ANNUAL REPORT 2016

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

ENTERTAINMENT

BRANDS

DIGITAL

CONTENT

The repositioning of APN continued in 2016 and we are now uniquely placed in the Australian media landscape

DATA

INTEGRATION

AUDIENCES

Moving from a holder to an operator of integrated media assets for audience and advertiser benefit

ABOUT APN

The business was redefined in 2016

Delivering on strategic objectives

APN News & Media's (APN) strategy since early 2016 has been based on four key objectives:

- Grow our audience base;
- Diversify our revenues;
- Expand our digital and data capabilities; and
- Optimise integration.

In 2016, guided by our strategy, APN completed a number of milestone transactions that have redefined the business. In June, NZME was demerged, resulting in the creation of two independent and focused media companies: APN, a growth orientated media and entertainment company with assets in outdoor, radio and publishing; and NZME, a leading integrated media and entertainment business in New Zealand.

In October, APN acquired the remaining 50 per cent of Adshel and at the same time completed the acquisition of Conversant Media, a pure play digital media company. Conversant Media strengthens the digital capabilities of the Group and has increased exposure to the high growth areas of video and mobile.

In December, the sale of Australian Regional Media (ARM) was finalised, eliminating APN's exposure to traditional publishing and freeing up capital to focus on growth assets in outdoor and radio, which now account for 51 per cent and 49 per cent of revenues respectively.

The roll-out of the Adshel Live digital network continued, driving above market segment revenue growth, with digital revenues now accounting for over 30 per cent of Adshel's total revenues.

After a disappointing mid-year, ratings for Australian Radio Network (ARN) recovered late in the year. The business focused on improving its content offering across both broadcast and digital, with strong results in the final survey of 2016. ARN continues to generate noteworthy margins with strong cash conversion.

The new APN

APN will move from being a holder of media assets to a media organisation focused on operating and integrating across the growth sectors of radio, outdoor, digital and social, and leveraging the power of these complementary channels.

APN now holds a unique position in Australian media. We operate in sectors that experienced strong growth in 2016. APN's mass reach audiences are less susceptible to fragmentation. APN is well positioned to meet the changing content consumption of audiences and the integrated needs of advertisers.

While each business is strong individually, they offer a greater platform for growth when operating in a more collegiate and unified way. Integration where appropriate is being explored, with revenue growth the key consideration. New go-to-market strategies are being developed and a new, stronger vision for future growth is being built.

APN can now transform and set a new direction for the benefit of advertisers, employees and shareholders.

In 2017, APN will be changing its name and rebranding to reflect the new direction after last year's transformative changes.

Results highlights

5% ↑

Year-on-year growth in segment revenue from continuing operations, and before exceptional items[1]

8% ↑

Year-on-year growth in segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items[1]

The business was redefined in 2016 and APN's strategy remains on track

APN has transformed and can set a new direction for the benefit of advertisers, employees and shareholders

1.2 times

Net debt to EBITDA is down from 2.7 times in 2015 to 1.2 times in 2016

4c per share

Declaration of fully franked dividend of 4 cents per share, being the first dividend since 2012

(1) Results if APN had owned 100 per cent of Adshel for the full year

Peter Cosgrove
Chairman

Execution of strategic plan

2016 was a milestone year for APN. Business transformation continued with the successful execution of our strategy to exit traditional publishing businesses and to increase our exposure to growth sectors within the media market

This involved significant activity including the demerger of our New Zealand operations (NZME), the sale of Australian Regional Media (ARM), the acquisition of the remaining 50 per cent of Adshel, and the acquisition of Conversant Media.

The Board had been considering strategic options for NZME for some time, and a demerger was considered to be in the best interests of shareholders.

In December, we completed the sale of ARM, our regional newspaper business in Australia, for $36.6 million. APN's exit from traditional publishing had been an objective of the Company for some time. It eliminated the significant risks associated with ongoing ownership of publishing assets and freed up capital to focus on outdoor and radio, which now account for 51 per cent and 49 per cent of revenues respectively.

Complete ownership of Adshel was also a key part of our long-term plan. In October, we acquired the remaining 50 per cent. To fund the acquisition we undertook a fully underwritten equity raising of $273 million, with an Institutional Placement and an accelerated Renounceable Pro-rata Entitlement Offer which was well supported by shareholders. The outdoor market continues to see strong growth driven by digital innovation and Adshel is now well positioned to continue rolling out an extensive digital street furniture network across Australia and New Zealand.

We also acquired Conversant Media, a pure play digital media business. We believe Conversant Media's ability to build and monetise digital audiences will greatly benefit the Group.

Payment of dividend

We are confident about our ability to deliver sustained earnings.

Our balance sheet is in strong shape having reduced net debt over the past 12 months from $456 million to $143 million. This reduced our net debt to EBITDA leverage at December 2016 to 1.2 times, compared with 2.7 times at the end of 2015.

This has meant that for the first time since 2012, the Board took the decision to recommence the payment of dividends, declaring a fully franked full year dividend of 4.0 cents, and resuming the Dividend Reinvestment Plan for shareholders.

"APN is in a unique position to meet the changing way audiences consume media and the integrated needs of our advertisers."

2017 priorities

APN is effectively a new business that over the last three years has gone from having one third of revenues in growth assets to generating all its revenues across the high-growth sectors of outdoor, radio and digital.

The Board believes that with the complementary nature of assets now in the Group, APN is in a unique position to meet the changing way audiences consume media and the integrated needs of our advertisers.

While our businesses are strong individually, they offer a greater platform for growth operating in a more unified way. We have started exploring the integration of operations to the benefit of our audiences and advertisers.

Name change

We consider now an appropriate time to change the name of the Company to reflect the unique radio, outdoor and digital nature of the Group. We are currently working on a change of name for the business and we will provide further details on this new brand at the Annual General Meeting in May.

Board changes

In 2016, Mr Ted Harris retired from the Board after 24 years serving as a Non-executive Director. His contribution and support has been invaluable over the years and on behalf of the Board, I would like to sincerely thank Mr Harris for his commitment and service. We continue to benefit from his counsel as Emeritus Director.

Following the demerger, Sir John Anderson resigned from the Board. I would like to thank Sir John for his contribution to APN and wish him well in his new role as Chairman of NZME.

Thank you

On behalf of the Board, I would like to express my gratitude to APN employees and shareholders for their support and belief in our vision in what has been a transformative year.

Peter Cosgrove
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

A new direction for APN

APN is continuing its repositioning in 2017 as we move from being a holder of media assets to a more integrated approach

Ciaran Davis
CEO and Managing Director

Overview

In 2016, APN successfully executed on its plan to completely exit traditional publishing, and increase exposure to the high growth out-of-home sector. Today, we have repositioned our portfolio of assets with full ownership of leading, high quality metropolitan media assets across radio and outdoor and a growing digital capability across the Group.

Despite the significant level of activity from a corporate perspective, I am pleased to report that the operational performance of the business was strong and highlights the strength of talent that exists across the Group.

Financial results

This year's statutory results were impacted by the transactional activity including the successful demerger of NZME in June, the acquisition of the remaining 50 per cent of Adshel for $268.4 million, the acquisition of Conversant Media in October, and the sale of Australian Regional Media (ARM) for $36.6 million, completed on 28 December 2016.

2016 statutory revenue from continuing operations was up 15 per cent to $298.6 million, with statutory EBITDA from continuing operations up 14 per cent to $90.9 million.

On a pro-forma basis, as if Adshel was owned for the whole of 2016, revenue from continuing operations rose five per cent to $458.2 million, with pro-forma EBITDA from continuing operations up eight per cent to $117.1 million.

REVENUE

$458.2m

5% ↑

Revenue from continuing operations if Adshel was owned for the whole of 2016

Our businesses

Outdoor

There is continued strong earnings momentum across the Adshel business in both Australia and New Zealand, with above market growth in both territories. On a standalone basis, Adshel increased EBITDA by 21 per cent to $46.2 million, with revenue up 17 per cent to $205.8 million.

We have maintained our number one position in street furniture driven by a continued digital expansion and roll-out programme. Today, we have 366 digital roadside screens in Australia, and in New Zealand, we have created the first national digital roadside network with a total of 150 screens.

100 per cent APN ownership of Adshel provides the necessary platform for APN to support its strategic roadmap. It is our intention to continue investing in digital panels to drive revenues and market share with a further 207 screens to be deployed in 2017.

> **"Operational performance of the business was strong and highlights the strength of talent that exists across the Group."**

Our plan, subject to the outcome of tenders for contracts at Adshel, is to invest circa $50 million in capital expenditure in 2017.

The Hong Kong Outdoor business was affected by challenging economic conditions that are impacting the overall advertising market, along with some poorly performing contracts. Our focus has been on rebuilding the business which is yielding encouraging results. In the second half of the year, we secured some strategic contract wins including the renewal of the Western Harbour Tunnel for another seven years and the Eastern Harbour Tunnel for two years, which are central thoroughfares for traffic in Hong Kong.

Radio and Digital

Radio continues to be a strong and robust sector within the Australian media market with the total number of people listening to commercial radio topping 10 million, the fifth year of consecutive growth for the industry.

ARN is well positioned from an audience and revenue perspective with revenues of $225.3 million generating EBITDA of $86.1 million – up four per cent year-on-year and yielding a very strong margin of 38 per cent.

Steadily improving ratings performance in the second half of the year resulted in a strong finish in Survey 8 of 2016 and meant that ARN held the number one FM station in Sydney, Brisbane and Adelaide and the number one and number two breakfast shows in Sydney.

ARN is more than just a broadcast business and its multi-platform content distribution strategy made strong progress in 2016. While driving digital and social audience engagement remains a priority, securing a greater share of digital revenues for the business is a focus in 2017.

The acquisition of Conversant Media was an important step to expanding the Group's digital capabilities and revenues. With a combined digital audience of over four million unique users and video views over 1.6 million per month, the bundling of Conversant Media with ARN will open opportunities within the millennial market.

New executive appointments

Changes to the Executive team were announced in March 2017. CEO of ARN, Tony Kendall, will take on a newly created role as Chief Revenue Officer. Tony's extensive experience in media, developing and implementing integrated solutions across numerous sectors, means he is ideally placed to strategically lead this new Business Development team within the Group.

Rob Atkinson, the CEO of Adshel, will replace Tony as the CEO of ARN. Rob has been CEO of Adshel for five years where he has transformed the business, culminating in a record year for both revenue and EBITDA. Rob's strong strategic thinking and his leadership are the perfect skillsets to develop and lead ARN's multi-platform offering to both audiences and advertisers.

Mike Tyquin will replace Rob Atkinson as CEO of Adshel, after serving as Chief Commercial Officer of Adshel since May 2014. Mike has over 20 years experience in the outdoor media sector and has been central to developing and delivering Adshel's successful digital, data and automation programme roll-out in the last 18 months, as well as overseeing strong growth in the New Zealand market.

APN has also appointed Emma Hogan to the position of Chief People Officer to lead the people and culture division across the Group, with responsibility for driving the overall strategic direction of the human resources function.

Looking ahead

APN is continuing its repositioning in 2017 as we move from being a holder of media assets to a more integrated approach.

ARN, Adshel, Emotive and Conversant Media will be working closer together as a group to leverage our unique "away from home" advertiser proposition and derive revenue and new opportunities across the board. Our strategy is built around growing our audience base, diversifying revenues, expanding our digital and data capabilities, and optimising integration across the Group.

Conclusion

I would also like to express my thanks to all employees across APN for their commitment, dedication and hard work. Without their support, we could not have achieved what we did in 2016 and I remain extremely encouraged by the level of skill and engagement I see in all our businesses.

I would also like to thank shareholders for their ongoing support during the year. I look forward to working with you to deliver on our vision.

Thank you.

Ciaran Davis
CEO and Managing Director

Operating and Financial Review

Financial performance	Segment result		Exceptional items[3]		Statutory result	
AUD million	2016	2015	2016	2015	2016	2015
Revenue	298.6	259.0	–	–	298.6	259.0
Other income	7.2	7.0	223.5	4.0	230.7	11.0
Share of profits of associates	9.3	11.9	–	–	9.3	11.9
Costs	(224.1)	(198.0)	(5.9)	(15.8)	(230.0)	(213.8)
EBITDA[1]	**90.9**	**80.0**	**217.6**	**(11.8)**	**308.6**	**68.2**
Depreciation and amortisation	(8.5)	(5.0)	–	–	(8.5)	(5.0)
EBIT	**82.4**	**74.9**	**217.6**	**(11.8)**	**300.0**	**63.1**
Net interest	(17.7)	(31.7)	(0.4)	(3.3)	(18.0)	(35.1)
Tax	(16.6)	(11.7)	(13.7)	(2.4)	(30.3)	(13.4)
Profit/(loss) from continuing operations	**48.2**	**32.1**	**203.5**	**(17.5)**	**251.7**	**14.6**
Profit/(loss) from discontinued operations[2]	21.1	43.9	(272.2)	(62.9)	(251.1)	(19.0)
Net profit/(loss) after tax[4]	**69.3**	**76.0**	**(68.7)**	**(80.4)**	**0.5**	**(4.4)**
Profit/(loss) attributable to APN shareholders	62.7	70.2	(68.7)	(80.4)	(6.0)	(10.2)
Profit attributable to non-controlling interests	6.6	5.8	–	–	6.6	5.8
Net profit/(loss) after tax[4]	**69.3**	**76.0**	**(68.7)**	**(80.4)**	**0.5**	**(4.4)**

(1) Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items, represents the Group's total segment result.
(2) ARM and NZME were treated as discontinued operations in 2016 and 2015.
(3) Refer to note 1.3 to the consolidated financial statements for further details in relation to exceptional items.
(4) Totals may not add due to rounding.

This Operating and Financial Review should be read in conjunction with the Chairman's Report and the Chief Executive Officer's Report.

Performance overview

APN News & Media Limited (APN) segment revenue from continuing operations was up 15 per cent to $298.6 million from $259.0 million. Segment earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up 14 per cent from the corresponding period to $90.9 million. The profit attributable to shareholders from continuing operations and before exceptional items was an improvement of 58 per cent to $41.6 million, compared to $26.4 million in 2015. The statutory loss attributable to shareholders for the year was $6.0 million, a 41 per cent reduction on the loss of $10.2 million in 2015.

If APN had owned 100 per cent of Adshel for the full year, revenue from continuing operations would have been up five per cent to $458.2 million from $435.5 million. EBITDA from continuing operations and before exceptional items would have been up eight per cent from the corresponding period to $117.1 million.

In a transformative year for APN, solid results were achieved from the underlying businesses. Australian Radio Network revenues increased two per cent on the prior corresponding period to $225.3 million, though this was slightly behind the market. Cost saving initiatives meant that costs were largely flat and EBITDA grew four per cent to $86.1 million.

The remaining 50 per cent of Adshel was acquired on 25 October 2016; standalone revenues for the year grew 17 per cent to $205.8 million, and standalone EBITDA increased 21 per cent on the prior corresponding period to $46.2 million. Adshel performed ahead of market growth across Australia and New Zealand, as digitsation continued to support earnings growth. New Zealand results were strong due to a well-progressed digitisation programme and favourable contract tenures. Conversant Media was acquired on 31 October 2016 and further adds to APN's audience and reach across its portfolio of digital assets. Hong Kong Outdoor suffered from poor economic and advertising conditions, and the ongoing impact of Buzplay and contracts lost in the prior year, with revenues down 29 per cent.

Further restructuring initiatives were undertaken in Hong Kong Outdoor generating an additional 25 per cent reduction in total costs.

The table on page 8 reconciles the Group's segment result before exceptional items to the statutory result. The exceptional items include a mix of one-off gains and non-recurring costs arising during the year. The non-recurring costs include costs and restructuring items related to the demerger of NZME, the sale of ARM, the accounting gain on the acquisition of the remaining 50 per cent of Adshel and acquisition costs related to Adshel and Conversant Media. Further details are included in note 1.3 to the consolidated financial statements.

A review of each of the businesses is outlined in the following pages.

NET ASSETS

$836.5m

as at 31 December 2016

Balance sheet and cash flow

The Group had net assets at 31 December 2016 of $836.5 million, which is after $142.7 million in net debt. Following the demerger of NZME, the Group reduced its debt facility limits to A$360.0 million from A$655.0 million; all other key terms of the facility remained unchanged. Net debt has reduced to 1.2 times EBITDA from 2.7 times EBITDA at 31 December 2015 on a credit metrics basis.

The balance sheet has been impacted by the acquisitions of the remaining 50 per cent of Adshel and Conversant Media, the demerger of NZME and sale of ARM. Refer to note 5.1 to the consolidated financial statements for further detail in relation to the balance sheet impact of the acquisitions of Adshel and Conversant Media and note 6.1 to the consolidated financial statements for further detail on NZME and ARM discontinued operations. The parent entity's interest in the net assets increased to $800.6 million from $426.3 million at 31 December 2015.

Cash inflows before the impact of acquisitions and disposals of $19.5 million declined from $78.2 million in 2015; impacted by the demerger of NZME on 29 June 2016, reduced operational cashflows from ARM revenue declines, and a settlement with the New Zealand Inland Revenue Department in August 2016. Excluding the impact of these one-off items, cashflows from continuing operations remained strong and broadly in-line with 2015.

In a transformative year for APN, solid results were achieved from the underlying businesses

Australian Radio Network

On-air, ARN has Australia's leading talent, with the ability to deliver market share and ratings growth

Australian radio industry continues to grow

Radio remains an incredibly strong sector in the Australian media industry. Overall advertising revenues and listenership continue to grow with total commercial radio listeners reaching 10 million in 2016. Across the sector, there is an increased focus on multi-platform content delivery and commercialisation which is keeping listeners engaged and providing new monetisation opportunities.

The industry continues to work collaboratively under the Commercial Radio Australia (CRA) body on several important regulatory and licensing issues.

In May 2016, a dispute between the Phonographic Performance Company of Australia (PPCA) and CRA over digital streaming fees was finalised; providing the industry with increased certainty to invest in digital streaming and pursue online growth opportunities.

In October 2016, an industry-wide streaming service, RadioApp, was launched providing an all-inclusive destination for streaming any Australian commercial radio station online or via mobile.

More than just an FM broadcast business

Australian Radio Network (ARN) is now a multi-platform content and broadcast business. Targeted investments are seeing an increase in audience numbers and driving new revenue opportunities which are already starting to yield positive results.

On-air, ARN has Australia's leading talent, with the ability to deliver market share and ratings growth in 2017.

iHeartRadio, the music streaming and digital entertainment brand, experienced strong growth in 2016 with app downloads now exceeding one million, a 94 per cent increase in mobile listening hours, over 70 new stations launched, and podcasting up 400 per cent, all of which are driving extended audience engagement.

iHeartRadio hosted a number of successful live sessions throughout the year and in 2017 will continue to actively look for new growth opportunities that enhance this events area of the ARN business.

Emotive, in its second year of operation, is now profitable and is securing incremental revenue for APN across all its assets.

ARN's digital and social presence increased throughout 2016 and we expect further investment in our digital sales capability to drive growth in 2017 if revenue generating opportunities present.

The acquisition of Conversant Media has strengthened the Group's overall digital presence, with a combined audience of over four million unique users across ARN and Conversant Media. Video views are also up to over 1.6 million per month across Conversant Media and ARN.

Challenging second half

Revenues of $225.3 million generated EBITDA of $86.1 million, up four per cent year on year and with a very strong margin of 38 per cent. ARN's growth in 2016 was slightly behind the market, driven by some revenue challenges in the second half specifically relating to poor ratings results in surveys 3 and 4 and underperformance in both the Melbourne and Perth markets.

Management implemented a successful cost reduction program to the extent that overall costs for the year were only up $0.9 million to $139.1 million which included the licence fee reduction of $1.4 million. This increase related to the unavoidable cost of an extra month of 96FM in 2016 compared with 2015. All other costs for the year were flat.

In addition to a rigorous focus on costs, specific actions were taken in both Melbourne and Perth markets, including the recruitment of a new commercial director in Melbourne, and a decision to relaunch a new format for 96FM in 2017.

A relentless focus on ratings improvement saw strong recovery of audience numbers towards the end of 2016.

Kyle & Jackie O

ARN delivered strong results and was resilient in maintaining its position within the market. Going forward, ARN remains well placed to deliver positive results across its multi-platform business

Jonesy & Amanda

SEGMENT EBITDA

$86m

4%↑

AUD million	2016	% Change
Revenue	225.3	2%
Costs	(139.1)	1%
Segment EBITDA	86.1	4%

A strong survey 8 result provides a solid platform for 2017

In Sydney, KIIS 1065 was the number one FM station and ARN held the number one and number two breakfast shows with Kyle & Jackie O and Jonesy & Amanda performing exceptionally well.

In Melbourne, Gold 104.3 continued to be a strong and consistent performer and in 2016, was the number one FM station for four of the eight survey periods. ARN remains focused on driving greater audience growth from KIIS101.1 in 2017, with the appointment of a new Commercial Director who will be responsible for revenue generation across both stations.

In Brisbane, 97.3 again ended the year as the number one FM station with the number one breakfast show.

96FM in Perth has been repositioned with the expectation of increasing ratings and delivering a stronger national audience.

In Adelaide, Mix102.3 was the number one FM station and was the number one FM breakfast show.

ARN going forward

Ratings success remains a key priority for delivering revenue growth in the business.

Further monetisation of our digital audiences will continue to be a focus in 2017. The combined reach of ARN and Conversant Media's digital assets in response to advertiser briefs is starting to see positive results.

