

PRIME MEDIA GROUP LIMITED HALF-YEAR REPORT 31 DECEMBER 2012

Contents

Appendix 4D

Half-Year Financial Report



Appendix 4D

HALF-YEAR ENDED 31 DECEMBER 2012

Name of entity

PRIME MEDIA GROUP LIMITED

ABN

Financial half year ended ('current period')

31 December 2012

(Previous corresponding period: half-year ended 31 December 2011)

97 000 764 867

Results for announcement to the market

Net tangible asset backing per ordinary security (cents)

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.

	6 months ended 31/12/2012 \$'000	6 months ended 31/12/2011 \$'000	% increase / (decrease)
Revenues from continuing operations	144,054	138,686	3.9%
Earnings from continuing operations before finance costs, income tax, depreciation, amortisation and impairment (EBITDA)	35,337	33,907	4.2%
Earnings from continuing operations before finance costs and income tax (EBIT)	15,781	28,913	(45.4%)
Net profit after tax from continuing operations (NPAT)	4,619	16,207	(71.5%)
Net loss from discontinuing operations	-	(61)	100.0%
Net profit/(loss) after income tax	4,619	16,146	(71.4%)
Net profit/(loss) after income tax attributable to members	4,619	16,146	(71.4%)
Dividends	Amount per section (cents)	urity Frank	sed amount per security (cents)
Final dividend 2012 – paid 28 September 2012 Ordinary	3.3		3.3
Interim dividend 2013 – 22 March 2013 Ordinary	4.0		4.0
Record date for determining entitlements to the dividend.		8 March 2013	
There are no dividend or distribution reinvestment plans in operation.			
Earnings per security (cents per share)	Current period Previous corresponder		
Basic EPS	1.3		4.4
Basic EPS from continuing operations	1.3		4.4
Basic EPS from continuing operations excluding specific items	5.3		4.4
Diluted EPS	1.3		4.4
NTA backing	Current perior	d Previou	us corresponding Period
	(10.0)		(10.0)

(16.3)

(18.8)



Appendix 4D

HALF-YEAR ENDED 31 DECEMBER 2012

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

The consolidated net profit after tax of the Company attributable to the members of Prime Media Group Limited for the half-year ended 31 December 2012 of \$4,619,000 (2011: \$16,146,000) represents a decrease of \$11,527,000 or -71.4% on the prior comparative period. Profit after tax from continuing operations and before specific items was \$19,367,000, which represents an increase of \$3,378,000 or 21.1%.

Revenue from continuing operations of \$144,054,000 represents a growth of \$5,368,000, or 3.9%, on the previous corresponding period. The Company's revenue growth in its Television "3 Aggregate markets" of Northern NSW, Southern NSW and Victoria of 3.4% is significantly ahead of the market growth rate released by KPMG of negative 2.0%, a differential of 5.4 share points above market. Additionally, improved sales representation fees earned from the 7 Network in regional Queensland, the growth in digital multi channels, and the introduction of the data casting channel in September 2011 have all contributed to additional revenue growth in the period.

Gross Profit Margin in the current period of 49.2% is below the prior period margin of 50.2% due to a planned increase in the network affiliation fee.

Broadcasting and transmission expenses were in line with the previous corresponding period. Marketing and administration expenses of \$10,644,000 were \$79,000 or 0.7% favourable to the previous corresponding period.

Finance costs were \$1,721,000 or 29.5% favourable to the previous corresponding period generally due to lower interest rates and improved cash management.

The Group reviewed the carrying values of indefinite life intangibles at the reporting date, which resulted in an impairment charge to reduce the carrying value of the Radio broadcast licences by \$15,000,000.

No seasonal or cyclical factors are expected to materially affect the full year results.

Explanation of Dividends

The directors have declared a fully franked interim dividend of 4.0c per share for this period (2011: 3.3c per share fully franked).

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

Not Applicable



PRIME MEDIA GROUP LIMITED FINANCIAL REPORT HALF-YEAR ENDED 31 DECEMBER 2012



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'). The Group's functional and presentation currency is AUD (\$).

Directors

P. J. Ramsay AO (Chairman)

M. S. Siddle (Deputy Chairman)

I. C. Audsley (Chief Executive Officer)

P. J. Evans FCA

A. A. Hamill

P. S. Grier AM

I. R. Neal

Company Secretaries

E.J.R McDonald

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

Australia and New Zealand Banking Group Limited (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 2012.

