ASX / MEDIA RELEASE
FOR IMMEDIATE RELEASE
24 SEPTEMBER 2012

CMH SCHEME BOOKLET, NOTICE OF SCHEME MEETING AND AGM

SYDNEY: Consolidated Media Holdings Limited (CMH) (ASX:CMJ) confirms that the Federal Court of Australia has today ordered a meeting of CMH shareholders (the **Scheme Meeting**) to be convened to consider and vote on the proposal under which News Pay TV Financing Pty Limited (**News**), a 100 per cent owned subsidiary of News Corporation, will acquire all of the shares in CMH for $3.45 per CMH share (the **Scheme Consideration**) by way of scheme of arrangement (the **Scheme**).

Should CMH shareholders approve the Scheme then, subject to the satisfaction of the other conditions in the Scheme Implementation Deed including Court approval, the Scheme will become effective and News will acquire all of the shares in CMH.

Court Approval

The Court today approved the distribution of a Scheme Booklet to CMH shareholders in connection with the Scheme (the **Scheme Booklet**). The Scheme Booklet, attached to this announcement, includes:

- the Independent Expert's Report at **Attachment 1**; and
- The Notice of Scheme Meeting at **Attachment 4**.

Registration and dispatch of Scheme Booklet

The Scheme Booklet has been lodged for registration with the Australian Securities and Investments Commission as required by the *Corporations Act 2001 (Cth)*, and is also available on the CMH website (www.cmh.com.au).

CMH intends to dispatch the Scheme Booklet to CMH shareholders by Tuesday 2 October 2012.

Scheme Meeting and Annual General Meeting

The Scheme Meeting will be held at 9.30 am (Perth time) on Wednesday, 31 October 2012 at Botanical Four, Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia.

The CMH Annual General Meeting will be held at 10.00 am (Perth time) (or as soon thereafter, after the Scheme Meeting is concluded or adjourned) at the same location. At the Annual General Meeting CMH shareholders will be asked to consider resolutions of ordinary business, that is, to re-appoint directors and to adopt the remuneration report for 2012.

The Notice of AGM and proxy form will follow this announcement.

Recommending Directors' Recommendation

The Recommending Directors[1] have unanimously recommended that CMH shareholders vote in favour of the Scheme in the absence of a superior proposal.

Independent Expert's Report

The Independent Expert, KPMG Corporate Finance (a division of KPMG Financial Advisory Services (Australia) Pty Ltd), has concluded that the CMH Scheme is fair and reasonable and therefore in the best interests of CMH shareholders in the absence of a superior proposal.

Indicative Timetable

Set out below is the indicative timetable for the Scheme:

Event	**Indicative Date**[2]
Dividend Record Date (note that this date will not change)	28 September 2012
Dividend Payment Date (note that this date will not change)	5 October 2012
Deadline for receipt of proxy forms for Scheme Meeting	9:30 am (Perth time) 29 October 2012
Time and date for determining eligibility to vote at Scheme Meeting	7:00 pm (Perth time) 29 October 2012
Scheme Meeting	9:30 am (Perth time) 31 October 2012
Second Court Date	2 November 2012
Effective Date	2 November 2012
Scheme Record Date	12 November 2012
Scheme Implementation Date	19 November 2012
Scheme Consideration intended to be paid to CMH shareholders	On or before 23 November 2012

For further information, please contact the CMH Infoline on **1300 628 017** (within Australia) or on **+61 3 9415 4196** (international) between 9am and 5pm (Sydney time) Monday to Friday.

ENDS
COPIES OF RELEASES

Copies of previous media and ASX announcements issued by CMH are available at CMH's website at www.cmh.com.au.

[1] The Recommending Directors are Mr John Alexander, Mr James Packer, Mr Christopher Corrigan, Mrs Rowena Danziger AM, Mr Geoffrey Dixon, Mr Ashok Jacob, Mr Guy Jalland and Mr Christopher Mackay. Each of Mr Peter Gammell and Mr Ryan Stokes does not wish to make a recommendation. Each is a CMH Director who was nominated by the Seven Group Holdings (**SGH**) group which holds 25.3% of the CMH Shares. SGH announced on 20 June 2012 that it was considering its options in relation to the Indicative Proposal of News, which has been followed by the announcement by CMH and News of the Scheme.

[2] Unless stated otherwise, the above dates are indicative only and may be subject to change depending on a number of factors some of which are outside the control of CMH. Any changes to the above timetable will be announced to the ASX and placed on the CMH website.

CONSOLIDATED MEDIA HOLDINGS

SCHEME BOOKLET

In relation to a recommended proposal from News Pay TV Financing Pty Ltd, a 100% owned subsidiary of News Corporation, to acquire all of the ordinary shares in Consolidated Media Holdings Limited by way of scheme of arrangement

The Recommending Directors unanimously recommend that you approve the Scheme by voting in favour of the Scheme Resolution in the absence of a superior proposal

VOTE IN FAVOUR

This is an important document and requires your immediate attention. You should read this document carefully and in its entirety before deciding how to vote on the Scheme Resolution. If you are in any doubt as to what you should do, you should consult your legal, investment or other professional Advisor.

If, after reading this Booklet, you require any further information, please call the CMH transaction information line on 1300 628 017 (within Australia) or +61 3 9415 4196 (outside Australia) at any time between 9.00am and 5.00pm on Monday to Friday (Sydney time).

If you have sold all of your CMH Shares, please disregard this document.

CONSOLIDATED MEDIA HOLDINGS LIMITED ABN 52 009 071 167

Financial Advisor

UBS

Legal Advisor

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Contents

Contact

If you have any questions in relation to this Booklet or the Scheme, please contact the CMH transaction information line between 9.00am and 5.00pm (Sydney time), Monday to Friday.

For Australian callers
1300 628 017

For international callers
+61 3 9415 4196

John Alexander
Executive Chairman
Consolidated Media Holdings Limited

Letter from the Executive Chairman of CMH

Dear CMH Shareholder,

On 7 September 2012, CMH announced that the conditions of News' Indicative Proposal announced by CMH on 20 June 2012 had been satisfied, and that CMH had entered into a Scheme Implementation Deed with News Limited and News Pay TV Financing Pty Ltd (**News**), each 100 per cent owned Subsidiaries of News Corporation.

In the Deed, CMH agreed to propose a scheme of arrangement to CMH Shareholders which, if implemented, will result in News acquiring all of the CMH Shares for $3.45 cash per share, valuing CMH at $1.94 billion.

You are receiving this Booklet because you are currently a CMH Shareholder. So long as you remain a CMH Shareholder on the Scheme Record Date – expected to be Monday 12 November 2012 – and if the Scheme becomes Effective, you will receive $3.45 cash for each CMH Share that you hold on the Scheme Record Date.

CMH announced a fully franked 2012 final dividend of 6 cents per share at its full year results on Tuesday 21 August 2012 (**Dividend**). CMH Shareholders on the CMH Register at 5.00pm on Friday 28 September 2012 (**Dividend Record Date**) will receive the Dividend, which will be paid on Friday 5 October 2012.

This means that CMH Shareholders on the CMH Register on both the Dividend Record Date and the Scheme Record Date will receive a total of $3.51 cash per share, reflecting the Dividend of 6 cents per share and the Scheme Consideration of $3.45 per share, assuming the Scheme is approved and implemented.

The Scheme Consideration of $3.45 cash per CMH Share represents an implied multiple of 9.4x EV/EBITDA (2012 PF)[1] based on a proportional consolidation of CMH's main investments in Foxtel and FOX SPORTS. The Scheme Consideration also represents a premium of approximately 15 per cent to the volume weighted average price of CMH Shares over the three month period to 3 May 2012, being the last trading day before the announcement by CMH that it had had very preliminary discussions concerning a potential control transaction.

As at Friday 21 September 2012, the last trading day before the date of this Booklet, CMH Shares closed at $3.42, which is cum-Dividend.

The Scheme provides a liquidity outcome for CMH Shareholders that CMH Shareholders may not otherwise receive in the absence of a superior proposal. Shareholders will not pay any brokerage on the transfer of their CMH Shares under the Scheme.

The Recommending Directors[2] unanimously recommend that CMH Shareholders APPROVE the Scheme by voting in favour of the Scheme Resolution, in the absence of a superior proposal.

The Deputy Chairman, Mr James Packer, who is a substantial shareholder in CMH through his private Consolidated Press Holdings group, intends to vote in favour of the Scheme Resolution in respect of all of the CMH Shares he controls, in the absence of a superior cash proposal.

The other CMH Directors who hold or control CMH Shares – being Mrs Rowena Danziger, Mr Christopher Mackay and myself – intend to vote in favour of the Scheme Resolution in respect of all our CMH Shares, in the absence of a superior proposal.

The Independent Expert, KPMG, has assessed the control value of a CMH Share to be in the range of $3.22 to $3.56 per CMH Share, and concluded that the Scheme is fair and reasonable, and therefore in the best interests of CMH Shareholders in the absence of a superior proposal. The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, a copy of which is **Attachment 1** to the Booklet.

The Scheme remains subject to the Scheme Conditions outlined at **Sections 1.2** and **1.3**, which include approval of the Scheme by CMH Shareholders at the Scheme Meeting and the approval of the Court.

The Scheme Meeting at which CMH Shareholders will vote on the Scheme will be held at 9.30am (Perth time) on Wednesday 31 October 2012 at Botanical Four, Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia.

This Booklet contains important information in relation to the Scheme. Please read it carefully before making your decision in relation to the Scheme and voting at the Scheme Meeting. If you cannot attend the Scheme Meeting, you are encouraged to vote by proxy, attorney or in the case of a CMH Shareholder which is a company, by a duly appointed corporate representative.

If you have any questions in relation to the Scheme, please call the CMH transaction information line on **1300 628 017** (within Australia) or **+61 3 9415 4196** (outside Australia) at any time between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Yours sincerely,

John Alexander
Executive Chairman

24 September 2012

1) This multiple is calculated based on the enterprise value of CMH at the Scheme Consideration price and net debt adjusted for the payment of the Dividend and to include a proportional consolidation of Foxtel (25%) and FOX SPORTS (50%) net debt. EBITDA is based on CMH EBITDA (excluding non-operating items) and the SEEKAsia dividend, in addition to the proportional consolidation of the Foxtel pro forma EBITDA (25%) and FOX SPORTS' EBITDA (50%).

2) The Recommending Directors are Mr John Alexander, Mr James Packer, Mr Christopher Corrigan, Mrs Rowena Danziger, Mr Geoffrey Dixon, Mr Ashok Jacob, Mr Guy Jalland and Mr Christopher Mackay. Each of Mr Peter Gammell and Mr Ryan Stokes does not wish to make a recommendation. Each is a CMH Director who was nominated by the Seven Group Holdings Limited (**SGH**) group which holds 25.35% of the CMH Shares. SGH announced on 20 June 2012 that it was considering its options in relation to the Indicative Proposal of News, which has been followed by the announcement by CMH and News of the Scheme.

Reasons to approve the Scheme by voting in favour of the Scheme Resolution

- ✓ The Recommending Directors unanimously recommend that you approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a superior proposal.
- ✓ The Scheme Consideration of $3.45 cash per CMH Share represents an attractive valuation.
- ✓ The Scheme Consideration of $3.45 cash per CMH Share provides you with certainty of value and liquidity for your CMH Shares.
- ✓ The Independent Expert has concluded that the Scheme is fair and reasonable, and therefore in the best interests of CMH Shareholders in the absence of a superior proposal.
- ✓ No superior proposal has emerged. It is the view of the CMH Directors that a superior proposal is unlikely to emerge prior to the Scheme Meeting.
- ✓ CMH's share price may fall if the Scheme is not approved.
- ✓ No brokerage will be payable by you on the transfer of your CMH Shares under the Scheme.

Possible reasons not to approve the Scheme

- ✗ You may disagree with the Recommending Directors and the conclusion of the Independent Expert and believe that the Scheme is not in your best interests.
- ✗ You may wish to maintain your investment in CMH, and through CMH, an indirect investment in pay television investments Foxtel and FOX SPORTS, and an indirect investment in the South East Asian online employment website JobsDB, through CMH's shareholding in SEEKAsia.
- ✗ The tax consequences of the Scheme may be adverse to your financial position in your particular circumstances.
- ✗ You may believe a superior proposal may emerge.

Key Dates

Time and Date	Event
FY2012 Final Dividend	
5.00pm (Sydney time) Friday 28 September 2012	Dividend Record Date
Friday 5 October 2012	Dividend Payment Date
Shareholder Actions	
9.30am (Perth time) Monday 29 October 2012	Deadline for receipt of Proxy Forms for the Scheme Meeting
7.00pm (Perth time) Monday 29 October 2012	Time and date for determining eligibility to vote at the Scheme Meeting
Key Scheme Dates	
9.30am (Perth time) Wednesday 31 October 2012	**Scheme Meeting**
Friday 2 November 2012	**Second Court Date** – date on which Court approval of the Scheme will be sought
Friday 2 November 2012	**Effective Date** – date on which the Scheme will become Effective
	Last day of trading in CMH Shares on ASX
7.00pm (Sydney time) Monday 12 November 2012	**Scheme Record Date** – time and date for determining CMH Shareholders eligible to participate in the Scheme and to receive the Scheme Consideration
Monday 19 November 2012	**Implementation Date** – date on which the Scheme Shares will be transferred to News
Friday 23 November 2012	Expected date for payment of the Scheme Consideration [1]

The above times and dates (other than for the Dividend Record Date and the Dividend Payment Date) are indicative only and may be subject to change. These times and dates (other than the Dividend Record Date and the Dividend Payment Date) may change depending on a number of factors, some of which are outside the control of CMH.

Any changes to the above timetable will be announced through ASX and updated on the CMH Website.

1) The Scheme requires the Scheme Consideration be provided to Scheme Participants within five Business Days of the Implementation Date. The latest date for payment of the Scheme Consideration is Monday 26 November 2012.

Important information

General

CMH Shareholders should read this Booklet carefully and in its entirety before making a decision on how to vote on the Scheme Resolution.

Date of this Booklet

This Booklet is dated 24 September 2012.

Purpose of this Booklet

The purpose of this Booklet is:

- to explain the terms of the Scheme and the manner in which the Scheme Resolution will be considered;
- to provide information that is material to the decision of CMH Shareholders whether or not to vote in favour of the Scheme Resolution, being information that is within the knowledge of the CMH Directors and has not previously been disclosed to the CMH Shareholders; and
- to explain how the Scheme will be implemented if the Scheme Resolution is approved by the requisite majorities of CMH Shareholders and by the Court.

This Booklet includes the explanatory statement required to be sent to CMH Shareholders in relation to the Scheme in accordance with section 412(1) of the Corporations Act. This Booklet is not a disclosure document lodged under Chapter 6D of the Corporations Act.

Role of ASIC and ASX

A copy of this Booklet has been examined by ASIC pursuant to section 411(2)(b) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act.

CMH has asked ASIC to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court on the Second Court Date.

A copy of this Booklet has also been lodged with ASX.

None of ASIC, ASX or their respective officers, takes any responsibility for the contents of this Booklet.

Important notice associated with Court Order under section 411(1) of the Corporations Act

The fact that under section 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved this Booklet required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how CMH Shareholders should vote at the Scheme Meeting (on this matter, CMH Shareholders must reach their own decision); or
- has prepared, or is responsible for the content of, this Booklet.

CMH Shareholders resident outside Australia

This Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. This Booklet does not constitute an offer to, or a solicitation of an offer from, CMH Shareholders in any jurisdiction in which it would be unlawful.

Responsibility for information

CMH has prepared, and is responsible for, the CMH Information. News does not assume any responsibility for the CMH Information, nor do any of its respective directors, officers or advisors.

News has prepared, and is responsible for, the News Information. CMH does not assume any responsibility for the News Information, nor do any of its respective directors, officers or advisors.

KPMG has prepared, and is responsible for, the Independent Expert's Report. CMH and News do not assume any responsibility for the information in the Independent Expert's Report, nor do any of their respective directors, officers or advisors, except the information given by CMH or its directors or officers to KPMG for the purpose of the preparation of the Independent Expert's Report.

Ernst & Young has prepared, and is responsible for, the information in **Section 5**. CMH and News do not assume any responsibility for the information in **Section 5**, except the information given by CMH or its directors or officers to Ernst & Young for the purpose of the preparation of the information in **Section 5**.

Seek independent advice

This Booklet is intended for CMH Shareholders collectively and does not take into account the investment objectives, financial situation, tax position or particular needs of each CMH Shareholder.

If CMH Shareholders have any questions relevant to their own circumstances, they should contact their financial or legal Advisor.

Important information

Forward looking statements

This Booklet contains both historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements.

Forward looking statements in this Booklet reflect the current expectations of CMH (in relation to the CMH Information) and News (in relation to the News Information) concerning future results and events and generally may be identified by the use of forward looking words such as “believe”, “aim”, “expect”, “anticipated”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “is confident”, “estimate”, “potential” or other similar words and phrases.

Similarly, statements that describe CMH’s or News’ objectives, plans, goals or expectations may be forward looking statements.

Forward looking statements involve known and unknown risks, uncertainties and assumptions and are subject to a variety of other factors that could cause the actual results or performance of CMH to be materially different from what is expressed or implied by such statements. Some of the risks that CMH Shareholders may be exposed to in relation to the Scheme are set out in **Section 2.4**. Forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which CMH and News will operate in the future. Accordingly, undue reliance should not be placed on forward looking statements.

CMH Shareholders should note that the historical performance of CMH is no assurance of CMH’s future performance. Other than as required by law, none of CMH, News or any of their respective directors, officers or advisors represents that, or gives any assurance or guarantee that, the occurrence of events expressed or implied in any forward looking statements will actually occur.

The forward looking statements in this Booklet reflect views held only at the date of this Booklet.

All subsequent written and oral forward looking statements attributable to CMH or any person acting on their behalf are qualified by this cautionary statement.

Privacy and personal information

CMH and News, and their respective registries and agents, may need to collect personal information about CMH Shareholders to implement the Scheme.

The personal information may include the names, contact details, bank account details and other details of CMH Shareholders, as well as the names and contact details of individuals appointed by CMH Shareholders as proxies, attorneys or corporate representatives to attend and vote at the Scheme Meeting.

CMH Shareholders who are individuals and other individuals in respect of whom personal information is collected have certain rights to access the personal information collected about them. An individual who wishes to exercise any of these rights should contact the CMH Registry on **1300 850 505** (within Australia) or **+61 3 9415 4000** (outside Australia).

The personal information described above may be disclosed to CMH’s and News’ registries and stock transfer agents, securities brokers and third party service providers (including print and mail service providers). Personal information may also be used to contact CMH Shareholders in relation to the Scheme.

Third parties who receive personal information in the course of providing the above services will be reminded of their obligations to use the personal information only for the purpose set out above and to protect the information according to applicable statutory and legal requirements.

CMH Shareholders who appoint an individual as their proxy, attorney or corporate representative to attend and vote at a Scheme Meeting should inform him or her of the matters outlined above.

Defined terms

A number of defined terms are used in this Booklet. Their meanings are set out in **Section 8**.

References to time

Unless expressly stated otherwise, all references in this Booklet to time relate to the time in Sydney, New South Wales, Australia.

References to currency

Unless expressly stated otherwise, all references in this Booklet to “$”, “A$”, “AUD” or “cents” are references to Australian currency.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, their actual calculation may differ from the calculations set out in this Booklet.

References to websites

Information contained in or accessible through the websites mentioned in this Booklet does not form part of this Booklet. All references in this Booklet to websites are for information only.

An overview of the Scheme

Why have I received this Booklet?	You have received this Booklet because you are a CMH Shareholder. As outlined in this Booklet, CMH Shareholders are being asked to vote on a resolution to approve the Scheme at a shareholders' meeting to be held on Wednesday 31 October 2012 (referred to throughout this Booklet as the **Scheme Meeting**).
What is the Scheme?	The Scheme is a members' scheme of arrangement under Part 5.1 of the Corporations Act proposed between CMH and CMH Shareholders on the CMH Register on the Scheme Record Date. If the Scheme is approved by CMH Shareholders at the Scheme Meeting, is approved by the Court and becomes Effective, then: - News will acquire all of the CMH Shares; and - by no later than five Business Days after the Implementation Date, Scheme Participants will be sent the Scheme Consideration of $3.45 cash for each CMH Share they held at the Scheme Record Date.
Who is News?	News Pay TV Financing Pty Ltd (referred to throughout this Booklet as **News**) is a 100% owned Subsidiary of News Corporation. For further details about News and News Corporation please see **Section 4**.
What approvals of CMH Shareholders are required to pass the Scheme Resolution?	In order for the Scheme Resolution to be passed at the Scheme Meeting: - a majority in number (i.e. more than 50%) of CMH Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of a body corporate, by corporate representative); and - who together hold at least 75% of the votes cast on the Scheme Resolution, must vote **FOR** the Scheme Resolution. Each CMH Share has one vote.
What do the Recommending Directors recommend?	The Recommending Directors are Mr John Alexander, Mr James Packer, Mr Christopher Corrigan, Mrs Rowena Danziger, Mr Geoffrey Dixon, Mr Ashok Jacob, Mr Guy Jalland and Mr Christopher Mackay. The Recommending Directors unanimously recommend that you approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a superior proposal. Each of Mr Peter Gammell and Mr Ryan Stokes does not wish to make a recommendation. Each is a CMH Director who was nominated by the Seven Group Holdings Limited (**SGH**) group which holds 25.35% of the CMH Shares. SGH announced on 20 June 2012 that it was considering its options in relation to the Indicative Proposal of News, which has been followed by the announcement by CMH and News of the Scheme. The Recommending Directors have carefully considered the potential advantages and disadvantages of the Scheme, as set out in **Section 2**, and believe that the Scheme is in the best interests of CMH Shareholders. **Section 2** provides further details of the Recommending Directors' recommendation.
How are the CMH Directors intending to vote?	The CMH Directors who hold or control CMH Shares – being Mr Packer, Mr Alexander, Mrs Danziger and Mr Mackay – intend to vote in favour of the Scheme Resolution in respect of all the CMH Shares they hold or control, in the absence of a superior proposal, or in the case of Mr Packer, in the absence of a superior cash proposal (see **Section 2.1** for further details).
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is fair and reasonable, and therefore in the best interests of CMH Shareholders in the absence of a superior proposal. The reasons why the Independent Expert reached this conclusion are set out in the Independent Expert's Report, which can be found at **Attachment 1** to this Booklet.

An overview of the Scheme

What are the prospects of receiving a superior proposal?	Since the announcement by CMH on 4 May 2012 that it had had very preliminary discussions concerning a possible control proposal, and the announcement by CMH on 20 June 2012 of the Indicative Proposal from News Limited, CMH has not received a superior proposal and no CMH Director has received any approaches which would cause him or her to believe that a superior proposal is likely to emerge.
What should I do?	You should read this document carefully and in its entirety and then, if you wish to do so, vote on the Scheme Resolution by attending the Scheme Meeting in person or, if you cannot attend the Scheme Meeting in person, you can appoint a proxy, attorney or corporate representative (in the case of a corporate CMH Shareholder) to attend and vote on your behalf. Full details on who is eligible to vote and how to vote are contained in **Section 7**. If you require further information in relation to the Scheme or the Scheme Resolution, including on how you can vote, you should contact the CMH transaction information line on **1300 628 017** (within Australia) or **+61 3 9415 4196** (outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

The Scheme Consideration

Will I be entitled to participate in the Scheme?	Yes, provided that: - you are registered as a CMH Shareholder at 7.00pm on the Scheme Record Date (expected to be Monday 12 November 2012) which means you are a **Scheme Participant**; and - the conditions of the Scheme are satisfied or waived (as applicable).
What is the Scheme Consideration?	If the Scheme is approved and implemented, you will receive $3.45 cash for each CMH Share you hold as at the Scheme Record Date.
Is News bound to provide the Scheme Consideration?	Yes. Under the Scheme and the Deed Poll, News is required to provide the Scheme Consideration to CMH as trustee for all the Scheme Participants before 11.00am on the Implementation Date, which is expected to be Monday 19 November 2012. Under the Deed Poll, News Limited has also agreed to procure that News provides the Scheme Consideration. CMH will then provide the Scheme Consideration to Scheme Participants. Under the Scheme, the Scheme Participants appoint CMH as their agent and attorney to enforce the Deed Poll on their behalf. This appointment takes effect upon the Scheme becoming Effective.
When will I be paid the Scheme Consideration?	If the Scheme is approved and implemented, the Scheme Consideration will be paid to Scheme Participants by **no later than** five Business Days after the Implementation Date. On the current indicative timetable, it is expected that the consideration will be paid to the Scheme Participants on or before Friday 23 November 2012. If you are a Scheme Participant and have provided a payment direction for an Australian bank account to the CMH Registry (and have not withdrawn these details), then you will receive the Scheme Consideration by way of a direct money transfer to your nominated Australian bank account. If you have not provided your bank account details, you will be paid the Scheme Consideration by a cheque posted to your registered address in the CMH Register. If you want to lodge or update your bank account details to ensure you will be paid the Scheme Consideration by direct credit, please contact the CMH Registry on **1300 850 505** (within Australia) or **+61 3 9415 4000** (from outside Australia) to update your details. In addition, if you think your details might be out of date with the CMH Registry, we encourage you to update those details on the numbers provided above.

The Scheme Consideration

What are the tax consequences of the Scheme for me?	Included at **Section 5** is information from CMH's tax Advisors, Ernst & Young, providing a general description of the Australian income tax, capital gains tax, GST and stamp duty implications for CMH Shareholders who dispose of their CMH Shares in accordance with the Scheme. You should consult with your own tax Advisor regarding the consequences of disposing of CMH Shares in accordance with the Scheme in light of current tax laws and your particular investment circumstances.
Will I have to pay brokerage?	No, you will not have to pay any brokerage in connection with the Scheme.
Do I receive the FY2012 Final Dividend?	On 21 August 2012, CMH Directors announced a fully franked final dividend for the 2012 financial year of 6 cents per share, which will be paid on Friday 5 October 2012 to those CMH Shareholders on the CMH Register on the Dividend Record Date, being Friday 28 September 2012. A CMH Shareholder that is on the CMH Register on both the Dividend Record Date and assuming the Scheme is approved and becomes Effective, on the Scheme Record Date, will receive a total of $3.51 cash per CMH Share, being the aggregate of the Dividend of 6 cents per CMH Share and the Scheme Consideration of $3.45 cash per CMH Share. If you are a CMH Shareholder on the Dividend Record Date, you will receive the Dividend whether or not the Scheme is approved and becomes Effective.

Approvals and conditions of the Scheme

What are the Scheme Conditions?	A summary of the conditions precedent to the Scheme is set out in **Sections 1.2** and **1.3**. The Scheme Conditions are set out in full in clause 3.1 of the Scheme Implementation Deed. A copy of the Scheme Implementation Deed was lodged with ASX on 7 September 2012 and can be viewed on the CMH Website and the ASX Website. CMH Shareholders can also obtain a copy of the Scheme Implementation Deed at no cost, by contacting the CMH transaction information line or by contacting CMH directly on contact@cmh.com.au.
Can all the Scheme Conditions be waived?	No, because the conditions relating to the CMH Shareholder and Court approvals of the Scheme cannot be waived. If these conditions are not satisfied, then the Scheme will not proceed. The other conditions can be waived by the party for whose benefit the condition operates or, where the condition operates for the benefit of more than one party, by the parties. Further information on these conditions can be found at **Section 1.3**.
What happens if the Scheme Resolution is approved at the Scheme Meeting?	If the Scheme Resolution is passed at the Scheme Meeting, CMH will apply to the Court for orders approving the Scheme on Friday 2 November 2012. At the hearing on the Second Court Date, both CMH and News will provide a certificate to the Court confirming whether or not the Scheme Conditions (other than the condition relating to Court approval) have been satisfied or waived (if applicable) in accordance with the Scheme Implementation Deed.
What happens if the Scheme is approved by the Court?	If the Scheme is approved by the Court, CMH will lodge the Court Orders with ASIC on the same day. The effect of lodging the Court Orders with ASIC is that the Scheme then becomes Effective.
When will the Scheme become Effective?	It is expected that the Effective Date will be Friday 2 November 2012. If the Effective Date has not occurred by 21 December 2012, CMH and News each has a right to terminate the Scheme Implementation Deed. If the Scheme Implementation Deed is terminated, the Scheme will not proceed.

Approvals and conditions of the Scheme

What happens after the Scheme becomes Effective?

CMH Shares will be suspended from further trading on ASX from the close of trading on the Effective Date.

On a date after the Implementation Date, CMH Shares will cease to be quoted on ASX and CMH will be removed from the Official List of ASX.

What happens on the Implementation Date?

On the Implementation Date, once News has paid or provided the Scheme Consideration in the manner contemplated by the Scheme, News will be entitled to be registered as the holder of all the CMH Shares held by Scheme Participants as at the Scheme Record Date.

It is presently expected that the Implementation Date will be on Monday 19 November 2012.

The Scheme Consideration will be paid to Scheme Participants by no later than five Business Days after the Implementation Date.

What happens if the Scheme Conditions are not satisfied or the Scheme Implementation Deed is terminated?

If:

- the conditions to the Scheme are not satisfied or (where applicable) waived; or
- the Scheme Implementation Deed is terminated,

the Scheme will not proceed and no CMH Shares will be acquired by News as contemplated by the Scheme. This means you will continue to hold your CMH Shares and will not receive any Scheme Consideration for your CMH Shares.

Where can I find more information on the Scheme?

This Booklet provides important information concerning the Scheme.

However, if you require further information in relation to the Scheme or the Scheme Resolution, you should contact the CMH transaction information line on **1300 628 017** (within Australia) or **+61 3 9415 4196** (outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Alternatively, please contact your legal, investment or other professional Advisor.

Scheme Meeting and voting

What is the Scheme Resolution?

The Scheme Resolution is a resolution to approve the Scheme.

It will be voted on at the Scheme Meeting and is set out in the Notice of Scheme Meeting (included in this Booklet at **Attachment 4**).

When and where will the Scheme Meeting be held?

The Scheme Meeting at which CMH Shareholders will vote on the Scheme will be held at 9.30am (Perth time) on Wednesday 31 October 2012 at Botanical Four, Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia.

How do I vote?

You can vote on the Scheme by doing one of the following:

- by attending and voting at the Scheme Meeting in person;
- by appointing a proxy to vote on your behalf;
- by appointing an attorney to vote on your behalf; or
- in the case of a corporation which is a CMH Shareholder, by appointing an authorised corporate representative to attend and vote on its behalf.

If you choose to vote by proxy or power of attorney, your completed Proxy Form or power of attorney needs to be received by Computershare Investor Services Pty Limited, or registered online at www.investorvote.com.au or, for Intermediary Online subscribers only (custodians), at www.intermediaryonline.com, by no later than 9.30am (Perth time) Monday 29 October 2012.

Please refer to **Section 7** for further details on how to vote.

Section

1

Transaction overview

1.1 Background

On 7 September 2012, CMH announced that it had entered into the Scheme Implementation Deed with News Limited and News.

The Scheme Implementation Deed sets out the terms and conditions of the proposal by News to acquire 100% of CMH by way of a court approved scheme of arrangement. It was attached to CMH's announcement lodged with ASX on 7 September 2012 and is available on the CMH Website at http://www.cmh.com.au/CMH/About-CMH/CMH-Scheme.

Shareholders can also obtain a copy of the Scheme Implementation Deed at no cost by contacting the CMH transaction information line, by contacting CMH directly through its website or by email to contact@cmh.com.au.

Under the Scheme Implementation Deed, CMH agreed to propose the Scheme to CMH Shareholders which if implemented, will result in News, a 100% owned Subsidiary of News Corporation, acquiring all of the CMH Shares from the Scheme Participants – being CMH Shareholders on the CMH Register on the Scheme Record Date – in consideration for the Scheme Consideration.

The Scheme Implementation Deed sets out the obligations of both CMH and News in relation to the Scheme. It also includes the conditions to which the Scheme is subject (being the **Scheme Conditions**). The Scheme Conditions are summarised at **Sections 1.2** and **1.3** below.

1.2 Scheme approval

One of the Scheme Conditions is that the Scheme must be approved by CMH Shareholders at the Scheme Meeting.

The Scheme Meeting has been convened by order of the Court and will be held at 9.30am (Perth time) on Wednesday 31 October 2012 at Botanical Four, Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia.

If the Scheme is approved by the the requisite majorities of CMH Shareholders at the Scheme Meeting, CMH will apply to the Court for an order approving the Scheme.

If the Court then makes an order approving the Scheme, the Scheme will then become Effective on the Effective Date and CMH and News will become bound to implement the Scheme in accordance with its terms.

The Scheme Consideration will then be provided to CMH Shareholders on the CMH Register on the Scheme Record Date within five Business Days after the Implementation Date.

1.3 Other Scheme Conditions

Other than the requirement for approval of the Scheme by CMH Shareholders described in **Section 1.2**, the Scheme Conditions that remain outstanding as at the date of this Booklet can be summarised as follows:

i) there is no judgement, order, decree, statute, law, ordinance, rule or regulation or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition entered, enacted, promulgated, enforced or issued by any court (except that in the case of a court outside Australia, only where the relevant judgement, order, injunction or other restraint was entered, issued or enforced by the court following an application made to that court by a Public Authority) or any Public Authority of competent jurisdiction in effect that prohibits, materially restricts, makes illegal or restrains the completion of the Scheme;

ii) the Court approves the Scheme;

iii) there is no Material Adverse Change in relation to CMH;

iv) no Prescribed Occurrence occurs; and

v) each of the representations and warranties, given by CMH in the Scheme Implementation Deed, is true and correct at 8.00am on the Second Court Date. In addition to formal representations and warranties (including as to status, solvency, power and authority), CMH has given representations and warranties as to its capital structure, compliance with continuous disclosure obligations, provision of information to the Independent Expert, due diligence information provided to News and that no Prescribed Occurrence has occurred between 20 June 2012 and the date of the Scheme Implementation Deed.

Each of the Scheme Conditions, other than the Court approval condition, must be satisfied or (if applicable) waived before 8.00am on the Second Court Date.

The Scheme Conditions relating to CMH Shareholder approval and Court approval of the Scheme cannot be waived. If those two Scheme Conditions are not satisfied, then the Scheme cannot proceed.

The other Scheme Conditions may be waived by the party for whose benefit the condition operates or, where the condition operates for the benefit of more than one party, by the parties. Detail on which party can waive each condition is provided at clause 3.3 of the Scheme Implementation Deed.

As at the date of this Booklet, the CMH Directors are not aware of any reason why any Scheme Condition referred to above is not likely to be satisfied in the time required by the Scheme Implementation Deed.

1.4 The 2012 Final Dividend and the Scheme Consideration

On 21 August 2012, the CMH Directors announced a fully franked final dividend for the 2012 financial year of 6 cents per share. The Dividend will be paid on Friday 5 October 2012 to those CMH Shareholders on the CMH Register on the Dividend Record Date, being 5.00pm on Friday 28 September 2012.

The Scheme Consideration is $3.45 cash per CMH Share.

The Scheme Consideration of $3.45 cash per CMH Share represents an implied multiple of 9.4x EV/EBITDA (2012PF)[1] based on a proportional consolidation of CMH's main investments in Foxtel and FOX SPORTS.

The Scheme Consideration also represents a premium of approximately 15% to CMH's volume weighted average price over the three month period to 3 May 2012, being the last trading day before the announcement by CMH that it had had very preliminary discussions concerning a potential control transaction.

A CMH Shareholder that is on the CMH Register on both the Dividend Record Date and, assuming the Scheme is approved and becomes Effective, on the Scheme Record Date, will receive a total of $3.51 cash per CMH Share, being the aggregate of the Dividend and the Scheme Consideration.

A CMH Shareholder that is on the CMH Register on the Dividend Record Date but then sells his or her shares before the Scheme Record Date so that the person is not on the CMH Register on the Scheme Record Date, will receive the Dividend but will not receive the Scheme Consideration.

A CMH Shareholder that is not on the CMH Register on the Dividend Record Date but is on the CMH Register on the Scheme Record Date will be entitled to the Scheme Consideration of $3.45 cash per CMH Share, assuming the Scheme is approved and becomes Effective.

1.5 Determination of persons entitled to Scheme Consideration

a) Dealings on or prior to the Scheme Record Date

For the purpose of establishing the persons who are Scheme Participants, dealings in CMH Shares will only be recognised if:

- in the case of dealings effected by CHESS, the transferee is registered on the CMH Register as a holder of the relevant CMH Shares by no later than 7.00pm on the Scheme Record Date; and
- in all other cases, registrable transfers or transmission applications are received at the CMH Registry by no later than 5.00pm on the Scheme Record Date (in which case CMH must register such transfers by 7.00pm on the Scheme Record Date).

CMH will not accept for registration or recognise for the purposes referred to above, any transmission application or transfer in respect of CMH Shares received after such times on the Scheme Record Date (other than a transfer of CMH Shares to News in accordance with the Scheme) or received prior to such times on the Scheme Record Date and not in registrable form.

b) Dealings after the Scheme Record Date

For the purpose of determining which CMH Shareholders are entitled to the Scheme Consideration, CMH will maintain the CMH Register in the form it is in as at 7.00pm on the Scheme Record Date through until the date the Scheme Consideration has been paid to Scheme Participants.

To do this, from 7.00pm on the Scheme Record Date each entry current on the CMH Register will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration in respect of the CMH Shares relating to that entry.

Subject to the payment of the Scheme Consideration in accordance with the Scheme, any holding statements for CMH Shares shall, from the Scheme Record Date, cease to have any effect as documents of evidence of title in respect of such CMH Shares.

1.6 Payment of the Scheme Consideration

If the Scheme becomes Effective, then the following will occur:

a) by 11.00am on the Implementation Date, News will pay the total Scheme Consideration into a trust account operated by or on behalf of CMH. These funds will be held on trust for the Scheme Participants, except that any interest on the amount deposited (less bank fees and other charges) will be to News' account; and

b) as soon as possible but in any event by no later than five Business Days after the Implementation Date, CMH will pay the Scheme Consideration to Scheme Participants in one of two ways:

   i) if the Scheme Participant has a payment direction for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the CMH Registry as at 7.00pm on the Scheme Record Date, depositing that amount into that account; or

   ii) if the Scheme Participant has not provided bank account details, sending that amount to the Scheme Participant's registered address by cheque in Australian currency drawn out of the trust account referred to above.

If you have not previously notified the CMH Registry of your nominated bank account, you should contact the CMH Registry on **1300 850 505** (within Australia) or **+61 3 9415 4000** (outside Australia) before the Scheme Record Date to make arrangements for providing a payment direction.

If a Scheme Participant's whereabouts are unknown as at the Scheme Record Date and no bank account has been nominated by the Scheme Participant, the Scheme Consideration will be paid into a separate bank account and held by CMH until claimed or applied under laws dealing with unclaimed money.

1.7 End Date

If the Scheme has not become Effective by 21 December 2012, then either CMH or News is able to terminate the Scheme Implementation Deed, unless they agree to extend the latest date by which the Scheme is to become Effective.

If the Scheme Implementation Deed is terminated, the Scheme will not proceed.

1.8 CMH transaction information line

If, after reading this Booklet, you require any further information, please call the CMH transaction information line on **1300 628 017** (within Australia) or **+61 3 9415 4196** (outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday.

1) This multiple is calculated based on the enterprise value of CMH at the Scheme Consideration price and net debt adjusted for the payment of the Dividend and to include a proportional consolidation of Foxtel (25%) and FOX SPORTS (50%) net debt. EBITDA is based on CMH EBITDA (excluding non-operating items) and the SEEKAsia dividend, in addition to the proportional consolidation of the Foxtel pro forma EBITDA (25%) and FOX SPORTS EBITDA (50%).

Section

2

Recommending Directors' recommendation and matters relevant to your vote on the Scheme Resolution

Section 2

Recommending Directors' recommendation and matters relevant to your vote on the Scheme Resolution

2.1 Recommending Directors' recommendation

The CMH Directors as at the date of this Booklet are:

- Mr John Alexander (Executive Chairman);
- Mr James Packer (Non-Executive Deputy Chairman);
- Mr Christopher Corrigan;
- Mrs Rowena Danziger;
- Mr Geoffrey Dixon;
- Mr Peter Gammell;
- Mr Ashok Jacob;
- Mr Guy Jalland;
- Mr Christopher Mackay; and
- Mr Ryan Stokes.

Mr Michael Johnston is an alternate director to Mr Packer, Mr Jacob and Mr Jalland.

None of the CMH Directors has been involved in considering, negotiating or implementing the proposal or the Scheme on behalf of News.

The Recommending Directors are Mr John Alexander, Mr James Packer, Mr Christopher Corrigan, Mrs Rowena Danziger, Mr Geoffrey Dixon, Mr Ashok Jacob, Mr Guy Jalland and Mr Christopher Mackay.

Each of the Recommending Directors recommends that CMH Shareholders approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a superior proposal, for the reasons set out in this section.

Each of Mr Peter Gammell and Mr Ryan Stokes does not wish to make a recommendation. Each is a CMH Director who was nominated by the SGH group which holds 25.35% of the CMH Shares. SGH announced on 20 June 2012 that it was considering its options in relation to the Indicative Proposal of News, which has been followed by the announcement by CMH and News of the Scheme.

The CMH Directors who hold or control CMH Shares (see **Section 6.6** for further details of the CMH Shares held or controlled by the CMH Directors) intend to vote those shares in favour of the Scheme, in the absence of a superior proposal, or in the case of Mr Packer, in the absence of a superior cash proposal. Mr Packer has stated publicly that CPH will support the Scheme in the absence of a superior cash proposal.

2.2 Reasons to approve the Scheme

a) The Recommending Directors unanimously recommend that you approve the Scheme by voting in favour of the Scheme Resolution, in the absence of a superior proposal

The Recommending Directors believe that the Scheme is in the best interests of CMH Shareholders and unanimously recommend that you approve the Scheme by voting all your CMH Shares in favour of the Scheme Resolution that will be considered at the Scheme Meeting, in the absence of a superior proposal.

In reaching their recommendation, the Recommending Directors have had regard to the reasons to approve, and the reasons not to approve, the Scheme as set out in this Booklet.

The CMH Directors who hold or control CMH Shares – being Mr Packer, Mr Alexander, Mrs Danziger and Mr Mackay – intend to vote in favour of the Scheme Resolution in respect of all the CMH Shares they hold or control, in the absence of a superior proposal, or in the case of Mr Packer, in the absence of a superior cash proposal.

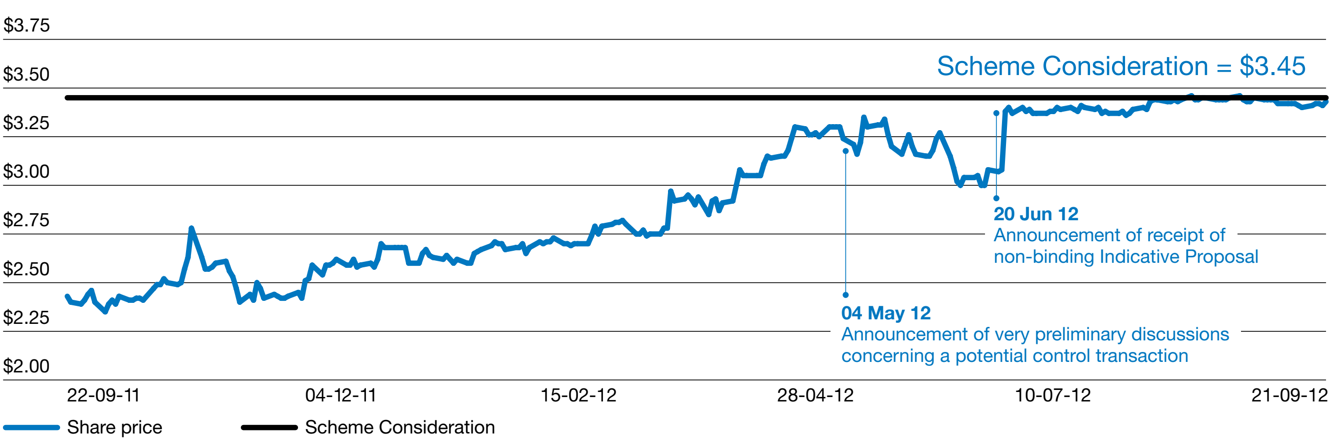
b) The Scheme Consideration of $3.45 cash per CMH Share represents an attractive valuation

Subject to the Scheme becoming Effective, CMH Shareholders will receive the Scheme Consideration of $3.45 cash per CMH Share held on the Scheme Record Date. This values CMH at $1.94 billion and represents an implied multiple of 9.4x EV/EBITDA (2012PF) [1] based on a proportional consolidation of CMH's main investments in Foxtel and FOX SPORTS.

The Scheme Consideration also represents a premium of approximately 15% to the volume weighted average price of CMH Shares over the three month period to 3 May 2012, being the last trading day before the announcement by CMH that it had had very preliminary discussions concerning a potential control transaction.

As at 21 September 2012, the last trading day before the date of this Booklet, CMH Shares closed at $3.42. CMH's share price history for the last 12 months is provided in the graph below.

Share price history



1) This multiple is calculated based on the enterprise value of CMH at the Scheme Consideration price and net debt adjusted for the payment of the Dividend and to include a proportional consolidation of Foxtel (25%) and FOX SPORTS (50%) net debt. EBITDA is based on CMH EBITDA (excluding non-operating items) and the SEEKAsia dividend, in addition to the proportional consolidation of the Foxtel pro forma EBITDA (25%) and FOX SPORTS EBITDA (50%).

Please note that the Scheme Consideration will **not** be reduced by the fully franked final Dividend of 6 cents per share announced by CMH on 21 August 2012. This Dividend will be paid on Friday 5 October 2012 to shareholders on the CMH Register on the Dividend Record Date of Friday 28 September 2012.

Please see **Section 1.4** for more detail on the entitlement to the Dividend.

c) The Scheme Consideration of $3.45 cash per CMH Share provides you with certainty of value and liquidity for your CMH Shares

The cash consideration of $3.45 for each CMH Share provides you with certainty of value and timing. If the Scheme does not proceed, the amount which CMH Shareholders will be able to realise for their CMH Shares in terms of price and future dividends, will necessarily be uncertain, and will be subject to a number of risks which are outlined in **Section 2.4**.

CMH Shares have historically been a relatively illiquid security with low volumes of CMH Shares being traded.

The following table shows the trading volumes of CMH Shares over various periods up to 3 May 2012, the last trading day prior to the announcement by CMH that it had had very preliminary discussions concerning a potential control transaction.

Period	Average daily shares traded (m)	% shares on issue
1 month	0.48	0.09
3 months	0.33	0.06
12 months	0.29	0.05

The low liquidity of CMH Shares is in part because the CPH group has a Relevant Interest in 50.05% of the shares on issue and the SGH group has a Relevant Interest in 25.35% of the shares on issue. This means that CMH has a free-float of 24.6% of its shares on issue.