We have recently launched a new search and social media product offering for our clients, expanding our digital capabilities, particularly in the direct market, which has been well received and has provided good early revenue growth.

The ability to leverage the skills within Conversant Media to drive digital audience growth and revenue is having a positive impact across ARN. Sharing of content has commenced and is already yielding greater engagement and cross promotional opportunities, particularly regarding the sharing of video content.

Adshel

Adshel's extensive network delivers high frequency campaigns, reaching 92 per cent of Australians

Business overview

In October 2016 APN acquired the remaining 50 per cent of Adshel, a leading outdoor and digital-out-of-home provider, offering advertising solutions that are innovative, creative, flexible and delivered at scale.

The business has a broadcast reach of over 23,500 static and digital advertising faces in street furniture, rail and petro-convenience across Australia and New Zealand.

Investment in digital continues to drive revenues and market share in Australia and New Zealand

Adshel's extensive network delivers high frequency campaigns, reaching 92 per cent of Australians.

Static, digital, data, innovation and experiential are all key drivers of performance in the street furniture market and Adshel is the number one outdoor operator in this segment. Adshel's targeting capabilities afford it greater flexibility and precision and increasingly, geo-targeted and location-based marketing solutions.

Adshel commenced its digital roll-out with the launch of Adshel Live in 2015. Adshel is already seeing the clear benefits in this conversion to digital with continued investments in digitisation, data, technology and Adtech integrations all key drivers of future growth.

Successful results in a strong market

In 2016, total revenue grew 17 per cent to $205.8 million due to a strong market and continued improvement in market share.

EBITDA grew to $46.2 million with digital revenues contributing to slight margin improvement. Earnings performance in New Zealand was very strong on the back of a well progressed digitisation network.

Digital investment metrics across both markets were maintained with capital investments yielding less than a two year pay-back, and premium advertising rates holding.

Cost growth was 16 per cent to $159.6 million with much of this increase coming from digital revenue related and sales capability activities.

AUD million	2016	% Change
Revenue	205.8	17%
Costs	(159.6)	16%
EBITDA	46.2	21%

EBITDA

$46m

21%↑

Outperforming the market in digital

Adshel's investment in digital continues to drive revenues and market share in Australia and New Zealand.

Outdoor Media Association data showed full year revenue growth of just over 19 per cent for Adshel, ahead of the total market which was up 16 per cent in Australia. In New Zealand, Adshel revenues increased more than 32 per cent against the market, which was up 29 per cent.

Adshel continued to improve its market share in Australia, gaining 3.3 percentage points in the Roadside-Other segment.

Digital expansion continued at an impressive pace in the second half of 2016, adding 115 new screens in New Zealand and thereby creating the first national digital roadside network across the country. A further 70 screens are planned to be added in the first half of 2017. In Australia, 113 new digital screens were added in the second half of 2016, and another 137 are planned to roll out in the second half of 2017.

Digital revenues now account for over 30 per cent of overall revenue.

It was a milestone year for Adshel, succeeding in a strong market and expanding digital capabilities. It remains focused on actively pursuing opportunities for growth

Adshel special build for University of Melbourne campaign

Adshel & SBS ethnic audiences targeting initiative

Adshel – looking ahead

Full ownership of Adshel provides APN with the necessary platform to support Adshel's strategic roadmap.

The pursuit of new contracts, the renewal of existing contracts and ongoing digital expansion will provide Adshel with opportunities to further expand its audience base and reach, and diversify revenues.

Indicative capital expenditure of $50 million in 2017 is dependent on the outcomes of new and current contract tenders and other strategic initiatives.

Advancements in data, technology and insights will allow for enhanced audience and geo-targeting capabilities, supporting Adshel in moving towards selling advertising based on valuable audience profiles, rather than purely on reach and frequency.

Adshel will continue to invest in its automated sales platform, enabling media buyers to purchase Adshel with the same efficiency and calculation they have been achieving with online advertising.

OPERATING AND FINANCIAL REVIEW

Hong Kong Outdoor

APN's Hong Kong business is rebuilding with positive signs of progress

Gold Peak KEF campaign with whole domination at Eastern Harbour Tunnel

Strategic contract wins have set a solid foundation for 2017 and APN remains focused on rebuilding the business

Business overview

Revenue was down 29 per cent to $27.1 million as challenging economic conditions continued to impact the overall advertising market and the loss of 2015 contracts continued to impact results.

The challenging Buzplay contract continued to have a detrimental impact on earnings in the period, however expires in June 2017.

In the second half of 2016, strategic contract wins were encouraging, including the renewal of the Western Harbour Tunnel for a further seven years and the Eastern Harbour Tunnel for two years, with an option to extend, both of which are central thoroughfares for traffic in Hong Kong. The contract for Hong Kong tram shelters was also secured for five years starting in May 2017, and the business continues to carefully bid on selective opportunities.

The restructured and resized business has reduced costs by 25 per cent under an extensive cost cutting program.

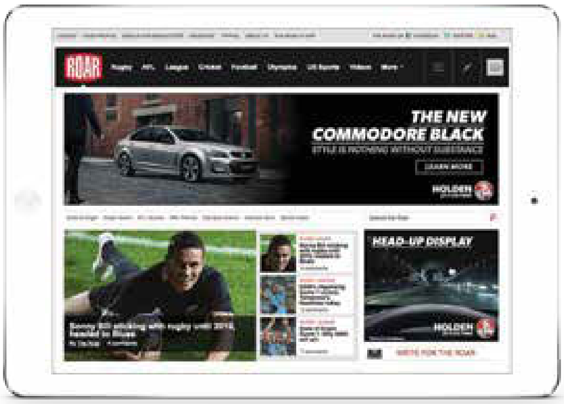
Hong Kong Outdoor remains focused on rebuilding the Cody business and returning the operations to profitability in 2017.

Hong Kong Outdoor

AUD million	2016	% Change
Revenue	27.1	(29%)
Costs	(28.4)	(25%)
Segment EBITDA	(1.3)	> (100%)

Conversant Media

Conversant Media adds a younger and more male-focused demographic to radio audiences



Business overview

Conversant Media is a pure play digital business focused on video, mobile, native and innovative ad formats and content creation. Conversant Media's portfolio of sites includes Australia's leading sports opinion website, The Roar, the renowned global culture website, Lost At E Minor, and the technology and lifestyle website, Techly. Conversant Media also has exclusive advertising partnerships with a number of sites including Inc.com, Bored Panda, and IFL Science.

Conversant Media is bringing its expertise to leverage the various digital opportunities identified across the APN Group

Strategic acquisition delivering results

The addition of Conversant Media into the Group in October has benefitted the radio business with a combined audience of over four million unique users and video views up to over 1.6 million per month. Conversant Media adds a younger and more male-focused demographic to radio audiences and significantly up-weights the businesses' overall ranking in the digital landscape.

There is a significant opportunity to monetise our digital audiences, with resources being employed to grow revenues, while the bundling of ARN and Conversant Media assets in response to briefs is showing some encouraging signs.

The Roar Mobile

Corporate Social Responsibility

APN believes in the importance of contributing to and building a connection with communities, supporting them through contra-advertising, sponsorships and community initiatives

As a leading media and entertainment company, APN has an opportunity and responsibility to give a voice to the community, and the Company is proud to help advance causes that benefit its audiences.

Commitment to supporting community initiatives

APN is committed to using the power and reach of its significant asset base to provide support for cause-driven organisations, helping to build awareness of their activities as they seek to grow and garner increased support and funding from the community.

In 2016 APN's radio network, ARN, delivered $2.9 million worth of community service announcements for a variety of initiatives and charities in Australia. The Australian Red Cross, Starlight Children's Foundation, Fight Cancer Foundation, Movember Australia, Sydney Children's Hospital Foundation, Camp Quality, The Alannah & Madeline Foundation, Foodbank Sydney, and the Royal Life Saving Society Australia were among those that benefited from charitable campaigns across ARN's platforms.

ARN also formalised its relationship with UnLtd, which brings members of the Australian media, marketing and advertising industry together to tackle youth disadvantage, committing to support the UnLtd-aligned charities batyr and Musicians Making a Difference (MMAD) in 2017.

Adshel contributed to the community by donating over $1.4 million worth of media inventory across Australia and New Zealand, supporting more than 25 registered charities in 2016. These included Alzheimer's Australia, Movember Australia, Earth Hour Australia, Ronald McDonald House New Zealand, The Royal Society for the Prevention of Cruelty to Animals New Zealand Incorporated and Surf Life Saving New Zealand (SLSNZ).

As part of its ongoing relationship with SLSNZ, Adshel brought their important safety message to life by building a bespoke campaign activation outside Britomart station, one of Auckland's busiest, inner-city areas. The activation promoted the cause to thousands of commuters, encouraging them to make a donation to help keep volunteer lifeguards on patrol. Adshel also ran a second, multilingual campaign for SLSNZ at the end of the year, specifically designed to reach diverse communities over the Christmas period (refer to next page).

ARN COMMUNITY SERVICE ANNOUNCEMENTS WORTH

$2.9m

Adshel team building initiatives

Beyond contra-advertising and charitable donations, in 2016 Adshel launched its purpose to "create the smartest connections for communities", and one of the first initiatives was engaging a local school in Wellington to encourage a sense of ownership of the nearby bus shelter location. This project saw a member of the New Zealand team out on the road, connecting with the students and getting them involved to decorate the seat slats in the shelter. As well as connecting directly with younger community members, in the process Adshel was able to address the issue of vandalism that had been a problem in the past.

In Hong Kong, APN's outdoor business, Cody, continued to work with non-government organisations (NGOs) and charities, supporting initiatives through its network of over 300 large format billboards and multimedia installations across 1,200 buses. This included providing special advertising rates, creative production and in-bus media airtime for organisations including Fair Trade Hong Kong Foundation Ltd, World Wide Fund For Nature Hong Kong (WWF HK), Hong Kong Network for The Promotion of Inclusive Society Ltd, and The Boys' & Girls' Clubs Association of Hong Kong.

During 2016, Conversant Media ran seven not-for-profit campaigns across its premium websites, The Roar, Lost At E Minor and Techly, with all campaigns including publisher support. Organisations that benefited included The McGrath Foundation, Surf Life Saving Australia, Bowel Cancer Australia, and Movember Australia, with paid campaigns also running for the Victorian Responsible Gambling Foundation, the Australian Government Department of Health national tobacco campaign, and the NSW Government's 'Pretty Shady' skin cancer awareness campaign.

Sydney Children's Hospital Foundation Gold Telethon

In 2016, ARN and Adshel both continued to support the Sydney Children's Hospital Foundation. WSFM 101.7 breakfast radio hosts, Jonesy & Amanda, once again led the annual Gold Telethon campaign, with a heavy on-air presence and digital and social media support to drive donations from the Gold Day launch to the Telethon event. Jonesy raised an additional $10,000 for the Telethon by allowing Amanda to cut his hair in a live on-air segment, raising awareness of the more than 45,000 children and families that rely on the hospital each year. This campaign was further amplified across ARN, with support from KIIS 1065 and The Edge 96.ONE, while Adshel provided significant media space to promote the initiative in Sydney.

Surf Life Saving New Zealand

In New Zealand, Adshel worked with charity partner Surf Life Saving New Zealand (SLSNZ) to create a multilingual outdoor campaign in Auckland, using Adshel's enhanced targeting capabilities to reach specific community groups over the summer with its important safety messaging, 'swim between the flags'.

Adshel was able to utilise its newly launched ethnicity targeting tool, using NZ Census data enhanced with Roy Morgan's Single Source data, giving SLSNZ the ability to precisely pinpoint where diverse communities live and work. Relevant, in-language messaging, including Chinese, Samoan and Maori, was then delivered across sites that indexed high against specific communities, for a more effective and impactful campaign, to promote the cause in a way that would better engage multicultural audiences.

People

Across APN, each business strives to promote work environments that are not only rewarding and motivating, but also encouraging, safe and inclusive. APN understands that engaged employees, who feel comfortable at work, will improve individual business performance, and the Group as a whole.

ARN has a strong and positive employment culture which is driven from its Employee Value Proposition that was developed in consultation with its people and is ingrained in everything they do. In 2016, ARN launched a paid parental leave initiative which has had a steady uptake. It also initiated an online digital performance management system, 'EmpowerME', capturing team members' performance throughout the year and helping to highlight achievements, development needs and succession opportunities.

Adshel has several engagement initiatives in place to encourage a positive team culture. Each year the executive team sets out on a roadshow across its Australian and New Zealand offices to share business updates and to promote the Adshel culture, bringing together the field-based operatives and office-based employees as one team. A monthly lunch and information session is also hosted for employees, to bring the teams together in their locations, encouraging them to connect and share business updates and achievements, while also providing all employees with training opportunities. Other initiatives in place at Adshel include leadership programs, peer-nominated reward and recognition programs, and offering all permanent Adshel employees a Wellbeing Day – an extra day of leave to improve their wellness.

APN understands that creating a culture of engaged employees improves both individual performance and that of the group as a whole

APN is supportive of giving employees opportunities to participate in community initiatives. At Adshel, all permanent employees have $250 per annum to donate to a charity of their choice. Employees also have the option to pool their donations and direct the pooled funds to a chosen charity. An initiative that continued into 2016 saw Adshel employees provided with one day off to volunteer for a charity of their choice. The initiative allows permanent employees to undertake charitable work in their local communities, either individually or by teaming up with other Adshel colleagues.

ARN employees teaming up for charity

Adshel's use of de-ionised water for shelter cleaning

ADSHEL
MEDIA INVENTORY SUPPORTING MORE THAN 25 REGISTERED CHARITIES WORTH

$1.4m

Environmental initiatives

As a media organisation, APN understands that it has a responsibility to demonstrate and advocate environmental stewardship, complying with all relevant legislation in relation to the operation of its businesses and seeking to implement best practice environmental initiatives across its businesses.

Adshel's environmental management system is measured and is certified against ISO 14001:2015 for environmental management systems. Initiatives undertaken as part of the national sustainability and efficiency project continue to deliver environmental benefits. The use of de-ionised water for shelter cleaning, together with switching from high to low-pressure cleaning systems, has significantly reduced water consumption, minimised water runoff and reduced reliance on chemical detergents. These changes, implemented in 2016, covered 50 per cent of Adshel's sites in New Zealand and 100 per cent of its sites in Australia.

In 2016, Adshel continued to explore new ways to improve its energy consumption, and to reuse or recycle all by-products. With more than 350,000 posters managed annually, Adshel supports and promotes the recycling of all poster materials at the completion of each campaign. The lightweight polysynthetic materials are returned to recycling depots for reuse in the production of other poly products, such as pots and drain grates. Adshel has made an ongoing investment in the upgrade of its outdoor lighting solutions through the use of LED, reducing the energy requirements by 80 per cent compared to the traditional backlighting designs. To date, Adshel has modified over 3,000 displays to the new lighting system, and the new LED solution will form the basis of all static displays in future asset development plans.

More than 28 per cent of Adshel's assets are fully operational solar-powered sites. Adshel has pioneered the use of solar energy in the out-of-home street furniture sector for more than 10 years, reducing its impact on the environment. In New Zealand, Adshel is also converting sites to run using solar energy, with 15 now fully solar-powered.

In New Zealand, Adshel is trialing the use of a Nano coating on roof glass on shelters in Auckland which is expected to eliminate the use of strong detergent on these surfaces, while ensuring the high-quality presentation of Adshel's premium assets.

APN's businesses also promote greater public awareness around environmental issues, through the various charitable campaigns that run across its inventory each year. In 2016, both Adshel and APN's Hong Kong outdoor company, Cody, supported WWF's annual Earth Hour campaign, to raise awareness of climate change and encourage energy saving. For another consecutive year, Cody again showed support for the global event by switching off the lights across several of its billboard sites.

Senior Management Team

Ciaran Davis

CEO & Managing Director, APN News & Media

Ciaran Davis is the CEO and Managing Director of APN News & Media. He was promoted to the position in August 2015 from his role as CEO of Australian Radio Network (ARN). Ciaran spent five years at ARN repositioning the business to become the number one metropolitan radio operator in Australia. Responsible for the recruitment of leading talent to the network and strategic investments such as 96FM, Emotive and iHeartRadio, Ciaran established a new management team and drove a culture of ambition and success throughout the business. Ciaran joined ARN as CEO in January 2010 from Communicorp Group Ltd in Ireland, where he spent 10 years working in executive leadership roles with the group's radio and media interests in Europe and the Middle East. His positions included Commercial Director (2007 to 2010), Chief Executive Officer for 98FM, Dublin (2003 to 2007) and Marketing Director for 98FM (2000 to 2003). Ciaran is also the Chairman of social video content marketing agency Emotive and a Director of Commercial Radio Australia, The Australian Ireland Fund, and Soprano Design. Ciaran was appointed as an Executive Director (Managing Director) of APN News & Media on 24 August 2016.

Jeff Howard

Chief Financial Officer, APN News & Media

Jeff Howard joined APN News & Media in 2010 and was appointed Chief Financial Officer (CFO) in December 2012. Jeff spent more than nine years with ABN AMRO and RBS in corporate lending and broader relationship banking roles that included a focus on the telecommunications and media sectors. Prior to this, Jeff was with KPMG where he spent nearly 10 years in audit and project roles, including a secondment to KPMG's Philadelphia practice. Jeff completed his Executive MBA with the Australian Graduate School of Management in 2005 and is a Chartered Accountant. Jeff is a Director of Soprano Design, and was previously a Director of Aussie Commerce.

Yvette Lamont

Group General Counsel and Company Secretary, APN News & Media

Yvette Lamont has been Group General Counsel and Company Secretary of APN News & Media since 1998. She was previously General Counsel of pay television company Australis Media Limited (Galaxy), a Senior Associate with law firm Allens (in the Media and Technology Group) and a solicitor with boutique law firm Boyd, House & Partners specialising in media law. Yvette is a member of the Media and Communications Committee of the Law Council of Australia, has completed the Company Meetings and Company Secretarial Practice courses with the Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors. She was admitted as a solicitor to the Supreme Court of New South Wales in 1987 and the High Court of Australia in 1988.

Emma Hogan

Chief People Officer, APN News & Media

Emma Hogan joined APN News & Media as Chief People Officer (CPO) in February 2017 from Foxtel, where she spent nine years as Executive Director – People, Culture and Communications (2007 to 2015) and Executive Director – Customer Experience (2014 to 2016). In these roles, Emma was responsible for creating and driving strategy, people and performance for over 3,000 onshore, and 2,000 off-shore employees, change and transformation and operational implementation. Prior to joining Foxtel, Emma held several senior HR leadership positions with iconic Australian brands including Qantas and Woolworths. Emma holds post graduate qualifications in HR and Business Management, and graduated from Stanford University's Executive Program in 2013. Emma is also a Non-executive Director on the boards of The Cantoo Foundation and Australian Indigenous Mentoring Experience (AIME) and in 2015, created her own for-purpose foundation, Rainbow Jane.

Tony Kendall

Chief Revenue Officer, APN News & Media (from 3 April 2017); Chief Executive Officer, Australian Radio Network (ARN) (until 3 April 2017)

Tony Kendall was appointed Chief Revenue Officer of APN News & Media and this was announced in March 2017. Tony commenced his previous role as Chief Executive Officer (CEO) of the Australian Radio Network (ARN) in December 2015. Tony joined ARN from Bauer Media where he spent almost three years as Director of Sales. He joined Bauer in early 2013 from News Corp Australia where he spent over 23 years in senior commercial management roles across Melbourne, Sydney and New York, including a year as the CEO of the Australian magazine division. Tony is also a Director of the Melbourne Fashion Festival (since 2010).

Rob Atkinson

Chief Executive Officer, ARN (from 3 April 2017); Chief Executive Officer, Adshel (until 3 April 2017)

Rob Atkinson was appointed Chief Executive Officer (CEO) of ARN and this was announced in March 2017. Rob joined Adshel in his previous role as CEO in November 2011, having previously held the position of Chief Operating Officer of Clear Channel UK. Rob originally joined Clear Channel as Sales Director in 2005, before being promoted to Group Sales Director and then Managing Director in the same year (2008). Prior to joining Clear Channel, Rob held various senior sales roles at Associated Newspapers in both London and Dublin and won the prestigious Campaign Magazine UK Sales Leader of the Year in 2009. As Chief Executive Officer at Adshel, Rob pioneered the launch of the world's first national digital street furniture network, as well as the biggest national deployment of beacons in the world. In the past four years, he has been shortlisted twice, for both Australian CEO of the Year, and Media Executive of the Year, by the prestigious CEO Magazine.

Mike Tyquin

Chief Executive Officer, Adshel (from 3 April 2017)

Mike Tyquin joined Adshel in May 2014 as Chief Commercial Officer and commences as Chief Executive Officer on 3 April 2017. Over more than 20 years, Mike has held a range of senior executive positions in the out-of-home advertising industry including over nine years at Network Ten's out-of-home business EYE Corp (EYE). During his time at EYE, Mike led the operations in South East Asia before spending five years as CEO of Australia and New Zealand. While at EYE, Mike was a director of industry bodies OMA (Outdoor Media Association) and MOVE (Measurement of Outdoor Visibility and Exposure).

