015 | 899 | 11 | 33 | 116 | 3,074 | 114 | 3,188 |
| Total segment revenue | 120,092 | 11,104 | 1,218 | 782 | 104 | 133,300 | 5,229 | 138,529 |
| Finance income | - | 9 | - | - | 146 | 155 | 11 | 166 |
| Total revenue per the statement of comprehensive income | 120,092 | 11,113 | 1,218 | 782 | 250 | 133,455 | 5,240 | 138,695 |
| Segment Result | | | | | | | | |
| EBITDA (excluding finance income) | 34,034 | 2,620 | 205 | (585) | (3,390) | 32,884 | (360) | 32,524 |
| EBIT (excluding finance income) | 29,916 | 2,016 | 202 | (627) | (3,694) | 27,813 | (374) | 27,439 |
| Net Profit before tax and significant items | 29,757 | 2,009 | 202 | (627) | (9,219) | 22,122 | (399) | 21,723 |
| *Significant Items* | | | | | | | | |
| Fair value change in derivatives | | | | | 1,264 | 1,264 | - | 1,264 |
| Staff restructuring | | | | | (263) | (263) | - | (263) |
| Loss on disposal | | | | | | - | (583) | (583) |
| Net Profit / (Loss) before income tax per the statement of comprehensive income | 29,757 | 2,009 | 202 | (627) | (8,218) | 23,123 | (982) | 22,141 |
| Income tax (expense) | | | | | | (6,726) | (18) | (6,744) |
| Net Profit / (Loss) after tax | | | | | | 16,397 | (1,000) | 15,397 |
| Non-controlling interests | | | | | | | | - |
| Net Profit after tax attributable to members of Prime Media Group Limited | | | | | | | | 15,397 |
| Segment Assets | | | | | | | | |
| Segment operating assets | 280,626 | 47,615 | 2,237 | 335 | 22,706 | 353,519 | - | 353,519 |

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 7. OPERATING SEGMENTS (continued)

| Half Year ended 31 December 2009 | Continuing Operations | | | | | | Discontinued Operations | |
|---|---|---|---|---|---|---|---|---|
| | Television Broadcasting $'000 | Radio Broadcasting $'000 | Prime Digital Media $'000 | iPrime $'000 | Unallocated $'000 | Total Continuing $'000 | Broadcast Production Services and Prime Media Singapore $'000 | Total Operations $'000 |
| Segment Revenues | | | | | | | | |
| External sales and customers | 107,026 | 9,649 | 1,340 | - | (89) | 117,926 | 17,057 | 134,983 |
| Other income (excluding interest income) | 2,306 | 819 | 14 | - | 83 | 3,222 | 107 | 3,329 |
| Total segment revenue | 109,332 | 10,468 | 1,354 | - | (6) | 121,148 | 17,164 | 138,312 |
| Finance income | - | 6 | 2 | - | 182 | 190 | 6 | 196 |
| Total revenue per the statement of comprehensive income | 109,332 | 10,474 | 1,356 | - | 176 | 121,338 | 17,170 | 138,508 |
| Segment Result | | | | | | | | |
| EBITDA (excluding finance income) | 27,924 | 1,893 | (2,515) | - | (3,705) | 23,597 | 3,019 | 26,616 |
| EBIT (excluding finance income) | 23,777 | 1,291 | (2,839) | - | (4,060) | 18,169 | (377) | 17,792 |
| Net Profit before tax and significant items | 23,620 | 1,289 | (2,838) | - | (9,263) | 12,808 | (1,773) | 11,035 |
| *Significant Items* | | | | | | | | |
| Fair value change in derivatives | | | | | 1,630 | 1,630 | - | 1,630 |
| Staff restructuring | | | | | (61) | (61) | (1,041) | (1,102) |
| Destra administration costs | | | | | (97) | (97) | - | (97) |
| Gain on disposal of available-for-sale financial assets | | | | | 218 | 218 | - | 218 |
| Impairment expense – loan to associate | | | | | (2,200) | (2,200) | - | (2,200) |
| Impairment expense – goodwill | | | | | - | - | (8,611) | (8,611) |
| Impairment expense – property, plant and equipment | | | | | (2,833) | (2,833) | (22) | (2,855) |
| Impairment expense – television format rights | | | | | - | - | (440) | (440) |
| Net Profit / (Loss) before income tax per the statement of comprehensive income | 23,620 | 1,289 | (2,838) | - | (12,606) | 9,465 | (11,887) | (2,422) |
| Income tax (expense)/benefit | | | | | | (3,386) | 2,611 | (775) |
| Net Profit / (Loss) after tax | | | | | | 6,079 | (9,276) | (3,197) |
| Non-controlling interests | | | | | | | | 85 |
| Net Profit after tax attributable to members of Prime Media Group Limited | | | | | | | | (3,112) |
| Segment Assets | | | | | | | | |
| Segment operating assets | 273,233 | 60,433 | 18,044 | - | 29,475 | 381,185 | 71,354 | 452,539 |

