

PRELIMINARY FINAL REPORT

## ASX LISTING RULE 4.3A APPENDIX 4E

APN News & Media Limited

ABN 95 008 637 643

### PRELIMINARY FINAL REPORT

### FULL YEAR ENDED 31 DECEMBER 2016

Results for announcement to the market

#### As reported

	2016 \$'m	2015 \$'m	Change %
Revenue from continuing operations	298.6	259.0	15%
Revenue from discontinued operations	359.1	591.0	(39%)
Revenue from ordinary activities <sup>(1)</sup>	657.7	850.0	(23%)
Net loss attributable to members of the parent entity	(6.0)	(10.2)	41%

<sup>(1)</sup> The decrease in revenue from ordinary activities on the prior corresponding period is primarily due to the demerger of NZME on 29 June 2016.

Refer to separate market announcement and presentation for further details and commentary on the results for the year.

Dividends	Amount per share	Franked amount per share
Final 2016 dividend	4.0 cents	4.0 cents
Interim 2016 dividend	0.0 cents	0.0 cents

Record date for determining entitlements to the final dividend 31 March 2017

Date dividend payable 26 April 2017

There is no foreign conduit income attributed to the final dividend for the year ended 31 December 2016.

Net tangible assets per share	2016 \$	2015 <sup>^</sup> \$
Net tangible assets per ordinary share	(0.16)	(1.72)
Net asset backing per ordinary share	2.60	2.90

<sup>^</sup> Prior period numbers have been restated to reflect the consolidation of the Company's issued capital on the basis of 1 share for every existing 7 shares.

This report is based on the consolidated financial statements which are in the process of being audited

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## ABOUT THE PRELIMINARY FINAL REPORT

APN News & Media Limited (Company) is a for profit company limited by ordinary shares which are publicly traded on the Australian Securities Exchange (ASX). It was delisted from the NZX Main Board on 21 February 2017. The financial statements are for the consolidated entity consisting of APN News & Media Limited and its subsidiaries (Group).

This preliminary final report as at, and for the year ended, 31 December 2016 was approved by resolution of the Board of Directors on 22 February 2017.

### BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), except for certain disclosure requirements of AASB 124 *Related Party Disclosures*, AASB 2 *Share-based Payment* and Corporations Regulation 2001 2M.3.01 *Disclosures required by notes to consolidated financial statements - annual financial reports*. These disclosures will be incorporated into the financial statements included in the Annual Report.

All new and amended Australian Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period have been adopted. Refer to note 6.5 for further details.

The financial report is presented in Australian dollars which is the Company's functional and presentation currency.

It has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment.

The Company presents reclassified comparative information, where required, for consistency with the current year's presentation.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial Reports/Directors' Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

### KEY JUDGEMENTS AND ESTIMATES

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year can be found in the following notes:

- Note 2.1 Intangible assets;
- Note 4.1 Income tax and deferred tax; and
- Note 5.1 Business combinations.

### SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

During the current financial year, the financial position and performance of the Group were particularly affected by the following events and transactions:

#### Demerger of NZME

On 29 June 2016, the Company completed the demerger of NZME by way of a capital reduction, with an in specie distribution of shares in NZME as consideration. Refer to note 6.1 to the financial statements for further details.

#### Acquisition of Adshel

On 25 October 2016, the Company acquired the remaining 50% of Adshel for \$268.4 million, through acquisition of the remaining interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited. Refer to note 5.1 to the financial statements for further details.

### **Acquisition of Conversant Media**

On 31 October 2016, the Company acquired 100% of Conversant Media for upfront cash of \$11.6 million. Refer to note 5.1 to the financial statements for further details.

### **Divestment of ARM**

On 21 June 2016, the Company announced that it had entered into binding documentation to divest Australian Regional Media (ARM) to a subsidiary of News Corp for \$36.6 million. On 28 December 2016, the Group announced the completion of the ARM sale. Refer to note 6.1 to the financial statements for further details.

### **Equity raisings**

The Company raised equity of \$181.8 million (inclusive of transaction costs of \$3.9 million, net of tax) through an accelerated Renounceable Pro-Rata Entitlement Offer completed in June 2016. Proceeds from the equity raising were used to establish the new capital structures for the Company and NZME on the demerger of NZME.

The Company raised equity of \$273.1 million (inclusive of transaction costs of \$4.6 million, net of tax) through an institutional placement and an accelerated Renounceable Pro-rata Entitlement Offer completed in November 2016. Proceeds from the equity raising were used to fund the acquisition of the remaining 50% interest in the Adshel joint venture.

### **Taxation**

On 23 June 2016, the Company and NZME reached a binding heads of agreement with the New Zealand Inland Revenue Department (IRD) to settle the Mandatory Convertible Note (MCN) transaction, the Branch financing transaction, non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD. Refer to note 4 to the financial statements for further details.

## CONSOLIDATED INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Revenue from continuing operations	1.1	298,603	259,033
Other revenue and income	1.1	231,056	11,461
<b>Total revenue and other income</b>		<b>529,659</b>	<b>270,494</b>
Expenses from continuing operations before finance costs, depreciation and amortisation	1.2	230,032	213,755
Finance costs	1.2	18,419	35,510
Depreciation and amortisation	1.2	8,535	5,047
Share of profits of associates	5.5	9,305	11,899
<b>Profit before income tax</b>		<b>281,978</b>	<b>28,081</b>
Income tax expense	4.1	(30,301)	(13,449)
<b>Profit from continuing operations</b>		<b>251,677</b>	<b>14,632</b>
Loss from discontinued operations	6.1	(251,140)	(19,016)
<b>Profit/(loss) for the year</b>		<b>537</b>	<b>(4,384)</b>
Profit/(loss) for the year is attributable to			
Owners of the parent entity		(6,018)	(10,202)
Non-controlling interests		6,555	5,818
<b>Profit/(loss) for the year</b>		<b>537</b>	<b>(4,384)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share from continuing operations</b>			
Basic earnings per share	1.4	122.6	5.6
Diluted earnings per share	1.4	122.3	5.6
<b>Earnings per share from continuing and discontinued operations</b>			
Basic earnings per share	1.4	(3.0)	(6.5)
Diluted earnings per share	1.4	(3.0)	(6.5)

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
<b>Profit/(loss) for the year</b>		537	(4,384)
<i>Items that may be reclassified to profit or loss</i>			
Net exchange difference on translation of foreign operations	3.7	4,901	1,571
Share of associate's other comprehensive income	3.7	1,223	(1,023)
Change in fair value of hedges	3.7	(350)	(196)
Asset revaluation reserves disposed of on sale	3.7	(1,022)	-
Reclassification of foreign currency translation reserves to profit and loss on demerger	3.7	60,190	-
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of freehold land and buildings	3.7	-	988
Remeasurements on retirement benefit obligations	3.7	-	431
<b>Other comprehensive income, net of tax</b>		64,942	1,771
<b>Total comprehensive income</b>		65,479	(2,613)
<b>Total comprehensive income is attributable to:</b>			
Owners of the parent entity		58,924	(8,431)
Non-controlling interests		6,555	5,818
		65,479	(2,613)
<b>Total comprehensive income attributable to owners of the parent entity arises from:</b>			
Continuing operations		244,583	8,900
Discontinued operations		(185,659)	(17,331)
		58,924	(8,431)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

## CONSOLIDATED BALANCE SHEET

### AS AT 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents	3.2	20,223	21,721
Receivables	2.3	86,400	127,220
Inventories		2,185	6,288
Income tax receivable		1,007	31
Other current assets		13,779	6,796
<b>Total current assets</b>		<b>123,594</b>	<b>162,056</b>
<b>Non-current assets</b>			
Shares in other corporations	5.4	31,527	32,077
Investments accounted for using the equity method	5.5	12,257	53,811
Property, plant and equipment	2.2	93,822	136,777
Intangible assets	2.1	882,848	712,057
Deferred tax assets	4.1	-	37,361
Other non-current assets		840	-
<b>Total non-current assets</b>		<b>1,021,294</b>	<b>972,083</b>
<b>Total assets</b>		<b>1,144,888</b>	<b>1,134,139</b>
<b>Current liabilities</b>			
Payables		88,778	115,861
Interest bearing liabilities	3.1	-	1,177
Current tax liabilities		6,544	1,509
Retirement benefit liability		1,289	-
Provisions	2.4	17,499	25,631
<b>Total current liabilities</b>		<b>114,110</b>	<b>144,178</b>
<b>Non-current liabilities</b>			
Payables		3,411	19,888
Interest bearing liabilities	3.1	161,309	470,236
Derivative liabilities		780	280
Retirement benefit liability		-	1,374
Provisions	2.4	19,580	6,435
Deferred tax liabilities	4.1	9,233	30,223
<b>Total non-current liabilities</b>		<b>194,313</b>	<b>528,436</b>
<b>Total liabilities</b>		<b>308,423</b>	<b>672,614</b>
<b>Net assets</b>		<b>836,465</b>	<b>461,525</b>
<b>Equity</b>			
Contributed equity	3.5	1,528,022	1,222,780
Reserves	3.7	(45,347)	(137,102)
Accumulated losses	3.7	(682,088)	(659,333)
<b>Total parent entity interest</b>		<b>800,587</b>	<b>426,345</b>
Non-controlling interests		35,878	35,180
<b>Total equity</b>		<b>836,465</b>	<b>461,525</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2016**

		2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		753,867	955,190
Payments to suppliers and employees (inclusive of GST)		(678,807)	(812,068)
Dividends received		3,872	3,802
Interest received		359	439
Interest paid		(20,079)	(25,341)
Income taxes paid		(23,313)	(2,909)
<b>Net cash inflows from operating activities</b>	3.2	<b>35,899</b>	<b>119,113</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(12,080)	(33,271)
Payments for software		(2,828)	(9,271)
Payments for other intangible assets		(3,869)	(4,535)
Proceeds from sale of property, plant and equipment		806	2,619
Acquisition of controlled entities		(266,286)	(76,104)
Cash transferred on demerger of NZME		(13,223)	-
Net proceeds from sale of businesses		37,018	-
Net loans repaid by other entities		823	454
Dividend received from associates		1,329	10,000
<b>Net cash outflows from investing activities</b>		<b>(258,310)</b>	<b>(110,108)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		396,554	126,263
Repayments of borrowings		(708,310)	(141,566)
Principal repayment under finance leases		(11,297)	-
Payments for borrowing costs		(138)	(6,006)
Net proceeds from share issues	3.5	442,704	-
Debt transferred to NZME		106,879	-
Net payments to non-controlling interests		(5,726)	(6,030)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>220,666</b>	<b>(27,339)</b>
<b>Change in cash and cash equivalents</b>		<b>(1,745)</b>	<b>(18,334)</b>
Cash and cash equivalents at beginning of the year		21,721	38,980
Effect of exchange rate changes		247	1,075
<b>Cash and cash equivalents at end of the year</b>	<b>3.2</b>	<b>20,223</b>	<b>21,721</b>

The above Consolidated Statement of Cash Flows includes cash flows from continuing and discontinued operations, and should be read in conjunction with the accompanying notes.



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2015		1,222,780	(138,877)	(650,117)	433,786	34,904	468,690
Profit/(loss) for the period		-	-	(10,202)	(10,202)	5,818	(4,384)
Other comprehensive income		-	1,340	431	1,771	-	1,771
Share-based payments expense	3.7	-	990	-	990	-	990
Transfers within equity	3.7	-	(555)	555	-	-	-
Transactions with non-controlling interests		-	-	-	-	(5,542)	(5,542)
<b>Balance at 31 December 2015</b>		<b>1,222,780</b>	<b>(137,102)</b>	<b>(659,333)</b>	<b>426,345</b>	<b>35,180</b>	<b>461,525</b>
Balance at 1 January 2016		1,222,780	(137,102)	(659,333)	426,345	35,180	461,525
Profit/(loss) for the period		-	-	(6,018)	(6,018)	6,555	537
Other comprehensive income		-	64,942	-	64,942	-	64,942
Contributions of equity	3.5	446,372	-	-	446,372	-	446,372
Share-based payments expense	3.7	-	(67)	-	(67)	-	(67)
Transfers within equity	3.7	-	16,737	(16,737)	-	-	-
Demerger of NZME	6.1	(141,130)	-	-	(141,130)	-	(141,130)
Sale of ARM		-	-	-	-	(131)	(131)
Transactions with non-controlling interests	3.7	-	10,143	-	10,143	(5,726)	4,417
<b>Balance at 31 December 2016</b>		<b>1,528,022</b>	<b>(45,347)</b>	<b>(682,088)</b>	<b>800,587</b>	<b>35,878</b>	<b>836,465</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GROUP PERFORMANCE

#### 1.1 REVENUES

	Note	2016 \$'000	2015 \$'000
<b>Revenue and other income</b>			
<b>From continuing operations</b>			
Advertising revenue		283,332	247,163
Services revenue		10,416	11,704
Other revenue		4,855	166
<b>Revenue from continuing operations</b>		<b>298,603</b>	<b>259,033</b>
Dividends received		3,800	3,500
Rent received		337	386
Gains on financial assets held at fair value through profit or loss		3,009	6,568
Gains on disposal of properties and businesses	1.3	419	-
Gain on acquisition of Adshel	5.1	223,086	-
Other		29	568
<b>Other income</b>		<b>230,680</b>	<b>11,022</b>
Interest income		376	439
<b>Finance income</b>		<b>376</b>	<b>439</b>
<b>Total other revenue and income</b>		<b>231,056</b>	<b>11,461</b>
<b>Total revenue and other income</b>		<b>529,659</b>	<b>270,494</b>
<b>From discontinued operations</b>			
Total revenue and other income	6.1	361,044	593,594

#### ACCOUNTING POLICY

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates and taxes paid.