Simon Joyce

Chief Executive Officer, Emotive

Simon Joyce is the Chief Executive Officer (CEO) and founder of social video content marketing agency Emotive, which launched in the Australian market in February 2015. Simon has extensive experience in social, digital video, branded content, mobile, marketing, commercial and business leadership gained over 17 years in media and marketing. Prior to launching Emotive, his most recent position was CEO of MCM Entertainment where he successfully launched the world's biggest YouTube channel, Vevo in Australia. Simon has been recognised by the media and advertising industry on numerous occasions including being named in the AdNews Top 40 under 40, The Australian Music Directory Power 50, Media Week Top 25 People in Media and in 2016, he was nominated for Mumbrella Industry Leader of the Year.

Zac Zavos

Chief Executive Officer, Conversant Media

Zac Zavos co-founded Conversant Media in 2007, a digital media company that produces engaging premium sites that include Australia's leading sports opinion website, The Roar, the renowned global culture website, Lost At E Minor, and the newly launched tech and lifestyle website, Techly. Prior to this, Zac spent nine years in digital consulting with several firms including IBM (1998 to 2001), Deloitte (2002 and 2003) and ThoughtWorks (2005 to 2007). In 2009 and 2010, Zac was named one of Sydney's 100 Creative Catalysts by Vivid Sydney. Zac has a Bachelor of Arts (Psychology & Sociology) and Master of Commerce (Information Systems & Management), from The University of New South Wales.

Board of Directors

Peter Cosgrove

Chairman

Peter Cosgrove was appointed to the APN Board in December 2003. He is the founder of the Buspak group of companies in Australia, New Zealand and Hong Kong and has more than 20 years' experience in the broadcasting, publishing and outdoor advertising industries. Peter is Non-executive Chairman of Buspak Hong Kong (since 2003), and Non-executive Deputy Chairman of Clear Media Limited (Director since 2001), which is listed on the Stock Exchange of Hong Kong. Peter is also a Director and shareholder of MediaCap Pty Limited. He was previously Chairman of GlobeCast Australia Pty Limited (2002 to 2015), a broadcasting company based in Sydney.

Responsibilities: Non-executive Director, Chairman of the Board of Directors (since 2013) and Chair of Nomination and Governance Committees.

Ciaran Davis

CEO and Managing Director

Refer to biography on page 20.

Christine Holman

Non-executive Director

MBA, GAICD

Christine Holman was appointed to the APN Board in November 2015 and brings a strong understanding of digital media and technology with over 20 years' experience across the technology, private equity and digital sectors in a variety of functions including finance, commercial, technology and marketing. Christine was formerly the Commercial Director at Telstra Broadcast Services and was a member of their Executive and Remuneration Committees. Prior to her role at Telstra Broadcast Services, Christine was the Chief Financial Officer and Commercial Director of broadcasting company GlobeCast Australia Pty Limited, a joint venture between Orange SA (previously France Telecom) and Australian shareholders, before being acquired by Telstra in June 2015.

Christine spent seven years at Capital Investment Group assisting management and the boards of investee companies on strategy, business development and mergers and acquisitions. She has an MBA from Macquarie University and a Post Graduate Diploma in Management from Macquarie University and is a Graduate of the Australian Institute of Company Directors.

Christine has been a Non-executive Director of CSR Limited since October 2016, The Bradman Foundation since December 2016 and State Library of NSW Foundation since February 2017. Christine is a member of the Remuneration & Human Resources Committee and the Workplace Health, Safety & Environment Committee at CSR.

Responsibilities: Non-executive Director and Member of Audit & Risk and Nomination and Governance (from 11 May 2016) Committees.

Paul Connolly

Non-executive Director

BComm, FCA

Paul Connolly was appointed to the APN Board in October 2012. Paul has 25 years' experience advising on mergers and acquisitions, takeovers, disposals, fundraisings and initial public offerings. Since 1991, Paul has been Chairman of Connolly Capital Limited, a Dublin-based corporate finance advisory firm focused on the telecom, media and technology sectors. He was a Director of Esat Telecommunications Limited (Esat Telecom), an Irish telecommunications company, from 1997 to 2000, and then a Director of Digicel Limited, a Caribbean-based telecommunications company. In addition, he was a Director of Melita plc from 2007 to 2016. From 1987 to 1991, Paul held the position of Financial Controller of Hibernia Meats Limited and prior to that, he worked with KPMG as an accountant. Mr Connolly holds a Bachelor of Commerce degree from University College Dublin, Ireland, is a Fellow of Chartered Accountants Ireland and a member of Executive Summit at Stanford Graduate School of Business. Currently, Paul serves on the Boards of Communicorp Group and Independent News & Media PLC and is Chairman of Tetrarch Capital Limited, the private Irish media group Business & Finance and UNICEF Ireland. In October 2010, he was invited to become an external Senior Advisor to Credit Suisse.

Responsibilities: Non-executive Director and Member of Audit & Risk (from 30 June 2016), Remuneration and Nomination and Governance Committees.

Peter Cullinane

Non-executive Director

MBA, MMgt

Peter Cullinane was appointed to the APN Board in November 2013. As the former Chief Operating Officer of Saatchi & Saatchi Worldwide (1998 to 2002) as well as the company's Chief Executive, New Zealand and Chairman, Australasia for over eight years prior, he is a respected force in global advertising and marketing who brings extensive industry knowledge, as well as expertise in Australasian and global markets, to the Board. Based in Auckland, Peter is currently the founder and Chairman of Lewis Road Creamery Limited, a fast growing, high profile, dairy-based packaged goods business. He is a Director of NZME Limited, a retired Director of WPP AUNZ Limited (2010 to 2016) and a retired Director of SKYCITY Entertainment Group (2008 to 2015), where he was Chairman of the Corporate and Social Responsibility Committee and a member of the Governance and Nominations Committee.

Responsibilities: Non-executive Director and Chair of Remuneration Committee.

Anne Templeman-Jones

Non-executive Director

BComm (UWA), ACA, EMBA (UNSW), Masters in Risk Management (UNSW)

Anne Templeman-Jones was appointed to the APN Board in June 2013 and brings extensive executive and Non-executive Director expertise in strategy, banking, finance, risk management and governance. Anne currently serves as the Independent Chair of the Wealth and Advice Subsidiary Boards of the Commonwealth Bank of Australia (CBA) and as a Non-executive Director of GUD Holdings Limited and Cuscal Limited. Between 1995 and 2016, Anne served as a Non-executive Director of Pioneer Credit Limited, Notre Dame University, HBF Health Limited, HBF General Insurance Limited, The McCusker Foundation for Alzheimer's Research and the Travel Compensation Fund. During these tenures, Anne held various committee roles chairing Audit & Risk and Remuneration and Governance. Her executive career up until 2013, included a number of senior executive positions at Westpac, including Director of Corporate and Institutional Banking, Director Group Risk Reward, Head of Strategy and Governance for Westpac's Pacific Banking and Head of Private Bank (NSW). She previously held senior executive positions in Switzerland, Belgium, Perth and Sydney with AIESEC International, PricewaterhouseCoopers, the Bank of Singapore (OCBC Bank), the Bank of New Zealand and Australia and New Zealand Banking Group (ANZ). Anne is a Fellow of the Australian Institute of Company Directors and a member of Chartered Accountants Australia and New Zealand.

Responsibilities: Non-executive Director, Chair of Audit & Risk Committee and Member of Remuneration Committee.

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The Board of APN News & Media Limited endorses good corporate governance practices and oversees an organisation–wide commitment to high standards of legislative compliance and financial and ethical behaviour.

The Directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders and ensures the Company is properly managed.

The Company has considered the best practice recommendations established by the ASX Corporate Governance Council "Corporate Governance Principles and Recommendations" (Recommendations) and has complied with those Recommendations for the entire reporting period.

In addition, a description of the Company's main corporate governance practices and policies is set out below. This Corporate Governance Statement, together with the policies and charters referred to in it, are also available on the Company's website, www.apn.com.au.

BOARD OF DIRECTORS

Board responsibilities

The Board is responsible for overseeing the long-term profitable growth of the Company. This is achieved through a process of regular reviews of strategy, operations and areas of risk.

The Board sets overall corporate policy and provides guidance for the Executive Key Management Personnel (as defined in the Remuneration Report on page 36 of this Annual Report) (Executive KMP) and oversight of policy execution.

The responsibilities of the Board are to:

- oversee the workings of the Company, including its control and accountability systems;
- appoint and remove the Chief Executive;
- appoint and remove the Chief Financial Officer (based on the recommendation of the Chief Executive);
- appoint and remove the Company Secretary;
- provide input into and approve corporate strategy;
- provide input into and approve the annual operating budget (including the capital expenditure budget);
- approve and monitor the progress of major capital expenditure, capital management and acquisitions/divestitures;
- monitor compliance with legal and regulatory obligations; and
- review and ratify systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies.

Responsibility for the day-to-day operations of the Company is usually conferred on the Chief Executive who reports to the Board and provides the Board with information in relation to the conduct of the business of the Company. The Chief Executive exercises this responsibility in accordance with Board-approved annual operating budgets and reports to the Board at regular Board meetings. In addition, the Company's Executive KMP meet regularly to examine the performance of the Company compared to Board-approved operating budgets and policies. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Term of office

The Constitution of the Company currently specifies that there shall be a minimum of three Directors and a maximum of nine or such other number as determined by the Board from time to time by resolution.

The Constitution of the Company specifies that an election of Directors must be held at each Annual General Meeting.

A Director (other than any Managing Director) must retire from office at the third Annual General Meeting after being elected or last re-elected and is eligible for re-election. If no Director is required to retire at an Annual General Meeting, then the Director with the longest period in office since being elected or last being re-elected must retire and is eligible for re-election at the Annual General Meeting.

A Director appointed since the most recent Annual General Meeting shall hold office only until the following Annual General Meeting and shall then be eligible for election by shareholders.

The Company provides all material information which shareholders require to decide how to vote on the resolution to elect or re-elect a Director, in its Notice of Meeting and Annual Report.

Composition and qualifications

The Board currently consists of six members: five non-executive Directors and one executive Director (the CEO & Managing Director).

During the reporting period, the Board consisted of up to seven members, two non-executive Directors left the Board (one retired on 11 May 2016 and one resigned on 30 June 2016) and one executive Director (the CEO & Managing Director) was appointed (on 24 August 2016).

Details of the names, qualifications, tenure, skills, experience and Board Committee memberships of the Directors and meeting attendances of Directors during the reporting period appear on pages 20, 22 and 34 of this Annual Report.

Board skills matrix

The Board believes it is important to ensure a strong mix of skills, experience and diversity on the Board to support the business' future growth.

The Directors provide the skills and experience set out in this skills matrix:

Skills and experience

- business and operations expertise (across a range of industries)
- management
- mergers and acquisitions
- strategy development
- media specific expertise
- advertising and marketing
- digital media and technology
- accounting and finance
- risk management
- governance

The Board will continue to assess its composition to ensure a strong balance of skills, experience and diversity.

The Company's Director induction process includes receiving an induction pack (setting out their responsibilities, confidentiality obligations, insurance coverage, and disclosure obligations); briefings from the Chairman and certain Executive KMP regarding the Company's business, strategy, financial position and corporate governance policies; meeting with other Directors; and visits to specific Company operations.

Directors attend external education seminars, including on topical industry trends and issues. In addition, the Company arranges presentations to the Board from key executives from the Company's divisions to update the Board on business activities, key issues and strategy.

BOARD PROCEDURE

The Board meets formally on a regular basis. From time to time, meetings are held at the offices of divisional operations, enabling Directors to obtain increased knowledge of individual Company operations.

MEETING AGENDAS

Meeting agendas are usually settled by the Chairman with input from the Chief Executive to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year. Directors add items to the agenda. At each Board meeting, there is time set aside for Directors to meet without management present.

INDEPENDENT ADVICE

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required; however, this would not be unreasonably withheld.

INDEPENDENCE OF DIRECTORS

During the reporting period, a majority of the Board were independent Directors.

In terms of assessing independence, Directors are considered to meet the threshold for independence if they are free of any interest, position, association or relationship that might influence, or could reasonably be perceived to influence, in a material respect their capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of the Group and its security holders generally. Rather than applying materiality thresholds, materiality is assessed on a case-by-case basis.

In terms of longevity of time in office, the Board does not consider that independence can be assessed with reference to an arbitrary and set period of time, and the independence of Directors who may have held office for some time, is considered on a case-by-case basis.

In relation to the reporting period, the following non-executive Directors (being all the non-executive Directors of the Company) were considered by the Board to be independent:

- Peter Cosgrove (Chairman);
- Paul Connolly;
- Peter Cullinane;
- Christine Holman;
- Anne Templeman-Jones;
- Ted Harris (retired 11 May 2016); and
- Sir John Anderson (resigned 30 June 2016).

PERFORMANCE EVALUATION

From time to time, including during the reporting period, the operation of the Board, its Committees and individual Directors and their performance are discussed and, where appropriate, measures are taken to enhance their effectiveness. The Company uses various methods to evaluate performance including interviews with Directors. External advisors are also engaged to provide advice from time to time.

AGREEMENTS WITH DIRECTORS AND EXECUTIVE KEY MANAGEMENT PERSONNEL

Directors are provided with written agreements setting out their responsibilities, confidentiality obligations, insurance coverage, and disclosure obligations. Each Executive KMP has a written employment agreement. Further details can be found in the Remuneration Report on page 36 of this Annual Report.

BOARD COMMITTEES

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of various issues.

Current Committees include, among others, the Nomination and Governance (NAG) Committee, Remuneration Committee (RemCo) and Audit & Risk Committee (ARC) which all consist entirely of non-executive Directors.

Each of these Committees has its own formal charter setting out the authority delegated to it by the Board. The Company regularly reviews its policies and charters, including during the reporting period, and where appropriate, such policies and charters are updated. Copies of the charters are available on the Company's website.

Matters determined by these Committees are submitted to the full Board for ratification.

NOMINATION AND GOVERNANCE COMMITTEE

The Company has a Nomination and Governance Committee (which changed its name from Nomination Committee to Nomination and Governance Committee on 12 October 2016). During the reporting period, the Nomination and Governance Committee consisted of the following non-executive Directors:

- Peter Cosgrove (Chair);
- Paul Connolly;
- Christine Holman (appointed 11 May 2016); and
- Ted Harris (retired 11 May 2016).

The main role of the Nomination and Governance Committee is to:

- review the composition of the Board to ensure it is comprised of members who provide the required breadth and depth of skills, experience and knowledge to achieve the objectives of the Board;
- ensure the succession plan for the Board, the Chief Executive and other senior executives;
- ensure the development and implementation of a process for evaluating the performance of the Board, its Committees and Directors;
- establish the process for recruiting a new Director, including ensuring any vacancies on the Board are filled with the best possible candidate through the use of executive search firms and/or by direct approach, ensuring appropriate checks are undertaken, considering the independence of the candidate and ensuring that new Board members are afforded induction and continuing professional development programs;
- consider corporate governance policies to be implemented by the Company, amendments to existing corporate governance policies to reflect material changes in law and/or practice relating to corporate governance, and the Company's annual Corporate Governance Statement; and
- consider other matters referred to the Committee by the Board from time to time.

The Board appreciates that having a range of backgrounds, skills and experience can contribute to a well-functioning Board that robustly considers issues and makes decisions. The Board skills matrix on page 26 in this Corporate Governance Statement demonstrates the range of skills and experience currently represented on the Board.

Once a potential candidate for the Board is identified, the Nomination and Governance Committee conducts a review of the relevant candidate's experience and qualifications and the needs of the Company and the Board. Following the review, the Nomination and Governance Committee may recommend to the Board that the candidate be appointed as a Director.

REMUNERATION COMMITTEE

The Company has a Remuneration Committee. During the reporting period, the Remuneration Committee consisted of the following non-executive Directors:

- Peter Cullinane (Chair);
- Paul Connolly; and
- Anne Templeman-Jones

The main role of the Remuneration Committee is to:

- ensure that remuneration policies and practices are consistent with the strategic goals of the Group and are relevant to the achievement of those goals;
- review and recommend to the Board remuneration arrangements and all reward outcomes for any executive Directors, the Chief Executive and direct reports to the Chief Executive;
- review and recommend to the Board fee arrangements for non-executive Directors;
- review remuneration by gender (or other criteria supporting diversity); and
- review and recommend any significant changes in remuneration policy and structure, including superannuation, employee equity plans and benefits.

The performance of the Executive KMP as listed on page 36 of this Annual Report is evaluated on an ongoing basis by the Chief Executive who then makes recommendations to the Remuneration Committee in relation to the appropriate level of remuneration for the Executive KMP based on their performance against budgeted targets (either Group or divisional as appropriate) and the achievement of individual business objectives. The Remuneration Committee reviewed the remuneration of the Executive KMP (including the Chief Executive) during the reporting period in accordance with this process.

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*.

Further details on remuneration policy and the structure of non-executive Director remuneration and further details of the appraisal and performance evaluation applicable to Executive KMP appear in the Remuneration Report on pages 36 to 49 of this Annual Report.

AUDIT & RISK COMMITTEE

The Company has an Audit & Risk Committee. During the reporting period, the Audit & Risk Committee consisted of the following non-executive Directors:

- Anne Templeman-Jones (Chair);
- Paul Connolly (appointed 30 June 2016);
- Christine Holman;
- Ted Harris (retired 11 May 2016); and
- Sir John Anderson (resigned 30 June 2016).

The main role of the Audit & Risk Committee is to:

- review the scope, integrity and effectiveness of (among others) the external and internal audit functions, financial reporting and disclosures, risk management and compliance, due diligence procedures and the propriety of related party transactions;
- review and consider any reports or findings arising from any audit function either internal or external;
- review and ensure compliance of the Group's financial statements (including related Australian Securities Exchange (ASX) releases);
- oversee the Company's relationship with its external auditors;
- oversee and independently review the Company's and Group's Risk Management Framework;
- oversee and independently review the Company's and Group's Internal Audit & Risk function; and
- consider other matters referred to the Committee by the Board from time to time.

The Audit & Risk Committee has unlimited and unrestricted access to management and employees and regular meetings are held with the external auditors, providing an essential direct link between the auditors, management and the Board.

Audit & Risk Committee meetings are held at least four times every financial year to evaluate the financial information submitted to it and to review any procedures and policies that would affect the accuracy of that information.

Audit & Risk Committee meetings are regularly attended by the Chief Executive, Chief Financial Officer, Group General Counsel and Company Secretary, Internal Audit & Risk Manager and external auditors. The Directors are invited to attend Audit & Risk Committee meetings as observers, are advised of meeting dates and times and are provided with Audit & Risk Committee materials.

An ongoing five-year rotation policy applies to the engagement partner of the external auditor of the Company.

RISK MANAGEMENT

In addition to the role of the Audit & Risk Committee in the area of risk oversight and management, the Board monitors the operational and financial performance of all business units through regular reports from the Chief Executive and Chief Financial Officer, to enable the identification of the key business and financial risks which may prevent the Group from achieving its objectives.

This enables the Directors and senior executives to be fully informed of such risks and to ensure that appropriate controls are in place to effectively manage those risks.

As the Group is a media and entertainment group operating in a number of jurisdictions including Australia, New Zealand and Asia, the Group is subject to diverse types of risk including, but not limited to, the following risks: legal and regulatory compliance, financial and market, government policy and political, reputation and brand, operational, and trading conditions.

During the reporting period, the Group reduced its exposure to overseas markets.

The nature of the businesses and operations of the Group:

- means that any single risk apparent to a division must be considered in the context of Group materiality; and
- is a key reason for the Board's commitment to division-based responsibility for the implementation of risk management policy and the primary identifier of risk management issues.

The Company has a Risk Management Policy to facilitate a consistent approach to risk management and the reporting of risk across the Group. The Risk Management Policy is part of the Group's Risk Management Framework which outlines the Group's risk management processes, the roles and responsibilities of key stakeholders, documentation and reporting requirements.

The Company's Internal Audit & Risk function works through a schedule of prioritised risk areas across all the major business units to provide an independent risk assessment and evaluation of operating and financial controls. The Internal Audit & Risk function is independent from the external auditor and reports the results of its reviews to the Audit & Risk Committee.

Implementation of enhancements to the Risk Management Policy and Risk Management Framework endorsed by the Board are pursued on an ongoing basis. The Company's approach to risk management is assessed at least annually by the Audit & Risk Committee in order to make a recommendation to the Board on the appropriateness of the Risk Management Framework. The Risk Management Policy is reviewed regularly and approved by the Board. During the reporting period, the Company reviewed its Risk Management Framework and was satisfied that it continued to be sound. In addition, enhancements were made to increase transparency of risk for the Board and APN management.

During the reporting period, as part of the Company's risk management and internal compliance procedures, the Chief Executive and Chief Financial Officer reported to the Board in writing and in accordance with section 295A of the *Corporations Act 2001* that the Company's financial records have been properly maintained, and the Company's financial reports present a true and fair view of the Company's financial condition and operational results, and are in accordance with relevant accounting standards. The Chief Executive and Chief Financial Officer also reported to the Board that their statements are based on a sound system of risk management and internal compliance and controls and that this system is operating effectively in all material respects, and all material Group risks are being managed effectively. Accordingly, through this Statement, management reports to the Board as to the effectiveness of the Company's management of its material business risks.

The Group has no material exposure to any specific economic, environment or social sustainability risks that are not being managed in accordance with its policies.

ENVIRONMENT

A summary of the Group's approach to the environment during the reporting period is set out on page 19 of this Annual Report.

HEALTH AND SAFETY

The Company's operations are conducted in a wide range of work environments which present a wide variety of potential hazards and risks. The Company recognises this and is committed to ensuring the health, safety and wellbeing of its employees and those within the broader communities in which it operates.