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | CONSOLIDATED 2010 $'000 | 2009 $'000 |
|---|---|---|
| **8. SIGNIFICANT ITEMS included in net profit / (loss) from continuing operations** | | |
| Net profit after tax from continuing operations | 16,397 | 6,079 |
| *Included in profit are the following items which are considered unusual due to their nature, size or incidence.* | | |
| Fair value change in derivatives | 1,264 | 1,630 |
| Impairment expense – loan to associate | - | (2,200) |
| Impairment expense – property, plant and equipment | - | (2,833) |
| Destra administration costs | - | (97) |
| Gain on sale of available-for-sale financial assets | - | 218 |
| Restructuring expense | (263) | (61) |
| Total significant items before tax | 1,001 | (3,343) |
| Income tax (expense)/benefit related to significant items | (301) | 343 |
| Total significant items after tax | 700 | (3,000) |
| Net profit after tax from continuing operations excluding significant items | 15,697 | 9,079 |
| Basic Earnings per share (cents per share) | | |
| - profit from continuing operations excluding significant items | 4.3c | 2.5c |
| Diluted Earnings per share (cents per share) | | |
| - profit from continuing operations excluding significant items | 4.3c | 2.5c |

## 9. ACQUISITION OF NON-CONTROLLING INTEREST

2010

There were no non-controlling interest acquired during this period.

2009

*Acquisition of Broadcast Production Services Limited and controlled entities*

On 6 November 2009, Prime Media Broadcasting Services Pty Limited ("Prime"), a controlled entity of Prime Media Group Limited, completed the acquisition of the non-controlling interest in Broadcast Production Services Limited ("BPSL") a listed company based in Australia. This acquisition was completed in two steps. On 21 September 2009, Prime acquired 21.52% of the shares in BPSL, at which time Prime proceeded to compulsorily acquire the remaining outstanding ordinary shares of BPSL. Upon completion of the compulsory acquisition, BPSL was delisted from the Australian Securities Exchange.

| The consideration comprised of the following: | 2009 $'000 |
|---|---|
| Shares issued as consideration less costs | 3,412 |
| Total consideration | 3,412 |

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

## 10. COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below.

Capital Commitments

At 31 December 2010 the Group has capital commitments of $3,051,000 (June 2010: $7,012,000) primarily for the purchase of operational equipment. These commitments are due for settlement at various dates during the half year ending 30 June 2011 in accordance with delivery of capital equipment ready for use by the Group. The decrease in capital commitments since June 2010 is due to the sale of the Australian outside broadcasting operations.

## 11. FINANCIAL INSTRUMENTS

At 31 December 2010, the Group has interest rate swap agreements in place with notional values of $95,000,000 (June 2010: $95,000,000), whereby it pays between 6.38% and 6.39% interest and receives a variable rate equal to the BBSW on the notional amount. The swaps are used to protect part of the interest bearing borrowings under the Group's bank loan facility from exposure to rising interest rates. The swap in place covers approximately 66% (June 2010: 56%) of the outstanding bank loans at balance date.

Swap agreements expire in July 2012 and October 2012. The interest rate swaps require settlement of net interest receivable or payable each 90 days.

The swaps are measured at fair value and all gains and losses are taken to the profit and loss.

# Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

| | CONSOLIDATED AS AT 31 DECEMBER 2010 $'000 | AS AT 30 JUNE 2010 $'000 |
|---|---|---|
| **12. GOODWILL AND INTANGIBLE ASSETS** | | |
| Current | | |
| Program Rights | | |
| At written down value | 832 | 832 |
| | 832 | 832 |
| Non-current | | |
| Goodwill on Acquisition | 3,657 | 3,657 |
| Broadcast Licences and associated rights | | |
| At cost | 219,810 | 219,810 |
| Program Rights | | |
| At written down value | 1,400 | 1,817 |
| Websites | | |
| At written down value | 62 | - |
| | 224,929 | 225,284 |
| Reconciliations | | |
| Goodwill on Acquisition | | |
| Carrying amount at beginning of the period | 3,657 | 44,286 |
| Additions | - | 1,400 |
| Assets classified as held for sale | - | (2,097) |
| Impairment losses | - | (39,932) |
| | 3,657 | 3,657 |
| Program Rights | | |
| Carrying amount at beginning of the period | 2,649 | 5,650 |
| Amortisation expense | (417) | (1,700) |
| Impairment losses | - | (1,301) |
| | 2,232 | 2,649 |
| Television Format Production Rights | | |
| Carrying amount at beginning of the period | - | 440 |
| Impairment losses | - | (440) |
| | - | - |
| Websites | | |
| Carrying amount at beginning of the period | - | - |
| Additions | 79 | - |
| Amortisation expense | (17) | - |
| | 62 | - |

(a) Impairment testing of goodwill and other intangible assets

During the period under review, the board and management have not become aware of any potential indicators that would affect the carrying value of the Group's intangible assets.

# Directors' Declaration

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

In accordance with a resolution of the directors of Prime Media Group Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(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 J. Evans
Director

Sydney, 17 February 2011

# Independent Review Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

ERNST & YOUNG

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To the members of Prime Media Group Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prime Media Group Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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 Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Prime Media Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

# Independent Review Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

ERNST & YOUNG

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## Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its 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*.

Ernst + Young

Ernst & Young

David Simmonds
Partner
Sydney
17 February 2011