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.

P. J. Ramsay AO (Chairman)

M. S. Siddle (Deputy Chairman)

I. C. Audsley (Chief Executive Officer)

P. J. Evans FCA

A. A. Hamill

P. S. Grier AM

I. R. Neal

REVIEW AND RESULTS OF OPERATIONS

The consolidated net profit after tax of the Company attributable to the members of Prime Media Group Limited for the half-year ended 31 December 2012 of \$4,619,000 (2011: \$16,146,000) represents a decrease of \$11,527,000 or -71.4% on the prior comparative period. Profit after tax from continuing operations and before specific items was \$19,367,000, which represents an increase of \$3,378,000 or 21.1%.

Revenue from continuing operations of \$144,054,000 represents a growth of \$5,368,000, or 3.9%, on the previous corresponding period. The Company's revenue growth in its Television "3 Aggregate markets" of Northern NSW, Southern NSW and Victoria of 3.4% is significantly ahead of the market growth rate released by KPMG of negative 2.0%, a differential of 5.4 share points above market. Additionally, improved sales representation fees earned from the 7 Network in regional Queensland, the growth in digital multi channels, and the introduction of the data casting channel in September 2011 have all contributed to additional revenue growth in the period.

Gross Profit Margin in the current period of 49.2% is below the prior period margin of 50.2% due to a planned increase in the network affiliation fee.

Broadcasting and transmission expenses were in line with the previous corresponding period. Marketing and administration expenses of \$10,644,000 were \$79,000 or 0.7% favourable to the previous corresponding period.

Finance costs were \$1,721,000 or 29.5% favourable to the previous corresponding period generally due to lower interest rates and improved cash management.

The Group reviewed the carrying values of indefinite life intangibles at the reporting date, which resulted in an impairment charge to reduce the carrying value of the Radio broadcast licences by \$15,000,000.

No seasonal or cyclical factors are expected to materially affect the full year results.

Dividends

The directors have declared a fully franked interim dividend of 4.0c per share for this period (2011: 3.3c 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 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 December 31 2012, 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

26 February 2013

Signed in accordance with a resolution of the directors.

Peter J. Evans FCA

Director

Sydney, 26 February 2013



Interim Consolidated Statement of Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER 2012			
	Notes	CONSO	LIDATED
		2012	2011
CONTINUING OPERATIONS		\$'000	\$'000
Revenue and other income			
Revenue from services		142,475	137,570
Interest income		196	426
Other income		1,383	690
Total revenue and other income	3(a)(i)	144,054	138,686
Cost of sales	, , , ,	(73,195)	(69,007)
Gross profit		70,859	69,679
Broadcasting and transmission expenses		(23,930)	(24,073)
Marketing and Administration expenses		(10,644)	(10,723)
Depreciation, amortisation and impairment expenses		(19,556)	(4,994)
Finance costs		(4,105)	(5,826)
Share of associate losses		(751)	(550)
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS		11,873	23,513
ncome tax expense		(7,254)	(7,306)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	_	4,619	16,207
Discontinuing Operations			
Loss after tax from discontinuing operations	6	-	(61)
PROFIT FOR THE PERIOD		4,619	16,146
Basic Earnings per share (cents per share)			
profit for the half year		1.3	4.4
profit from continuing operations		1.3	4.4
Diluted Earnings per share (cents per share)			•
- profit for the half year		1.3	4.4



Interim Consolidated Statement of Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER 2012	Notes	CONSOL	IDATED
		2012 \$'000	2011 \$'000
Other comprehensive income			
Other comprehensive income/(loss) for the period before income tax		•	-
Income tax expense on items of other comprehensive income		•	-
Other comprehensive income/(loss) for the period after income tax		•	-
Total comprehensive income for the period after tax		4,619	16,146
Net Profit for the period is attributable to:			
Owners of the Parent		4,619	16,146
		4,619	16,146
Total comprehensive income for the period is attributable to:			
Owners of the Parent		4,619	16,146
		4,619	16,146