During the reporting period, the Company:

- continued its program of work aimed at improving the levels of safety reporting and co-operation between the respective APN divisions which included further strengthening of the safety governance and consultation arrangements and ongoing work to ensure compliance in an evolving legislative environment; and
- implemented further improvements to increase the effectiveness of its workplace health and safety practices.

The Company's primary measures of safety performance are currently the Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR). These reflect the number of lost time and medical treatment injuries experienced for every million hours of employee work time.

The Company's commitment to improving the workplace environment has been reflected in the maintenance of low rates for LTIFR and MTIFR.

SHAREHOLDER COMMUNICATION AND CONTINUOUS DISCLOSURE

As part of an overall policy of open disclosure, the Company ensures that all material communications regarding its operations are made available for all interested stakeholders in a timely fashion. The Company has a policy in place to ensure compliance with the Listing Rules regarding disclosure and to ensure accountability at a senior executive level for compliance. The Market Disclosure Policy is designed to ensure that there is full and timely disclosure of the Company's activities to shareholders and the market in accordance with the Company's legal and regulatory obligations. In summary, the Market Disclosure Policy provides for the following:

- the disclosure of price-sensitive information (unless there is an applicable exception);
- the Company's approach to market speculation;
- disclosure responsibilities and procedures; and
- how external communications are conducted.

The Market Disclosure Policy also provides that:

- where possible, the Company will arrange for advance notification of significant briefings (including, but not limited to, results announcements) and make them widely accessible, including through the use of webcasting or any other mass communication mechanism as may be practical; and
- for shareholders who wish to attend General Meetings by proxy, to the extent considered practicable, the Company will provide for the electronic lodgement of proxy forms.

A copy of the Market Disclosure Policy is available on the Company's website.

The Company facilitates two-way communication with shareholders (predominantly through its website and electronic communications). The Company's website lists announcements made to the market, presentations to industry analysts and investors, information on dividends and the Dividend Reinvestment Plan, summary historical financial information and information regarding annual and interim financial results among other matters. Market announcements are posted to the website as soon as practicable after release. Copies of recent past Company Annual Reports and details of the outcome of Annual General Meetings are also available from the website, or upon request directly from the Company.

Announcements and financial results for the past three years are available on the Company's website. Shareholders also have the option to receive certain electronic communications from the Company and may contact the Company through a dedicated email address.

In relation to shareholder participation at Annual General Meetings, shareholders are encouraged to attend either in person or by proxy or corporate representative (if applicable). The Company provides a facility for the electronic lodgement of proxy forms. The Company has also provided live webcasts of its Annual General Meetings through the Company's website. Shareholders attending Annual General Meetings are able to ask questions regarding the Financial Report, Directors' Report and Independent Auditor's Report or on Company management. In addition, shareholders may also ask questions of the external auditor, who is required to attend each Annual General Meeting, to respond to queries about the conduct of the audit of the Financial Report, the preparation and content of the Independent Auditor's Report, the accounting policies adopted by the Company and the independence of the auditor.

During the reporting period, as required by the NZX Limited (NZX) Listing Rules, the Company disclosed that the rules set out in Appendix 17 of the NZX Listing Rules did not apply to the Company as it was a "Dual Listed Issuer" (as defined in the NZX Listing Rules). On 21 February 2017, the Company delisted from the Main Board of the New Zealand Stock Exchange.

SECURITIES TRADING

Directors and senior managers are made aware that the law prohibits insider trading. The Directors are aware that the *Corporations Act 2001* and the Listing Rules require disclosure of any trading undertaken by Directors or their related entities in Company securities. During the reporting period, the Executive KMP were also aware that the NZX Listing Rules impose disclosure obligations on certain senior managers. On 21 February 2017, the Company delisted from the Main Board of the New Zealand Stock Exchange.

In addition to these requirements and obligations, the Company has a Securities Trading Policy and Guidelines.

The Securities Trading Policy and Guidelines imposes trading restrictions on Directors, the Chief Executive and all his direct reports (and those directly reporting to them), and participants in any APN Employee Incentive Plan (as defined in the Policy) where trading is not permitted by law and also during Company-designated closed periods (prior to the release of half and full year results and any additional periods imposed by the Company from time to time when the Company is considering confidential matters which are not required to be disclosed to the market under ASX Listing Rule 3.1A). This Policy also prohibits the entering into of any hedging or other arrangements by which the economic risk associated with any unvested options, rights or similar instruments held pursuant to an APN Employee Incentive Plan are limited. The Policy states that breaches of the Securities Trading Policy and Guidelines will be subject to disciplinary action, which may include termination of employment. A copy of the Securities Trading Policy and Guidelines is available on the Company's website.

ETHICAL STANDARDS

The Group has a Code of Conduct covering policies and other standards within which Directors, employees and consultants are expected to act. A copy of the Code of Conduct is available on the Company's website.

Under the Code of Conduct, the practices necessary to maintain confidence in the Company's integrity and legal obligations and the reasonable expectations of stakeholders are summarised as follows:

- all Directors, employees and consultants are required to abide by laws and regulations and the requirements of the Code of Conduct and to respect confidentiality and the proper handling of information;
- all Directors and employees are required to act with the highest standards of honesty, integrity and ethics in all dealings with each other, the Group, customers, suppliers and the community;
- Directors or employees giving and receiving gifts in connection with the operation of the Company and its subsidiaries are covered by the Code of Conduct, as are political contributions which must not be made directly or indirectly on behalf of the Company (or its subsidiaries) without Board approval;
- bribes or similar illegal payments must not be made to government officials, customers, suppliers or any other person in connection with obtaining orders or favourable treatment; and
- full co-operation with internal and external auditors, proper record keeping and the avoidance of conflicts of interest are all required.

It is a term of standard Group employment contracts that employees are expected to comply with Company policy (which includes the Code of Conduct) and failure to do so is considered serious and may have consequences depending on the facts in each case, including termination of employment. Reporting of instances of breaches of the Code of Conduct is required and the Company has adopted a Whistleblower Policy to assist in the identification and reporting of breaches of Company policy and similar matters. In the event a concern is submitted under the Whistleblower Policy, decisions as to the appropriate action to take in order to investigate and validate any allegations are taken jointly by the Internal Audit & Risk Manager, Group General Counsel and Company Secretary and Chair of the Audit & Risk Committee. A copy of the Whistleblower Policy is available on the Company's website.

DIVERSITY

Approach to diversity

The Company views diversity as being important to facilitating the achievement of corporate objectives and the continued growth and success of its businesses. In particular, it is the view of the Board that a diverse workforce is essential for the Company to be able to deliver its strategic objectives and continue to meet its responsibilities to its customers, its employees, the communities in which it operates, and its shareholders.

Steps were taken at Board level to enhance gender diversity, including requiring additional reporting on diversity from the Group's divisions. The Company continues to further pursue its diversity objectives.

Principles

The Company believes that continued success and competitive advantage will be achieved by the Group providing an environment that respects, values and works to enhance a richness of diversity among its employees.

The Group will, accordingly, continue to focus on operating in a manner which:

- recognises the value of diversity-relevant work practices;
- differentiates in favour of and promotes structures and programs of diversity and inclusiveness;
- develops leaders who are active and visible sponsors of diversity and inclusiveness;
- sets meaningful objectives that demonstrate the commitment of the Group to align its operations to its diversity objectives; and
- supports equal pay for the same role/position and same qualifications and experience.

Oversight and sponsorship

The Board oversees the Group's focus on diversity, and delegates the responsibility for the management, oversight and administration of the Diversity Policy to the Chief Executive.

At a business level, divisional chief executive officers, with their human resources teams, oversee and co-ordinate programs that improve diversity across the Group. Each division reports to the Chief Executive on diversity matters.

Programs and initiatives

The Group has in place, and will continue to identify, develop and enhance, practices that promote and support an environment of diversity and inclusiveness.

Such programs and practices encompass wherever possible:

- employee recruitment;
- employment terms, including flexible work arrangements, job sharing, teleworking, parental leave and return to work, among others;
- leadership development, including training in enhancing diversity practices and leading diverse teams; and
- reward and recognition.

Objectives for gender diversity

The Company achieved its aspirational objectives for increasing gender diversity within the Group's workforce which included the objective of increasing the ratio of women in management level roles in the organisation over a three year period by 10 per cent.

During the reporting period, the Board considered and reaffirmed the Company's aspirational objectives for increasing gender diversity within the Group's workforce which are to:

- increase the ratio of women in management level roles in the organisation;
- conduct specific focused reviews in key work groups to identify and correct any potential barriers to the promotion of women;
- increase the number of women each year participating in any Company Executive Leadership Development Program and other leadership programs, with the target of reaching 50 per cent of women being sponsored; and
- develop effective policies and procedures to facilitate effective and flexible return to work arrangements for employees returning from parental leave.

A copy of the Diversity Policy is available on the Company's website.

Gender balance

- Women constitute approximately 47 per cent of the Group's workforce.
- Women constitute approximately 38 per cent of the senior management* within the Group.

Two of the five non-executive members of the Company's Board are female.

Diversity at Board and senior management level

During the reporting period, the Company took a number of steps to achieve its diversity objectives and satisfy the Recommendations on diversity, including:

- the provision of mental health training for senior and mid-level managers;
- support of activities to increase the profile of RUOK Day with the Company's employees;
- support of employees who are part of the LGBTQI community;
- introduction of paid parental leave at the Australian Radio Network;
- continued promotion of the diversity objectives, under the sponsorship of the Chief Executive, to further develop, embed and distil the Company's Diversity Policy and programs in support of the Diversity Policy;
- continued tracking of diversity in the Group's workforce; and
- continued emphasis in many divisions on policies and procedures permitting flexible return to work programs, with one division implementing a new flexible work policy.

The Company, in consultation with the Chief Executive, will annually review and approve measurable objectives for achieving diversity and assess progress in achieving them.

The Company has submitted a *Workplace Gender Equality Act 2012* report in Australia.

* The term senior management used in this Diversity section of the Corporate Governance Statement includes all executives reporting directly to the Chief Executive and the next level of management reporting to those senior executives.

This Corporate Governance Statement has been approved by the Board and is current as at 17 March 2017.

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited and the entities it controlled at the end of, or during, the year ended 31 December 2016. Throughout this report, the consolidated entity is also referred to as the Group.

1. DIRECTORS

The Directors of APN News & Media Limited during the financial year and up to the date of this report were:

Peter Cosgrove (Chairman)

Paul Connolly

Peter Cullinane

Christine Holman

Anne Templeman-Jones

Ciaran Davis (CEO & Managing Director) (appointed to the Board on 24 August 2016)

Ted Harris AC (Deputy Chairman) (retired from the Board on 11 May 2016)

Sir John Anderson (resigned from the Board on 30 June 2016).

Details of the current Directors' qualifications, experience and responsibilities are set out on pages 22 and 23.

2. QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY

Refer to page 20 for the qualifications and experience of the Group General Counsel and Company Secretary, Yvette Lamont.

3. PRINCIPAL ACTIVITIES

APN News & Media Limited (APN) is a media and entertainment company with assets in Australia, New Zealand and Hong Kong.

APN owns Australian Radio Network (ARN), one of Australia's leading metropolitan radio broadcasters and home to the national KIIS and Pure Gold networks, youth radio network The Edge and Emotive content creation business. ARN also operates music streaming, digital entertainment and live events brand iHeartRadio.

In October 2016, APN moved to full ownership of Australian and New Zealand street furniture and digital outdoor advertising business, Adshel, through the acquisition of the remaining 50 per cent interest in the Adshel joint venture with Clear Channel Outdoor. Adshel is a leading out-of-home media company, with over 23,500 static and digital advertising faces in street furniture, rail and petro-convenience environments.

APN also owns Cody Out-of-Home in Hong Kong, which has a network of over 300 outdoor advertising panels and currently maintains in-bus multimedia advertising solutions across 1,200 buses.

In October 2016, APN acquired 100 per cent of Conversant Media, a pure play digital media company focused on video, mobile, native and innovative advertising formats and content creation. Conversant Media produces engaging premium websites for Australians, including Australia's leading sports opinion website, The Roar, the global culture website, Lost At E Minor, and tech and lifestyle website, Techly.

In December 2016, APN completed the sale of Australian Regional Media to a subsidiary of News Corp for $36.6 million, enabling APN to pursue its strategic priorities and focus on its growth assets.

4. DIVIDENDS

Dividends paid to owners of APN News & Media Limited during the financial year were as follows:

	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)	–	–
Total dividends	–	–

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.0 cents per ordinary share in respect of the year ended 31 December 2016. This dividend is payable on 26 April 2017.

5. CONSOLIDATED RESULT AND REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's Report, the Chief Executive Officer's Report and the Operating and Financial Review on pages 4 to 15.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 29 June 2016, APN completed the demerger of its New Zealand business NZME, by way of a capital reduction, with an in-specie distribution of shares in NZME Limited as consideration.

APN raised equity of $181.8 million, 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 APN and NZME Limited on the demerger of NZME.

On 21 June 2016, APN undertook a consolidation of share capital through the conversion of every seven APN shares into one APN share.

On 21 June 2016, APN also announced that it had entered into binding documentation to divest Australian Regional Media (ARM) to a subsidiary of News Corp for $36.6 million. APN announced the completion of the ARM sale on 28 December 2016.

On 23 June 2016, APN and NZME reached a binding heads of agreement with the New Zealand Inland Revenue Department (IRD) to settle various taxation matters.

On 25 October 2016, APN acquired the remaining 50 per cent of Adshel for $268.4 million, through the acquisition of the remaining interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited. APN raised equity of $273.1 million through an institutional placement and an accelerated Renounceable Pro-rata Entitlement Offer completed in November 2016, with proceeds from the equity raising used to fund the Adshel acquisition.

On 31 October 2016, APN acquired 100 per cent of Conversant Media for upfront cash of $11.6 million.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity during the financial year under review not otherwise disclosed in this Directors' Report or the consolidated financial statements.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 21 February 2017, APN delisted from the Main Board of the New Zealand Stock Exchange.

Since the end of the financial year, the Directors have declared the payment of a fully franked final divided of 4.0 cents.

Other than the matters noted 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.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Overall strategic direction and prospects are discussed in the Chairman's and Chief Executive Officer's Reports on pages 4 to 7 and the Operating and Financial Review on pages 8 to 15.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this Directors' Report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

9. ENVIRONMENTAL REGULATION

The Directors recognise the importance of environmental and occupational health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the consolidated entity are not subject to any particular and significant environmental regulation under the law of Australia, New Zealand or Hong Kong.

10. REMUNERATION REPORT

The Remuneration Report is set out on pages 36 to 49 and forms part of this Directors' Report.

11. DIRECTORS' MEETINGS

The number of meetings of the full Board of Directors and Board Committees held in the period each Director held office during the financial year and the number of those meetings attended by each Director in their capacity as a member of the Board or Board Committee were:

Director	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination and Governance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Cosgrove	13	13	–	–	–	–	2	2
Paul Connolly	13	12	3	3	3	3	2	2
Peter Cullinane	13	13	–	–	3	3	–	–
Christine Holman	13	13	6	5	–	–	1	1
Anne Templeman-Jones	13	13	6	6	3	3	–	–
Ciaran Davis	5	5	–	–	–	–	–	–
Ted Harris	6	4	3	3	–	–	1	0
Sir John Anderson	8	6	3	2	–	–	–	–

Committees formed for purposes including reviewing and approving the half-year and annual financial statements, 2015 Annual Report and Shareholder Review, and Notice of Meeting met five times and were attended by Peter Cosgrove (3), Ted Harris (1), Anne Templeman-Jones (1) and Ciaran Davis (5).

In addition, Due Diligence Committee meetings were held during the reporting period in relation to the demerger of NZME attended by Sir John Anderson (5), Peter Cullinane (5) and Anne Templeman-Jones (5) and in relation to the accelerated Renounceable Pro-rata Entitlement Offer relating to this transaction and the placement and accelerated Renounceable Pro-rata Entitlement Offer associated with the acquisition of the remaining 50 per cent interest in the Adshel joint venture attended by Anne Templeman-Jones (9), Paul Connolly (10) and Christine Holman (10).

12. DIRECTORS' INTERESTS

The Remuneration Report on page 36 to 49 of this Annual Report contains details of shareholdings of the Directors and Executive Key Management Personnel as at 31 December 2016.

13. SHARES UNDER OPTION

There were no unissued shares of APN News & Media Limited under option at 31 December 2016 and no shares issued during the financial year as a result of the exercise of options. No options have been granted since the end of the financial year.

14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The parent entity's Constitution provides for an indemnity for officers of the Company against any liability incurred by an officer of the Company in their capacity as an officer. Under the *Corporations Act 2001*, this indemnity does not extend to a liability to the parent entity or a related body corporate of the parent entity, a liability for a pecuniary penalty or compensation order under certain provisions of the *Corporations Act 2001* or a liability that is owed to someone other than the parent entity or a related body corporate of the parent entity which did not arise out of conduct in good faith.

An Access, Indemnity and Insurance Deed is also provided to each Director and officer who serves as a director of the Company, a subsidiary or associated entity. The Deed is consistent with the Constitution and indemnifies these persons to the extent permitted by law for liabilities and legal costs incurred as a director of these entities (subject to some limitations).

15. INSURANCE OF DIRECTORS AND OFFICERS

The parent entity has paid for an insurance policy for the benefit of all persons who are or have been directors or officers of the parent entity or any other company in the consolidated entity against liabilities incurred during any one policy period. The insured persons include current and former directors, officers and company secretaries of the parent entity and any other company in the consolidated entity. The insurance policy specifically prohibits the disclosure of the nature of the liability covered and the premium paid.

16. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of a court under section 237 of the *Corporations Act 2001*.

17. NON-AUDIT SERVICES

The Group may decide to employ its auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $3,827,000 for the provision of non-audit services. Full details of the amounts paid or payable to the auditors for audit and non-audit services provided during the financial year are set out on page 102 in the consolidated financial statements.

The Company auditor has provided the Directors with an Auditor's Independence Declaration in relation to the audit, a copy of which follows immediately after this Directors' Report. The auditor has also confirmed to the Directors that it has in place independence quality control systems which support its assertions in relation to its professional and regulatory independence as auditor of the consolidated entity (including the requirements of APES 110 *Code of Ethics for Professional Accountants*).

The Audit & Risk Committee has reviewed the fees provided to the auditor for non-audit services in the context of APES 110, the requirements of the Audit & Risk Committee Charter, the Audit Firm Service Provider Policy and general corporate governance practices adopted by the consolidated entity.

Based on the above factors, the Audit & Risk Committee has no reason to believe that there has been any compromise in the independence of the auditor due to the provision of these non-audit services and has advised the Board accordingly.

In accordance with the advice of the Audit & Risk Committee, the Directors are therefore satisfied that the provision of non-audit services during the financial year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that the provision of non-audit services during the financial year did not compromise the auditor independence requirements of the *Corporations Act 2001*.

18. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, follows immediately after this Directors' Report.

19. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

This Directors' Report is issued in accordance with a resolution of the Directors.

Peter Cosgrove
Chairman

Sydney
17 March 2017

HIGHLIGHTS FOR THE YEAR

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present our 2016 Remuneration Report.

During 2016, we achieved a number of key strategic initiatives – the demerger of NZME, the sale of Australian Regional Media (ARM), and acquisitions of Conversant Media and the remaining 50% of Adshel. The Board is pleased with the significant progress management has made to grow and transform APN from a traditional media company, to an agile media company operating in the high-growth sectors of radio, outdoor and digital.

Set out below is a summary of the remuneration outcomes for 2016 and the 2017 executive remuneration framework.

Remuneration outcomes for 2016

APN's 2016 financial performance from continuing operations was robust; however, results across the divisions were mixed. An above market performance by Adshel was partially offset by the underperformance of Australian Radio Network (ARN) in the second half of the year. Overall Group performance, measured by earnings before interest, tax, depreciation and amortisation (EBITDA), and before exceptional items of $90.9 million, was 1.1% behind 2016 target. At the divisional level, Adshel finished 21.2% ahead of 2016 target, while ARN finished 4.1% behind target and ARM, prior to its disposal, finished more than 5% below target. The CEO & Managing Director received 88% of his 2016 Total Incentive Plan (TIP) target. Other executives' 2016 TIP outcomes were, on average, 68% of target.

During the year, the CEO & Managing Director received a one-off, $200,000 retention incentive relating to his previous role as the CEO of ARN.

In recognition of the Chief Financial Officer's exceptional contribution to the Company's 2016 transformational changes to restructure the business (demerger of NZME, sale of ARM, acquisition of remaining 50% of Adshel and equity raisings), the Board determined to increase the Chief Financial Officer's 2016 TIP award by $150,000.

The Chief Executive Officer of ARM received a $225,000 incentive for his contribution in finalising the sale of ARM.

The Chief Financial Officer had a change of role involving an increase in responsibility and was awarded a fixed remuneration increase of 17%. There were no other fixed remuneration increases awarded to executives in the 2016 year.

A portion (22%) of the 2014 long-term incentive (LTI) grant vested based on APN's Total Shareholder Return (TSR) to 31 December 2016. APN's TSR for the three years was 24%; relative to a select group of companies in the Consumer Discretionary, Financials and Industrials sectors, APN was positioned at the 69th percentile. Earnings Per Share (EPS) growth was 19% below target due to strategic activity over the 3 years. As a result, 88% of the TSR portion and 0% of the EPS portion of the 2014 LTI grant vested.