The Scheme is an opportunity for all CMH Shareholders to realise their investment in CMH at an attractive valuation in a certain timeframe, without paying brokerage.

d) The Independent Expert has concluded that the Scheme is fair and reasonable, and therefore in the best interests of CMH Shareholders, in the absence of a superior proposal

The Independent Expert has concluded as follows:

"The Scheme is fair and reasonable, and therefore in the best interests of Shareholders in the absence of a superior proposal."

The Independent Expert assessed the control value of a CMH Share to be in the range of $3.22 to $3.56 per CMH Share.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, which is in **Attachment 1**. The CMH Directors encourage you to read this report in its entirety before deciding whether or not to approve the Scheme. The Independent Expert's Report has been lodged with ASX and is available for inspection and downloading from the CMH Website and the ASX Website.

e) No superior proposal has emerged. It is the view of the CMH Directors that a superior proposal is unlikely to emerge prior to the Scheme Meeting.

On 4 May 2012, CMH announced to ASX that it had had very preliminary discussions concerning a potential control transaction. Since that date, no superior proposal has been put to CMH and no CMH Director has received any approaches which would cause him or her to believe that a superior proposal is likely to emerge.

The reasons why the CMH Directors believe that a superior proposal is unlikely to emerge before the Scheme Meeting include the fact that the underlying governance agreements for Foxtel and FOX SPORTS limit the ability of any purchaser of CMH (other than News or Telstra) to actively manage the investments in Foxtel and FOX SPORTS. While CMH can exercise influence over the strategic direction of Foxtel and FOX SPORTS, CMH does not have positive control over those investments. The underlying governance arrangements are also likely to limit the extent to which a purchaser of CMH (other than News or Telstra) could extract synergies from its investments in Foxtel and FOX SPORTS.

The CMH Directors consider that an alternative proposal from Telstra is unlikely to emerge having regard to public statements made by Telstra following CMH's 4 May 2012 announcement that Telstra does not intend to make an offer for CMH. Moreover, the CMH Directors note the public statements by the Chairman of the ACCC Mr Rod Sims that the ACCC would look extremely closely at any proposal by Telstra to increase its shareholding in Foxtel to anything that gives it an outright majority interest.

SGH, which has a Relevant Interest in 25.35% of the CMH Shares, has asked the ACCC to review a possible acquisition by SGH of all of the shares in CMH which it does not currently own. At the date of this Booklet, CMH has not received any proposal from SGH.

On 13 September 2012, the ACCC issued a Statement of Issues in which the ACCC expressed its preliminary competition concerns about a proposal for SGH to acquire CMH, arising from its review to date. The ACCC has indicated that it is concerned any acquisition of CMH by SGH, and consequently SGH having a 50% interest in FOX SPORTS, has the potential to cause a substantial lessening of competition in the free-to-air market by limiting the ability of Seven Network's rival free-to-air channels to effectively bid for premium sporting rights. The ACCC has invited further submissions from the market in response to the Statement of Issues by 27 September 2012. The ACCC's proposed date for the announcement of its final decision is 11 October 2012.

f) CMH's share price may fall if the Scheme is not approved

If the Scheme does not proceed and no superior proposal emerges, CMH Shares may trade at levels below current trading levels (and the Scheme Consideration).

It should be noted that, if the Scheme does not proceed and no superior proposal emerges, the CMH Directors are not in a position to provide any assurance as to the market price of CMH Shares, as the CMH Share price will be influenced by many external factors that are not within the control or influence of CMH such as market volatility, general stock market movements, general economic conditions and the demand for listed securities.

g) No brokerage will be payable by you on the transfer of your CMH Shares under the Scheme

You will not incur any brokerage on the transfer of your CMH Shares to News pursuant to the Scheme.

2.3 Possible reasons not to approve the Scheme

Some of the potential factors that may lead you not to approve the Scheme or to consider that the Scheme is disadvantageous for you are outlined below.

a) You may disagree with the Recommending Directors and the conclusion of the Independent Expert and believe that the Scheme is not in your best interests

You may disagree with:

- the Recommending Directors' recommendation that you vote in favour of the Scheme, in the absence of superior proposal; and/or
- the findings of the Independent Expert, who has concluded that the Scheme is in the best interests of CMH Shareholders.

b) You may wish to maintain your investment in CMH

You may wish to maintain an interest in CMH because you are seeking an investment in a publicly listed company with the specific characteristics of CMH such as industry, capital structure and size.

You may also wish to maintain an interest in CMH to gain a look-through exposure to pay television assets in Australia or to the JobsDB Inc investment, albeit CMH does not have control over these investments.

In particular, you may believe that CMH will deliver greater returns over the long term as an independent company and that the future growth prospects of CMH have not been fully reflected in the Scheme Consideration that is being offered to you for your CMH Shares.

If the Scheme is approved and implemented and you receive the Scheme Consideration, you will cease to hold an interest in CMH and will no longer have the rights of a CMH Shareholder.

In particular, you will forego:

i) any future dividends from CMH (although there is no certainty as to the quantum of any such dividends or timing for payment of future dividends),

ii) the opportunity to benefit from any increase in the CMH Share price or any increase in the future value of CMH, and

iii) your voting rights as a CMH Shareholder.

c) The tax consequences of the Scheme may be adverse to your financial position in your particular circumstances

If the Scheme is implemented, this may trigger taxation implications for you earlier than would have otherwise been the case, potentially including capital gains tax. You should read the taxation considerations outlined in **Section 5** and seek professional taxation advice with respect to your individual tax situation.

d) You may believe a superior proposal may emerge

You may believe that a superior proposal for CMH Shares may emerge in the foreseeable future.

Since the announcement by the CMH Board on 4 May 2012 that it had had very preliminary discussions concerning a potential control transaction, no superior proposal has emerged and no CMH Director has received any approaches which would cause him or her to believe that a superior proposal is likely to emerge.

2.4 Summary of key CMH risks

The matters set out below relate to risk factors in CMH and its key investments and are relevant for CMH Shareholders to consider when making their decision about how they will vote on the Scheme Resolution.

If the Scheme is not approved, then CMH Shareholders will retain their interest in CMH and the value of that interest may be affected by any or all of the risks set out below. These risks do not purport to be, nor should they be construed as representing, an exhaustive list of the risks that may affect CMH.

a) Specific risks relating to CMH

i) CMH does not control the day to day business of its investments:

CMH is a holding company for pay television and new media investments and does not operate or control the day to day business of its investments. If the financial performance of the business of CMH's investments is adversely affected, then that will also have an adverse effect on CMH's financial performance. Furthermore, decisions by the Foxtel board or the FOX SPORTS board that have the effect of reducing the amount of cash distributions received by CMH from these entities (e.g. a decision by Foxtel to repay debt) may have an adverse effect on CMH's ability to pay dividends to its shareholders and may affect CMH's ability to meet interest payment obligations under its current financing arrangements.

ii) Increased competition for Foxtel and FOX SPORTS:

CMH's main investments, Foxtel and FOX SPORTS, face competition from three primary digital video distribution platforms, namely:

- free-to-air television networks, particularly with the new range of digital multi-channels which allow the free-to-air television networks to expand the range of content that they broadcast and to target specific demographics;
- subscription television providers, including both satellite and cable delivery players; and
- other providers of audio visual content, including internet based content such as IPTV, streaming services and online content downloads, as well as DVD rentals and sales.

In addition, the rollout of the National Broadband Network is expected to provide a new distribution platform that will enable faster and more reliable delivery of IPTV and OTT digital video, potentially increasing internet based competition.

The expansion of existing competitors, particularly in relation to the free digital multi-channels, the entry of new competitors, and the development of new forms of media all have the potential to reduce Foxtel and FOX SPORTS' subscription and advertising revenues, which in turn, could impact CMH's financial performance.

iii) Renewal of programming contracts by Foxtel:

Foxtel offers a combined total of more than 200 channels. Foxtel operates 19 channels as well as Foxtel On Demand which have content agreements in place with major studios and producers. However, a large proportion of Foxtel's programming is sourced from external content suppliers under existing contracts.

If Foxtel is unable to secure programming, through new contracts or the renewal of existing contracts on commercial terms favourable to Foxtel, then that may adversely affect Foxtel's ability to retain and attract subscribers. An inability to retain and attract subscribers, a reduction in the average revenue per subscriber or an increased rate of churn may impact Foxtel's results and, consequently, Foxtel's contribution to CMH's results.

For instance, there is a risk that programming costs under the terms of the renewal of existing programming contracts or under any new contracts, may be higher than existing programming costs, which would be likely to impact adversely on Foxtel's (and consequently also CMH's) financial performance.

iv) Acquisition by FOX SPORTS of future broadcasting rights:

FOX SPORTS has secured the rights to broadcast popular Australian local sports, as well as international competitions, under existing contracts.

At the end of the existing rights agreements there is no guarantee of the renewal of these contracts or that future broadcasting rights will be able to be secured on terms which are commercially attractive to FOX SPORTS.

Failure to secure broadcasting rights, through new contracts or the renewal of existing contracts on terms favourable to FOX SPORTS, may reduce FOX SPORTS' (and consequently also CMH's) profitability.

In particular, any increase in the cost of acquiring the broadcasting rights without a corresponding increase in the number of subscribers on the Foxtel platform may result in a deterioration of the financial performance of FOX SPORTS.

v) Business interruption:

The operation of Foxtel's and FOX SPORTS' businesses relies on the continued operation of their computer systems, network infrastructure and telecommunications links. Interruptions to these systems, including by external events beyond the control of Foxtel and FOX SPORTS, could have a material adverse effect on their respective operations and financial performance.

Any impact on Foxtel's and/or FOX SPORTS' financial results may impact the contributions provided by these businesses to CMH's financial results.

vi) Disruption to key service providers:

Foxtel and FOX SPORTS rely upon third party service providers to provide certain aspects of their operations. This includes, in Foxtel's case, installation and technical support. A disruption to these outsourcing arrangements may have a material adverse effect on Foxtel and/or FOX SPORTS.

vii) Technology change:

Foxtel's and FOX SPORTS' ability to compete effectively in the future may be impacted by their ability to maintain or develop competitive technologies relating to the delivery of content to subscribers, in a cost effective manner.

viii) Signal theft:

There is a risk that Foxtel's encryption systems, NDS & Irdeto, will be breached in the future. Should that occur, Foxtel may lose revenue and further expenditures may also be required to attempt to prevent or reduce signal theft.

ix) Regulatory changes:

Changes in legislation or government policy in Australia (whether local, state or federal) which affect the subscription television industry, the broader media industry, taxation and the regulation of competition and consumer issues may impact on the future earnings of CMH, as well as CMH's investments in Foxtel and FOX SPORTS.

x) Foxtel has external debt financing:

Foxtel has external debt which is provided by third parties. This external debt has customary obligations (such as interest payments), restrictions (such as covenants) and other contractual arrangements. Foxtel is subject to the risks associated with debt including refinancing and default risk. The value of CMH's investment in Foxtel may be negatively impacted by the risks associated with Foxtel's debt.

xi) AUSTAR acquisition:

Foxtel completed its acquisition of AUSTAR on 23 May 2012 and is currently in the process of implementing the integration of the two businesses. To date, Foxtel has finalised all appointments in the new merged Foxtel-AUSTAR organisation, has moved to a single and unified Foxtel brand Australia-wide and has delivered annualised savings in excess of $40 million. Should an issue arise with the integration of AUSTAR, this may adversely impact Foxtel's financial results, which in turn, may impact Foxtel's contribution to CMH's financial results.

b) General risks

i) Force majeure events:

Events such as natural disasters, extreme weather events, terrorism, civil and political unrest and wars may adversely affect CMH through:

- disruption to the businesses of its key investments; and
- negative effects on retail confidence, which could for example, have an impact on demand for the services and products provided by Foxtel and FOX SPORTS, and consequently, CMH's financial performance and the performance of its investments.

ii) Employees:

The performance of CMH's investments depends upon their ability to attract and retain key employees. Loss of key employees or industrial action at either Foxtel or FOX SPORTS may adversely affect CMH's performance.

iii) Litigation:

CMH may in the future be subject to litigation and other claims, with or without merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular litigation will not have a material adverse effect on CMH's future financial position. The same can be said for CMH's investments in Foxtel and FOX SPORTS, which may have a corresponding impact on CMH's financial results.

iv) Changes in accounting standards:

Changes to accounting and financial reporting standards, or the interpretation of existing standards, may affect the reported earnings of CMH and its financial position from time to time. The same can be said for the accounting applied by Foxtel and FOX SPORTS, which may have a corresponding impact on CMH's financial results.

v) General economic conditions:

The financial performance of CMH's investments can be influenced by a variety of general economic and business conditions, which in turn, influence CMH's financial performance.

As CMH's earnings are predominantly derived from investment in the pay television sector, it is exposed to fluctuations in the media and retail markets and general economic conditions in Australia.

Changes in prevailing economic conditions in Australia include, but are not limited to, fluctuations in equity and debt markets, interest rates, exchange rates, inflation and unemployment rates, and each may have a significant impact on CMH's financial performance and the price of its shares. For example:

- adverse changes to economic conditions affecting retail markets and disposable household income, could materially adversely affect Foxtel's subscriber base; and
- adverse changes in Australian and international market conditions and investor sentiment could materially reduce the market price of CMH Shares.

2.5 Other relevant considerations

a) Implications of a failure to approve the Scheme

If the Scheme does not proceed, News will not acquire your CMH Shares and you will not receive any Scheme Consideration.

CMH anticipates that if the Scheme does not proceed, CMH will continue to operate in its current form – i.e. it will continue to hold investments in pay television and new media and manage those investments in the best interests of CMH and its shareholders.

In addition to the matters outlined above, if the Scheme does not proceed:

- CMH will continue to be listed on ASX;
- Decisions in relation to the future of CMH will continue to be taken by the CMH Board; and
- CMH will continue to be exposed to the risks including those that are outlined in **Section 2.4**.

b) The Scheme may be implemented even if you vote against it

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the requisite majorities of CMH Shareholders and the Court.

If this occurs, your CMH Shares will be transferred to News and you will receive the Scheme Consideration, even though you did not vote on, or voted against, the Scheme.

Section

3

Overview of CMH

CMH has a portfolio of investments in pay television and new media. These investments are:

- a 25% interest in Foxtel,
- a 50% interest in FOX SPORTS; and
- a 12.1% interest in SEEKAsia.

3.1 Background and recent corporate history

CMH originated from the 1994 merger of Australian Consolidated Press and Nine Network Australia, which formed Publishing and Broadcasting Limited (**PBL**).

In October 2006, PBL announced the recapitalisation of its media assets, including ACP Magazines, Nine Network (including its interest in Sky News), its 50% shareholding in ninemsn and its 41% shareholding in Carsales.com.au. These media businesses were transferred to a new company, **PBL Media**, in which PBL held a 50% economic interest. This recapitalisation completed in February 2007.

In June 2007, PBL announced that it had sold its investments in Ticketek and Acer Arena to PBL Media. At the same time, PBL announced that it had sold a further 25% of its share and unitholding in PBL Media to its co-shareholder and unitholder, Red Earth Holdings B.V., leaving PBL with a residual shareholding of 25% in its PBL Media joint venture. This sale completed in September 2007.

In December 2007, PBL demerged its gaming and media businesses into two separate listed entities – Crown Limited, which held the gaming assets of Crown Limited, Burswood Limited and various other domestic and international gaming investments, and Consolidated Media Holdings Limited, which held the media assets.

The PBL scheme of arrangement and demerger scheme of arrangement, which gave effect to the demerger, became effective on 30 November 2007, and PBL changed its name to CMH on the same date.

The demerger was implemented on 12 December 2007, leaving CMH (formerly PBL) with a 50% investment in FOX SPORTS (then known as Premier Media Group), a 25% investment in Foxtel, a 25% investment in PBL Media (re-named Nine Entertainment Co Holdings Pty Limited (**Nine Entertainment**) in 2010), a 27% shareholding in SEEK Limited and ownership of the property at 54 Park Street, Sydney NSW 2000.

In December 2008, CMH's interest in Nine Entertainment was diluted to less than 0.1% following a decision by Red Earth Holdings B.V. to invest further funds into that business. CMH no longer has any investment in Nine Entertainment.

In August 2009, CMH disposed of its shareholding in SEEK Limited for gross proceeds of $440.6 million. In the same month, CMH announced that it had sold its property at 54 Park Street, Sydney NSW to funds advised by AMP Capital Investors for $50 million (the sale completed in November 2009).

In December 2010, CMH invested in SEEKAsia alongside SEEK Limited, Tiger Global and Macquarie Capital. SEEKAsia presently owns 80% of the shares in JobsDB Inc, one of South East Asia's largest online employment businesses.

3.2 CMH's investments

a) Foxtel

Investment description

CMH has a 25% investment in Foxtel, alongside Telstra (with 50%) and News (with 25%). The Foxtel business is a partnership between Telstra, News and CMH.

CMH holds its 25% interest in the Foxtel business via Sky Cable Pty Limited, an entity wholly owned by FOX SPORTS (which in turn, is owned 50% by News and 50% by CMH).

In April 2012, CMH contributed $221.6 million to Foxtel's acquisition of AUSTAR (discussed below), being its pro-rata share of the Foxtel partner contributions, by way of a subordinated note. CMH's contribution was funded from a debt facility, fully underwritten by Australia and New Zealand Banking Group Limited and BNP Paribas.

Following the merger of its business with AUSTAR in May 2012, Foxtel has approximately 2.3 million subscriber households, has more than seven million viewers each week, directly employs approximately 2,500 people and supports a subscription television sector which spends close to $600 million a year on new and original Australian content.

Subscription television and associated products

Foxtel commenced distributing services on cable in 1995 with 20 channels, and expanded to 31 channels and satellite distribution in 1999.

Foxtel launched its digital broadcasting services in 2004.

Foxtel now has over 200 channels covering sport, news, general entertainment, movies, documentaries, music and children's programming, including Australia's most comprehensive High Definition (**HD**) offering.

Foxtel's services are distributed to Foxtel subscribers via both Telstra's hybrid fibre-coaxial cable network and a long-term contracted satellite platform provided by Optus.

Foxtel's services are sold directly by Foxtel, by Telstra to Telstra customers and by Optus to its customers.

Foxtel also offers limited versions of its services via broadband to the Xbox platform, via Telstra to Telstra T-Box customers and to Samsung internet connected televisions. Foxtel also provides content for a mobile service which is distributed by Telstra.

Foxtel broadcasts the majority of its channels in Standard Definition, 25 of its channels in HD and provides a fully integrated electronic programming guide. The electronic programme links to Foxtel's personal video recording technology, marketed under the Foxtel iQ, iQHD and MyStar branded services, which allows subscribers with Foxtel iQ, iQHD or MyStar to record and pause live television and to access On Demand features.

Programming

Foxtel provides a broad channel selection featuring relevant and entertaining content across gender, age, ethnic and interest-specific demographics. The following combination of owned content, rights agreements, joint ventures and channel partnerships allows Foxtel to deliver its programming line-up:

- **Foxtel Networks Australia:** FOX8, SoHo, A&E, The History Channel, The Comedy Channel, Bio, Crime & Investigation Network, LifeStyle, LifeStyle You, LifeStyle Food, LifeStyle Home, CMC, The Weather Channel, Arena, [V], [V] Hits, Max, 111 Hits, Fox Classics and Foxtel On Demand (pay-per-view on demand movies and near-on-demand channels).
- Foxtel holds the subscription television broadcasting rights to Australian Rules Football (**AFL**) until 2016.
- Foxtel has programming agreements with major studios, including Twentieth Century Fox, NBC/Universal, Warner Bros, Paramount and Disney, for the supply of programming to its Foxtel On Demand pay-per-view movie services.
- Foxtel also has extensive programming agreements with channel partners including: BBC Worldwide, Turner, Viacom, ESPN, Eurosport, Discovery Networks, National Geographic, Sky News, Fox News, Premium Movie Partnership, among others.

b) FOX SPORTS

Investment description

CMH has a 50% investment in FOX SPORTS (formerly known as Premier Media Group) alongside its partner News (50%).

Business overview

FOX SPORTS is one of Australia's leading sports broadcasters, delivering on average 23 hours of live sport per day across the FOX SPORTS channels in Standard Definition and HD. FOX SPORTS broadcasts Australia's favourite local sports, as well as popular international competitions.

The three FOX SPORTS channels are available to Foxtel Sports Tier subscribers with FOX SPORTS NEWS available in the basic package. A large portion of FOX SPORTS' revenue is derived on a monthly fee per subscriber basis.

FOX SPORTS and Foxtel have entered into a series of supply agreements where Foxtel and Optus subscribers access the FOX SPORTS' channels.

FOX SPORTS acquires high quality sports programming rights, then produces and distributes the content through its dedicated sports channels. The key sporting properties produced by FOX SPORTS at the date of this Booklet are as follows:

- AFL (produced on behalf of Foxtel until the end of the 2016 season);
- NRL (FOX SPORTS has recently announced that it will remain the subscription television broadcaster of the NRL after announcing a new five-year broadcast agreement with the Australian Rugby League Commission in partnership with the Nine Network);
- Rugby Union – all domestic rugby union test matches live, as well as Super 15, The Rugby Championship (which replaced the Tri Nations in 2012) and Bledisloe Cup (rights held until the end of the 2015 season);
- Football – A-League and Socceroos (rights held until 30 June 2013) and English Premier League (rights held until the end of the 2012/13 season); and
- Cricket – domestic – including the Big Bash (rights held until the end of the 2012/13 season), and international (various rights agreements).

In the 2012 financial year, FOX SPORTS won a number of awards at the ASTRA Awards including Channel of the Year; the award for Most Outstanding Sports Program/Coverage for its Big Bash coverage; and an award for Most Outstanding Use of Innovation in Programming for Fox Field.

In addition to the FOX SPORTS channels, FOX SPORTS owns and operates FUEL TV, Australia's only 24-hour channel dedicated to action sports. FUEL TV broadcasts the Ultimate Fighting Championship, live ASP World Tour surfing events, skateboarding, BMX, freestyle motocross and snowboarding events. FOX SPORTS also owns and operates the SPEED channel, Australia's only channel dedicated to motorsports.

FOX SPORTS also owns the www.foxsports.com.au website, one of Australia's leading general sports websites, which provides up-to-the-minute details and expert commentary on all the major Australian and international sports, with video streaming, news reports and statistics, as well as Fantasy and tipping competitions.

c) SEEKAsia

CMH has a 12.1% investment in SEEKAsia alongside its co-investors SEEK Limited, Macquarie Capital and Tiger Global. SEEKAsia has an 80% shareholding in JobsDB Inc, the operator of one of the largest employment website businesses in South East Asia.

In the 2012 financial year, SEEKAsia began receiving dividend income from its investment in JobsDB Inc. In turn, SEEKAsia then made distributions to its shareholders, with CMH receiving $0.7 million in respect of the 2011 calendar year.

3.3 Summary of CMH's financial results

a) Basis of preparation

This **Section 3.3** summarises certain historical financial information about CMH for the financial years ended 30 June 2012 and 30 June 2011. The financial information in this **Section 3.3** is a summary only and has been extracted from the audited financial report of CMH for the year ended 30 June 2012. The audit opinion relating to the financial report was unqualified.

CMH lodged a copy of its 2012 Annual Report with ASX on 21 August 2012. CMH's 2012 Annual Report contains more detailed information about CMH's financial information and contains a copy of the audited consolidated financial statements and notes to the financial statements for the year ended 30 June 2012.

The 2012 Annual Report can be obtained at no cost from:

- CMH's Website at www.cmh.com.au; or
- ASX's Website at www.asx.com.au.

b) Review of operations

CMH does not have any material operations as it is a holding company, and its results are driven by the results of its investments.

For the year ended 30 June 2012, CMH reported a Statutory NPAT result of $85.8 million. CMH's 2012 Statutory NPAT included losses resulting from the accounting for Foxtel's acquisition of AUSTAR ($5.1 million) and financing of that acquisition ($4.8 million), and from historical contractual matters ($2.3 million).

The Statutory NPAT result for FY2012 includes one-off items which can lead to anomalies when comparing results year on year. The FY2012 Operating NPAT result excludes these items.

CMH's 2012 Operating NPAT result of $97.9 million reflected a 2.4% improvement, or $2.3 million increase, on the 2011 Operating NPAT result of $95.6 million.

CMH's Operating NPAT result for 2012 comprised equity accounted contributions from both Foxtel (on a stand-alone basis) and FOX SPORTS of $42.0 million and $49.4 million respectively; dividends from SEEKAsia of $0.7 million; net interest revenue of $3.7 million (excluding the cost of the facility used to fund CMH's contribution to Foxtel's acquisition of AUSTAR); and the recognition of $9.0 million of previously unbooked tax losses, offset by corporate costs of $6.9 million.

CMH equity accounts for its investment in Foxtel. In the 2012 financial year, Foxtel (stand alone) contributed $42.0 million to CMH's NPAT result, up $4.4 million on the 2011 financial year ($37.6 million).

CMH received $60 million in cash distributions from Foxtel during the 2012 financial year, including over $5.7 million in subordinated note interest.

In the 2011 financial year, CMH received cash distributions from Foxtel of $65 million, including $30 million declared by Foxtel in the 2010 financial year but paid to CMH after 30 June 2010.

CMH equity accounts for its investment in FOX SPORTS. FOX SPORTS contributed $49.4 million to CMH's 2012 NPAT result, a decline on the 2011 result ($51.5 million).

CMH received cash distributions from FOX SPORTS during the 2012 financial year totalling $45 million, down $15 million on the 2011 financial year ($60 million).

During the 2012 financial year, CMH drew down $226.3 million under a debt facility to support Foxtel's acquisition of AUSTAR and, following completion of that transaction, CMH is now in a net debt position. As at 30 June 2012, CMH had net debt of $140.7 million.

c) Statement of comprehensive income

Below is a summary of CMH's consolidated statement of comprehensive income for the financial years ended 30 June 2012 and 30 June 2011.

Table 3.3.1	2012 $'000	2011 $'000
Continuing operations		
Revenue	11,641	14,943
Expenses	(10,638)	(8,241)
Share of net profits of associates and joint venture entities	80,568	89,048
Profit/(loss) from continuing operations before income tax and finance costs	**81,571**	**95,750**
Finance costs	(4,774)	(15)
Profit/(loss) from continuing operations before income tax	**76,797**	**95,735**
Income tax benefit	9,000	6,000
Profit after income tax from continuing operations	**85,797**	**101,735**
Net profit for the year	85,797	101,735
Profit attributable to members of CMH	**85,797**	**101,735**
Other comprehensive income		
Movement in associates' reserves	(802)	(4,959)
Other comprehensive income for the year, net of tax	**(802)**	**(4,959)**
Total comprehensive income for the year	**84,995**	**96,776**

d) Segment information

CMH has one operating segment being investment in subscription television. The information set out below is used by management in assessing the performance of the business.

Table 3.3.2	2012 $'000	2011 $'000
Revenue	1,466	1,372
Expenses	(8,137)	(6,711)
EBITDA	**(6,671)**	**(5,339)**
Depreciation	(179)	(145)
EBIT	**(6,850)**	**(5,484)**
Investment income		
Associates		
Foxtel	41,964	37,595
FOX SPORTS	49,417	51,453
Total equity accounted profit	**91,381**	**89,048**
SEEKAsia (dividend income)	674	—
Total investment income	**92,055**	**89,048**
Net interest	3,735	6,056
Operating profit before tax	**88,940**	**89,620**
Tax benefit	9,000	6,000
Operating NPAT	**97,940**	**95,620**
Non-operating items		
Property result	—	6,979
AUSTAR related items [1]	(5,059)	—
AUSTAR CMH facility cost	(4,762)	—
Historical contractual matters [2]	(2,322)	(864)
Statutory NPAT	**85,797**	**101,735**

1) AUSTAR related items include interest revenue on the subordinated note of $5,754,000, offset by the portion of the equity accounted profit attributable to the AUSTAR business and transaction related items, resulting in a loss of $10,813,000.

2) CMH and Crown jointly engaged certain legal and other advisors in relation to matters arising prior to the PBL demerger. Costs of these advisors are shared in a manner consistent with section 14.12 of the PBL Scheme Booklet, generally being 25% CMH and 75% Crown. Similarly, payments in relation to liabilities arising prior to PBL demerger activities were also shared on the same basis.

e) Statement of financial position

Below is a summary of CMH's consolidated statement of financial position as at 30 June 2012.

Table 3.3.3	2012 $'000
Current assets	
Cash and cash equivalents	85,831
Trade and other receivables	1,453
Prepayments	79
Total current assets	**87,363**
Non-current assets	
Trade and other receivables	221,558
Other financial assets	34,665
Investments in associates	344,674
Plant and equipment	732
Deferred tax assets	19,378
Total non-current assets	**621,007**
Total assets	**708,370**
Current liabilities	
Trade and other payables	163,986
Interest bearing liabilities	29
Current tax payable	99
Provisions	658
Total current liabilities	**164,772**
Non-current liabilities	
Trade and other payables	194
Interest bearing liabilities [1]	221,331
Provisions	122
Total non-current liabilities	**221,647**
Total liabilities	**386,419**
Net assets	**321,951**
Equity	
Contributed equity	55,082
Reserves	(417,851)
Retained profits	684,720
Parent entity interest	**321,951**
Total equity	**321,951**

1) Under the terms of the finance arrangements, the non-current interest bearing liabilities could become due and payable in the event of a change in control of CMH.

f) Cash flow statement

Below is a summary of CMH's consolidated cash flow statement for the years ended 30 June 2011 and 30 June 2012.

Table 3.3.4	2012 $'000	2011 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	10,124	1,557
Payments to suppliers and employees (inclusive of goods and services tax)	(11,592)	(7,898)
Distributions and advances received from associates	99,246	125,000
Subordinated Note interest from associates	5,754	—
Dividends received from other financial assets	223	—
Interest received	3,751	7,467
Financing costs including interest and other costs of finance paid	(6,661)	(15)
Income taxes (paid)/refund received	(154)	53
Net cash inflow from operating activities	**100,691**	**126,164**
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(404)	(451)
Payment for investment in other financial assets	(8,707)	(25,959)
Payment for investment in associates	(353)	—
Subordinated Note advanced to associate	(221,558)	—
Net cash inflow/(outflow) from investing activities	**(231,022)**	**(26,410)**
Cash flows from financing activities		
Share buy-back	—	(128,223)
Proceeds from bank debt	226,346	—
Dividends paid	(92,703)	(94,198)
Payment of lease liabilities	(26)	(26)
Net cash inflow/(outflow) from financing activities	**133,617**	**(222,447)**
Net increase/(decrease) in cash and cash equivalents	**3,286**	**(122,693)**
Cash and cash equivalents at the beginning of the financial year	82,545	205,238
Cash and cash equivalents at the end of the financial year	**85,831**	**82,545**

3.4 Summary of historical financial information for Foxtel and FOX SPORTS

a) Introduction

The following financial information relates to Foxtel and FOX SPORTS, which are CMH's two largest investments.

During the financial year ended 30 June 2012, Foxtel completed the acquisition of AUSTAR. Certain pro forma information (as detailed below) has been provided which illustrates the impact of the acquisition assuming it had been completed at the start of the financial year and to exclude certain one-off items.

The reported financial information (**Reported Financial Information**), extracted from management financial information of Foxtel and FOX SPORTS, which has been prepared using accounting policies consistent with the audited financial statements. The total column for Foxtel for the year ended 30 June 2012 and the management financial information for FOX SPORTS for the years ended 30 June 2012 and 30 June 2011 have been reconciled to the audited financial reports of CMH.

The pro forma earnings before interest, tax, depreciation and amortisation (**Pro Forma Financial Information**) has been extracted from the management financial information of Foxtel for the year ended 30 June 2012 and for AUSTAR for the 12 months ended 30 June 2012.

The Pro Forma Financial Information for Foxtel has been presented before interest, tax, depreciation and amortisation on the basis that the funding structure changed with the acquisition of AUSTAR and the associated purchase price allocation is yet to be finalised.

b) Foxtel Reported Financial Information and Pro Forma Financial Information

Foxtel reported an EBITDA result of $558.2 million and an EBIT result of $240.6 million for the 2012 financial year.

Foxtel's 2012 results included the consolidation of the AUSTAR result for the five weeks that Foxtel owned it (from 23 May 2012), as well as Transaction and Integration Costs. Excluding the contribution from AUSTAR, the transaction costs and other one-off items, Foxtel's underlying EBITDA (excluding AUSTAR) for the year of $597.7 million was up 8.5% on the EBITDA for the 2011 financial year of $550.6 million.

As at 30 June 2012, following the AUSTAR acquisition, Foxtel had external net debt of $2.2 billion.

The following table sets out selected Reported Financial Information for Foxtel for the financial year ended 30 June 2012, inclusive of five weeks contribution from AUSTAR and associated one-off transaction impacts.

Table 3.4.1 Reported Financial Information

$ millions	Foxtel (metro)	AUSTAR (inc XYZ)	Eliminations	Transaction & Integration Costs	Foxtel Group Total
Revenue	2,220	95	(14)	–	**2,301**
Expenses	(1,622)	(64)	14	–	**(1,672)**
EBITDA (before one-off items)	598	31	–	–	**629**
One-off items	(30)	(6)	–	(35)	**(71)**
EBITDA	568	25	–	(35)	**558**
Depreciation and Amortisation	(299)	(10)	–	(8)	**(317)**
EBIT	**269**	**15**	**–**	**(43)**	**241**

The following table sets out the Pro Forma Financial Information for Foxtel for the financial year ended 30 June 2012. The Pro Forma Financial Information has been adjusted for:

- the full year impact of the AUSTAR acquisition, assuming it was completed at the beginning of the financial year (1 July 2011), by extracting the results from the AUSTAR management financial information for the 12 months period ended 30 June 2012;
- Transaction and Integration Costs related to the AUSTAR acquisition; and
- Foxtel and AUSTAR one-off items for programming related write-offs.

Table 3.4.2 Pro Forma Financial Information

$ millions	Foxtel (metro)	AUSTAR	XYZ Networks	Eliminations	Sub-Total	Transaction & Integration Costs [1]	Pro Forma Group Total
Revenue	2,220	721	158	(145)	**2,954**	–	**2,954**
Expenses	(1,622)	(455)	(157)	145	**(2,089)**	–	**(2,089)**
EBITDA (before one-off items)	598	266	1	–	**865**	–	**865**
One-off items	(30)	(6)	–	–	**(36)**	(56)	**(92)**
EBITDA	568	260	1	–	**829**	(56)	**773**

1) The Transaction and Integration costs include advisor, legal and other fees incurred by AUSTAR in relation to transaction prior to the acquisition by Foxtel.

A reconciliation of Pro Forma Financial Information to Reported Financial Information is set out below.

Table 3.4.3 Reconcilation of Pro Forma to Reported Financial Information

	2012 $ millions
Reported revenue	**2,301**
Add: Full year contribution of AUSTAR	653
Pro forma revenue	**2,954**
Reported EBITDA	**558**
Less: Reported AUSTAR EBITDA (five weeks)	(25)
Plus: Pro forma AUSTAR EBITDA (full year)	260
Plus: Pro forma XYZ Networks	1
Plus: Reported Transaction and Integration Costs (five weeks)	35
Plus: Reported one-off items	36
Pro forma EBITDA (before one-off items)	**865**

c) FOX SPORTS Reported Financial Information

FOX SPORTS' 2012 EBITDA result of $143.4 million was down 1.8% on the 2011 result of $145.9 million. FOX SPORTS' 2012 profit before tax result was $134.0 million, which was down 2.1% on the 2011 result of $136.9 million.

The following table sets out select Reported Financial Information for FOX SPORTS for the financial years ended 30 June 2012 and 30 June 2011.

Table 3.4.4 FOX SPORTS Reported Financial Information

	2012 $ millions	2011 $ millions
Revenue	498	475
Expenses	(355)	(329)
EBITDA	**143**	**146**
Depreciation and amortisation	(9)	(9)
Profit before tax	**134**	**137**

3.5 Capital structure

As of the date of this Booklet, there are 561,834,996 CMH Shares on issue. CMH does not have any other securities on issue.

3.6 Recent share price and dividend history

The chart in **Section 2.2(b)** provides details of the market price for CMH Shares traded on ASX in the past 12 months.

The VWAP of CMH Shares on ASX for the one, three and six month periods up to 21 September 2012, were $3.42, $3.40 and $3.32, respectively.

The closing price of CMH Shares on ASX on the trading day immediately before the date of this Booklet was $3.42.

The current price of CMH Shares on ASX can be obtained from the ASX Website.

CMH paid an unfranked interim dividend for the first half of the 2012 financial year of 10.5 cents per ordinary share on 13 April 2012.

On 21 August 2012, the CMH Directors announced a final dividend for the 2012 financial year of 6 cents per share, fully franked, to be paid on Friday 5 October 2012 to shareholders on the CMH Register on the Dividend Record Date, being 5.00pm (Sydney time) Friday 28 September 2012. This maintains CMH's total annual dividend of 16.5 cents per share.

CMH does not have a bonus share plan or dividend reinvestment plan in place. There is no foreign conduit income attributable to CMH's dividends.

The dividends per share paid by CMH, and the extent to which these dividends were franked, since the demerger of Publishing and Broadcasting Limited (**PBL**) in December 2007 is set out in the table below.

Dividend	Amount (cps)	Franking percentage (%)
1H08	10.5	Unfranked
FY08	6	56
1H09	10.5	76
FY09	6	Unfranked
1H10	10.5	100
FY10	6	Unfranked
1H11	10.5	Unfranked
FY11	6	Unfranked
1H12	10.5	Unfranked
FY12	6	100

3.7 Forecast financial information

CMH has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information for inclusion in this Booklet. The CMH Board has concluded that, as at the date of this Booklet, a reasonable basis does not exist for providing financial forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

CMH is a holding company for pay television and new media investments.

While under the governance agreements for Foxtel and FOX SPORTS CMH has the ability to exercise influence over the strategic direction of those investments, and prevent its partners from undertaking any major decisions without its consent, CMH does not have positive control over those investments.

Furthermore, CMH does not manage the day to day business of these entities and the management teams of the businesses are not CMH employees.

The financial performance of the businesses carried on by CMH's investments in pay television is influenced by a number of factors that are outside the control of CMH and the entities in which it has invested including:

- Foxtel subscriber numbers;
- competition, which impacts on both Foxtel subscriber numbers and prices;
- the level of capital expenditure by Foxtel, which is largely dependent on subscriber growth and so cannot be forecast with sufficient reliability;
- input costs, such as the costs of marketing and programming content;
- general economic conditions, which impact on Foxtel subscriber numbers; and
- any changes in government legislation, regulations or imposts.

For the reasons set out above, the CMH Board has concluded that it is unable to make an informed judgement of the matters described above and does not have reasonable grounds for providing a financial forecast that is sufficiently meaningful and reliable.

3.8 Material changes in CMH's financial position since last published accounts

CMH's last published financial statements are the financial statements for the full year ended 30 June 2012. To the knowledge of the CMH Directors, there have been no material changes to the financial position of CMH since 30 June 2012, other than as set out or referred to in this Booklet.

3.9 Availability of documents relating to CMH and continuous disclosure

As an ASX listed company and a 'disclosing entity' under the Corporations Act, CMH is subject to regular reporting and disclosure obligations. CMH has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of CMH Shares. CMH's recent announcements are available on the CMH Website and also on the ASX Website. Further announcements concerning developments at CMH will continue to be made available on these websites after the date of this Booklet.

In addition, CMH is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to CMH may be obtained from the ASIC Website.

The following is a list of all such continuous disclosure notices lodged by CMH or attributed to CMH's platform by ASX since 30 June 2012 and before the date of this Booklet.

Date	Announcement
2 August 2012	ACCC not to oppose News Corporation's proposed acq. of CMH
21 August 2012	CMH 2012 Full Year Results
21 August 2012	CMH Full Year Results Presentation
21 August 2012	CMH 2012 Annual Report
7 September 2012	Binding proposal received from News to acquire CMH
7 September 2012	News and Consolidated Media sign Scheme Document
13 September 2012	ACCC calls for comment on the possible acquisition by Seven

Section

4

Information about News and News Corporation

Section 4
Information about News and News Corporation

4.1 Principal activities of News

News Corporation is a diversified global media company with operations in the following six industry segments:

- Cable Network Programming; which principally consists of the production and licensing of programming distributed through cable television systems and direct broadcast satellite operators;
- Filmed Entertainment; which principally consists of the production and acquisition of live-action and animated motion pictures for distribution and licensing in all formats in all entertainment media worldwide, and the production and licensing of television programming worldwide;
- Television; which principally consists of the broadcasting of network programming in the US and the operation of 27 full power broadcast television stations;
- Direct Broadcast Satellite Television; which consists of the distribution of basic and premium programming services via satellite and broadband directly to subscribers in Italy;
- Publishing; which principally consists of the News Corporation's newspapers and information services, book publishing and integrated marketing services businesses; and
- Other, which principally consists of digital media properties and Wireless Generation and an education technology business.

The activities of News Corporation are conducted principally in the United States, the United Kingdom, Continental Europe, Australia, Asia and Latin America. It has total assets as of 30 June 2012 of approximately US$57 billion and total annual revenues of approximately US$34 billion.

News Corporation's Australian subsidiary, News Limited, principally undertakes the following activities:

- Australia's largest newspaper publisher by readership and circulation, owning approximately 142 daily, Sunday, weekly, bi-weekly and tri-weekly newspapers;
- Maintains News Corporation's Australian websites and is responsible for online advertising and transactions in Australia; and
- Manages its interests in pay television with a 25% share in Foxtel and a 50% share in FOX SPORTS Australia.

4.2 Share structure and proposed restructure

News Corporation's Class A Common Stock and Class B Common Stock are listed and traded on the NASDAQ Global Select Market (**NASDAQ**), its principal market, under the symbols "NWSA" and "NWS", respectively. CHESS Depositary Interests (**CDIs**) representing the Class A Common Stock and Class B Common Stock are listed and traded on the ASX under the symbols "NWS" and "NWSLV," respectively. The Class A Common Stock and Class B Common Stock are also traded on the London Stock Exchange.

In June 2012, News Corporation announced that it intends to pursue the separation of its publishing and its media and entertainment businesses into two distinct publicly traded companies. The global media and entertainment company would consist of News Corporation's cable and television assets, filmed entertainment, and direct satellite broadcasting businesses. The global publishing company that would be created through the proposed transaction would consist of the current publishing businesses as well as its education division.

News Corporation believes that a separation of the businesses into distinct public corporations with their own identities and strategies would enhance overall shareholder value and allow each company to:

- Focus on and pursue distinct strategic priorities and industry-specific opportunities that would maximize their long-term potential
- Benefit from greater financial and operational flexibility and better position each company to compete
- Respond and react more quickly to rapidly-evolving technology and global market opportunities
- Tailor its capital structure, and allocate and deploy resources in a manner consistent with its strategic objectives that best enhances value for its respective shareholder group

Following the separation, each company would maintain two classes of common stock: Class A Common and Class B Common Voting Shares. The separation is expected to be completed in approximately one year from the date it was announced. In addition to final approval from the News Corporation Board of Directors and stockholder approval, the completion of the separation will be subject to receipt of regulatory approvals, opinions from tax counsel and favourable rulings from certain tax jurisdictions regarding the tax-free nature of the transaction to News Corporation and to its stockholders, further due diligence as appropriate, and the filing and effectiveness of appropriate filings with the U.S. Securities and Exchange Commission.

It is currently intended that all of News Corporation's interests in Foxtel and FOX SPORTS Australia will be part of the global publishing group.

4.3 Directors of News Corporation

The News Corporation Board comprises the following directors:

Rupert Murdoch	Chairman and CEO News Corporation
Chase Carey	Deputy Chairman, President and Chief Operating Officer News Corporation
James R Murdoch	Deputy Chief Operating Officer Chairman and CEO, International News Corporation
David F DeVoe	CFO News Corporation
Joel I. Klein	Executive Vice President CEO Education Division News Corporation
Arthur M. Siskind	Senior Advisor to the Chairman News Corporation
Jose Maria Aznar	President Foundation for Social Studies and Analysis Former President of Spain
Natalie Bancroft	Director News Corporation
Peter Barnes	Chairman Ansell Limited
James W. Breyer	Partner Accel Partners
Viet Dinh	Professor of Law Georgetown University Law Centre
Sir Roderick I. Eddington	Non-Executive Chairman for Australia and New Zealand JP Morgan
Andrew S.B. Knight	Non-Executive Chairman J Rothschild Capital Management Limited
Lachlan K. Murdoch	Executive Chairman Illyria Pty Ltd
John L. Thornton	Professor and Director of Global Leadership Tsinghua University of Beijing

The ultimate Australian parent of News Limited is News Australia Holdings Pty Ltd (**NAH**). The NAH Board comprises the following Directors:

Rupert Murdoch	Chairman
Kim Williams	CEO
Stephen Rue	CFO
Ian Philip	Chief General Counsel
Jerry Harris	Executive Group Director, Commercial and Operations

4.4 Funding arrangements

The Scheme Consideration will be satisfied wholly in cash. If the Scheme becomes Effective, the amount of cash paid as the Scheme Consideration to CMH Shareholders will be approximately $1.94 billion.

The News Group bidding entity will be News.

The News Group has sufficient internal resources to fund the Scheme Consideration. The Scheme is not conditional on the News Group obtaining debt or equity finance to fund the payment of the Scheme Consideration.

Each of News Corporation and News Limited have made binding commitments, subject only to the Scheme becoming Effective, to provide News with the cash payable to CMH Shareholders as the Scheme Consideration.

4.5 News Group rationale and intentions if the Scheme is Implemented

The News Group already holds shareholdings in CMH's major pay television assets. If the Scheme is Effective, this will increase the News Group's investment in Foxtel to 50% and the News Group's investment in FOX SPORTS to 100%.

The News Group's rationale for pursuing this acquisition includes that:

- Pay television services are aligned with the company's strategy as a key player in the Australian media industry.
- The News Group already holds a shareholding in these assets and understands these businesses well.
- The businesses are high quality and increasing the News Group's shareholding is an attractive financial investment.

News expects that if the Scheme becomes Effective, CMH will be removed from the official list of the ASX shortly after the Implementation Date.

Given the News Group's existing involvement in these businesses, it does not anticipate any significant changes to Foxtel or FOX SPORTS if the Scheme becomes Effective.

News has not made any specific decisions in relation to CMH's investment in SEEKAsia. If the Scheme becomes Effective, News will conduct a review of CMH's investment in SEEKAsia and make a decision in relation to that investment following the review.

After CMH is removed from the official list of the ASX, it is not News' intention to maintain the head office function of the holding company entity, and the employment of some of the small number of employees in this entity will become redundant.

4.6 News Group interest in CMH Shares

As at the date of this Booklet neither News Corporation or any of its controlled entities holds a Relevant Interest in CMH.