The Group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that the economic benefits will flow to the Group; and
- the criteria for revenue recognition has been satisfied.

**Advertising revenue** is recognised when the advertisement is published or broadcast, when the coupon is sold, or over the period the advertisement is displayed.

**Services revenue** is recognised by reference to the stage of completion of the transaction, when it can be measured reliably. Services revenue includes production and installation of advertising materials.

**Other revenue** includes sponsorship, royalties, sale of street furniture, and cleaning and maintenance revenue.

The IASB has issued IFRS 15 *Revenue from Contracts with Customers*, a new standard for the recognition of revenue, replacing IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 *Construction Contracts*. It applies to annual reporting periods commencing on or after 1 January 2018. The AASB has issued an equivalent standard. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. Multiple performance obligations in a customer contract are required to be identified and a transaction price to be allocated to each performance obligation. The Group is still assessing the potential impact of the new standard on the Group's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GROUP PERFORMANCE

#### 1.2 EXPENSES

	Note	2016 \$'000	2015 \$'000
<b>From continuing operations</b>			
Employee benefits expense		100,817	93,471
Production and distribution expense		19,613	17,585
Selling and marketing expense		45,955	42,517
Rental and occupancy expense		41,422	29,308
Repairs and maintenance costs		2,051	1,498
Travel and entertainment costs		3,744	3,543
Onerous contract and other costs		2,506	13,342
Asset write downs and business closures		-	1,115
Acquisition costs		3,373	1,304
Other expenses		10,551	10,072
<b>Total expenses before finance costs, depreciation and amortisation</b>		<b>230,032</b>	<b>213,755</b>
Interest and finance charges		17,048	30,365
Borrowing costs amortisation		1,371	5,145
<b>Total finance costs</b>		<b>18,419</b>	<b>35,510</b>
Depreciation		7,429	3,790
Amortisation		1,106	1,257
<b>Total depreciation and amortisation</b>		<b>8,535</b>	<b>5,047</b>
<b>Rental expense relating to operating leases</b>			
Property		8,075	6,925
Outdoor site rentals			
Minimum lease payments		30,601	15,415
Contingent rentals		7,672	4,718
Other		275	302
<b>From discontinued operations</b>			
Total expenses	6.1	544,747	606,263

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GROUP PERFORMANCE

#### 1.3 SEGMENT INFORMATION

##### (i) Description of segments

The Group has identified its operating segments based on the internal reports reviewed by the Board of Directors and the senior management team in assessing performance and determining the allocation of resources. There are three reportable segments as follows:

Reportable segment	Principal activities
Australian Radio Network	Metropolitan radio networks (Australia)
Adshel	Street furniture, transit and other outdoor advertising (Australia and New Zealand)
HK Outdoor	Billboard, transit and other outdoor advertising (Hong Kong)

The Directors and senior management team assess the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations which excludes the effects of exceptional items such as gains or losses on disposals of businesses and restructuring related costs.

##### (ii) Results by operating segment

The segment information provided to the Directors and senior management team for the year ended 31 December 2016 is as follows:

2016 \$'000	Australian Radio Network	Adshel <sup>(i)</sup>	HK Outdoor	Unallocated	Total
Revenue from external customers	225,261	45,535	27,127	680	298,603
Share of profits of associates	-	7,517	-	1,788	9,305
Segment result	86,130	19,997	(1,304)	(13,893)	90,930
Segment assets	490,211	606,339	15,021	33,317	1,144,888
Segment liabilities	31,014	70,157	12,348	194,904	308,423
<b>Reconciliation of segment result to profit before income tax from continuing operations</b>					
<b>Segment result</b>					<b>90,930</b>
Depreciation and amortisation					(8,535)
Net finance costs <sup>A</sup>					(18,043)
Gain on acquisition of Adshel <sup>B</sup>					223,086
Gains on disposal of properties and businesses <sup>C</sup>					419
Onerous contract and other costs <sup>D</sup>					(2,506)
Acquisition costs <sup>E</sup>					(3,373)
<b>Profit before income tax from continuing operations</b>					<b>281,978</b>

<sup>(i)</sup> On 25 October 2016, the Company moved to full ownership of Adshel with the Group incorporating assets, liabilities and results from this date. Prior to 25 October 2016, Adshel was accounted for as an associate using the equity method. Refer to note 5.1 for further details.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GROUP PERFORMANCE

#### 1.3 SEGMENT INFORMATION (CONTINUED)

Explanation of statutory adjustments

- A Net finance costs for the Company totalled \$18.0 million for the period ended 31 December 2016 under the Group multi-currency syndicated debt facility. These costs include net finance charges of \$4.2 million (2015: \$11.5 million) for the period prior to the demerger of NZME, relating to borrowings of Wilson & Horton Limited, denominated in New Zealand dollars. Remaining finance costs of \$13.8 million (2015: \$23.6 million) include one off finance charges related to the acquisition of Adshel of \$0.4 million as well as interest charges on Australian dollar and Hong Kong dollar denominated borrowings, unamortised borrowing costs and commitment fees on the total facility.
- B Gain on acquisition refers to the \$222.1 million gain recognised as a result of remeasuring to fair value the existing equity interest held in Adshel Street Furniture Pty Limited before the business combination, as well as other gains of \$1.0 million. Refer to note 5.1 for further details.
- C Relates to the disposal of the Company's 25% interest in Redcoal Pty Ltd.
- D Onerous contract and other costs relate predominantly to an additional provision recognised for the onerous elements of the Buzplay bus advertising contract in Hong Kong. This is in part offset by a \$1.7 million one off benefit from the retrospective application of Australian Communications and Media Authority (ACMA) licence fee reductions recently announced by the Australian Government. Other costs of \$1.5 million reflects adjustments relating to prior years for one of the Group's associates.
- E Acquisition costs are the costs associated with the acquisition of Adshel and Conversant Media. Refer to note 5.1 for further details.

2015 \$'000	Australian Radio Network	Adshel	HK Outdoor	Unallocated	Total
Revenue from external customers	221,082	-	37,951	-	259,033
Share of profits of associates	-	9,395	-	2,504	11,899
Segment result	82,838	9,395	441	(12,691)	79,983
Segment assets	489,752	40,221	16,278	587,888	1,134,139
Segment liabilities	40,539	-	17,780	614,295	672,614
<b>Reconciliation of segment result to profit before income tax from continuing operations</b>					
<b>Segment result</b>					<b>79,983</b>
Depreciation and amortisation					(5,047)
Net finance costs <sup>A</sup>					(35,071)
Gains on financial assets held at fair value through profit or loss <sup>B</sup>					3,977
Onerous contract costs <sup>C</sup>					(13,342)
Asset write downs <sup>D</sup>					(1,115)
Acquisition costs <sup>E</sup>					(1,304)
<b>Profit before income tax from continuing operations</b>					<b>28,081</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GROUP PERFORMANCE

#### 1.3 SEGMENT INFORMATION (CONTINUED)

Explanation of statutory adjustments

- A Net finance costs include \$3.3 million relating to the write off of previously capitalised borrowing costs and one off costs associated with the refinancing of the Group's debt facilities.
- B Gains on financial assets held at fair value through profit or loss refer to gain on the Group's interest in Nova 93.7, an FM radio station in Perth, Western Australia.
- C The onerous contract costs relate to a provision for the onerous elements of the Buzplay bus advertising contract in Hong Kong.
- D The asset write downs include the write off of Hong Kong Outdoor assets following the loss of the bus body advertising contract with effect from 30 June 2015.
- E Acquisition costs are the costs associated with the acquisition of Radio Perth 96FM Pty Limited.

#### ACCOUNTING POLICY

Segment revenues and expenses comprise amounts that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. Corporate overheads, including centralised finance, legal and administrative costs, are not allocated against operating segments but rather are included above as unallocated amounts.

Segment revenues and results exclude transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

#### (iii) Other segment information

The Group is domiciled in Australia and operates predominantly in Australia, New Zealand and Asia. Revenue from external customers in Australia is \$264,623,000 (2015: \$221,082,000), in New Zealand is \$6,853,000 (2015: \$nil) and in Asia is \$27,127,000 (2015: \$37,951,000). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is \$860,540,000 (2015: \$541,545,000) and in other countries is \$160,754,000 (2015: \$430,538,000). Segment assets are allocated to countries based on where the assets are located.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GROUP PERFORMANCE

#### 1.4 EARNINGS PER SHARE

	2016 \$'000	2015 \$'000
<b>(a) Reconciliation of earnings used in calculating earnings per share (EPS)</b>		
Profit from continuing operations attributable to owners of the parent entity	245,165	8,903
Loss from discontinued operations attributable to owners of the parent entity	(251,183)	(19,105)
Loss attributable to owners of the parent entity used in calculating basic/diluted EPS	<b>(6,018)</b>	(10,202)

	Number	Number
<b>(b) Weighted average number of shares</b>		
Weighted average number of shares used as the denominator in calculating basic EPS <sup>(i)</sup>	200,039,379	158,127,258
Adjusted for calculation of diluted EPS		
Unvested rights	405,354	-
Weighted average number of shares used as the denominator in calculating diluted EPS	<b>200,444,733</b>	158,127,258

- (i) Due to the share consolidation in the current period (refer to note 3.5), the number of ordinary shares outstanding during the period ended 31 December 2015 was retrospectively adjusted. Prior to adjustment, the number of ordinary shares outstanding was 1,029,041,356. The weighted average number of ordinary shares disclosed for 2015 has also been adjusted for the bonus element included in the Renounceable Pro-Rate Entitlement Offers (refer to note 3.5).

#### ACCOUNTING POLICY

##### Basic earnings per share

Basic earnings per share is determined by dividing:

- the net profit or loss attributable to owners of the Company; by
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

##### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account:

- the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.1 INTANGIBLE ASSETS

2015 \$'000	Goodwill	Software	Mastheads	Radio licences	Brands	Deferred contract costs	Other intangible assets	Total
Cost	284,321	53,809	1,159,182	448,970	55,327	-	-	2,001,609
Accumulated amortisation and impairment	(193,493)	(42,527)	(1,021,563)	(31,969)	-	-	-	(1,289,552)
<b>Net book amount</b>	<b>90,828</b>	<b>11,282</b>	<b>137,619</b>	<b>417,001</b>	<b>55,327</b>	-	-	<b>712,057</b>
Movements								
Opening net book amount	81,434	10,067	188,547	354,200	56,379	-	-	690,627
Additions	-	9,271	-	-	-	-	-	9,271
Acquisition of controlled entities	10,444	-	2,500	67,305	-	-	-	80,249
Amortisation	-	(7,756)	-	(3,615)	-	-	-	(11,371)
Impairment	-	-	(50,804)	-	-	-	-	(50,804)
Disposals	-	(175)	-	-	-	-	-	(175)
Foreign exchange differences	(1,050)	(125)	(2,624)	(889)	(1,052)	-	-	(5,740)
<b>Closing net book amount</b>	<b>90,828</b>	<b>11,282</b>	<b>137,619</b>	<b>417,001</b>	<b>55,327</b>	-	-	<b>712,057</b>

2016 \$'000	Goodwill	Software	Mastheads	Radio licences	Brands	Deferred contract costs	Other intangible assets <sup>(i)</sup>	Total
Cost	24,610	4,296	-	376,485	19	14,310	481,009	900,729
Accumulated amortisation and impairment	-	(3,958)	-	(2,479)	-	(11,444)	-	(17,881)
<b>Net book amount</b>	<b>24,610</b>	<b>338</b>	-	<b>374,006</b>	<b>19</b>	<b>2,866</b>	<b>481,009</b>	<b>882,848</b>
Movements								
Opening net book amount	90,828	11,282	137,619	417,001	55,327	-	-	712,057
Additions	-	2,828	-	39	1	88	-	2,956
Acquisitions of controlled entities <sup>(i)</sup>	-	375	-	-	8	2,946	481,009	484,338
Disposals	-	(18)	-	-	-	-	-	(18)
Amortisation	-	(2,400)	-	(2,242)	-	(168)	-	(4,810)
Demerger of NZME <sup>(ii)</sup>	(67,799)	(9,945)	(140,782)	(41,709)	(56,589)	-	-	(316,824)
ARM sale <sup>(ii)</sup>	-	(2,035)	-	-	-	-	-	(2,035)
Foreign exchange	1,581	251	3,163	917	1,272	-	-	7,184
<b>Closing net book amount</b>	<b>24,610</b>	<b>338</b>	-	<b>374,006</b>	<b>19</b>	<b>2,866</b>	<b>481,009</b>	<b>882,848</b>

<sup>(i)</sup> This refers to other intangible assets purchased as part of the Adshel and Conversant business combinations. The amounts are provisional as the purchase price accounting is not yet finalised. Refer to note 5.1 for further details.

<sup>(ii)</sup> Refer to note 6.1 for further details.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.1 INTANGIBLE ASSETS (CONTINUED)

##### ACCOUNTING POLICY

Summary of goodwill and other intangible assets

Asset	Useful life	Amortisation method	Internally generated or acquired
Goodwill	Indefinite	No amortisation	Acquired
Software	3-5 years	Straight line basis	Internally generated and acquired
Mastheads (newspapers)	Indefinite	No amortisation	Acquired
Radio licences (commercial) - Australia	Indefinite	No amortisation	Acquired
Radio license (digital) - Australia and New Zealand	11 years	Straight line basis	Acquired
Radio licences (commercial) - New Zealand	Up to 31 March 2031	Straight line basis	Acquired
Brands	Indefinite	No amortisation	Acquired
Deferred contract costs	Contract term	Straight line basis	Internally generated

##### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortised but rather is subject to periodic impairment testing as described below.