Non-executive Director fees for the Chairman increased by $25,000 in 2016, effectively replacing APN's share of fees he received as the Chairman of Adshel prior to APN's acquisition of the remaining 50% of Adshel in October 2016. There was no additional cost to APN as a result of this change. Total Board fees remain well within the fee pool cap, and the Company is not seeking an increase to the Non-executive Director fee pool at the 2017 Annual General Meeting.

Changes to the executive remuneration framework for 2017

Following the TIP's introduction in 2016, the Board has again elected to continue with the TIP structure for 2017. The Board reviewed the appropriateness of the TIP structure compared to a more usual STI/LTI structure. Based on feedback and our own assessment, we have concluded that the TIP scheme is an effective incentive mechanism.

However, the financial metrics have expanded to reflect the shape of APN's business, which has changed from transitional to a business with clearly defined core businesses (essentially, radio and outdoor). Given the nature of our ongoing business and our desire to see growth in earnings per share and return on invested capital, we have incorporated both measures in the TIP's financial metrics.

In addition, the target TIP opportunity for Divisional Chief Executive Officers will be increased from 50% of fixed remuneration to 60%.

Details outlining the changes to the 2017 TIP are set out in section (b) of the Remuneration Report.

The Board believes we have achieved our desired goal of an incentive plan that strongly aligns our management team with the interests of our shareholders.

Peter Cullinane
Chair of the Remuneration Committee

OUR DETAILED REMUNERATION REPORT

This Remuneration Report for the year ended 31 December 2016 outlines key aspects of our remuneration policy and framework, and has been audited in accordance with the *Corporations Act 2001*.

Our remuneration report contains the following sections:

(a) Who this report covers
(b) Executive remuneration policy and framework, and the role of the Remuneration Committee
(c) Actual remuneration for 2016
(d) How 2016 reward was linked to performance
(e) Total remuneration for Executive KMP
(f) Contractual arrangements with Executive KMP
(g) Non-executive Director arrangements
(h) Share-based remuneration
(i) Director and Executive KMP shareholdings
(j) Other statutory disclosures.

(A) WHO THIS REPORT COVERS

This report covers Key Management Personnel comprising Executive Key Management Personnel (Executive KMP) and Non-executive Directors:

Name	Role
Executive KMP	
Ciaran Davis	CEO and Managing Director[1]
Jeff Howard	Chief Financial Officer
Tony Kendall	Chief Executive Officer, Australian Radio Network
Yvette Lamont	Group General Counsel and Company Secretary
Rob Atkinson	Chief Executive Officer, Adshel (Executive KMP from 25 October 2016)
Former Executive KMP	
Neil Monaghan	Chief Executive Officer, Australian Regional Media (until 28 December 2016)
Michael Boggs	Chief Executive Officer, NZME (from 8 April 2016 to 29 June 2016)
Jane Hastings	Chief Executive Officer, NZME (until 8 April 2016)
Non-executive Directors	
Peter Cosgrove	Non-executive Chairman
Paul Connolly	Non-executive Director
Peter Cullinane	Non-executive Director
Christine Holman	Non-executive Director
Anne Templeman-Jones	Non-executive Director
Former Non-executive Directors	
Sir John Anderson	Non-executive Director (until 30 June 2016)
Ted Harris AC	Non-executive Deputy Chairman (until 11 May 2016)[2]

1 Mr Davis was appointed to the Board of APN News & Media Limited on 24 August 2016.
2 Mr Harris was given the title of Director Emeritus upon retirement.

On 9 March 2017, APN announced a number of changes to the above KMPs. From the beginning of April 2017, Tony Kendall will take on a newly created role as Chief Revenue Officer. Rob Atkinson will replace Tony Kendall as CEO of ARN, while Mike Tyquin, Adshel's Chief Commercial Officer, will become CEO of Adshel. Further, Emma Hogan was appointed to the newly created role of Chief People Officer on 6 February 2017.

(B) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK, AND THE ROLE OF THE REMUNERATION COMMITTEE

The Remuneration Committee determines the remuneration policy and structure with the primary goal of attracting and retaining individuals capable of managing the Group's operations in line with shareholder expectations. The executive packages are structured to:

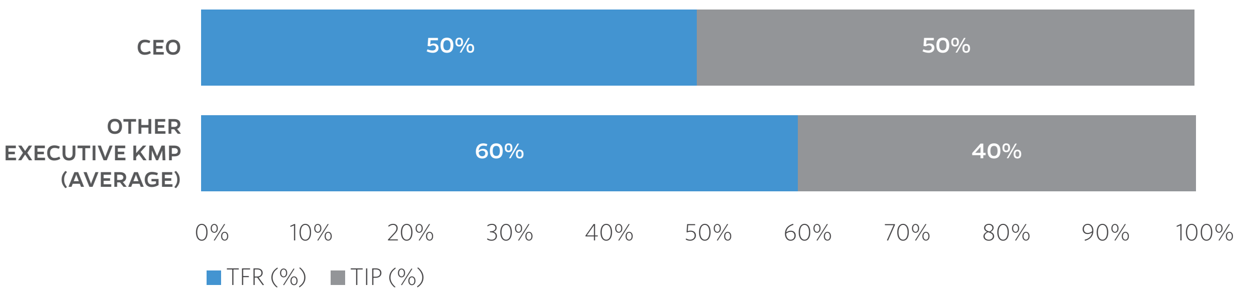
- Be competitive in the market;
- Drive Executive KMP engagement;
- Provide an appropriate balance between short and long-term performance focus;
- Reward the achievement of financial and strategic objectives;
- Align executive reward with Company performance; and
- Create value for shareholders.

These principles were reflected in the remuneration framework for 2016, which is outlined below:

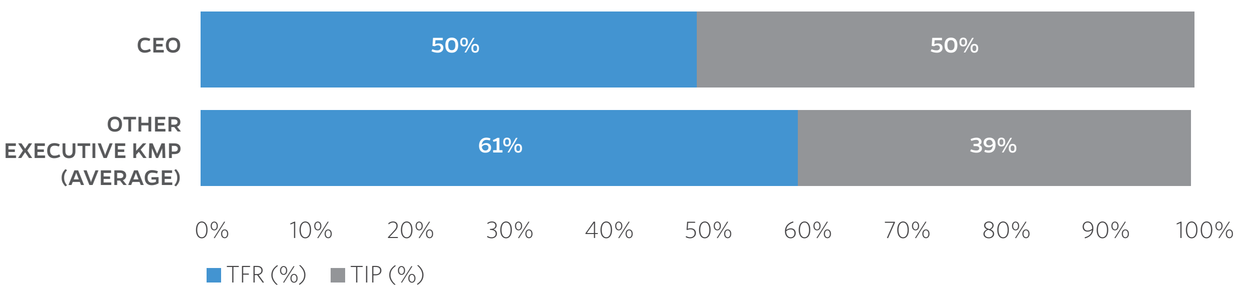
(i) Total fixed remuneration (TFR)

TFR comprised base salary, superannuation contributions and non-monetary benefits. The purpose of TFR is to recognise the capability and experience of the individual, and the scope and responsibility of the role.

The target remuneration mix for the CEO & Managing Director (CEO) and the average across the other Executive KMP in 2016 is illustrated below:



The target remuneration mix for the CEO and the average across the other Executive KMP for 2017 is illustrated below:



Retirement benefits

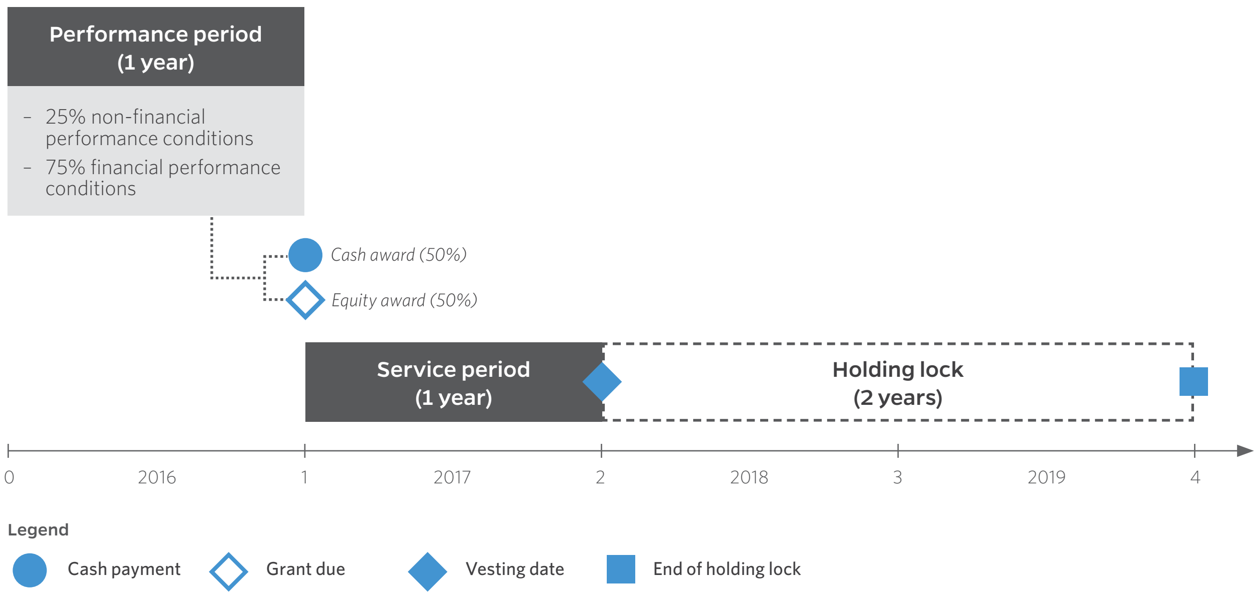
Retirement benefits are considered as part of TFR and are delivered to Executive KMP in the form of statutory superannuation contributions to a number of different funds. All contributions made on behalf of executives are based on a percentage of fixed salary. Ms Lamont is a member of a defined benefit superannuation plan (the plan provides defined lump sum or annuity benefits based on years of service and final average salary).

Other remuneration related costs

The Company sometimes incurs other remuneration related costs in respect of certain executives which are not regarded as part of the executive's TFR. Typically, other payments are ancillary to the executive's employment such as rental assistance or family travel in circumstances where the Company requires the executive to relocate. These costs include fringe benefits tax if applicable.

(ii) Total Incentive Plan (TIP) Overview

The TIP provides eligible participants with the opportunity to receive cash and equity based on a one-year performance period following an assessment against specified financial and non-financial performance conditions. The following diagram illustrates the operation of the TIP for 2016. The structure for 2017 is the same but for changes to financial performance conditions and the relevant periods being 2017 to 2020.



(iii) 2016 TIP

The following table outlines the key terms of the 2016 TIP:

Feature	Description	
Eligibility	At the absolute discretion of the Board, the CEO and other Executive KMP were eligible to participate in the TIP.	
Award opportunity	Eligible participants had a target award opportunity, which varied between 50% and 100% of fixed remuneration, depending on the participant's role and responsibilities. The maximum incentive was 137.5% of target incentive.	
Performance period	The award was dependent on performance over a one-year performance period (the 2016 financial year). There was no opportunity for retesting.	
Performance measures	Financial performance conditions (75%)	Non-financial performance conditions (25%)
	For the CEO and other Group Executive KMP, performance was measured against Group EBITDA. For divisional Executive KMP, performance was measured against their relevant divisional EBITDA (50%) and Group EBITDA (25%).	Performance was measured against specific metrics as determined for each participant at the commencement of the performance period. These metrics may have included; Group measures/divisional measures (e.g. business transformation or market share), and individual measures (e.g. leadership and development).
	The higher weighting of financial to non-financial metrics emphasises the importance the Board places on APN's financial performance.	

<table>
<tr><th>Feature</th><th colspan="4">Description</th></tr>
<tr><td rowspan="10">Incentive payout schedule</td><td colspan="2">Financial metrics</td><td colspan="2">Non-financial metrics</td></tr>
<tr><td>EBITDA</td><td>Percentage of target opportunity awarded</td><td>Performance against target</td><td>Percentage of target opportunity awarded</td></tr>
<tr><td><95% of budget</td><td>0%</td><td>Below threshold</td><td>0%</td></tr>
<tr><td>95% of budget</td><td>25%</td><td>Threshold</td><td>25%</td></tr>
<tr><td>>95% to <100% of budget</td><td>Pro-rata vesting between 25% and 100%</td><td colspan="2">The percentage of target opportunity that will be awarded between threshold and target is at the discretion of the Board.</td></tr>
<tr><td>100% of budget</td><td>100%</td><td>Target</td><td>100%</td></tr>
<tr><td>>100% to <110% budget</td><td>Pro-rata vesting between 100% and 150%</td><td colspan="2" rowspan="2">The Board has discretion to increase awards above 100% in exceptional circumstances (i.e. significant performance above plan).</td></tr>
<tr><td>At or above 110% of budget</td><td>150% vesting</td></tr>
<tr><td colspan="4">The financial performance award schedule was designed to provide only limited awards where performance is below budget, with sustained upside for performance above budget, up to a maximum cap of 150%.</td></tr>
<tr><td colspan="4">Similarly, the non-financial award schedule was designed to limit awards below target. Upside will only be provided in exceptional circumstances at the absolute discretion of the Board.</td></tr>
<tr><td>Form of award</td><td colspan="4">Awards under the TIP are granted to participants following the assessment of performance. To the extent that performance measures were met:
- 50% of awards were made in cash following the assessment of performance; and
- 50% of awards were granted in rights to acquire fully paid ordinary shares in the Company for nil consideration (Rights).
Subject to the satisfaction of a one-year service period, vested Rights will convert to fully paid ordinary shares.
Vested Rights will automatically convert into shares without the requirement for the participant to exercise their Rights.
Participants will receive an additional allocation of shares at vesting equal to the dividends paid on vested Rights over the Service Period.
Vested shares will be subject to a further two year holding lock.</td></tr>
<tr><td>Equity allocation methodology</td><td colspan="4">Equity is granted based on the face value of the Rights.</td></tr>
<tr><td>Clawback</td><td colspan="4">The Company may reduce unvested equity awards in certain circumstances such as gross misconduct, material misstatement or fraud. The Board may also reduce unvested awards to recover amounts where performance that led to payments being awarded is later determined to have been incorrectly measured or not sustained.</td></tr>
<tr><td>Treatment of awards on cessation of employment</td><td colspan="4">Awards are forfeited for ‘bad’ leavers (e.g. resignation or termination for cause), while ‘good’ leavers (e.g. cessation of employment due to redundancy, total disablement or death) receive pro-rated awards based on the extent to which performance and service conditions are met.</td></tr>
<tr><td>Treatment of awards on change of control</td><td colspan="4">Participants receive pro-rated awards based on the extent to which performance and service conditions are met.</td></tr>
</table>

(iv) 2017 TIP

In 2017, the financial performance measures and weightings will be different than in 2016, in line with our 2017 strategy. Financial metrics for Group TIP participants will be Group Earnings Per Share (EPS), Group Return On Invested Capital (ROIC) and Group earnings before interest, tax, depreciation, and amortisation (EBITDA). For divisional TIP participants, the financial metrics will be Group ROIC, Group EBITDA and divisional EBITDA. The non-financial KPI component (25% of the total TIP opportunity) will remain unchanged.

2017 financial performance measures and weightings	Measure	Group roles	Divisional roles
	EPS	25%	N/A
	Group ROIC	25%	12.5%
	Group EBITDA	25%	12.5%
	Divisional EBITDA	N/A	50%

New performance measure definitions	EPS	ROIC
	EPS is calculated using base EPS (on a pre-acquisition related amortisation, post-tax basis, adjusted for any non-recurring or non-trading items as determined by the Board). EPS has been chosen as it focuses participants on earnings growth, recognising the expectation for enhancing earnings subsequent to APN's business transformation. The EPS vesting schedule is outlined below.	ROIC is calculated using base earnings (on a pre-interest and pre-tax basis (i.e. EBIT), adjusted for any non-recurring or non-trading items as determined by the Board), as a percentage of invested capital. Invested capital is calculated from the balance sheet as total parent entity interest, plus net interest bearing liabilities adjusted for any non-recurring or non-trading items as determined by the Board. ROIC is an effective measure of returns generated as a result of APN's significant investment in transforming the business and integration of recent transactions. The ROIC vesting schedule is outlined below.

2017 incentive payout schedule	EBITDA and EPS		ROIC	
	EBITDA / EPS performance	Percentage of target opportunity awarded	ROIC performance	Percentage of target opportunity awarded
	<95% of budget	0%	Below threshold[1]	0%
	95% of budget	25%	At threshold	25%
	>95% to <100% of budget	Pro-rata between 25% and 100%	Between threshold and budget	Pro-rata between 25% and 100%
	100% of budget	100%	At budget	100%
	>100% to <110% budget	Pro-rata between 100% and 150%	Between budget and stretch	Pro-rata between 100% and 150%
	At or above 110% of budget	150%	At or above stretch	150%

The financial performance award schedule was designed to provide only limited awards where performance is below budget, with sustained upside for performance above budget, up to a maximum cap of 150%.

Similarly, the non-financial award schedule was designed to limit awards below target. Upside will only be provided in exceptional circumstances at the absolute discretion of the Board.

(1) Threshold will be determined with reference to prior year ROIC

(v) Other remuneration arrangements, Board discretion, and clawback of remuneration

Other remuneration arrangements will be entered into on an 'as needed' basis as determined by the Board. These may include retention and transaction/project completion incentives.

The Board retains the ultimate discretion regarding remuneration outcomes. The Board may make, or cancel (clawback) awards where it sees fit to align with remuneration policy and/or Company strategic outcomes.

(C) ACTUAL REMUNERATION FOR 2016

The following section sets out the value of remuneration which has been received by Executive KMP for the 2016 and 2015 performance years.

In addition to payments awarded under the 2016 TIP and 2014 LTI, the following incentive payments were received by Executive KMP during 2016:

- The CEO received a one-off, $200,000 retention incentive relating to his previous role as the CEO of ARN;
- In recognition of the CFO's exceptional contribution to the Company's 2016 transformational changes to restructure the business (demerger of NZME, sale of ARM, acquisitions of Conversant Media and the remaining 50% of Adshel and equity raisings), the Board determined to increase the CFO's 2016 TIP award by $150,000. Consistent with the rules of the TIP, half of the top-up payment was delivered in cash, and half will be delivered in equity. The equity component of the payment retains the same service and holding periods as a regular TIP award; and
- The CEO of ARM received a $225,000 incentive for his contribution in finalising the sale of ARM.

The figures in the following table are different to those shown in the accounting table in section (e) of this report because that table includes the apportioned accounting value for all vested TIP grants and unvested LTI grants. Unvested LTI grants remain subject to satisfaction of performance and service conditions and may not ultimately vest. It also includes accrued long service leave and non-monetary benefits provided in addition to their TFR.

The 2015 STI values represent the cash STI awarded in respect of 2015 performance. The 2016 TIP values represent the cash portion (50%) of the total TIP awarded for 2016. Vested LTI is the value of the 2014 LTI grant which vested at the end of 2016. The 2014 LTI scheme requires the Company to deliver shares to the recipients on a pre-NZME demerger valuation basis, such that the recipients are not economically disadvantaged. Consequently, the Board has elected to satisfy the LTI incentive through a cash payment to Executive KMP, on the understanding that recipients use the after tax proceeds to acquire shares in the Company. Vested LTI values reflect actual cash paid and were calculated by multiplying the number of vested Rights by the aggregate share price of APN and NZME on 6 March 2017.

Actual Remuneration

Executive KMP	TFR[1] ($)	2015 STI ($)	2016 TIP ($)	Vested LTI ($)	Other ($)	Total ($)
Ciaran Davis[2]						
2016	**1,200,000**	**n/a**	**528,955**	**73,277**	**200,000**	**2,002,232**
2015	896,004	440,000	n/a	–	–	1,336,004
Jeff Howard[3]						
2016	**700,000**	**n/a**	**352,701**	**73,277**	**–**	**1,125,978**
2015	600,000	358,500	n/a	–	–	958,500
Tony Kendall						
2016	**597,308**	**n/a**	**79,595**	**–**	**–**	**676,903**
2015	51,119	–	n/a	–	–	51,119
Yvette Lamont[4]						
2016	**480,000**	**n/a**	**132,239**	**36,638**	**–**	**648,877**
2015	480,000	239,000	n/a	–	–	719,000
Neil Monaghan[5] (until 28 December 2016)						
2016	**466,633**	**n/a**	**46,818**	**36,638**	**225,000**	**775,089**
2015	470,500	70,311	n/a	–	–	540,811
Rob Atkinson[6] (from 25 October 2016)						
2016	**99,252**	**n/a**	**n/a**	**n/a**	**97,013**	**196,265**
Michael Boggs (from 8 April 2016 to 29 June 2016)						
2016	**173,851**	**n/a**	**–**	**n/a**	**–**	**173,851**
Jane Hastings (until 8 April 2016)						
2016	**407,804**	**n/a**	**–**	**–**	**–**	**407,804**
2015	731,597	320,632	n/a	–	–	1,052,229
Michael Miller (until 30 September 2015)						
2015	916,604	–	n/a	–	–	916,604
Total						
2016	**4,124,848**	**n/a**	**1,140,308**	**219,830**	**522,013**	**6,006,999**
2015	4,145,824	1,428,443	n/a	–	–	5,574,267

(1) TFR comprises base salary and superannuation and non-monetary benefits.

