



PRIME
MEDIA GROUP

2014 ANNUAL REPORT

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CORPORATE INFORMATION

ABN 97 000 764 867

This annual report covers both Prime Media Group Limited ("the Company") as an individual entity and the consolidated entity comprising Prime Media Group Limited and its subsidiaries ("the Group"). The Group's functional and presentation currency is AUD (\$).

NAME	POSITION	DATE APPOINTED	DATE RESIGNED
Directors			
John Kenneth Hartigan	Chairman	15 May 2014	–
Paul Joseph Ramsay AO	Chairman	17 April 1985	17 April 2014
Michael Stanley Siddle	Deputy Chairman	17 April 1985	–
Peter John Evans FCA		27 March 1991	–
Alexander Andrew Hamill		2 October 2003	–
Ian Patrick Grier AM		6 June 2008	–
Ian Richard Neal		6 June 2008	–
Ian Craig Audsley	Chief Executive Officer	24 June 2010	–
Company Secretary			
Emma McDonald		27 February 2012	–

REGISTERED OFFICE

363 Antill Street
Watson ACT 2602
(02) 6242 3700

SHARE REGISTER

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

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

BANK

Australia and New Zealand Banking Group Limited (ANZ)
8/20 Martin Place
Sydney NSW 2000

AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000

CHAIRMAN'S REPORT



On behalf of the directors of Prime Media Group I am pleased to present the Annual Report for the 2014 financial year.

With the sale of Prime Radio in August 2013, Prime is now a pure play regional television broadcasting business and the focus on television has delivered steady audience and revenue growth, resulting in a positive financial performance, despite a difficult trading environment.

Group revenue from continuing operations grew 1.2% during the period, while television advertising revenue grew 2.3% in a near flat market; clearly demonstrating the preferred partnership status Prime has with regional television advertisers.

Management maintained its focus on costs, evidenced by flat expense growth in the television business, despite a step up in programming costs. A full year fully franked dividend per share of 6.8 cents delivered a yield of 6.6%, while statutory earnings of 9.2 cents per share in FY14 is a 3.7 cent increase on FY13.

Prime reaffirmed its long standing partnership with the Seven Network when it announced the successful extension of our programming affiliation agreement to June 2019.

Management also renegotiated an extension to the Company's banking facility out to March 2018, permanently reducing the facility limit to \$175 million.

In the past 12 months Prime has watched with interest as the Minister for Communications, Malcolm Turnbull, sought to engage the industry and understand the challenges we face.

Significant regulatory reform was proposed, but this has more recently stalled due to the lack of industry consensus on key issues. We anticipate that the government will revisit this issue in calendar 2015. Consequently, the reforms passed to date are minor and primarily quarantined to 'red tape' deregulation.

The Board and management will, however, continue to work to ensure that regional, rural and remote communities across Australia have a voice at government level when regulatory and industry reforms are being discussed and debated.

Through its membership of Free TV, Prime contributed to numerous industry submissions and it was pleasing to see that the ACMA's regional television local content investigation found that regional Australians are largely satisfied with the current levels of local content available.

Since joining the Board I have been invigorated constantly by the commitment of Prime's talented team of media professionals. I offer my thanks to the loyal and dedicated management team, the tremendous contribution of all the staff across the country, and to our many advertisers and partners.

I would like to offer my thanks to two of our long serving directors who are retiring after remarkable contributions and service to the company. Peter Evans and Pat Grier have together served a combined term of almost 30 years on the Prime Board. We wish them well for the future.

Finally I cannot conclude my remarks without touching on the passing of our long-time Chairman and previous major shareholder, Paul Ramsay AO; an amazing Australian who is deeply missed by all his former colleagues at Prime.

A handwritten signature in black ink, appearing to read 'John Hartigan'.

John Hartigan
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REPORT

STRONG PERFORMANCE IN A CHALLENGING YEAR

I am very pleased to report to you that your Company delivered the best performance in regional network television during the reporting period, achieving its fourth consecutive year of revenue and audience growth and cementing its lead in its regional television markets.