##### Software

Costs incurred in developing systems and acquiring software and licences are capitalised to software. Costs capitalised include materials, services, payroll and payroll related costs of employees involved in development. Amortisation is calculated on a straight line basis over the useful life of the asset.

##### Mastheads

Mastheads refer to the titles of the newspapers and magazines produced by the Group. They are accounted for as identifiable assets and are brought to account at cost.

##### Radio Licences - Australia

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The Directors believe the licences have indefinite lives and accordingly, no amortisation has been provided against the carrying amount. The commercial radio licences held by the Group are renewable every five years under the provisions of the Broadcasting Services Act 1992 and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions.

The digital radio licence is accounted for as an identifiable asset and is brought to account at cost. The licence is amortised over term of the contract on a straight line basis.

##### Brands

Brands are accounted for as identifiable assets and are brought to account at cost. The Directors have considered the geographic location, legal, technical and other commercial factors likely to impact the assets' useful lives and consider that they have indefinite lives. Accordingly, no amortisation has been provided against the carrying amount.

##### Deferred contract costs

Costs associated with the acquisition of council contracts are deferred and amortised on a straight line basis from the commencement of obligations under the contracts over the period of their expected benefit, which has been assessed in accordance with the contract length. Costs include legal fees, sign on fees and other costs associated with the contract.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.1 INTANGIBLE ASSETS (CONTINUED)

#### YEAR-END IMPAIRMENT REVIEW

##### KEY JUDGEMENTS AND ESTIMATES

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated below. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell, or value in use calculations. These calculations require the use of assumptions. Refer below for details of these assumptions and the potential impact of changes to these assumptions.

##### Allocation of goodwill and other non-amortising intangible assets to cash generating units (CGUs)

Name of CGU	2016	2016	2015	2015
	Goodwill	Other non-amortising intangibles	Goodwill	Other non-amortising intangibles
	\$'000	\$'000	\$'000	\$'000
Australian Radio	21,499	367,451	21,499	367,451
Outdoor - Hong Kong	3,111	-	3,054	-
Conversant <sup>(i)</sup>	-	8	-	-
NZME Publishing - Metro	-	-	514	137,618
NZME Radio	-	-	45,977	51,168
GrabOne	-	-	19,784	4,150
<b>Total goodwill and other non-amortising intangible assets</b>	<b>24,610</b>	<b>367,459</b>	<b>90,828</b>	<b>560,387</b>

<sup>(i)</sup> The purchase price accounting for the Adshel and Conversant business combinations is not yet finalised. As such, the amounts allocated to the Outdoor - Australia, Outdoor - New Zealand and Conversant CGUs are provisional.

##### (i) Year-end impairment review of CGUs including indefinite life intangible assets

A comprehensive impairment review was conducted at 31 December 2016. The recoverable amount of each CGU that includes goodwill or indefinite life intangible assets was reviewed. The recoverable amounts of the Outdoor - Australia, Outdoor - New Zealand and Conversant CGUs were assessed with reference to the consideration paid for each business on acquisition in October 2016. The recoverable amount of the Australian Radio and Outdoor - Hong Kong CGUs is determined based on value in use calculations, using management budgets and forecasts for a three year period after adjusting for central overheads. Cash flows beyond three years are extrapolated at growth rates not exceeding the long-term average growth rate for the industry in which the CGU operates. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.1 INTANGIBLE ASSETS (CONTINUED)

In calculating value in use, the key assumptions used in each calculation are:

##### Cashflows

Year 1 cash flows	Based on Board approved annual budget
Years 2 & 3 cash flows	Revenue forecasts are prepared based on management's current assessment for each CGU, with consideration given to internal information and relevant external industry data and analysis. In general: <ul style="list-style-type: none"> <li>– Traditional publishing revenues are forecast to decline in line with recent experience and industry trends.</li> <li>– Digital revenues are forecast to grow at rates in line with industry trends and independent forecasts.</li> <li>– Market growth in each Radio CGU is forecast across the cash flow period. Revenue forecasts assume each CGU will secure additional market share or reclaim lost market share through continued investment in content, marketing and operations.</li> <li>– Expenses are forecast on a detailed basis, based on their nature. Variable costs are forecast to move in line with revenue movements. Personnel costs are forecast to move in line with headcount and adjusted for expected inflation. Other costs are forecast based on management expectations, taking into account existing contractual arrangements.</li> </ul>

##### Discount rate and long term growth rate

Name of CGU	2016	2016	2015	2015
	Post-tax discount rate per annum	Long-term growth rate per annum	Post-tax discount rate per annum	Long-term growth rate per annum
Australian Radio	10.5%	2.0%	10.0%	2.0%
Outdoor - Hong Kong	10.5%	2.5%	10.5%	2.5%
NZME Publishing - Metro	-	-	10.5%	0.0%
NZME Radio	-	-	10.5%	2.0%
GrabOne	-	-	10.5%	0.0%
Australian Regional Media	-	-	10.0%	0.0%

#### ACCOUNTING POLICY

##### Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that they may be impaired. Assets that are subject to amortisation are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.2 PROPERTY, PLANT AND EQUIPMENT

2015 \$'000	Freehold land	Buildings	Plant and equipment	Plant and equipment under finance lease	Total
Cost or fair value	2,799	5,287	488,355	-	496,441
Accumulated depreciation and Capital works in progress	-	-	(372,238)	-	(372,238)
	-	-	12,574	-	12,574
<b>Net book amount</b>	<b>2,799</b>	<b>5,287</b>	<b>128,691</b>	<b>-</b>	<b>136,777</b>
Movements					
Opening net book amount	3,262	6,746	123,562	-	133,570
Additions	-	29	33,286	-	33,315
Acquisition of controlled entities	-	-	396	-	396
Disposals	(617)	(2,372)	(3,095)	-	(6,084)
Depreciation	-	(369)	(23,567)	-	(23,936)
Impairment	-	-	(792)	-	(792)
Foreign exchange differences	(54)	(48)	(1,099)	-	(1,201)
Revaluations	208	1,301	-	-	1,509
<b>Closing net book amount</b>	<b>2,799</b>	<b>5,287</b>	<b>128,691</b>	<b>-</b>	<b>136,777</b>

2016 \$'000	Freehold land	Buildings	Plant and equipment	Plant and equipment under finance lease	Total
Cost or fair value	1,083	707	237,908	-	239,698
Accumulated depreciation and Capital works in progress	-	(44)	(159,365)	-	(159,409)
	-	-	13,533	-	13,533
<b>Net book amount</b>	<b>1,083</b>	<b>663</b>	<b>92,076</b>	<b>-</b>	<b>93,822</b>
Movements					
Opening net book amount	2,799	5,287	128,691	-	136,777
Additions	-	397	12,099	-	12,496
Acquisition of controlled entities	-	-	65,135	9,519	74,654
Disposals	(688)	(2)	(114)	-	(804)
Depreciation	-	(114)	(18,333)	(306)	(18,753)
Impairment <sup>(i)</sup>	-	-	(13,000)	-	(13,000)
Revaluations	-	(1,245)	-	-	(1,245)
Demerger of NZME <sup>(ii)</sup>	(1,053)	(132)	(71,440)	-	(72,625)
Sale of ARM <sup>(ii)</sup>	-	(3,561)	(22,339)	-	(25,900)
Transfers and other adjustments	-	-	9,213	(9,213)	-
Foreign exchange differences	25	33	2,164	-	2,222
<b>Closing net book amount</b>	<b>1,083</b>	<b>663</b>	<b>92,076</b>	<b>-</b>	<b>93,822</b>

<sup>(i)</sup> Refers to the write down of ARM non-current assets to fair value less costs to sell. Refer to note 6.1 for further details.

<sup>(ii)</sup> Refer to note 6.1 for further details.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

##### ACCOUNTING POLICY

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### Finance leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

##### Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings 50 years; and
- Plant and equipment 3-25 years.
- Motor vehicles 4-7 years

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

##### Impairment of assets

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to depreciation (amortisation) are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.3 RECEIVABLES

	2016 \$'000	2015 \$'000
Trade receivables	82,410	119,112
Provision for doubtful debts	(989)	(2,896)
	<b>81,421</b>	<b>116,216</b>
Loans to associates	-	240
Other receivables	4,979	10,764
<b>Total receivables</b>	<b>86,400</b>	<b>127,220</b>
Movements in the provision for doubtful debts are as follows:		
Balance at beginning of the year	2,896	2,863
Provision for doubtful debts expense	628	1,521
NZME demerger and ARM sale <sup>(i)</sup>	(1,811)	-
Acquisition of controlled entities	58	-
Receivables written off	(782)	(1,488)
<b>Provision for doubtful debts</b>	<b>989</b>	<b>2,896</b>

<sup>(i)</sup> Refer to note 6.1 for further details.

Refer below for an analysis of the ageing of the Group's trade receivables net of provision for doubtful debts:

	Current \$'000	Past due				Total \$'000
		Less than one month \$'000	One to three months \$'000	Three to six months \$'000	Over six months \$'000	
<b>2015</b>						
Trade receivables	76,890	29,589	7,837	2,161	2,635	119,112
Provision for doubtful debts	(300)	(455)	(501)	(908)	(732)	(2,896)
	<b>76,590</b>	<b>29,134</b>	<b>7,336</b>	<b>1,253</b>	<b>1,903</b>	<b>116,216</b>
<b>2016</b>						
Trade receivables	66,586	11,509	3,410	676	229	82,410
Provision for doubtful debts	-	(247)	(197)	(326)	(219)	(989)
	<b>66,586</b>	<b>11,262</b>	<b>3,213</b>	<b>350</b>	<b>10</b>	<b>81,421</b>

As at 31 December 2016, trade receivables of \$13,299,000 (2015: \$24,227,000) were past due but not impaired.

Based on the credit history of the trade receivables, it is expected that these amounts will be received. All other receivables are not past due and not considered impaired.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer to note 3.3 for credit risk and note 3.4 for fair value information.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.3 RECEIVABLES

##### ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally settled within 30 to 45 days.

A provision for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable. The amount of loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.4 PROVISIONS

	2016 \$'000	2015 \$'000
<b>Current</b>		
Employee benefits	6,404	17,835
Onerous contracts	4,316	7,433
Contingent consideration	-	250
Compliance obligations	6,779	-
Other	-	113
<b>Total current provisions</b>	<b>17,499</b>	<b>25,631</b>
<b>Non-current</b>		
Employee benefits	1,300	1,837
Onerous contracts	-	3,977
Contingent consideration	4,100	-
Compliance obligations	12,590	-
Other	1,590	621
<b>Total non-current provisions</b>	<b>19,580</b>	<b>6,435</b>

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Onerous contracts \$'000	Contingent consideration \$'000	Compliance obligations \$'000	Other \$'000	Total \$'000
2016					
Carrying amount at beginning of	11,410	250	-	734	12,394
Charged to profit or loss					
Additional amounts recognised	3,276	-	-	1,362	4,638
Amounts used	(9,121)	(250)	-	(3)	(9,374)
Acquisition of controlled entities	-	4,100	19,369	480	23,949
Divestment and demerger of subsidiaries and operations	(1,312)	-	-	(990)	(2,302)
Foreign exchange differences	63	-	-	7	70
<b>Carrying amount at end of the year</b>	<b>4,316</b>	<b>4,100</b>	<b>19,369</b>	<b>1,590</b>	<b>29,375</b>

The onerous contracts provision relates primarily to a provision for the onerous elements of the Buzplay bus advertising contract in Hong Kong and onerous rental contracts related to closure of certain commercial printing operations.

The contingent consideration provision comprises the fair value of amounts payable on business combinations should certain pre-determined thresholds be met by the acquired businesses.

The compliance obligations provision refers to the fair value of estimated outflows related to compliance with certain government legislation.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING ASSETS AND LIABILITIES

#### 2.4 PROVISIONS (CONTINUED)

##### ACCOUNTING POLICY

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and long service leave, in respect of employees' services up to the reporting date expected to be settled wholly within 12 months from the reporting date are measured at the amounts expected to be paid when settled.

Liabilities for annual leave and long service leave not expected to be settled wholly within 12 months after the end of the from the reporting date are measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

##### Onerous contracts

The onerous contracts provision represents contracts where the expected economic benefit is lower than the cost for which the Group is currently committed under the terms of the contract. The minimal net obligation under the contract is provided for. The provision is calculated as the net of the estimated revenue and the committed cost discounted to present value.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.1 INTEREST BEARING LIABILITIES

	2016 \$'000	2015 \$'000
Current interest bearing liabilities		
Loan payable	-	1,177
<b>Total current interest bearing liabilities</b>	<b>-</b>	<b>1,177</b>
Non-current interest bearing liabilities		
Bank loans – secured	162,890	476,054
	162,890	476,054
Deduct:		
Borrowing costs	7,401	10,267
Accumulated amortisation	(5,820)	(4,449)
Net borrowing costs	1,581	5,818
<b>Total non-current interest bearing liabilities</b>	<b>161,309</b>	<b>470,236</b>
<b>Net debt</b>		
Current interest bearing liabilities	-	1,177
Non-current interest bearing liabilities	161,309	470,236
Net borrowing costs	1,581	5,818
Cash and cash equivalents	(20,223)	(21,721)
<b>Net debt</b>	<b>142,667</b>	<b>455,510</b>

Following the demerger of NZME, the Company reduced the debt facility limits on its revolving cash advance facility to A\$360,000,000, inclusive of HK\$50,000,000 in limits for the Hong Kong operations. Prior to the demerger, the Company had available an A\$655,000,000 facility, inclusive of HK\$50,000,000. All other key terms of the facility remain unchanged. The facility matures in July 2019. The interest rate for the drawn facility is the applicable bank screen rate plus a credit margin.