(2) Mr Davis received a retention incentive payment in 2016 of $200,000 relating to his previous role as CEO of ARN. Mr Davis became the Group CEO effective 20 August 2015.

(3) Mr Howard received an additional TIP payment in 2016 of $150,000 for exceptional performance in respect of the 2016 year. The additional payment was treated per the 2016 rules as cash (50%) and equity (50%).

(4) Ms Lamont is a member of a defined benefit scheme and her fixed remuneration includes $80,000 of contributions to that scheme.

(5) Mr Monaghan received an incentive payment of $225,000 for his contribution in finalising the sale of ARM.

(6) Mr Atkinson was a participant in the Adshel KPI and Achievement Plus Scheme in 2016. The cash incentive of $97,013 relates to the period after which Mr Atkinson became an Executive KMP of APN. He was not a participant in the APN 2016 TIP.

(D) HOW 2016 REWARD WAS LINKED TO PERFORMANCE

Statutory performance indicators

The overall Company performance for 2016 is reflected in the performance indicators below. Viewed across the relevant financial metrics, APN's financial performance was broadly in line with expectations.

	2016	2015	2014	2013	2012
Group EBITDA(i)	**$90.9m**	$166.2m	$164.1m	$162.8m	$156.0m
Net profit after tax(ii)	**$62.7m**	$70.2m	$74.7m	$59.5m	$54.3m
Basic EPS(ii)(iii) (cents)	**31.4**	44.4	49.5	50.2	46.8
Increase/ (decrease) in share price (%)(iv)	**(1%)**	(37%)	86%	80%	(65%)

(i) Continuing operations before exceptional items.
(ii) Continuing and discontinuing operations before exceptional items, attributable to APN shareholders.
(iii) Adjusted for share consolidation and bonus elements of the 2016 rights issues and placement, and the bonus element of the 2014 rights issue.
(iv) 2016 opening share price adjusted for the impact of NZME demerger, share consolidation, rights issues and placement.

Performance and impact on remuneration

(i) TIP awarded in 2016

A component (75%) of the 2016 TIP award was dependent on Group and divisional EBITDA performance relative to budget. EBITDA performance for the 2016 financial year is outlined in the table below. At a divisional level, the performance of ARN was 4.1% under the target, while ARM was more than 5% below the target.

2016 TIP financial metrics	Performance
Group EBITDA	Between threshold and target
ARN EBITDA	Between threshold and target
ARM EBITDA	Below target

In recognition of APN's financial performance and the performance of each Executive KMP relative to their individual KPIs (outlined above) in 2016, the following TIP awards were made. The cash portion of the TIP (50%) will be paid in March 2017. The remaining 50% will be granted as Rights in March 2017 and will vest subject to continued service at the end of the one-year service period, and will then be subject to a two-year holding lock.

Executive KMP	TIP awarded (cash incentive) ($)	TIP awarded (equity award)(i) ($)	Total TIP awarded ($)	% of target achieved	% of maximum achieved	% of maximum forfeited
Ciaran Davis	528,955	528,955	1,057,910	88%	64%	36%
Jeff Howard	352,701	352,701	705,402	90%	66%	34%
Tony Kendall	79,595	79,595	159,190	53%	39%	61%
Yvette Lamont	132,239	132,239	264,478	88%	64%	36%
Neil Monaghan	46,818	46,818	93,636	40%	29%	71%

(i) This differs from the accounting fair value of the equity award (included in section (f) below), which is calculated in accordance with accounting standards and expensed over two financial years, covering both the performance and service periods.

(ii) LTI vested in 2016

The first grant of Performance Rights under the LTI plan was made in January 2014, with performance tested on 31 December 2016. Performance against the EPS growth and relative TSR performance hurdles, and the percentage of the 2014 LTI grant which vested during 2016 are outlined in the table below:

2014 LTI performance measures	Percentage of LTI grant	Target performance	Actual performance	Percentage vested
EPS	75%	4.62% EPS growth	(i)	0%
Relative TSR	25%	51st percentile	69th percentile (88% achievement)	22%
Total vesting				22%

(i) EPS declined over 2014 to 2016 due to strategic activity over the period.

(E) TOTAL REMUNERATION FOR EXECUTIVE KMP

Details of the Executive KMP remuneration for 2016 and 2015 are set out in the table below. The remuneration in this table has been calculated in accordance with accounting standards and therefore differs from the information included in section (c) of this report.

	Short-term benefits			Post-employment benefits	Other long-term benefits	Share-based payments		
	Cash salary and fees[1] ($)	Non-monetary benefits ($)	Cash incentives[2] ($)	Superannuation ($)	Long-service leave[3] ($)	Fair value of equity awards[4] ($)	Termination benefits ($)	Total ($)
Ciaran Davis[5]								
2016	**1,158,315**	**32,322**	**728,955**	**19,462**	**33,452**	**273,218**	**–**	**2,245,724**
2015	840,788	41,246	440,000	19,045	36,117	310,089	–	1,687,285
Jeff Howard[6]								
2016	**642,373**	**48,264**	**352,701**	**19,462**	**20,171**	**67,497**	**–**	**1,150,468**
2015	544,372	48,116	358,500	19,045	10,202	223,855	–	1,204,090
Tony Kendall								
2016	**577,846**	**–**	**79,595**	**19,462**	**416**	**49,361**	**–**	**726,680**
2015	46,684	–	–	4,435	–	–	–	51,119
Yvette Lamont[7]								
2016	**400,000**	**10,099**	**132,239**	**83,000**	**8,094**	**16,797**	**–**	**650,229**
2015	400,000	10,248	239,000	89,000	8,093	122,333	–	868,674
Neil Monaghan[8] (until 28 December 2016)								
2016	**447,331**	**–**	**271,818**	**19,302**	**6,762**	**(36,338)**	**–**	**708,875**
2015	451,455	–	70,311	19,045	6,116	239,864	–	786,791
Rob Atkinson[9] (from 25 October 2016)								
2016	**95,680**	**66,938**	**97,013**	**3,572**	**–**	**–**	**–**	**263,203**
Michael Boggs (from 8 April 2016 to 29 June 2016)								
2016	**168,787**	**–**	**–**	**5,064**	**–**	**–**	**–**	**173,851**
Jane Hastings (until 8 April 2016)								
2016	**395,926**	**–**	**–**	**11,878**	**–**	**(201,267)**	**–**	**206,537**
2015	704,588	–	320,632	27,008	–	163,918	–	1,216,146
Michael Miller (until 30 September 2015)								
2015	902,385	28,493	–	14,219	–	(403,068)	–	542,029
Total								
2016	**3,886,258**	**157,623**	**1,662,321**	**181,202**	**68,895**	**169,268**	**–**	**6,125,567**
2015	3,890,272	128,103	1,428,443	191,797	60,528	656,991	–	6,356,134

(1) Cash salary and fees includes accrued annual leave paid out as part of salary.
(2) Cash incentive payments relate to STI awards accrued for the relevant year, and paid in the year following.
(3) Long service leave relates to amounts accrued during the year.
(4) Includes a reversal of the 2014 LTI EPS portion, which has resulted in some negative amounts.
The fair value at grant date is independently determined using a number of methods including 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-tradable 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
(5) Mr Davis received a retention incentive payment in 2016 of $200,000 relating to his previous role as CEO of ARN.
(6) Mr Howard received an additional TIP payment in 2016 of $150,000 for exceptional performance. The additional payment was treated per the 2016 rules as cash (50%) and equity (50%).
(7) Ms Lamont is a member of a defined benefit superannuation plan. The amount disclosed above has been determined in accordance with the relevant accounting standards and differs from the amounts contributed to the scheme, which were included in the table in section (c) of this report.
(8) Mr Monaghan received an incentive payment of $225,000 for his contribution in finalising the sale of ARM.
(9) Mr Atkinson was a participant in the Adshel KPI and Achievement Plus Scheme in 2016. The cash incentive of $97,013 relates to the period after which Mr Atkinson became a KMP of APN. He was not a participant in the APN 2016 TIP.

(F) CONTRACTUAL ARRANGEMENTS WITH EXECUTIVE KMP

Remuneration and other terms of employment for the Executive KMP are formalised in employment contracts. All Executive KMP are employed under contracts with substantially similar terms. The key elements of these employment contracts are summarised below:

Contract duration	Continuing
Notice by individual / Company	Employment may be terminated by either party. Notice periods vary according to contractual terms: CEO & Managing Director and Chief Financial Officer – twelve months, Group General Counsel – three months, divisional Chief Executive Officers – six months, Chief People Officer – four months.
Termination of employment (for cause)	All contracts provide that employment may be terminated at any time without notice for serious misconduct.
Termination of employment (without cause)	Where employment is terminated by the Company, payment may be made in lieu of notice.
Redundancy	If the Company terminates the employment of an Executive KMP for reasons of redundancy, a redundancy payment would be paid depending on the length of their service, in each case not exceeding the following: 12 months of base salary.
Non-compete/restraint	Executive KMP are subject to non-compete provisions for the term of their notice period.

(G) NON-EXECUTIVE DIRECTOR ARRANGEMENTS

Approach

Non-executive Directors are provided with written agreements which outline the fees for their contribution as Directors. Fees reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has the responsibility for reviewing and recommending the level of remuneration for Non-executive Directors in relation to Board and Committee duties.

The annual fees provided to Non-executive Directors inclusive of superannuation are shown below:

Role	Chair fee[1] ($)	Member fee ($)
Board	250,000	100,000
Audit & Risk Committee	20,000	10,000
Remuneration Committee	20,000	10,000
Nomination and Governance Committee	20,000	10,000

1. The Board Chair does not receive Committee fees. The Board Chair fees increased by $25,000 in 2016, replacing fees previously received as the Chairman of Adshel prior to APN's acquisition of the remaining 50% in October 2016. There was no additional cost to APN as a result of this change.

Approved fee pool

The Non-executive Director fee pool was increased to $1,200,000 per annum following shareholder approval at the 2015 AGM. There will be no change to the Non-executive Director fee pool for 2017.

Retirement benefits

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*. Retirement benefits to Non-executive Directors were frozen in 2007.

Details of the Non-executive Directors' fees for 2016 and 2015 are set out in the table below:

Director	Fees ($)	Super-annuation ($)	Retirement benefits ($)	Total ($)
Peter Cosgrove				
2016	**210,151**	**19,438**	**–**	**229,589**
2015	177,732	16,768	–	194,500
Paul Connolly				
2016	**114,190**	**10,848**	**–**	**125,038**
2015	93,607	8,893	–	102,500
Peter Cullinane				
2016	**109,589**	**10,411**	**–**	**120,000**
2015	95,890	9,110	–	105,000
Christine Holman (from 16 November 2015)				
2016	**106,303**	**10,099**	**–**	**116,402**
2015	12,027	1,142	–	13,169
Anne Templeman-Jones				
2016	**118,721**	**11,279**	**–**	**130,000**
2015	105,023	9,977	–	115,000
Ted Harris AC (to 11 May 2016)				
2016	**49,813**	**4,732**	**–**	**54,545**
2015	136,987	13,013	–	150,000
Sir John Anderson (from 26 March 2015 to 30 June 2016)				
2016	**50,228**	**4,772**	**–**	**55,000**
2015	68,592	6,516	–	75,108
Vincent Crowley (to 6 May 2015)				
2016	**–**	**–**	**–**	**–**
2015	25,512	2,424	–	27,936
Total				
2016	**758,995**	**71,579**	**–**	**830,574**
2015	715,370	67,843	–	783,213
Amounts paid by subsidiaries of APN News & Media Limited Peter Cosgrove – Chairman's fee Buspak Hong Kong				
2016	**10,388**	**519**	**–**	**10,907**
2015	10,288	514	–	10,802
Total				
2016	**769,383**	**72,098**	**–**	**841,481**
2015	725,658	68,357	–	794,015

Refer to note 6.4 of the financial statements for details of transactions with related parties.

(H) SHARE-BASED REMUNERATION

(i) Terms and conditions of share-based remuneration

There were no shares issued to Directors and Executive KMP as part of their remuneration for 2016.

Executive KMP received a grant of rights under the TIP during 2016. A summary of the grant is presented below:

Name	Grant date[1]	Vesting date	Number of rights granted	Value per right at grant date ($)
Ciaran Davis	31 March 2016	1 January 2018	209,073	3.24
Jeff Howard	20 April 2016	1 January 2018	139,408	3.14
Tony Kendall	20 April 2016	1 January 2018	31,460	3.14
Yvette Lamont	20 April 2016	1 January 2018	52,268	3.14
Neil Monaghan	20 April 2016	1 January 2018	18,505	3.14
Rob Atkinson	–	–	–	–
Michael Boggs	–	–	–	–
Jane Hastings	–	–	–	–

(1) The date on which the fair value of the TIP rights were calculated, being the deemed grant date of the rights for accounting purposes. An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the Annual General Meeting, and for all other Executive KMPs on 17 March 2017.

The vesting of rights is subject to a one-year service period as set out in the TIP description in section (c) of this report. Rights carry no voting or dividend rights; if dividends are paid, the number of rights is increased accordingly. No rights were exercised during the year.

Rights which vest at the end of the one-year service period will convert to ordinary APN shares at the vesting date; however, Executive KMP are unable to trade vested shares until the end of the two-year restriction period.

There are no rights to deferred share options or deferred shares.

(ii) Reconciliation of Rights

The table below shows a reconciliation of the number of Rights held by each Executive KMP from the beginning to the end of the 2016 financial year:

							Balance at end of the year	
Name	Balance at start of the year	Granted	Vested	Exercised	Forfeited	Other changes	Vested and exercisable at end of the year	Unvested
Ciaran Davis[1]	225,557	209,073	(22,138)	–	(78,490)	–	22,138	334,002
Jeff Howard	153,092	139,408	(22,138)	–	(78,490)	–	22,138	191,872
Tony Kendall	–	31,460	–	–	–	–	–	31,460
Yvette Lamont	85,290	52,268	(11,069)	–	(39,245)	–	11,069	87,244
Neil Monaghan	94,034	18,505	(11,069)	–	(39,245)	–	11,069	62,225
Rob Atkinson	–	–	–	–	–	–	–	–
Michael Boggs	–	–	–	–	–	–	–	–
Jane Hastings	113,471	–	–	–	(113,471)	–	–	–
Total	**671,444**	**450,714**	**(66,414)**	**–**	**(348,941)**	**–**	**66,414**	**706,803**

(1) An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the Annual General Meeting.

Numbers are reported based on the 1 for 7 share consolidation effected during the year which resulted in all outstanding Rights also being consolidated on the same basis.

(I) DIRECTOR AND EXECUTIVE KMP SHAREHOLDINGS

The number of shares in the Company held by each Non-executive Director and Executive KMP during the year including their related parties is summarised below:

	Balance at start of year	Change	Balance at end of the year
Non-executive Directors			
Peter Cosgrove	55,524	46,981	102,505
Paul Connolly	35,715	30,220	65,935
Peter Cullinane	11,286	–	11,286
Christine Holman	–	26,375	26,375
Anne Templeman-Jones	875	9,241	10,116
Ted Harris[1]	91,065	–	91,065
Sir John Anderson[2]	14,286	–	14,286
Executive KMP			
Ciaran Davis	–	20,573	20,573
Jeff Howard	31,927	35,719	67,646
Tony Kendall	–	–	–
Yvette Lamont	9,285	7,858	17,143
Neil Monaghan[3]	50	–	50
Rob Atkinson[4]	–	–	–
Michael Boggs[5]	–	–	–
Jane Hastings[6]	–	–	–

Numbers reported are based on the 1 for 7 share consolidation effected during the year.

(1) Mr Harris retired as a Director on 11 May 2016. The closing balance in the table above is the number of shares held on that date.
(2) Sir John Anderson resigned as a Director on 30 June 2016. The closing balance in the table above is the number of shares held on that date.
(3) Mr Monaghan was an Executive KMP until 28 December 2016. The closing balance in the table above is the number of shares held on that date.
(4) Mr Atkinson became an Executive KMP on 25 October 2016.
(5) Mr Boggs became an Executive KMP on 8 April 2016 and ceased being an Executive KMP on 29 June 2016.
(6) Ms Hastings was an Executive KMP until 8 April 2016.

(J) OTHER STATUTORY DISCLOSURES

i) Unvested LTI awards granted in prior financial years

The 2015 LTI grant is unvested, with performance due to be tested on 31 December 2017. The EPS target will be disclosed after the 2015 LTI grant is tested, and vesting outcomes have been determined, to ensure the Company's competitive position is not comprised. Further details regarding the 2015 LTI vesting schedule can be found in the 2015 Annual Report.

ii) Loans given to Non-executive Directors and Executive KMP

There are no loans with the Non-executive Directors or Executive KMP.

iii) Securities Trading Policy and Guidelines

The Company's Securities Trading Policy and Guidelines is outlined in the Corporate Governance Statement section of this Annual Report. Under the policy, restricted persons, which includes KMP, are not permitted to hedge any options, rights or similar instruments prior to them becoming vested or otherwise tradable under the applicable plan.

iv) Voting and comments made at the Company's 2016 AGM

The Company received more than 97% of "yes" votes on its remuneration report for the 2015 financial year. No major remuneration related concerns were raised which required the Company's attention during the 2016 financial year.

v) External remuneration consultants

During 2016, APN made use of external remuneration consultants. No recommendations in relation to KMP remuneration were provided during 2016.

All advice from remuneration consultants is carefully considered by the Remuneration Committee. The Committee is satisfied that all advice received from remuneration consultants has been given free of undue influence by Executive KMP.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of APN News & Media Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APN News & Media Limited and the entities it controlled during the period.

MGraham

Matt Graham
Partner
PricewaterhouseCoopers

Sydney
17 March 2017

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ABOUT THE FINANCIAL STATEMENTS

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).

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 March 2017. The Directors have the power to amend and reissue the financial statements.

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).

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/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
Total revenue and other income		529,659	270,494
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
Profit before income tax		281,978	28,081
Income tax expense	4.1	(30,301)	(13,449)
Profit from continuing operations		251,677	14,632
Loss from discontinued operations	6.1	(251,140)	(19,016)
Profit/(loss) for the year		537	(4,384)
Profit/(loss) for the year is attributable to			
Owners of the parent entity		(6,018)	(10,202)
Non-controlling interests		6,555	5,818
Profit/(loss) for the year		537	(4,384)

		Cents	Cents
Earnings per share from continuing operations			
Basic earnings per share	1.4	122.6	5.6
Diluted earnings per share	1.4	122.3	5.6
Earnings per share from continuing and discontinued operations			
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 $'000	2015 $'000
Profit/(loss) for the year		537	(4,384)
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations	3.7	4,901	1,571
Share of associates' 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	–
Items that will not be reclassified to profit or loss			
Revaluation of freehold land and buildings	3.7	–	988
Remeasurements on retirement benefit obligations	3.7	–	431
Other comprehensive income, net of tax		64,942	1,771
Total comprehensive income		65,479	(2,613)
Total comprehensive income is attributable to:			
Owners of the parent entity		58,924	(8,431)
Non-controlling interests		6,555	5,818
		65,479	(2,613)
Total comprehensive income attributable to owners of the parent entity arises from:			
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
Current assets			
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
Total current assets		123,594	162,056
Non-current assets			
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	–
Total non-current assets		1,021,294	972,083
Total assets		1,144,888	1,134,139
Current liabilities			
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
Total current liabilities		114,110	144,178
Non-current liabilities			
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
Total non-current liabilities		194,313	528,436
Total liabilities		308,423	672,614
Net assets		836,465	461,525
Equity			
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)
Total parent entity interest		800,587	426,345
Non-controlling interests		35,878	35,180
Total equity		836,465	461,525

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

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
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)
Net cash inflows from operating activities	3.2	35,899	119,113
Cash flows from investing activities			
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
Net cash outflows from investing activities		(258,310)	(110,108)
Cash flows from financing activities			
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)
Net cash inflows/(outflows) from financing activities		220,666	(27,339)
Change in cash and cash equivalents		(1,745)	(18,334)
Cash and cash equivalents at beginning of the year		21,721	38,980
Effect of exchange rate changes		247	1,075
Cash and cash equivalents at end of the year	3.2	20,223	21,721

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)
Balance at 31 December 2015		1,222,780	(137,102)	(659,333)	426,345	35,180	461,525
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
Balance at 31 December 2016		1,528,022	(45,347)	(682,088)	800,587	35,878	836,465

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP PERFORMANCE

1.1 REVENUES

	Note	2016 $'000	2015 $'000
Revenue and other income			
From continuing operations			
Advertising revenue		283,332	247,163
Services revenue		10,416	11,704
Other revenue		4,855	166
Revenue from continuing operations		298,603	259,033
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
Other income		230,680	11,022
Interest income		376	439
Finance income		376	439
Total other revenue and income		231,056	11,461
Total revenue and other income		529,659	270,494
From discontinued operations			
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 CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP PERFORMANCE

1.2 EXPENSES

	Note	2016 $'000	2015 $'000
From continuing operations			
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
Total expenses before finance costs, depreciation and amortisation		230,032	213,755
Interest and finance charges		17,048	30,365
Borrowing costs amortisation		1,371	5,145
Total finance costs		18,419	35,510
Depreciation		7,429	3,790
Amortisation		1,106	1,257
Total depreciation and amortisation		8,535	5,047
Rental expense relating to operating leases			
Property		8,075	6,925
Outdoor site rentals			
Minimum lease payments		30,601	15,415
Contingent rentals		7,672	4,718
Other		275	302
From discontinued operations			
Total expenses	6.1	544,747	606,263

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 (i)	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**
Reconciliation of segment result to profit before income tax from continuing operations					
Segment result					**90,930**
Depreciation and amortisation					**(8,535)**
Net finance costs [A]					**(18,043)**
Gain on acquisition of Adshel [B]					**223,086**
Gains on disposal of properties and businesses [C]					**419**
Onerous contract and other costs [D]					**(2,506)**
Acquisition costs [E]					**(3,373)**
Profit before income tax from continuing operations					**281,978**

(i) 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.