Interim Consolidated Statement of Financial Position

AS A I	31	DECEMBER 2012	

AS AT 31 DECEMBER 2012	Notes	CONSOLIDATED		
		AS AT 31 DECEMBER 2012 \$'000	AS AT 30 JUNE 2012 \$'000	
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		4,254	8,916	
Trade and other receivables		57,247	61,299	
Other assets		2,724	2,057	
ntangible assets	12	400	400	
TOTAL CURRENT ASSETS		64,625	72,672	
NON-CURRENT ASSETS				
Receivables		175	171	
nvestments in available for sale financial assets		2,007	2,007	
Property, plant and equipment		50,017	49,986	
Deferred tax assets		8,010	7,676	
ntangible assets and goodwill	12	212,155	227,015	
Other Assets		1,255	1,265	
OTAL NON-CURRENT ASSETS		273,619	288,120	
TOTAL ASSETS		338,244	360,792	
LIABILITIES				
CURRENT LIABILITIES				
rade and other payables		35,995	61,384	
nterest bearing loans and borrowings		1,431	1,629	
Current tax liabilities		6,448	10,235	
Provisions		725	2,567	
Derivative financial instruments	11	-	573	
TOTAL CURRENT LIABILITIES		44,599	76,388	
ION-CURRENT LIABILITIES			<u></u>	
nterest bearing loans and borrowings		140,451	123,896	
Provisions		504	481	
OTAL NON-CURRENT LIABILITIES		140,955	124,377	
TOTAL LIABILITIES		185,554	200,765	
IET ASSETS		152,690	160,027	
QUITY			,.=.	
Contributed equity		310,262	310,262	
Other reserves		168	35	
Accumulated losses		(157,740)	(150,270)	
Parent entity interests		152,690	160,027	
FOTAL EQUITY		152,690	160,027	



Interim Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	Contributed Equity \$'000	Accumulated Losses \$'000	Employee Benefits Reserve \$'000	General Reserve \$'000	Total Parent Entity Interest \$'000	Non- Controlling Interest \$'000	Total \$'000
At 1 July 2012	310,262	(150,270)	2,822	(2,787)	160,027	-	160,027
Profit for the period	-	4,619	-	-	4,619	-	4,619
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income and expense for the period	-	4,619	-	-	4,619	-	4,619
Transactions with equity holders in their capacity as equity holders:							
Share based payments	-	-	133	-	133	-	133
Dividends on ordinary shares	-	(12,089)	-	-	(12,089)	-	(12,089)
At 31 December 2012	310,262	(157,740)	2,955	(2,787)	152,690	-	152,690



Consolidated Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	Contributed Equity \$'000	Accumulated Losses \$'000	Employee Benefits Reserve \$'000	General Reserve \$'000	Total Parent Entity Interest \$'000	Non- Controlling Interest \$'000	Total \$'000
At 1 July 2011	310,262	(157,071)	2,709	(2,787)	153,113	-	153,113
Profit for the period	-	16,146	-	-	16,146	-	16,146
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income and expense for the period	-	16,146	-	-	16,146	-	16,146
Transactions with equity holders in their capacity as equity holders:							
Share based payments	-	-	40	-	40	-	40
Dividends on ordinary shares	-	(8,792)	-	-	(8,792)	-	(8,792)
At 31 December 2011	310,262	(149,717)	2,749	(2,787)	160,507	-	160,507



Consolidated Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2012		201122	LIDATED
	Notes	2012	LIDATED 2011
	Notes	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST) (1)		160,425	150,342
Payments to suppliers and employees (inclusive of GST) [2]		(147,736)	(123,622)
nterest received		193	431
Finance costs paid		(4,488)	(5,277)
ncome tax paid		(11,624)	(4,260)
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES (2)		(3,230)	17,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(4,834)	(5,363)
Proceeds from sale of business operations		215	-
Proceeds from sale of business operations – deferred contingent consideration		743	1,661
Proceeds from sale of property, plant and equipment		-	30
Proceeds from sale of available for sale financial assets		-	2,785
Repayment of loan funds from other parties		•	37
oan to associates		(1,674)	(150)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(5,550)	(1,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		101,000	150,000
Repayment of borrowings		(84,500)	(158,000)
Debt facility establishment fees		-	(1,610)
inance lease liability payments		(303)	(307)
Equity dividends paid		(12,089)	(8,792)
NET CASH FLOWS FROM FINANCING ACTIVITIES		4,108	(18,709)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,672)	(2,095)
Cash and cash equivalents at beginning of period		8,916	19,374
Net foreign exchange difference		10	(70)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		4,254	17,209

⁽¹⁾ Receipt from customers is inclusive of receipts from customers in discontinued activities in the prior comparative period.