4.7 No dealings in CMH Shares in the previous four months

During the period of four months before the date of this Booklet, neither News Corporation or any of its associates provided or agreed to provide consideration for any CMH Shares under any purchase or agreement.

4.8 No collateral benefits in the previous four months

Neither News Limited or any of its associates have, during the four months before the date of this Booklet, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate of that person, to vote in favour of the Scheme; or to dispose of CMH Shares, and where the benefit was not offered to all CMH Shareholders under the Scheme.

Section

5

Taxation implications for CMH Shareholders

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24 September 2012

The Directors
Consolidated Media Holdings Limited
Level 2
54 Park Street
SYDNEY NSW 2000

Consolidated Media Holdings Limited
Proposed acquisition of Consolidated Media Holdings Limited by News Pay TV Financing Pty Ltd under a scheme of arrangement
Australian Tax Implications

Dear Directors

We have been requested to prepare a summary of the Australian tax implications for Consolidated Media Holdings Limited ("CMH") Shareholders in relation to the proposed acquisition of CMH by News Pay TV Financing Pty Ltd ("News") under a scheme of arrangement (the "Scheme").

This summary only considers the tax implications for CMH Shareholders who hold CMH Shares on capital account for Australian tax purposes.

This letter does not consider the tax implications for CMH Shareholders who are in the business of share trading, banking, dealing in securities or otherwise hold shares on revenue account.

The following summary is based on the Australian taxation law and administrative practice as at the date of the Booklet. Our advice is general in nature and the individual circumstances of each CMH Shareholder may affect the taxation implications of the investment of that CMH Shareholder. Accordingly, CMH Shareholders should seek their own appropriate independent professional advice that considers the taxation implications of their investment in the CMH Shares in respect of their own specific circumstances.

All capitalised terms in this summary have the same meaning as those contained in the Glossary of the Booklet, unless the context indicates otherwise.

1. Transfer of CMH Shares

Australian resident CMH Shareholders

Pursuant to Section 104-10 of the Income Tax Assessment Act 1997 (the "1997 Act"), capital gains tax ("CGT") event A1 should occur for CMH Shareholders when they dispose of their CMH Shares to News on the Implementation Date under the Scheme.

CMH Shareholders should, in respect of each CMH Share:

- make a capital gain from CGT event A1 if the capital proceeds for the disposal of their CMH Share is greater than the cost base of their CMH Share;

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under Professional Standards Legislation

- make a capital loss from CGT event A1 if the capital proceeds for the disposal of their CMH Share is less than the reduced cost base of their CMH Share; and
- make no capital gain or capital loss from CGT event A1 if the capital proceeds for the disposal of their CMH Share is not greater than the cost base of their CMH Share and not less than the reduced cost base of their CMH Share.

Capital proceeds from CMH Shares

For CMH Shareholders, the capital proceeds from the disposal of their CMH Shares should be equal to the cash consideration received for each CMH Share held on the Scheme Record Date.

Cost base of CMH Shares

For CMH Shareholders, the cost base of their CMH Shares will depend on whether their CMH Shares were acquired as a result of the demerger of CMH from Crown Limited ("Crown") in December 2007, or whether they were acquired post demerger. In December 2007, CMH (formerly known as Publishing and Broadcasting Limited) was demerged from Crown and each Crown shareholder received one CMH Share for each Crown share then held.

We set out below the three cost base scenarios for CMH Shareholders.

Scenario 1: CMH Shares that were purchased post demerger on and after 3 December 2007

For such CMH Shareholders the cost base of their CMH Shares should generally comprise the original amount paid by the CMH Shareholder to acquire the CMH Shares, any incidental costs of acquisition incurred, such as brokerage fees and stamp duty and any non-deductible costs of owning the CMH Shares incurred. The reduced cost base is calculated slightly differently from the cost base as the related costs which can be included are different.

Scenario 2: CMH Shares that were acquired as a result of the demerger and the Australian Taxation Office view in the Demerger Scheme Booklet was adopted

As stated in the Demerger Scheme Booklet for the demerger of CMH from Crown and "C*lass Ruling CR 2007/111 - Income tax: capital gains tax: acquisition of Publishing and Broadcasting Limited by Crown Limited and demerger of Publishing and Broadcasting Limited by Crown Limited*", the Australian Taxation Office ("ATO") concluded that the demerger of CMH from Crown did not satisfy the demerger roll-over provisions in Division 125 of the 1997 Act. Pursuant to the ATO's view, the cost base of the CMH Shares received under the demerger should be equal to the money paid for those CMH Shares (as applied under the capital reduction) by the CMH Shareholder.

As provided in the ATO fact sheet "*PBL – Publishing and Broadcasting Limited restructure (2007)*" (the "ATO Fact Sheet"), the cost base and reduced cost base for each CMH Share received under the demerger was equal to $3.70 at the time of the demerger.

Scenario 3: CMH Shares that were acquired as a result of the demerger and the alternative view provided by Ernst & Young in the Demerger Scheme Booklet was adopted

Under the alternative view provided by Ernst & Young (the "Ernst & Young view") in the Demerger Scheme Booklet, the demerger of CMH from Crown should have satisfied the demerger roll-over provisions in Division 125 of the 1997 Act.

Crown shareholders who adopted the Ernst & Young view should have apportioned the first element of the cost base in their Crown shares as between those Crown shares and the CMH Shares received under the demerger. This apportionment should be based on the market value of the Crown shares and CMH Shares just after the demerger (or reasonable approximation of those market values).

Example:

As a result of Crown acquiring all the shares in PBL (the PBL Scheme), Suzanne received 1,000 Crown shares. We have assumed, for illustrative purposes, the cost base of the 1,000 Crown shares is $7,000.

Subsequently, as a result of the demerger of CMH from Crown, Suzanne acquired 1,000 CMH Shares on 12 December 2007. Suzanne should apportion the cost base of the Crown shares (i.e. $7,000) across both the Crown shares and the CMH Shares on a reasonable basis.

Suzanne chooses to apportion the cost base using the market values of the Crown shares and the CMH Shares, which are assumed, for illustrative purposes, to be $13.80 and $4.31 respectively (being the volume weighted average price of Crown and CMH Shares, respectively, on 12 December 2007).

*Therefore, the cost base of Suzanne's Crown shares after the demerger should be $5,334.07 (i.e. $13.80 / $18.11 * $7,000)*

The cost base of Suzanne's CMH Shares after the demerger should be $1,665.93 (i.e. $4.31 / $18.11 $7,000)*

Crown shareholders who adopted the Ernst & Young view should appreciate that the ATO may seek to challenge that view. Accordingly those shareholders should refer to the Ernst & Young opinion in the Demerger Scheme Booklet and must seek their own advice.

CGT discount on capital gains

A CMH Shareholder who is an individual, complying superannuation fund or trust, and who acquired their CMH Shares at least 12 months before the date of disposal to News, should be entitled to apply the CGT discount in respect of any capital gain that is referrable to the disposal of their CMH Shares.

To the extent the CGT discount rule applies, the discounted amount of taxable gain included in the assessable income is 50% for individuals and trusts, and 33 1/3% for complying superannuation entities.

The CGT discount does not apply to CMH Shareholders and trust beneficiaries that are companies.

Capital gains and capital losses of a taxpayer are aggregated to determine whether a taxpayer has a net capital gain or net capital loss for that income year. Any net capital loss should not be deductible from the assessable income of a CMH Shareholder, instead it should be carried forward to a future income year and be potentially available to offset future capital gains.

Non-resident CMH Shareholders

Non-resident CMH Shareholders should not be subject to CGT on the disposal of their CMH Shares under the Scheme provided the CMH Shares are not taxable Australian property. The CMH Shares should not be taxable Australian property where the CMH Shareholder has never been a resident of Australia for tax purposes and where the CMH Shares have never been held at or through a permanent establishment in Australia. Non-resident CMH Shareholders who have been a tax resident of Australia at some point whilst holding their CMH Shares and/or have held their Shares at or through a permanent establishment in Australia should seek their own independent professional advice on the consequences to them of participating in the Scheme.

2. CMH Dividend

Australian resident CMH Shareholders

Australian resident CMH Shareholders should include the Dividend to be paid on Friday 5 October 2012 in their assessable income for the income year ending 30 June 2013.

As the Dividend is to be fully franked, Australian resident CMH Shareholders may be required to include the franking credit amount in their assessable income, and may be entitled to a tax offset equal to that amount.

For certain CMH Shareholders, a tax refund may result where the tax offset exceeds the income tax payable amount (i.e. excess of franking credits).

In order to be eligible for a tax offset in relation to the Dividend, the CMH Shareholders must at first instance be a "qualified person" by satisfying either of the rules below.

The "holding period" rule

The holding period rule was introduced to ensure that only the true economic owners of shares could benefit from franking credits attached to share distributions, and requires the shares to be held "at risk" for at least 45 days during the period commencing on the day after the day on which the CMH Shareholder acquired the CMH Shares, and ending on the 45th day after the day on which the CMH Shares become ex-dividend. The "at risk" rule is complex. Where CMH Shareholders have either not held their CMH Shares for the requisite period, or where they have held other positions in respect of their CMH Shares during this period should seek their own independent professional advice on the consequences to them of receiving the Dividend.

This holding period rule applies where the CMH Shareholder has not made a "related payment" in relation to the distribution carrying the franking credit.

Notwithstanding this rule, a CMH Shareholder who is an individual should automatically be a "qualified person" where the total franking credits claimed for the income year ended 30 June 2013 is less than $5,000 and a "related payment" in respect of a distribution has not been made.

The "related payments" rule

Where an obligation exists to pass on the value of the Dividend to someone else, the CMH Shareholder satisfies the "related payments" rule if the CMH Shares are held for at least 45 days during the period commencing, 45 days before and ending on the 45th day after the day on which the CMH Shares become ex-dividend.

Non-resident CMH Shareholders

Non-resident CMH Shareholders should not include the Dividend in their assessable income. As the Dividend is to be fully franked, non-resident CMH Shareholders should not be liable to Australian withholding tax.

CMH Shareholders should seek their own independent professional tax advice in respect of the receipt of the Dividend.

3. Stamp duty

CMH Shareholders should not be required to pay any stamp duty on the disposal of their CMH Shares to News.

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4. Goods and Services Tax ("GST")

The disposal of CMH Shares by CMH Shareholders under the Scheme should not attract Goods and Services Tax. However, the ability of CMH Shareholders to claim input tax credits of any GST included in the cost incurred on acquisitions (if any) related directly or indirectly to the disposal of shares may be restricted.

This is a complex area of the GST law and GST registered CMH Shareholders should seek their own independent professional tax advice in this regard.

5. Disclaimer

This letter does not constitute an endorsement of the Booklet or a recommendation as to whether CMH Shareholders should vote in favour of the Scheme. Ernst & Young expresses no opinion and gives no assurance or guarantee in respect of the Booklet.

We consent to the inclusion of this tax letter in the Booklet. This consent has not been withdrawn at the date of this letter.

* * * * *

Yours sincerely

Ernst & Young

Ernst & Young

Section

6

Additional information of CMH

Section 6
Additional information of CMH

6.1 Suspension of trading of CMH Shares

If the Court approves the Scheme, CMH will immediately notify ASX. It is expected that suspension of trading on ASX in CMH Shares will occur at the close of trading on ASX on the Effective Date, which is planned to be on the same day that the Court approves the Scheme.

6.2 Removal of CMH from the official list of ASX

If the Court approves the Scheme and the Scheme is implemented, CMH will apply to ASX for CMH to be removed from ASX's Official List after the Implementation Date.

6.3 No relevant restrictions in the Constitution of CMH

There are no relevant restrictions on the right to transfer CMH Shares in CMH's Constitution.

6.4 Warranty by CMH Shareholders about CMH Shares

The effect of clause 8.4 of the Scheme is that each Scheme Participant (i.e. each CMH Shareholder who participates in the Scheme), including those who voted against the Scheme and those who did not vote, will be deemed to have warranted to News that their CMH Shares are fully paid and not subject to any encumbrances specified in that clause and that they have full power and capacity to sell and transfer their Scheme Shares under the Scheme.

In addition to this, clause 8.5 of the Scheme provides that, to the extent permitted by law, all CMH Shares that are transferred to News under the Scheme will vest in News free from mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in the Scheme.

In addition, the effect of clause 8.15 of the Scheme is that CMH, News and any director, officer or secretary of those companies will not be liable to Scheme Participants for anything done or omitted to be done in good faith in the performance of the Scheme and the Deed Poll.

The Scheme is set out in full in **Attachment 2**.

6.5 Payment instructions

The effect of clause 6.1(b) of the Scheme is that if a Scheme Participant has a payment direction for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the CMH Registry as at 7.00pm on the Scheme Record Date, then the Scheme Consideration which that Scheme Participant is entitled to receive under the Scheme will be paid into that nominated bank account. Otherwise, a Scheme Participant will be paid the Scheme Consideration by cheque.

If you want to lodge or update your bank account details to ensure you will be paid the Scheme Consideration by direct credit, please contact the CMH Registry on **1300 850 505** (within Australia) or **+61 3 9415 4000** (outside Australia) to update your details.

6.6 CMH Shares held by or on behalf of CMH Directors as at the date of this Booklet

As at the date of this Booklet, the CMH Shares held by or on behalf of the CMH Directors, or in which the CMH Directors have a Relevant Interest, are as follows:

Director	Number of CMH Shares
John Alexander	425,500
James Packer	281,175,931
Christopher Corrigan	Nil
Rowena Danziger	22,876
Geoffrey Dixon	Nil
Peter Gammell	Nil
Ashok Jacob	Nil
Guy Jalland	Nil
Christopher Mackay	100
Ryan Stokes	Nil

6.7 Marketable securities of the News Group held by or on behalf of CMH Directors

As at the date of this Booklet, no securities in any company in the News Group are held by or on behalf of any CMH Director, except for 1,000 Class A Common Stock in News Corporation held by Mr Ryan Stokes.

6.8 Payments and benefits to directors, secretaries or executive officers of the CMH Group

Except as set out in this **Section 6.8**, no payment or other benefit is proposed to be made or given to a director, secretary or executive officer of CMH or any member of the CMH Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in CMH or any member of the CMH Group as a result of the Scheme.

If the Scheme becomes Effective, it is proposed that all head office employees of CMH will be made redundant.

General head office employees (that is, all head office employees other than the General Counsel and Company Secretary (Mrs L Lane) and the Chief Financial Officer (Mr T Whitney)) will be entitled to accumulated and unpaid salary entitlements together with redundancy payments that, in the aggregate and on a pre-tax basis, are not expected to exceed $520,000, assuming the redundancies take place on 30 November 2012. Should the timing of the redundancy occur earlier, or annual leave be taken, this will result in a reduction to the aggregate amount to account for any reduced leave entitlements.

Mrs Lane will receive a pre-tax redundancy payment of $335,304 (which includes all accrued and unpaid salary entitlements) and Mr Whitney will receive a pre-tax redundancy payment of $212,592 (which includes all accrued and unpaid salary entitlements). In both cases, redundancies have been assumed to take place on 30 November 2012. Should the timing of the redundancy occur earlier, or annual leave be taken, this will result in a reduction to these amounts to account for any reduced leave entitlements.

6.9 Agreements and arrangements entered into by CMH Directors

Other than as disclosed in this Booklet, there is no agreement or arrangement made between any CMH Director and any other person, including News, in connection with, or conditional upon, the outcome of the Scheme.

6.10 Interests of CMH Directors in contracts of the News Group

Other than subscriptions for newspaper and pay television services offered by the News Group on normal commercial terms, no CMH Director has any interest in any contract entered into by the News Group.

6.11 Exclusivity arrangements

CMH has agreed to certain exclusivity arrangements in favour of News under the Scheme Implementation Deed which are summarised below.

a) No shop restriction

CMH has agreed that during the Exclusivity Period, it must not, and must ensure none of its representatives (in the case of CMH Directors, this applies to the extent they are acting on CMH's behalf), directly or indirectly solicit or invite any Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to do any of those things.

b) No talk and no due diligence restrictions

CMH has agreed that during the Exclusivity Period, it must not, and must ensure none of its representatives (in the case of CMH Directors, this applies to the extent they are acting on CMH's behalf):

i) (**no talk**) enters into, continues, or participates in, negotiations or discussions with any third party regarding a Competing Proposal, or if to do so may be reasonably likely to lead to a Competing Proposal; or

ii) (**no due diligence**) make available to any third party, or permit any third party, to receive any non-public information relating to any entity within the CMH Group in connection with such third party formulating, developing or finalising a Competing Proposal.

The no talk and no due diligence restrictions above do not apply if a majority of the CMH Board determines, in good faith and acting reasonably that the Competing Proposal is, or may reasonably be expected to lead to, a Superior Proposal, or which the CMH Board has determined in good faith that not undertaking that act could constitute a breach of the statutory or fiduciary duties owed by the CMH Directors.

c) Notification and matching right

CMH has agreed that during the Exclusivity Period, it must immediately notify News if it, or so far as it is aware, any of its representatives (in the case of CMH Directors, this applies to the extent they are acting on CMH's behalf) are approached by any third party to engage in any activity or take any other action of a kind referred to in **Section 6.11(b)(i)** or if it proposes to take any action of a kind referred to in **Section 6.11(b)(ii)**. The notification obligation does not apply if the CMH Board determines, in good faith and acting reasonably that notifying News could constitute a breach of the statutory or fiduciary duties owed by the CMH Directors.

If CMH receives a Competing Proposal that it determines to be a Superior Proposal, the CMH Board must not cause or allow CMH to enter into any agreement, arrangement or understanding to undertake the Competing Proposal, and the CMH Board must not publicly recommend the Competing Proposal, or change their recommendation of the Scheme, unless CMH has provided News with all material terms of the Competing Proposal and 5 clear Business Days to offer a counter proposal. If News does so and the counter proposal will provide an equivalent or superior outcome for CMH Shareholders than the Competing Proposal, then the parties must agree the necessary amendments to the Scheme Implementation Deed and the CMH Board must recommend the News counter proposal to CMH Shareholders.

6.12 Break fee

Under the Scheme Implementation Deed, CMH must pay News an amount of $19 million (plus any GST) if any of the following events occurs:

a) at any time prior to the End Date, any Recommending Director fails to recommend or withdraws or adversely modifies his or her support of the Scheme or his or her recommendation that CMH Shareholders vote in favour of the Scheme, or makes a public statement indicating that they no longer support the Scheme or that they support a Competing Proposal, other than as a result of:

  i) the Independent Expert concluding in its report or in any update to its report that the Scheme is not in the best interests of CMH Shareholders, provided that the conclusion is not reached as a result of a Competing Proposal having been announced or made public; or

  ii) the Scheme Conditions in relation to shareholder approval, restraints and Court approval (see **Sections 1.2, 1.3(i)** and **1.3(ii)**) not being satisfied or being incapable of being satisfied, other than as a result of CMH not complying with its obligation to use its reasonable endeavours to procure that the Scheme Conditions are satisfied;

b) a Competing Proposal is announced or made and is completed at any time within a six month period following the End Date and, as a result, a third party acquires Control of CMH or has a Relevant Interest in more than 50% of the CMH Shares; or

c) News is entitled to terminate the Scheme Implementation Deed in the event of material breach of the Scheme Implementation Deed by CMH.

6.13 Termination of the Scheme Implementation Deed

Either News or CMH may terminate the Scheme Implementation Deed by written notice to the other:

a) at any time before 8.00am on the Second Court Date if:
   i) the other has materially breached the Scheme Implementation Deed (except that in the case of certain CMH Representations and Warranties, the material breach must have or must be likely to have a material adverse impact on the value of CMH);
   ii) the party wishing to terminate has given written notice to the other party in a timely manner stating an intention to terminate the Scheme Implementation Deed; and
   iii) the relevant circumstances continue to exist for five Business Days from the time the notice of intention to terminate is given (or such shorter period ending on 5.00pm on the Business Day before the Second Court Date);

b) the Scheme Implementation Deed has not become Effective by the End Date; or

c) any event occurs which would, or in fact does, prevent a Scheme Condition being satisfied and that Scheme Condition is not waived before the End Date.

News may terminate the Scheme Implementation Deed by notice to CMH if any Recommending Director fails to recommend or withdraws or adversely modifies their support of the Scheme or their recommendation that CMH Shareholders vote in favour of the Scheme, or makes a public statement indicating that they no longer support the Scheme or that they support a Competing Proposal.

CMH may terminate the Scheme Implementation Deed by notice to News if a majority of the CMH Board (comprising the Recommending Directors) either:

a) withdraw their recommendation of the Scheme as a result of the Independent Expert concluding in the Independent Expert's Report, or in any update to its report, that the Scheme is not in the best interests of CMH Shareholders, provided that the Independent Expert's conclusion is not reached as a result of a Competing Proposal having been announced or made public; or

b) recommend a Competing Proposal.

6.14 ASIC modifications and waivers

ASIC has granted CMH the exemptions, modifications and consents described below:

a) Regulation 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations requires this Booklet to disclose particulars of any payment or benefit that is proposed to be made or given to any director, secretary or executive officer of CMH or a related body corporate of CMH as compensation for loss of office, or as consideration for or in connection with their retirement from office.

   ASIC has allowed CMH to depart from certain requirements of Regulation 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations. The effect of this relief is that this Booklet is not required to state particulars of payments or benefits which may be made to a director, secretary or executive officer of CMH Group in relation to their loss of office or retirement from office, unless the relevant person will lose office or retire from office as a consequence of, or in connection with, the Scheme or the amount of any payment or benefit which may be made to the relevant person upon their loss of office or retirement from office may be materially affected by the Scheme.

b) Regulation 8310 of Part 3 of Schedule 8 of the Corporations Regulations requires this Booklet to set out particulars of the intentions of the CMH Directors regarding:
   i) any major changes to be made to CMH's business, including any redeployment of CMH's fixed assets; and
   ii) the future employment of CMH's present employees.

   ASIC has allowed CMH to depart from this requirement on the condition that this Booklet is substantially in the final form provided to ASIC before the first Court hearing.

6.15 Consents

a) Each of:
   i) News;
   ii) News Limited; and
   iii) News Corporation,

   has given, and has not withdrawn before the date of this Booklet, their consent to be named in this Booklet in the form and context in which they are named and had consented to the inclusion of the statements by them, or statements said in this Booklet to be based on statements by them, in the form and context in which those statements are included in this Booklet and to the inclusion of the News Information in this Booklet in the form and context in which it is included.

b) The following parties have given, and have not withdrawn before the date of this Booklet, their consent to be named in this Booklet in the form and context in which they are named:
   i) Ashurst Australia as legal advisor to CMH;
   ii) UBS AG, Australia Group as financial advisor to CMH; and
   iii) Computershare Investor Services Pty Limited as the CMH Registry.

c) The Independent Expert has consented to the inclusion of the Independent Expert's Report in **Attachment 1** and the Independent Expert has consented to the references to the Independent Expert's Report in this Booklet being made in the form and context in which each such reference is included.

d) Ernst & Young has consented to the inclusion of the letter concerning taxation implications for CMH Shareholders in **Section 5** and to the references to the letter concerning taxation implications for CMH Shareholders in this Booklet being made in the form and context in which each such reference is included.

e) Each person named in this **Section 6.15**:

  i) has not authorised or caused the issue of this Booklet;

  ii) does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than as specified in this **Section 6.15**; and

  iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Booklet, other than a reference to its name and the statement (if any) included in this Booklet with the consent of the party as specified in this **Section 6.15**.

6.16 Supplementary information

If between the date of lodgement of this Booklet for registration with ASIC and the Second Court Date, CMH becomes aware of any of the following:

- a material statement in this Booklet that is false or misleading;
- a material omission from this Booklet;
- a significant change affecting a matter in this Booklet; or
- a significant new matter that has arisen and it would have been required to be included in this Booklet if known about at the date of lodgement with ASIC,

then CMH intends to publish supplementary material by either:

a) placing an advertisement in a prominently placed newspaper which is circulated throughout Australia; or

b) posting the supplementary material on the CMH Website and lodging the material with ASX,

and, depending on the nature and timing of the changed circumstances and the supplementary material, CMH may also post the supplementary material to all CMH Shareholders, subject to obtaining any necessary regulatory approvals.

6.17 Other material information

a) Otherwise than as contained or referred to in this Booklet, including in the Independent Expert's Report and the information that is contained in the other Attachments and **Section 6.17(b)**, there is no other information that is material to the making of a decision by a CMH Shareholder whether or not to vote in favour of the Scheme Resolution, being information that is known to any CMH Director and which has not been previously disclosed to CMH Shareholders.

   CMH is not aware of any material information about CMH that is material to a decision of a CMH Shareholder on how to vote in relation to the Scheme Resolution and which:

  i) has not been made available to the Independent Expert for the purpose of preparing the Independent Expert's Report;

  ii) is not set out in this Booklet; or

  iii) has not otherwise been made publicly available by CMH.

b) As previously disclosed (in connection with the PBL demerger that was approved and implemented in 2007) CMH and Crown share certain liabilities (including any liability that may arise out of One.Tel as described in the PBL Scheme Booklet dated 17 October 2007 (**One.Tel**)), including advisor costs, on the basis of CMH 25% and Crown 75%. CPH has agreed with CMH that, subject to a party acquiring a Relevant Interest in more than 50% of CMH Shares pursuant to a transaction that is announced or proposed publicly at a time when CPH holds CMH Shares, CPH will provide interest free loans to CMH to allow CMH or any Subsidiary of CMH to pay any liability (including advisor fees) that it incurs in relation to One.Tel (including in relation to any court proceedings that raise substantially the same issues as in One.Tel). Such loans are only repayable by CMH from, and to the extent of, the proceeds of insurance or recovery from a third party.

Section

7

Scheme Meeting details and instructions on how to vote

Section 7
Scheme Meeting details and instructions on how to vote

7.1 Scheme Meeting details

The Scheme Meeting will be held at 9.30am (Perth time) on Wednesday 31 October 2012 at Botanical Four, Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia.

7.2 Voting majority required for the Scheme Resolution

A majority in number (i.e. more than 50%) of CMH Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of a body corporate, corporate representative), who together hold at least 75% of the votes cast on the Scheme Resolution.

7.3 Voting entitlements for the Scheme Meeting

CMH Shareholders registered on the CMH Register at 7.00pm (Perth time) on Monday 29 October 2012 will be entitled to attend and vote at the Scheme Meeting.

Voting will be conducted by poll.

7.4 How to vote

a) Voting in person

To vote in person at a Scheme Meeting, CMH Shareholders must attend the Scheme Meeting. A CMH Shareholder entitled to attend and vote at a Scheme Meeting will be admitted to the Scheme Meeting upon providing evidence of his or her name and address at the point of entry to the Scheme Meeting.

b) Voting by proxy

The Proxy Form is enclosed with this Booklet.

CMH Shareholders wishing to appoint a proxy to attend and vote at the Scheme Meeting must complete and return the Proxy Form in accordance with the instructions on it.

There are a number of ways Proxy Forms can be lodged:

Method	Instructions
Mail	Sent to the CMH Registry (using the reply paid envelope included with this Booklet), addressed to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001 Australia.
Hand delivery	Delivered during business hours to the CMH Registry at Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford Victoria 3067 or to CMH's registered office C/- Company Secretary, Consolidated Media Holdings Limited, Level 2, 54 Park Street, Sydney NSW 2000.
Fax	Sent to the CMH Registry at **1800 783 447** (within Australia) or **+61 3 9473 2555** (outside Australia).
Online	Lodged at www.investorvote.com.au or, for intermediary online subscribers only (custodians), at www.intermediaryonline.com.

Proxy Forms must be received by the CMH Registry by 9.30am (Perth time) on Monday 29 October 2012. If you have an attorney sign a Proxy Form on your behalf, the original or a certified copy of the power of attorney or other evidence of your attorney's authority must be received by the CMH Registry at the same time as the Proxy Form (unless previously provided to the CMH Registry).

A proxy will be admitted to a Scheme Meeting upon providing evidence of their name and address at the point of entry to the Meeting.

CMH Shareholders who have returned a Proxy Form may revoke the proxy by attending and voting at the Scheme Meeting.

c) Voting by attorney

Powers of attorney must be received by the CMH Registry by no later than 9.30am (Perth time) on Monday 29 October 2012.

Persons attending the Scheme Meeting as an attorney should bring to the Scheme Meeting the original or certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting unless previously lodged with CMH or the CMH Registry.

d) Voting by corporate representative

If you are a body corporate, you can appoint a corporate representative to attend and vote at the Scheme Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative should bring to the Scheme Meeting evidence of their appointment including any authority under which the document appointing them as corporate representative was signed unless evidence of the appointment has previously been lodged with CMH or the CMH Registry.

7.5 Further information

Please refer to the Notice of Scheme Meeting (at **Attachment 4**) for further information on voting procedures and details of the Scheme Resolution to be voted on at the Scheme Meeting (including who is entitled to vote on the Scheme Resolution).

Section

8

Glossary

Section 8
Glossary

In this Booklet, terms have the following meanings, unless the context requires otherwise.

ACCC means the Australian Competition and Consumer Commission.

AIFRS means Australian International Financial Reporting Standards.

ASIC means the Australian Securities & Investments Commission.

ASIC Website means www.asic.gov.au.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or, where the context requires, the financial market operated by it on which CMH Shares are quoted.

ASX Website means www.asx.com.au.

ATO means the Australian Taxation Office.

Attachment means an attachment to this Booklet.

AUSTAR means AUSTAR United Communications Pty Limited ACN 087 695 707.

Booklet means this document including each Attachment.

Business Day means a day which is not a Saturday, Sunday or public holiday in Sydney, New South Wales.

CGT means capital gains tax.

CHESS means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited ACN 008 504 532.

CMH means Consolidated Media Holdings Limited ACN 009 071 167.

CMH Board means the CMH Directors acting together as a board of CMH.

CMH Director means a director of CMH.

CMH Group means CMH and each of its Subsidiaries.

CMH Information means all information included in this Booklet and any updates to that information prepared by or on behalf of CMH, other than the information in **Section 5** and the News Information (and any information solely derived from, or prepared solely in reliance on, any such information), and does not include the Independent Expert's Report (or any information solely derived from, or prepared solely in reliance on, information in that report).

CMH Register means the register of members of CMH from time to time.

CMH Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

CMH Representations and Warranties means the representations and warranties of CMH set out in Schedule 2 of the Scheme Implementation Deed.

CMH Share means a fully paid ordinary share in the capital of CMH.

CMH Shareholder means a person shown in the CMH Register as holding one or more CMH Shares.

CMH Website means www.cmh.com.au.

Competing Proposal means any expression of interest, proposal, offer, transaction or arrangement by or with any third party which, if entered into or completed, would result in a third party:

a) directly or indirectly acquiring or obtaining an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or assets or property of, the CMH Group;
b) acquiring Control of CMH or PBL Pay TV Pty Ltd ACN 084 940 367; or
c) otherwise acquiring, or merging with, CMH or PBL Pay TV Pty Ltd ACN 084 940 367 (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, joint venture or partnership).

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Federal Court of Australia.

Court Order means the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act which is to be lodged with ASIC to make the Scheme Effective.

CPH means Consolidated Press Holdings Limited ACN 008 394 509.

Crown means Crown Limited ACN 125 709 953.

Data Room means the online data room maintained on behalf of CMH and made available to News and its representatives for the purpose of providing access to information and materials relating to CMH for the purpose of assessing the Scheme.

Deed Poll means the deed poll executed by News Limited and News dated 20 September 2012, a copy of which is included at **Attachment 3**.

Disclosure Letter means the letter from CMH to News entitled "Disclosure Letter" dated the same date as the Scheme Implementation Deed and countersigned by News.

Dividend means CMH's final dividend of 6 cents per CMH Share in relation to the financial year ended 30 June 2012 announced to the ASX on 21 August 2012.

Dividend Payment Date means Friday 5 October 2012.

Dividend Record Date means 5.00pm, Friday 28 September 2012.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 21 December 2012, or such later date as may be agreed by News and CMH.

Exclusivity Period means the period commencing from the date of the Scheme Implementation Deed to the earlier of:

a) the termination of the Scheme Implementation Deed; and

b) the End Date.

FOX SPORTS means FOX SPORTS Australia Pty Limited ACN 065 445 418 (formerly Premier Media Group Pty Limited).

Foxtel means FOXTEL Management Pty Limited ACN 068 671 938 for and on behalf of the FOXTEL Partnership.

Implementation Date means the fifth Business Day after the Scheme Record Date, or such other date (after the Scheme Record Date) as CMH and News may agree in writing.

Independent Expert means KPMG.

Independent Expert's Report means the report by the Independent Expert dated 24 September 2012, a copy of which is included at **Attachment 1**.

Indicative Proposal means the incomplete, non-binding, conditional and indicative proposal from News Limited and announced by CMH on 20 June 2012 to acquire all the shares in CMH by way of scheme of arrangement.

Insolvency Event has the meaning given in the Scheme Implementation Deed.

IPTV means internet protocol television.

Key Dates means the dates set out on page 03 of this Booklet.

KPMG means KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215.

Legally Privileged Documents has the meaning given in the Scheme Implementation Deed.

Material Adverse Change means one or more changes, events, occurrences or matters occurs which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or is reasonably likely to have (whether now or in the future) the effect of:

a) diminishing consolidated net assets of the CMH Group as set out in CMH's audited financial report as at 30 June 2012 (calculated on the basis of AIFRS) by an amount of $13 million or more;

b) diminishing, on a recurring basis, CMH's share of the annual earnings (before interest, income tax, depreciation and amortisation and after any movement in reserves ordinarily required to be taken to other comprehensive income (as required by AIFRS)) of Foxtel and FOX SPORTS in aggregate by an amount of $20 million or more;

c) the anti-siphoning scheme, as it applies to the NRL premiership for the period 2013 – 2017 inclusive, being changed in any way that prevents the acquisition or exercise by FOX SPORTS or Foxtel of exclusively live television rights to at least five weekly NRL premiership games, or such a change is proposed by the Government or agreed to by the Government; or

d) diminishing, on a recurring basis, CMH's annual earnings before interest, income tax, depreciation and amortisation and after any movement in reserves ordinarily required to be taken to other comprehensive income as required by AIFRS, and excluding items related to Foxtel and FOX SPORTS (being CMH's equity accounted share of Foxtel and FOX SPORTS earnings, as well as its share of any movements in reserves of those investments), by an amount of $20 million or more,

other than an event, occurrence or matter which:

e) in respect of paragraph (a) above, would be accounted for in the line item in CMH's audited financial report as at 30 June 2012 entitled "Investments in associates";

f) in respect of paragraph (a) above, occurs as a consequence of:

   i) the recognition of a dividend paid or an advance made (consistent with previous practice) to a member of the CMH Group from an associate;

   ii) any reduction in the deferred tax assets of the CMH Group (as recorded in Note 4(c) to CMH's audited financial report as at 30 June 2012); or

   iii) any write-down or accelerated amortisation in the facility establishment costs for the bank debt (as recorded in Note 15(c) to CMH's audited financial report as at 30 June 2012);

g) is contemplated by the Scheme Implementation Deed or required to be done to give effect to the Scheme;

h) arises directly or indirectly as a consequence of:

   i) the broadcasting and IPTV rights agreement announced by the Australian Rugby League Commission on 21 August 2012, under which the Nine Network and FOX SPORTS hold the broadcasting and IPTV rights for rugby league in Australia for a term of 5 years; or

   ii) any other programming or content agreements entered into by Foxtel or FOX SPORTS;

i) in respect of paragraph (b) above, is a one-off, non-cash item that does not have a recurring future cash impact that would otherwise trigger the Material Adverse Change in that paragraph;

j) CMH has fairly disclosed in an announcement made to ASX, the Disclosure Letter or documentation contained in the Data Room or the Legally Privileged Documents, prior to entry into the Scheme Implementation Deed;

k) is, in relation to Foxtel and FOX SPORTS, already known by the News Group as at the date of the Scheme Implementation Deed;

l) arises in consequence of any change to legislation or regulation in relation to tax or any accounting standards;

m) arises in consequence of an act of war, terrorism, or natural disaster;

n) is the payment of CMH's final dividend of $0.06 per share or less in relation to the financial year ended 30 June 2012 announced to ASX on 21 August 2012; or

o) took place with the fully informed written consent of News.

NAH means News Australia Holdings Pty Limited ABN 32 105 197 028.

News means News Pay TV Financing Pty Ltd ACN 157 820 338.

News Corporation means News Corporation of 1209 Orange Street, Wilmington, DE 19801, United States of America.

News Group means News Corporation and each of its Subsidiaries.

News Information means all information regarding News and the News Group provided by or on behalf of News for inclusion in this Booklet (and any information solely derived from, or prepared solely in reliance on, such information), and any updates to that information prepared by or on behalf of News, and includes all of the information contained in **Section 4**.

News Limited means News Limited ABN 47 007 871 178.

Notice of Scheme Meeting means the notice in relation to the Scheme Meeting, as set out at **Attachment 4**.

NPAT means net profit after tax.

One.Tel means One.Tel as described in the PBL Scheme Booklet dated 17 October 2007.

OTT means over-the-top.

PF means pro forma.

Prescribed Occurrence means the occurrence of any of the following:

a) CMH converting all or any of its shares into a larger or smaller number of shares.

b) CMH resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares.

c) CMH:
   i) entering into a buy-back agreement; or
   ii) resolving to approve the terms of a buy-back agreement under the Corporations Act.

d) CMH declaring, paying or distributing any dividend, bonus or other share of its profits or assets or agreeing to return any capital to its members.

e) CMH issuing securities or incurring any obligation (including any contingent obligation) to issue or have transferred to any person securities in it.

f) A member of the CMH Group:
   i) acquiring or disposing of;
   ii) agreeing to acquire or dispose of; or
   iii) offering, proposing, announcing a bid or tendering for, any business, assets, entity or undertaking, the value of which in aggregate exceeds $15 million;

g) A member of the CMH Group entering into any agreement or understanding restraining any member of the CMH Group from competing with any person or conducting activities in any market.

h) A member of the CMH Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or substantially all, of its business or property otherwise than:
   i) in the ordinary course of business; or
   ii) a lien which arises by operation of law securing an obligation that is not yet due.

i) A member of the CMH Group:
   i) entering into, or offering to enter into, any agreement or understanding requiring payments, the incurring of expenditure or the foregoing of revenue by members of the CMH Group in excess of an aggregate of $2 million or involving a commitment of more than 12 months;
   ii) agreeing to any variation to the terms of any agreement or understanding (including any variation made pursuant to a right or obligation in an agreement to vary or renegotiate terms of that agreement) which is material to the business, operations or financing arrangements of the CMH Group;
   iii) incurring or agreeing or committing to incur any capital expenditure which is in excess of an aggregate of $2 million;
   iv) incurring, agreeing to incur or otherwise becoming exposed to a liability or contingent liability with an amount or value greater than an aggregate of $5 million (other than as a consequence of an advance received by a member of the CMH Group from an associate relating to dividends that have not been paid by that associate);
   v) waiving any third party default where the financial impact on the CMH Group will be in excess of $2 million; or
   vi) accepting as a compromise of a matter less than the full compensation due to a member of the CMH Group where the result of the compromise is that the member will receive an amount which is in excess of $2 million less than the amount of full compensation.

j) A member of the CMH Group modifying or replacing its constitution.

k) A member of the CMH Group entering into any agreement with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity or currency derivatives or options) or similar instruments.

l) A member of the CMH Group suffering an Insolvency Event.

m) A member of the CMH Group entering into a transaction with any related party of CMH as defined in section 228 of the Corporations Act.

n) A member of the CMH Group, other than in the ordinary course of business:
   i) materially increasing the remuneration of, or paying any bonuses or issuing any securities to;
   ii) accelerating any rights to benefits of any kind of;
   iii) paying or agreeing to pay a termination payout (including a ‘golden parachute’) to; or
   iv) materially amending any employment, consulting, board appointment, indemnification, severance or similar arrangement of or with, any of its officers or employees.

o) A member of the CMH Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards.

p) A member of the CMH Group doing anything that would result in a de-consolidation of CMH's 'Consolidated Tax Group'.

Excluding the occurrence of any of the following:

a) the announcement and payment (on 21 August 2012 and 5 October 2012, respectively) of CMH's final dividend of $0.06 per CMH Share, fully franked, in relation to the financial year ended 30 June 2012;

b) any matter contemplated by the Scheme Implementation Deed or required to give effect to the Scheme;

c) any matters which have been fairly disclosed:

   i) in an announcement made to ASX;

   ii) in documentation contained in the Data Room; or

   iii) in the Legally Privileged Documents,

   prior to the date of entry into the Scheme Implementation Deed;

d) any action undertaken by CMH with fully informed written consent of News;

e) the provision of additional funding to SEEKAsia of up to HK$77.3 million, through the subscription for additional shares in SEEKAsia, for the purpose of SEEKAsia purchasing the final 20% tranche in JobsDB Inc. (as disclosed on page 57 of CMH's 2011 Annual Report);

f) any matters in relation to Foxtel or FOX SPORTS that are known to News as at the date of the Scheme Implementation Deed; or

g) any matters described in the Disclosure Letter.

Proxy Form means the proxy form for the Scheme Meeting enclosed with this Booklet.

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

Recommending Directors means Mr John Alexander, Mr James Packer, Mr Christopher Corrigan, Mrs Rowena Danziger, Mr Geoffrey Dixon, Mr Ashok Jacob, Mr Guy Jalland and Mr Christopher Mackay, each a CMH Director.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Scheme means the proposed scheme of arrangement under section 411 of the Corporations Act between CMH and the Scheme Participants, the form of which is set out at **Attachment 2**, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and consented to by CMH and approved in writing by News.

Scheme Conditions means the conditions that the Scheme is subject to, are set out in clause 3.1 of the Scheme Implementation Deed.

Scheme Consideration means $3.45 cash for each Scheme Share.

Scheme Implementation Deed means the scheme implementation deed entered into by CMH, News and News Limited on 7 September 2012.

Scheme Meeting means the meeting of CMH Shareholders at which the Scheme Resolution will be voted on, convened pursuant to orders of the Court, and includes any adjournment of that meeting.

Scheme Participant means a CMH Shareholder as at 7.00pm on the Scheme Record Date.

Scheme Record Date means the fifth Business Day after the Effective Date, or such other date (after the Effective Date) as CMH and News may agree in writing.

Scheme Resolution means the resolution in relation to the Scheme to be voted on at the Scheme Meeting, as set out in the Notice of Scheme Meeting.

Scheme Share means a CMH Share held by a Scheme Participant.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the hearing of such application is adjourned for any reason, means the first day of the adjourned hearing.

Section means a section of this Booklet.

SEEKAsia means SEEKAsia Limited, a company incorporated in the Cayman Islands, Registered Company No. 243337.

SGH means Seven Group Holdings Limited ACN 142 003 469.

Subsidiary means a subsidiary as defined under section 9 of the Corporations Act.

Superior Proposal means a bona fide publicly announced Competing Proposal that is received by CMH (and not resulting from a breach by CMH of its obligations under clause 16 of the Scheme Implementation Deed) which the CMH Board has determined, acting in good faith and in order to satisfy what the members of the CMH Board consider to be their fiduciary or statutory duties:

a) is reasonably capable of being valued, taking into account all aspects of the Competing Proposal and the person making it; and

b) if completed substantially in accordance with its terms, would be more favourable to CMH Shareholders (as a whole) than the Scheme, taking into account all the terms and conditions of the Competing Proposal including the likelihood of the conditions of the Competing Proposal being satisfied and the identity of the person making the Competing Proposal.

Telstra means Telstra Corporation Limited ACN 051 775 556.

Tiger Global means Tiger Global Private Investment Partners VI, L.P.

VWAP means volume weighted average price.

Attachment

1

Independent Expert's Report

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
Australian Financial Services Licence No. 246901
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The Directors
Consolidated Media Holdings Limited
Level 2, 54 Park St
Sydney NSW 2000

24 September 2012

Dear Directors

Independent Expert Report

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

Consolidated Media Holdings Limited (CMH) is an Australian based new media investment company formed out of the demerger of Publishing and Broadcasting Limited (PBL) in 2007. CMH's key assets operate in the subscription television sector and comprise a 25% effective interest in Foxtel and a 50% effective interest in FOX SPORTS.

On 7 September 2012, CMH entered into a Scheme Implementation Deed with a subsidiary of News Corporation (News) under which News would acquire all the ordinary shares in CMH for a cash consideration of $3.45 per share by way of a court approved scheme of arrangement (Scheme). News is a diversified global media company with operations principally spanning cable network programming, filmed entertainment, television, direct broadcast satellite television and publishing.

The Scheme is subject to a number of conditions including approval by the shareholders of CMH (Shareholders) at a meeting to be held in October 2012 (Shareholder Meeting).

To assist Shareholders in assessing the Scheme, the Directors of CMH have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an Independent Expert Report (IER) which opines on whether the Scheme:

- is fair and reasonable for Shareholders
- is in the best interests of Shareholders.

This report sets out KPMG Corporate Finance's opinion on the Scheme, and will be included in the Scheme Booklet to be sent to Shareholders prior to the Shareholder Meeting. This report should be considered in conjunction with, and not independently of, the information set out in the Scheme Booklet.

2 Requirement for our report

Section 411(3) of the Corporations Act (the Act) requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a member as to whether or not to agree with the relevant proposal. In this regard, the Directors of CMH have requested KPMG Corporate Finance to prepare an IER to satisfy the requirements of Section 411.

In undertaking our work, we have referred to guidance provided by the Australian Securities and Investments Commission (ASIC) in its Regulatory Guides (RG), in particular RG 111 "Content of expert reports" which outlines the principles and matters which it expects a person preparing an IER to consider when providing an opinion on whether a transaction is "fair and reasonable" for the perspective of non-associated members.

3 Summary of opinion

3.1 Conclusion

In our opinion, the Scheme is fair and reasonable, and therefore in the best interests of Shareholders in the absence of a superior proposal.

3.2 The Scheme is fair

Our fairness assessment has been based on comparing the consideration offered under the Scheme of $3.45 per CMH share to our assessed value of a CMH share. It is commonly observed that acquirers of 100% of a business pay a premium over the value implied by the trading price of a share prior to the offer, to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. Therefore, in order to achieve a like-for-like comparison, we have assessed the value of a CMH share based on 100% ownership, having regard to synergies which would be generally available to all potential purchasers.

As CMH is an investment holding company, we have adopted a sum-of-the-parts approach to valuing CMH. This involved valuing each of CMH's investments using an appropriate valuation methodology, with the value of CMH being the sum of these values, less the capitalised value of ongoing corporate costs required to maintain the investment structure, plus the value of surplus assets. Under this approach, we have assessed the control value of a CMH share to be in the range of $3.22 to $3.56 per share, as outlined in the table below.