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.

1.3 SEGMENT INFORMATION (CONTINUED)

(ii) Results by operating segment (continued)

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**
Reconciliation of segment result to profit before income tax from continuing operations					
Segment result					79,983
Depreciation and amortisation					(5,047)
Net finance costs [A]					(35,071)
Gains on financial assets held at fair value through profit or loss [B]					3,977
Onerous contract costs [C]					(13,342)
Asset write downs [D]					(1,115)
Acquisition costs [E]					(1,304)
Profit before income tax from continuing operations					28,081

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.

1.4 EARNINGS PER SHARE

	2016 $'000	2015 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
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	(6,018)	(10,202)

	Number	Number
(b) Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic EPS (i)	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	200,444,733	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 CONSOLIDATED 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)
Net book amount	**90,828**	**11,282**	**137,619**	**417,001**	**55,327**	**–**	**–**	**712,057**
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)
Closing net book amount	**90,828**	**11,282**	**137,619**	**417,001**	**55,327**	**–**	**–**	**712,057**

2016 $'000	Goodwill	Software	Mastheads	Radio licences	Brands	Deferred contract costs	Other intangible assets (i)	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)
Net book amount	**24,610**	**338**	**–**	**374,006**	**19**	**2,866**	**481,009**	**882,848**
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 (i)	–	375	–	–	8	2,946	481,009	484,338
Disposals	–	(18)	–	–	–	–	–	(18)
Amortisation	–	(2,400)	–	(2,242)	–	(168)	–	(4,810)
Demerger of NZME (ii)	(67,799)	(9,945)	(140,782)	(41,709)	(56,589)	–	–	(316,824)
ARM sale (ii)	–	(2,035)	–	–	–	–	–	(2,035)
Foreign exchange differences	1,581	251	3,163	917	1,272	–	–	7,184
Closing net book amount	**24,610**	**338**	**–**	**374,006**	**19**	**2,866**	**481,009**	**882,848**

(i) 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.

(ii) Refer to note 6.1 for further details.

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.

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)

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

(i) 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.

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: - Traditional publishing revenues are forecast to decline in line with recent experience and industry trends. - Digital revenues are forecast to grow at rates in line with industry trends and independent forecasts. - 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. - 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.

Discount rate and long term growth rate

Name of CGU	2016 Post-tax discount rate per annum	2016 Long-term growth rate per annum	2015 Post-tax discount rate per annum	2015 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.

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 impairment	–	–	(372,238)	–	(372,238)
Capital works in progress	–	–	12,574	–	12,574
Net book amount	2,799	5,287	128,691	–	136,777
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
Closing net book amount	2,799	5,287	128,691	–	136,777

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 impairment	–	(44)	(159,365)	–	(159,409)
Capital works in progress	–	–	13,533	–	13,533
Net book amount	1,083	663	92,076	–	93,822
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 (i)	–	–	(13,000)	–	(13,000)
Revaluations	–	(1,245)	–	–	(1,245)
Demerger of NZME (ii)	(1,053)	(132)	(71,440)	–	(72,625)
Sale of ARM (ii)	–	(3,561)	(22,339)	–	(25,900)
Transfers and other adjustments	–	–	9,213	(9,213)	-
Foreign exchange differences	25	33	2,164	–	2,222
Closing net book amount	1,083	663	92,076	–	93,822

(i) 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.
(ii) Refer to note 6.1 for further details.

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.

2.3 RECEIVABLES

	2016 $'000	2015 $'000
Trade receivables	82,410	119,112
Provision for doubtful debts	(989)	(2,896)
	81,421	116,216
Loans to associates	–	240
Other receivables	4,979	10,764
Total receivables	86,400	127,220
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(i)	(1,811)	–
Acquisition of controlled entities	58	–
Receivables written off	(782)	(1,488)
Provision for doubtful debts	989	2,896

(i) 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:

		Past due				
	Current $'000	Less than one month $'000	One to three months $'000	Three to six months $'000	Over six months $'000	Total $'000
2015						
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)
	76,590	29,134	7,336	1,253	1,903	116,216
2016						
Trade receivables	66,586	11,509	3,410	676	229	82,410
Provision for doubtful debts	–	(247)	(197)	(326)	(219)	(989)
	66,586	11,262	3,213	350	10	81,421

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.

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.

2.4 PROVISIONS

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

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 the year	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**
Carrying amount at end of the year	**4,316**	**4,100**	**19,369**	**1,590**	**29,375**

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.

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.

3.1 INTEREST BEARING LIABILITIES

	2016 $'000	2015 $'000
Current interest bearing liabilities		
Loan payable	–	1,177
Total current interest bearing liabilities	–	1,177
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
Total non-current interest bearing liabilities	161,309	470,236
Net debt		
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)
Net debt	142,667	455,510

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.

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 (i)		
Secured bank loan facilities	360,000	653,850
Amount of facility utilised (ii)	(169,058)	(482,851)
Amount of available facility	**190,942**	170,999
Overdraft facilities		
Secured bank overdraft facilities	–	2,000
Unsecured bank overdraft facilities	1,915	5,745
Amount of credit utilised	–	–
Amount of available credit	**1,915**	7,745

(i) Pertaining to the revolving cash advance facility
(ii) 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.

3.2 CASH FLOW INFORMATION

Reconciliation of cash

Entities in the Group have access to:	2016 $'000	2015 $'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:		
Profit/(loss) for the year	537	(4,384)
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
Net cash inflows from operating activities	35,899	119,113

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.

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).

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.

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

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

(i) 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

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
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss					
Shares in other corporations	5.4	–	–	32,077	32,077
Total financial assets		–	–	32,077	32,077
Non-financial assets					
Freehold land and buildings					
Freehold land	2.2	–	–	2,799	2,799
Buildings	2.2	–	–	5,287	5,287
Total non-financial assets		–	–	8,086	8,086
Recurring fair value measurements					
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities		–	280	–	280
Total financial liabilities		–	280	–	280

2015	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements					
Financial assets					
Financial assets at fair value through profit or loss					
Shares in other corporations	5.4	–	–	31,527	31,527
Total financial assets		–	–	31,527	31,527
Non-financial assets					
Freehold land and buildings					
Freehold land	2.2	–	–	1,083	1,083
Buildings	2.2	–	–	663	663
Total non-financial assets		–	–	1,746	1,746
Recurring fair value measurements					
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative liabilities		–	780	–	780
Total financial liabilities		–	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.

3.5 CONTRIBUTED EQUITY

	2016 $'000	2015 $'000
Issued and paid up share capital	1,528,022	1,222,780

(a) Movements in contributed equity during the financial year

	2016 Number of shares	2015 Number of shares	2016 $'000	2015 $'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 (i)	343,016,151	–	181,799	–
Share issue costs (ii)	–	–	(3,947)	–
Balance, prior to share consolidation	1,372,057,507	1,029,041,356	1,400,632	1,222,780
Share consolidation (iii)	(1,176,046,225)	–	–	–
Capital reduction (iv)	–	–	(141,130)	–
Issues of ordinary shares – Renounceable Pro-Rata Entitlement Offers (v)	111,482,991	–	273,133	–
Share issue costs (ii)	–	–	(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.

3.6 SHARE-BASED PAYMENTS

	2016 Number of rights	2015 Number of rights
As at 1 January	807,768	807,688
Granted during the year(i)	510,002	402,588
Exercised during the year	–	–
Forfeited during the year	(414,351)	(402,508)
As at 31 December(ii)	903,419	807,768

Share rights outstanding at the end of the year have the following vesting date and weighted average fair value.

Incentive Plan	Vesting date	Weighted average fair value	Rights 2016	Rights 2015
2014 LTI	31-Dec-16	$5.04	84,863	455,494
2015 LTI	31-Dec-17	$3.57	308,554	352,274
2016 TIP(i)	1-Jan-18	$3.13	510,002	–
As at 31 December			903,419	807,768

	2016	2015
Weighted average remaining contractual life of rights outstanding at end of period	0.9 years	1.6 years

(i) The date on which the fair value of the 2016 TIP rights were calculated, is the deemed grant date of the rights for accounting purposes. An actual grant of rights will not be made to the CEO & Managing Director until after shareholder approval has been received at the Annual General Meeting, and for all other Executive KMPs on 17 March 2017.

(ii) Numbers reported above based on the 1 for 7 share consolidation effected during the year which resulted in all outstanding rights also being consolidated on the same basis.

Share-based payments expense for the year was $(67,000) (2015:$990,000).

Details of rights granted to Key Management Personnel (KMP) are set out in the Remuneration Report as part of the Group's Annual Report.

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

A portion (22%) of the 2014 LTI grant vested during the year and the remainder was forfeited.

Ms Hastings held a total of 113,471 performance rights under the 2014 and 2015 LTI plans. The rights lapsed on Ms Hastings' resignation on 8 April 2016.

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 a one-year service period.

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 number of methods including 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.

3.7 RESERVES AND ACCUMULATED LOSSES

	2016 $'000	2015 $'000
Reserves		
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)
Total reserves	(45,347)	(137,102)
Asset revaluation reserve		
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)
Balance at end of the year	786	6,758
Capital profits reserve		
Balance at beginning of the year	104	104
Transfers to accumulated losses	(104)	–
Balance at end of the year	–	104
Foreign currency translation reserve		
Balance at beginning of the year	(66,108)	(66,430)
Foreign exchange transfers from other reserves and accumulated losses	91	(226)
Reclassification of foreign currency translation reserves to profit or loss on NZME demerger	60,190	–
Share of associates' foreign exchange reserve	1,223	(1,023)
Net exchange difference on translation of foreign operations	4,901	1,571
Balance at end of the year	297	(66,108)
Share-based payments reserve		
Balance at beginning of the year	7,466	6,476
Share-based payments expense	(67)	990
Balance at end of the year	7,399	7,466
Hedging reserve		
Balance at beginning of the year	(196)	–
Net loss on hedge contracts	(350)	(196)
Balance at end of the year	(546)	(196)
Transactions with non-controlling interests reserve		
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(i)	10,143	–
Transfer to foreign currency translation reserve	–	104
Balance at end of the year	(53,283)	(85,126)

(i) 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.

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
Balance at end of the year	(682,088)	(659,333)

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)	–	–
Total dividends	–	–
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
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	–

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
	157,247	233,084
Representing:		
Cancellable operating leases and rental commitments	29	2,451
Non-cancellable operating leases and rental commitments	157,218	230,633
	157,247	233,084
Capital expenditure contracted for at balance date but not recognised as liabilities	7,667	707

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
CONSOLIDATED 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)
Income tax expense	97,738	19,796
Income tax is attributable to:		
Profit from continuing operations	30,301	13,449
Loss from discontinued operations	67,437	6,347
Total income tax expense	97,738	19,796
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 (i)	31,306	–
Deferred tax written off on discontinued operations	(6,835)	–
Other	1,771	(1,620)
Income tax expense	97,738	19,796

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

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.

NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS

4. TAXATION

4.1 INCOME TAX AND DEFERRED TAX (CONTINUED)

(a) Income tax (continued)

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.

(b) Deferred tax assets and liabilities

2015	Balance 1 Jan 15 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 15 $'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 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 16 $'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 (i)	(878)	**(16,050)**
Depreciation	(3,907)	2,064	721 (i)	(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)** (ii)

(i) 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.
(ii) The amount is provisional as the purchase price accounting for business combinations is not yet finalised.

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 CONSOLIDATED 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 (i)	Street furniture, transit and other outdoor advertising	25 Oct 16	100%
Conversant Media (ii)	Online publishing	31 Oct 16	100%

(i) Adshel Street Furniture Pty Limited, Adshel New Zealand Limited and Australian Outdoor Pty Limited.
(ii) 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 (i)	469,394	14,944
Deferred tax assets	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 (ii)	255,413	10,873

(i) Provisional
(ii) 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.

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 CONSOLIDATED 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 %	Equity holding 2015 %
Actraint No. 116 Pty. Limited [1]	Australia	100	100
Adshel New Zealand Limited [6]	New Zealand	100	–
Adshel Street Furniture Pty Limited [1, 2, 6]	Australia	100	–
Airplay Media Services Pty. Limited [1]	Australia	100	100
APN Braeside Pty Ltd	Australia	100	100
APN Broadcasting Investments Pty Limited [1]	Australia	100	100
APN Broadcasting (Regionals) Pty. [1, 2]	Australia	100	100
APN Business Magazines Pty Ltd [1]	Australia	100	100
APN Digital Pty. Ltd [1]	Australia	100	100
APN Finance Pty Limited [1, 2]	Australia	100	100
APN Milperra Pty Ltd	Australia	100	100
APN Online (Australia) Pty Limited [1]	Australia	100	100
ARN Adelaide Pty Ltd [1]	Australia	100	100
ARN Brisbane Pty Ltd [1, 2]	Australia	100	100
ARN Broadcasting Pty Ltd [1]	Australia	100	100
ARN Communications Pty Ltd [1, 2]	Australia	100	100
ARN Limited Partnership	Australia	100	100
ARN New Zealand Pty Limited [1, 2]	Australia	100	100
ARN Overseas Pty. Limited [1, 2]	Australia	100	100
ARN Perth Pty Limited [1]	Australia	100	100
ARN South Australia Pty Limited [1]	Australia	100	100
ARN Superannuation Pty Ltd	Australia	100	100
ARNSAT Pty Limited [1]	Australia	100	100
Asia Posters Sdn Bhd	Malaysia	100	100
Australian Outdoor Pty Limited [1, 6]	Australia	100	–
Australian Provincial Newspapers International Pty Limited [1, 2]	Australia	100	100
Australian Provincial Newspapers Ltd. [1, 2]	Australia	100	100
Australian Radio Network Pty Limited [1, 2]	Australia	100	100
Australian Radio Network Sales Pty Ltd [1]	Australia	100	100
Biffin Pty. Limited [1, 2]	Australia	100	100
Blue Mountains Broadcasters Pty Limited [1]	Australia	100	100
Brisbane FM Radio Pty Ltd [3]	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 [1]	Australia	100	100
Cardcorp (Manufacturing) Pty. Limited	Australia	100	100
Catalogue Central Pty Limited [1]	Australia	100	100
Central Coast Broadcasting Pty.	Australia	100	100
Citysites Outdoor Advertising Pty. Ltd. [1, 6]	Australia	100	–
Citysites Outdoor Advertising (Albert) Pty. Ltd. [1, 6]	Australia	100	–
Citysites Outdoor Advertising (S. Aust.) Pty. Ltd. [1, 6]	Australia	100	–
Citysites Outdoor Advertising (W Aust) Pty Ltd [1, 6]	Australia	100	–

Name of entity	Country of incorporation/ establishment	Equity holding 2016 %	Equity holding 2015 %
Cody Outdoor International (HK) Limited	Hong Kong	100	100
Commonwealth Broadcasting Corporation Pty Ltd [1,2]	Australia	100	100
Conversant Media Pty Ltd [1,7]	Australia	100	–
Covette Investments Pty Limited [1,2]	Australia	100	100
C.R. Phillips Investments Pty Ltd [1,6]	Australia	100	–
Double T Radio Pty Ltd [1]	Australia	100	100
Emotive Pty Limited	Australia	51	51
Evitome Pty Limited [1]	Australia	100	100
5AD Broadcasting Company Pty Ltd [1]	Australia	100	100
Gergdaam Capital Pty Limited [1,2]	Australia	100	100
GrabOne Investments Limited	UK	100	100
Gulgong Pty. Limited [1,2]	Australia	100	100
Haswell Pty. Limited [1,2]	Australia	100	100
Inc Network Australia Pty Ltd [1]	Australia	100	100
The Internet Amusements Group Pty Limited [1]	Australia	100	100
KAFM Broadcasters Proprietary Limited [1]	Australia	100	100
Level 3 Investments Pty Limited [1]	Australia	100	100
The Level 3 Partnership	Australia	100	100
Level 4 Investments Pty Limited [1]	Australia	100	100
The Level 4 Partnership	Australia	100	100
Lunchbox Investments Pty Ltd	Australia	100	100
Media Tek Pty. Limited [1,2]	Australia	100	100
Nathco Holdings Pty. Ltd. [1,2]	Australia	100	100
Perth Sign Company Pty Ltd [1,6]	Australia	100	–
Phillips Finance Pty Ltd [1,6]	Australia	100	–
Phillips Neon Pty Ltd [1,6]	Australia	100	–
Provincial Investments Pty. Ltd. [1]	Australia	100	100
Radio 96FM Perth Pty Limited [1]	Australia	100	100
RadioWise Pty Ltd	Australia	100	100
Regmax Pty Limited [1]	Australia	100	100
The Roar Sports Media Pty Ltd [1,7]	Australia	100	–
Shelter Advertising Pty Ltd [1,6]	Australia	100	–
Southern State Broadcasters Pty. Limited [1]	Australia	100	100
Speedlink Services Pty Ltd [1]	Australia	100	100
Street Furniture (NSW) Pty Ltd [1,6]	Australia	100	100
SunCoastal F.M. Radio Pty. Ltd.	Australia	100	100
Tibbar Broadcasting Pty Limited [1]	Australia	100	100
Universal Radio Pty. Ltd. [1]	Australia	100	100
Urban Design Furniture Pty. Ltd. [1,6]	Australia	100	–
Wesgo [1,2]	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 [1,2]	Australia	100	100

5. GROUP STRUCTURE

5.2 CONTROLLED ENTITIES (CONTINUED)

Discontinued operations

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

Name of entity	Country of incorporation/ establishment	Equity holding 2016 %	2015 %
NZME Radio Investments Limited [4]	New Zealand	–	100
NZME. Radio Limited [4]	New Zealand	–	100
NZME Specialist Limited [4]	New Zealand	–	100
NZME. Trading Limited [4]	New Zealand	–	100
Observer Times (Hervey Bay) Pty Ltd [1, 5]	Australia	–	100
The Queensland Times Pty Limited [1, 5]	Australia	–	100
The Radio Bureau Limited [4]	New Zealand	–	100
Regional Publishers Limited [4]	New Zealand	–	100
Sabawin Pty Limited [1, 5]	Australia	–	100
Sell Me Free Limited [4]	New Zealand	–	100
Sella Limited [4]	New Zealand	–	100
The South Burnett Times Pty Ltd [1, 5]	Australia	–	100
Stanley Newcomb & Co Limited [4]	New Zealand	–	100
Stanthorpe Newspapers Services Unit Trust [5]	Australia	–	100
Sunshine Coast Newspaper Company Pty Ltd [1, 2, 5]	Australia	–	100
Toowoomba Newspapers Pty Ltd [1, 2, 5]	Australia	–	100
Trade Debts Collecting Co Limited [4]	New Zealand	–	100
The Tweed Newspaper Co Pty Ltd [1, 5]	Australia	–	100
The Warwick Newspaper Pty Limited [1, 5]	Australia	–	100
Western Star Pty Ltd [1, 5]	Australia	–	100
Whitsunday Times Unit Trust [5]	Australia	–	75
W&H Interactive Limited [4]	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.

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.

			Ownership interest held by the Group		Ownership interest held by non-controlling interests		
Name of entity	Place of business	Country of incorporation	2016	2015	2016	2015	Principal activities
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	
Summarised balance sheet	2016 $'000	2015 $'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.

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.

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 2016	Ownership interest 2015	Nature of relationship	Measurement method	Consolidated carrying values 2016 $'000	Consolidated carrying values 2015 $'000
Adshel Street Furniture Pty Limited	Australia	100% (i)	50%	Associate (i)	Equity method	–	40,221
Soprano Design Pty Limited	Australia	25%	25%	Associate (ii)	Equity method	12,256	13,590
						12,256	53,811

(i) 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.

(ii) 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.

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.

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.

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 *Wholly owned entities*. 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
Profit before income tax	277,473	10,838
Income tax expense	(27,688)	(11,443)
Profit/(loss) from continuing operations	249,785	(605)
Gain from discontinued operations	691,530	–
Profit/(loss) attributable to owners of the parent entity	941,315	(605)
Retained earnings/(accumulated losses)		
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
Balance at end of the year	123,638	(802,253)

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

	2016 $'000	2015 $'000
Current assets		
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
Total current assets	439,021	492,954
Non-current assets		
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	–
Total non-current assets	1,780,456	984,224
Total assets	2,219,477	1,477,178
Current liabilities		
Payables	365,949	680,343
Current tax liabilities	4,925	8,908
Retirement benefit liability	1,289	–
Provisions	9,995	5,101
Total current liabilities	382,158	694,352
Non-current liabilities		
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
Total non-current liabilities	187,291	338,630
Total liabilities	569,449	1,032,982
Net assets	1,650,028	444,196
Equity		
Contributed equity	1,528,022	1,222,780
Reserves	(1,632)	23,669
Retained earnings/(accumulated losses)	123,638	(802,253)
Total parent entity interest	1,650,028	444,196
Total equity	1,650,028	444,196

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 it's 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.