Against a backdrop of advertiser concern over the new Federal Government's budget measures, and the launch on a rival network of the Big Bash League followed by the 2014 Sochi Winter Olympics, Prime's television audiences continued to grow while advertising revenue grew at a rate well in excess of market growth.

None of this would be possible however without the strength and depth of the Seven Network's outstanding slate of programs and the concerted efforts of Prime's sales organisation.

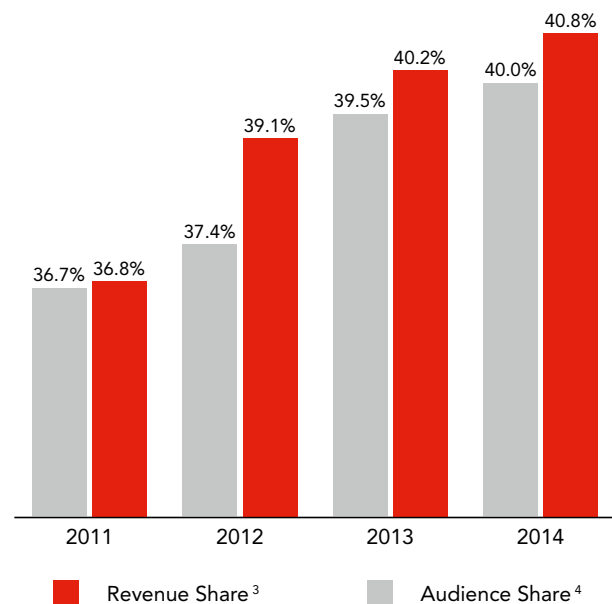
The performance and strength of the business is demonstrated by our 40.0% share² of audience when compared with our share of total advertising revenue of 40.8 %¹; and an industry leading 45.6 share¹ of national agency revenue achieved by our national sales team.

Prime's regional Western Australian television business GWN7 captured a knock-out 63.3%¹ share of total television advertising revenue off the back of Australian television's biggest audience share of 51.2%².

Management continued to implement its tight cost control measures, contributing to the overall results. This is a tremendous outcome given the renegotiation of the Seven Network programming affiliation agreement that included a step up in fees.

As a result Television EBITDA improved almost 3% or \$2.1 million on the prior period. The business is in very good health.

TV Revenue and Audience Growth



1 KPMG industry data 1 July 2013 to 30 June 2014.

2 Regional TAM All People 0600-2359 1 July 2013 to 30 June 2014.

3 KPMG industry data 1 July 2011 to 30 June 2014.

4 Regional TAM All People 0600-2359 1 July 2011 to 30 June 2014.

AUSTRALIA'S BEST PROGRAMMING SECURED OUT TO JUNE 2019

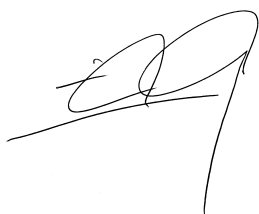
On 11 October 2013 Prime was pleased to announce that, with the support of its long term partner the Seven Network, it extended its association with Australia's leading television broadcaster until 30 June 2019, enabling Prime to continue to deliver the very best of Australian television to regional audiences. The previous agreement between Prime and Seven was due to expire on 30 June 2017.

The Seven Network has recently announced its unprecedented new deal with the International Olympic Committee, which included securing the media rights to the Games of the XXXI Olympiad in Rio de Janeiro in 2016, the XXIII Olympic Winter Games in Pyeongchang in 2018 and the Games of the XXXII Olympiad in Tokyo in 2020. Seven also secured an option, which if exercised, will extend the deal to include the XXIV Olympic Winter Games in 2022 and the XXXIII Olympic Games in 2024.

The addition of these marquee events to the program schedule will provide performance continuity for our television business over the medium to long term.

A STRONG & STABLE TEAM

The performance of the Company is a great credit to a talented and committed management team and staff located across the breadth of the country, who strive to extract optimal opportunity from the market, the robustness of Seven's programming schedule and our own strengths in producing local news programming. I extend my thanks and appreciation to each and every one of them for a job very well done.