⁽²⁾ Payments to suppliers and employees in the prior comparative period is inclusive of payments relating to discontinued activities including \$3.7m of payments made against an onerous contract provision.

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1. Corporate information

The consolidated financial report of the Group for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 26 February 2013. Prime Media Group Limited is a Company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The principal activities of the Group are described in note 5.

2. Basis of preparation and accounting policies

The half-year financial statements have been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 "Interim Financial Reporting".

The half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 June 2012 and any public announcements made by the Company during the half year ended 31 December 2012.

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

	CON	ISOLIDATED
	2012	2011
	\$'000	\$'000
3. Revenue, income and expenses		
(a) Revenue, Income and Expenses from Continuing Operations		
(i) Income		
Advertising revenue	138,664	132,875
Rental income	1,284	2,444
Government grants	1,081	798
Production revenue	317	300
Sales Representation fees	1,129	1,153
Total operating revenues	142,475	137,570
Other income	1,383	690
Interest received	196	426
	1,579	1,116
Total income	144,054	138,686



Notes to the Consolidated Financial Statements

R THE HALF-YEAR ENDED 31 DECEMBER 2012		
	CONSOL	IDATED
	2012	2011
	\$'000	\$'000
Revenue, income and expenses (continued)		
Revenue, Income and Expenses from Continuing Operations (continued)		
Finance costs expensed		
Interest expense – other persons	4,105	5,826
Total finance costs expensed	4,105	5,826
Foreign Exchange		
Gain/(loss) on foreign exchange	25	(360)
Total gain/(loss) on foreign exchange	25	(360)
	CONSOL	IDATED
	2012 \$'000	2011 \$'000
Profit after tax from continuing operations (excluding specific items)		·
orted profit after tax from continuing operations (refer Statement of Comprehensive Income)	4,619	16,207
Fair value change in derivatives	2	(167)
Fair value change in receivable – deferred contingent consideration	(254)	(638)
Loss on sale of available-for-sale financial assets	-	345
Impairment of radio broadcasting licences	15,000	-
Income tax benefit related to specific items	-	242
Total specific items after tax	14,748	(218)
fit after tax from continuing operations before specific items attributable to members of	19,367	15,989
	Finance costs expensed Interest expense – other persons Total finance costs expensed Foreign Exchange Gain/(loss) on foreign exchange Total gain/(loss) on foreign exchange Profit after tax from continuing operations (excluding specific items) Fair value change in derivatives Fair value change in receivable – deferred contingent consideration Loss on sale of available-for-sale financial assets Impairment of radio broadcasting licences Income tax benefit related to specific items	CONSOL 2012 \$1000 Revenue, income and expenses (continued) Revenue, Income and Expenses from Continuing Operations (continued) Finance costs expensed Interest expense – other persons 4,105 Total finance costs expensed 4,105 Foreign Exchange Gain/(loss) on foreign exchange 25 Total gain/(loss) on foreign exchange 25 Total gain/(loss) on foreign exchange 25 Profit after tax from continuing operations (excluding specific items) Profit after tax from continuing operations (refer Statement of Comprehensive Income) 4,619 Fair value change in derivatives 2 Fair value change in receivable – deferred contingent consideration (254) Loss on sale of available-for-sale financial assets - Impairment of radio broadcasting licences 15,000 Income tax benefit related to specific items



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5. 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

Continuing operations

Television Broadcasting

Television Broadcasting comprises "free to air" television broadcasting through our brands, PRIME7 and GWN7.

The PRIME7 broadcast signal services the regional locations of Northern and Southern New South Wales, Canberra, Victoria, and the Gold Coast while regional Western Australia is serviced by the GWN7 television broadcast signal. The majority of revenue is sourced from the sale of television advertising in Australia.

Online

In the current reporting period, Online has been absorbed under Television Broadcasting. In the prior corresponding reporting period, the online segment consisted of local websites, integrating with the PRIME7 and GWN7 broadcast footprint, to deliver localised content across the categories of news, weather, sport, TV shows, local jobs and community events. Revenue is sourced mainly from the sale of online 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.

Corporate and Other

Includes administrative and financial support operations of the Company. 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.