Table 1: CMH valuation summary

	Report Section	Value range ($m) Low	High
Value of investments			
Foxtel (25%)	9.3	1,398	1,515
FOX SPORTS (50%)	9.4	584	657
SEEKAsia (12.1%)	9.5	35	35
Corporate costs	9.6	(32)	(32)
Net debt	9.8	(174)	(174)
Value of equity		**1,810**	**2,000**
Fully diluted shares on issue (millions)		562	562
Value per CMH share ($)		**3.22**	**3.56**

Source: KPMG Corporate Finance analysis

The value of CMH is ultimately dependent on the value of its interests in Foxtel and FOX SPORTS. Key issues we have considered in our assessment of fair value include:

- *Prospects for subscriber growth*. Revenue of Foxtel and FOX SPORTS is predominantly driven by subscriber numbers. However, subscriber growth slowed significantly over the last three years as a result of the challenging economic environment, increased competitiveness of free-to-air television (FTA) broadcasters through multi-channelling and the emergence of new competitors through Internet Protocol (IP) delivered services. Further, the roll out of Australia's National Broadband Network (NBN) is likely to intensify competition as the importance of scale as a barrier to entry for traditional subscription television (STV) platforms is reduced.

- *Access to and cost of premium programming rights*. Access to key exclusive sports rights is considered to be a major driver of global STV penetration. As such, the existing anti-siphoning legislation in Australia is expected to limit STV penetration below the levels observed for other mature markets. Both Foxtel and FOX SPORTS have built scalable businesses with an industry leading position in the Australian STV value chain and strong relationships with key content providers which position them well in an increasingly challenging competitive environment. However, the risk of significant cost escalations for premium programming rights (in particular exclusive sports rights) is also increasing as evidenced by the recent renewal of the National Rugby League (NRL) rights, where FOX SPORTS agreed to pay approximately twice the existing price for essentially unchanged coverage rights (apart from additional digital and internet protocol television (IPTV) rights). The uncertainty as to the implications of the new NRL deal and the possible flow-on effects on the costs of other key sports coverage rights that will be brought to market, will pose a key threat on the sustainability of margins and the existing business model of traditional STV players.

- *CMH's control over its investments*. For the purposes of our fairness assessment, we have valued CMH's interest in Foxtel (25%) and FOX SPORTS (50%) on a controlling interest basis, reflecting CMH's ability to exercise significant influence over the strategic direction and operations of its investments and prevent its co-investees from undertaking any major decisions without its consent. Issues arising from CMH not having positive control over its investments and restrictions imposed by the underlying shareholder agreements have been considered in our reasonableness assessment.

- *Synergies from the AUSTAR transaction*. Foxtel recently completed the acquisition of Austar United Communications Limited (AUSTAR) and the full synergy potential is not yet realised. Foxtel announced that it has already delivered over $40 million in annualised cost savings from the merger and expressed its confidence that most of the broker consensus estimate of $70 million in annual synergies will be achieved in FY13.

Other factors considered in our assessment of the value of CMH include:

- *Value of tax losses*. CMH has carried forward tax losses of $297 million ($89.1 million tax shield). Given the difficulty typically experienced by potential purchasers in satisfying the tests which allow them to utilise the tax losses held by acquired businesses and the uncertainty as to the specific utilisation profile applicable to potential purchasers, we have not attributed any value to the CMH tax losses for the purposes of our fairness assessment but we have considered them in our assessment of reasonableness in section 3.3.2.
- *Final dividend declared*. CMH declared a final fully franked dividend of $0.06 per fully paid CMH share for FY12, payable on 5 October 2012. Since the offer price of $3.45 is on an ex-dividend basis, we have also valued CMH on an ex-dividend basis by reducing CMH's cash balance for the declared dividend payout of $33.7 million.
- *Corporate costs*. We consider any acquirer of 100% of CMH would be able to save the costs associated with being a publicly listed company, such as listing fees, share registry, etc, as well as establish a leaner management and corporate governance structure.

A comparison of the offer price to our assessed value per CMH share is outlined in the table below.

Table 2: Comparison of consideration offered to assessed fair value

$	Low	High
Offer price per CMH share	3.45	3.45
Assessed value per CMH share	3.22	3.56
Premium / (discount)	**7.1%**	**-3.1%**

Source: KPMG Corporate Finance analysis

According to RG 111, the Scheme should be considered fair if the consideration offered to Shareholders is equal to or higher than our assessed value of a CMH share. **The cash consideration offered per CMH share is within our assessed value range for a CMH share and therefore we consider the Scheme to be fair.**

3.3 The Scheme is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. This would imply that the Scheme is reasonable. However, irrespective of the statutory obligation to conclude the Scheme is reasonable simply because it is fair, we have also considered a range of factors which, in our opinion, support a reasonableness conclusion in isolation of our fairness opinion.

The principal factors which underpin a reasonableness conclusion relate to:

- the Scheme representing the most superior option currently available for CMH to maximise value for Shareholders
- the consideration allowing Shareholders to realise their investment in CMH at a premium to share prices prior to the Scheme being announced
- the likelihood of CMH's share price falling in the event the Scheme is not approved and no alternative and superior offer emerging
- the Scheme providing certainty of outcome.

Other considerations such as sourcing alternative investments, minority discount factors and tax consequences had a lesser impact on our reasonableness conclusion.

These key factors and other considerations are discussed in more detail in sections 3.3.1 and 3.3.2 respectively.

3.3.1 Key factors

Outlined below are the key factors which support the view that the Scheme is reasonable.

The Scheme represents the most superior option currently available to maximise value for Shareholders

In assessing the merits of the Scheme, we considered the relative attractiveness of other options available to CMH.

- **Alternative proposals**. Since the announcement of News' conditional proposal, no alternative proposal has emerged. We consider this largely a consequence of the current shareholder structure and underlying shareholder agreements of Foxtel and FOX SPORTS which:
  - limit the flexibility in which a purchaser (other than News or Telstra) of CMH could actively manage the investments in Foxtel and FOX SPORTS. CMH does not have positive control over these businesses, and its right to influence management is limited to its board representation and the appointment of the CFO, which in the case of FOX SPORTS is still subject to the approval of the CEO (being a nominee of News). Essentially, CMH holds the least influence amongst the existing shareholders, and this is unlikely to change given the intentions of News and Telstra to remain long term investors in these businesses

- limit the extent to which a purchaser (other than News or Telstra) can extract synergies from its investments in Foxtel and FOX SPORTS. News' current ownership in Foxtel and FOX SPORTS places it in a position to extract the highest level of synergies available from acquiring CMH. News can essentially eliminate CMH's corporate cost base as it already has a team in place replicating the same managerial function. Further, acquiring CMH's interests in Foxtel and FOX SPORTS will enable News to achieve a more efficient shareholder and governance structure in FOX SPORTS and to a lesser extent, Foxtel. Whilst the lack of synergies does not preclude an alternative purchaser from making a superior offer, such a purchase is expected to result in lower returns being generated, decreasing the likelihood that such an offer will emerge.

Despite these barriers, it is possible that an alternative and superior proposal can emerge as the opportunity to do so remains until the Shareholder Meeting. The obvious alternative involves Seven Group Holdings (Seven) as it already holds a 25.35% interest in CMH and is seeking clearance from the Australian Competition & Consumer Commission (ACCC) to acquire the 75% of CMH it does not already own. However, Seven has not indicated its intentions to bid for CMH at this stage.

Telstra is considered an unlikely alternative given the ACCC's concerns that it will further reduce the level of competition for STV services. Further, Telstra has stated its intentions via the press that it does not have an intention to bid for CMH.

Despite the possibilities, we consider the likelihood of an alternative and more superior proposal emerging to be low.

- **Maintaining the status quo** – This will allow Shareholders to participate in any upside potential of CMH's key investments, which have an industry leading position in the Australian subscription television industry and the opportunity to extract the full synergy potential from the merger of Foxtel and AUSTAR. As the merger has only just been completed, the full potential of the enlarged Foxtel business is not yet clear, which may result in future growth exceeding current expectations. Other benefits may include the realisation of CMH's income tax losses given an acquirer is unlikely to attribute significant value to these.

  Achieving this upside has its risks as CMH's future is largely dependent on subscriber growth which has slowed in recent years, whilst competition for content has increased (as evidenced by the recently renewed NRL rights) and is expected to further intensify with the emergence of IP delivered services and the roll out of the NBN. Further, the gearing in both Foxtel and CMH has significantly increased as a consequence of funding the AUSTAR acquisition, which may limit the capacity to pay dividends in the event the performance of Foxtel fails to deliver to expectations or if the existing debt facilities would require refinancing at less favourable terms.

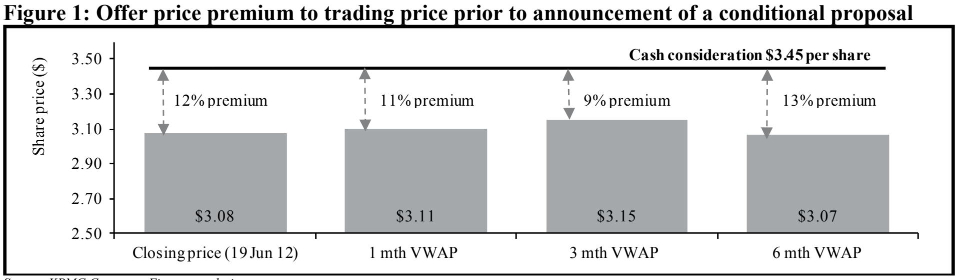
- **Divest assets and wind-up –** CMH could divest its individual assets on a staged basis and distribute the net proceeds to Shareholders. However, this option will be complex in execution and require consent from the existing shareholders as per the respective underlying shareholder agreements. More importantly, this option is less tax effective, as compared to the Scheme, which would likely result in a lesser amount being distributable to Shareholders even if our valuation of CMH was achieved.

There is inherent execution risk and uncertainty with respect to these alternative options and the ultimate value achieved is likely to be lower than the $3.45 cash consideration offered by News. Further, these alternative options are unlikely to secure the support of CMH's controlling shareholder, the Consolidated Press Holdings Group (CPH) given CPH's public statement to support the Scheme in the absence of a superior cash offer. On this basis, we consider the Scheme to represent the most superior option currently available for CMH to maximise value for Shareholders.

The consideration allows Shareholders to realise their investment in CMH at a premium to recent share prices

The consideration offered represents a premium to trading in CMH shares prior to the announcement of a conditional proposal from News on 20 June 2012, as set out in the figure below.

Figure 1: Offer price premium to trading price prior to announcement of a conditional proposal



Source: KPMG Corporate Finance analysis

It is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. However, the level of premium observed in takeovers varies and depends largely on the circumstances of the target, competitive tension in the sales process and the level of synergies available. Observations from transaction evidence indicate that these premiums concentrate around a range between 20% and 35%[1].

The premium paid by News is lower than this range which can be attributable to:

- takeover speculation being already priced in during the period leading up to the announcement of the receipt of a conditional proposal from News on 20 June 2012. On 4 May 2012, CMH responded to market speculation by announcing that it did not intend to

[1] Connect4 Control Premiums at 8 August – Median estimates

sell its interest in Foxtel, though indicated that it had very preliminary discussions concerning a possible control proposal and that UBS AG was retained to assist CMH in responding to any proposal that may be made

- an acquirer (other than News or Telstra) not being able to secure positive control, but only joint control, over Foxtel and FOX SPORTS by acquiring CMH. This limits the flexibility to which a purchaser can control these businesses and extract synergies, which typically results in a lower premium being offered
- minimal level of synergies available to potential purchasers. The current shareholder structure in Foxtel and FOX SPORTS allows for News to extract the highest level of synergies available as it can eliminate CMH's total corporate cost (which is duplicated within its own structure) and can achieve a more efficient shareholder and governance structure within FOX SPORTS and to a lesser extent, Foxtel. This compares to other likely purchasers which would, at best, only achieve some corporate cost savings at the CMH level.

Despite the low premium offered, the Scheme provides an opportunity for Shareholders to sell their CMH shares at a premium to recent trading that would otherwise not exist in the absence of the Scheme.

CMH's share price is likely to fall in the event the Scheme is not approved

CMH shares traded at a one month VWAP and three month VWAP of $3.11 and $3.15 respectively prior to the announcement of News' conditional proposal on 20 June 2012. Excluding the impact of takeover speculation, which was confirmed as early as 4 May 2012 by CMH, CMH's recent share price may be expected to be even lower. Whilst it is not possible to accurately predict the prices at which CMH shares might trade in the future in the absence of the Scheme, we consider it likely that the price for CMH shares on the ASX will at least revert back to levels prior to any takeover speculation in the event the Scheme is not approved, with further downside risk considering the significantly increased costs associated with the recently renewed NRL rights. Further, continued speculation in relation to the exit of CPH from CMH is likely to result in continued share price uncertainty and increased volatility.

The Scheme provides certainty of outcome

Certainty of outcome has the effect of lowering risk. Under the Scheme, Shareholders can elect to take cash and achieve certainty in relation to the pre-tax amount they will receive, as compared to maintaining an interest in CMH whose future is not without risk. Further, the alternative options available to CMH bear significant execution risk and uncertainty and, in our view, are unlikely to result in Shareholders realising value greater than the offer price of $3.45.

3.3.2 Other considerations

We also considered a range of other factors in our reasonableness assessment, though these factors are, in our view, less material to the overall conclusion:

- We have valued CMH's interest in Foxtel and FOX SPORTS on a controlling interest basis, despite CMH not having positive control over its investments. Should a discount be applied, this would lower the value of a CMH share which would make the offer more appealing and therefore "more fair". Therefore, by valuing Foxtel and FOX SPORTS on a controlling basis, we have fully valued these assets.
- We have not attributed any value to the $297 million of tax losses held by CMH in our assessment of fairness given the difficulty typically experienced by potential purchasers in satisfying the tests which allow them to utilise the tax losses held by acquired businesses and the uncertainty as to the specific utilisation profile applicable to potential purchasers. More often than not, potential acquirers do not attribute material value to tax losses even though they may have value for the existing shareholders. Based on the expected utilisation of CMH's tax losses, we have assessed the value of these losses to be in the order of $48 million ($0.09 per CMH share) for the Shareholders. Even if this is included in our assessed value of CMH, the Scheme would still be fair as the offer price falls within the adjusted range.
- The Scheme has the support of CPH as it facilitates an efficient exit from CMH at a fair price. Conversely, Seven to date has not committed its support. Should Seven vote against the Scheme, the Scheme will fail irrespective of whether all other Shareholders vote in favour.
- By accepting the offer, Shareholders wishing to maintain a similar portfolio risk profile for their investment may need to seek an alternate investment in the sectors in which CMH operates and, in doing so, may find it difficult to identify an investment with a similar risk profile to that of CMH. In addition, they will incur transaction costs in completing any new investments.
- Approval of the Scheme may result in tax consequences for Shareholders. Whilst tax implications will vary depending on the circumstances of each Shareholder, acceptance of the Scheme may result in a tax event occurring, potentially crystallising these tax consequences including capital gains. Shareholders should refer to the Scheme Booklet for more details of the tax consequences of the Scheme as well as consult their financial adviser.
- Shareholders will not incur brokerage fees or stamp duty costs associated with transferring their CMH shares to News under the Scheme
- Under the Scheme Implementation Deed, CMH must pay News $19 million if the Directors of CMH change their recommendation for the Scheme in favour of a competing proposal, or that a competing control proposal is completed by 21 June 2013.
- CMH will incur transaction costs of approximately $14 million ($0.03 per share) including advisory costs, legal fees, independent expert fees and other costs associated with the Scheme. We consider this immaterial having regard to the overall benefits achieved by

CMH in pursuing the Scheme. Furthermore, any alternative option would also likely impose costs on CMH to implement.

3.3.3 Implications if the Scheme is not approved

In the event the Scheme is not approved, CMH will continue to operate "as-is" and its share price will likely revert to levels prior to the announcement of News' conditional proposal, with further downside risk considering the significantly increased costs associated with the recently renewed NRL rights.

It is possible and we expect that there will be speculation that CPH will continue to seek an efficient exit from CMH, which could result in increased share price volatility given the uncertainty associated with the pricing, terms and timing of CPH's exit, and the possible flow on effects to the operating performance of CMH.

In addition, a portion of the transaction costs noted of $14 million will be incurred even in the event the Scheme is not approved.

3.4 The Scheme is in the best interests of Shareholders

RG 111 indicates that in considering whether a transaction is in "the best interests" of Shareholders, the expert is expected to apply the same analysis that applies to the "fair and reasonableness" test. Further, if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposal is in the best interests of the Shareholders.

On the basis of our analysis above, we consider the Scheme to be in the best interests of Shareholders.

4 Other matters

In forming our opinion, we have considered the interests of Shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Shareholders. It is not practical or possible to assess the implications of the Scheme on individual Shareholders as their financial circumstances are not known. The decision of Shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the Scheme may be influenced by his or her particular circumstances, we recommend that individual Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our report has been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

KPMG

Consolidated Media Holdings Limited
Independent Expert Report
24 September 2012

All currency amounts in this report are denominated in Australian dollars unless otherwise stated.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to Shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Scheme Booklet.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin
Authorised Representative

Sean Collins
Authorised Representative

Consolidated Media Holdings Limited
Independent Expert Report
24 September 2012

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5 The Scheme

On 7 September 2012, CMH entered into a Scheme Implementation Deed with News under which News would acquire all the ordinary shares in CMH for a cash consideration of $3.45 per share by way of a court approved scheme of arrangement.

The Scheme is subject to a number of conditions, including in particular:

- approval by a majority in number (i.e. more than 50%) of the Shareholders present and voting at the Shareholder Meeting (whether in person or by proxy, attorney or, in the case of bodies corporate, by corporate representative), who together hold at least 75% of the CMH shares cast
- there is no material adverse change in relation to CMH (as outlined in section 1.3 of the Scheme Booklet)
- no prescribed occurrence occurring in CMH (as outlined in section 1.3 of the Scheme Booklet)
- each of the representations and warranties, given by CMH in the Scheme Implementation Deed, holding true at 8am on the Second Court Date.

If successful, the Scheme is expected to be implemented in November 2012.

6 Scope of the report

6.1 Purpose

Section 411(3) of the Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement under Section 411 of the Act include information that is material to the making of a decision by a member as to whether or not to agree with the relevant proposal. In this regard, the Directors of CMH have requested KPMG Corporate Finance to prepare an IER to satisfy the requirements of Section 411.

6.2 Basis of assessment

RG 111 "Content of expert reports", issued by ASIC, indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" and, as such, incorporates issues as to value. In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer

- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'.

According to RG 111.20 to RG 111.22:

- if an expert would conclude that a proposal was 'fair and reasonable', if it was in the form of a takeover bid, it will also be able to conclude that the proposal is in the best interests of the members of the company
- if an expert would conclude that the proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the proposal is 'in the best interests of the members of the company'
- if an expert concludes that a proposal is 'not fair and not reasonable', then the expert would conclude that the proposal is not in the best interests of the members of the company.

In addition, RG 111.79 to RG 111.83 outlines the basis upon which prospective financial information can be relied upon to derive value. More specifically an expert should:

- not rely on prospective financial information unless there is a reasonable basis for the information
- make sufficient enquiry to ensure that the information was prepared on a reasonable basis, including undertaking a critical analysis of the information in the case of adopting the discounted cash flow methodology
- disclose details of the information, including but not limited to, the key assumptions adopted and the extent of the enquiries and research undertaken by the expert.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. Nothing in this report should be taken to imply that KPMG Corporate Finance has verified any information supplied to us, or has in any way carried out an audit of the books of account or other records of CMH for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In this regard, we have had discussions with management of CMH, Foxtel and FOX SPORTS in relation to the nature of their business operations, their specific risks and opportunities, their historical results and their prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by management of CMH, Foxtel and FOX SPORTS. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, CMH, Foxtel and FOX SPORTS remain responsible for all aspects of this forward-looking financial information. Achievement of forecast/projected results is not warranted or guaranteed by KPMG Corporate Finance. Forward-looking financial information is by its nature uncertain and is dependent on a number of future events that cannot be guaranteed. Actual results may vary significantly from the forecasts/projections relied on by KPMG Corporate Finance. Any variations from forecasts/projections may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to key financial information considered necessary in order to provide the required opinion. CMH has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Foxtel and FOX SPORTS. This request has been made on the basis of restrictions under the joint venture agreements and the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Foxtel and FOX SPORTS. We have disclosed the material information which we have relied on in forming our opinion.

7 Subscription television industry in Australia

7.1 Overview

Television broadcasting refers to the delivery of movies, news, sport, music, general entertainment and other content to consumers. There are currently three primary digital distribution platforms operating in Australia:

- *Free-to-air television*. Primarily fixed television programming schedules (linear television) delivered free to households through digital and analogue terrestrial broadcasting (analogue is anticipated to end in 2013), with the majority of revenue generated from advertising or government funding
- *Subscription television*. Primarily linear television programming delivered to households through digital cable or direct-to-home satellite broadcasting, with subscription fees being the major source of revenue
- *Internet Protocol delivered services*. Video content delivered via the customer's internet connection, including IPTV and over-the-top (OTT) digital content. The roll out of Australia's NBN is expected to offer an enhanced distribution platform enabling faster and more reliable delivery of IPTV and OTT digital content.

OzTAM estimates the Australian television audience to be 21.7 million people across 8.3 million households, of which currently 71% are FTA only households, and 29% STV households[2].

STV was introduced in Australia following the enactment of the Broadcasting Services Act in 1992. Content is primarily delivered on linear, theme-based channels, transmitted via cable and satellite networks. The majority of revenue is generated from upfront and ongoing subscription fees, supplemented by a small but increasing portion of advertising revenue and on-demand services revenue.

After completing its acquisition of AUSTAR in May 2012, Foxtel represents a significant portion of the Australian STV sector. Foxtel provides a premium multi-channel service to metropolitan and regional Australia, incorporating more than 200 channels covering news, sport, music, general entertainment, movies, documentaries, and children's programming. Foxtel had approximately 2.3 million subscribers[3] at 30 June 2012. Residential subscribers are either direct subscribers, or subscribers who receive Foxtel as part of bundled offerings provided by Telstra or Optus.

There are several smaller STV providers operating in Australia. TransACT (which is ultimately owned by iiNet, Australia's second largest digital subscriber line internet service provider) provides IP delivered services to subscribers within the Canberra region and operates a cable network in the regional areas of Mildura, Ballarat and Geelong. There are also a number of

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[2] As per OzTAM Universe Estimates, Quarter 3 2012

[3] Residential and wholesale subscribers (including T-Box and Xbox subscribers, excluding installation queue)

specialist satellite providers primarily providing niche foreign language services such as TVB Australia (which is a subsidiary of Television Broadcasts Limited, being one of two FTA broadcasters in Hong Kong).

7.2 Competitive environment

The main competing platforms to STV in which video content is delivered are FTA broadcasting and IP delivered services. These are discussed in more detail below.

FTA broadcasting

FTA broadcasting has for decades been the primary television broadcast system in Australia and is currently the major competitor to STV. There are five major FTA broadcasters including three commercial broadcasters and two national broadcasters. The three commercial providers, namely the Seven, Nine and Ten networks, earn revenue primarily from advertising. The Australian government supports the two national broadcasters: the Australian Broadcasting Corporation (ABC) and the Special Broadcasting Service (SBS).

Since the late 1990's, Australia has undertaken a process of transferring to digital terrestrial television, culminating in analogue television signals being switched off over 2010-2013. Digital terrestrial broadcasting offers a more efficient use of available bandwidth as well as a number of enhancements, primarily higher-quality picture and sound, datacast and multi-channel services. Each major FTA operator currently operates three channels, including one high definition (HD) channel, with the exception of the ABC which operates four channels, with an additional standard definition (SD) channel. The increased number of channels has enabled FTA broadcasters to increase the amount and breadth of content they deliver to viewers.

In 2008, the FTA broadcasters formed Freeview as a combined single brand for non-subscription digital television in Australia. The brand has increased the profile of FTA television and amplified competition for ratings and advertising revenue.

IP delivered services

Internet distribution of television programming is an emerging platform. Whilst no revenue model dominates as yet, it is expected that IPTV will intensify competition for subscription revenues and could potentially redefine the way in which video content is consumed. In addition, the rollout of the NBN is expected to provide an enhanced distribution platform that will enable faster and more reliable delivery of IPTV and OTT content. NBN is effectively an overbuild of the existing copper and hybrid fibre-coaxial (HFC) broadband networks funded by the Federal Government, and is expected to provide fibre connectivity to 93% of Australian homes. Through IP services, industry players across the entire video broadcasting value chain, including internet service providers (ISPs), content owners and device manufacturers, are expected to be able to compete for subscription revenue on the NBN.

- *ISP services*. ISPs offer STV services via an internet connection (referred to as IPTV) as part of bundled packages with broadband and telephony. An example is FetchTV (which is available through selected ISPs) which includes Freeview, HD, a personal video recorder (PVR), video on demand (VOD) and premium subscription channels. Australian ISPs currently providing this product include iiNet, Optus, Westnet, Adam Internet and Internode. Another example is the Telstra T-Box, which offers over 30 Foxtel channels plus an additional six BigPond channels.

- *Content owner services*. OTT refers to the delivery of both linear and non-linear video content through an unmanaged broadband internet connection bypassing traditional network gatekeepers and access providers. Providers of such services broadly include on-demand streaming based subscription/advertising-supported services such as Hulu and Netflix in the US, Quickflix (non-linear only) in Australia, as well as video posting sites such as Google's YouTube which also streams designated content channels.
- *Device manufacturer services*. Improving technology has led to more innovation, with IP enabled entertainment gaming consoles and television sets being able to stream video from the Internet. Foxtel currently streams 30 linear Foxtel channels to subscribers through the Xbox 360 and Samsung internet connected televisions. Other smart television and device manufacturers, such as Apple TV and Google TV, could also be expected to launch IPTV packages in the near term.

7.3 Key demand drivers

The key drivers of demand for STV are summarised below.

- *Securing the rights to popular content*. Currently, some of the most sought after content is major sporting events. Since 1994, anti-siphoning legislation in Australia has restricted the access of STV providers to bid on major sporting events, however proposed amendments to this legislation will amend these provisions (refer to the Regulatory environment discussion in section 7.4 below). Further, broadcasting newly released content in a timely manner is crucial to mitigate the risk of deteriorating demand caused by piracy through IP based distribution platforms.
- *Household disposable income*. STV is seen as a discretionary product, beyond the staple FTA television. As such, demand for STV is susceptible to changes in disposable income (which is dependent on the macroeconomic environment), as well as the pricing of STV. Changes in consumer spending patterns may also affect disposable income and demand for STV.
- *Population growth and demographics*. Population growth can underpin subscriber growth, whilst demographics such as age, education, occupation and leisure patterns determine the demand for specific types of content and the preferred delivery method. Changing consumer preferences such as the increasing demand for flexibility to watch "whatever, whenever and wherever you want", may affect demand for traditional linear STV programming and ultimately lead to a more fragmented viewer base.
- *Innovation*. Technology improvements aimed at improving the viewers' experience have led to increased demand for STV. Recent examples include PVR, HD, VOD and technology to extend the viewers experience to multiple screens, including smart phones, computers and tablets.

- *Alternative distribution channels*. STV can leverage off alternative distribution channels such as IP based set top boxes, gaming consoles and smart TVs to provide specific product offerings to targeted audiences at different price points, thereby increasing overall STV penetration. However, the emergence of the NBN and further upgrades to the mobile networks will also likely increase competition and support the emergence of new business models, which may compromise demand for traditional STV services.
- *Bundling of services with telephony and internet access*. Price discounting via bundling has the effect of improving the value proposition of the underlying services offered, thereby increasing demand for these services. Whilst Telstra and Optus are currently offering Foxtel as part of their bundled services, other telecommunication providers such as FetchTV are promoting alternative IPTV offerings in their bundled services.

7.4 Regulatory environment

Historically a highly regulated sector, the STV industry has seen a trend since 2002 towards improving its sustainability (whilst maintaining a competitive balance). The key legislation and policy issues currently facing STV providers are summarised below.

- Bidding restrictions for rights to sporting events. The anti-siphoning rules prevent STV broadcasters from buying the rights to events on the anti-siphoning list before FTA broadcasters have the opportunity to purchase the rights. The anti-siphoning list includes events the Minister believes should be made available free to the general public, including, among others, the Olympic and Commonwealth Games, the Melbourne Cup and selected cricket, rugby league, Australian rules and rugby union matches. Key features of the current legislation include:
  - FTA broadcasters are not required to broadcast anti-siphoning list events after purchasing the rights
  - FTA broadcasters are not allowed to premiere, or exclusively show anti-siphoning list content on digital multi-channels
  - events are automatically removed from the anti-siphoning list 12 weeks before the event, or on the discretion of the Minister after reasonable opportunity to purchase has been given to FTA broadcasters.
- A bill is currently being considered by the Parliament to amend the current legislation. The Broadcasting Services Amendment (Anti-siphoning) Bill 2012 will introduce a two tier system, Tier A and Tier B, under which:
  - Tier A will include nationally-iconic events. Tier A anti-siphoning provisions will operate in a similar way to the existing provisions (except for changes to the de-listing rules mentioned below)
  - Tier B will include regionally-iconic and nationally significant events. Tier B events will be permitted to be shown exclusively on FTA digital multi-channels
  - FTA broadcasters will be required to air all events for which they have purchased rights

- the automatic de-listing rules will be extended from 12 to 26 weeks, and the Minister will have the discretion to extend the automatic de-listing period to 52 weeks for the Australian Football League (AFL) and NRL Premierships.

- *Requirement to broadcast Australian content*. The current Australian Content Standard requires all commercial FTA television licensees to broadcast an annual minimum 55% Australian programming between 6am and midnight. There are specified sub-quotas for Australian drama, documentary and children's programming. Though these requirements do not extend to STV, it is required that 10% of STV drama channel programming expenditure be invested in new Australian drama.

- *Convergence review*. The growth in internet and mobile media is forcing policy-makers to re-consider their approach to regulation. Australia's regulatory framework is focused on the traditional structures of broadcasting and telecommunications, and the distinction between these categories has become increasingly blurred. The Convergence Review: Final Report was released on 30 April 2012, seeking to create a holistic, technology neutral approach to regulation, of different media classes focusing on media ownership, media content standards, and the production and distribution of Australian content. Key recommendations include:
  - the removal of licensing for the supply of content or communication services unless required for allocation of limited radio-communication spectrum
  - identification of a number of enterprises (referred to as content service enterprises) who will be subject to regulation. Identification will be based on thresholds of minimum revenue and number of users across different platforms and technologies
  - media ownership regulation should be based on a 'minimum number of owners' and public interest tests.

- *Competition regulation*. Regulatory approval of Foxtel's acquisition of AUSTAR was granted after the ACCC accepted Court-enforceable undertakings from Foxtel, which Foxtel agreed to provide, without admission, to avoid delay. The undertakings apply for eight years and will prevent Foxtel from acquiring exclusive IPTV rights for a range of content, including:
  - linear channels supplied by independent content suppliers, including more than 60 linear channels that are currently broadcast by Foxtel and many more that are broadcast internationally
  - subscription VOD rights to television programs that form part of a linear channel supplied by an independent content supplier
  - movie linear channels (or movies for inclusion in a linear channel) from more than 50% of the eight major movie studios or more than 50% of the eight specified independent movie studios

- subscription VOD rights to movies, except for an 18-month window in relation to new release movies acquired from the movie studios from Foxtel is not prohibited from acquiring exclusive linear rights
- transactional VOD rights to movies.

These undertakings are expected to increase the competitiveness of IPTV providers. It is noted that these undertakings do not extend to individual sporting rights.

7.5 Historic industry performance

In assessing recent industry performance, we refer to data for the Foxtel business prior to the AUSTAR merger (Foxtel (Metro)) and the AUSTAR business as they represent a significant portion of the STV industry. Outlined in the table below is the revenue and subscriber performance over the last five years.

Figure 2: Industry revenue and growth

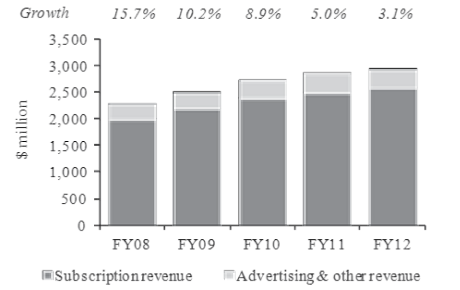
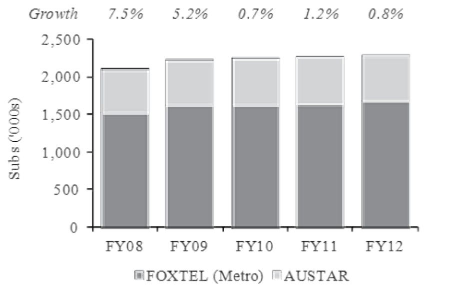


Figure 3: Industry subscribers and growth



Source: CMH and AUSTAR financial reports
Note: Revenue for Foxtel (Metro) and AUSTAR has been aggregated for respective financial years ended 30 June, but not consolidated to eliminate intercompany revenue
Subscribers include residential and wholesale subscribers

Subscriber growth has slowed in recent years due predominantly to the macroeconomic environment, the rollout of FTA digital multi-channels and the threat of increasing competition from IP delivered services. Technological developments including HD, PVR and VOD technology, have driven average revenue per user (ARPU) higher, causing subscription revenue for the industry to grow at a higher compound average growth rate (CAGR) of 6.5% over the four year period from FY08 to FY12, compared to the number of subscriptions (CAGR of 1.9%).

The Australian STV industry has a relatively low penetration rate compared to other developed countries. Only 29% of Australian households[2] use STV compared to 97% for the US[4], 53% for the UK[5] and a global average of 52%[6]. The anti-siphoning provisions and strong competition

[4] Sourced from www.tvb.org - TV Basics report June 2012
[5] Sourced from Ofcom / GfK NOP research Q1 2011 (data as at March 2011)
[6] Sourced from www.broadbandtvnews.com article 'Global digital TV penetration crosses halfway mark'. Data as at 31 December 2011, article published 25 June 2012

from FTA television have been major contributors to the relatively low penetration of STV in Australia.

Advertising revenue comprises a small yet fast growing component of total revenue in the STV market. Advertising revenue represents 4.2% of industry revenue for FY12 and has grown at a CAGR of approximately 9.2% over FY08 to FY12, supported by improved ratings and market penetration, and the ability to reach a targeted audience.

7.6 Outlook

The outlook for the STV industry in Australia is dependent on a wide range of internal and external factors, including:

- the macroeconomic environment
- population growth, and changes in demographics and consumer preferences
- regulatory changes
- access to popular content on commercial terms
- technology and product innovation
- the competitiveness of FTA broadcasters and IP delivered services
- the NBN roll out.

Moderate revenue growth is expected over the short to medium term for the Australian STV industry. Annual revenue growth levels between 3% and 5% p.a. over the five years to FY17 are expected to be driven by an increasing number of subscribers (2% – 4% growth p.a.) and an increasing penetration of value-added services such as PVR, HD, VOD, multi-room etc, which has historically led to an increase in average revenue per subscriber[7]. Further, growth in advertising revenue will also support industry revenue growth driven by improved ratings and market penetration, and the ability to reach a targeted audience.

The longer term outlook, however, is less certain. The rollout of high speed broadband (either via the NBN or other technologies) combined with the proliferation of new devices, such as smart phones, tablets, and smart TVs are redefining the way in which video content is consumed, placing greater competition on linear broadcasters.

Patterns of video consumption are changing, with consumer preferences becoming more complex, multi-faceted and as a consequence, requiring a customised approach. Consumers are increasingly viewing content on their own terms ("whatever, whenever, wherever they want"), rather than relying on traditional linear schedule based television, with loyalty increasingly directed towards content brands rather than channel brands. Understanding how consumers find and access content is becoming critically important, and this has implications for the traditional

[7] IBIS Pay TV in Australia, June 2012

value chain. Given the fluid and complex market environment, industry players are currently experimenting with different business models as a means to remain relevant, including:

- Content owners delivering content directly to consumers without being intermediated by telecommunication companies and IPTV providers
- Device manufacturers establishing "walled gardens" within which consumers buy content, in a similar way to the iTunes model
- Telecommunication companies acting as a single point of contact and service delivery (ie. triple play) to the consumer across multiple services and devices
- Internet aggregators such as Netflix and Google TV adopting cloud-based infrastructure to deliver and manage content to any Internet connected device.

Early evidence in the US, Europe and the UK suggests that the STV subscriber base is not yet shrinking as a result of the uptake of OTT services, but rather these offerings and their price point make them complementary. Over time, it is likely that a number of business models will co-exist depending on local market conditions, industry structure and regulatory frameworks. Established traditional STV providers have the competitive advantage of an existing scalable subscriber base. However, the extent to which traditional STV providers will adjust to the new paradigm will ultimately underpin their success.

8 Profile of CMH

8.1 Overview

CMH is a new media investment company listed on the ASX. It was established with the media asset investments held by PBL upon the completion of the demerger of PBL in 2007. The gaming asset investments held by PBL were restructured into Crown Limited, which trades separately and independently from CMH.

Since the demerger, CMH and its investments have been involved in a steady flow of corporate activity, as set out in the table below.

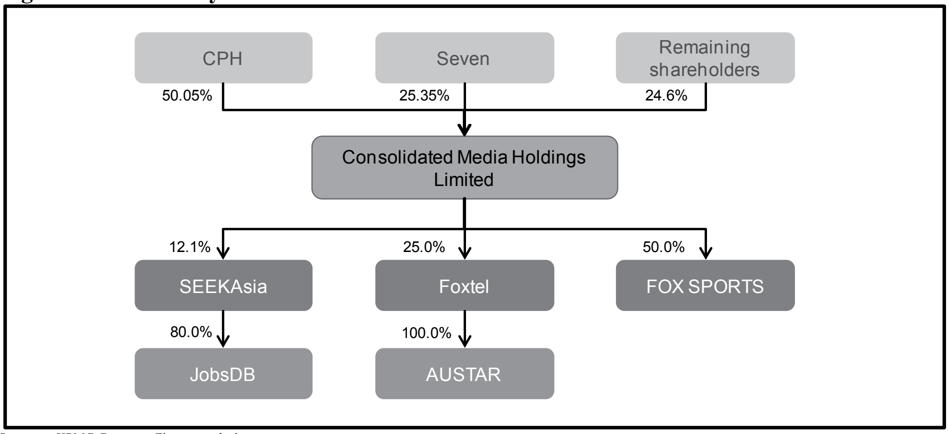
Table 3: CMH corporate activity overview (since the demerger)

Year	Month	Corporate activity
2007	December	CMH was formed as a result of the restructure and subsequent demerger of PBL. Upon completion of the demerger, CMH had a holding in PBL Media (25%), Foxtel (25%), Premier Media Group (50%) (renamed FOX SPORTS Australia in 2011), SEEK (27%) and holding in an investment property (54 Park Street, Sydney)
2008	January	Illyria and CPH jointly proposed to acquire 100% of CMH. However, the proposal was withdrawn in April as Illyria was not in a position to proceed with the proposal
	December	CMH's shareholding in PBL Media was diluted down from 25% to less than 0.1% as a result of CMH not participating in the new equity injection into PBL Media
2009	July	Seven announced it had accrued a 19.9% shareholding in CMH, resulting in Seven being CMH's second largest shareholder after CPH
	August	CMH announced that it had agreed to sell its investment property for $50 million (completed in November 2009), sold its entire shareholding in SEEK for $440.6 million and announced an on-market share buy-back (2009 buy-back)
	September	CMH invited Seven to nominate two Directors to join the Board of CMH, whilst concurrently, Seven announced that it had entered into a standstill agreement resulting in Seven not purchasing CMH scrip over a 12 month period
2010	April	CMH announced an on-market share buy-back (2010 buy-back) and their intention to replace the company constitution
	December	CMH announced it had agreed to join SEEK, Tiger Global and Macquarie Capital as a co-shareholder in SEEKAsia, with CMH acquiring a 12.1% shareholding. Concurrently, SEEKAsia executed a share purchase agreement to acquire 60% of JobsDB
2011	May	Foxtel submitted an indicative, conditional and incomplete proposal to acquire 100% of the issued shares in AUSTAR
	June	SEEKAsia increased its holding in JobsDB by 20% to 80%. CMH contributed c$8.7 million towards the acquisition
	July	Foxtel agreed definitive transaction documents with AUSTAR to acquire 100% of the issued shares of AUSTAR. CMH would contribute up to $225 million towards the funding of the acquisition
2012	February	Premier Media Group rebranded itself as FOX SPORTS Australia Pty Limited
	May	Foxtel completed the acquisition of AUSTAR by scheme of arrangement
	June	CMH received a conditional and non-binding proposal from News to acquire CMH at $3.50 per share paid in cash

Source: ASX announcements

Outlined in the figure below are the key assets and shareholders of CMH.

Figure 4: CMH's key assets and shareholders



Source: KPMG Corporate Finance analysis

In relation to CMH's key assets, we note:

- CMH's indirect interests in Foxtel and FOX SPORTS are held via FOX SPORTS Australia, a 50/50 joint venture with News. Consequently, News also holds a 25% effective interest in Foxtel and a 50% effective interest in FOX SPORTS. Foxtel's remaining 50% interest is held by Telstra.
- Following the merger with AUSTAR in May 2012, Foxtel has become Australia's largest national STV provider.
- FOX SPORTS produces premium sport-based content which is provided to Foxtel and AUSTAR under long-term channel supply agreements. FOX SPORTS' content forms a critical contribution to the value proposition of Foxtel's offering, and as such, its success is strongly correlated to that of Foxtel.
- Seek Asia Limited (SEEKAsia) is a joint venture between Seek Limited (SEEK) (69%, with management responsibilities), CMH (12.1%), Macquarie Capital and Tiger Global Management. SEEKAsia's core asset is its 80% interest in JobsDB Inc (JobsDB), a leading provider of online employment websites throughout South East Asia.

A detailed description of Foxtel and FOX SPORTS is outlined in Sections 8.2 and 8.3 respectively.

8.2 Foxtel

8.2.1 Overview

Foxtel is Australia's largest STV broadcaster, with approximately 2.3 million subscribers[3] at 30 June 2012. Established in 1995, Foxtel provides a premium multi-channel service to metropolitan and regional Australia. Foxtel broadcasts more than 200 channels covering news, sport, music, general entertainment, movies, documentaries, and children's programming. Foxtel produces original content, represented by its owned and operated channels, as well as aggregating channels and content from other providers to distribute to its subscribers, primarily through access arrangements to cable and satellite infrastructure.

FOX SPORTS Australia (a 50/50 joint venture between CMH and News) holds 100% of Sky Cable Pty Limited which is a 50% partner in Foxtel, resulting in CMH and News both holding a 25% effective interest in Foxtel. Telstra holds the remaining 50% through its subsidiary Telstra Media Pty Limited.

The Foxtel Board comprises nine directors, eight of which have voting rights: four are appointed by Telstra, two by News and two by CMH. The CEO, being the ninth director, does not have a vote but has significant delegated authority to conduct the business of Foxtel in accordance with the business plan approved by the Board. Telstra is entitled to appoint the Chairman of the Board while News is entitled to appoint the CEO, with CMH appointing the CFO. Resolutions require a majority vote including an affirmative vote from at least one director appointed by each of Telstra, News and CMH.

The shareholders of Foxtel are subject to various conditions, in particular:

- restrictions on the disposal of an interest in Foxtel without the consent of the other shareholders
- obligations to fund Foxtel to achieve the prevailing business plan.

In May 2012, Foxtel completed its acquisition of AUSTAR, which provides STV services to rural and regional Australia via digital satellite. Before being acquired, AUSTAR was the second largest STV provider in Australia which contributed approximately 610,000 residential subscribers to Foxtel's existing metropolitan subscriber base at 30 June 2012. As a result of the acquisition, Foxtel has a national subscriber base and distribution footprint, enabling it to supply its content nationally and provide additional Foxtel services to AUSTAR subscribers which were not previously available to them. Further, the merger of Foxtel and AUSTAR has begun to generate significant cost synergies through the elimination of duplicated costs and the ability to deploy programming content and new product innovations over a broader subscriber base. Finally, the internalisation of XYZnetworks Pty Limited (XYZ) channels, previously a 50/50

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joint venture between Foxtel and AUSTAR, has expanded Foxtel's owned and operated channels group, Foxtel Networks Australia (FNA) from nine to 19 channels[8].

8.2.2 Business model

The figure below illustrates the historical revenue performance of Foxtel (Metro) and AUSTAR.

Figure 5: Foxtel (Metro) revenue and growth

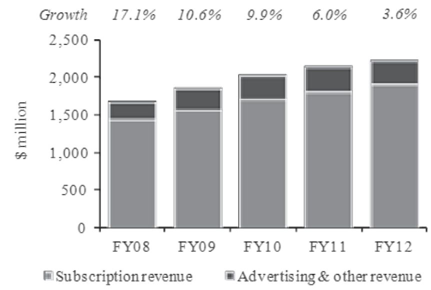
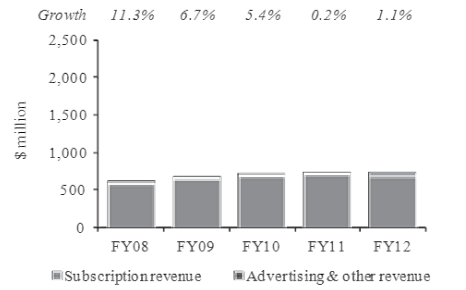


Figure 6: AUSTAR revenue and growth



Source: Foxtel
Note: Data based on financial year ending 30 June for Foxtel and 31 December for AUSTAR, with the exception of FY12 which represents the 12 months to 30 June 2012 for AUSTAR

The primary source of revenue is subscription fees, representing 86% and 94% of total FY12 revenue for Foxtel (Metro) and AUSTAR respectively. Subscription fees include:

- ongoing fees for access to a base selection of channels
- additional ongoing fees for an extended selection of channels and/or the take up of other value added services, such as PVR, HD, multi-room etc
- additional one-off charges for special content such as selected sporting events or movies.

Subscription revenues have grown at a CAGR of 7.4% and 4.2% for Foxtel (Metro) and AUSTAR respectively, albeit growth rates have slowed down significantly over the four year period from FY08 to FY12.

In relation to advertising revenue, Foxtel retains most of the advertising revenue generated from FNA, and also receives a share of the advertising revenue generated from third party owned channels such as FOX SPORTS. Foxtel's advertising sales are managed by MCN which is owned 75% by Foxtel (directly and via its interests in AUSTAR and XYZ) and 25% by FOX SPORTS. Foxtel (Metro) recorded high growth in advertising revenue, with a CAGR of 11% over the four year period from FY08 to FY12. Conversely, AUSTAR's advertising revenue declined at a CAGR of 3.0% over the same period.

Other sources of revenue generated by Foxtel (post intercompany eliminations) include:

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[8] Channel count excludes pass through channels (Nickelodeon, Discovery and Nick Jr) and pay per view (Main Event and FBO)

- one-off subscriber fees for installation and supply of infrastructure such as set-top boxes
- fees derived from sub-licensing content from FNA to other third parties
- rent and fees derived from granting other third party channel producers access to Foxtel's production facilities (studio hosting)
- Foxtel Magazine advertising revenue and copies sold.