A portion of borrowing costs was written off following the reduction in the overall facility limit as part of the demerger of NZME; refer to note 6.1 for further details.

#### (a) Risk exposures

The exposures of borrowings to interest rate changes and the contractual repricing at the balance dates are as follows:

	Six months or less \$'000	Six to 12 months \$'000	One to five years \$'000	Greater than five years \$'000	Total \$'000
2015	376,054	1,177	100,000	-	477,231
2016	62,890	-	100,000	-	162,890

The carrying amounts of borrowing are denominated in the following currencies:	2016 \$'000	2015 \$'000
Australian dollars	158,579	301,000
New Zealand dollars	-	173,931
Hong Kong dollars	4,311	2,300
Interest bearing liabilities	162,890	477,231

For an analysis of the sensitivity of borrowings to interest rate risk, refer to note 3.3.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.1 INTEREST BEARING LIABILITIES (CONTINUED)

##### (b) Capital risk management

The Group is focused on safeguarding its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the Group may:

- adjust the amount of dividends paid to shareholders;
- return capital to shareholders;
- issue new shares; or
- sell assets to reduce debt.

##### (c) Standby arrangements and credit facilities

Entities in the Group have access to:	2016 \$'000	2015 \$'000
Loan facilities <sup>(i)</sup>		
Secured bank loan facilities	360,000	653,850
Amount of facility utilised <sup>(ii)</sup>	(169,058)	(482,851)
<b>Amount of available facility</b>	<b>190,942</b>	<b>170,999</b>
Overdraft facilities		
Secured bank overdraft facilities	-	2,000
Unsecured bank overdraft facilities	1,915	5,745
Amount of credit utilised	-	-
<b>Amount of available credit</b>	<b>1,915</b>	<b>7,745</b>

<sup>(i)</sup> Pertaining to the revolving cash advance facility

<sup>(ii)</sup> Includes bank guarantees drawn

Separate to the Group revolving cash facility, certain entities in the Group have access to a bank guarantee facility of \$23,000,000. As at 31 December 2016 this facility was utilised to the extent of \$18,601,000. Refer to note 6.2 for further details.

#### ACCOUNTING POLICY

Interest bearing liabilities are initially recognised at fair value less attributable transaction costs and subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowing on an effective interest basis.

Costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These costs are netted off against the carrying value of borrowings in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.2 CASH FLOW INFORMATION

Reconciliation of cash		
	2016	2015
	\$'000	\$'000
Cash at end of the year, as shown in the statement of cash flows, comprises:		
Cash at bank and on hand	20,223	21,721
The below reconciliation relates to both continued and discontinued operations.		
Reconciliation of loss for the year to net cash inflows from operating activities:		
<b>Profit/(loss) for the year</b>	<b>537</b>	<b>(4,384)</b>
Depreciation and amortisation	23,563	35,307
Borrowing costs amortisation	1,371	3,554
Share of profits of associates	(9,305)	(11,899)
Foreign exchange gains	2,510	-
Other non-cash items	1,236	(68)
Loss on demerger of NZME	125,690	-
Reclassification of foreign currency translation reserves to the income statement	47,251	-
Share-based payments expense	(67)	990
Gain on sale of businesses	(3,677)	-
Net gain on sale of non-current assets	(104)	(579)
Gains on financial assets held at fair value through profit or loss	(3,009)	(6,568)
Gain on acquisition of Adshel	(223,086)	-
Impairment	-	50,804
Asset write downs and business closures	16,244	6,354
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	10,735	14,051
Inventories	321	1,316
Prepayments	(49)	135
Change in current payable/deferred tax	74,423	16,887
Trade and other payables and employee benefits	(28,685)	13,213
<b>Net cash inflows from operating activities</b>	<b>35,899</b>	<b>119,113</b>

#### ACCOUNTING POLICY

For the purposes of presentation on the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions, net of bank overdrafts.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Financial risk management is carried out by the Group Treasury function under policies approved by the Board of Directors. The policies provide principles for overall risk management, as well as covering specific areas, such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

##### (a) Market risk

###### (i) Cash flow and fair value interest rate risk

Long-term borrowings issued at variable rates expose the Group to cash flow interest rate risk. Long-term borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain a mix of fixed and variable rate borrowings using interest rate swap arrangements where necessary.

Based on the outstanding net floating debt and interest rate swaps as at 31 December 2016, a change in interest rates of +/-1% per annum with all other variables being constant would impact equity and post-tax profit by \$0.3 million lower/higher (2015: \$2.5 million lower/higher). The parent entity has no significant exposure to a change in interest rates.

###### (ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. Individual transactions are assessed and forward exchange contracts are used to hedge the risk where deemed appropriate.

While the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to receivables or payables in currencies that are not their functional currency.

###### (iii) Price risk

The Group is not exposed to significant price risk.

##### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board.

For other customers, the maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. Risk control involves the assessment of the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Credit risk further arises in relation to financial guarantees given to certain parties (refer to note 6.2 for details).

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date, no amount was receivable (Australian dollar equivalents) for the Group from forward exchange contracts (2015: \$nil). The Group undertakes all of its transactions in foreign exchange contracts with financial institutions.

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The tables below analyse the Group's financial liabilities, including interest to maturity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows. For interest rate swaps, the cash flows have been estimated using current interest rates applicable at the reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.3 FINANCIAL RISK MANAGEMENT (CONTINUED)

2015	Less than one year	Between one and two years	Between two and five years	Over five years
	\$'000	\$'000	\$'000	\$'000
Non-derivative financial liabilities				
Trade and other payables <sup>(i)</sup>	96,755	4,000	-	-
Bank loans (including interest to maturity)	24,226	23,000	510,585	-
<b>Total non-derivatives</b>	<b>120,981</b>	<b>27,000</b>	<b>510,585</b>	<b>-</b>
Derivative financial liabilities				
Net settled interest rate swaps	12	16	28	-
<b>Total derivatives</b>	<b>12</b>	<b>16</b>	<b>28</b>	<b>-</b>
Less: interest	(23,061)	(23,016)	(34,559)	-
<b>Total financial liabilities</b>	<b>97,932</b>	<b>4,000</b>	<b>476,054</b>	<b>-</b>

  

2016	Less than one year	Between one and two years	Between two and five years	Over five years
	\$'000	\$'000	\$'000	\$'000
Non-derivative financial liabilities				
Trade and other payables <sup>(i)</sup>	85,342	-	-	-
Bank loans (including interest to maturity)	6,219	6,219	165,991	-
<b>Total non-derivatives</b>	<b>91,561</b>	<b>6,219</b>	<b>165,991</b>	<b>-</b>
Derivative financial liabilities				
Net settled interest rate swaps	554	554	416	-
<b>Total derivatives</b>	<b>554</b>	<b>554</b>	<b>416</b>	<b>-</b>
Less: interest	(6,219)	(6,219)	(3,101)	-
<b>Total financial liabilities</b>	<b>85,896</b>	<b>554</b>	<b>163,306</b>	<b>-</b>

<sup>(i)</sup> The carrying amount of trade and other payables excludes \$3,436,000 (2015: \$19,106,000) of current and \$3,411,000 (2015: \$15,888,000) of non-current amounts as they do not meet the definition of a financial liability under Australian Accounting Standards.

Details of credit standby arrangements and loan facilities are included in note 3.1

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.4 FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- financial assets at fair value through profit or loss;
- derivative financial instruments;
- available-for-sale financial assets;
- land and buildings; and
- investment properties.

##### (a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

##### (i) Recognised fair value measurements

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2015 and 2016:

2015	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Recurring fair value measurements</i>					
<b>Financial assets</b>					
Financial assets at fair value through profit or loss					
Shares in other corporations	5.4	-	-	32,077	32,077
<b>Total financial assets</b>		-	-	32,077	32,077
<b>Non-financial assets</b>					
Freehold land and buildings					
Freehold land	2.2	-	-	2,799	2,799
Buildings	2.2	-	-	5,287	5,287
<b>Total non-financial assets</b>		-	-	8,086	8,086
<i>Recurring fair value measurements</i>					
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss					
Derivative liabilities		-	280	-	280
<b>Total financial liabilities</b>		-	280	-	280



## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.4 FAIR VALUE MEASUREMENTS (CONTINUED)

2016	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Recurring fair value measurements</i>					
<b>Financial assets</b>					
Financial assets at fair value through profit or loss					
Shares in other corporations	5.4	-	-	31,527	31,527
<b>Total financial assets</b>		-	-	31,527	31,527
<b>Non-financial assets</b>					
Freehold land and buildings					
Freehold land	2.2	-	-	1,083	1,083
Buildings	2.2	-	-	663	663
<b>Total non-financial assets</b>		-	-	1,746	1,746
<i>Recurring fair value measurements</i>					
<b>Financial liabilities</b>					
Financial liabilities at fair value through profit or loss					
Derivative liabilities		-	780	-	780
<b>Total financial liabilities</b>		-	780	-	780

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 31 December 2016 (level 3).

The level 3 inputs used by the Group are derived and evaluated as follows.

The fair value of non-current borrowings disclosed in note 3.1 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ended 31 December 2016, the borrowing rates were determined to be between 2.2% and 4.7% per annum, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other corporations disclosed in note 5.4, which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment in note 2.2), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included in level 3.

During the year, a fair value gain of \$3.0 million (2015: \$6.6 million) was recorded in other income for shares in other corporations. There were no other material level 3 fair value movements during the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.5 CONTRIBUTED EQUITY

			2016	2015
			\$'000	\$'000
Issued and paid up share capital			1,528,022	1,222,780
<b>(a) Movements in contributed equity during the financial year</b>				
	2016	2015	2016	2015
	Number of shares	Number of shares	\$'000	\$'000
Balance at beginning of the year	1,029,041,356	1,029,041,356	1,222,780	1,222,780
Issues of ordinary shares - Renounceable Pro-Rata Entitlement Offers <sup>(i)</sup>	343,016,151	-	181,799	-
Share issue costs <sup>(ii)</sup>	-	-	(3,947)	-
Balance, prior to share consolidation	1,372,057,507	1,029,041,356	1,400,632	1,222,780
Share consolidation <sup>(iii)</sup>	(1,176,046,225)	-	-	-
Capital reduction <sup>(iv)</sup>	-	-	(141,130)	-
Issues of ordinary shares - Renounceable Pro-Rata Entitlement Offers <sup>(v)</sup>	111,482,991	-	273,133	-
Share issue costs <sup>(ii)</sup>	-	-	(4,613)	-
Balance at end of the year	307,494,273	1,029,041,356	1,528,022	1,222,780

(i) In June 2016, the Company issued 343,016,151 shares via a fully underwritten accelerated Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this Offer, after issuance costs (gross of related income tax benefit) were \$176.2 million which were used to establish the new capital structures of the Company and NZME.

(ii) Share issue costs are stated net of related income tax benefit.

(iii) The Company undertook a consolidation of share capital through the conversion of every 7 Company shares into 1 Company share on 21 June 2016.

(iv) Reduction in capital on demerger of NZME; refer to note 6.1 for further details.

(v) In October 2016, the Company issued 111,482,991 shares via a fully underwritten institutional placement and accelerated Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this Offer, after issuance costs (gross of related income tax benefit) were \$266.5 million which were used to fund the acquisition of the remaining 50% interest in the Adshel joint venture

#### (b) Ordinary shares

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

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, representative or attorney is entitled to one vote, and upon a poll each share is entitled to one vote.

#### ACCOUNTING POLICY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.6 SHARE-BASED PAYMENTS

Details of the performance rights granted to Key Management Personnel will be set out in the Remuneration Report as part of the Group's Annual Report.

The LTI plan, encompassing 2015 and 2014 financial years, provides for the grant of equity awards in the form of performance rights which may be converted into Company shares at a future date if certain performance targets are met/exceeded, for Executives and other senior employees.

The Total Incentive Plan (TIP), encompassing the 2016 financial year, provides for the grant of rights which will convert to fully paid ordinary shares following the achievement of performance measures in 2016 and satisfaction of the one year service period. To the extent achieved, unvested rights in respect of the 2016 TIP will be granted in 2017.

#### ACCOUNTING POLICY

Share-based compensation benefits are provided to employees via share-based payments or a LTI plan.

The fair value of rights granted under the LTI plan is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the rights.

The fair value at grant date is independently determined using a combination of the Binomial option pricing model and the Monte-Carlo option pricing model which take into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

The fair value of the rights granted is adjusted to reflect the market vesting condition, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the Group revises its estimate of the number of rights that are expected to become exercisable.