Discontinuing operations

Broadcast Production Services

Broadcast Production Services comprised outside broadcast facilities and services in Australia and New Zealand, in addition to Moonlight outdoor cinemas. These businesses were sold during the year ended 30 June 2011.

Prime Digital Media

Prime Digital Media produce and deliver digital content via out-of-home digital display in major retail outlets. The majority of revenue is sourced from the sale of visual advertising content and the production of content. Effective 30 June 2011, the Company exited the Prime Digital Media business.

Accounting policies and inter-segment transactions

The accounting policies used by the Company 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 2012 and 31 December 2011.



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5. Operating segments (continued)

Six Months ended 31 December 2012		Continuing Operations	•	
	Television Broadcasting \$'000	Radio Broadcasting \$'000	Unallocated \$'000	Total Operations
Segment Revenues		Ψ 000	 	Ψ 000
External sales and customers	132,699	9,837	(61)	142,475
Other income (excluding interest income)	614	446	323	1,383
Total segment revenue	133,313	10,283	262	143,858
Finance income	-	12	184	196
Total revenue per the statement of comprehensive income	133,313	10,295	446	144,054
Segment Result				
EBITDA	38,384	1,891	(4,938)	35,337
EBIT	34,430	(13,605)	(5,044)	15,781
Net Profit / (Loss) before income tax per the statement of comprehensive income	34,315	(13,593)	(8,849)	11,873
Income tax (expense)				(7,254)
Net Profit after tax				4,619
Non-controlling interests			_	-
Net Profit after tax attributable to members of Prime Media Group Limited			_	4,619
Segment Assets				
Segment operating assets	300,246	26,261	11,737	353,244



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

5. Operating segments (continued)

Six Months ended 31 December 2011		Continuing Operations			Discontinued Operations			
	Television Broadcasting \$'000	Radio Broadcasting \$'000	iPrime \$'000	Unallocated \$'000	Total Continuing	Total Discontinuing (1) \$'000	Total Operations \$'000	
Segment Revenues	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	
External sales and customers	126,508	10,057	1,105	(100)	137,570	168	137,738	
Other income (excluding interest income)	99	403	-	188	690	93	783	
Total segment revenue	126,607	10,460	1,105	88	138,260	261	138,521	
Finance income	-	17	-	409	426	4	430	
Total revenue per the statement of comprehensive income	126,607	10,477	1,105	497	138,686	265	138,951	
Segment Result								
EBITDA	36,076	2,529	(66)	(4,632)	33,907	(30)	33,877	
EBIT	31,778	2,020	(149)	(4,736)	28,913	(30)	28,883	
Net Profit / (Loss) before income tax per the statement of comprehensive income	31,635	2,037	(149)	(10,010)	23,513	(30)	23,483	
Income tax (expense					(7,306)	(31)	(7,337)	
Net Profit / (Loss) after tax					16,207	(61)	16,146	
Non-controlling interests							-	
Net Profit after tax attributable to members of Prime Media Gro	oup Limited						16,146	
Segment Assets								
Segment operating assets	303,476	46,968	635	12,124	363,203	4,486	367,689	

⁽¹⁾ Discontinuing operations included Broadcast Production Services, On Site Broadcasting, Moonlight Cinema, Prime Media Singapore and Prime Digital Media



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

6. Discontinued operations

There were no discontinued operations in the current reporting period. The following operations were discontinued in prior reporting periods.

On Site Broadcastino

(1) On 9 July 2010, the Company completed the sale of its On Site Broadcasting business in New Zealand to Sky Network Television Limited for consideration of \$11,130,375, net of selling costs. The deferred contingent consideration is receivable 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.

The consideration comprised of the following:

Cash consideration10,565,375Deferred contingent consideration, fair value at acquisition date565,000Total consideration\$11,130,375

As at 31 December 2012 the Company increased the fair value of the deferred contingent consideration by \$254,000 (31 Dec 2011: \$638,000) on completion of a detailed review of the forecast profits expected from the contracts transferred as part of the sale.

(2) 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, net of selling costs.

The consideration comprised of the following:

Cash consideration 8,314,993
Shares issued in Gearhouse Broadcast Pty Limited (unlisted) at fair value 2,000,000
Deferred contingent consideration, at fair value

Total consideration \$10.314,993

A component of the sale consideration is a \$3,000,000 subordinated loan advanced by the Company to the purchaser and repayable between 31 December 2012 and 31 December 2014. The loan repayment amount is contingent upon the financial performance of the business from the date of the sale to 31 December 2014. The company is carrying this deferred contingent consideration receivable at a fair value of nil.