Ian Audsley
CHIEF EXECUTIVE OFFICER

HIGHLIGHTS

\$260.3m

REVENUE*

\$64.8m

EBITDA*

\$33.4m

CORE NET PROFIT AFTER TAX[^]

6.8¢ per share

FULL YEAR DIVIDEND

* Highlights were calculated based on Continuing Operations.

[^] Excludes non-core specific items.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2014.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES



JOHN K. HARTIGAN
Non-Executive Chairman
(appointed 15 May 2014)

Mr Hartigan headed News Corporation's Australian operations as Chairman and Chief Executive Officer of News Limited (now known as News Corp Australia). Mr Hartigan was a Director of News Limited, Queensland Press, Advertiser Newspapers and The Herald and Weekly Times Limited. He was also a Director of FOXTEL and Chairman of Australian News Channel, which owns and operates Sky News. He has worked in advisory positions for the American Australian Association and the NSW Export and Investment Advisory Board. Mr Hartigan is a Director of The Bradman Foundation, is a Trustee of the Sydney Cricket and Sports Ground Trust and is Chairman of Destination NSW.



PAUL J. RAMSAY AO
Non-Executive Chairman (appointed
17 April 1985, retired 17 April 2014)

Mr Ramsay AO was Chairman of Ramsay Health Care Limited and Paul Ramsay Holdings Pty Limited, and a major shareholder of the Company, until the sale of his controlling interest on 5 March 2014. The Board expresses its deep sense of loss at the passing of Mr Ramsay AO on 1 May 2014. Mr Ramsay AO served as the Company's long term Chairman and architect of its leadership position in regional free to air broadcasting throughout Australia. His guidance, warmth and wisdom has left an indelible mark across the entire workforce and industry.



MICHAEL S. SIDDLER
Non-Executive Director
(appointed 17 April 1985)

Mr Siddle is the Chairman of Ramsay Health Care Limited, having first been appointed a Director in 1975. He is also the Chairman of Paul Ramsay Holdings Pty Limited. Mr Siddle was formerly the Deputy Chairman of the Company, however he ceased to hold that position when it became redundant on 30 June 2014.



PETER J. EVANS FCA
Non-Executive Director
(appointed 27 March 1991)

Mr Evans is a Chartered Accountant, and was in public practice for almost 20 years with predecessor firms of KPMG. Mr Evans is Deputy Chairman of Ramsay Health Care, having been a Director since 1990 and is a Director of Paul Ramsay Holdings Pty Limited. Mr Evans is the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.



ALEXANDER A. HAMILL
Non-Executive Director
(appointed 2 October 2003)

Mr Hamill has worked in marketing and advertising in Australia and globally for over 45 years. Mr Hamill was the Media Director of the Australian Olympic Team in Sydney, Athens and Beijing. Mr Hamill is a member of the Remuneration and Nomination Committee.



IAN P. GRIER AM
Non-Executive Director
(appointed 6 June 2008)

Mr Grier AM was an executive in the private health care industry for more than 20 years and Chief Executive Officer of Ramsay Health Care Limited for 14 years until June 2008, when he continued as a Non-Executive Director of that company. Mr Grier AM was Chairman of Domain Principal Group and in July 2014 was appointed Chairman of the Estia Health Group. He is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.



IAN R. NEAL
Non-Executive Director
(appointed 6 June 2008)

Mr Neal is a Chair for the Executive Connection and consults on business strategy and implementation from a perspective of maximising shareholder value. Prior to establishing Management Abroad Pty Limited, Mr Neal was co founder and Managing Director of Nanyang Ventures Pty Limited from 1993 to 2004. Mr Neal's professional background is in financial markets, commencing as an equities analyst and moving to various banking positions until establishing Nanyang Ventures. Mr Neal is a life member of the Financial Services Institute of Australia. He is a member of the Audit and Risk Committee.