The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.7 RESERVES AND ACCUMULATED LOSSES

	2016 \$'000	2015 \$'000
<b>Reserves</b>		
Asset revaluation reserve	786	6,758
Capital profits reserve	-	104
Foreign currency translation reserve	297	(66,108)
Share-based payments reserve	7,399	7,466
Hedging reserve	(546)	(196)
Transactions with non-controlling interests reserve	(53,283)	(85,126)
<b>Total reserves</b>	<b>(45,347)</b>	<b>(137,102)</b>
<b>Asset revaluation reserve</b>		
Balance at beginning of the year	6,758	6,203
Revaluation of freehold land and buildings	-	988
Disposal of reserves on sale of ARM	(1,022)	-
Transfer to foreign currency translation reserve	26	122
Transfers to accumulated losses	(4,976)	(555)
<b>Balance at end of the year</b>	<b>786</b>	<b>6,758</b>
<b>Capital profits reserve</b>		
Balance at beginning of the year	104	104
Transfers to accumulated losses	(104)	-
<b>Balance at end of the year</b>	<b>-</b>	<b>104</b>
<b>Foreign currency translation reserve</b>		
Balance at beginning of the year	(66,108)	(66,430)
Foreign exchange transfers from other reserves and accumulated	91	(226)
Reclassification of foreign currency translation reserves to profit or loss on NZME demerger	60,190	-
Share of associate's foreign exchange reserve	1,223	(1,023)
Net exchange difference on translation of foreign operations	4,901	1,571
<b>Balance at end of the year</b>	<b>297</b>	<b>(66,108)</b>
<b>Share-based payments reserve</b>		
Balance at beginning of the year	7,466	6,476
Share-based payments expense	(67)	990
<b>Balance at end of the year</b>	<b>7,399</b>	<b>7,466</b>
<b>Hedging reserve</b>		
Balance at beginning of the year	(196)	-
Net loss on hedge contracts	(350)	(196)
<b>Balance at end of the year</b>	<b>(546)</b>	<b>(196)</b>
<b>Transactions with non-controlling interests reserve</b>		
Balance at beginning of the year	(85,126)	(85,230)
Disposal of reserves on NZME demerger to accumulated losses	21,700	-
Decrease in purchase consideration for controlled business <sup>(i)</sup>	10,143	-
Transfer to foreign currency translation reserve	-	104
<b>Balance at end of the year</b>	<b>(53,283)</b>	<b>(85,126)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.7 RESERVES AND ACCUMULATED LOSSES (CONTINUED)

<sup>(i)</sup> During the year, the Group made an adjustment on deferred tax impact arising from a prior group restructure. As a result, deferred tax assets increased by \$10,143,000 (refer to note 4) and non-controlling interest reserve increased by \$10,143,000.

#### **Nature and purpose of reserves**

##### **Asset revaluation reserve**

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 2.2. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law. In the event of the sale of an asset, the revaluation surplus is transferred to retained earnings. During the year, a property was sold in New Zealand at Nelson. Accordingly, \$471,000 of revaluation surplus net of tax was transferred to retained earnings. The balance of the other movements relate mainly to the NZME demerger and disposal of ARM.

##### **Foreign currency translation reserve**

Exchange differences arising on translation of any foreign controlled entities are recognised in other comprehensive income and the foreign currency translation reserve, as described in note 6.5.

##### **Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of performance rights issued but not yet vested as described in note 3.6.

##### **Hedging reserve**

The hedging reserve is used to record unrealised gains or losses on cash flow hedging instruments that are recognised in other comprehensive income as described in note 6.5.

##### **Transactions with non-controlling interests reserve**

The non-controlling interest reserve is used to record the differences described in note 5.3 which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.7 RESERVES AND ACCUMULATED LOSSES (CONTINUED)

(c) Accumulated losses

	2016 \$'000	2015 \$'000
Balance at beginning of the year	(659,333)	(650,117)
Loss attributable to owners of the parent entity	(6,018)	(10,202)
Transfer from reserves	(16,737)	555
Remeasurements of retirement benefit obligations	-	431
<b>Balance at end of the year</b>	<b>(682,088)</b>	<b>(659,333)</b>

#### 3.8 DIVIDENDS

	2016 \$'000	2015 \$'000
No final dividend for the year ended 31 December 2015 (2014: nil)	-	-
No interim dividend for the year ended 31 December 2016 (2015: nil)	-	-
<b>Total dividends</b>	<b>-</b>	<b>-</b>

Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and tax refunds due	90,070	35,827
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Dividends not recognised at year end

Since year end, the Directors have declared a fully franked final dividend of 4.0 cents per share. The aggregate amount of the dividend expected to be paid on 26 April 2017 out of retained profits at 31 December 2016, but not recognised as a liability at year end, is:

	12,300	-
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## NOTES TO THE FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

#### 3.9 COMMITMENTS

##### Lease commitments

Commitments for minimum lease payments in relation to operating leases and rental commitments contracted for at the reporting date but not recognised as liabilities, payable:

	2016 \$'000	2015 \$'000
Not later than one year	66,855	46,683
Later than one year but not later than five years	71,743	88,946
Later than five years	18,649	97,455
	<b>157,247</b>	<b>233,084</b>
Representing:		
Cancellable operating leases and rental commitments	29	2,451
Non-cancellable operating leases and rental commitments	157,218	230,633
	<b>157,247</b>	<b>233,084</b>
<b>Capital expenditure contracted for at balance date but not recognised as liabilities</b>	<b>7,667</b>	<b>707</b>

#### ACCOUNTING POLICY

Finance leases are leases of property, plant and equipment where the Group, as lessee, has substantially all the risk and rewards of ownership. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding liability is also established and each lease payment is allocated between the liability and finance charges. The interest element is charged to the income statement over the period of the lease. Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the Group will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over the shorter of the estimated useful life or the lease term.

Operating leases are other leases under which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments, are charged to the income statement on a straight line basis over the period of the lease.

The IASB has issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. It applies to annual reporting periods commencing on or after 1 January 2019. The AASB has issued an equivalent standard, AASB 16 *Leases*. The new standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. While the Group has yet to fully assess the impact of the new standard on the financial statements when applied to future periods, it is expected that it will materially affect the record of assets and liabilities for Adshel as it has significant operating lease commitments. Under AASB 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. The ongoing income statement classification of what is currently predominately rental and occupancy expense will be split between depreciation and interest expense.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. TAXATION

#### 4.1 INCOME TAX AND DEFERRED TAX

a) Income tax

	2016 \$'000	2015 \$'000
Current tax expense	69,714	10,419
Deferred tax expense	30,883	9,799
Adjustment for current tax of prior periods	(2,859)	(422)
<b>Income tax expense</b>	<b>97,738</b>	<b>19,796</b>
Income tax is attributable to:		
Profit from continuing operations	30,301	13,449
Loss from discontinued operations	67,437	6,347
<b>Total income tax expense</b>	<b>97,738</b>	<b>19,796</b>
Income tax expense differs from the prima facie tax as follows:		
Profit before income tax expense	98,275	15,412
Prima facie income tax at 30%	29,483	4,624
Difference in international tax treatments and rates	(1,958)	(5,178)
Gain on acquisition of Adshel	(66,926)	-
Non-deductible impairment charge	3,900	15,241
Non-deductible interest	-	3,000
(Carried forward losses booked)/non-deductible losses	-	(20)
Loss on demerger of NZME	37,707	-
Reclassification of foreign currency translation reserves to the income statement	14,175	-
Tax losses written off/not recognised	57,974	4,188
Foreign exchange gains	-	(17)
Adjustment for current tax of prior periods	(2,859)	(422)
IRD settlement <sup>(i)</sup>	31,306	-
Deferred tax written off on discontinued operations	(6,835)	-
Other	1,771	(1,620)
<b>Income tax expense</b>	<b>97,738</b>	<b>19,796</b>

(i) Full settlement payment to IRD, shared between the Company and NZME on a near equal basis. Refer overleaf for details.



## NOTES TO THE FINANCIAL STATEMENTS

### 4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

#### KEY JUDGEMENTS AND ESTIMATES

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Judgement is required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings and whether the unused tax losses resulted from identified causes which are unlikely to recur.

On 23 June 2016, the Company and NZME reached a binding heads of agreement with the IRD to settle the MCN transaction, the Branch financing transaction non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD. The settlement closed off all current areas of audit and dispute between the IRD, the Company and NZME. The settlement payment was made during the period and was for the total cash sum of NZ\$33.9 million, with the cost shared between the Company and NZME on a near equal basis. The settlement utilised the NZ\$56 million of previously capitalised tax losses.

#### **New Zealand Branch matter**

As previously disclosed on 25 October 2016, the Australian Tax Office (ATO) is auditing the licensing of New Zealand mastheads by a New Zealand Branch of an Australian Group entity. On 15 September 2016, the ATO issued an Audit Position Paper setting out its initial views on the matter. The ATO has indicated that it would challenge the Group's treatment of the royalty income received by the New Zealand Branch in respect of the mastheads as being non-assessable non-exempt income for Australian tax purposes. The Position Paper provides a number of alternative grounds on which the ATO bases its position.

For the financial years ended 31 December 2009 to 31 December 2015 inclusive, the amount of tax in dispute is approximately A\$99 million. Interest would also apply on any tax assessed. The ATO may also seek to impose penalties in respect of the taxes in dispute.

The Group is satisfied that its treatment of this matter is consistent with relevant taxation legislation. If however the ATO is ultimately successful, the requirement to pay the relevant tax, interest and penalties may have a material adverse effect on the operating and financial performance of the Group.

#### **Other matters**

The ATO is also auditing other matters within the Group covering the financial years ended 31 December 2010 to 31 December 2013 inclusive. As at the date of this report, there is no certainty as to whether any proposed adjustments or disputes will be raised by the ATO as a result of this audit.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

#### b) Deferred tax assets and liabilities

2015	Balance 1 Jan 15	Recognised in profit or loss	Recognised in equity	Other movements	Balance 31 Dec 15
	\$'000	\$'000	\$'000	\$'000	\$'000
Tax losses	72,844	(9,789)	(1,166)	-	61,889
Employee benefits	5,008	187	-	-	5,195
Doubtful debts	760	65	-	-	825
Accruals/restructuring	5,822	(2,763)	-	-	3,059
Intangible assets	(37,063)	(422)	271	-	(37,214)
Depreciation	(6,133)	1,606	620	-	(3,907)
Other	(24,026)	1,317	-	-	(22,709)
	17,212	(9,799)	(275)	-	7,138

  

2016	Balance 1 Jan 16	Recognised in profit or loss	Recognised in equity	Other movements	Balance 31 Dec 16
	\$'000	\$'000	\$'000	\$'000	\$'000
Tax losses	61,889	(55,119)	(854)	(5,916)	-
Employee benefits	5,195	(3,393)	-	487	2,289
Doubtful debts	825	(606)	-	18	237
Accruals/restructuring	3,059	1,472	-	7,357	11,888
Intangible assets	(37,214)	12,443	9,599 <sup>(i)</sup>	(878)	(16,050)
Depreciation	(3,907)	2,064	721 <sup>(i)</sup>	(1,625)	(2,747)
Other	(22,709)	12,256	3,669	1,934	(4,850)
	7,138	(30,883)	13,135	1,377	(9,233) <sup>(ii)</sup>

<sup>(i)</sup> Of these amounts, \$10,143,000 refers to an adjustment on deferred tax impact recorded from a prior Group restructure. Refer to note 3.7 for details.

<sup>(ii)</sup> The amount is provisional as the purchase price accounting for business combinations is not yet finalised.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

#### ACCOUNTING POLICY

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and also adjusted for unused tax losses utilised in the year.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those enacted tax rates applicable to each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Temporary differences in relation to indefinite life intangible assets are determined with reference to their respective capital gains tax bases in respect of assets for which capital gains tax will apply.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are also recognised in other comprehensive income.

The Company and its wholly-owned Australian controlled entities are part of a tax-consolidated group under Australian taxation law. APN News & Media Limited is the head entity in the tax-consolidated group. Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, APN News & Media Limited and each of the entities in the tax-consolidated group have agreed to pay (or receive) a tax equivalent payment to (or from) the head entity, based on the current tax liability or current tax asset of the entity. Each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.1 BUSINESS COMBINATIONS

##### Material acquisitions

The Group gained control over the following entities during the year:

Entity or business acquired	Principal activity	Date of acquisition	Ownership interest
Adshel <sup>(i)</sup>	Street furniture, transit and other outdoor advertising	25 Oct 16	100%
Conversant Media <sup>(ii)</sup>	Online publishing	31 Oct 16	100%

<sup>(i)</sup> Adshel Street Furniture Pty Limited, Adshel New Zealand Limited and Australian Outdoor Pty Limited.

<sup>(ii)</sup> Conversant Media Pty Ltd and The Roar Sports Media Pty Ltd.

The provisionally determined fair values of the identifiable assets and liabilities acquired are detailed below. Balances are provisional as purchase price accounting has not yet been finalised. The Group has one year from the acquisition date to obtain the information necessary to identify and measure all of the various components of the business combination as of the acquisition date.

	Adshel 2016 \$'000	Conversant Media 2016 \$'000
Purchase consideration:		
Cash paid (inclusive of working capital adjustments)	269,986	11,801
Acquisition-date equity interest held, prior to fair value uplift	47,931	
Acquisition-date fair value uplift	222,055	-
Contingent consideration	-	4,100
Fair value at acquisition	539,972	15,901
The assets and liabilities recognised as a result of the acquisition:		
Cash and cash equivalents	14,573	928
Receivables	44,802	1,043
Inventories	2,222	-
Other assets	11,778	64
Property, plant and equipment	74,630	24
Intangible assets <sup>(i)</sup>	469,394	14,944
Deferred tax liabilities	10,954	39
Payables	(53,222)	(720)
Interest bearing liabilities	(11,297)	-
Provisions	(20,243)	(34)
Other liabilities	(1)	(387)
Deferred tax liabilities	(3,618)	-
Value of net identifiable assets	539,972	15,901
Net outflow of cash - investing activities <sup>(ii)</sup>	255,413	10,873

<sup>(i)</sup> Provisional

<sup>(ii)</sup> Cash paid less cash acquired

##### Adshel

On 25 October 2016, the Company moved to full ownership of Adshel Street Furniture Pty Limited and Adshel New Zealand Limited, through acquisition of the remaining interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited. The purchase consideration was the purchase price of \$268,400,000 plus working capital adjustments.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.1 BUSINESS COMBINATIONS (CONTINUED)

The amount of gain recognised as a result of remeasuring to fair value the existing equity interest held before the business combination was \$222,055,237 (refer to note 1.3). This amount is net of the Group's share of the cost in establishing the compliance obligation provision. Other gains of \$1,031,000 were recorded and related to the acquisition of Adshel.