8.2.3 Key business drivers

The key business drivers of Foxtel are:

- subscriber growth
- ARPU
- programming content
- transmission and network costs.

These are described in more detail below.

Subscriber growth

As most of Foxtel's revenue is generated from subscription fees, the ability to develop and maintain its subscription base is crucial to the success of Foxtel. The figure below illustrates historical subscriber growth and churn for Foxtel (Metro) and AUSTAR.

Figure 7: Subscriber growth by operator

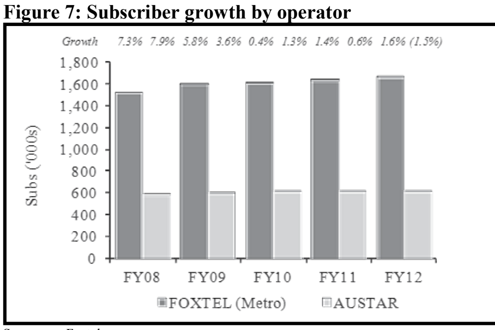
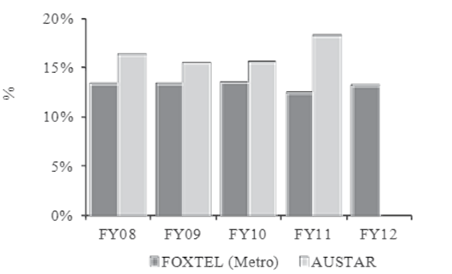


Figure 8: Subscriber churn by operator



Source: Foxtel
Note: Subscribers include residential and wholesale subscribers at 30 June
Churn rate for Foxtel and AUSTAR is based on financial years ending 30 June and 31 December respectively. Churn rate is a rate of attrition of subscribers over the financial year

Subscriber growth has slowed post FY09 given challenging economic conditions and increased competition from FTA television as a result of digital multi-channelling, which combined with the existing anti-siphoning legislation contributed to Australia's STV penetration remaining significantly below other mature markets.

In relation to churn, Foxtel (Metro) managed to stabilise churn rates at around 13% p.a. over the last five years, whilst AUSTAR's churn rate was systematically higher, driven by a different sales approach[9] and lower success rates of call centres retaining subscribers who call with the intention of cancelling their subscription.

ARPU

Contrasting the trends of slowing subscriber growth, Foxtel (Metro) and AUSTAR's revenue growth since FY09 was driven by an increasing ARPU, as illustrated in the figure below.

Figure 9: ARPU growth by operator

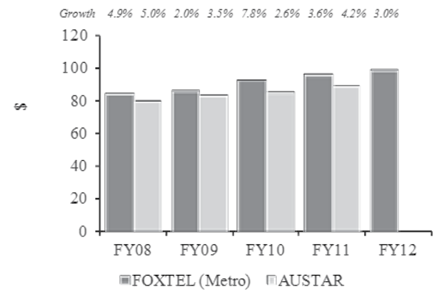
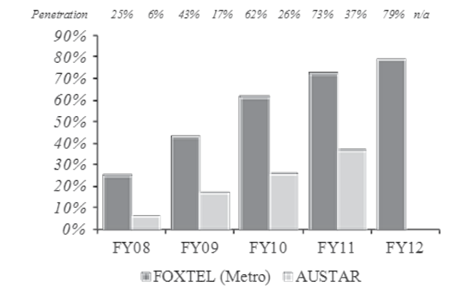


Figure 10: PVR penetration by operator



Source: Foxtel
Note: ARPU reflects subscription ARPU, excluding pay-per-view and Telstra wholesale discount.
ARPU data for Foxtel (Metro) and AUSTAR is based on financial years ending 30 June and 31 December respectively
PVR penetration as at 30 June for Foxtel (Metro) and AUSTAR

Foxtel (Metro) and AUSTAR achieved significant ARPU growth primarily driven by increased penetration of their value added services such as PVR, HD, multi-room, etc. At 30 June 2012, approximately 41%, 43% and 42% of Foxtel's subscribers were subscribed to Platinum, multi-room and HD respectively. ARPU also increased as a consequence of price increases but these were below inflation over the observed period.

Compared to AUSTAR, Foxtel (Metro) managed to achieve higher penetration of value added services and platinum packages through its subscriber base, which may provide potential for synergies. A contributing factor was Foxtel (Metro) launching new services ahead of AUSTAR, such as its iQ product in 2005 followed by iQHD in June 2008, whilst AUSTAR released MyStar in February 2008 and MyStar HD in November 2009. As at 30 June 2012, Foxtel (Metro) reported a PVR penetration rate of 79% for its existing metropolitan business. AUSTAR's PVR penetration rate was 46% at 31 December 2011. From a global perspective, PVR and HD penetration in Australia still trails behind countries such as the US, who were first movers in the technology.

Programming content

Foxtel's ability to provide premium content and package relevant options for consumers is crucial to its success.

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[9] For example, Harvey Norman promotes with the sale of TV sets certain AUSTAR packages for free over a limited period of time, which is unlikely to reflect a targeted sales approach for AUSTAR products (higher churn risk)

Foxtel holds the STV rights for the AFL (until 2016) and also held the STV rights for the London 2012 Olympic Games. Further, Foxtel has contracts to exclusively deliver the suite of FOX SPORTS channels to its subscribers, which provides live coverage of key Australian sporting codes including AFL (produced on behalf of Foxtel), NRL, Super Rugby, cricket and football.

Foxtel has extensive programming agreements with major content suppliers for the supply of individual programs and/or channels, including Twentieth Century FOX, NBCUniversal, Warner Brothers, Disney, AETN, BBC Worldwide, Turner, Viacom, ESPN, Eurosport, Discovery Networks, National Geographic, Sky News, Fox News, Premium Movie Partnership, among others. Foxtel also has agreements with the Australian FTA networks to re-transmit their channels.

In addition, Foxtel has a successful track record in producing local content as evidenced by ratings, critical acclaim and awards won. Channels on the expanded FNA (post the AUSTAR merger) include, among others, FOX8, FOX Classics, SoHo, The Weather Channel, The Comedy Channel, Bio, Arena, A&E, 111 Hits, Channel V, MAX as well as Foxtel On Demand.

Programming costs represent a major component of Foxtel's cost base. Foxtel's programming cost structure is relatively variable with subscribers due to the nature of the underlying programming agreements, apart from the costs that relate to FNA.

Transmission and network costs

Foxtel does not own transmission network infrastructure. As such, Foxtel utilises the cable and satellite infrastructure provided by Telstra and Optus respectively.

Telstra cable distributes Foxtel's services into the capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide, as well as the Gold Coast. Foxtel holds a long-term revenue share agreement with Telstra, whereby Telstra currently receives a percentage of net eligible cable based subscription revenues. Telstra is responsible for maintaining the cable network and must meet minimum service requirements.

Optus C1 and D3 Satellites distribute Foxtel's services to regional Australia and capital city areas not covered by Telstra's cable network. Fees are payable at a flat rate per transponder and therefore are fixed in nature.

8.2.4 Opportunities and threats

Key growth opportunities for Foxtel are summarised below.

- *Realising synergies from the AUSTAR acquisition*. Foxtel announced that it has already delivered over $40 million in annualised cost savings from the acquisition with more synergies expected.
- *Product innovation*. Further revenue may be generated by increasing the penetration of value added services and introducing product innovations with potential to increase ARPU and/or support subscriber growth. Foxtel is currently developing the next generation of iQ, which will combine the quality and immediacy of broadcast with enhanced IP services.

- *Marketing at different price points*. STV penetration in Australia is still low relative to other mature markets. Enhanced content and the inclusion of certain value added services may improve the value proposition of Foxtel's basic STV package, which in turn may attract new STV subscribers.
- *Increasing advertising revenue*. Advertising revenue may increase through higher audience shares (supported by new exclusive content) and more targeted advertising campaigns (supported by 'specialised' channels such as FOX FOOTY). Any increase will largely flow directly through to EBITDA.
- *New distribution platforms*. Potential to leverage off new distribution platforms such as gaming consoles and smart TVs, and extending the service offering to multiple screens, including computers, tablets and smart phones. Foxtel recently commenced offering limited versions of its services to Xbox, T-Box and Samsung Smart TV customers and successfully launched an iPad app for the London Olympics.
- *Triple-play service offering*. The roll out of the NBN may enable Foxtel to bundle a competitive broadband and telephony service offering with its STV service offering and therefore enhance the value generated from its subscriber base.

Key threats facing Foxtel are summarised below.

- *Macroeconomic conditions*. Subscriber growth over recent years has been impacted by the broader economic climate. Continuation of weak economic conditions may have an adverse effect on the STV industry.
- *Changing consumer preferences*. Increased usage of OTT video content may cause a material impact on demand for traditional linear television models. Content owners may choose to circumvent traditional television broadcasters and deliver directly to customers. Scale is also no longer considered to be a barrier to entry for IP delivered services (particularly once the NBN is rolled out) as opposed to broadcasting video content via cable or satellite infrastructure.
- *Piracy*. The ability of consumers to download content illegally prior to it being officially broadcast reduces the exclusivity of the content as well as its time value. Given the inherent difficultly in preventing online theft, the timely broadcasting of newly released content becomes crucial in optimising its value.
- *Competition for programming content*. The emergence of new business models and competitors driven by IP delivered services and the rollout of NBN, may intensify competition for content rights which in turn may affect the attractiveness and profitability of the traditional linear STV business model.
- *Competitiveness of FTA television*. Recent initiatives that enhanced the competitiveness of FTA television include:

- Freeview have teamed up with manufacturers Samsung, Grundig, Magic TV and Bush to produce set-top boxes and television sets which include the Freeview electronic program guide with PVR and HD technology
- catch-up television has become common with FTA broadcasters offering a library of previously aired programmes online for free
- digital multi-channelling has provided FTA broadcasters with an enlarged platform to deliver content and enhance competiveness.

There is also a proposed re-stacking of spectrum post completion of the switchover to digital television broadcasting which may release spectrum for an additional FTA network. However, uncertainty exists as to when this will occur and what the content requirements will be.

Further, the current anti-siphoning legislation supports the competitiveness of FTA television with regards to key exclusive sports rights, which is considered to be one of the main reasons for Australia's STV penetration rate not achieving the levels observed for other mature markets.

8.3 FOX SPORTS

8.3.1 Overview

Established in 1995, FOX SPORTS is a producer of premium STV channels, primarily focused on producing sports related television programming. FOX SPORTS acquires sport coverage rights and produces programming which is provided to Foxtel and AUSTAR under long term channel supply agreements. FOX SPORTS also produces programming on behalf of Foxtel, where Foxtel owns the sports coverage rights, such as the AFL STV rights.

FOX SPORTS currently produces 7 SD channels and 5 HD channels, details of which are outlined in the table below.

Table 4: FOX SPORTS current channel line up

Channel	Launch year	Channel description
FOX SPORTS 1	1995	Dedicated sports channel (HD launched in 2010)
FOX SPORTS 2	1999	Dedicated sports channel (HD launched in 2010)
FOX SPORTS 3	2006	Dedicated sports channel (HD launched in 2010)
FOX SPORTS News	2006	24/7 sports news channel
Fuel TV	2004	Dedicated action sports channel
Speed	2010	Dedicated motor sports channel (HD launched in 2010)
FOX FOOTY	2012	Dedicated AFL channel (HD launched in 2012)

Source: CMH

In FY12, FOX SPORTS accounted for all of the top 100 programs aired on STV, seven of which were ranked in the top ten rated programs in Foxtel history, demonstrating the importance of exclusive live sports content to the STV industry.

Whilst FOX SPORTS' primary business operation is the production of STV channels for Foxtel, FOX SPORTS also:

- distributes STV packages directly to more than 2,500 hotels and licensed venues (including clubs, bars and restaurants) in metropolitan areas through its FOX SPORTS Venues (FSV) division. The non-licensed venues in metropolitan areas and venues in regional Australia are serviced by Foxtel and AUSTAR respectively
- produces sports content delivered through alternative digital distribution platforms to devices such as computers, tablets, smart phones and gaming consoles via its FOX SPORTS Digital division. Recent evidence of this diversification strategy include the SPORTS Play and FOOTY Play powered by FOX SPORTS IPTV channels available for subscribers to Foxtel's service offering on the Xbox and T-Box as well as the FOX SPORTS News iPad App
- operates and manages the www.foxsports.com.au website, Australia's number one general sports website
- collates and distributes sporting stats via its FOX SPORTS Stats division
- holds a 25% interest in MCN (remaining interest held by Foxtel), an advertising sales agency that manages the advertising sales on all of FOX SPORTS' channels and numerous other STV channels. MCN itself operates on a cost recovery basis and therefore does not generate material profits or losses.

Both CMH and News are entitled to appoint three directors to the FOX SPORTS Board. News is entitled to appoint the CEO, who has specified delegated authorities relating to that business, whilst CMH is entitled to appoint the CFO, subject to the approval of the CEO. Voting on the FOX SPORTS Board is unanimous for all decisions regarding the FOX SPORTS business, except for decisions on specified matters involving a conflict of interest.

The shareholders of FOX SPORTS are subject to various conditions, in particular:

- restrictions on the disposal of an interest in FOX SPORTS without the consent of the other shareholders
- broad non-compete clauses prohibiting the shareholders from undertaking a business or services that could compete against the offering provided by FOX SPORTS
- obligations to fund the prevailing business plan upon request from the CEO of FOX SPORTS.

8.3.2 Business model

In providing its suite of premium sports channels, FOX SPORTS receives revenue from Foxtel (and now AUSTAR as it forms part of Foxtel) primarily based upon the number of subscribers to their respective STV services (subscription revenue).

Subscription revenue is the single largest component to FOX SPORTS' revenue base, representing 70% of total revenue in FY12. A large proportion of subscription revenue relates to the channels FOX SPORTS 1 and FOX SPORTS 2, which are covered under the original channel supply agreements entered into between FOX SPORTS and Foxtel. Under these perpetual agreements, FOX SPORTS is entitled to receive a fixed fee per month per subscriber (subject to volume thresholds and an allowance for CPI increases) based on the total number of Foxtel/AUSTAR subscribers.

The remaining portion of subscription revenue is derived from subsequent channel supply agreements entered into with Foxtel/AUSTAR in providing additional agreed upon STV channels. Whilst these agreements are similarly structured, revenues are only generated from sports tier subscribers (Foxtel (Metro) sports tier penetration rate exceeded 80% in FY12) and the medium termed agreements provide the opportunity to re-negotiate the terms upon renewal.

Revenues generated through its FOX SPORTS Digital division are primarily based on a monthly fee per subscriber. Whilst take up rates of digital offerings are still in its infancy, the digital strategy aims at enhancing subscriber experience, promoting the FOX SPORTS brand and providing a taste of the FOX SPORTS offering to non subscribers.

Revenues generated through its FSV division are primarily based on a monthly fee per subscriber of FSV's product offerings, examples of which include:

- FSV Entertainment – provides news, weather, documentary and kids channels, and access to PPV events through the Main Event channel
- FSV Sport & Entertainment –all channels in the FSV Entertainment package plus sports channels including the FOX SPORTS channels, Fuel TV, ESPN and Eurosport
- FSV Music – up to 30 audio music channels
- FSV Extras – customised entertainment content allowing the subscriber to provide varied entertainment across multiple areas at the one location.

FOX SPORTS also generates advertising revenue from the sale of advertising space on its STV channels and its www.foxsports.com.au website, managed by MCN. Advertising revenues accounted for 17% of total revenue in FY12.

Revenues generated through its FOX SPORTS Stats division are limited to on-selling statistical information collated to third parties. However, the services provided by FOX SPORTS Stats would be expensive to source externally and represent a crucial differentiator to enhance the programming quality and to drive the digital product offerings.

Other revenues include, among others, production recoveries and connection fees from venues.

8.3.3 Key business drivers

The key business drivers of FOX SPORTS are:

- Subscription growth
- Programming content

These are described in more detail below.

Subscription growth

The number of STV subscribers is FOX SPORTS' main growth driver given its revenue base is largely dependent on fees based on total subscriber numbers. FOX SPORTS has limited direct influence on the per subscriber fees it receives, which are relatively fixed through long term channel supply agreements.

However, apart from its FSV business, FOX SPORTS has no direct control over its subscription base as the relationships with subscribers are owned by Foxtel/AUSTAR which have control over strategic decisions including pricing, packaging and go-to-market strategies. Therefore, FOX SPORTS is largely reliant upon Foxtel's ability to achieve subscriber growth in both traditional and digital STV offerings. Despite the absence of a direct customer relationship, FOX SPORTS can indirectly support the growth of STV penetration by providing:

- *Attractive content.* Exclusive live sports coverage consistently delivers the largest STV viewing audiences and is regarded as a key driver for STV penetration growth
- *Co-operative marketing*. By undertaking co-operative marketing initiatives in conjunction with Foxtel and AUSTAR, FOX SPORTS is able to provide a co-ordinated "go-to-market" approach in the promotion of crucial programming content aimed at driving subscriber growth
- *Cross-channel promotion*. Investments in complementary digital product offerings (FOX SPORTS PLAY, www.foxsports.com.au, iPad apps, etc) enable FOX SPORTS to increase brand awareness, enhance subscriber experience and reduce subscriber churn which in turn may drive overall STV penetration and sports tier take up
- *Competitive pricing*. Sustainable STV penetration growth requires the acquisition of exclusive key domestic and international sports rights on economic terms in order to maintain an attractive pricing structure.

The cost base of FOX SPORTS is largely fixed, driven by costs of acquiring exclusive sports rights and producing the respective programming content under long term channel supply agreements. As such, the profitability of FOX SPORTS is highly sensitive to changes in the STV subscriber base.

Programming content

Given the absence of a direct relationship with subscribers, the provision of exclusive and popular content is FOX SPORTS' key asset in supporting growth in STV penetration. The attractiveness, exclusivity and popularity of the content in turn forms the basis for future growth and profitability improvements for FOX SPORTS. As exclusive live sports coverage consistently delivers the largest subscription television viewing audiences, it is crucial that FOX SPORTS acquires and renews key domestic and international sports rights on economic terms.

FOX SPORTS' current stable of key sports rights includes coverage of the rugby league (NRL), rugby union (Super Rugby), cricket (international and domestic) and football (EPL and FFA). Set out in the table below is an overview of the exclusive long term agreements FOX SPORTS has in place with each of these sporting codes.

Table 5: FOX SPORTS key sports rights

Sporting code	Term	Rights coverage
NRL	2007 – 2012	Five live NRL matches in every full round of the NRL Telstra Premiership. In addition to the live NRL matches, FOX SPORTS broadcasts every game of the Telstra Premiership, with no ad-breaks during play and in HD
Cricket	2010 – 2013	Every match of the KFC T20 Big Bash League and a number of international cricket series on a live and exclusive basis, plus coverage of all of Australia's overseas tours
FFA	2006 – 2013	Every game of the Socceroos (excluding the FIFA World Cup) and the Hyundai A-League, on a live and exclusive basis with no ad-breaks during play
EPL	2010 – 2013	Every game of the Barclays Premier League live with no ad-breaks during play
Rugby Union	2011 – 2015	Every game of Super Rugby on a live and exclusive basis, and the Bledisloe Cup, The Rugby Championship and every Wallabies Test live, with no ad-breaks during play

Source: CMH

FOX SPORTS recently announced the renewal of its NRL rights for the 2013 to 2017 NRL Telstra Premiership seasons. It has been reported that through a joint bid, FOX SPORTS and the Nine Network have agreed to pay $550 million and $475 million respectively, including $50 million each in advertising in order to secure the NRL rights for another 5 year term. Apart from additional digital and IPTV rights, FOX SPORTS rights coverage remained basically unchanged. However, the costs of the renewed NRL rights were approximately twice as much compared to the costs for the NRL rights covering the 2007 to 2012 NRL Telstra Premiership seasons[10].

Whilst Foxtel owns the AFL rights for the 2012 to 2016 AFL Premiership seasons which cover every footy game live in HD and uninterrupted, FOX SPORTS is producing the live broadcasts as well as the new FOX FOOTY channel. Further, the FOX SPORTS brand is benefitting from the AFL coverage as the programming content is delivered through the suite of FOX SPORTS channels.

FOX SPORTS also has live sports coverage rights to major tennis and golf tournaments, key American sports including NFL, MLB and NHL, and other sporting events (athletics, swimming, surfing, motor sports etc).

In the near term, there are a number of key sports coverage rights that will be brought to market, including the FFA and EPL rights, the rights to a large number of domestic and international cricketing events, and the V8 supercars.

Securing key sports rights on commercial terms is crucial for FOX SPORTS to maintain or improve profitability due to its limited capacity to pass on programming cost escalations under the relatively fixed long term channel supply agreements.

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[10] Sourced from www.smh.com.au article 'ARLC got TV numbers right but real bonanza is five years away', published on 28 August 2012

8.3.4 Opportunities and threats

Key growth opportunities for FOX SPORTS are summarised below.

- *Favourable regulatory change*. Proposed changes to the current anti-siphoning provisions under the Broadcasting Services Act 1992 (Cth) (including a reduction of the number of events on the anti-siphoning list) are due to be passed before the end of 2012. These changes may allow more exclusive access to live premium sport events for STV which is expected to enhance the value proposition of STV and ultimately lead to higher STV penetration rates in Australia.
- *Product innovation*. The introduction of new 'specialised' channels (eg. FOX FOOTY), content enhancement on existing channels (eg. FOX SPORTS NEWS, Speed TV) as well as increased exploitation of archive rights to broadcast sporting events (via VOD) may provide potential to either directly generate new revenue streams for FOX SPORTS or indirectly enhance the value proposition of Foxtel's STV offer, which in turn may lead to a higher STV penetration in Australia and subsequently higher revenues for FOX SPORTS.
- *Enhanced production facilities*. FOX SPORTS is currently upgrading its production capabilities through relocating its Sydney offices to purpose-built television studios in the new Gore Hill business precinct later this calendar year. This will improve the ability of FOX SPORTS to produce more HD and higher quality content.
- *New distribution platforms*. Potential to leverage off new distribution platforms, such as gaming consoles and smart TVs, and extending the service offering to multiple screens via Foxtel, including computers, tablets and smart phones. Foxtel recently commenced offering limited versions of its services (which includes content from FOX SPORTS) to Xbox, T-Box and Samsung Smart TV customers.
- *Growing STV penetration in Australia*. Whilst FOX SPORTS is dependent on Foxtel's ability to grow its subscriber base, FOX SPORTS would directly benefit from an increase in the STV penetration rate in Australia, which is still low relative to other mature markets.
- *Increasing advertising revenue*. Advertising revenue may increase through higher audience shares (supported by new exclusive content) and more targeted advertising campaigns (supported by "specialised" channels such as FOX FOOTY and the Big Bash tournament), and any increase flows directly through to EBITDA.

Key threats facing FOX SPORTS are summarised below.

- *Competition for exclusive programming content*. Exclusive live sports coverage rights are crucial to the success of STV. The emergence of new business models and competitors, driven by IP delivered services and the rollout of the NBN, may intensify competition for exclusive sports rights. This may lead to a loss of existing rights and/or an escalation in costs upon renewal of expiring rights (as evidenced by the recent NRL rights renewal) beyond FOX SPORTS' ability to pass on these increased costs to Foxtel under the current channel supply agreements.

- *Macroeconomic conditions*. Subscriber growth over recent years has been impacted by the broader economic climate. Continuation of weak economic conditions may have an adverse effect on the STV industry.
- *Adverse regulatory change*. Potential restrictions on exclusive programming arrangements may reduce the level of influence that FOX SPORTS currently has in the production and supply of premium sports content in Australia.

8.4 SEEKAsia

Formed in FY11, SEEKAsia is a joint venture between SEEK (69%, with management responsibilities), CMH (12.1%), Macquarie Capital and Tiger Global. SEEKAsia's core asset is its 80% interest in JobsDB, a leading provider of online employment websites throughout South East Asia.

To date, CMH has invested $34.7 million as part of SEEKAsia's acquisition of an 80% interest in JobsDB. The holder of the remaining 20% interest in JobsDB is able to sell the remaining stake to SEEKAsia, via a put option at a predetermined price. Funding for the acquisition of the remaining 20% is to be provided by the joint venture partners in the same proportion as their holding in SEEKAsia. CMH have disclosed a commitment to contribute c$10 million if the option is exercised. Further, CMH received its first dividends from SEEKAsia, totalling $0.7 million in FY12.

8.5 Financial performance

8.5.1 CMH

CMH's operations involve the management of its investments in Foxtel, FOX SPORTS and SEEKAsia. The table below highlights CMH's financial performance for FY10, FY11 and FY12.

Table 6: CMH financial performance

$million	FY10	FY11	FY12
Revenue	1.2	1.4	1.5
Expenses	(7.0)	(6.7)	(8.1)
EBITDA	**(5.7)**	**(5.3)**	**(6.7)**
Depreciation	(0.2)	(0.1)	(0.2)
EBIT	**(5.9)**	**(5.5)**	**(6.9)**
Investment income			
Foxtel (25% interest)	*29.9*	*37.6*	*42.0*
FOX SPORTS (50% interest)	*54.0*	*51.5*	*49.4*
Dividend from investment (SEEKAsia)			*0.7*
Net interest	12.0	6.1	3.7
Operating profit before tax	**90.0**	**89.6**	**88.9**
Tax benefit	-	6.0	9.0
Operating NPAT	**90.0**	**95.6**	**97.9**
Non-operating items			
Seek gain on disposal	305.1		
Seek equity accounting	2.5		
Property result (including impairment)	(5.0)	7.0	
AUSTAR related items			(5.1)
AUSTAR CMH facility cost			(4.8)
Historical contractual matters	(0.5)	(0.9)	(2.3)
Statutory NPAT	**392.0**	**101.7**	**85.8**

Source: CMH annual reports

As shown in the above statement of financial performance, CMH's profit is primarily derived from its investments in Foxtel and FOX SPORTS. An analysis of the underlying performance of Foxtel and FOX SPORTS is outlined in Sections 8.5.2 and 8.5.3. CMH's net corporate costs (EBITDA) are discussed in more detail in Section 8.5.4 below.

Net interest received reduced over the periods shown due to the reduction in CMH's cash balance as a result of the shareholder approved share buy-back during FY11.

AUSTAR related items include interest received on the subordinated note of $5.8 million, offset by the proportion of the equity accounted profit attributable to the AUSTAR business and transaction related items, resulting in a loss of $10.8 million.

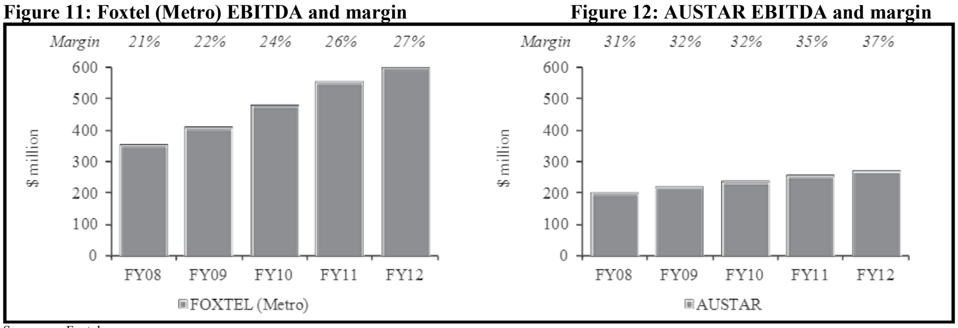
The AUSTAR CMH facility was drawn in mid April 2012. Facility costs for FY12 comprise $3.7 million in interest and a $1.1 million fee to have the facility available since the start of the financial year.

Historical contractual matters relate to matters existing at the time of the PBL demerger which are described in section 14 of the respective PBL Scheme Booklet.

8.5.2 Foxtel

The figure below illustrates historical EBITDA and margins for Foxtel (Metro) and AUSTAR.

Figure 11: Foxtel (Metro) EBITDA and margin **Figure 12: AUSTAR EBITDA and margin**



Source: Foxtel
Note: Data for Foxtel (Metro) and AUSTAR based on financial years ending 30 June and 31 December respectively, with the exception of FY12 which represents the 12 months to 30 June 2012 for AUSTAR

Both Foxtel (Metro) and AUSTAR have steadily grown their EBITDA margin since FY08 despite the slowdown in subscriber growth associated with the challenging competitive and economic environment over this period. Subscriber growth was the main driver of EBITDA improvement up to FY09. Despite weak subscriber growth since FY10, both Foxtel (Metro) and AUSTAR managed to continue growing their revenue base largely through ARPU growth realised by the increased uptake of value added services.

ARPU growth driven by the increased uptake of value added services and price inflation is not associated with significant additional operating costs and therefore has a direct impact on EBITDA margin. Apart from satellite transmission costs and programming costs related to the FNA, Foxtel's cost structure is relatively variable in nature which supports EBITDA margin during periods of low subscriber growth.

The pro forma FY12 EBITDA performance for the enlarged Foxtel group is outlined in the table below.

Table 7: Foxtel FY12 pro forma financial performance

$ million	Foxtel (Metro)	AUSTAR	XYZ	Eliminations	Merger costs	Total
Total revenue	**2,220**	**721**	**158**	**(145)**	**-**	**2,954**
Normalised EBITDA	**598**	**266**	**1**	**-**	**-**	**865**
Non-recurring items	(30)	(6)	-	-	(56)	(92)
Statutory EBITDA	**568**	**260**	**1**	**-**	**(56)**	**773**
Normalised EBITDA margin	*26.9%*	*36.9%*				*29.3%*
Statutory EBITDA margin	*25.6%*	*36.1%*				*26.2%*

Source: CMH results presentation

The enlarged Foxtel group reported a normalised[11] EBITDA of $865 million for FY12, based on a pro forma full year contribution from AUSTAR of $266 million. However, the pro forma EBITDA does not reflect the full contribution from the AUSTAR merger given the transaction is expected to generate significant synergies, most of which are not reflected in the disclosed FY12 pro forma financial performance of the enlarged Foxtel group.

As part of CMH's FY12 results presentation, Foxtel announced that it has already delivered over $40 million in annualised cost savings from the merger with more synergies expected. Whilst management have not provided formal guidance as to the targeted level of synergies, it has expressed its confidence that the broker consensus estimate of $70 million in annual synergies will be achieved, and that almost all of the targeted synergies would be realised in FY13. In order to realise full synergy potential, we understand that additional integration costs in the order of $30 million are required during FY13.

[11] Non-recurring items related to a provision against programming rights (mainly related to the Olympics) as well as transaction and integration costs associated with the AUSTAR transaction.

8.5.3 FOX SPORTS

The financial performance of FOX SPORTS for FY10, FY11 and FY12 is set out in the table below.

Table 8: FOX SPORTS financial performance

$million	FY10	FY11	FY12
Subscription	319.6	340.3	348.8
Advertising	69.6	74.5	87.1
Other	57.3	60.2	62.1
Total revenue	**446.6**	**475.1**	**498.1**
Normalised EBITDA	**153.5**	**147.5**	**146.0**
Non-recurring items		(1.6)	(2.6)
Statutory EBITDA	**153.5**	**145.9**	**143.4**
Normalised EBITDA margin (%)	*34.4%*	*31.0%*	*29.3%*
Statutory EBITDA margin (%)	*34.4%*	*30.7%*	*28.8%*

Source: Management accounts

The slowdown in subscription revenue growth reported over the period from FY10 to FY12 was primarily driven by the slowdown in subscriber growth reported by Foxtel and AUSTAR over the same period as previously discussed.

Despite a challenging advertising market, advertising revenue increased by 25.1% from FY10 to FY12, which is attributable to the quality of the programming content of FOX SPORTS and its loyal viewership. The strong growth in advertising revenue in FY12 was largely driven by the increased advertising dollars spent with the strong audience appeal of the FOX FOOTY channel, which has consistently been the top rating channel on the Foxtel platform since its launch.

Other revenue increased by 3.2% in FY12, which includes the revenues generated by the FOX SPORTS Venues and FOX SPORTS Digital division.

FOX SPORTS' operating expenses grew significantly faster than revenue during FY11 and FY12, resulting in a decrease in EBITDA margin (excluding non-recurring items) from 34.4% in FY10 to 29.3% in FY12. The increase in operating expenses was primarily driven by FOX SPORTS' ongoing investment in its production capability and the increasing costs of acquiring key sports rights.

Non-recurring items related to the write-off of a sports right and restructuring expenses.

8.5.4 Corporate costs

A summary of the corporate costs incurred by CMH in managing its investment portfolio is outlined below.

Table 9: CMH corporate costs

$million	FY10	FY11	FY12
Net corporate costs (EBITDA)	5.5	5.3	6.7

Source: CMH annual reports

In FY12, CMH incurred corporate costs of $6.7 million in managing its current investment holding structure. These costs include staff wages, premises leasing, director fees, professional services fess (i.e. legal, audit and tax) and shareholder associated costs such as listing fees, share registry, etc (c$1 million p.a.).

CMH also has the ongoing obligation to operate the gym of the formerly owned Park Street property, though this has an immaterial impact on the financial performance of CMH.

8.6 Financial position

The financial position of CMH as at 30 June 2010, 2011 and 2012 is set out in the table below.

Table 10: CMH financial position

As at $million	30 June 2010	30 June 2011	30 June 2012
Current assets			
Cash and cash equivalents	205.2	82.5	85.8
Trade and other receivables	3.0	7.8	1.5
Prepayments	0.7	0.9	0.1
Total current assets	**208.9**	**91.3**	**87.4**
Non-current assets			
Investments in associates and other financial assets			
Foxtel	*104.4*	*137.0*	*389.3*
FOX SPORTS	*169.5*	*186.5*	*177.0*
SEEKAsia		*34.7*	*34.7*
Plant and equipment	0.2	0.5	0.7
Deferred tax assets	3.8	10.8	19.4
Total non-current assets	**277.9**	**369.5**	**621.0**
Total assets	**486.7**	**460.8**	**708.4**
Current liabilities			
Trade and other payables	42.2	129.7	164.0
Interest bearing liabilities	0.0	0.0	0.0
Current tax payable	-	0.8	0.1
Provisions	0.4	0.4	0.7
Total current liabilities	**42.6**	**130.9**	**164.8**
Non-current liabilities			
Trade and other payables			0.2
Interest bearing liabilities	0.2	0.2	221.3
Provisions	0.1	0.1	0.1
Total non-current liabilities	**0.3**	**0.3**	**221.6**
Total liabilities	**42.9**	**131.2**	**386.4**
Net assets	**443.8**	**329.7**	**322.0**

Source: CMH annual reports, KPMG Corporate Finance analysis

In relation to the table above, we note:

- Cash reduced by $128.2 million in FY11 as a result of the share buy-back program undertaken during the 2010 calendar year, resulting in an overall decline in cash of $122.7 million
- CMH's investment in Foxtel increased during FY12 as a result of the commitment made by CMH to Foxtel to partially fund the AUSTAR acquisition. CMH loaned $221.6 million to Foxtel in the form of a shareholder subordinated loan earning a 12% interest return. As at 30 June 2012, CMH had drawn down $226.3 million (inclusive of $5.2 million in unamortised facility establishment costs) in debt to fund the capital commitment

- At 30 June 2011 and 2012, CMH recorded its investment in SEEKAsia as an available for sale investment which was carried at fair value. At 30 June 2012, the fair value was calculated based on a 5 year discounted cash flow analysis of CMH's 9.7% look-through interest in JobsDB for each market JobsDB operates in, discount rates of between 12% and 14% depending on the market, and a terminal growth rate of 4.5%
- CMH has committed to inject additional funding of up to HK$77.3 million (c$10 million) for the purpose of SEEKAsia acquiring the final 20% tranche in JobsDB. The commitment can arise until June 2014, with any additional funding provided by CMH to be in proportion with its equity share in SEEKAsia
- During FY12, CMH disposed of its investment in Nine Entertainment Company (formerly known as PBL Media). Until its disposal, CMH designated this investment as an investment at fair value through the profit and loss. At 30 June 2011, the fair value was considered to be nil
- CMH had outstanding advances of $160.4 million from related parties, relating to cash advances received from Foxtel and FOX SPORTS which had not been declared as dividends as at 30 June 2012
- At 30 June 2012, CMH had tax losses of $297 million available indefinitely for offset against future taxable profits. A deferred tax asset of $17.5 million has been recognised as at 30 June 2012 to reflect the portion of the available tax losses from which the realisation of the benefit is considered probable within the next two to three financial years.

8.7 Capital structure and ownership

As at 10 August 2012, CMH had 561.8 million ordinary shares on issue. The following table summarises the substantial shareholders of CMH and their respective shareholdings.

Table 11: CMH substantial shareholders

	Number of shares held (million)	Percentage of total shares on issue (%)
Consolidated Press Holdings group	281.2	50.05%
Seven Group Holdings group and the ACE Group[1]	142.4	25.35%
Other shareholders	138.2	24.60%
Total shareholders	**561.8**	**100.00%**

Source: CMH 2012 annual report
Note: 1 The ACE Group's interest in CMH arises by virtue of their relevant interest in Seven Group Holdings Limited

As at the date of this report, CMH had not issued any share options, nor have a share plan in place.

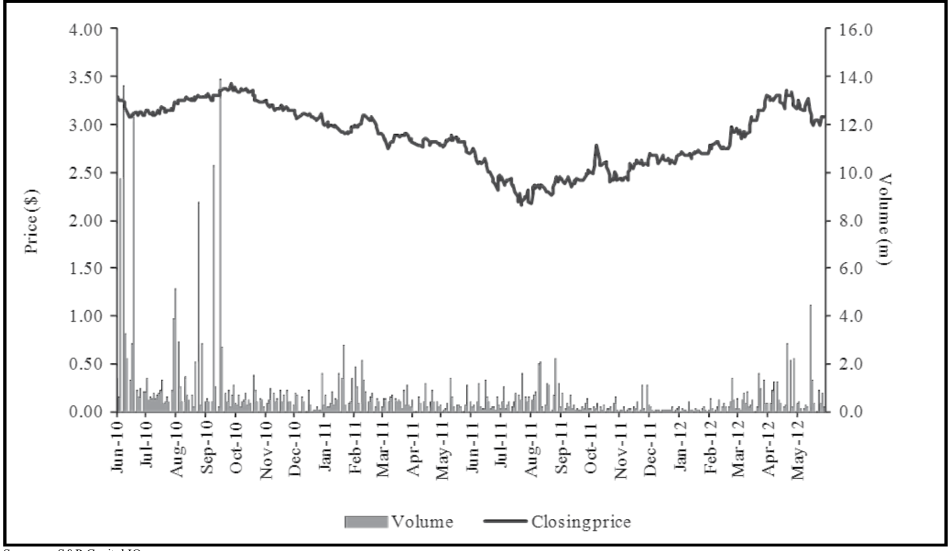
8.8 Share price performance and liquidity analysis

In determining CMH's share price performance, we have:

- analysed the price and volume performance of CMH over the two year period ended 19 June 2012, being the date immediately prior to the announcement of News' conditional proposal to acquire CMH. We note that CMH's share price has not moved materially post this announcement date (20 June 2012) and prior to the Scheme being agreed on 7 September 2012
- compared the CMH share price to the S&P/ASX 200 Index and the S&P/ASX 200 Media Index over the two year period ending 19 June 2012
- assessed the trading liquidity of CMH shares for the one year period ending 19 June 2012.

The figure below depicts CMH's share price performance and the volume of shares traded for the two year period ending 19 June 2012.

Figure 13: CMH share price performance and volume of shares traded



Source: S&P Capital IQ

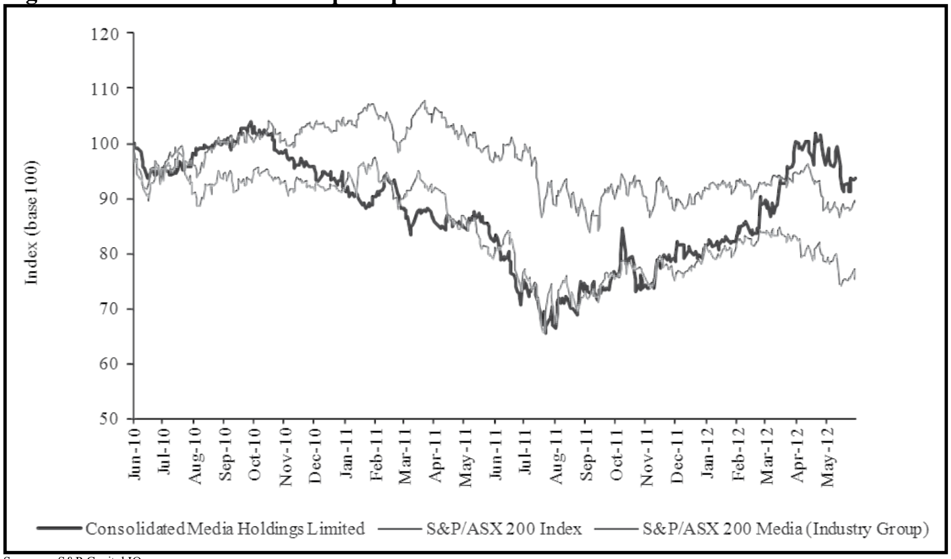
Between June 2010 and June 2011, CMH cancelled circa 58.9 million shares as a result of transactions conducted under its shareholder approved 2010 share buy-back program, reducing the number of shares on issue from 620.7 million to 561.8 million. The bulk of its share buy-back occurred during June 2010 to October 2010, with CMH shares reaching a period high of $3.43 (19 October 2010).

In May 2011, CMH announced that Foxtel had submitted an indicative, conditional and incomplete proposal to acquire 100% of the issued shares in AUSTAR. The takeover was subject to numerous regulatory hurdles, which included a number of undertakings being placed upon Foxtel, before succeeding in May 2012. During this period, CMH shares reached a period low of $2.10 (5 August 2011 and 9 August 2011).

CMH's share price increased to a high of $3.36 (16 May 2012) which appeared to be driven by takeover speculation. It closed at $3.08 on 19 June 2012 immediately prior to the announcement of News' conditional proposal. Post this announcement date and immediately prior to the Scheme being agreed on 7 September 2012, CMH has traded in the range of $3.35 to $3.46.

The figure below illustrates a comparison of the trading performance of CMH relative to the S&P/ASX 200 Index and the S&P/ASX 200 Media Index over the two year period ended 19 June 2012.

Figure 14: CMH relative share price performance



Source: S&P Capital IQ

Prior to March 2012, CMH's share price performance was not too dissimilar to the performance of the S&P/ASX 200 Media Index, whilst both underperformed the S&P/ASX 200 Index. However, from March 2012 onwards CMH outperformed the indices which may be explained by the increased certainty of the Foxtel and AUSTAR transaction combined with increased takeover speculation in CMH following media speculation of the intentions of its major shareholder and CMH's announcement on 4 May 2012.

The table below summarises the liquidity of CMH over the 12 months ended 19 June 2012.

Table 12: CMH VWAP and liquidity analysis

Period	Price (low) $	Price (high) $	Price VWAP $	Cumulative value $m	Cumulative volume m	% of issued capital
1 week	2.96	3.12	3.02	6.7	2.2	0.4
1 month	2.95	3.30	3.11	38.1	12.3	2.2
3 months	2.84	3.36	3.15	117.4	37.2	6.6
6 months	2.47	3.36	3.07	144.9	47.2	8.4
12 months	2.10	3.36	2.74	259.0	94.5	16.8

Source: S&P Capital IQ

CMH is a relatively illiquid stock, with a free float of only 24.6%.

8.9 Dividends

CMH declared the following dividend amounts over the last three financial years.

Table 13: CMH dividends

	FY10	FY11	FY12
Dividend ($ per share)	0.165	0.165	0.165
Share price as at 30 June ($)	3.18	2.61	3.37
Implied dividend yield (%)	5.2%	6.3%	4.9%

Source: CMH annual reports

The declared dividend for FY12 includes a final fully franked component of $0.06 per fully paid CMH share ($33.7 million), payable on 5 October 2012.

9 Valuation of CMH

9.1 Summary

We have valued the equity in CMH in the range of $1,810 million to $2,000 million, which corresponds to a value of $3.22 to $3.56 per CMH share. Our valuation assumes 100% ownership of CMH and therefore incorporates a premium for control. The key investments underlying the value of CMH (CMH's interest in Foxtel and FOX SPORTS) have also been valued on a controlling basis. Further, our valuation includes an allowance for synergies generally available to all potential purchasers, but does not include strategic or operational benefits unique to News as a result of gaining control of CMH. Given the inclusion of a control premium, we would expect the valuation to be in excess of the value of CMH implied by its trading price in the absence of a takeover offer.

CMH is an investment holding company and therefore we have adopted a sum-of-the-parts approach to valuing CMH. On this basis, we determined the value of each investment held by CMH using an appropriate valuation methodology, with the value of CMH being the sum of these values, less the capitalised value of ongoing corporate costs required to maintain the investment structure, plus the value of surplus assets. Our valuation is summarised below.

Table 14: CMH valuation summary

	Report Section	Value range ($m)	
		Low	High
Value of investments			
Foxtel (25%)	9.3	1,398	1,515
FOX SPORTS (50%)	9.4	584	657
SEEKAsia (12.1%)	9.5	35	35
Corporate costs	9.6	(32)	(32)
Net debt	9.8	(174)	(174)
Value of equity		**1,810**	**2,000**
Fully diluted shares on issue (millions)		562	562
Value per CMH share ($)		**3.22**	**3.56**

Source: KPMG Corporate Finance analysis

Our valuation of a CMH share is detailed in the remainder of this section.

9.2 Methodology

The most common methodologies adopted in deriving value include:

- The capitalisation of a sustainable level of earnings (Capitalised Earnings)
- The discounting of expected future cash flows (DCF)
- The estimation of the net proceeds from an orderly realisation of assets (Net Assets).

These methodologies are discussed in greater detail in Appendix 3. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the methodology which supports the highest value achievable in an open market between a fully informed, willing but not anxious, buyer and seller. A secondary methodology is typically adopted as a cross-check to ensure reasonableness of outcome, with the valuation outcome ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as capitalised earnings and DCF are commonly used as they reflect "going concern" values which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradable or asset rich, net realisable value is typically adopted as there tends to be minimal goodwill, if any.

CMH is an investment holding company and therefore we considered it appropriate to apply a sum-of-the-parts approach to valuing CMH. We selected the following valuation methodologies in valuing CMH's underlying investments.

Table 15: Summary of adopted methodology

Investment	Primary method	Secondary method
Foxtel	Capitalised Earnings	DCF
FOX SPORTS	Capitalised Earnings	DCF
SEEKAsia	Review of carrying value	Purchase Price

Source: KPMG Corporate Finance analysis
Note: Under the legal structure of CMH, the investment in Foxtel is held by FOX SPORTS through Sky Cable Pty Limited. However, for the purposes of our valuation, we valued Foxtel separately and the value attributed to FOX SPORTS does not include any value of CMH's indirect interest in Foxtel and related entities.