(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 [a]	(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 [b]	(3,136)	(5,240)
Onerous contract costs	(598)	–
Loss on sale of ARM	(879)	–
Income tax (expense)/credit [c]	(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

6.1 DISCONTINUED OPERATIONS (CONTINUED)

(a) Financial performance and cash flow information (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 [a]	(125,690)	–
Reclassification of foreign currency translation reserves to the income statement [b]	(47,251)	–
Transaction costs [c]	(8,236)	–
Net finance costs [d]	(3,021)	–
Redundancies and associated costs [e]	(2,811)	(6,671)
Costs in relation to one off projects [f]	(534)	(4,556)
Net gain on disposal of properties and businesses [g]	1,254	410
Foreign currency loss [h]	(2,510)	–
Asset write downs and business closures	–	(2,814)
Income tax (expense)/credit [i]	(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.

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 [a]	(171,213)	(34,593)
Net increase/(decrease) in cash generated by the division	(165,193)	660

a 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)

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.

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 (i)		
PricewaterhouseCoopers – Australian firm	1,130	582
PricewaterhouseCoopers – overseas firm	117	352
Remuneration for other assurance services (i)		
PricewaterhouseCoopers – Australian firm	326	32
PricewaterhouseCoopers – overseas firm	77	28
Total audit and other assurance services	1,650	994
Remuneration for other services (ii)		
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

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

(ii) 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.

6.4 RELATED PARTIES

(a) Key management personnel compensation

	2016	2015
Short-term employee benefits	6,475,585	6,172,476
Post employment benefits	253,300	259,640
Other long term benefits	68,895	60,528
Termination benefits	–	–
Share-based payments	169,268	656,991
	6,967,048	7,149,635

Detailed remuneration disclosures are provided in the Remuneration Report

(b) 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 (i)	–	19
Management fees receivable	Associates (ii)	–	150
Associate company fee	Associate/Key management personnel (iii)	42	50
Consulting services received	Key management personnel (iv)	48	–
Consulting services received	Key management personnel (v)	–	67
Print services received	Other related parties (vi)	2,161	4,634
Processing fees received	Associates (vii)	–	418
Services received	Key management personnel (viii)	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 Pavilion, a business owned by Peter Cosgrove, in return for advertising and fees on normal commercial terms.

(c) Payables with other related parties

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

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:

- 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.

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.

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 cents, 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.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 52 to 105 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 5.2 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 5.7.

Page 51 of the Annual Report confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors, after receiving the declarations required to be made by the chief executive and chief financial officer in accordance with section 295A of the *Corporations Act 2001*.

Peter Cosgrove
Chairman

Sydney
17 March 2017

To the shareholders of APN News & Media Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Our opinion

In our opinion:

The accompanying financial report of APN News & Media Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended;

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the consolidated balance sheet as at 31 December 2016
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows of the year then ended;
- the notes to the consolidated financial statements, which include summaries of significant accounting policies; and
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES *110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT

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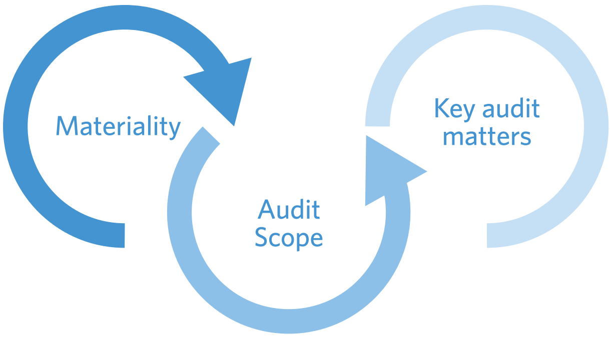
OUR AUDIT APPROACH

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates. The accounting processes are part of the Group finance function at its head office in Sydney.



Materiality

- For the purpose of our audit, we used overall group materiality of $3,450,000, which represents approximately 5% of Group profit before tax from continuing operations excluding one-off/non-recurring transactions.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax from continuing operations because in our view, it is an important financial statement metric used in assessing the performance of the Group. We have adjusted this benchmark for one-off/non-recurring transactions to reflect the normal underlying performance of the Group.
- We selected 5% based on our professional judgement, noting that it is also within the range of commonly accepted profit related benchmarks for listed companies.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit procedures considered the most financially significant continuing operations being the Australian Radio Network and Adshel businesses and the most financially significant discontinued operations being NZME Limited and the Australian Regional Media businesses.
- We performed specific risk-based audit procedures at the Group's head office and over Group Financial Services (the Group's shared service centre in New Zealand).
- We performed further audit procedures at a Group level, including over the consolidation process and the preparation of the financial report.
- For the work performed by other PwC network firms operating under our instructions, we determined the level of involvement we needed to have in the audit work at those locations to be satisfied that sufficient audit evidence had been obtained. We communicated regularly with these component audit teams during the year through face-to-face meetings, phone calls, and written instructions where appropriate. We also met with local management of each financially significant business and The Group Financial Services shared service centre.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. We communicated the key audit matters to the Audit and Risk Committee. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Taxation *Refer to Note 4.1 – Income tax and deferred tax* The Group is liable for tax in a number of jurisdictions, and in some cases, the ultimate tax treatment is uncertain and is not determined until resolved with the relevant tax authority. Consequently, the Group makes judgements about the incidence and quantum of tax liabilities which are subject to the future outcome of assessments by the relevant tax authorities and associated potential legal processes. The Australian Tax Office (ATO) is auditing the licensing of New Zealand mastheads by a New Zealand branch of one of the Group's Australian entities. In an initial position paper in September 2016, the ATO 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. 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 and penalties may also be applied. We considered this matter to be a key audit matter due to the judgement required by the Group to determine the likelihood of any potential payment and therefore the treatment of the uncertain matter. No provision has been recorded in respect of this matter as the Group is of the opinion that its treatment of this matter is consistent with relevant taxation legislation. Detailed disclosure has been included in Note 4.1 – Income tax and deferred tax.	Our audit procedures included: - examining correspondence between the Group and the relevant tax authorities - examining correspondence between the Group and its external advisors. Based upon the above procedures, together with our internal expert, we developed an independent expectation of the range of possible outcomes for the uncertain tax matter in relation to the New Zealand branch. We found the conclusions reached by the Group on the uncertain tax matter in relation to the New Zealand branch were consistent with the expectations we developed based on the audit procedures we performed.

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Key audit matter	How our audit addressed the key audit matter
Acquisition accounting *Refer to Note 5.1 – Business Combinations* The Group made two material acquisitions during the year, being Adshel and Conversant Media. Significant judgement is required to determine the purchase price allocation of the acquisitions, in particular in relation to the identification and valuation of intangible assets and, in the case of Conversant Media, to determine the value of contingent consideration. These intangible assets are material to the Group and the Group has engaged an expert to assist them in determining the appropriate asset values. The accounting for the acquisitions is still provisional at the time of authorisation of the financial statements as the expert's work is not finalised. With respect to the acquisition of Adshel, there is a requirement under Australian Accounting Standards to estimate the fair value of the Group's existing 50% holding, which requires judgement in relation to determining the appropriate methodology. The resulting fair value uplift is required to be recorded as a gain.	Noting that the Group's accounting remains provisional our audit procedures to date included: - Reading the purchase contracts to identify factors impacting upon the determination of the total purchase consideration. This included considering the terms and conditions relating to any future payments to the former shareholders of the acquired entities under the relevant purchase contract. - Consideration of the Group's fair value assessment of the existing 50% holding in Adshel with reference to the purchase price of the additional 50% compared to common industry valuation techniques. - Testing the Group's calculation of the contingent consideration to determine whether it was in accordance with Australian Accounting Standards. This included comparing the Group's assumptions about future performance to historical performance of Conversant Media. Once the Group has finalised the acquisition accounting, we will perform procedures over the experts work in order to form a conclusion as to the appropriateness of the identification and valuation of the intangible assets.
NZME Limited demerger *Refer to Note 6.1 – Discontinued Operations* On 29 June 2016, the Group announced to the Australian Stock Exchange that it had completed the demerger of NZME Limited ("the demerger"). The demerger took place by way of a capital reduction, with the Company's shareholders receiving a distribution of shares in NZME Limited. The loss on demerger of NZME Limited ($125,690,000) represents the deficit of net assets transferred on demerger compared to the fair value of NZME shares. This was a key audit matter due to the judgement required by the Group to assess the: - Carrying value of assets, in particular intangibles, prior to demerger. - Fair value of NZME Limited shares which was calculated by the Group with reference to the volume weighted average price on the Australian Securities Exchange and New Zealand Exchange over the first 5 days of NZME Limited's trading.	We assessed the carrying value of intangible assets prior to the demerger by: - Examining the Group's most recent impairment review (performed at 31 December 2015) and considering if there were any indicators of impairment since that date. - Comparing recent trading performance and market conditions of NZME Limited to the Group's previous forecasts used in its most recent impairment assessments to determine if there had been a deterioration in trading performance of NZME Limited. We found that the forecasts were materially consistent with the actual performance. We considered the methodology used by the Group for determining the fair value of NZME Limited shares by comparing it to publicly available methodologies adopted by other entities who undertook demergers as well as publicly available methodologies accepted by the Australian Tax Office. We determined that use of the 5-day volume weighted average price was a commonly adopted method.

Key audit matter	How our audit addressed the key audit matter
Internal group restructure *Refer to Note 6.1 – Discontinued Operations* Prior to the demerger, the Group initiated an internal restructure to separate and align the relevant businesses, assets and liabilities of the Group so that all of the New Zealand businesses, assets and liabilities were controlled by NZME Limited. Due to the complexity in assessing the accounting implications of these restructuring transactions, significant audit effort was required to determine if the transactions were appropriately recorded in the relevant businesses and to determine that there was no impact at the Group level. Consideration was also given to any potential tax implications of the transactions.	Our audit procedures included: – Obtaining an understanding of the terms and conditions of the restructuring arrangements through reading a sample of the transactional agreements and the Group's internal valuation reports. – For all dividends and capital distributions within the Group, as well as sales of entities and assets, agreeing the proceeds of the sales or amounts of dividends and distributions to the legal documentation and, where applicable, cash settlement. – Tracing the accounting of certain reserves, such as the foreign currency retranslation reserve, to their original entities to determine whether the amounts recognised in the income statements or transferred within equity were accurate and treated in line with Australian Accounting Standards. This included agreeing the amount of the foreign currency translation reserve recognised in the income statements to the carrying value prior to restructure. – Inspecting the tax advice provided to the entity in respect of the restructuring to consider the impact on the consolidated tax position for a risk based sample of transactions.
Australian Regional Media Disposal *Refer to Note 6.1 – Discontinued Operations* On 21 June 2016, the Group announced to the Australian Stock Exchange that it had entered into a binding contract to divest Australian Regional Media ("ARM") to a subsidiary of News Corp for $36.6 million. The transaction was completed on 28 December 2016. As a result of this contract, the balances and transactions related to ARM were reclassified to held for sale as at 21 June 2016 and included as discontinued operations in the relevant financial statements for the year ended 31 December 2016. As part of assessing the assets for impairment at 21 June 2016, the Group recognised an impairment charge of $15.5 million in respect of the property, plant and equipment of ARM. We considered this a key audit matter because of the judgement required in determining the valuation of ARM assets at 21 June 2016, in particular determining the value of property, plant and equipment, as part of the impairment assessment.	Our audit procedures included: – Reading the sale agreement with a subsidiary of News Corp to determine any conditions associated with the proposed sale that would impact upon the selling price. We did not identify any conditions which had not already been considered by the Group. – Consideration of other offers received in the sale process to assess whether they provided an alternative indicator of fair value at 21 June 2016. – Consideration of the recoverability of the remaining assets, other than property, plant and equipment, held by ARM with reference to the sale price in the binding sale agreement with a subsidiary of News Corp.

INDEPENDENT AUDITOR'S REPORT

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Other information

The directors are responsible for the other information. The other information comprises the Performance Highlights, the Chairman's Review, the Chief Executive Officer's Review, the Directors' Report, Shareholder Information and Five Year Financial History included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the procedures we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Our opinion on the remuneration report

We have audited sections (a) to (b) (iii) and (c) to (j) of the Remuneration Report included in pages 37 to 49 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of APN News & Media Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

MGraham

MK Graham
Partner

Sydney
17 March 2017

SHAREHOLDER INFORMATION

1. SHARES

(a) Substantial shareholders

The following information is extracted from substantial shareholder notices received by the Company as at 10 March 2017:

Name	Number of shares
Allan Gray Australia Pty Ltd	46,386,398
News Limited	40,682,106
Perpetual Limited	37,179,739

(b) Top 20 holders of fully paid ordinary shares at 10 March 2017

Name	Number of shares	% of total shares
HSBC Custody Nominees (Australia) Limited	55,501,915	18.05
J P Morgan Nominees Australia Limited	54,470,521	17.71
News Limited	40,682,106	13.23
Citicorp Nominees Pty Limited	38,477,698	12.51
National Nominees Limited	32,571,268	10.59
RBC Investor Services Australia Nominees Pty Limited (PI Pooled A/C)	24,880,048	8.09
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	12,125,153	3.94
RBC Investor Services Australia Nominees Pty Limited (Bkcust A/C)	11,425,121	3.72
BNP Paribas Noms Pty Ltd (DRP)	4,535,938	1.48
RBC Investor Services Australia Nominees Pty Ltd (VFA A/C)	4,528,025	1.47
UBS Nominees Pty Ltd	3,200,633	1.04
Warbont Nominees Pty Ltd (Unpaid Entrepot A/C)	2,069,058	0.67
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,848,199	0.60
RBC Investor Services Australia Nominees Pty Limited (PIselect)	912,463	0.30
HSBC Custody Nominees (Australia) Limited - GSCO ECA	817,523	0.27
CS Fourth Nominees Pty Limited (HSBC Cust Nom Au Ltd 11 A/C)	748,116	0.24
PAX Pasha Pty Ltd	514,911	0.17
BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	500,000	0.16
HSBC Custody Nominees (Australia) Limited	494,533	0.16
BNP Paribas Noms (NZ) Ltd (DRP)	320,000	0.10
Total	290,623,229	94.51

(c) Analysis of individual ordinary shareholdings as at 10 March 2017

Holding	Number of shareholders	% of total shareholders	Number of shares	% of total shares
1 to 1,000	4,643	70.61	1,270,729	0.41
1,001 to 5,000	1,307	19.88	2,970,097	0.97
5,001 to 10,000	294	4.47	2,117,636	0.69
10,001 to 100,000	294	4.47	7,554,105	2.46
100,001 and over	38	0.58	293,581,706	95.48
Total	6,576	100.00	307,494,273	100.00

There were 2,348 holders of less than a marketable parcel.

(d) Voting rights of shareholders

The voting rights are governed by rule 16 of the Constitution. In summary, shareholders are entitled to vote in person or by proxy, attorney or corporate representative at any meeting of shareholders of the Company on:

- a show of hands – one vote per shareholder; and
- a poll – one vote per share.

2. OPTIONS

There are no issued options.

3. DIRECTORS' INTERESTS

The relevant interest of each Director in the securities of the parent entity as at 10 March 2017 was:

Director	Number of shares	Number of options
PM Cosgrove	102,505	–
P Connolly	65,935	–
PD Cullinane	11,286	–
C Holman	26,375	–
AL Templeman-Jones	10,116	–
CJ Davis	20,573	–

4. OTHER INFORMATION

Stock exchange listing

APN News & Media Limited shares are listed on the Australian Securities Exchange (ASX) (code APN). On 21 February 2017, the Company delisted from the Main Board of the New Zealand Stock Exchange.

Enquiries

Shareholders or investors with any enquiries concerning their shareholding, shareholder details, dividend information, or administrative matters, should direct their enquiries to the Share Registry. Contact details for the Share Registry appear on the inside back cover.

Dividend payments

Dividends to shareholders may be paid direct to any bank, building society or credit union account in Australia. Shareholders who wish to receive dividends by electronic transfer should advise the Share Registry.

Tax file number (TFN)

The Company is obliged to deduct tax from unfranked or partially franked dividend payments to shareholders resident in Australia who have not supplied their TFN to the Share Registry. To avoid this deduction, you should advise the Share Registry of your TFN.

Register your email address

Shareholders are encouraged to register their email address to receive dividend advices, notification of availability of annual reports, notices of meeting, access to online voting and other shareholder communications. To register, shareholders should go to www.linkmarketservices.com.au, log in to their shareholding through the Investor Centre and select the "All communication by email" option.

Other services available to shareholders at this website include: viewing details of their shareholdings, updating address details, updating bank details and obtaining a variety of registry forms.

Consolidation of holdings

Shareholders who have multiple issuer-sponsored holdings and wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

Change of name or address

Shareholders who are issuer sponsored should notify the Share Registry in writing of any change in either their name or registered address. If a change of name has occurred, it will be necessary to supply a certified copy of the relevant deed poll or marriage certificate. Shareholders sponsored by a broker (CHESS) should advise their broker of the amended details.

Dividend Reinvestment Plan (DRP)

Shareholders may elect to participate in the DRP for all or part of their shareholding. Shareholders wishing to participate in the DRP should contact the Share Registry. Terms and conditions of the DRP, DRP Guide and forms to apply for, vary or cancel participation in the DRP are also available on the Company's website, www.apn.com.au.

The Directors have determined there is no current DRP discount rate. No brokerage, commission, stamp duty or other transaction costs are payable on any allotment of shares under the DRP.

Investor information

The Annual Report is the most comprehensive publication with information for investors. Copies of the 2016 Annual Report and 2016 Shareholder Review may be obtained by contacting the Share Registry or on the Company's website, www.apn.com.au. Other financial and relevant information, including press releases on financial results and Chairman's addresses, are available from the corporate office in Sydney, or at the Company's website, www.apn.com.au.

Five Year Financial History

The below reflects the operations of the Group and should be read in conjunction with the 2016 financial statements, together with the accompanying notes.

Certain comparative financial information for 2016 has been restated for the share consolidation and the bonus element included in the 2016 equity raisings.

The Balance Sheet at 31 December 2016 does not include the assets and liabilities of the entities divested as part of the demerger of NZME and the entities disposed as part of the ARM sale. It does include the assets and liabilities acquired as part of the purchase of the remaining 50 per cent of Adshel and the acquisition of Conversant Media. Equity for 2016 was impacted by the demerger of NZME and equity raisings.

Several financial measures are used by the Group to monitor financial performance against the overall strategy, including profit after taxation attributable to members for the parent entity and underlying EBITDA.

	2016 $'m	2015 $'m	2014 $'m	2013 $'m	2012 $'m
Income statement					
Total revenue[4]	658	850	843	817	857
EBITDA[1]	131	166	164	163	156
Depreciation and amortisation	24	35	33	33	34
EBIT[2]	108	131	131	130	122
Net interest expense	18	32	36	33	41
Adjusted net profit[3]	63	70	75	60	54
Statutory net profit/(loss)	(6)	(10)	11	3	(507)
Balance sheet					
Equity excluding non-controlling interests	801	426	434	359	350
Total assets	1,145	1,134	1,129	1,255	1,294
Total borrowings	163	477	497	457	486
Net debt	143	456	458	437	465
Statistical analysis					
EBITDA/total revenue[4]	20.0%	19.6%	19.3%	18.5%	16.8%
Net debt/EBITDA (times)	1.2[8]	2.7	2.8	2.7	3.0
Interest cover based on EBITDA (times)	9.8[8]	5.2	4.5	4.9	3.8
Basic earnings per share (cents)[5]	31.4	44.4	49.5	50.2	46.8
Dividend per share (cents)	4.0	–	–	–	1.5
Dividend payout ratio[6]	13%	0%	0%	0%	21%
No. of shares on issue ('000)	307,494	1,029,041	1,029,041	661,527	661,527
No. of shareholders[7]	6,640	6,818	7,166	8,270	9,546
Market capitalisation ($'m)	873	545	859	298	165
Market price per share at 31 December	$2.84	$0.53	$0.83	$0.45	$0.25

(1) Earnings before interest, tax, depreciation and amortisation, and before exceptional items.
(2) Earnings before interest and tax, and exceptional items.
(3) Net profit attributable to owners of the parent entity after tax and before exceptional items.
(4) Total revenue includes discontinued operations.
(5) Earnings per share are before exceptional items. Comparative EPS has been restated for the share consolidation and the bonus element included in the 2016 equity raisings.
(6) Before exceptional items.
(7) As at 31 December.
(8) Credit metric calculated using pro-forma financial information.

Corporate Directory

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

DIRECTORS
Peter Cosgrove (Chairman)
Paul Connolly
Peter Cullinane
Christine Holman
Anne Templeman-Jones
Ciaran Davis
(CEO & Managing Director)

COMPANY SECRETARY
Yvette Lamont

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Email
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AUDITORS
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Watermans Quay
BARANGAROO NSW 2000

PRINCIPAL BANKERS
Australia and New Zealand Banking Group
Bank of China
Commonwealth Bank of Australia
Credit Suisse
Deutsche Bank
HSBC
J.P. Morgan Chase Bank
National Australia Bank
State Bank of India
Sumitomo Mitsui Banking Corporation
Westpac Banking Corporation

Notice is given that the Annual General Meeting of APN News & Media Limited will be held at

Establishment Ballroom 252 George Street, Sydney NSW 2000 on Thursday, 4 May 2017 at 10.00am

www.apn.com.au