Goodwill recognised includes future growth opportunities in the Outdoor industry and synergies to the Group. This goodwill will not be tax deductible. Acquisition costs of \$2,869,000 are included in the income statement.

The acquired business contributed revenue of \$45,535,000 and a net profit after tax of \$13,922,000, which includes share of profits of associate of \$7,517,000, to the Group for the period to 31 December 2016.

If the acquisition had occurred on 1 January 2016, consolidated revenue and profit for the year ended 31 December 2016 would have been \$205,777,000 and \$21,826,000 respectively. These amounts have been calculated using the Group's accounting policies and by excluding one off costs.

#### **Conversant Media**

On 31 October 2016, the Company acquired 100% of Conversant Media Pty Ltd and The Roar Sports Media Pty Ltd, collectively 'Conversant Media'. The upfront purchase consideration was the initial purchase price of \$11,600,000 plus working capital adjustments.

In the event that certain predetermined earnings thresholds are achieved in respect of years 2017 and 2019 by Conversant Media, contingent consideration up to a maximum of \$8,000,000 may be payable in cash and Company shares. The amount provided in the acquisition accounting of \$4,100,000 reflects the fair value at acquisition date. The fair value is based on a number of assumptions, including forecast industry growth and historical earnings profiles of the company.

Goodwill recognised includes future growth opportunities in the Digital advertising industry and synergies to the APN Group. This goodwill will not be tax deductible. Acquisition costs of \$504,000 are included in the income statement.

The acquired business contributed revenue of \$680,000 and a net profit after tax of \$118,000 to the Group for the period to 31 December 2016.

If the acquisition had occurred on 1 January 2016, consolidated revenue and profit for the year ended 31 December 2016 would have been \$4,359,000 and \$567,000 respectively. These amounts have been calculated using the Group's accounting policies.

#### **ACCOUNTING POLICY**

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value through profit or loss. Acquisition costs are expensed as incurred.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the Group's share of the net identifiable assets acquired is recorded as goodwill.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.2 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in this note.

#### Continuing operations

Name of entity	Country of incorporation/ establishment	Equity holding	
		2016 %	2015 %
Actraint No. 116 Pty. Limited <sup>1</sup>	Australia	100	100
Adshel New Zealand Limited <sup>6</sup>	New Zealand	100	-
Adshel Street Furniture Pty Limited <sup>1,2,6</sup>	Australia	100	-
Airplay Media Services Pty. Limited <sup>1</sup>	Australia	100	100
APN Braeside Pty Ltd	Australia	100	100
APN Broadcasting Investments Pty Limited <sup>1</sup>	Australia	100	100
APN Broadcasting (Regionals) Pty. <sup>1,2</sup>	Australia	100	100
APN Business Magazines Pty Ltd <sup>1</sup>	Australia	100	100
APN Digital Pty. Ltd. <sup>1</sup>	Australia	100	100
APN Finance Pty Limited <sup>1,2</sup>	Australia	100	100
APN Milperra Pty Ltd	Australia	100	100
APN Online (Australia) Pty Limited <sup>1</sup>	Australia	100	100
ARN Adelaide Pty Ltd <sup>1</sup>	Australia	100	100
ARN Brisbane Pty Ltd <sup>1,2</sup>	Australia	100	100
ARN Broadcasting Pty Ltd <sup>1</sup>	Australia	100	100
ARN Communications Pty Ltd <sup>1,2</sup>	Australia	100	100
ARN Limited Partnership	Australia	100	100
ARN New Zealand Pty Limited <sup>1,2</sup>	Australia	100	100
ARN Overseas Pty. Limited <sup>1,2</sup>	Australia	100	100
ARN Perth Pty Limited <sup>1</sup>	Australia	100	100
ARN South Australia Pty Limited <sup>1</sup>	Australia	100	100
ARN Superannuation Pty Ltd	Australia	100	100
ARNSAT Pty Limited <sup>1</sup>	Australia	100	100
Asia Posters Sdn Bhd	Malaysia	100	100
Australian Outdoor Pty Limited <sup>1,6</sup>	Australia	100	-
Australian Provincial Newspapers International Pty Limited <sup>1,2</sup>	Australia	100	100
Australian Provincial Newspapers Ltd. <sup>1,2</sup>	Australia	100	100
Australian Radio Network Pty Limited <sup>1,2</sup>	Australia	100	100
Australian Radio Network Sales Pty Ltd <sup>1</sup>	Australia	100	100
Biffin Pty. Limited <sup>1,2</sup>	Australia	100	100
Blue Mountains Broadcasters Pty Limited <sup>1</sup>	Australia	100	100
Brisbane FM Radio Pty Ltd <sup>3</sup>	Australia	50	50
Buspak Advertising (China) Limited	Hong Kong	100	100
Buspak Advertising (Hong Kong) Limited	Hong Kong	100	100
Capital City Broadcasters Pty. Limited <sup>1</sup>	Australia	100	100
Cardcorp (Manufacturing) Pty. Limited	Australia	100	100
Catalogue Central Pty Limited <sup>1</sup>	Australia	100	100
Central Coast Broadcasting Pty.	Australia	100	100
Citysites Outdoor Advertising Pty. Ltd. <sup>1,6</sup>	Australia	100	-
Citysites Outdoor Advertising (Albert) Pty. Ltd. <sup>1,6</sup>	Australia	100	-
Citysites Outdoor Advertising (S. Aust.) Pty. Ltd. <sup>1,6</sup>	Australia	100	-
Citysites Outdoor Advertising (W Aust) Pty Ltd <sup>1,6</sup>	Australia	100	-
Cody Outdoor International (HK) Limited	Hong Kong	100	100
Commonwealth Broadcasting Corporation Pty Ltd <sup>1,2</sup>	Australia	100	100
Conversant Media Pty Ltd <sup>1,7</sup>	Australia	100	-
Covette Investments Pty Limited <sup>1,2</sup>	Australia	100	100
C.R. Phillips Investments Pty Ltd <sup>1,6</sup>	Australia	100	-

Name of entity	Country of incorporation/ establishment	Equity holding	
		2016 %	2015 %
Double T Radio Pty Ltd <sup>1</sup>	Australia	100	100
Emotive Pty Limited	Australia	51	51
Evitome Pty Limited <sup>1</sup>	Australia	100	100
5AD Broadcasting Company Pty Ltd <sup>1</sup>	Australia	100	100
Gergdaam Capital Pty Limited <sup>1,2</sup>	Australia	100	100
GrabOne Investments Limited	UK	100	100
Gulgong Pty. Limited <sup>1,2</sup>	Australia	100	100
Haswell Pty. Limited <sup>1,2</sup>	Australia	100	100
Inc Network Australia Pty Ltd <sup>1</sup>	Australia	100	100
The Internet Amusements Group Pty Limited <sup>1</sup>	Australia	100	100
KAFM Broadcasters Proprietary Limited <sup>1</sup>	Australia	100	100
Level 3 Investments Pty Limited <sup>1</sup>	Australia	100	100
The Level 3 Partnership	Australia	100	100
Level 4 Investments Pty Limited <sup>1</sup>	Australia	100	100
The Level 4 Partnership	Australia	100	100
Lunchbox Investments Pty Ltd	Australia	100	100
Media Tek Pty. Limited <sup>1,2</sup>	Australia	100	100
Nathco Holdings Pty. Ltd. <sup>1,2</sup>	Australia	100	100
Perth Sign Company Pty Ltd <sup>1,6</sup>	Australia	100	-
Phillips Finance Pty Ltd <sup>1,6</sup>	Australia	100	-
Phillips Neon Pty Ltd <sup>1,6</sup>	Australia	100	-
Provincial Investments Pty. Ltd. <sup>1</sup>	Australia	100	100
Radio 96FM Perth Pty Limited <sup>1</sup>	Australia	100	100
RadioWise Pty Ltd	Australia	100	100
Regmax Pty Limited <sup>1</sup>	Australia	100	100
The Roar Sports Media Pty Ltd <sup>1,7</sup>	Australia	100	-
Shelter Advertising Pty Ltd <sup>1,6</sup>	Australia	100	-
Southern State Broadcasters Pty. Limited <sup>1</sup>	Australia	100	100
Speedlink Services Pty Ltd <sup>1</sup>	Australia	100	100
Street Furniture (NSW) Pty Ltd <sup>1,6</sup>	Australia	100	100
SunCoastal F.M. Radio Pty. Ltd.	Australia	100	100
Tibbar Broadcasting Pty Limited <sup>1</sup>	Australia	100	100
Universal Radio Pty. Ltd. <sup>1</sup>	Australia	100	100
Urban Design Furniture Pty. Ltd. <sup>1,6</sup>	Australia	100	-
Wesgo <sup>1,2</sup>	Australia	100	100
West Sydney Radio Pty Ltd	Australia	100	100
Westat Research Pty Ltd	Australia	100	100
Wilson & Horton Australia Pty Ltd	Australia	100	100
Wilson & Horton Finance Pty Ltd <sup>1,2</sup>	Australia	100	100

## Discontinued operations

Name of entity	Country of incorporation/ establishment	Equity holding	
		2016 %	2015 %
Adhoc Pty Ltd <sup>5</sup>	Australia	-	75
Adhub Limited <sup>4</sup>	New Zealand	-	100
APN AP National Sales Pty Ltd <sup>1, 5</sup>	Australia	-	100
APN Educational Media Pty Limited <sup>1, 5</sup>	Australia	-	100
APN Newspapers Pty Ltd <sup>1, 2, 5</sup>	Australia	-	100
APN Printing Services Pty Ltd <sup>1, 2, 5</sup>	Australia	-	100
ARM Events Pty Ltd <sup>1, 5</sup>	Australia	-	100
ARM Specialist Media Pty Ltd <sup>1, 5</sup>	Australia	-	100
Border Newspapers Pty Ltd <sup>1, 5</sup>	Australia	-	100
The Bundaberg Newspaper Company Pty Limited <sup>1, 5</sup>	Australia	-	100
Capricornia Newspapers Pty Ltd <sup>1, 5</sup>	Australia	-	100
Central Queensland News Publishing Company Pty Ltd <sup>1, 5</sup>	Australia	-	100
Central Telegraph Pty Ltd <sup>1, 5</sup>	Australia	-	100
Chinchilla Newspapers Pty Ltd <sup>1, 5</sup>	Australia	-	100
Coffs Coast RE Marketing Pty Ltd <sup>5</sup>	Australia	-	70
The Daily Examiner Pty Ltd <sup>1, 5</sup>	Australia	-	100
Dalby Herald Pty Ltd <sup>1, 5</sup>	Australia	-	100
Esky Limited <sup>4</sup>	New Zealand	-	100
Gatton Star Pty Ltd <sup>1, 5</sup>	Australia	-	100
Gladstone Newspaper Company Pty Ltd <sup>1, 5</sup>	Australia	-	100
Grab One Australia Pty Limited <sup>4</sup>	Australia	-	100
GrabOne Limited <sup>4</sup>	New Zealand	-	100
Gympie Times Pty Ltd <sup>1, 5</sup>	Australia	-	100
The Hive Online Limited <sup>4</sup>	New Zealand	-	100
Idea HQ Limited <sup>4</sup>	New Zealand	-	100
Kelly Publications Pty Ltd <sup>1, 5</sup>	Australia	-	100
Longbeach Publications Pty Ltd <sup>1, 5</sup>	Australia	-	100
Longbeach Publications Unit Trust <sup>5</sup>	Australia	-	100
The Mackay Printing and Publishing Company Pty Limited <sup>1, 5</sup>	Australia	-	100
The Maryborough Hervey Bay Newspaper Company Pty Ltd <sup>1, 5</sup>	Australia	-	100
Mt Maunganui Publishing Co Limited <sup>4</sup>	New Zealand	-	100
New Zealand Radio Network Limited <sup>4</sup>	New Zealand	-	100
North Coast News Pty Ltd <sup>1, 5</sup>	Australia	-	100
Northern Star Ltd <sup>1, 5</sup>	Australia	-	100
NZME 2014 Limited <sup>4</sup>	New Zealand	-	100
NZME Digital NZ Limited <sup>4</sup>	New Zealand	-	100
NZME. Educational Media Pty Limited <sup>4</sup>	New Zealand	-	100
NZME. Finance Limited <sup>4</sup>	New Zealand	-	100
NZME Holdings Limited <sup>4</sup>	New Zealand	-	100
NZME Investments Limited <sup>4</sup>	New Zealand	-	100
NZME Limited <sup>4</sup>	New Zealand	-	100
NZME Online Limited <sup>4</sup>	New Zealand	-	100
NZME Print Limited <sup>4</sup>	New Zealand	-	100
NZME. Publishing Limited <sup>4</sup>	New Zealand	-	100
NZME Radio Investments Limited <sup>4</sup>	New Zealand	-	100
NZME. Radio Limited <sup>4</sup>	New Zealand	-	100
NZME Specialist Limited <sup>4</sup>	New Zealand	-	100
NZME. Trading Limited <sup>4</sup>	New Zealand	-	100
Observer Times (Hervey Bay) Pty Ltd <sup>1, 5</sup>	Australia	-	100
The Queensland Times Pty Limited <sup>1, 5</sup>	Australia	-	100
The Radio Bureau Limited <sup>4</sup>	New Zealand	-	100
Regional Publishers Limited <sup>4</sup>	New Zealand	-	100
Sabawin Pty Limited <sup>1, 5</sup>	Australia	-	100
Sell Me Free Limited <sup>4</sup>	New Zealand	-	100