Given the profitable nature of Foxtel and FOX SPORTS, we relied on the capitalised earnings and DCF methodologies in deriving value. Specifically, we note:

- There is sufficient market evidence from which an appropriate multiple can be derived. In particular, the acquisition of AUSTAR by Foxtel in May 2012 provides a highly relevant pricing reference point for Foxtel given its similarities with AUSTAR and the material contribution that AUSTAR makes to the Foxtel business. Further, it also provides a relevant reference point to value FOX SPORTS given the significant interdependencies which exist between the FOX SPORTS and Foxtel businesses.
- Foxtel and FOX SPORTS have demonstrated an ability to generate a relatively stable level of earnings which is expected to continue in the future.
- Whilst management have provided high-level cash flow forecasts, access to the underlying financial model was not available due to the non-disclosure obligations of the shareholders. This limited the extent to which we could undertake an in-depth DCF analysis.

On this basis, we adopted the capitalised earnings methodology as our primary approach and utilised the DCF methodology as a cross-check. The value range selected for Foxtel and FOX SPORTS is ultimately a judgement derived through an iterative process to ensure the valuation outcome is both consistent with the market evidence as to multiples and the output of the DCF analysis.

In relation to CMH's investment in SEEKAsia, we note it was carried at fair value at 30 June 2012 due to its classification as an available for sale investment in CMH's accounts. Given the materiality of the value of CMH's investment in SEEKAsia in the context of the overall value of CMH, we have assessed whether the carrying value is a reasonable proxy of fair value, having considered the key assumptions underlying management's assessment of fair value, the purchase price paid and the performance of SEEKAsia since acquisition.

CMH's non-trading assets have been valued with respect to their realisable values.

The valuation of CMH assumes 100% ownership of CMH and therefore incorporates a premium for control. The key investments underlying the value of CMH (CMH's interest in Foxtel and FOX SPORTS) have also been valued on a controlling basis. Further, our valuation includes an allowance for synergies generally available to all potential purchasers, but does not include strategic or operational benefits unique to News as a result of gaining control of CMH.

9.3 CMH's interest in Foxtel

9.3.1 Summary

KPMG Corporate Finance estimates the value of CMH's 25% indirect interest in Foxtel to be in the range of $1,398 million to $1,515 million. Our valuation reflects CMH's equity share of the control value of Foxtel, which has been derived by adjusting the value of the Foxtel operating business for net debt, integration costs associated with the AUSTAR acquisition and any value attributable to AUSTAR's tax losses.

Table 16: Foxtel valuation summary

	Report	Value range ($m)	
	Section	Low	High
Value of business operations	9.3.2	7,714	8,181
Other assets and liabilities	9.3.3	78	78
Net debt	9.3.4	2,200	2,200
Value of equity		**5,591**	**6,059**
Value of CMH's 25% interest		**1,398**	**1,515**
Fully diluted shares on issue (millions)		562	562
Value per CMH share ($)		**2.49**	**2.70**

Source: KPMG Corporate Finance analysis

9.3.2 Value of business operations

9.3.2.1 Conclusion

We have assessed the fair value of the business operations of Foxtel to be in the range of $7,714 million to $8,181 million. This value was determined on a "going concern" basis, assuming 100% ownership and includes a premium for control.

Table 17: Foxtel value of business operations

	Report Section	Value range ($m) Low	High
Maintainable earnings (EBITDA)	9.3.2.2	935	935
EBITDA multiple (on a controlling basis)	9.3.2.2	8.25	8.75
Value of business operations		**7,714**	**8,181**

Source: KPMG Corporate Finance analysis

The value of the business operations of Foxtel has been determined through an iterative process, ensuring the value derived from our primary capitalised earnings methodology is consistent with the outcomes of our high-level DCF cross-check.

9.3.2.2 Capitalised earnings analysis

The capitalised earnings approach involves capitalising a proxy of future maintainable earnings at a multiple which encapsulates the growth prospects and risks attributable to future earnings.

Maintainable earnings

Maintainable earnings represent the level of earnings that the business can sustainably generate in the future. In selecting which earnings base to adopt, we considered the comparable companies and transactions identified. In this regard, we have selected EBITDA as an appropriate measure of earnings for Foxtel because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT.

We have adopted a pro forma EBITDA of $935 million as a proxy for future maintainable earnings, reflecting management's assessment of the pro forma EBITDA for the combined Foxtel and AUSTAR business for FY12 of $865 million adjusted for a maintainable level of synergies of $70 million expected from the AUSTAR merger, on the basis that:

- it accounts for a full year contribution from AUSTAR
- it reflects management's expectation that most of the broker consensus estimate of $70 million in annual synergies would be realised in FY13
- it excludes the impact of one-off items such as integration costs related to the AUSTAR merger and any additional integration costs to be incurred in FY13 we have treated separately as a surplus liability
- the earnings growth potential over the short to medium term has been captured in our selection of an appropriate multiple by reference to the growth profile assumed for comparable companies
- no earnings guidance has been publicly announced by management for subsequent periods
- only a limited number of brokers provide earnings forecasts for Foxtel.

Earnings multiples

The multiple applied in a capitalised earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, and the selected multiple should reflect these factors amongst others.

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from listed comparable companies and recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

Sharemarket evidence

Multiples based on share prices of listed comparable companies reflect the value of portfolio interests in the underlying company and are commonly assumed to exclude a premium for control.

Given the lack of listed comparable STV broadcasters in Australia, we referred to listed international STV broadcasters operating in developed and technologically advanced markets, as summarised in the table below and in more detail in Appendix 4.

Table 18: Foxtel – sharemarket evidence

Company name	Primary market	Cable/ satellite	Market Cap AUDm	EBITDA multiple LTM	EBITDA multiple NTM	Value per subscriber AUD
Pure-play STV broadcasters						
Sky NZ	NZ	S	1,525	7.2	7.2	2,223
Sky Deutschland	Germany	S	2,603	nmf	n/a	1,027
DirecTV	US	S	32,309	6.5	6.0	1,490
DISH	US	S	15,370	6.2	6.4	1,565
Mean				**6.6**	**6.5**	**1,576**
Median				**6.5**	**6.4**	**1,528**
Triple-play STV broadcasters						
BskyB	UK	S	19,372	8.5	8.1	2,180
Kabel Deutschland	Germany	C	5,802	9.3	8.5	1,085
Liberty Global	Europe	C/S	14,217	8.3	7.7	1,921
Telenet	Belgium	C	4,236	8.8	7.7	3,505
ZON	Portugal	C	835	4.9	4.7	1,182
Jupiter	Japan	C	6,713	4.3	4.1	2,187
Time Warner Cable	US	C	26,504	6.9	6.4	3,287
Charter	US	C	7,596	7.7	7.4	3,803
Cablevision	US	C	3,858	6.6	6.9	3,953
Virgin Media	UK	C	7,210	6.7	6.2	3,356
Shaw	Canada	C	8,927	7.3	6.9	4,312
Cogeco Cable	Canada	C	1,758	4.5	4.4	3,052
Comcast	US	C	87,309	7.1	7.0	nmf
Mean				**7.0**	**6.6**	**2,819**
Median				**7.1**	**6.9**	**3,170**

Source: S&P Capital IQ, KPMG Corporate Finance analysis, as at 4 September 2012

In assessing these comparable companies, we make the following key observations:

- A key criteria in classifying the listed companies identified as broadly comparable to Foxtel is the number of services (commonly referred to as revenue generating units or RGUs) offered to their customers. Pure-play STV broadcasters typically use leased satellite network capacity to transmit their STV offering to their customers. STV broadcasters which own cable infrastructure typically bundle their STV offering with additional services, such as high speed internet and fixed line telephony (triple-play), in order to better leverage their infrastructure investment. Virgin Media, Telenet and ZON also operate a mobile virtual network to provide mobile services to their customers (quadruple-play).
- Not owning cable infrastructure does not prevent pure-play STV broadcasters from providing a triple-play offering to their customers. They could provide wholesale internet and telephony services to their STV customers, though this may not represent a compelling value proposition, as evidenced by the marginal uptake of bundle offers recently introduced by DISH and DirecTV in the US market. In order to establish a competitive triple-play offering, there is likely to be some level of broadband infrastructure investment (eg. local

loop unbundling) required, as evidenced by BskyB which has established a significant market position in the UK broadband market (18% market share).

- The ability to "bundle" a number of services provides greater scope for triple-play peers to generate higher ARPU and margins relative to their pure-play peers. This is evidenced in the US market with DirecTV and DISH trading at lower multiples than Time Warner Cable, Charter and Cablevision, as well as the average trailing EBITDA multiple for pure-play providers of 6.6 times being lower than 7.0 times for the triple-play peer group. Value per subscriber multiples provide further evidence that higher multiples are attributed to STV broadcasters which can better leverage their STV subscriber base by selling multiple RGUs to them.
- Multiples also largely reflect the market environment in which each STV broadcaster operates, with the level of competition and economic growth being key drivers of value. Competition is a function of many factors, including but not limited to the level of STV penetration, the regulatory environment, the offerings from FTA, IPTV and OTT video content providers, and the rivalry amongst the STV broadcasters. Highly saturated, competitive markets exhibit relatively lower growth prospects which typically translates to lower multiples for STV broadcasters operating in such markets.
  - In the US, the STV market is saturated with a penetration rate of approximately 97%[4], being a result of the earlier launch of STV services and the weaker FTA offer, specifically lacking publicly funded FTA networks like those in the UK, Germany, Australia and New Zealand. The US market also has a broader range of STV operators, including two nationwide satellite operators (DirecTV and DISH), multiple regional cable operators and an increasing number of operators offering IP delivered services (IPTV and OTT video content). Consequently, the US STV broadcasters face strong competition from other STV broadcasters in a saturated market and their earnings multiples are at the lower end of the range.

    Comcast is more diversified as it generates approximately 35% of its revenue from content and film production, theme parks and FTA TV via its 51% interest in NBC Universal, which limits the comparability of its earnings multiples and makes a value per subscriber multiple not meaningful.
  - The Canadian STV market has similar characteristics to the US market (highly saturated and competitive market environment) and the multiples of Shaw and Cogeco Cable are also at the lower end of the range. Shaw is more diversified as it generates approximately 19% of its revenue from media assets including the largest conventional television network in Canada, and subsequent to the acquisition of wireless spectrum, it is in the early planning phase of a Wi-Fi network rollout which may make a comparison of multiples on an earnings or subscriber base less meaningful. Cogeco Cable is still controlled by Cogeco Inc (which owns 83% of the voting rights and also receives management fees from Cogeco Cable) which may further support its relatively low earnings multiples.

- Relative to North America, European STV markets are less mature with STV penetration rates of around 50% or below, being the result of the later launch of STV services, stronger competition from FTA and the existence of anti-siphoning legislation. European STV broadcasters face less competition than STV broadcasters in North America and their earnings multiples are at the high end of the range, consistent with the assertion of the higher growth prospects in these underlying markets.
- Despite being listed in the US, Liberty Global and Virgin Media generate their revenues outside of the US. Liberty Global is the dominant cable operator in most of the 13 countries in which it operates, including developing countries across Eastern Europe, Chile and Puerto Rico. Liberty Global's multiple is consistent with the multiples of the European based peers. Virgin Media operates in the UK where it faces strong competition from BskyB, which owns the exclusive sports rights to the English Premier League (though anti-siphoning legislation exists) being a key driver of STV penetration, and therefore it is expected that BskyB would trade at a premium to Virgin Media. Virgin Media also operates a mobile virtual network (approximately 14% of revenue) which affects the comparability of multiples on an earnings or subscriber base.
- In Germany, television households are required to fund the government owned FTA network through a significant compulsory monthly levy payable for each connected television set, and this may limit the willingness of households to pay additional subscriber fees for premium STV content. Sky Deutschland owns the exclusive rights to major sporting events including the German Bundesliga (though anti-siphoning legislation exists) which it broadcasts nationwide via a leased satellite and cable network. However, STV penetration is still in its infancy at 15%, which results in Sky Deutschland not yet operating at a profitable level due to the lack of critical scale. The regional cable operator Kabel Deutschland on the other hand records an STV penetration of approximately 56%, though this is via low value basic cable subscriptions (monthly blended STV ARPU of approximately €10) without access to premium STV channels.
- Sky NZ is the dominant STV broadcaster in New Zealand with a STV penetration rate of approximately 49%. Sky NZ operates at relatively high margin levels for a pure-play operator which is a reflection of its favourable competitive environment, characterised by low competition from other STV broadcasters and IP delivered service offerings (though rollout of Ultra Fast Broadband is under way) and the absence of anti-siphoning legislation. Whilst Sky NZ faces a strong FTA offer, it owns key exclusive sports rights to differentiate its value proposition. Based on its market position and the competitive and regulatory environment, it is expected that Sky NZ would trade at a premium to its listed pure-play peers.
- ZON and Jupiter currently operate in the challenging economic environments of Portugal and Japan respectively, which lends support to their relatively low multiples.

Having regard to the observations outlined above, we consider SKY NZ as the closest comparable to Foxtel on the basis that it is a pure-play operator which dominates its local STV market, though at higher penetration and margin levels due to the absence of anti-siphoning legislation and the lower cost of a satellite only distribution platform respectively. Like Foxtel, SKY NZ is dependent on sourcing exclusive sport rights to differentiate from a strong FTA offer and utilises third-party owned transmission infrastructure. Its 12 month trailing EBITDA multiple is 7.2 times.

Transaction evidence

The price paid in transactions is widely considered to represent the market value of a controlling interest in the company. The difference between the value of a controlling interest and a minority interest (as implied by the share price) is referred to as a premium for control. This premium can differ from transaction to transaction and is dependent on a range of factors including the equity share acquired, the negotiating position of the parties, competitive tension in the sales process, the availability of synergies and the extent to which a buyer would pay away these synergies to gain control of the target.

Our selection of comparable transactions and the implied multiples is outlined in the table below and in further detail in Appendix 4.

Table 19: Foxtel – transaction evidence

Close date	Target	Primary market	% acquired	100% Equity value (AUDm)	EBITDA multiple
Pure-play STV broadcasters					
26 Apr 12	AUSTAR	Australia	100.0%	1,933	9.5
27 Feb 08	DirecTV	United States	41.0%	26,390	6.6
Triple-play STV broadcasters					
17 Jul 12	Knology	US	100.0%	788	8.4
22 Mar 12	Starcat Cable	Japan	94.0%	63	8.2
29 Feb 12	Insight Communications	United States	100.0%	1,240	8.6
15 Dec 11	Kabel BW	Germany	100.0%	2,087	9.0
21 Sep 11	Com Hem	Sweden	100.0%	2,460	8.1
16 Sep 11	Aster	Poland	100.0%	269	7.3
30 Jun 11	Numericable Belgium	Belgium	100.0%	487	9.5
31 Mar 11	NPG Cable	United States	100.0%	339	9.0
4 Mar 11	Mediacom Communications	United States	60.4%	624	7.0
14 Dec 10	Bresnan Broadband	United States	100.0%	1,366	8.0
15 Oct 10	Sunflower Broadband	United States	100.0%	166	8.2
26 Aug 10	RCN Corporation	United States	100.0%	604	6.1
19 Mar 10	Kabel Deutschland	Germany	38.3%	2,925	8.0
Mean					8.1
Median					8.2

Source: S&P Capital IQ, KPMG Corporate Finance analysis

We make the following observations with regards to the transaction multiples outlined in the table above:

- The acquisition of AUSTAR by Foxtel in May 2012 represents the most comparable recent transaction to Foxtel by virtue of the similarities between AUSTAR and Foxtel, and the material value that AUSTAR contributes to Foxtel post the acquisition. More specifically, AUSTAR is the equivalent of Foxtel in the regional areas of Australia. It is a pure-play STV broadcaster with a leading market position in regional Australia, broadcasting similar content (including content sourced from FOX SPORTS), achieving comparable penetration rates, ARPUs and margins, utilising similar product and transmission technology and being exposed to the same regulatory, economic and competitive environment. Further, it held aligned interests with Foxtel via its co-investments in MCN and XYZ.

  Excluding synergies, Foxtel acquired AUSTAR at a historic EBITDA multiple of 9.5 times. When incorporating the consensus estimate of $70 million in annual synergies available to Foxtel, the implied multiple reduces to 7.4 times.

- In the last five years, the only other transactions involving pure-play STV broadcasters included:
  - Liberty Interactive acquired a 41% interest in DirecTV in 2008. The implied EBITDA multiple is relatively low and reflects the saturated and highly competitive market environment in the US
  - News Corp acquired various stakes in Sky Deutschland (previously known as Premiere AG) over the last five years. However, the implied earnings multiples were not meaningful as Sky Deutschland has not yet reached critical scale to operate at a profitable level.

- All of the other more recent transactions targeted STV broadcasters which are involved in triple-play to some degree. These transactions have taken place at historic EBITDA multiples in the range of 6.1 times to 9.5 times, with a mean of 8.1 times, and primarily reflect the competitive environment in which the target companies operate as well as strategic benefits. Further, all of the involved STV broadcasters own cable infrastructure and higher earnings multiples are likely to be paid for those cable operators which can better leverage their infrastructure investment by selling multiple services to their STV subscriber base.

Selected multiple range

In valuing Foxtel, we have selected an EBITDA multiple range of 8.25 times to 8.75 times on a controlling interest basis.

In selecting an appropriate multiple range to adopt in valuing Foxtel, we considered the characteristics of the Foxtel business relative to comparable companies and transactions.

As discussed earlier, the acquisition of AUSTAR by Foxtel in May 2012 provides the most relevant reference point given the similarities of the AUSTAR and Foxtel businesses, the contribution of AUSTAR to the enlarged Foxtel business and the timing of the transaction. The acquisition was for 100% of the shares in AUSTAR and hence the implied multiples incorporate a premium for control. AUSTAR was acquired at an implied historical EBITDA multiple of between 7.4 times to 9.5 times, depending on the extent to which synergies were paid away.

Given the structure of the STV industry in Australia, we would expect Foxtel to be able to extract the highest level of synergies from acquiring AUSTAR which supports its inclination to pay away some of these synergies in order to gain control of AUSTAR. This, combined with the strong negotiating position of Liberty Global as AUSTAR's major shareholder, would unlikely result in the transaction being priced at the low end of the range. On the other hand, we do not expect Foxtel would need to pay away all synergies as alternative purchasers are unlikely to generate the same level of synergies as Foxtel, and that paying the high-end multiple will likely result in these alternative purchasers generating sub-economic returns. With this in mind, we consider it reasonable to assume that the multiple paid by Foxtel was around the midpoint of the range.

Another relevant reference point is the implied trading multiple of Sky NZ, given its similarities to Foxtel with respect to both its business and the market within which it operates (as previously discussed). Sky NZ trades at a 12 month trailing and forward EBITDA multiple of 7.2 times, though this multiple is assumed not to incorporate a control premium as it reflects the value of a portfolio interest only. Our selected EBITDA multiple range implies an equity control premium of approximately 21% to 31% based on the 12 month trailing and forward EBITDA multiple of Sky NZ, which is not inconsistent with the range of control premiums typically observed from transaction evidence.

For the purposes of our fairness assessment, the multiple we have selected for valuing Foxtel has been determined on a controlling interest basis, reflecting CMH's ability to exercise significant influence over the strategic direction and operations of Foxtel and prevent its co-investees from undertaking any major decisions without its consent, as evidenced by the following factors:

- The Foxtel Board comprises eight directors appointed by the shareholders in proportion to their respective shareholdings, with the Chief Executive acting as the ninth director but not entitled to vote. Resolutions of the Board are made by majority vote, subject to an affirmative vote from at least one director from each shareholder.

  In relation to the management team, Telstra is entitled to appoint the Chairman of the Board while News Corp is entitled to appoint the CEO, with CMH appointing the CFO. However, the appointment of the CFO is subject to approval by the CEO, and the CEO has the right to remove these executives
- No shareholder may dispose of its interest in Foxtel without the consent of the other shareholders
- CMH has joint control of FOX SPORTS Australia, of which has an effective 50% interest in Foxtel.

Issues arising from CMH not having positive control over Foxtel and restrictions imposed by the underlying shareholder agreement have been considered in our reasonableness assessment.

Further, we have not applied an illiquidity discount as we consider CMH's interest in Foxtel to be readily saleable given its rights as a shareholder, the strategic and monopolistic nature of the business and its growth outlook.

9.3.2.3 DCF analysis

To assess the reasonableness of our valuation derived under our primary approach, we have performed a high-level DCF analysis. We have developed a DCF model based on management's long range plan, which did not include all of the information that would be included if CMH directly operated the business. This limited the extent to which we could undertake an in-depth DCF analysis.

We have made adjustments to the long range plan to reflect our judgement on certain matters and to extend the cash flows to 30 June 2022. The key assumptions adopted in our DCF analysis include:

- Nominal, ungeared post tax cash flows forecast over a 10 year period from 1 July 2012 to 30 June 2022
- Revenue CAGR of approximately 5% across the forecast period
- EBITDA margin of between 30% and 33% over the forecast period including the realisation of synergies from the AUSTAR merger
- Capex to sales ratio of between 11% and 12% over the forecast period
- Corporate tax rate of 30%, whilst AUSTAR's carried forward income tax losses have been valued separately (refer to section below)
- 2.5% terminal growth rate
- 9.0% - 10.0% discount rate range (weighted average cost of capital), as detailed in Appendix 5.

Our DCF analysis assumes that the business operates on an "as is" basis, with no major changes to the competitive and regulatory environment, and renewal of key content agreements and sports rights on commercial terms.

The resultant value under our high-level DCF analysis supports our assessed valuation of Foxtel derived from the capitalised earnings methodology and therefore we consider our valuation of Foxtel to be reasonable.

9.3.3 Other assets and liabilities

We have attributed a value of $78 million to account for Foxtel's other assets and liabilities, comprising:

- AUSTAR's carried forward income tax losses of circa $500 million ($150 million tax shield) which was adopted by the independent expert for the Foxtel AUSTAR merger and of which we understand is not materially different to the current level of tax losses held by

AUSTAR. We have determined a present value for these losses based on the expected rate of utilisation

- one-off integration costs in relation to the AUSTAR merger in the order of $30 million to be incurred in order to realise the expected level of maintainable annual synergies of $70 million.

Further, the value of Foxtel's 100% interest in XYZ and its 75% interest in MCN (post AUSTAR merger) is reflected in the value of Foxtel's business operations.

9.3.4 Net debt

At 30 June 2012, Foxtel had net debt of $2,200 million.

This does not include the shareholder subordinated loan of $886 million provided to fund the AUSTAR acquisition which we have considered as part of equity for valuation purposes.

9.4 CMH's interest in FOX SPORTS

9.4.1 Summary

KPMG Corporate Finance estimates the value of CMH's 50% interest in FOX SPORTS to be in the range of $584 million to $657 million. Our valuation reflects CMH's equity share of the control value of FOX SPORTS, which has been derived by adjusting the value of the FOX SPORTS operating business for net debt.

Table 20: FOX SPORTS valuation summary

	Report Section	Value range ($m)	
		Low	High
Value of business operations	9.4.2	1,168	1,314
Net debt	9.4.3	-	-
Value of equity		**1,168**	**1,314**
Value of CMH's 50% interest		**584**	**657**
Fully diluted shares on issue (millions)		562	562
Value per CMH share ($)		**1.04**	**1.17**

Source: KPMG Corporate Finance analysis

9.4.2 Value of business operations

9.4.2.1 Conclusion

We have assessed the fair value of the business operations of FOX SPORTS to be in the range of $1,168 million to $1,314 million. This value was determined on a "going concern" basis, assumes 100% ownership and includes a premium for control.

Table 21: FOX SPORTS value of business operations

	Report Section	Value range ($m)	
		Low	High
Maintainable earnings (EBITDA)	9.4.2.2	146	146
EBITDA multiple (on a controlling basis)	9.4.2.2	8.0	9.0
Value of business operations		**1,168**	**1,314**

Source: KPMG Corporate Finance analysis

The value of the business operations of FOX SPORTS has been determined through an iterative process, ensuring the value derived from our primary capitalised earnings methodology is consistent with the outcomes of our high-level DCF cross-check.

9.4.2.2 Capitalised earnings analysis

Maintainable earnings

On 21 August 2012, FOX SPORTS announced the renewal of its NRL rights for the 2013 to 2017 NRL Telstra Premiership seasons. Through a joint bid, FOX SPORTS and the Nine network have agreed to pay $550 million and $475 million respectively, including $50 million each in advertising in order to secure the NRL rights for another 5 year term. Apart from additional digital and IPTV rights, FOX SPORTS rights coverage remained basically unchanged. However, the costs of the renewed NRL rights were approximately double the cost of the NRL rights covering the 2007 to 2012 NRL Telstra Premiership seasons.

To date, management has not announced any guidance as to the estimated impact of the increased programming costs for the NRL coverage on future maintainable earnings, considering the limited ability of FOX SPORTS to pass-on increased programming costs to Foxtel under the existing channel supply agreements. Further, significant uncertainty exists as to the value of the newly secured digital and IPTV rights and the possible flow-on effects from the NRL deal on the costs of other key sports coverage rights that will be brought to market in FY13, including the FFA and EPL rights, the rights to a large number of domestic and international cricketing events and the V8's.

The extent to which we could use broker consensus estimates as earnings guidance for FOX SPORTS is also limited due to the insufficient number of brokers that publish specific earnings forecasts for FOX SPORTS and the fact that some brokers do not update their valuation models and earnings forecasts in the presence of a takeover offer.

Due to the lack of earnings guidance placed in the public domain and our limitations to disclose commercially sensitive information, we have adjusted our selected multiple range for FOX SPORTS to reflect the new NRL deal and its implications, whilst we have adopted the EBITDA for FY12 of $146 million as proxy for future maintainable earnings on the basis that:

- it is the most recent EBITDA performance publicly available
- it does not include any impact relating to one-off items

- it represents an EBITDA margin which management considered to be maintainable in the absence of the new NRL deal which is reflected in our selected multiple range.

Earnings multiples

Sharemarket evidence

Given the lack of directly comparable listed companies specifically dedicated to the production of premium sports channels both, in Australia and internationally, we referred to international companies involved in the production of premium programming content and channels for STV and new media, as summarised in the table below and in more detail in Appendix 4.

Table 22: FOX SPORTS – sharemarket evidence

Company name	Country	Market cap (AUDm)	EBITDA multiple LTM	EBITDA multiple NTM
Corus Entertainment	Canada	1,902	8.0	8.2
AMC Networks	United States	2,766	9.6	10.0
Viacom	United States	24,865	7.7	7.6
Discovery	United States	19,962	11.8	10.8
Outdoor Channel	United States	172	8.6	n/a
Crown Media[1]	United States	601	8.3	n/a
Scripps	United States	8,790	9.6	9.6
Mean			**9.1**	**9.2**
Median			**8.6**	**9.6**

Source: S&P Capital IQ, KPMG Corporate Finance analysis, as at 4 September 2012
Note 1. EBITDA has been adjusted to include depreciation or amortisation of capitalised programming and production costs

In assessing these comparable companies, we make the following key observations:

- Compared to FOX SPORTS, the production companies produce content (as well as distribute content produced by other production companies) across a number of genres (or related genres) based on themes which can be created by the producer and the opportunities to merchandise are far greater. This compares to sports programming whereby FOX SPORTS has less control over the underlying intellectual property and in most cases, is merely projecting the broadcast. In addition, FOX SPORTS' success is dependent on securing the broadcast rights to a small number of key sports codes, which makes it less diversified than its production peers.
- Relative to other genres, sport has time-value with viewers prepared to pay a premium to watch live broadcasts. Key live sport events are amongst the television content which attracts the highest audience shares and therefore represents a key driver of STV penetration rates around the world. In FY12, FOX SPORTS programming accounted for all of the top 100 programs aired on STV in Australia. Further, sports programming is less exposed to the risk of audience acceptance and therefore provides a reliable source for sustainable revenue. This increases the value of sports programming relative to other genres, however the acquisition of sports rights is highly competitive and therefore increases the risk of programming cost escalations.

- The production companies transmit their content (as well as content sourced from other production companies) via numerous distribution channels and are not necessarily restricted to long term captive STV broadcast arrangements, as FOX SPORTS is. For example, AMC Networks and Viacom distribute films via STV, FTA, DVD/Blu-ray and cinemas, whilst Discovery Communications also develops and sells curriculum-based content to schools via an online video on-demand service and hardcopy materials.
- The production companies trade in the range of 7.7 times to 11.8 times 12 month trailing EBITDA, with an average of 9.1 times which is higher than the average trading multiple of pure-play STV broadcasters of 6.6 times and triple-play STV broadcasters of 7.0 times.

  More specifically:

  - Corus is one of Canada's largest STV channel providers which produces channels as well as sources channels from other production companies. Its available channels include the Oprah Winfrey Network, the W Network, Sundance Channel and Movie Central. Corus' niche target is the children sector, with specialty children channels Nickelodeon, YTV and Treehouse TV, and Nelvana, a specialty children's television production company. Corus also owns and operates 37 radio stations that include a network of leading news-talk radio stations in Canada. 76% of its revenues are generated from its television division. Corus was spun off from Shaw Communications in 1999. Its founder (James Shaw) holds a voting majority and also owns Shaw. It trades at a 12 month trailing EBITDA of 8.0 times.
  - Spun off from Cablevision Systems, AMC Networks holds numerous media assets including STV channels (AMC, IFC, WE tv, and the Sundance Channel), the art house movie theatre in New York City (IFC Center), and the independent film company IFC Films. AMC targets family and women viewership, with content based around storytelling feature films, dramatic series, stories from a woman's perspective, independent film and original alternative comedy series. 90% of its revenues are generated within the US, with its channel networks distributed nationally primarily via cable and satellite platforms. It trades at a 12 month trailing EBITDA of 9.6 times.
  - Based in the US, Viacom provides entertainment content both, domestically and internationally, predominately via STV and feature films. It owns and produces content for the MTV Networks, which operates approximately 160 channels, including MTV, VH1, Logo, Nickelodeon, COMEDY CENTRAL, Spike TV, BET, and CENTRIC. Viacom's feature film division produces, finances, and distributes motion pictures and other entertainment content under a number of different production companies, including Paramount Pictures and Nickelodeon Movies. Its STV division comprises 60% of revenues and 90% of pre-tax operating profit (EBIT). It trades at a 12 month trailing EBITDA of 7.7 times.
  - Discovery Communications operates as a non-fiction media and entertainment company with over 1.8 billion cumulative subscribers across 209 different countries. It focuses on the production and provision of programming on science related topics (ie. science, exploration, survival and technology) as well as other topical areas including

engineering, lifestyle, civilization and current events. Programming is broadcast across the US via nine owned and operated national television networks (including Discovery Channel, TLC and Animal Planet). It also owns interests in the Oprah Winfrey Network, a pay-television network owned in conjunction with Oprah Winfrey. The majority of its revenue and earnings is derived from the US. It trades at a 12 month trailing EBITDA of 11.8 times.

- Outdoor Channel specialises in producing lifestyle content for outdoor enthusiasts, with its national television network comprising approximately 80% of revenue and all of its profit. Other activities include the production of sports programming for third parties including horse racing, rodeo, softball, soccer, college sports, hunting and fishing. It trades at a 12 month trailing EBITDA multiple of 8.6 times.
- Crown Media operates and distributes the Hallmark Channel and Hallmark Movie Channel across numerous cable, satellite and other pay television distribution networks to approximately 87 million and 45 million subscribers respectively. Content is tailored to adults and families and includes television series, movies, miniseries, theatricals, romances, literary classics and contemporary stories. It trades at a 12 month trailing EBITDA multiple of 8.3 times.
- Scripps Networks operates a number of STV networks focused on the lifestyle segment, including the Home and Garden Television, Food Network, Travel Channel, DIY Network, Cooking Channel and Great American Country. It trades at a 12 month trailing EBITDA multiple of 9.6 times.

Transaction evidence

Whilst we were able to identify a number of transactions involving sports channel producers, these businesses either formed part of larger content producers or vertically integrated groups, such that insufficient data was available for the target businesses on a standalone basis to derive the implied multiples of these transactions. Some of these transactions included the acquisition of FSN Bay Area and FSN New England by Comcast Corporation, and the acquisition of Setanta Sports by FOX SPORTS International.

The transactions for which data was available involved more general content producers, which are outlined in the table below and in more detail in Appendix 4.

Table 23: FOX SPORTS – transaction evidence

Close date	Target	Country	% acquired	100% Equity value (AUDm)	EBITDA multiple
23 Sep 2011	Liberty Starz Group	United States	n/a	5,589	12.3
30 Jun 2011	AMC Networks Inc.	United States	n/a	2,725	12.7
15 Dec 2009	The Travel Channel	Global	65.0%	264	14.6
10 Jul 2008	Tinopolis	United Kingdom	100.0%	64	7.4
1 Jul 2008	Zodiak Television	Sweden	100.0%	143	15.1
Mean					**11.7**
Median					**12.5**

Source: S&P Capital IQ, KPMG Corporate Finance analysis

In assessing these comparable transactions, we make the following key observations:

- Liberty Starz and AMC Networks were spun-off as separate listed entities, suggesting their respective multiples are more reflective of a portfolio interest rather than a controlling interest
- The Travel Channel operates as a subsidiary of Scripps Networks, which specialises in the production of lifestyle channels. Its high multiple suggests that a significant portion of synergies may have been paid away
- Tinopolis' low multiple can be explained by a number of factors, including its relatively small size and that it was acquired by a financial buyer who may not have been able to extract material synergies from the acquisition
- Zodiak Television's historic multiple is high as it reflected the expectations of significant growth. Its multiple reduces to 8.2 times based on consensus forecast EBITDA at the time of the transaction.

Selected multiple range

In valuing FOX SPORTS, we have selected an EBITDA multiple range of 8.0 times to 9.0 times on a controlling interest basis, having considered:

- our selected EBITDA multiple range for Foxtel
- market evidence derived from comparable listed companies and comparable transactions
- the impact of the new NRL deal given the adopted level of future maintainable earnings.

Unlike the AUSTAR transaction for Foxtel, there is no comparable listed company or transaction which is equally relevant to FOX SPORTS from which a multiple for FOX SPORTS can be obviously derived. However, the businesses of FOX SPORTS and Foxtel are strongly correlated and therefore our selected multiple range for Foxtel also provides a relevant reference point for FOX SPORTS provided that adjustments are considered to account for the specific characteristics of FOX SPORTS relative to Foxtel and the comparable companies and transactions.

Evidence of the strong correlation between the businesses of FOX SPORTS and Foxtel is based on the following factors:

- long term contractual relationships between FOX SPORTS and Foxtel pertaining to the production and supply of premium sports channels which are crucial to the value proposition of Foxtel's offering. Apart from its venues business, basically all of the subscriber revenues generated by FOX SPORTS are derived from Foxtel
- FOX SPORTS and Foxtel have similar margins and growth outlook, where revenue is predominantly driven by subscriber numbers. However, FOX SPORTS has no direct control over its subscriber base (except for its venues business) as Foxtel acquires and maintains the customer relationship
- FOX SPORTS (25%) and Foxtel (75%) own MCN that manages all advertising sales on the STV channels aggregated by Foxtel, including all of FOX SPORTS channels
- similar to Foxtel, FOX SPORTS holds a monopolistic position in the supply chain by being the leading provider of premium sports programming in Australia
- certain restrictions have been imposed on the shareholders of both FOX SPORTS and Foxtel to ensure alignment of interests for both businesses, including obtaining consent prior to divestment, non-compete provisions and obligations to fund the businesses.

Whilst the similarities and strength of the interdependence support our selected multiple range for Foxtel to also provide a relevant reference point for FOX SPORTS, an adjustment is required to reflect the following two key differences which impact value:

- FOX SPORTS operates at a significantly lower capex to sales ratio (circa 2%) than Foxtel (circa 12%). On the basis of all else being equal, the impact of lower capital expenditure will result in a higher enterprise value and in turn in higher implied EBITDA multiples. Compared to STV broadcasters, channel producers generally operate at significantly lower capex to sales ratios and market evidence supports that channel producers trade at a premium to STV broadcasters on an EBITDA multiple basis
- FOX SPORTS' cost base is largely fixed in nature as it primarily relates to the acquisition of sports rights and production costs. This compares to a more variable cost base for Foxtel as a large portion of its cost base relates to programming licence fees, most of which are priced on a cost per subscriber basis, and subscriber acquisition costs which are variable. In comparison, volatility in earnings is higher for FOX SPORTS as changes in revenue to a larger extent flow directly through to earnings. On the basis of all else being equal, increased earnings volatility requires a higher rate of return to account for the higher risk associated with these cash flows which will result in a lower enterprise value and in turn in lower implied EBITDA multiples. This is supported by market evidence whereby channel producers typically trade at higher betas relative to STV broadcasters (refer to Appendix 5).

Whilst none of the comparable companies and transactions are directly comparable to FOX SPORTS' business model and the market environment it operates in, it is evident that channel producers are trading at higher multiples relative to STV broadcasters and this is also supported by respective transaction evidence. This suggests the effect of lower capital expenditure has a greater impact on value than the higher volatility associated with a larger fixed cost base, and therefore it is reasonable to assume FOX SPORTS would trade at a premium to Foxtel on an EBITDA multiple basis, when ignoring the impact and our treatment of the new NRL deal.

Sharemarket evidence indicates that comparable companies are trading at a 12 month trailing EBITDA multiple in the range of 7.7 times to 11.8 times, with an average of 9.1 times. Whilst FOX SPORTS' focus on premium sports content may support a higher multiple than its comparables, its lower diversity, limitations to addressable market size, high dependency on a few key sports rights, lack of direct control over its revenue base and larger fixed cost structure offset this premium to the extent that we consider FOX SPORTS would trade at the lower end of the earnings multiple range observed for its peers, when ignoring the impact and our treatment of the new NRL deal.

As previously discussed, instead of adjusting the level of future maintainable earnings we have adjusted our selected multiple range to reflect the new NRL deal and its implications which include among others:

- significant earnings impact through higher programming costs given FOX SPORTS' limited ability to pass-on increased costs under the existing long term channel supply agreements with Foxtel. Further, any contract re-negotiation would only lead to a partial shift of the earnings impact from FOX SPORTS to Foxtel
- uncertainty to what extent the newly acquired digital and IPTV rights for the NRL will get monetised
- risk of flow-on effects on rights costs of other key sport codes upon renewal
- risk that the increased NRL costs cannibalise the programming budget for other key sports rights upon renewal (which may result in the loss of a key sports right) and/or new programming initiatives aimed at supporting subscriber growth and/or ARPU improvement.

Ultimately, the wider multiple range selected for FOX SPORTS as compared to Foxtel reflects the greater uncertainty associated with the new NRL deal and its implications.

For the purposes of our fairness assessment, the multiple we have selected for valuing FOX SPORTS has been determined on a controlling interest basis given that CMH's 50% interest enables CMH to exercise joint control of FOX SPORTS. Neither CMH nor News is able to undertake any major decisions without the cooperation of its co-investee. Issues arising from CMH not having positive control over FOX SPORTS and restrictions imposed by the underlying shareholder agreement have been considered in our reasonableness assessment.

Further, we have not applied an illiquidity discount as we consider CMH's interest in FOX SPORTS to be readily saleable given its rights as a shareholder, the strategic and monopolistic nature of the business and its growth outlook.

9.4.2.3 DCF analysis

To assess the reasonableness of our valuation derived under our primary approach, we have performed a high-level DCF analysis. We have developed a DCF model based on management's long range plan, which did not include all of the information that would be included if CMH directly operated the business. This limited the extent to which we could undertake an in-depth DCF analysis.

We have made adjustments to the long range plan to reflect our judgement on certain matters (including the impact of the new NRL deal) and to extend the cash flows to 30 June 2022. The key assumptions adopted in our DCF analysis include:

- Nominal, ungeared post tax cash flows forecast over a 10 year period from 1 July 2012 to 30 June 2022
- Revenue CAGR of 5% across the forecast period
- EBITDA margin to reduce to c26% over the forecast period to reflect the implications from the new NRL deal and the risk of flow-on effects on rights costs of other key sport codes which will be brought to market over the forecast period
- Capex to maintain at historic levels, except for capex associated with relocating the production facilities to Gore Hill
- Corporate tax rate of 30%
- 2.5% terminal growth rate
- 10.0% - 11.0% discount rate range (weighted average cost of capital), as detailed in Appendix 5.

Our DCF analysis assumes that the business operates on an "as is" basis, with no major changes to the competitive and regulatory environment.

The resultant value under our high-level DCF analysis supports our assessed valuation of FOX SPORTS derived from the capitalised earnings methodology and therefore we consider our valuation of FOX SPORTS to be reasonable.

9.4.3 Net debt

At 30 June 2012, FOX SPORTS had neither debt nor surplus cash on the basis that we have considered the convertible redeemable preference shares of $355.7 million as part of equity for valuation purposes.

9.5 CMH's interest in SEEKAsia

KPMG Corporate Finance considers the book value of CMH's 12.1% interest in SEEKAsia of $34.7 million to be a reasonable proxy for fair value based on the following considerations:

- From December 2010 to July 2011, CMH acquired for a total consideration of $34.7 million a 12.1% interest in SEEKAsia, which in turn acquired an 80% interest in JobsDB. The proximity of this arms-length transaction provides a relevant reference point to valuing SEEKAsia.
- CMH's investment in SEEKAsia is carried at fair value at 30 June 2012 due to its classification as available for sale investment in CMH's accounts. The fair value of $34.7 million as at 30 June 2012 has been determined by management based on a DCF analysis of CMH's 9.7% look-through interest in JobsDB. Key assumptions applied to the internal cash flow projections to 30 June 2017 include discount rates of between 12% and 14%, and a terminal growth rate of 4.5%.
- The implied earnings multiples and financial performance of JobsDB relative to budget indicate that the risk of the book value of CMH's interest in SEEKAsia understating fair value is low, when considering market evidence derived from comparable companies and the challenging economic and competitive environment JobsDB and its peers are currently operating in.
- The materiality of the value of CMH's investment in SEEKAsia in the context of the overall value of CMH. A 10% change in the fair value adopted for CMH's investment in SEEKAsia would have an impact on the value per CMH share of less than one cent.

9.6 Corporate costs

CMH incurs overhead costs of approximately $7 million per annum to maintain its current investment holding structure. These costs include staff wages, premises leasing, director fees, professional services fess (i.e. legal, audit and tax) and shareholder associated costs (such as listing fees, share registry, etc). CMH also has the ongoing obligation to operate the gym of the formerly owned Park Street property, however it is expected that the contribution from the gym will be immaterial.

We consider any acquirer of 100% of CMH would be able to save the costs associated with being a publicly listed company, such as listing fees, share registry, etc as well as establish a leaner management and corporate governance structure. In this regard, we adopted a maintainable level of corporate costs of $3 million and capitalised this at a multiple of 10 times, consistent with the blended discount rate assumed for CMH's key investments. We also included an allowance for integration costs of $2 million likely to be incurred by a potential purchaser in order to establish a leaner management and corporate governance structure.

9.7 Other assets and liabilities

CMH's had carried forward tax losses of $297 million ($89.1 million tax shield) at 30 June 2012. Given the difficulty typically experienced by potential purchasers in satisfying the tests which allow them to utilise the tax losses held by acquired businesses and the uncertainty as to the specific utilisation profile applicable to potential purchasers, we have not attributed any value to the CMH tax losses for the purposes of our fairness assessment but we have considered them in our assessment of reasonableness in section 3.3.2.

9.8 Net debt

For the purposes of our fairness assessment, we have assumed CMH's net debt position to be $174.2 million, having considered:

- CMH's net debt position of $140.5 million as at 30 June 2012, comprising $226.3 million of debt drawn offset by $85.8 million in cash
- CMH's declaration to pay a final fully franked dividend of $0.06 per fully paid CMH share for FY12 on 5 October 2012. Since the offer price of $3.45 is on an ex-dividend basis, we have also valued CMH on an ex-dividend basis by reducing CMH's cash balance as at 30 June 2012 for the declared dividend payout of $33.7 million.

Consolidated Media Holdings Limited
Independent Expert Report
24 September 2012

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin and Sean Collins. Each has a significant number of years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of CMH shareholders. KPMG Corporate Finance expressly disclaims any liability to any CMH shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of CMH for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the shareholders of CMH. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Indemnity

CMH has agreed to indemnify and hold harmless KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by you of your obligations.

CMH has also agreed that KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by you or any of your representatives, which is false, misleading or incomplete. CMH has agreed to indemnify and hold harmless KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities we may have to you or any third party as a result of reliance by KPMG Corporate Finance, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by you or any of your representatives, which is false, misleading or incomplete.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- the Scheme Booklet (including earlier drafts)
- annual reports of CMH for three years ended 30 June 2012
- annual reports of AUSTAR for three years ended 31 December 2011
- half-year reports of AUSTAR for three years ended 30 June 2011
- press releases, public announcements, media and analyst presentations material and other public filings by CMH, Seek and AUSTAR, including information available on each company's website
- brokers' reports and recent press articles on CMH and the television industry
- share market data and related information on Australian and international listed companies engaged in the subscription television industry and on acquisitions of companies and businesses in this industry
- various reports published by IBISWorld Pty Ltd
- financial information from S&P Capital IQ, Thompson Financial Securities, Aspect Huntley and Connect 4.

Non-public information

- management accounts for CMH and its investments for three years ended 30 June 2012
- long term financial forecast for CMH, Foxtel and FOX SPORTS
- other confidential documents, board papers, presentations and working papers.

In addition, we have held discussions with, and obtained information from, the senior management of CMH, Foxtel, FOX SPORTS and CMH's advisors.

Appendix 3 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an

Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 4 – Market Evidence

Foxtel

Share market evidence

The following table provides an analysis of listed companies that are broadly comparable to Foxtel.