IANCIAL PERFORMANCE OF DISCONTINUED OPERATIONS	2012	2011
	\$'000	\$'000
Revenue	-	265
Expenses	-	(295)
Net (Loss) attributable to discontinued operations before specific items	-	(30)
Loss on disposal of discontinuing operations	-	-
Net (Loss) attributable to discontinued operations before income tax	-	(30)
Income tax expense	-	(31)
Net (Loss) attributable to discontinued operations after tax	-	(61)
Net (Loss) from discontinued operations attributable to members of parent entity	-	(61)
Earnings per share (cents per share)		
- Basic from discontinued operations	-	0.0
- Diluted from discontinued operations	-	0.0



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011			
	AS AT	AS AT	
	31 DECEMBER	30 JUNE	
	2012	2012	
7. Contributed equity	\$'000	\$'000	
The Continuation Squary			
Ordinary shares			
Issued and fully paid			
366,330,303 shares (June 2012: 366,330,303)	310,262	310,262	
	Number of shares	\$'000	
Movements in ordinary shares on issue			
At 1 July 2012	366,330,303	310,262	
At 31 December 2012	366,330,303	310,262	
	CONS	CONSOLIDATED	
	2012	2011	
	\$'000	\$'000	
8. 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 2012: 3.3 cent (2011: 2.4 cents)	12,089	8,792	
(b) Dividends proposed and not recognised as a liability			
Interim franked dividend for half year ended 31 December 2012: 4.0 cents (2011: 3.3 cents)	14,653	12,089	



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

9. Share based payment

On 29 October 2012, 880,000 performance rights were issued to senior executives under the Prime Media Group Performance Rights Plan with an estimated fair value at grant date of \$0.62 each. Employees must remain in service for a period of 3 years from the date of grant. The fair value of the rights granted was estimated at the date of the grant using a Monte Carlo model using the following assumptions:

Annualised dividend rate (%)	8.2%
Expected Volatility (%)	33.7%
Risk-free interest rate (%)	2.6%
Expected life (years)	3 years

On 28 November 2012, 700,000 performance rights were also issued to the Chief Executive Officer under the Prime Media Group Performance Rights Plan with an estimated fair value at grant date of \$0.629 each. The employee must remain in service for a period of 3 years from the date of grant. The fair value of the rights granted was estimated at the date of the grant using a Monte Carlo model using the following assumptions:

Annualised dividend rate (%)	8.2%		
Expected volatility (%)	35.0%		
Risk-free interest rate (%)	2.6%		
Expected volatility (%)	3 years		

For the six months ended 31 December 2012, the Group has recognised \$133,000 of share based payment transaction expense in the income statement (31 Dec 2011: \$40,000).

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 2012, the Group had capital commitments of \$2,000,000 (June 2012: \$3,619,000), which included \$644,000 (June 12: \$1,135,000) in expenditure relating to the roll out of digital transmission in Western Australia. The Company is entitled to claim Government grant income to fund 50% of this expenditure. The amounts disclosed above are the gross amounts before taking into consideration this government funding.

2 Deferred contingent consideration

At 31 December 2012, the Group recognised a one off fair value gain of \$254,000 (Dec 2011: \$638,000) arising on the revaluation of the deferred contingent consideration arising on the sale of the Outside Broadcasting Business in New Zealand in July 2010. The one off gain was determined based on the net present value of forecast cash flows.

11. Financial instruments

During the reporting period the Group's interest rate swap agreements with a notional amount of \$95,000,000 (June 2011: \$95,000,000) matured. The interest rate swap agreements, which were acquired in 2005 as part of the Group's previous finance facility, matured during this reporting period. The fair value movement for the period was a loss of \$2,000 (Dec 2011: \$167,000 gain). As at December 2012, there were no interest rate swap agreements in place. The Group continues to review its financial instrument requirements on an ongoing basis.