Name of entity	Country of incorporation/ establishment	Equity holding	
		2016 %	2015 %
Sella Limited <sup>4</sup>	New Zealand	-	100
The South Burnett Times Pty Ltd <sup>1,5</sup>	Australia	-	100
Stanley Newcomb & Co Limited <sup>4</sup>	New Zealand	-	100
Stanthorpe Newspapers Services Unit Trust <sup>5</sup>	Australia	-	100
Sunshine Coast Newspaper Company Pty Ltd <sup>1,2,5</sup>	Australia	-	100
Toowoomba Newspapers Pty Ltd <sup>1,2,5</sup>	Australia	-	100
Trade Debts Collecting Co Limited <sup>4</sup>	New Zealand	-	100
The Tweed Newspaper Co Pty Ltd <sup>1,5</sup>	Australia	-	100
The Warwick Newspaper Pty Limited <sup>1,5</sup>	Australia	-	100
Western Star Pty Ltd <sup>1,5</sup>	Australia	-	100
Whitsunday Times Unit Trust <sup>5</sup>	Australia	-	75
W&H Interactive Limited <sup>4</sup>	New Zealand	-	100

- (1) These companies are parties to a deed of cross guarantee dated 5 December 2006 under which each company guarantees the debts of the others (Deed of Cross Guarantee). These companies represent a Closed Group for the purposes of Australian Securities and Investments Commission (ASIC) Class Order 98/1418 *Wholly owned entities* (as amended) and there are no other members of the Extended Closed Group.
- (2) These wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under ASIC Class Order 98/1418 *Wholly owned entities* (as amended) issued by ASIC.
- (3) Australian Radio Network Pty Limited has a 50% controlling interest in Brisbane FM Radio Pty Ltd.
- (4) These entities were divested as part of the demerger of the New Zealand business completed on 29 June 2016.
- (5) These entities were sold as part of the sale of APN Australian Regional Media, completed on 28 December 2016. These entities, where applicable, were the subject of a notice of disposal contemplated by the Deed of Cross Guarantee on 17 January 2017.
- (6) These entities were acquired when APN purchased the remaining 50% of the Adshel joint venture on 25 October 2016. Adshel was accounted for as an associate using the equity method. These entities (with the exception of Adshel New Zealand Limited) were added by an assumption deed contemplated by the Deed of Cross Guarantee on 22 December 2016.
- (7) These entities were acquired when APN purchased Conversant Media on 31 October 2016. These entities were added by an assumption deed contemplated by the Deed of Cross Guarantee on 22 December 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.3 INTERESTS IN OTHER ENTITIES

##### (a) Material subsidiaries with non-controlling interests

Set out below are the Group's principal subsidiaries with material non-controlling interests. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

Name of entity	Place of business	Country of incorporation	Ownership interest held by the Group		Ownership interest held by non-controlling interests		Principal activities
			2016	2015	2016	2015	
Brisbane FM Radio Pty Ltd	Australia	Australia	50%	50%	50%	50%	Commercial radio

##### (b) Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Brisbane FM Radio Pty Ltd	
	2016	2015
Summarised balance sheet	\$'000	\$'000
Current assets	5,997	6,675
Current liabilities	4,570	5,557
Current net assets	1,427	1,118
Non-current assets	67,698	67,647
Non-current liabilities	45	61
Non-current net assets	67,653	67,586
Net assets	69,080	68,704
Accumulated non-controlling interests	35,211	34,567
Summarised statement of comprehensive income		
Revenue	33,551	32,090
Profit for the period	12,576	11,552
Other comprehensive income	-	-
Total comprehensive income	12,576	11,552
Total comprehensive income allocated to non-controlling interests	6,288	5,776
Dividends paid to non-controlling interests	6,100	5,750
Summarised cash flows		
Net cash flows from operating activities	10,048	12,307
Net cash flows from investing activities	(106)	25
Net cash flows from financing activities	(10,736)	(12,041)
Net increase/(decrease) in cash and cash equivalents	(794)	291

#### ACCOUNTING POLICY

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively. The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the income statement. Any losses are allocated to the non-controlling interest in subsidiaries even if the accumulated losses should exceed the non-controlling interest in the individual subsidiary's equity.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.4 SHARES IN OTHER CORPORATIONS

	Note	2016 \$'000	2015 \$'000
Shares in other corporations	3.4	31,527	32,077

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurement of shares in other corporations, which is mainly comprised of the Group's investment in Nova 93.7, an FM Radio station in Perth, Western Australia:

Description	Fair value as at 31 Dec 16 \$'000	Valuation technique	Unobservable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	31,527	Discounted cash flows	Cash flow growth factor	Between -4.9% and +2.0 % (+0.5%)	Increased cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by \$5.0 million. Lowering cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by \$2.8 million
			Risk-adjusted discount rate	14.0%	

### ACCOUNTING POLICY

#### Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, plus transaction costs. This excludes those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Subsequent measurement of financial assets is at fair value or amortised cost where certain criteria are met.

#### Financial assets at amortised cost and impairment

The Group's loans and receivables (refer to note 2.3) meet the requirements for measurement at amortised cost based on the purpose for which the assets and liabilities are held and the contractual terms.

For financial assets measured at amortised cost, the Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### Financial assets at fair value

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 3.4. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise, all gains and losses are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	2016 \$'000	2015 \$'000
Shares in associates		12,257	53,811
Total investments accounted for using the equity method		12,257	53,811
Share of profits of associates	1.3	9,305	11,899

Set out below are the associates of the Group as at 31 December 2016. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	Ownership interest		Nature of relationship	Measurement method	Consolidated carrying values	
		2016	2015			2016 \$'000	2015 \$'000
Adshel Street Furniture Pty Limited	Australia	100% <sup>(i)</sup>	50%	Associate <sup>(i)</sup>	Equity method	-	40,221
Soprano Design Pty Limited	Australia	25%	25%	Associate <sup>(ii)</sup>	Equity method	12,256	13,590
						12,256	53,811

<sup>(i)</sup> Adshel Street Furniture Pty Limited specialises in the provision of outdoor advertising with networks throughout Australia and New Zealand. On 25 October 2016, the Company moved to full ownership of Adshel Street Furniture Pty Limited, through acquisition of the remaining interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited. Refer to note 5.1 for details.

<sup>(ii)</sup> Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.5 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

##### ACCOUNTING POLICY

###### Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

###### Joint arrangements

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

###### (i) Joint operations

The Group recognises its direct right to, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations.

###### (ii) Joint ventures

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of post-acquisition other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.6 PARENT ENTITY FINANCIAL INFORMATION

##### (a) Summary of financial information for the parent entity

The individual financial statements for the parent entity show the following aggregate amounts:

	2016 \$'000	2015 \$'000
Balance sheet		
Current assets	64	67
Total assets	1,595,804	1,262,198
Current liabilities	332	449
Total liabilities	516,859	474,649
Shareholders' equity		
Issued capital	1,528,022	1,222,780
Reserves		
Share-based payments reserve	7,399	7,466
Retained earnings		
Opening profit reserve	81,727	55,456
Dividends paid	-	-
Brought forward profit reserve	81,727	55,456
Profit for the year	-	26,271
Closing profit reserve	81,727	81,727
Brought forward loss reserve	(524,424)	(524,424)
Loss for the year	(13,779)	-
Closing loss reserve	(538,203)	(524,424)
Total equity	1,078,944	787,549
Profit/(loss) for the year	(13,779)	26,271
Total comprehensive income	(13,779)	26,271

##### (b) Guarantees entered into by the parent entity

Refer to note 6.2 for details.

##### (c) Contingent liabilities and contractual commitments of the parent entity

The parent entity did not have any contingent liabilities or contractual commitments as at 31 December 2016 or 31 December 2015.

#### ACCOUNTING POLICY

The financial information for the parent entity, APN News & Media Limited, has been prepared on the same basis as the consolidated financial statements, except for:

##### Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment losses in the financial statements of the parent entity.

Dividends received from subsidiaries are recognised in the parent entity's income statement when its right to receive the dividend is established.

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.7 DEED OF CROSS GUARANTEE

Companies in the Closed Group are party to a deed of cross guarantee dated 5 December 2006 under which each guarantees the debts of the others. These companies represent a Closed Group for the purposes of ASIC Class Order 98/1418. The companies party to Deed of Cross Guarantee are detailed at note 5.2.

Balances are provisional as purchase price accounting has not yet been finalised for the business combinations. The Group has one year from the acquisition date to obtain the information necessary to identify and measure all of the various components of the business combination as of the acquisition date.

Set out below is the consolidated income statement for the year ended 31 December 2016 for the Closed Group:

	2016 \$'000	2015 \$'000
Revenue from continuing operations	216,139	354,489
Other revenue and income	253,610	52,056
Expenses from operations before finance costs, depreciation and amortisation	(170,698)	(307,203)
Finance costs	(23,475)	(36,770)
Depreciation and amortisation	(7,408)	(12,829)
Impairment of intangible assets	-	(50,804)
Share of profits of associates	9,305	11,899
<b>Profit before income tax</b>	<b>277,473</b>	<b>10,838</b>
Income tax expense	(27,688)	(11,443)
<b>Profit/(loss) from continuing operations</b>	<b>249,785</b>	<b>(605)</b>
Gain from discontinued operations	691,530	-
<b>Profit/(loss) attributable to owners of the parent entity</b>	<b>941,315</b>	<b>(605)</b>
<b>Retained earnings/(accumulated losses)</b>		
Balance at beginning of the year	(802,253)	(794,632)
Profit/(loss) attributable to owners of the parent entity	941,315	(605)
Opening retained earnings of entities entering the Closed Group	-	(2,685)
Remeasurements of retirement benefit obligations	-	431
Dividends paid	(18,000)	(5,000)
Transfer between reserves	2,576	238
<b>Balance at end of the year</b>	<b>123,638</b>	<b>(802,253)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 5. GROUP STRUCTURE

#### 5.7 DEED OF CROSS GUARANTEE (CONTINUED)

Set out below is the consolidated balance sheet for the year ended 31 December 2016 for the Closed Group

	2016 \$'000	2015 \$'000
<b>Current assets</b>		
Cash and cash equivalents	9,287	5,509
Receivables	414,623	481,114
Inventories	1,617	3,519
Income tax receivable	1,007	31
Other current assets	12,487	2,781
<b>Total current assets</b>	<b>439,021</b>	<b>492,954</b>
<b>Non-current assets</b>		
Other financial assets	1,030,770	413,445
Investments accounted for using the equity method	12,257	53,811
Property, plant and equipment	71,885	58,895
Intangible assets	664,704	458,073
Other non-current assets	840	-
<b>Total non-current assets</b>	<b>1,780,456</b>	<b>984,224</b>
<b>Total assets</b>	<b>2,219,477</b>	<b>1,477,178</b>
<b>Current liabilities</b>		
Payables	365,949	680,343
Current tax liabilities	4,925	8,908
Retirement benefit liability	1,289	-
Provisions	9,995	5,101
<b>Total current liabilities</b>	<b>382,158</b>	<b>694,352</b>
<b>Non-current liabilities</b>		
Payables	3,411	7,848
Interest bearing liabilities	156,997	295,182
Derivative liabilities	780	280
Retirement benefit liability	-	1,374
Provisions	19,455	3,032
Deferred tax liabilities	6,648	30,914
<b>Total non-current liabilities</b>	<b>187,291</b>	<b>338,630</b>
<b>Total liabilities</b>	<b>569,449</b>	<b>1,032,982</b>
<b>Net assets</b>	<b>1,650,028</b>	<b>444,196</b>
<b>Equity</b>		
Contributed equity	1,528,022	1,222,780
Reserves	(1,632)	23,669
Retained earnings/(accumulated losses)	123,638	(802,253)
<b>Total parent entity interest</b>	<b>1,650,028</b>	<b>444,196</b>
<b>Total equity</b>	<b>1,650,028</b>	<b>444,196</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.1 DISCONTINUED OPERATIONS

##### **Divestment of ARM**

On 21 June 2016, the Group announced that it had entered into binding documentation to divest Australian Regional Media (ARM) to a subsidiary of News Corp. News Limited is a substantial shareholder in the Company, currently holding 13.23% of total issued shares in APN. In order to comply with ASX Listing Rule 10.1, Company shareholder approval was required. News Limited and its associates were excluded from voting on the proposed sale. On 16 September, the Group announced that shareholders had overwhelmingly voted in favour of the proposed sale. The transaction was also conditional on ACCC and FIRB approval, together with the consent of certain counterparties to the ARM business. On 8 December 2016, ACCC approval on the sale was received, with the Group announcing that it had completed the sale on 28 December 2016. The total value of the transaction was \$36.6 million.

##### **The demerger of NZME**

On 29 June 2016, the Group announced that it had completed the demerger of NZME to create an independent entertainment and media company, NZME Limited.