Table 24: Foxtel – comparable companies

Company name	Primary market	C/S[1]	Market cap AUDm	EBITDA margin LTM	EBITDA margin NTM	EBITDA multiple LTM	EBITDA multiple NTM	Value[2] AUD	RGUs[2] LTM
Pure-play STV broadcasters									
Sky NZ	NZ	S	1,525	39.8%	38.1%	7.2	7.2	2,223	1.00
Sky D	Germany	S	2,603	nmf	nmf	nmf	n/a	1,027	1.00
DirecTV	US	S	32,309	25.5%	25.5%	6.5	6.0	1,490	1.00
DISH	US	S	15,370	22.8%	22.1%	6.2	6.4	1,565	1.00
Mean				**29.4%**	**28.6%**	**6.6**	**6.5**	**1,576**	**1.00**
Median				**25.5%**	**25.5%**	**6.5**	**6.4**	**1,528**	**1.00**
Triple-play STV broadcasters									
BskyB	UK	S	19,372	22.9%	23.2%	8.5	8.1	2,180	1.70
Kabel D	Germany	C	5,802	46.9%	46.9%	9.3	8.5	1,085	1.60
Liberty Global	Europe	C	14,217	47.1%	47.5%	8.3	7.7	1,921	1.73
Telenet	Belgium	C	4,236	50.3%	52.3%	8.8	7.7	3,505	2.05
ZON	Portugal	C	835	36.3%	37.1%	4.9	4.7	1,182	2.07
Jupiter	Japan	C	6,713	40.4%	41.8%	4.3	4.1	2,187	1.99
TWC	US	C	26,504	36.4%	36.9%	6.9	6.4	3,287	1.84
Charter	US	C	7,596	36.6%	36.1%	7.7	7.4	3,803	1.81
Cablevision	US	C	3,858	32.9%	31.1%	6.6	6.9	3,953	2.40
Virgin Media	UK	C	7,210	38.4%	40.4%	6.7	6.2	3,356	2.51
Shaw	Canada	C	8,927	40.3%	42.2%	7.3	6.9	4,312	1.90
Cogeco Cable	Canada	C	1,758	41.3%	45.6%	4.5	4.4	3,052	2.26
Comcast	US	C	87,309	33.2%	32.0%	7.1	7.0	nmf	2.29
Mean				**38.7%**	**39.5%**	**7.0**	**6.6**	**2,819**	**2.01**
Median				**38.4%**	**40.4%**	**7.1**	**6.9**	**3,170**	**1.99**

Source: S&P Capital IQ, KPMG Corporate Finance analysis, as at 4 September 2012
Note: 1. Distribution platform: "C" = Cable, "S" = Satellite
2. per subscriber

Descriptions for each of the above comparable companies are set out below.

Sky Networks Television Limited

Sky NZ is the leading STV broadcaster in New Zealand with approximately 846,931 subscribers at 30 June 2012 (49% market penetration). Sky NZ broadcasts exclusive, premium content (including key live sports coverage) via a leased satellite distribution platform. TelstraClear has a reseller and retransmission agreement to distribute Sky NZ channels via its cable network. Sky NZ also owns and operates a FTA broadcasting channel (Prime). Approximately 88% of FY12 revenue was from STV, with 8% from advertising (primarily from its FTA channel) and 4% from installations.

Sky Deutschland AG

Sky Deutschland is the leading premium STV broadcaster in Germany (15% market penetration) and Austria (18% market penetration) providing services under the Sky trademark. It broadcasts exclusive premium content (including key live sports coverage) via leased satellite and cable distribution platforms, as well as through internet and mobile devices. Subscription television provides approximately 96% of total revenue, with the remainder generated from the purchase, sale, and distribution of rights to programming and magazine subscriptions. Prior to August 2009, Sky Deutschland operated as Premiere AG. As at 30 June 2012, Sky Deutschland serviced approximately 3.1 million subscribers across Germany and Austria.

DirecTV

DirecTV is the second largest STV broadcaster in the United States and one of only two nationwide STV broadcasters. DirecTV distributes its programming offer via a partly owned and leased satellite distribution platform to residential and commercial subscribers. As at 30 June 2012, the company serviced approximately 20.0 million subscribers in the United States and approximately 11.0 million subscribers in Latin America (including subscribers from its 41% interest in Sky Mexico on a pro-rata basis).

DISH Network Corp.

DISH is the third largest STV broadcaster in the United States and one of only two nationwide STV broadcasters. DISH distributes its programming offer via a partly owned and leased satellite distribution platform to residential and commercial subscribers. As at 30 June 2012, DISH serviced approximately 14.1 million subscribers across the United States. On 2 March 2012, the Federal Communications Commission approved Dish's acquisition of a wireless spectrum, for a total consideration of $2.9 billion, from TerreStar Networks Inc. and DBSD. DISH is currently reviewing its options relating to the commercialisation of the wireless spectrum, which would require significant investment to build-out the respective future network. Charlie Ergen, the founder and current Chairman of DISH, has a majority-voting share in DISH, holding a 53.5% interest in the company.

British Sky Broadcasting Group

BskyB is the leading STV broadcaster in the United Kingdom and Ireland. It broadcasts exclusive premium content (including the English Premier League) via a leased satellite platform as well as provides content to cable broadcasters on a wholesale basis. Further, BskyB has invested in broadband infrastructure (local loop unbundling) increasing the services provided to its subscribers with a competitive broadband and telephony offering. As at 30 June 2012, BskyB serviced 10.6 million subscribers and reported a total of 18.1 million RGUs of which STV, broadband and telephony services accounted for 57%, 22% and 21% respectively.

Kabel Deutschland Holding AG

Kabel Deutschland is a regional cable operator providing triple-play services and the largest STV broadcaster in Germany by number of subscribers (56% market penetration). A majority (80%) of customers subscribe to its basic cable option which includes low cost subscription television content bundled with broadly available, non-exclusive channels. Consequently ARPU is relatively low at approximately 10 Euros/month. As at 30 June 2012, Kabel Deutschland serviced 8.5 million subscribers and reported a total of 13.7 million RGUs of which STV, broadband and telephony services accounted for 76%, 12% and 12% respectively.

Liberty Global Inc.

Liberty Global is an international cable operator providing triple-play services to 19.6 million subscribers via its majority shareholdings in various operating subsidiaries located primarily in Europe (including a 50.3% interest in Telenet Group) and South America. As at 30 June 2012, Liberty Global reported a total of 33.8 million RGUs, of which STV, broadband and telephony services accounted for 54%, 26% and 20% respectively.

Telenet Group Holding NV

Telenet is a cable operator providing triple-play services in Belgium. As at 30 June 2012, Telenet serviced 2.2 million subscribers and reported a total of 4.4 million RGUs, of which STV, broadband and telephony services accounted for 49%, 30% and 21% respectively. It also reported 250,000 mobile customers on its mobile virtual network.

ZON Multimédia Serviços de Telecomunicações e Multimédia SGPS SA

ZON is a regional cable operator providing triple-play services primarily in Portugal. It also produces audiovisual content (8% of revenue) and manages 210 owned movie theatres in Portugal (5% of revenue). As at 30 June 2012, ZON serviced 1.6 million subscribers and reported a total of 3.3 million RGUs, of which STV, broadband and telephony services accounted for 48%, 23% and 29% respectively. It also reported 124,000 mobile customers on its mobile virtual network.

Jupiter Telecommunications Co. Ltd.

Jupiter Telecommunications is a regional cable operator providing triple-play services in Japan. As of 30 June 2012, Jupiter Telecommunications serviced 3.7 million subscribers and reported 7.4 million RGUs, of which STV, broadband and telephony services accounted for 42%, 26% and 32% respectively. With a number of major shareholders on share registry, including Sumitomo Corporation (40%) and KDDI Corporation (31%), Jupiter Telecommunications has a free float of only approximately 7%.

Time Warner Cable Inc.

TWC is the fourth largest STV broadcaster in the US. It is a regional cable operator, providing triple-play services across the states of New York, North and South Carolina, Ohio, California and Texas. As of 30 June 2012, TWC serviced 15.3 million subscribers and reported 28.1

million RGUs, of which STV, broadband and telephony services accounted for 44%, 38% and 18% respectively.

Charter Communications Inc.

Charter is the fifth largest television broadcaster in the United States. It is a regional cable operator providing triple-play services in the state of Missouri. As at 30 June 2012, Charter serviced 5.3 million subscribers and reported 9.6 million RGUs, of which STV, broadband and telephony services accounted for 43%, 38% and 19% respectively.

Cablevision Systems Corporation

Cablevision is the eighth largest STV broadcaster in the United States. It is a regional cable operator providing triple-play services across the states of New York, Montana, Wyoming, Colorado and Utah. In addition to its STV business, Cablevision also derives approximately 7% of its total revenue from other media and programming assets currently owned by Cablevision, including newspaper and online assets, a motion picture theatre business and a cable television advertising company. As at 30 June 2012, Cablevision serviced 3.6 million subscribers and reported 8.7 million RGUs, of which STV, broadband and telephony services accounted for 37%, 35% and 28% respectively.

Virgin Media Inc.

Virgin Media is a regional cable operator providing triple-play services in the United Kingdom. As at 30 June 2012, Virgin Media serviced 4.8 million subscribers and reported 12.1 million RGUs, of which STV, broadband and telephony services accounted for 32%, 34% and 34% respectively. It also reported 3.0 million mobile customers on its mobile virtual network.

Shaw Communications Inc.

Shaw is a regional cable operator providing triple-play services in Canada. Shaw also owns media assets which contribute approximately 19% of revenues, including the largest conventional television network in Canada (Global Television) and 19 specialty networks. Further, Shaw is in the early planning phase of a WiFi network rollout. As at 31 May 2012, Shaw serviced 3.4 million subscribers and reported 6.4 million RGUs, of which STV, broadband and telephony services accounted for 49%, 30% and 21% respectively.

Cogeco Cable Inc.

Cogeco Cable is a regional cable operator providing triple-play services in Canada. As at 31 May 2012, Cogeco Cable had 0.9 million subscribers, and reported 2.0 million RGUs, of which STV, broadband and telephony services accounted for 44%, 32% and 24% respectively. Cogeco Inc. still owns 82.6% of the voting rights and also receives a management fee from Cogeco Cable.

Comcast Corporation

Comcast is the largest STV broadcaster in the United States. It is a regional cable operator, providing triple-play services across 39 states. Comcast also owns 51% in NBCUniversal (35%

of revenue) comprising of a portfolio of news and entertainment television networks, a premier motion picture company, television production operations, television stations and renowned theme parks. As at 30 June 2012, Comcast had 22.1 million subscribers, and reported 50.5 million RGUs, of which STV, broadband and telephony services accounted for 44%, 37% and 19% respectively.

Transaction evidence

The following table provides an analysis of recent transactions whose target companies were broadly comparable to Foxtel.

Table 25: Foxtel – comparable transactions

Close date	Target	Primary market	% acquired	100% Equity value (AUDm)	EBITDA multiple
Pure-play STV broadcasters					
26 Apr 12	AUSTAR	Australia	100.0%	1,933	9.5
27 Feb 08	DirecTV	United States	41.0%	26,390	6.6
Triple-play STV broadcasters					
17 Jul 12	Knology	United States	100.0%	788	8.4
22 Mar 12	Starcat Cable	Japan	94.0%	63	8.2
29 Feb 12	Insight	United States	100.0%	1,240	8.6
15 Dec 11	Kabel BW	Germany	100.0%	2,087	9.0
21 Sep 11	Com Hem AB	Sweden	100.0%	2,460	8.1
16 Sep 11	Aster Sp z o.o.	Poland	100.0%	269	7.3
30 Jun 11	Numericable Belgium	Belgium	100.0%	487	9.5
31 Mar 11	NPG Cable	United States	100.0%	339	9.0
4 Mar 11	Mediacom	United States	60.4%	624	7.0
14 Dec 10	Bresnan Broadband	United States	100.0%	1,366	8.0
15 Oct 10	Sunflower Broadband	United States	100.0%	166	8.2
26 Aug 10	RCN Corp.	United States	100.0%	604	6.1
19 Mar 10	Kabel Deutschland	Germany	38.3%	2,925	8.0
Mean					8.1
Median					8.2

Source: S&P Capital IQ, KPMG Corporate Finance analysis

Descriptions for each of the above comparable transactions are set out below.

AUSTAR United Communications Limited

In May 2012, Foxtel completed their acquisition of AUSTAR via scheme of arrangement for a total cash consideration of approximately $1,933 million. AUSTAR is a pure-play STV broadcaster, delivering services throughout rural and regional Australia (excluding Western Australia) via a leased satellite distribution platform. At 31 December 2011, AUSTAR had a total 755,274 subscribers (including commercial equivalents) and was the second largest STV provider in Australia. The transaction is expected to generate annual synergies of approximately $70 million.

The DirecTV Group Inc.

On 27 February 2008, Liberty Interactive completed its acquisition of a 40.9% stake in The DirecTV Group from News Corporation for a total consideration of USD 10,143 million. As part of the consideration, Liberty Interactive transferred 324.64 million shares of Class A Common Stock and 188 million shares of Class B Common Stock to News and the FOX SPORTS Rocky Mountain, Northwest and Pittsburgh regional sports networks, and $550 million in cash. DirecTV is a STV broadcaster primarily operating in the United States and Latin America. The company engages in acquiring, promoting, selling, and distributing digital entertainment programming primarily via satellite to residential and commercial subscribers. As at 31 December 2007, it served approximately 16.8 million subscribers in the United States and approximately 4.8 million subscribers Latin America.

Knology Inc.

On 17 July 2012, WideOpenWest completed their acquisition of all of the outstanding shares of Knology for a total cash consideration of approximately USD 809 million. Knology is a regional cable operator providing triple-play services to the Southeast, upper Midwest and Kansas regions of the United States. In FY11, Knology reported USD 519 million of revenues, of which 45% related to STV, 26% to telephony, 25% to broadband and 4% to other revenue.

Starcat Cable Network Co.

On 22 March 2012, Community Network Centre completed its acquisition of 100% of the equity of Starcat Cable Network for a total consideration of JPY 5,400 million. Starcat is a regional cable operator providing triple-play services in Japan. Starcat is a private company with no publicly available subscriber or revenue profile.

Insight Communications Company Inc.

On 29 February 2012, Time Warner Cable completed its acquisition of the equity in Insight Communications for USD 1,240 million in cash (based on an agreed enterprise value of USD 3,000 million). Insight Communications is a regional cable operator providing triple-play services in the US states of Indiana, Ohio and Kentucky. At 29 February 2012, the company serviced approximately 760,000 subscribers with 1.5 million RGUs, of which STV, broadband and telephony services accounted for 44%, 36% and 20% respectively.

Kabel BW Erste Beteiligungs GmbH

On 15 December 2011, Liberty Global completed its acquisition of the equity in Kabel BW for approximately EUR 1,552 million. The transaction value was based on an agreed enterprise value of EUR 3,160 million in cash, less external net debt of EUR1,565 million as at 30 September 2011. The equity value includes an intercompany loan of $1,100 payable to the seller (EQT Funds IV and V). Kabel BW is a regional cable operator providing triple-play services and is the third largest STV broadcaster in Germany in terms of number of subscribers. At 31 December 2011, Kabel BW serviced 2.4 million subscribers with 3.9 million RGUs, of which STV, broadband and telephony services accounted for 59%, 20% and 21% respectively. Liberty Global also acquired Germany's second largest operator, UnityMedia, in 2009.

Com Hem AB

On 21 September 2011, BC Partners through its fund BC European Capital IX L.P, completed its acquisition of Com Hem from Carlyle European Capital Partners II L.P. for SEK 16,800 million. Com Hem is a cable operator providing triple-play services across Sweden. As at 30 September 2011, Com Hem serviced 846,000 subscribers with 1.6 million RGUs, of which STV, broadband and telephony services accounted for 41%, 35% and 24% respectively.

Aster Sp. Z.o.o.

On 16 September 2011, Liberty Global completed its acquisition of the equity in Aster for a total consideration of PLN 870 million. Aster is a regional cable operator providing triple-play services in Poland. At 30 September 2010, Aster reported a total of 615,000 RGUs, of which STV, broadband and telephony services accounted for 60%, 29% and 11% respectively.

Numericable Belgium and operations in Luxembourg

On 30 June 2011, Deficom Telecom and Apax Partners completed their acquisition of Numericable Belgium and operations in Luxembourg from Numericable S.A. for a total consideration of EUR 360 million. The Belgium operations serviced 150,000 customers, mainly in Brussels, Wemmel and Drogenbos. The Luxembourg network recorded about 30,000 subscribers. Numericable is a private company with no publicly available subscriber or revenue profile.

NPG Cable Inc.

On 31 March 2011, Cequel Communications (trades as Suddenlink) completed its acquisition of NPG Cable for a total consideration of USD 350 million in cash. NPG Cable is a regional triple-play cable operator based in Missouri in the United States. It is a private company with no publicly available subscriber or revenue profile.

Mediacom Communications Corporation

On 4 March 2011, Rocco B. Commisso, Mediacom's Founder, Chairman and Chief Executive Officer completed his acquisition of the remaining 60.4% stake in Mediacom for approximately USD 395 million in cash (including options and warrants). Mediacom is a regional cable operator providing triple-play services in the United States across Alabama, Arizona, California, Delaware, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Minnesota, Missouri, North Carolina, and Wisconsin. At 31 December 2010, Mediacom serviced 701,000 subscribers and reported 1.7 million RGUs, of which STV, broadband and telephony services accounted for 63%, 27% and 10% respectively.

Bresnan Broadband Holding LLC

On 14 December 2010, CSC Holdings completed their acquisition of 100% of the equity in Bresnan for USD 1,365 million. Bresnan is a regional cable operator providing triple-play services in the United States across Colorado, Wyoming, Montana, and Utah. As at 31 December 2010, Bresnan serviced 350,000 subscribers with 676,000 RGUs, of which STV, broadband and telephony services accounted for 45%, 35% and 20% respectively.

Sunflower Broadband Inc.

On 15 October 2010, Knology completed its acquisition of 100% of the equity in Sunflower Broadband for a total consideration of USD 165 million. Sunflower Broadband is a regional cable operator providing triple-play services to approximately 30,000 subscribers in the state of Kansas, United States. A profile of subscribers and revenue is not publicly available.

RCN Corporation

On 26 August 2010, RCN was taken private by ABRY Partners for a total consideration of USD 536 million. RCN is a regional cable operator providing triple-play services in the United States across Washington D.C., Philadelphia, Lehigh Valley (PA), New York City, Boston and Chicago. As at 30 June 2010, RCN serviced 422,000 subscribers with 0.9 million RGUs, of which STV, broadband and telephony services accounted for 40%, 36% and 24% respectively.

Kabel Deutschland GmbH

On 19 March 2010, Kabel Deutschland closed its initial public offering, raising EUR 759 million for 38.3% of its equity capital. Kabel Deutschland is a regional cable operator providing triple-play services and is the largest STV broadcaster in Germany. As at 31 December 2009, it serviced 8.9 million subscribers with 11.9 million RGUs, of which STV, broadband and telephony services accounted for 84%, 8% and 8% respectively.

FOX SPORTS

Share market evidence

The following table provides an analysis of listed companies that are broadly comparable to FOX SPORTS.

Table 26: FOX SPORTS – comparable companies

Company name	Country	Market cap (AUDm)	EBITDA margin LTM	EBITDA margin NTM	EBITDA multiple LTM	EBITDA multiple NTM
Corus Entertainment	Canada	1,902	35.4%	33.8%	8.0	8.2
AMC Networks	United States	2,766	39.3%	36.7%	9.6	10.0
Viacom	United States	24,865	29.5%	30.2%	7.7	7.6
Discovery	United States	19,962	45.4%	46.9%	11.8	10.8
Outdoor Channel	United States	172	18.6%	n/a	8.6	n/a
Crown Media	United States	601	37.6%	n/a	8.3	n/a
Scripps	United States	8,790	50.1%	45.5%	9.6	9.6
Mean			**36.6%**	**38.6%**	**9.1**	**9.2**
Median			**37.6%**	**36.7%**	**8.6**	**9.6**

Source: S&P Capital IQ, KPMG Corporate Finance analysis, as at 4 September 2012

Descriptions for each of the above comparable companies are set out below.

Corus Entertainment Inc.

Corus is one of Canada's largest STV channel providers with channels including the Oprah Winfrey Network, the W Network, Sundance Channel and Movie Central. Corus' niche target is the children sector, with specialty children channels Nickelodeon, YTV and Treehouse TV, and Nelvana, a specialty children's television production company. Corus also owns and operates 37 radio stations that include a network of leading news-talk radio stations in Canada. In FY11, the television division contributed over 76% of Corus' total revenue. Corus was spun off from Shaw Communications in 1999. Its founder (James Shaw) holds a voting majority and also owns Shaw Communications.

AMC Networks Inc.

Spun off from Cablevision Systems Corporation on 30 June 2011, AMC is an entertainment company operating in the United States with numerous media assets including various STV channels (AMC, IFC, WE tv, and the Sundance Channel), the art house movie theatre in New York City (IFC Center), and the independent film company IFC Films. AMC targets family and women viewership, with content based around storytelling feature films, dramatic series, stories from a woman's perspective, independent film and original alternative comedy series. Whilst AMC does supply its channels and programming internationally, over 90% of its revenue is generated within the United States, with its channel networks distributed nationally primarily via cable satellite platforms.

Viacom Inc.

Based in the United States, Viacom provides entertainment content both, domestically and internationally, predominately via STV and feature films. It owns and produces content for the MTV Networks, which operates approximately 160 channels, including MTV, VH1, Logo, Nickelodeon, COMEDY CENTRAL, Spike TV, BET, and CENTRIC. Viacom's feature film division produces, finances, and distributes motion pictures and other entertainment content under a number of different production companies, including Paramount Pictures and Nickelodeon Movies. In FY11, Viacom generated 60% of its revenues and 90% of its EBIT from its STV division.

Discovery Communications Inc.

Discovery Communications operates as a non-fiction media and entertainment company with over 1.8 billion cumulative subscribers across 209 different countries. It focuses on the production and provision of programming on science related topics (ie. Science, exploration, survival and technology) as well as other topical areas including engineering, lifestyles, civilization, and current events. Programming is broadcast across the US via nine owned and operated national television networks (including Discovery Channel, TLC and Animal Planet). It also owns interests in the Oprah Winfrey Network, a pay-television network owned in conjunction with Oprah Winfrey. In FY11, Discovery Communications generated over 50% of its revenue and over 83% of its EBIT from within the United States.

Outdoor Channel Holdings Inc.

Outdoor Channel through its subsidiaries, operates as an entertainment and media company in the United States. Outdoor Channel specialises in producing lifestyle content for outdoor enthusiasts, with its national television network comprising approximately 80% of revenue and all of its profit in FY11. Other activities include the production of sports programming for third parties including horse racing, rodeo, softball, soccer, college sports, hunting and fishing.

Crown Media Holdings Inc.

Crown Media owns, operates, and distributes pay television networks for adults and families primarily in the United States. Crown Media operates and distributes the Hallmark Channel and Hallmark Movie Channel across numerous cable, satellite and other pay television distribution networks to approximately 87 million and 45 million subscribers respectively. Content is tailored to adults and families and includes television series, movies, miniseries, theatricals, romances, literary classics, and contemporary stories.

Scripps Networks Interactive Inc.

Scripps Networks is a leading lifestyle media content company, both in the United States and internationally. Scripps Networks operates a number of STV networks focused on the lifestyle segment, including the Home and Garden Television, Food Network, Travel Channel, DIY Network, Cooking Channel, and Great American Country.

Transaction evidence

The following table provides an analysis of recent transactions whose target companies were broadly comparable to FOX SPORTS.

Table 27: FOX SPORTS – comparable transactions

Close date	Target	Country	% acquired	100% Equity value (AUDm)	EBITDA multiple
23 Sep 2011	Liberty Starz Group	United States	n/a	5,589	12.3
30 Jun 2011	AMC Networks	United States	n/a	2,725	12.7
15 Dec 2009	The Travel Channel	Global	65.0%	264	14.6
10 Jul 2008	Tinopolis	United Kingdom	100.0%	64	7.4
1 Jul 2008	Zodiak Television	Sweden	100.0%	143	15.1
Mean					**11.7**
Median					**12.5**

Source: S&P Capital IQ, KPMG Corporate Finance analysis

Descriptions for each of the above comparable transactions are set out below.

Liberty Starz Group

On 23 September 2011, The Board of Directors of Liberty Media Corporation completed the spin-off of the Liberty Starz Group to existing shareholders. Each Liberty Media Corporation shareholder received an equal number of Liberty Starz Group shares. Liberty Starz provides programming networks comprising of movies and original programming that are distributed in the United States. Its principal STV channel networks include the Starz network (a first-run movie service that includes the Starz channel plus five other multiplex channels) and the Encore network (comprising first-run movies and classic contemporary movies and six additional thematic multiplex channels). As at 31 December 2010, its Starz channels and Encore channels had 18.2 million subscribers and 32.8 million subscribers respectively.

AMC Networks Inc.

On 30 June 2011, Cablevision Systems Corporation completed the spin-off of AMC Networks Inc. (formerly known as Rainbow Media Holdings LLC) to existing shareholders. Each Cablevision shareholder received shares in AMC in proportion to their shareholding in Cablevision at the time of the spin-off. AMC is an entertainment company operating in the United States with numerous media assets including various STV channels (AMC, IFC, WE tv, and the Sundance Channel), the art house movie theatre in New York City (IFC Center), and the independent film company IFC Films. AMC targets family and women viewership, with content based around storytelling feature films, dramatic series, stories from a woman's perspective, independent film and original alternative comedy series.

The Travel Channel L.L.C.

On 15 December 2009, Scripps Networks Interactive Inc. completed the acquisition of a 65% equity stake in The Travel Channel L.L.C. from Cox Communications Inc. for approximately USD 181 million. At the conclusion of the transaction, the Travel Channel had approximately USD 696 million in net debt, implying a total enterprise value of USD 877 million. The Travel Channel is a STV channel network featuring documentaries and "how-to" shows related to travel and leisure, shown both domestically within the United States and internationally.

Zodiak Television AB

On 1 July 2008, Kaidoz AB completed the acquisition of Zodiak Television AB for approximately SEK 1.3 billion in cash. Zodiak develops, produces and sells television programs to STV broadcasters throughout Europe. It also sells the programming rights of the group, and for other television companies, in the international markets. The programming Zodiak produces include fiction/scripted series, children programs, as well as sports, news and documentary programs.

Tinopolis Plc

On 10 July 2008, Vitruvian Partners LLP, through its Vitruvian Partners Fund L.P., completed the acquisition of Tinopolis Plc from a consortium of sellers for approximately GBP 43.0 million. Tinopolis produces a range of programming for broadcasters in the United Kingdom including dramatic and factual television series, sports programs, documentaries and children's programming.

Appendix 5 – Selection of discount rate

Our assessed discount rates for Foxtel and FOX SPORTS for the purposes of our DCF cross-check are outlined in the table below.

Table 28*:* **Discount rate**

	Foxtel		FOX SPORTS	
Inputs	**Low**	**High**	**Low**	**High**
Risk free rate	4.3%	4.3%	4.3%	4.3%
Unlevered beta	0.80	0.90	1.00	1.10
Tax rate	30.0%	30.0%	30.0%	30.0%
Gearing (debt to equity)	25.0%	25.0%	25.0%	25.0%
Relevered beta	0.94	1.06	1.18	1.29
Market risk premium	6.0%	6.0%	6.0%	6.0%
Cost of equity (post-tax)	**9.9%**	**10.6%**	**11.4%**	**12.1%**
Cost of debt (pre-tax)	7.0%	7.5%	7.0%	7.5%
Equity to enterprise value	80.0%	80.0%	80.0%	80.0%
Debt to enterprise value	20.0%	20.0%	20.0%	20.0%
WACC (post-tax)	**8.9%**	**9.6%**	**10.1%**	**10.7%**
Selected WACC	**9.0%**	**10.0%**	**10.0%**	**11.0%**

Source: KPMG Corporate Finance analysis

The discount rate represents an estimate of the weighted average cost of capital (WACC) which is applied to forecast nominal unlevered after-tax cash flows. In relation to the assessed WACC rates outlined above, we note:

- the assessed WACC rates are each attributable to Foxtel and FOX SPORTS as standalone entities
- a degree of subjectivity is involved in estimating some of the inputs outlined above. These limitations mean that any estimate of the WACC must necessarily be regarded as indicative rather than as an absolute measure. Furthermore, because the WACC is a market-determined measure, changes in market conditions over time will affect its calculation
- the individual variables should not be considered in isolation but rather be viewed as components appropriate for the construction of a discount rate applicable to Foxtel and FOX SPORTS as standalone entities. Consideration of these components in isolation may result in an inappropriate discount rate being determined
- our assessment has been completed on a nominal basis, post-tax basis.

The individual variables used in determining the assessed WACC rates are outlined below.

WACC framework

The WACC of a firm is the expected cost of the various classes of its capital (i.e. its equity and debt), weighted by the proportion of each class of capital to the total capital of the firm. The following formula outlines the calculation of an after-tax nominal WACC:

$$\text{WACC} = K_d(1\text{-}t) \times (D/(D+E)) + K_e \times (E/(D+E))$$

where the key inputs are defined as follows:

K_e the after-tax cost of equity, which is the rate of return required by the providers of equity capital

K_d the pre-tax cost of debt, which is the expected long-term future borrowing cost of the relevant business and/or project. The conventional practice for estimating K_d is to estimate an appropriate margin over a benchmark bank lending rate

t the applicable corporate tax rate

D the market value of debt

E the market value of equity.

Given that the capital of the firm is used to finance the assets of the firm, WACC can be viewed as the cost of capital for the assets of the firm. It is an opportunity cost of capital in the sense that it reflects the returns that would have been earned in the market with the relevant capital if it was employed in the next best investment of equivalent risk profile. It represents the minimum weighted average rate of return which is required or expected by the providers of capital as compensation for bearing the risks associated with the relevant investment or business operation.

Each of the components of the WACC formula is discussed further below.

Cost of equity

The modified Capital Asset Pricing Model (CAPM) provides a means of estimating the cost of equity for inclusion in the WACC formula.

The CAPM provides a theoretical basis for determining a discount rate that reflects the risk of an equity investment in a particular business operation or project. In simple terms, the CAPM states that the returns expected by an equity investor reflect the risk of the underlying equity investment, which is typically the sum of the risk-free rate of return plus a market risk premium, which has to be adjusted to reflect the relative risk of the equity investment compared to the market (as measured by the "beta" factor). Under the CAPM, the cost of equity is determined by the following formula:

$$K_e = R_f + \beta \times (MRP) + \alpha$$

where the key inputs are defined as follows:

R_f risk-free rate of return

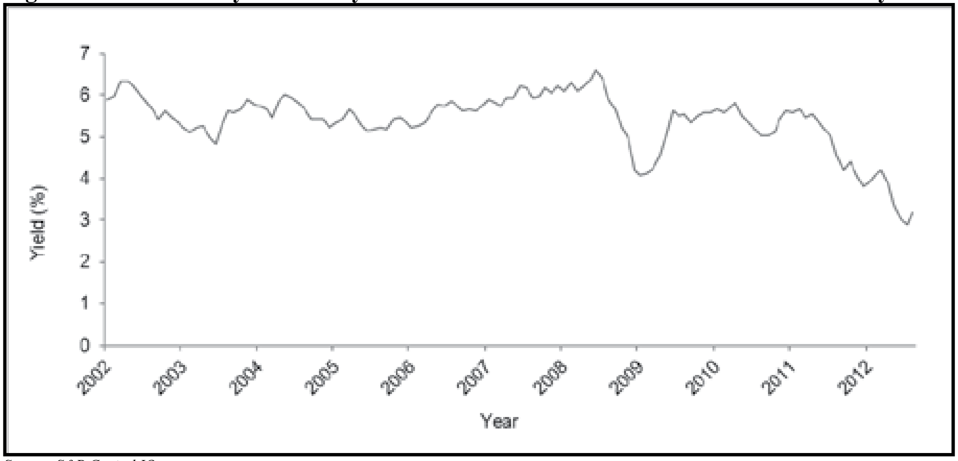
β	beta factor of the business operation or project
MRP	equity market risk premium
α	company/project specific risk premium (alpha).

Risk-free rate

The relevant risk-free rate of return is the return on a risk-free security, typically for a long-term period. In practice, long dated government bonds are accepted as a benchmark for a risk-free security. In Australia, the spot yield to maturity of 10 year Commonwealth Government Bonds has traditionally been accepted as a proxy for the risk-free rate in determining a cost of equity under the CAPM. Further, the market in 10 year Commonwealth Government Bonds is liquid such that, in our view, the current yield on Government bonds represents the best indicator of the risk-free opportunity cost of the assets for the forthcoming 10 year period at any particular point in time.

Set out below is a graph of the historical average monthly yield on 10 year Commonwealth Government Bonds since 1 January 2002.

Figure 15: Historical yield on 10 year Commonwealth Government Bonds – monthly



Source: S&P Capital IQ

Recent market volatility and risk aversion by investors, driven by macro-economic uncertainty, particularly in Europe, has contributed to bond yields trading at historical lows. Further, market evidence indicates that bond yields and the MRP are strongly inversely correlated. In this context, it is important that any assessment of the risk-free rate should be made with respect to the position adopted in deriving the MRP, and there are two relevant options available when undertaking this exercise:

- adopt a historical MRP as a proxy for the expected MRP and adjust the spot risk-free rate to take into account the relationship highlighted above; or

- adopt the spot risk-free rate and adjust the MRP for the perceived additional risks attaching to equity investments implicit from historically low (or high as the case may be) risk-free rates to reflect the current investment environment and the inverse relationship between the two variables.

For the purposes of our analysis, we have adopted the former approach and applied a historical estimate of the MRP and adjusted the risk-free rate accordingly.

Our valuation of FOXTEL and FOX SPORTS has been based on a going concern basis and a life into perpetuity. We have therefore adjusted the risk free rate to reflect the same investment horizon.

In our view it is appropriate to take into account both the current yield on 10 year Commonwealth Government Bonds as well as the longer term expected yield in order to calculate a blended risk-free rate over a time horizon appropriate to the underlying business operations of both Foxtel and FOX SPORTS. In this regard, we note that Oxford Economics estimates the yield on 10 year Commonwealth Government Bonds to approximate 5.1%[12] from 2016 onwards whilst BIS Schrapnel's average long term view between 2022 and 2027 is 4.9%[13].

Adopting the spot risk-free rate of 3.0%[14] for a period of 10 years, followed by 5.0% from year 11 onwards (reflecting the average long term view of Oxford Economics and BIS Schrapnel), results in a blended risk-free rate estimate of 4.3% over the life of the underlying investments.

Market risk premium

The MRP represents the additional return that equity investors require to compensate for holding risk in the form of a well-diversified portfolio of risky assets (such as a market index) over risk-free assets such as Commonwealth Government Bonds.

In terms of finance theory, the MRP is the slope of the security market line. In this context, the required MRP needs to be distinguished from the historical MRP and the expected MRP:

- the required MRP forms part of the CAPM
- the historical MRP is the same for all investors and reflects the historical differential return of the stock market over Commonwealth Government Bonds
- the expected MRP reflects the expected differential return of the stock market over Commonwealth Government Bonds. The CAPM assumes the required MRP equals the expected MRP.

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[12] Sourced from Oxford Economics Country Economic Forecast dated 31 August 2012
[13] Sourced from BIS Shrapnel Long Term Forecasts 2012 – 2027, July 2012
[14] Sourced from S&P Capital IQ on 4 September 2012

Studies which analyse the required MRP often consider the historical MRP on the basis it forms the expectations of investors for the required MRP. In such studies, the historical MRP is considered as both an arithmetic and geometric average. In this regard it has been affirmed that:

- the arithmetic average overstates the differential return
- the geometric average understates the differential return.

The required MRP is used in the CAPM to compute the cost of equity expressed in annual terms. Therefore, the required return over the next year on the market portfolio over and above the risk-free rate is the appropriate figure, that is, the arithmetic average. The geometric average may be appropriate when estimating the aggregate return from a buy and hold strategy as it assumes that returns are reinvested in later periods, but that is not the purpose of the CAPM.

In Australia, research conducted by Professor Robert Officer indicated that the long run average MRP using data over a 105 year period from 1882 to 1987 (inclusive) was in the order of 7.9 % using an arithmetic average.

Recent studies have been completed by Hathaway[15], Hancock[16] and Brailsford[17]:

- Hathaway concluded that the historical arithmetic MRP in Australia in 2005 was in the order of 4.5 %.
- Hancock concluded that "the most likely value of the MRP is in the range of 5% to 6 %, but with significant uncertainty still attached" and that the "central estimates of the 1-year equity premium over the last 30 years are in the 4.5% to 5.0 % range".
- Brailsford concluded that the MRP relative to bonds has averaged 6.2 % over the period 1883 to 2005 and 6.3 % over the period 1958 to 2005 (the period Brailsford considers to be supported by better quality information).

In an update to previous work[18], Officer & Bishop (O&B) concluded that, ignoring the impact of imputation credits, the average historical MRP for the period 1958 – 2008 is 5.7 % and, if measured over the longer period, 1883 – 2008 is 7.1 %. Applying current market data to the methodology Brailsford et al adopted and again ignoring the impact of imputation credits, O&B note that use of the Brailsford summary data leads to an historical MRP for the period 1958 – 2008 of 6.0 % and 5.9 % for the period 1883 – 2008. O&B noted that there is not, as yet, a generally accepted method of adjusting MRP for the underlying changes that occur in the market and were also of the opinion that a long term view of the historical MRP is the best

[15] Hathaway, Neville, "Australian Market Risk Premium", Capital Research Pty Ltd, January 2005.
[16] The South Australian Centre for Economic Studies, "The Market Risk Premium for Australian Regulatory decisions", July 2006
[17] Brailsford, Tim, Handley, John and Maheswaran, Krishnan, "A Re-examination of the Historical Equity Risk Premium in Australia", April 2007
[18] Professor Bob Officer and Dr Steven Bishop "Market Risk Premium – Further Comments", January 2009

guidance for forming a view about the forward-looking MRP. Further, the long-term view should not be substantially influenced by the addition of any single year.

O&B also concluded that in their view, the market return should include a component for imputation tax benefits and, in the event imputation credits are taken into account, market evidence supports an MRP of 7 % if a component for imputation tax benefits with a theta greater than 0.3 is included.

We note that there is no generally accepted method of allowing for dividend imputation. In fact, there remains debate as to the appropriate adjustment or even whether any adjustment is required at all.

In considering O&B's conclusion favouring a higher MRP it is also important to note the context in which the paper was prepared, being:

- in support of submissions by Energy Networks Association, Australian Pipeline Industry Association and Grid Australia to the Australian Energy Regulator, which may have resulted in a positive bias toward concluding for increased rates of return
- in relation to a regulatory CAPM framework that does not allow for any alpha adjustments and where the discount rate determined only applies to specific regulatory time blocs, not for the long term.

After considering the issues outlined above, KPMG Corporate Finance has adopted a MRP of 6.0 %. This figure is within the range of MRPs determined under the various academic studies and is widely accepted as the appropriate long term MRP for Australia by valuation practitioners and regulators, including the ACCC.

Beta factor

The beta factor is a measure of the relative risk of a business operation or project, relative to a well-diversified portfolio of investments. In theory, the only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or market risk. The concept of beta is central to the CAPM given that beta risk is the only risk that is priced into investor required rates of return.

The beta for equity securities can be statistically measured by regressing the returns on an equity market index against the share price returns of the relevant stock. By definition, the market portfolio has an equity beta of 1.0. A beta greater than 1.0 implies that the returns on a stock are, on average, more volatile and hence the stock is more risky than the market, whilst a beta of less than 1.0 implies the reverse.

Betas derived from stock market observations represent equity betas, which reflect the degree of financial gearing of the company. Consequently, it is not possible to compare the equity betas of different companies without having regard to their gearing levels. In theory, a more valid analysis of betas can be obtained by "ungearing" the equity beta, by applying the following formula:

$$\beta_a = \beta_e / [1 + (D/E \times (1-t))]$$

where "D/E" represents the debt to equity ratio of the relevant equity security and "t" is the corporate tax rate. The adjustment involves removing the impact of financial gearing from the equity beta (β_e) to obtain an asset beta (β_a) or unlevered beta. An asset beta is determined for the specific asset under review which is subsequently "relevered" based on the specific asset's gearing profile to determine the equivalent equity beta for the asset.

In estimating an appropriate range of beta factors for Foxtel and FOX SPORTS, we have:

- referred to the set of comparable companies identified for Foxtel and FOX SPORTS under our capitalised earnings valuation approach as discussed in detail in sections 9.3.2.2 and 9.4.2.2 respectively
- calculated the unlevered betas of the comparable companies relative to the investable indices within which they comprise, based on:
  - weekly observations over a two year period to 4 September 2012
  - monthly observations over a five year period to 4 September 2012
  - average gearing ratios calculated over the respective beta observation period for each comparable company
  - exclusion of outliers assessed based on statistical robustness.

A summary of the outcome of our comparable company analysis for Foxtel is set out below.

Table 29: Foxtel – Beta analysis

Company name	Levered Beta 2-year weekly	Levered Beta 5-year monthly	Unlevered Beta 2-year weekly	Unlevered Beta 5-year monthly	Debt to Value 2-year average	Debt to Value 5-year average
Pure-play STV broadcasters						
Sky Network	0.95	1.02	0.83	0.88	17%	19%
Sky Deutschland	1.38	1.00	1.16	0.88	21%	16%
DIRECTV	0.84	0.91	0.70	0.80	25%	18%
Dish Network	1.07	1.26	0.80	0.99	36%	32%
Triple-play STV broadcasters						
BskyB	0.67	0.75	0.63	0.68	8%	12%
Kabel Deutschland	0.54	n/a	0.34	n/a	44%	n/a
Liberty Global	0.99	1.33	0.45	0.68	67%	61%
Telenet	0.77	0.77	0.52	0.50	43%	45%
Virgin Media	0.89	1.42	0.60	0.92	44%	48%
ZON	1.18	1.04	0.68	0.78	49%	31%
Jupiter	0.44	0.64	0.39	0.55	17%	22%
Time Warner	0.94	0.85	0.59	0.51	49%	52%
Charter Comm.	0.79	n/a	0.34	n/a	69%	n/a
Cablevision System	1.04	1.32	0.48	0.68	66%	61%
Shaw Comm.	0.57	0.55	0.43	0.43	32%	28%
Cogeco Cable	0.47	0.62	0.35	0.46	32%	34%
Comcast Corp	1.09	1.04	0.86	0.82	30%	31%

Source: S&P Capital IQ, KPMG Corporate Finance analysis, as at 4 September 2012

Having regard to the betas outlined in the table above and the comparables analysis discussed in section 9.3.2.2 of this report, we have selected an unlevered beta range of 0.8 to 0.9 for Foxtel based on the following considerations:

- Foxtel exhibits characteristics more similar to pure-play than triple-play STV broadcasters given its product range is limited to STV and it relies on third party infrastructure to broadcast its channels. Pure-play STV broadcasters trade in a 2 year unlevered beta range of between 0.70 to 1.16, with a mean and median of 0.87 and 0.82 respectively. 5 year unlevered betas range between 0.80 to 0.99 with a mean and median of 0.89 and 0.88 respectively.
- We consider Sky NZ as the closest comparable company to Foxtel. It trades on a 2 year unlevered beta of 0.83 and a 5 year unlevered beta of 0.88.
- Whilst we observed the betas of triple-play STV broadcasters, we did not consider them to be as relevant on the basis that triple-play STV broadcasters have risks akin to infrastructure operators which typically generate more stable returns. Further, their ability to "bundle" a number of services provides greater scope to diversify their earnings base. The lower earnings volatility of triple-play operators can be evidenced by their lower betas relative to their pure-play peers.

A summary of the outcome of our comparable company analysis for FOX SPORTS is set out below.

Table 30: FOX SPORTS – Beta analysis

	Levered Beta		Unlevered Beta		Debt to Value	
Company name	**2-year weekly**	**5-year monthly**	**2-year weekly**	**5-year monthly**	**5-year average**	**2-year average**
Corus	0.62	0.81	0.50	0.65	25%	26%
AMC Networks	n/a	n/a	n/a	n/a	n/a	n/a
Viacom	1.14	1.14	0.98	0.95	21%	24%
Discovery	0.91	n/a	0.82	n/a	15%	n/a
Outdoor Channel	1.17	1.40	1.17	1.40	0%	0%
Crown Media	1.37	1.42	1.03	0.83	36%	54%
Scripps	1.03	n/a	0.98	n/a	7%	n/a

Source: S&P Capital IQ, KPMG Corporate Finance analysis, as at 4 September 2012

Having regard to the betas outlined in the table above and the comparables analysis discussed in section 9.4.2.2 of this report, we have selected an unlevered beta range of 1.0 to 1.1 for FOX SPORTS based on the following considerations:

- The channel production peer group trades in a 2 year unlevered beta range of between 0.50 to 1.17, with a mean and median of 0.91 and 0.98 respectively. 5 year unlevered betas range between 0.65 to 1.40, with a mean and median of 0.96 and 0.89 respectively. Whilst the beta range is wide and none of the comparable companies are sufficiently similar to provide an appropriate beta point estimate, we consider an appropriate beta for FOX SPORTS should fall in the upper end of the range to reflect its high earnings volatility driven by its restrictive channel supply agreements with Foxtel, lack of content diversification and reliance on securing a few major sports rights.
- FOX SPORTS and Foxtel are strongly correlated and therefore our selected beta range for Foxtel (0.8 – 0.9) provides a relevant reference point for FOX SPORTS provided that adjustments are considered to account for the specific characteristics of FOX SPORTS relative to Foxtel.

  Specifically, FOX SPORTS' cost base is largely fixed in nature (as it relates to the acquisition of sports rights and production costs) whilst Foxtel's cost base is more flexible (as it can adjust its product mix and associated costs in response to the market demand and pricing for STV channels). This makes FOX SPORTS' earnings more volatile as changes in revenue are more likely to flow directly through to earnings, justifying a higher beta on the basis of all else being equal. This risk differential is also evidenced by the generally higher betas of production companies relative to those of STV broadcasters.

Gearing

The selection of an optimal capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately, for each company there is likely to be a debt/equity gearing level that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity gearing assumption should reflect what would be the optimal or target capital structure for the relevant asset.

Optimal (as opposed to actual) capital structures are not readily observable. In practice, the existing capital structures of comparable businesses can be used as a guide to the likely capital structure for a firm, taking into consideration the specific financial circumstances of that firm. In drawing any conclusions from the comparable company information, it is important to note that the observed gearing levels in the market represent current gearing levels which may or may not be representative of optimal, long term gearing levels, particularly in current market conditions where equity values are depressed and the ability to access debt funding is restricted in certain circumstances. Furthermore, the gearing level of a company at a given point in time can reflect recent new issues of debt or equity.

The companies which are regarded as most comparable to Foxtel (ie. pure-play STV broadcasters) had average gearing levels (debt to value) over the last 2 years and 5 years in the order of 25% and 21% respectively. In relation to FOX SPORTS, the channel production peer group had average gearing levels (debt to value) over the last 2 years and 5 years in the order of 17% and 26% respectively. Further, the sensitivity of the WACC as to changes in the gearing assumption is low for both Foxtel and FOX SPORTS, with a change in gearing of 10% leading to a minor change in WACC of 0.1%.

With this in mind, we adopted a debt to value gearing ratio of 20% for both Foxtel and FOX SPORTS.

Company specific risk premium

Under CAPM theory, it is assumed that diversified investors require no additional returns to compensate for specific risks because the net effect of specific risks across a diversified portfolio will, on average, be zero (i.e. portfolio investors can diversify away all specific risk). In reality, many investors will include an additional risk premium to reflect company specific factors such as refinancing risk, size, forecasting risk, illiquidity risk, depth and quality of management, etc which are not otherwise captured in the financial forecasts. Certainly, it is common for companies to set "hurdle rates" for investments above their own estimates of the cost of capital to deal with these issues. It should be recognised that company specific risk adjustments are not able to be observed and are subjective assessments.