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012	CONSC	CONSOLIDATED	
	AS AT	AS AT	
	31 DECEMBER	30 JUN 2012	
	2012 \$'000	\$'000	
12. GOODWILL AND INTANGIBLE ASSETS			
Current			
Program Rights - at written down value	400	400	
	400	400	
Non-current			
Goodwill on Acquisition	3,482	3,482	
Broadcast Licences and associated rights – at cost	202,281	217,296	
Program Rights - at written down value	600	800	
Software - at written down value	5,487	5,041	
Websites - at written down value	305	396	
	212,155	227,015	
Reconciliations			
Goodwill on Acquisition			
Carrying amount at beginning of the period	3,482	3,657	
Amortisation Expense	-	(175)	
	3,482	3,482	
Broadcast Licences and associated rights – at cost			
Carrying amount at beginning of the period	217,296	221,042	
Additions	265	1,709	
Amortisation Expense	(280)	(314)	
Impairment Expense	(15,000)	(5,141)	
Impairment Expense		217,296	
	202,281	217,290	
Program Rights			
Carrying amount at beginning of the period	1,200	1,816	
Amortisation expense	(200)	(616)	
	1,000	1,200	
Software			
Carrying amount at beginning of the period	5,041	3,077	
Additions	565	3,133	
Amortisation expense	(119)	(1,169)	
	5,487	5,041	
Websites		^ -	
Carrying amount at beginning of the period	396	27	
Additions	-	550	
Amortisation expense	(91)	(157)	
Disposal	•	(24)	
	305	396	
Total Goodwill and Intangible Assets	212,555	227,415	



Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

13. Impairment of intangible assets

Broadcast licences and Goodwill acquired through business combinations have been allocated to the following cash-generating units (CGUs) for impairment testing:

- Television broadcasting unit; and
- Radio broadcasting unit.

Management undertakes an assessment of the carrying value of its intangible assets to test for impairment on an annual basis at 30 June, or when there are indicators of impairment. In December 2012, the Group identified new evidence of impairment in relation to the Radio broadcasting unit CGU as a result of the current downturn in the Queensland economy, coupled with the downturn in the mining sector and residual effects of the natural disasters in Queensland over the past 2 years. There were no indicators of impairment identified in relation to the television broadcasting unit CGU.

Radio broadcasting unit

The Radio broadcast licences have been valued, by an independent valuer, by discounting the cash flows that would be expected to be generated by a theoretical purchaser acquiring the licences separate from the assets and operations of the radio business. Management have subsequently reviewed the carrying value of intangible assets and prepared 5 year cash flow projections as at 31 December 2012, based on financial budgets. The long term forecasts were generated using a terminal growth rate of 3.0% (June 2012: 3.5%). The discount rate applied to the cash flow projections was 10.15% (June 2012: 11.1%).

Key assumptions used in value in use calculations

The calculation of value in use for the radio broadcasting licences is most sensitive to the following assumptions:

- Discount rates; and
- Growth rate used to extrapolate cash flows.

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and each operating segment and is derived from the weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated based on publicly available market data.

Growth rate estimates are based on published industry research, which is obtained on regular basis throughout the reporting period.

Sensitivity of assumptions

Radio broadcasting is largely a fixed cost business, meaning variations in the financial performance are driven by changes in revenue. The Group has sophisticated revenue tracking systems that allow management to track current and future revenues on a daily basis which allows management to actively combat downward trends in revenues.

Radio broadcasting is closely regulated in Australia and as such new competitors can only enter the market on issue of new licences by the national government after extensive reviews. Radio advertising revenues are sensitive to changes in the economic outlook for the Queensland economy, including changes in mining industry outlook and the impact of regional weather events

For the Radio broadcasting CGU, the current recoverable value approximates carrying value. The valuation of the radio broadcasting licences is sensitive to any negative movements of the assumptions used in this valuation. Any negative movements in the assumption are likely to give rise to impairment charges. The assessment of the recoverable amount of the Radio broadcasting licences resulted in an impairment charge of \$15,000,000 in the current reporting period (June 2012: \$5,316,000).

Directors Declaration

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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 Prime Media Group Limited for the half-year ended 31 December 2012 are in accordance with the *Corporations Act* 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2012 and performance; 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, 26 February 2013



Independent Review Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012



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

To the members of Prime Media Group Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Prime Media Group Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of 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 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 Interim Financial Report

The directors of the company are responsible for the preparation of the interim 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 interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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 an interim 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.

Liability limited by a scheme approved under Professional Standards Legislation



Independent Review Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2012 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

David Simmonds Partner

26 February 2013