The demerger took place by way of a capital reduction, with an in specie distribution of shares in NZME as consideration. Instead of receiving cash from the capital reduction, Company Shareholders received a distribution of shares in NZME, which is referred to as an in specie distribution.

Prior to the demerger, APN initiated an internal restructure to separate and align the relevant businesses, assets and liabilities of APN with the appropriate NZME entity prior to the demerger.

Broadly, the restructure entailed the following:

- certain subsidiaries, business, assets and liabilities relating to the NZME business were aligned or transferred to entities that would be subsidiaries of NZME following the demerger;
- certain subsidiaries, business, assets and liabilities relating to the APN business which were held by subsidiaries of NZME were aligned or transferred to entities that would be subsidiaries of APN (after the demerger);
- various inter-company loans, receivables and payables were repaid (other than ordinary trading receivables and payables which will be settled on normal commercial terms) so that upon the demerger there were no loans across the APN and NZME businesses outstanding; and
- various distributions were made between the subsidiaries of APN and subsidiaries of NZME.

In order to give effect to the share and asset transfers forming part of the internal restructure, a series of share and asset sale agreements were entered into between APN and NZME. These sale agreements are on standard terms for intra-group share and asset sales, including limited title and capacity warranties given by both parties.

The internal restructure has been accounted for as a common control transaction, with the effect being that the historical values in the books of APN remain unchanged. Differences between the consideration provided or received as part of the internal restructure have been reflected as adjustments to the current period retained earnings.

Balances in the foreign currency translation reserve in respect of APN's net investment in New Zealand have been recycled through the income statement. Balances in the common control reserve, non-controlling interest and asset revaluation reserves relating to the demerged entity have been transferred to retained earnings.

##### **Discontinued operations**

The results of ARM prior to disposal and NZME prior to the demerger are reported as discontinued operations. Financial information related to the discontinued operations for the period to the date of disposal and demerger is set out below.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.1 DISCONTINUED OPERATIONS (CONTINUED)

(a) Financial performance and cash flow information

#### ARM

	2016 \$'000	2015 \$'000
Revenue and other income	176,852	188,649
Expenses before depreciation and amortisation	(165,633)	(170,122)
Depreciation and amortisation	(3,730)	(8,245)
Profit before income tax	7,489	10,282
Income tax expense	(1,939)	(3,537)
Profit from operations	5,550	6,745
Write down of assets to fair value less costs to sell <sup>a</sup>	(15,540)	-
Gain on insurance claim	-	1,289
Impairment of intangible assets	-	(50,804)
Net loss on disposal of properties	-	(236)
Redundancies and associated costs <sup>b</sup>	(3,136)	(5,240)
Onerous contract costs	(598)	-
Loss on sale of ARM	(879)	-
Income tax (expense)/credit <sup>c</sup>	(8,951)	1,256
Loss after income tax from discontinued operations	(23,554)	(46,990)

Explanation of items related to discontinued operations

- a Write down of non-current assets to fair value less costs to sell on classification as held for sale.
- b Redundancies and associated costs relate to on-going restructuring activities.
- c Includes the write off of deferred tax assets associated with the disposal of ARM, offset by the tax impact related to the write down of non-current assets to fair value less costs to sell, redundancies and associated costs.

#### ARM

	2016 \$'000	2015 \$'000
Net cash inflows from operating activities	11,871	12,171
Net cash inflows/(outflows) from investing activities	33,849	(6,549)
Net cash outflows from financing activities	(88)	(130)
Net increase in cash generated by the division	45,632	5,492

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.1 DISCONTINUED OPERATIONS (CONTINUED)

##### NZME

	2016 \$'000	2015 \$'000
Revenue and other income	182,938	403,246
Expenses	(153,880)	(335,560)
Depreciation and amortisation	(11,298)	(22,015)
Profit before income tax	17,760	45,671
Income tax expense	(2,219)	(8,547)
Profit from operations	15,541	37,124
Loss on demerger of NZME <sup>a</sup>	(125,690)	-
Reclassification of foreign currency translation reserves to the income statement <sup>b</sup>	(47,251)	-
Transaction costs <sup>c</sup>	(8,236)	-
Net finance costs <sup>d</sup>	(3,021)	-
Redundancies and associated costs <sup>e</sup>	(2,811)	(6,671)
Costs in relation to one off projects <sup>f</sup>	(534)	(4,556)
Net gain on disposal of properties and businesses <sup>g</sup>	1,254	410
Foreign currency loss <sup>h</sup>	(2,510)	-
Asset write downs and business closures	-	(2,814)
Income tax (expense)/credit <sup>i</sup>	(54,328)	4,481
Profit/(loss) after income tax from discontinued operations	(227,586)	27,974

##### Explanation of items related to discontinued operations

- a The loss on demerger of NZME represents the deficit of net assets transferred on demerger compared to the fair value of NZME shares, calculated by reference to the volume weighted average price on the Australian Securities Exchange and New Zealand Exchange over the first five days of trading.
- b Foreign currency loss relates predominantly to the historical foreign currency translation reserve in respect of APN's net investment in New Zealand, recycled to the income statement on demerger, offset by the reversal of certain foreign exchange deferred tax balances written back on demerger.
- c Transaction costs primarily relate to the cost of external consultants, debt facility establishment fees and other fees associated with the demerger.
- d Net finance costs relate to the write off of a portion of unamortised borrowing costs as a result of the demerger and associated reduction in available debt facilities (refer to note 3.1).
- e Redundancies and associated costs primarily relate to ongoing restructuring activities of the publishing business and integration of the New Zealand operations.
- f Costs in relation to one off projects refers primarily to the costs of external consultants assisting with the ongoing integration and co-location initiatives in New Zealand.
- g Gain on disposal of properties and businesses relates to the sale of a property in Nelson and the Wairarapa Times business.
- h Relates predominantly to the settlement of various cross-border inter-company loans prior to demerger.
- i Included in tax expense is NZME's share of the settlement with the Inland Revenue Department, the utilisation of historical tax losses incorporated as part of the settlement, and tax on inter-group charges before the demerger. Further information is contained within note 4.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.1 DISCONTINUED OPERATIONS (CONTINUED)

##### NZME

	2016 \$'000	2015 \$'000
Net cash inflows from operating activities	9,232	52,605
Net cash outflows from investing activities	(3,212)	(17,352)
Net cash outflows from financing activities <sup>a</sup>	(171,213)	(34,593)
Net increase/(decrease) in cash generated by the division	(165,193)	660

<sup>a</sup> Relates to the repayment of borrowings of Wilson & Horton Limited denominated in New Zealand dollars under the Group multi-currency syndicated debt facility during the period.

##### (b) Loss on demerger

##### NZME

	2016 \$'000
Fair value of NZME	141,130
Less: NZME net assets demerged	(266,820)
Loss on demerger	(125,690)

##### (c) Sale of ARM

	2016 \$'000
Consideration	
Cash received	36,600
Total disposal consideration	36,600
Less: carrying amount of net assets sold	(32,925)
Less: transaction costs and other items	(4,554)
Loss on sale before income tax	(879)
Income tax benefit on loss	128
Loss on sale after income tax	(751)

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.1 DISCONTINUED OPERATIONS (CONTINUED)

##### ACCOUNTING POLICY

Non-current assets (or disposal Groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount, and their fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.2 CONTINGENT LIABILITIES

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of the revolving cash advance banking facility. As at 31 December 2016, the banking facilities had been drawn to the extent of \$169,060,000 (2015: \$482,851,000 before the demerger of NZME), of which \$6,168,000 (2015: \$4,797,000) pertain to bank guarantees.

Certain wholly-owned subsidiaries of the Company have provided financial guarantees of \$18,601,000 in respect of performance commitments for site rental contracts and property leases. The guarantees were utilised under a banking facility separate to the Group revolving cash advance banking facility.

The Group did not have other contingent liabilities and contractual commitments as at 31 December 2016 or 31 December 2015.

#### Claims

Claims for damages are made against the Group from time to time in the ordinary course of business. The Directors are not aware of any claim that is expected to result in material costs or damages.

#### 6.3 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Group, its related practices, non-related audit firms and other professional advisory and consulting firms.

	2016 \$'000	2015 \$'000
Remuneration for audit or review of the financial reports <sup>(i)</sup>		
PricewaterhouseCoopers - Australian firm	1,130	582
PricewaterhouseCoopers - overseas firm	117	352
Remuneration for other assurance services <sup>(i)</sup>		
PricewaterhouseCoopers - Australian firm	326	32
PricewaterhouseCoopers - overseas firm	77	28
Total audit and other assurance services	1,650	994
Remuneration for other services <sup>(ii)</sup>		
PricewaterhouseCoopers - Australian firm		
Tax services		
Consulting and advice	1,278	307
Compliance	104	124
Other advisory services	918	283
PricewaterhouseCoopers - overseas firm		
Tax services		
Consulting and advice	1,266	452
Compliance	49	230
Other advisory services	212	25
Total non-audit services	3,827	1,421

<sup>(i)</sup> 2016 audit and other assurance services includes non-recurring fees of \$620,000, relating to audit effort associated with transactions undertaken during the year

<sup>(ii)</sup> 2016 non-audit services includes non-recurring fees of \$3,579,000, relating to tax consulting and advice, and due diligence procedures associated with transactions undertaken during the year. PricewaterhouseCoopers was considered most appropriately suited to perform this work.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.4 RELATED PARTIES

##### (a) Transactions with other related parties

The below relates to both continuing and discontinued operations.

The aggregate amounts recognised in respect of the following types of transactions and each class of related party involved were:

Transaction type	Class of other related party	2016 \$'000	2015 \$'000
Consulting services received	Key management personnel <sup>(i)</sup>	-	19
Management fees receivable	Associates <sup>(ii)</sup>	-	150
Associate company fee	Associate/Key management personnel <sup>(iii)</sup>	42	50
Consulting services received	Key management personnel <sup>(iv)</sup>	48	-
Consulting services received	Key management personnel <sup>(v)</sup>	-	67
Print services received	Other related parties <sup>(vi)</sup>	2,161	4,634
Processing fees received	Associates <sup>(vii)</sup>	-	418
Services received	Key management personnel <sup>(viii)</sup>	29	-

The above transactions were made on commercial terms and conditions and at market rates except where indicated.

- (i) Consultancy fee paid to a company associated with Peter Cosgrove for marketing services rendered.
- (ii) Management fee received from associates.
- (iii) Chairman's fee paid to Peter Cosgrove by Adshel Street Furniture Pty Limited for services which ceased on 25 October 2016.
- (iv) Consultancy fee paid to Ted Harris for consulting and advisory services rendered.
- (v) Consultancy fee paid to Vincent Crowley for consulting and advisory services rendered.
- (vi) Print service fees paid to Beacon Print Ltd, a company in which the Group held an interest in, prior to NZME demerger.
- (vii) Processing fees received from Adshel Street Furniture Pty Limited for co-ordinating asset purchases.
- (viii) Conference and hospitality services rendered by Bannisters Pavillion, a business owned by Peter Cosgrove, in return for advertising and fees on normal commercial terms.

##### (b) Payables with other related parties

There was \$nil payable to related parties as at 31 December 2016 (2015: \$270,000).

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES

##### **Principles of consolidation – subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of APN News & Media Limited and its subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### **Foreign currency translation**

###### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is APN News & Media Limited's functional and presentation currency.

###### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

###### **(iii) Group entities**

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or a partial disposal occurs, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

##### **Trade payables**

Trade payables, including accruals not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are unsecured and are generally settled within 30 to 45 days.

##### **Dividends**

A payable is raised for the amount of any dividend declared, determined or publicly recommended by the Directors before or at the end of the financial year but not distributed at balance date.

##### **Short-term incentive plans**

A liability for short-term incentives is recognised in provisions when there is an expectation of settlement and at least one of the following conditions is met:



## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- there are contracted terms in the relevant plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for short-term incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled

#### **Defined benefit superannuation plans**

A liability or asset in respect of defined benefit superannuation plans is measured as the present value of the defined benefit obligation plus unrecognised actuarial gains or losses, less the fair value of the superannuation fund's assets at that date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. Past service costs are recognised immediately in profit or loss.

#### **Inventories**

Inventories, including work in progress, are measured at the lower of cost and net realisable value. Work in progress comprises street furniture structures where construction has commenced but not finalised as at balance date and includes both labour and material components.

#### **Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

#### **Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### **Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised in the income statement in other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in the income statement within other income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### **Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.5 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **Standards and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

The IASB has issued IFRS 15 *Revenue from Contracts with Customers*, a new standard for the recognition of revenue, replacing IAS 18 *Revenue* which covers contracts for goods and services. Refer to note 1.1 for more detail.

The IASB has issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. Refer to note 3.9 for more detail.

AASB 9 *Financial Instruments*, the AASB equivalent of IFRS 9 *Financial Instruments*, establishes the principles for the financial reporting of financial assets and financial liabilities. It is effective for annual reporting periods beginning on or after 1 January 2018 and was early adopted by the Group, with 31 December 2009 as its date of initial application.

There are no other standards and interpretations that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER

#### 6.6 SUBSEQUENT EVENTS

On 21 February 2017, the Company delisted from the Main Board of the New Zealand Stock Exchange. It continues to be listed on the ASX.

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.0, to be paid on 26 April 2017 (refer to note 3.7).

Other than the matters described above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

This preliminary final report was approved by resolution of the Board of Directors on 22 February 2017.



**Peter Cosgrove**

Chairman

22 February 2017