The application of a company specific risk premium is largely dependent on the extent to which the forecast cash flows have been risk-adjusted. We have performed our DCF analysis on the basis of risk-adjusting the cash flows and therefore have not applied a company specific risk adjustment to our discount rate.

Cost of debt

In assessing an appropriate cost of debt for Foxtel and FOX SPORTS, we have considered:

- a BBB credit rating for Foxtel and FOX SPORTS to reflect the lowest investment grade level which a hypothetical investor would seek to maintain whilst maximising the use of financial leverage. We note that margins on BBB-rated Australian corporate bonds with tenors between 3 years and 7 years have been in the range of between 2.0% and 3.5% over 10 year Commonwealth Government Bonds over the 3 months prior to 31 August 2012
- the current pricing of Foxtel debt, having regard to the recent state of the debt markets
- the expected cash flow profile of Foxtel and FOX SPORTS during its life cycle
- the likely term of debt being advanced to Foxtel and FOX SPORTS
- our selected gearing levels for Foxtel and FOX SPORTS
- the inclusion and materiality of debt issuance costs.

Based on the factors outlined above, we have adopted a pre-tax cost of debt of between 7.0% and 7.5%.

Corporate tax rate (t)

We have adopted a tax rate of 30% which is the Australian corporate tax rate.

Gamma

Since July 1987, Australia has had a dividend imputation tax system in place, which aims to remove the double taxation effect of dividends paid to investors.

The imputation system of company taxation recognises that the amount of income tax paid by a company may be applied as a credit against the personal or company taxation which dividends attract in the hands of shareholders. For Australian resident shareholders and institutional shareholders, the company tax may be considered to be a withholding tax. Therefore, on the assumption that the ultimate recipients of the dividend streams will redeem the franking credits, the value of the imputation credits associated with the ownership of an interest in them should be considered in any valuation exercise.

Empirical research that has been undertaken in Australia suggests that imputation tax credits are, on average, valued by investors particularly Australian resident individual and super fund taxpayers. However, the extent to which a shareholder could obtain benefits from franked dividends depends largely upon the shareholder's tax status.

A shareholder that is able to utilise every dollar of the tax credits to reduce their tax liability is likely to value such credits at close to 100 % of the face value of the credits. On the contrary, a shareholder who is not able to utilise any of the tax credits may value such credits at nil. Academic studies undertaken in Australia indicate that utilisation ranges from 50% to 81%. On the other hand, a number of studies have considered that the evidence is either insufficient to conclude that an adjustment is appropriate, or that no adjustment is necessary.

The value of imputation tax credits can be taken into account in two ways, either:

- within the measure of cash flows, or
- within the discount rate calculation through the application of a gamma factor.

Whilst there is merit in the proposition that dividend imputation affects value, evidence gathered to date is not conclusive as to the value that the market attributes to franking credits. On this basis, we have not made an adjustment for the value of franking credits in our valuation of CMH.

Appendix 6 – Glossary

Abbreviation	Description
ABC	Australian Broadcasting Corporation
ACCC	Australian Competition & Consumer Commission
AFL	Australian Football League
APESB	Accounting Professional & Ethical Standards Board
ARPU	Average revenue per user
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUSTAR	Austar United Communications Limited
CAGR	Compound average growth rate
Capex	Capital expenditure
CAPM	Capital asset pricing model
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMH	Consolidated Media Holdings Limited
Corporations Act / the Act	Corporations Act 2001 (Cth)
CPH	Consolidated Press Holdings Limited
CPI	Consumer price index
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest and tax
EPL	English Premier League
FNA	Foxtel Networks Australia
FIRB	Foreign Investment Review Board
FOX SPORTS	FOX SPORTS Australia Pty Limited (formerly known as Premier Media Group)
Foxtel	Foxtel Management Pty Ltd
FSV	FOX SPORTS Venues
FTA	Free-to-air television
FYxx	Financial Year xx
GfK	GfK Group
HD	High definition
HFC	Hybrid fibre-coaxial
IER	Independent Expert Report
Illyria	Illyria Pty Ltd
IP	Internet protocol
IPTV	Internet protocol television
ISP	Internet service provider
JobsDB	JobsDB Inc.
JV	Joint Venture
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
LTM	Last twelve months of available financial information

Abbreviation	Description
MRP	Equity market risk premium
n/a	Not available
NBN	National Broadband Network
News	News Corporation
nmf	Not meaningful figure
NPAT	Net profit after tax
NRL	National Rugby League
NTM	Next twelve months (based upon broker forecasts)
Ofcom	Office of Communication (UK)
OTT	Over-the-top
PBL	Publishing and Broadcasting Limited
PMG	Premier Media Group
PVR	Personal video recorder
Quadruple-play	Service provider offering STV, high speed internet, fixed line telephony and mobile services as a packaged bundle
RG	Regulatory Guide
SBS	Special Broadcasting Service
Scheme	Scheme of arrangement in relation to the acquisition of CMH by News
SD	Standard definition
SEEK	Seek Limited
SEEKAsia	Seek Asia Limited
Seven	Seven Group Holdings
Shareholder Meeting	Meeting held in relation to the Scheme
Shareholders	Shareholders of CMH
STV	Subscription television
Telstra	Telstra Media Pty Ltd
Triple-play	Service provider offering STV, high speed internet and fixed line telephony as a packaged bundle
UK	United Kingdom
US	United States
VOD	Video on demand
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
XYZ	XYZnetworks Pty Limited

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 24 September 2012

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Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.
Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
10 Shelley St
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Mr Ian Jedlin
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

Attachment

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Scheme

This scheme of arrangement is made under section 411 of the Corporations Act 2001 (Cth)

BETWEEN:

(1) **Consolidated Media Holdings Limited** ACN 009 071 167 (**"CMH"**); and

(2) **Each Scheme Participant**.

THE PARTIES AGREE AS FOLLOWS:

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document.

"Account Trustee" means CMH as trustee for the Scheme Participants.

"ASIC" means the Australian Securities and Investments Commission.

"ASX" means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

"Business Day" means a day which is not a Saturday, Sunday or public holiday in Sydney, New South Wales.

"CHESS" means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

"CMH Shares" means fully paid ordinary shares in the capital of CMH.

"CMH Shareholder" means a registered holder of CMH Shares.

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Court" means the Federal Court of Australia.

"Deed Poll" means the deed poll dated [*] under which:

(a) News Pay TV covenants in favour of each Scheme Participant to perform its obligations under this Scheme; and

(b) News agrees to procure that News Pay TV performs its obligations under the Deed Poll, including the payment of the Scheme Consideration in accordance with the terms of this Scheme.

"Effective", when used in relation to this Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

"Effective Date" means the date on which this Scheme becomes Effective.

"Implementation Date" means the fifth Business Day after the Scheme Record Date, or such other date (after the Effective Date) as CMH and News may agree in writing.

"News" means News Limited ABN 47 007 871 178.

"News Pay TV" means News Pay TV Financing Pty Limited ACN 157 820 338.

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"Register" means the register of members of CMH.

"Registered Address" means, in relation to a CMH Shareholder, the address of the shareholder shown in the Register.

"Scheme" means the scheme of arrangement under Part 5.1 of the Corporations Act between CMH and the Scheme Participants, set out in this document, subject to any alterations or conditions made or required to be made pursuant to section 411(6) of the Corporations Act.

"Scheme Consideration" means $3.45 cash for each CMH Share held as at the Scheme Record Date.

"Scheme Implementation Deed" means the agreement between News, News Pay TV and CMH dated 7 September 2012 relating to the implementation of this Scheme.

"Scheme Meeting" means the meeting of CMH Shareholders, as ordered by the Court pursuant to section 411(1) of the Corporations Act, to consider this Scheme.

"Scheme Participant" means a person who is a CMH Shareholder as at the Scheme Record Date.

"Scheme Record Date" means 7.00 pm on the fifth Business Day after the Effective Date, or such other date (after the Effective Date) as CMH and News may agree in writing.

"Second Court Date" means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving this Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

"Share Registry" means Computershare Investor Services Pty Limited (ACN 078 279 277), or such other person that provides share registry services to CMH from time to time.

"Share Scheme Transfer" means, for each Scheme Participant, a duly completed and executed proper instrument of transfer of the CMH Shares held by that Scheme Participant for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all CMH Shares.

"Sunset Date" means 21 December 2012 or such later date as may be agreed by CMH and News.

"Trust Account" means the trust account referred to in clause 6.2 to be operated by CMH to hold the Scheme Consideration on trust for the purpose of paying the Scheme Consideration to the Scheme Participants in accordance with this Scheme.

"Unpaid Dividend" means CMH's final dividend of $0.06 per CMH Share in relation to the financial year ended 30 June 2012 announced to the ASX on 21 August 2012.

"Unpaid Dividend Record Date" means 28 September 2012.

1.2 **Rules for interpreting this document**

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

(a) A reference to:

(i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re–enacted or replaced, and includes any subordinate legislation issued under it;

(ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;

(iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;

(iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and

(v) anything (including a right, obligation or concept) includes each part of it.

(b) A singular word includes the plural, and vice versa.

(c) A word which suggests one gender includes the other genders.

(d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.

(e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.

(f) All references to time in this document are references to time in Sydney, New South Wales, Australia.

(g) A reference to **"$"** or **"dollar"** is to Australian currency.

1.3 **Corporations Act**

In this document, unless the contrary intention appears:

(a) a word or expression defined in the Corporations Act (but not defined in this document) has the same meaning when used in this document; and

(b) a word or expression defined in the Corporations Act and also defined in this document has the meaning given to it by the defined term in this document.

2. **BACKGROUND TO SCHEME**

2.1 **CMH**

(a) CMH is:

(i) a public company limited by shares incorporated in Australia;

(ii) registered in Western Australia; and

(iii) admitted to the official list of ASX.

(b) As at the Second Court Date there were 561,834,996 CMH Shares on issue.

2.2 **News Pay TV**

News Pay TV is a company incorporated in Victoria. Neither News Pay TV nor any related body corporate of News Pay TV is the registered holder of any CMH Shares.

2.3 **What happens if Scheme becomes Effective**

To facilitate this Scheme, CMH and News have entered into the Scheme Implementation Deed. If this Scheme becomes Effective then, subject to receipt of the Scheme Consideration from News Pay TV in accordance with the terms of this Scheme and the Deed Poll:

(a) all CMH Shares held by the Scheme Participants will be transferred to News Pay TV and CMH will enter News Pay TV's name in the Register as the holder of all such CMH Shares;

(b) each Scheme Participant will be entitled to receive the Scheme Consideration; and

(c) the Scheme Consideration will be provided to Scheme Participants in accordance with the provisions of this Scheme.

2.4 **Deed Poll**

(a) News Pay TV has executed the Deed Poll under which it covenants to carry out its obligations under this Scheme including to pay (or procure the payment of) the Scheme Consideration in accordance with the terms of this Scheme.

(b) News has executed the Deed Poll under which it agrees to procure that News Pay TV performs its obligations under the Deed Poll including the payment of the Scheme Consideration in accordance with the terms of this Scheme.

3. **CONDITIONS PRECEDENT**

This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:

(a) all the conditions precedent set out in clause 3.1 of the Scheme Implementation Deed (including, without limitation, the Court approving this Scheme pursuant to section 411(4)(b) of the Corporations Act), having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed;

(b) as at 8.00 am on the Second Court Date, that neither the Scheme Implementation Deed nor the Deed Poll has been terminated in accordance with its terms; and

(c) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

4. **SCHEME – SUNSET DATE**

This Scheme will lapse and be of no further effect if:

(a) the Effective Date has not occurred on or before the Sunset Date; or

(b) the Scheme Implementation Deed is terminated in accordance with its terms before the Effective Date.

5. IMPLEMENTATION OF SCHEME

5.1 CMH to lodge orders with ASIC

If the conditions precedent set out in clause 3 of this Scheme (other than the condition precedent in clause 3(c)) are satisfied, CMH must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as practicable after, and in any event by no later than 4.00 pm on the first Business Day following, the date on which the Court approves this Scheme or such later date as determined by the Court.

5.2 Transfer of CMH Shares

On the Implementation Date, but subject to News Pay TV making (or procuring) the payment of the Scheme Consideration for the CMH Shares held by the Scheme Participants in the manner contemplated by clause 6.2, and News Pay TV having provided CMH with written confirmation thereof:

(a) all the CMH Shares held by the Scheme Participants, together with all rights and entitlements attaching to those shares as at the Implementation Date other than the Unpaid Dividend (which for the avoidance of doubt will be paid to the holders of CMH Shares who are registered as such on the Unpaid Dividend Record Date), will be transferred to News Pay TV without the need for any further act by any Scheme Participant (other than acts performed by CMH or its directors and officers as attorney and agent for the Scheme Participants under this Scheme) by:

    (i) CMH delivering to News Pay TV a duly completed Share Scheme Transfer executed on behalf of the Scheme Participants for execution by News Pay TV; and

    (ii) News Pay TV duly executing the Share Scheme Transfer and delivering it to CMH for registration; and

(b) CMH will, as soon as practicable following receipt of the duly executed Share Scheme Transfer from News Pay TV under clause 5.2(a)(ii), enter the name and address of News Pay TV in the Register in respect of the CMH Shares held by Scheme Participants.

5.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer of the CMH Shares by the Scheme Participants to News Pay TV, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their CMH Shares in accordance with clause 6.

6. PROVISION OF SCHEME CONSIDERATION

6.1 Payment of Scheme Consideration

(a) Within five Business Days after the Implementation Date, subject to receipt of the Scheme Consideration from News Pay TV in accordance with the terms of this Scheme (in particular clause 6.2) and the Deed Poll, the Account Trustee as agent for and on behalf of News Pay TV must pay to each Scheme Participant an amount equal to the Scheme Consideration in consideration for each CMH Share transferred to News Pay TV on the Implementation Date by that Scheme Participant in accordance with clause 5.2.

(b) Unless otherwise directed by the Scheme Participant prior to the Scheme Record Date, the amounts referred to in clause 6.1(a) must be paid:

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(i) if the Scheme Participant has a payment direction for an Australian bank account recorded by the Share Registry in relation to dividends that are paid by CMH as at the Scheme Record Date, then the Scheme Participant will be deemed to have authorised the payment of the Scheme Consideration by direct credit to that bank account in accordance with the direction; or

(ii) otherwise, by cheque drawn in Australian currency to the Scheme Participant by pre-paid post to their Registered Address as at the Scheme Record Date.

(c) If there is any surplus in the amount held by the Account Trustee in the Trust Account, that surplus must be paid by the Account Trustee to News Pay TV following the satisfaction of the Account Trustee's obligations under this clause 6.1.

(d) If any amount is required under any Australian law or by any Australian governmental, semi-governmental or judicial entity or authority to be:

(i) withheld from an amount payable under clause 6.1(a) or 6.1(c) and paid to that entity or authority; or

(ii) retained by the Account Trustee out of an amount payable under clause 6.1(a) or 6.1(c),

such payment or retention by the Account Trustee (or the Share Registry) will constitute the full discharge of the Account Trustee's obligations under clauses 6.1(a), 6.1(b) or 6.1(c) with respect to the amount so paid or retained until, in the case of clause 6.1(d)(ii), it is no longer required to be retained.

6.2 **News Pay TV – deposit into Trust Account**

The obligation of News Pay TV to pay the Scheme Consideration under clause 5.2 will be deemed to be satisfied if News Pay TV, before 11am on the Implementation Date, deposits (or procures the deposit) in cleared funds the aggregate Scheme Consideration payable to all Scheme Participants into an account nominated by CMH (the details of which must be notified by CMH to News Pay TV at least five Business Days before the Implementation Date), such amount to be held on trust by CMH (as Account Trustee) for the Scheme Participants (except that any interest on the amount will be for the account of News Pay TV after the deduction of any costs, expenses or applicable taxes) and for the purpose of CMH paying the Scheme Consideration to each Scheme Participant.

6.3 **Unclaimed monies**

(a) CMH or the Account Trustee may cancel a cheque or deposit issued or made under clause 6.1 if:

(i) it is returned to CMH; or

(ii) in the case of a cheque, it has not been presented for payment within six months after the date on which the cheque was sent.

(b) During the period of one year commencing on the Implementation Date, on the request from a Scheme Participant, CMH must reissue a cheque that was previously cancelled under this clause.

(c) In the event that CMH believes that a Scheme Participant is not known at the Scheme Participant’s registered address and no account has been notified for the purposes of clause 6.1(b)(i), or a deposit into such an account is rejected or refunded, CMH may credit the amount payable to the relevant Scheme Participant to a separate bank account of CMH to be held on trust by CMH for the Scheme

Participant until the Scheme Participant claims the amount or the amount is dealt with in accordance with any applicable unclaimed money legislation (except that any interest accruing on the amount will be for the account of News Pay TV after the deduction of any costs, expenses or applicable taxes). An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account. CMH must maintain records of the amount paid, the people who are entitled to the amounts and any transfer of the amounts.

6.4 **Joint holders**

In the case of CMH Shares held by Scheme Participants in joint names, the Scheme Consideration is payable to, and must be paid to, the holder whose name appears first in the Register as at the Scheme Record Date.

7. **DEALINGS IN CMH SHARES**

7.1 **Dealings in CMH Shares by Scheme Participants**

To establish the persons who are Scheme Participants, dealings in CMH Shares will only be recognised if:

(a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant CMH Shares on or by the Scheme Record Date; and

(b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Share Registry on or before 5.00pm on the Scheme Record Date (in which case CMH must register such transfers by the Scheme Record Date),

and CMH will not accept for registration, or recognise for the purpose of establishing who are Scheme Participants, any transmission application or transfer in respect of CMH Shares received after such times on the Scheme Record Date.

7.2 **No disposals after Effective Date**

If this Scheme becomes Effective, a Scheme Participant (and any person claiming through that holder) must not dispose of, or purport to agree to dispose of, any CMH Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

7.3 **CMH to maintain Register to determine entitlements**

In order to determine entitlements to the Scheme Consideration, CMH will maintain, or procure the maintenance of, the Register in accordance with this clause 7 until the Scheme Consideration has been paid to Scheme Participants and News Pay TV has been entered in the Register as the holder of all CMH Shares. The Register in this form will solely determine entitlements to the Scheme Consideration.

7.4 **Holding statements no effect from Scheme Record Date**

From the Scheme Record Date, all holding statements for CMH Shares (other than statements of holding in favour of News Pay TV or any of its related bodies corporate) will cease to have effect as documents of title, and, subject to the provision of the Scheme Consideration by News Pay TV and registration of the transfer to News Pay TV contemplated in clause 5.2, each entry on the Register at the Scheme Record Date (other than entries in respect of News Pay TV or any of its related bodies corporate) will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration.

7.5 **CMH to provide contact information for Scheme Participants**

As soon as practicable after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, CMH will give to News Pay TV or procure that News Pay TV be given details of the name, Registered Address and the number of CMH Shares held by each Scheme Participant, as shown in the Register at the Scheme Record Date, in whatever form News Pay TV reasonably requires.

7.6 **Suspension of trading**

CMH must apply to ASX for suspension of trading of CMH Shares on ASX with effect from the close of trading on the Effective Date.

7.7 **CMH to apply for termination of quotation of CMH Shares**

On a date after the Implementation Date to be determined by News Pay TV, CMH will apply for termination of the official quotation on ASX of CMH Shares and must apply to have itself removed from the official list of ASX.

8. **GENERAL PROVISIONS**

8.1 **Appointment of CMH as agent and attorney**

(a) Each Scheme Participant, without the need for any further act, irrevocably appoints CMH as its agent and attorney for the purpose of:

(i) executing any document or doing any other act necessary, expedient or incidental to give full effect to this Scheme and the transactions contemplated by it, including the Share Scheme Transfer; and

(ii) enforcing the Deed Poll against News Pay TV and News,

and CMH accepts such appointment.

(b) CMH, as agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this clause 8.1 to all or any of its directors and officers (jointly, severally or jointly and severally).

8.2 **Scheme Participants' consent**

Each Scheme Participant irrevocably consents to CMH and News Pay TV doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to give full effect to this Scheme and the transactions contemplated by it.

8.3 **Scheme Participant's agreements**

Under this Scheme, each Scheme Participant agrees to the transfer of their CMH Shares, together with all rights and entitlements attaching to those CMH Shares and agrees to the variation, cancellation or modification of the rights attached to their CMH Shares constituted by or resulting from this Scheme, to News Pay TV, in accordance with the terms of this Scheme.

8.4 **Warranty by Scheme Participants**

Each Scheme Participant is deemed to have warranted to News Pay TV, in its own right and for the benefit of News Pay TV as agent and attorney for the Scheme Participant by virtue of this clause, that:

(a) all of their CMH Shares (including any rights and entitlements attaching to those CMH Shares) will, as at the time of the transfer of them to News Pay TV under this Scheme, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and from any restrictions on transfer of any kind; and

(b) they have full power and capacity to sell and to transfer their CMH Shares (including any rights and entitlements attaching to those shares) to News Pay TV under this Scheme.

8.5 Transfer free of encumbrances

To the extent permitted by law, all CMH Shares held by Scheme Participants (including any rights and entitlements attaching to those shares) which are transferred to News Pay TV under this Scheme will, as at the date of transfer of them to News Pay TV, vest in News Pay TV free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind not referred to in this Scheme.

8.6 Title to CMH Shares

Subject to the provision of the Scheme Consideration for the CMH Shares in the manner contemplated by clauses 5.3 and 6, on and from the Implementation Date and pending registration by CMH of News Pay TV in the Register as holder of all of the CMH Shares, News Pay TV will be beneficially entitled to all of the CMH Shares transferred to it under this Scheme.

8.7 Appointment of News Pay TV as sole proxy

On and from the Implementation Date but subject to News Pay TV satisfying its obligation under clause 6.2, and pending registration by CMH of News Pay TV in the Register as the holder of all of the CMH Shares held by the Scheme Participants, each Scheme Participant:

(a) is deemed to have irrevocably appointed News Pay TV as its attorney and agent (and directed News Pay TV in such capacity) to appoint any director, secretary or agent nominated by News Pay TV as its sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of CMH, exercise the votes attached to the CMH Shares registered in their name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative;

(b) must not attend or vote at any shareholders' meetings of CMH, or sign any resolutions, whether in person, by proxy or by corporate representative, other than in accordance with this clause 8.7;

(c) must take all other actions in the capacity of the registered holder of the CMH Shares as News Pay TV directs; and

(d) acknowledges and agrees that in exercising the powers referred to in this clause 8.7, News Pay TV and any director, officer, secretary or agent nominated by News Pay TV under this clause 8.7 may act in the best interests of News Pay TV as the intended registered holder of the CMH Shares.

8.8 Alteration or conditions to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions, CMH may, by its counsel or solicitors, but subject to the prior written approval of News Pay TV, consent on behalf of all persons concerned, including each Scheme Participant, to those alterations or conditions.

8.9 **Scheme is binding**

This Scheme binds CMH and all Scheme Participants (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against this Scheme) and, to the extent of any inconsistency and, to the extent permitted by law, overrides the constitution of CMH.

8.10 **Enforcement of Deed Poll**

CMH undertakes in favour of each Scheme Participant to enforce the Deed Poll against News Pay TV and News on behalf of and as agent and attorney for the Scheme Participants.

8.11 **Notices**

(a) Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to CMH, it will be deemed to be received on the date (if any) on which it is actually received at CMH's registered office and on no other date.

(b) The accidental omission to give notice of the Scheme Meeting to, or the non-receipt of such notice by, any CMH Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8.12 **Further assurances**

CMH will execute all documents and do all acts and things (on its own behalf and on behalf of each Scheme Participant) as may be necessary or desirable to give full effect to this Scheme and the transactions contemplated by it.

8.13 **Stamp duty**

News Pay TV will pay all stamp duty (including any fines, penalties and interest) payable on the transfer by the Scheme Participants of the CMH Shares to News Pay TV.

8.14 **Governing law**

(a) This document is governed by the law in force in New South Wales, Australia.

(b) Each party submits to the non–exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and waives any right it might have to claim that those courts are an inconvenient forum.

8.15 **No Liability when acting in good faith**

Neither CMH nor News Pay TV nor any director, officer or secretary of any of those companies will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Attachment

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Deed Poll

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Deed Poll

By **News Pay TV Financing Pty Limited** and **News Limited** in favour of each Scheme Participant

[GBE\02 3000 2973]

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THIS DEED is made on 20 September 2012

PARTIES:

News Pay TV Financing Pty Limited (ACN 157 820 338) (**"News Pay TV"**); and

News Limited (ABN 47 007 871 178) (**"News"**)

in favour of each Scheme Participant

RECITALS:

(A) On 7 September 2012, Consolidated Media Holdings Limited (ACN 009 071 167) (**"CMH"**), News and News Pay TV entered into a Scheme Implementation Deed (**"Scheme Implementation Deed"**).

(B) News Pay TV and News are entering into this document for the purpose of covenanting in favour of the Scheme Participants to perform their respective obligations under the Scheme Implementation Deed and the Scheme.

OPERATIVE PROVISIONS:

1. INTERPRETATION

1.1 Definitions

(a) In this document, **"Scheme"** means the proposed scheme of arrangement under Part 5.1 of the Corporations Act between CMH and the Scheme Participants that is contemplated by the Scheme Implementation Deed.

(b) Terms that are not defined in this document and that are defined in the Scheme have the same meaning in this document as given to the term in the Scheme, unless the context makes it clear that a definition is not intended to apply.

(c) Terms that are not defined in either this document or the Scheme but are defined in the Scheme Implementation Deed have the same meaning in this document as given to the term in the Scheme Implementation Deed, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this document

The rules specified in clause 1.2 of the Scheme apply to the interpretation of this document, unless the context makes it clear that a rule is not intended to apply.

2. SCHEME PARTICIPANTS MAY RELY ON THIS DOCUMENT

News Pay TV and News acknowledge that this document may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it.

3. CONDITIONS PRECEDENT AND TERMINATION

3.1 Conditions Precedent

News Pay TV and News' obligations under clause 5 are subject to the Scheme becoming Effective.

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3.2 **Termination**

News Pay TV and News' obligations under this document will automatically terminate and the terms of this document will be of no further force or effect if:

(a) the Scheme Implementation Deed is terminated in accordance with its terms; or

(b) the Scheme does not become Effective by the Sunset Date,

unless CMH, News Pay TV and News otherwise agree in writing.

3.3 **Consequences of Termination**

If this document is terminated under clause 3.2 then, in addition and without prejudice to any other rights, powers or remedies available to it:

(a) News Pay TV and News are released from their respective obligations to further perform this document except those obligations contained in clause 10.2; and

(b) each Scheme Participant retains any rights, powers or remedies it has against News Pay TV and News in respect of any breach which occurred before this document is terminated.

4. **PERFORMANCE OF OBLIGATIONS GENERALLY**

News Pay TV will comply with its obligations under the Scheme subject to and in accordance with the terms of the Scheme.

5. **PAYMENT OF SCHEME CONSIDERATION**

5.1 **Scheme Consideration**

Subject to clause 3, News Pay TV and News undertake in favour of each Scheme Participant that News Pay TV will pay, and News will procure that News Pay TV pays, the aggregate amount of the Scheme Consideration payable to all Scheme Participants in cleared funds into the Trust Account.

5.2 **Manner of Payment**

The obligation of News Pay TV to pay, and of News to procure the payment of, the Scheme Consideration under clause 5.1 will be deemed to be satisfied if News Pay TV, before 11am on the Implementation Date, deposits (or procures the deposit) in cleared funds the aggregate Scheme Consideration payable to all Scheme Participants into an account nominated by CMH (the details of which must be notified by CMH to News Pay TV at least five Business Days before the Implementation Date), such amount to be held on trust by CMH (as Account Trustee) for the Scheme Participants (except that any interest on the amount will be for the account of News Pay TV after the deduction of any costs, expenses or applicable taxes) and for the purpose of Account Trustee paying the Scheme Consideration to each Scheme Participant.

6. **REPRESENTATIONS AND WARRANTIES**

News Pay TV and News each represent and warrant that:

(a) (**status**) it is a company validly existing under the laws of its place of incorporation;

(b) (**power**) it has full legal capacity and power to:

(i) own its property and to carry on its business; and

(ii) enter into this document and to carry out the transactions that this document contemplates;

(c) (**corporate authority**) it has taken all corporate action that is necessary or desirable to authorise its entry into this document and its carrying out the transactions this document contemplates;

(d) (**documents effective**) this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally) subject to any necessary stamping;

(e) (**transactions permitted**) the execution and performance by it of this document and each transaction contemplated by this document did not and will not violate in any respect a provision of:

(i) a law, judgment, ruling, order or decree binding on it; or

(ii) its constitution or other constituent documents;

(f) (**solvency**) as at the date of this document, it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets; and

(g) (**regulatory action**) as at the date of this document and so far as it is aware, no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this document.

7. CONTINUING OBLIGATIONS

This document is irrevocable and, subject to clause 3, remains in full force and effect until:

(a) News Pay TV and News have fully performed their respective obligations under this document; or

(b) the earlier termination of this document under clause 3.2.

8. NOTICES

8.1 How to give a notice

A notice, consent or other communication under this document is only effective if it is:

(a) in writing, signed by or on behalf of the person giving it;

(b) addressed to the person to whom it is to be given; and

(c) either:

(i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address;

(ii) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full.

8.2 **When a notice is given**

A notice, consent or other communication that complies with this clause is regarded as given and received:

(a) if it is delivered or sent by fax:

(i) by 5.00 pm (local time in the place of receipt) on a Business Day – on that day; or

(ii) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day – on the next Business Day;

(b) if it is sent by mail:

(i) within Australia – three Business Days after posting; or

(ii) to or from a place outside Australia – seven Business Days after posting.

8.3 **Address for notices**

A person's mail address and fax number are those set out below, or as the person notifies the sender:

News

Address: 2 Holt Street, Surry Hills, NSW, 2010
Fax number: (02) 9288 3291
Attention: Chief General Counsel (with copy to Company Secretary)

News Pay TV

Address: 2 Holt Street, Surry Hills, NSW, 2010
Fax number: (02) 9288 3291
Attention: Chief General Counsel (with copy to Company Secretary)

9. **AMENDMENT AND ASSIGNMENT**

9.1 **Amendment**

A provision of this document may not be varied unless:

(a) before the Second Court Date, the variation is agreed to in writing by CMH; or

(b) on or after the Second Court Date, the variation is agreed to in writing by CMH and is approved by the Court; and

(c) News Pay TV and News enters into a further deed poll in favour of Scheme Participants giving effect to that amendment.

9.2 **Assignment**

The rights and obligations of News Pay TV, News and each Scheme Participant under this document are personal. They cannot be assigned, encumbered, charged or otherwise dealt with at law or in equity without the prior written consent of News Pay TV and News, and no person shall attempt or purport to do so. Any purported dealing in contravention of this clause 9.2 is invalid.

10. **GENERAL**

10.1 **Governing law**

(a) This document is governed by the law in force in New South Wales, Australia.

(b) News Pay TV and News submit to the non-exclusive jurisdiction of the courts exercising jurisdiction in New South Wales, Australia, and any court that may hear appeals from any of those courts, for any proceedings in connection with this document, and waives any right it might have to claim that those courts are an inconvenient forum.

10.2 **Stamp duty**

News Pay TV will, and News must procure that News Pay TV:

(a) pay all stamp duty (including fines, penalties and interest) on or in connection with this document, the performance of this document and each transaction effected by or made, or any instrument executed, under this document (including the transfer of the CMH Shares to News Pay TV); and

(b) indemnify each Scheme Participant on demand against any liability arising from failure to comply with clause 10.2(a).

10.3 **Waiver of rights**

A right may only be waived in writing, signed by the party giving the waiver, and:

(a) no other conduct of a party (including a failure to exercise, or delay in exercising, the right) operates as a waiver of the right or otherwise prevents the exercise of the right;

(b) a waiver of a right on one or more occasions does not operate as a waiver of that right if it arises again; and

(c) the exercise of a right does not prevent any further exercise of that right or of any other right.

10.4 **Operation of this document**

(a) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.

(b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

10.5 **Further Assurances**

News Pay TV and News will each execute all deeds and other documents and do all acts and things (on its own behalf or on behalf of each Scheme Participant) as may be necessary or desirable to give full effect to this document and the transactions contemplated by it.

10.6 **Cumulative Rights**

The rights, powers and remedies of News Pay TV and News and of each Scheme Participant under this document are cumulative and do not exclude any other rights, powers or remedies provided by law or equity independently of this document.

EXECUTED as a deed poll.

EXECUTED by **News Pay TV Financing Pty Limited**:

Signature of director

STEPHEN RUE

Name

Signature of ~~director~~/secretary

ALASTAIR PAUL SINTON

Name

EXECUTED by **News Limited**:

Signature of director

STEPHEN RUE

Name

Signature of ~~director~~/secretary

ALASTAIR PAUL SINTON

Name

6

222304117

Attachment

4

Notice of Scheme Meeting

Notice of Court Ordered Meeting

CONSOLIDATED MEDIA HOLDINGS LIMITED ACN 009 071 167

Notice is hereby given that, by an order of the Federal Court of Australia made on 24 September 2012 pursuant to section 411(1) of the Corporations Act, a meeting of the holders of ordinary shares in Consolidated Media Holdings Limited ACN 009 071 167 will be held as follows:

Date: Wednesday 31 October 2012

Time: 9.30am (Perth time)

Place: Botanical Four, Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia

The Court has directed that Mr John Alexander or, failing him, Mr Christopher Corrigan, acts as Chair of the Scheme Meeting.

BUSINESS OF THE MEETING – RESOLUTION

To consider and, if thought fit, to pass the following resolution:

"That, pursuant to and in accordance with section 411 of the Corporations Act (Cth), the proposed scheme of arrangement between CMH and the holders of its fully paid ordinary shares, the terms of which are contained and more particularly described in the Booklet of which this Notice of Scheme Meeting forms part, is agreed to (with or without modification as approved by the Federal Court of Australia)."

By order of the Court

Louise Lane
Company Secretary

24 September 2012

EXPLANATORY NOTES

Information on the Scheme is set out in the scheme booklet of which this notice forms part (**Booklet**).

These notes should be read in conjunction with the Booklet and the Notice of Scheme Meeting.

Unless the context requires otherwise, terms used in the Notice of Scheme Meeting and in these notes have the same meaning as set out in the glossary in the Booklet.

Required majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be approved by:

- a majority in number (i.e. more than 50%) of CMH Shareholders present and voting at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of a body corporate, corporate representative); and
- at least 75% of the votes cast on the Scheme Resolution.

Entitlement to vote

The time for determining eligibility to vote at the meeting is 7.00pm (Perth time) on Monday 29 October 2012. Only those CMH Shareholders entered on the CMH Register at that time will be entitled to attend and vote at the Scheme Meeting.

Voting will be conducted by poll.

Voting at the meeting

You may vote in person at the Scheme Meeting or appoint a proxy, attorney or, if you are a body corporate, a corporate representative to attend and vote on your behalf.

a) Voting in person

To vote in person, attend the Scheme Meeting on the date and at the place set out in the Notice of Scheme Meeting.

b) Voting by proxy, attorney or corporate representative

A shareholder entitled to attend and vote is entitled to appoint not more than 2 proxies or 2 attorneys. Unless the appointment provides differently, each proxy, attorney or corporate representative will have the same rights to speak, demand a poll, join in demanding a poll or act generally at the meeting as the shareholder would have had if the shareholder was present.

The appointment of a proxy may specify the proportion or the number of votes that the proxy may exercise. Where a shareholder appoints 2 proxies or attorneys to vote at the Scheme Meeting, if the appointment does not specify the proportion or number of the shareholder's votes each proxy or attorney may exercise, each proxy or attorney may exercise half the shareholder's votes.

However, on a show of hands, neither proxy nor attorney may vote if more than 1 proxy or attorney attend. On a poll, each proxy or attorney may only exercise votes in respect of those shares or voting rights the proxy or attorney represents.

A proxy, attorney or corporate representative may, but need not be, a shareholder.

Individuals attending the Scheme Meeting as corporate representatives must present satisfactory evidence of his or her appointment to attend on the company's behalf, unless evidence of the appointment has previously been lodged with CMH or the CMH Registry. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting, unless previously lodged with CMH or the CMH Registry.

The appointment of a proxy or attorney is not revoked by the appointer attending and taking part in the Scheme Meeting, but if the appointer votes on a resolution, the proxy or attorney is not allowed to vote, and must not vote, as the appointer's proxy or attorney on the resolution.

If a proxy is not directed how to vote on an item of business, the proxy may vote or abstain from voting, as that person thinks fit.

Shareholders who return their proxy form with a direction how to vote but do not nominate the identity of the proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Scheme Meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions.

Completed proxy forms should be sent to the CMH Registry.

c) Jointly held securities

If CMH Shares are jointly held, either one of the joint shareholders is entitled to vote at the Scheme Meeting. If more than one joint shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the CMH Register will be counted.

Lodgement of Proxy Forms

There are a number of ways that the Proxy Forms may be lodged:

Method	Instructions
Mail	Sent to the CMH Registry (using the reply paid envelope included with the Booklet), addressed to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001.
Hand delivery	Delivered during business hours to the CMH Registry at Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford Victoria 3067 or to CMH's registered office C/- Company Secretary, Consolidated Media Holdings Limited, Level 2, 54 Park Street, Sydney NSW 2000.
Fax	Sent to the CMH Registry at **1800 783 447** (within Australia) or **+61 3 9473 2555** (outside Australia).
Online	Lodged at www.investorvote.com.au or, for intermediary online subscribers only (custodians), at www.intermediaryonline.com.

Proxy Forms must be received by the CMH Registry by 9.30am (Perth time) on Monday 29 October 2012. If you have an attorney sign a Proxy Form on your behalf, the original or a certified copy of the power of attorney or other evidence of your attorney's authority must be received by the CMH Registry at the same time as the Proxy Form (unless previously provided to the CMH Registry).

A proxy will be admitted to a Scheme Meeting upon providing evidence of their name and address at the point of entry to the Scheme Meeting.

CMH Shareholders should contact the CMH Registry on **1300 850 505** (within Australia) or **+61 3 9415 4000** (outside Australia) between 9.00am and 5.00pm (Sydney time), Monday to Friday with any queries regarding the number of CMH Shares they hold, how to vote at the Scheme Meeting or how to lodge the Proxy Form.

Conditions

If the Scheme Resolution is approved at the Scheme Meeting by the requisite majorities, the implementation of the Scheme (with or without modification) will be subject to:

- the subsequent approval of the Court under section 411(4)(b) of the Corporations Act; and
- the satisfaction or (if applicable) waiver of all other Scheme Conditions.

How to find the location of the Scheme Meeting

You can use the map below to find the nearest transport routes to the location of the Scheme Meeting – Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia.

By car: Plenty of undercover and monitored parking is available at the venue for a small fee.

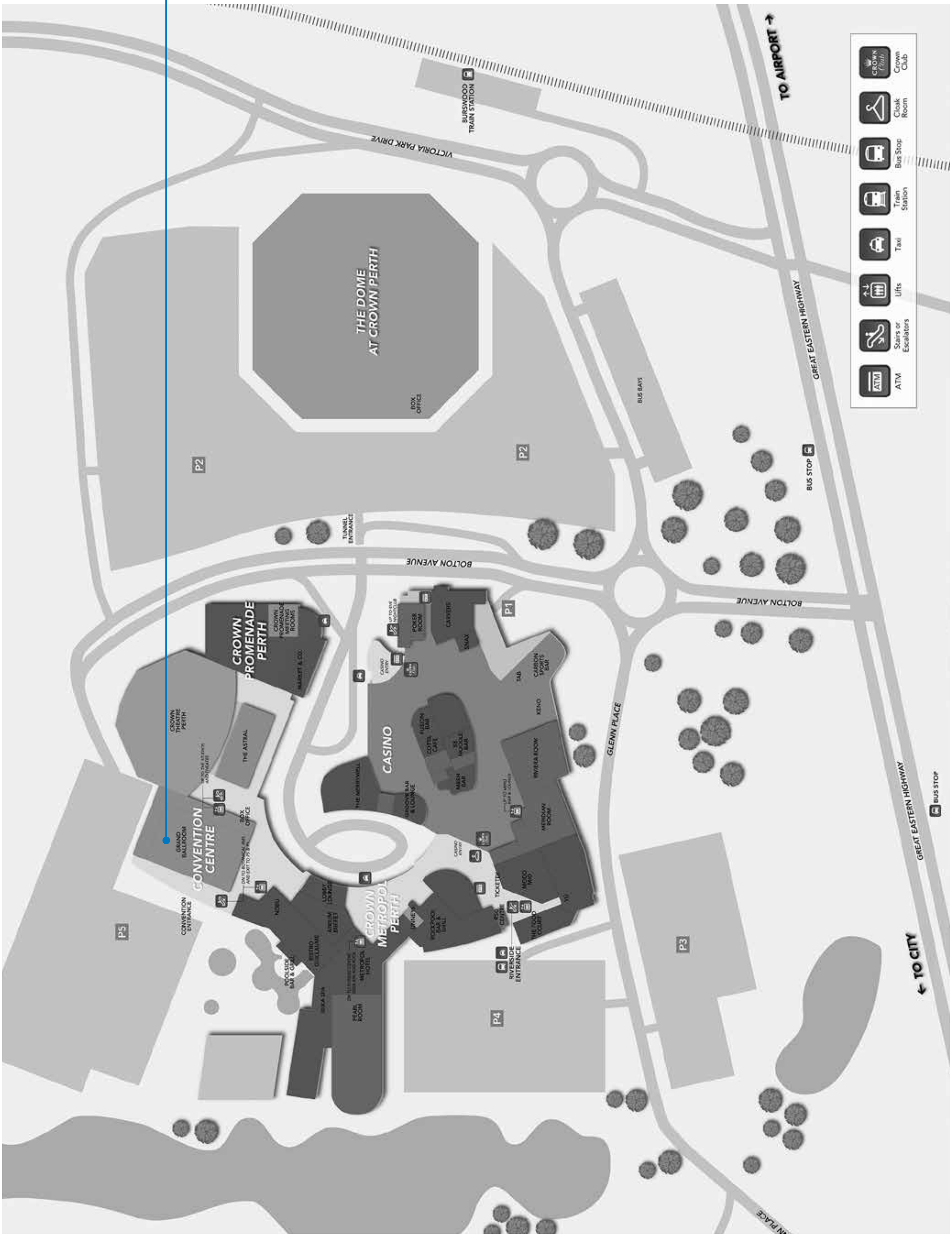
By taxi: Crown Perth is highly frequented by taxi cabs and has a taxi rank at the entrance.

By public transport:

By rail: The Burswood train station is located approximately 70 metres from the east end of The Dome at Crown Perth, and is situated on the Thornlie railway line. A courtesy bus leaves from the station to the main Complex every 15 minutes and runs in both directions. The bus is not suitable for wheelchairs. For full rail services and timetables visit www.transperth.wa.gov.au or call the Transperth infoline on 13 62 13.

By bus: Crown Perth is located close to a crossroads that provides bus services from around the Perth Metro area. For full bus services and timetables visit www.transperth.wa.gov.au or call the Transperth Infoline on 13 62 13.

Location of meeting



Corporate Directory

Directors

John Henry Alexander	Executive Chairman
James Douglas Packer	Non-executive Deputy Chairman
Christopher Darcy Corrigan	Non-executive director
Rowena Danziger	Non-executive director
Geoffrey James Dixon	Non-executive director
Peter Joshua Thomas Gammell	Non-executive director
Ashok Jacob	Non-executive director
Guy Jalland	Non-executive director
Christopher John Mackay	Non-executive director
Ryan Kerry Stokes	Non-executive director

Executives

Trent James Whitney	Chief Financial Officer
Louise Anne Mary Lane	General Counsel / Company Secretary

Registered Office

Level 2, 54 Park Street, Sydney NSW 2000

Telephone	(+612) 9282 8000
Facsimile	(+612) 9282 8828
Email	contact@cmh.com.au
Website	www.cmh.com.au

Financial Advisor

UBS AG, Australia Branch
Level 16, 2 Chifley Square
Sydney NSW 2000

Legal Advisor

Ashurst Australia
Level 36, Grosvenor Place
225 George Street
Sydney NSW 2000

CMH Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001 Australia

Telephone	1300 850 505 (Australia) (+613) 9473 4000 (from overseas)
Facsimile	(+613) 9473 2500
Email	web.queries@computershare.com.au
Website	www.computershare.com

CONSOLIDATED MEDIA HOLDINGS

cmh.com.au

CONSOLIDATED MEDIA HOLDINGS
ABN 52 009 071 167

MR JOHN SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

In Person:
Share Registry: Computershare Investor Services Pty Limited
452 Johnston Street, Abbotsford, VIC 3067
Registered Office: C/- Company Secretary, Consolidated Media Holdings Limited, Level 2, 54 Park Street, Sydney NSW 2000

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form - Scheme Meeting

Vote online or view the scheme booklet, 24 hours a day, 7 days a week:
www.investorvote.com.au

☑ **Cast your proxy vote**
☑ **Access the scheme booklet**
☑ **Review and update your securityholding**

Your secure access information is:

Control Number: 123456

SRN/HIN: I1234567890 **PIN:** 123456

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 9.30am (Perth Time) on Monday 29 October 2012

How to Vote on the Scheme Resolution

All your shares will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking the appropriate box opposite the Scheme Resolution. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on the item your vote will be invalid on the item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of shares you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of shares for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of shares for each in Step 1 overleaf.

A proxy need not be a shareholder of CMH.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the shareholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate shareholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, “Downloadable Forms”.

Comments & Questions: If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form →

155198_01C50A

MR JOHN SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Shareholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 1234567890 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Consolidated Media Holdings Limited (CMH) hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Scheme Meeting of Consolidated Media Holdings Limited to be held at Botanical Four, Crown Perth Convention Centre, Crown Perth, Great Eastern Highway, Perth, Western Australia on Wednesday 31 October 2012 commencing at 9.30am (Perth time) and at any adjournment of that meeting.

STEP 2 Scheme Resolution

PLEASE NOTE: If you mark the **Abstain** box for the Scheme Resolution, you are directing your proxy not to vote on your behalf on the Scheme Resolution and your votes will not be counted in computing the required majority.

	For	Against	Abstain
That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the proposed scheme of arrangement between CMH and the holders of its fully paid ordinary shares, the terms of which are contained and more particularly described in the Booklet of which the Notice of Scheme Meeting forms part, is agreed to (with or without modification as approved by the Federal Court of Australia).	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the Scheme Resolution.

SIGN Signature of Shareholder(s) *This section must be completed.*

Individual or Shareholder 1	Shareholder 2	Shareholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________ Contact Daytime Telephone ______________ Date ___ / ___ / ___

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CMJ 155198A

Computershare +