IAN CRAIG AUDSLEY
Chief Executive Officer
(appointed 16 June 2010)
Executive Director
(appointed 24 June 2010)

Mr Audsley has had over 30 years' experience in the television industry. He has held various senior roles at the Seven Network, Nine Network, TV3 New Zealand and Southern Cross Television.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and performance rights issued by the Company at the date of this report is as follows:

	ORDINARY SHARES	RIGHTS OVER ORDINARY SHARES
J.K. Hartigan	–	–
M.S. Siddle	984,082	–
P.J. Evans FCA	24,286	–
A.A. Hamill	–	–
I.P. Grier AM	–	–
I.R. Neal	–	–
I.C. Audsley	–	1,815,000

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

No director has any interest in any contract or proposed contract with the Company other than as disclosed elsewhere in this report.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the three years immediately before the end of the year are as follows:

DIRECTOR	COMPANY	PERIOD OF DIRECTORSHIP	
		FROM	TO
M.S. Siddle	Ramsay Health Care Limited (Chairman)	May 1975	Present
P.J. Evans FCA	Ramsay Health Care Limited (Deputy Chairman)	June 1990	Present
I.P. Grier AM	Ramsay Health Care Limited	June 1997	Present
I.R. Neal	IntraPower Limited ¹	May 2007	August 2011
	Dyesol Limited	September 2006	Present
	Pearl Healthcare Limited	September 2008	February 2012

¹ IntraPower Limited was delisted from the Australian Securities Exchange on 12 September 2011.

COMPANY SECRETARY

Ms Emma McDonald was appointed as Company Secretary on 27 February 2012. She has been a solicitor for the past 22 years, having worked in a number of large media companies and for a major law firm, and currently holds the role of General Counsel for Prime Media Group Limited.

EARNINGS PER SHARE	CENTS
Basic earnings per share	9.2
Basic earnings per share – continuing operations	8.5
Diluted earnings per share	9.2
Diluted earnings per share – continuing operations	8.5

DIVIDENDS	CENTS	\$'000
Final dividend recommended:		
– on ordinary shares	2.8	10,257
Dividends paid in the year:		
Interim for the year		
– on ordinary shares	4.0	14,653
Final for 2013 shown as recommended in the 2013 financial report		
– on ordinary shares	3.3	12,089
		26,742

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities of Prime Media Group Limited during the year were the provision of free to air commercial television broadcasting services in the following regional areas (excluding capital cities):

- Northern New South Wales and the Gold Coast;
- Southern New South Wales;
- Victoria and Mildura; and
- Western Australia.

The majority of the Group's television programming is supplied through an affiliation agreement with the Seven Network and broadcast in regional areas under the PRIME7 brand on the east coast and the GWN7 brand in regional Western Australia. The Group also operated a network of 10 radio stations in Queensland, which was sold on 30 August 2013 for \$24,525,000.

OPERATING AND FINANCIAL REVIEW

CONSOLIDATED RESULTS INCLUSIVE OF CONTINUING AND DISCONTINUED OPERATIONS

The Group's consolidated net profit after tax from both continuing and discontinued operations attributable to the members of Prime Media Group Limited for the year ended 30 June 2014 of \$33,852,000 (2013: \$20,211,000) represents an increase of \$13,641,000 or 67.5% on the prior comparative period.

STATUTORY RESULTS FROM CONTINUING OPERATIONS

The Company's statutory consolidated net profit after tax from continuing operations attributable to the members of Prime Media Group Limited for the year ended 30 June 2014 was \$31,188,000 (2013: \$33,608,000) and represents a decrease of \$2,420,000 or 7.2% on the prior comparative period. The variance to the prior year was primarily due to derecognition of deferred tax assets from New Zealand operations, which have been discontinued. This increased the effective tax rate to 33.1% (2013: 26.7%), and reduced statutory net profit by \$1,296,000.

The Group's primary source of revenue from continuing operations during the year was derived from television advertising, which improved by 1.2% on the prior reporting period. The Group's revenue share growth in television's combined aggregated market of Northern New South Wales, Southern New South Wales and Victoria of 2.3% is ahead of the market growth rate released by KPMG of 0.8%.

The Group's gross profit margin from continuing operations was 47.0% compared to 47.9% in the previous corresponding period. The decline in gross profit margin was largely due to increases in program affiliation costs and other sales related costs.

The Group's total operating expenses of \$57,295,000 were \$2,982,000 or 4.9% down on the previous corresponding period. Savings were achieved across all categories including a decrease in share of associate losses of \$715,000. As a result, Group EBITDA from continuing operations improved by 3.4% to \$64,774,000 (2013: \$62,672,000). Overall Group EBITDA from Total Operations increased by 2.6% to \$67,718,000 (2013: \$65,976,000) as a result of revenue growth and cost reduction.

Finance costs of \$6,499,000 were 18.4% less than the previous corresponding reporting period, largely due to lower average debt levels. During the period, the Company negotiated an Amendment and Restatement Deed, extending the term of the facility to March 2018 and permanently reducing the facility limit to \$175 million. The Company's interest costs were reduced as a result of the extension.

DISCONTINUED OPERATIONS

The gain on sale from radio operations was \$2,302,000. Revenue from discontinued radio operations for the two month period to the date of sale on 30 August 2013 was \$3,499,000, resulting in a net profit after tax of \$362,000.

CORE NET PROFIT AFTER TAX (INCLUDING CONTINUING AND DISCONTINUED OPERATIONS)

Core net profit after tax from both continuing and discontinued operations, and before specific items, was \$33,395,000 (2013: \$35,423,000), representing a decrease of \$2,028,000 or 5.7% on the prior corresponding period. The prior year result included the Group's Radio operations for the 12 month reporting period, compared to 2 months in the current period. The Group's final dividend has been declared based on the core net profit after tax as follows:

	2014 \$'000	2013 \$'000
Reported profit after tax from continuing operations (refer Statement of comprehensive income)	31,188	33,608
Reported profit after tax from discontinued operations (refer Statement of comprehensive income)	2,664	(13,397)
	33,852	20,211
Fair value change in derivatives	–	2
Fair value change in receivable – deferred contingent consideration	(493)	(270)
Impairment of radio broadcasting licences	–	15,000
Radio gain on sale	(2,302)	–
Depreciation of decommissioning costs	604	481
Redundancies	626	–
Derecognise deferred tax asset carried for New Zealand tax losses	1,296	–
Income tax expense/(benefit) related to specific items	(188)	(1)
Core net profit after tax from both continuing and discontinued operations, and before specific items	33,395	35,423

DIRECTORS' REPORT

BALANCE SHEET AND CASHFLOW

The Company's syndicated debt facility decreased to \$120,000,000 (2013: \$142,000,000) and Current Liabilities – Trade and Other Payables were \$33,270,000 at the reporting date (2013: \$37,474,000).

Cash inflows from investing activities of \$8,807,000 (2013: (used in) \$10,944,000) was due to receipt of the proceeds from the sale of Prime's Radio business of \$24,525,000 less payment of \$10,000,000 for program rights. The Group's cash outflow from financing activities of \$48,972,000 was applied to maintain dividend payments to shareholders and to

discharge finance leases during the period. The Group continues to comfortably operate within the terms of its syndicated bank facility which matures March 2018.

SHAREHOLDER RETURNS

The Company is pleased to report an improvement in shareholder returns as a result of its current dividend payout ratio and an improvement in most other financial measures in the current year, including the closing share price, which was \$1.05 at 30 June 2014 (2013: \$1.01).

	2014	2013
Core Earnings Per Share (cents per share) ¹	9.1	9.7
Statutory Earnings Per Share (cents per share)	9.2	5.5
Core Return on Assets (ROA) % ¹	10.5	10.2
Statutory Return on Assets (ROA) %	10.7	5.8
Weighted Average Cost of Capital (%)	10.6	10.3
Core Return on Equity (ROE) (%) ^{1,2}	20.6	22.9
Statutory Return on Equity (ROE) (%)	20.9	13.1
Net Debt/Net Debt + Equity Ratio (%)	39.7	46.1
Share Price (\$)	1.05	1.01
Dividends Per Share (cents)	6.8	7.3
Total Shareholder Return (%)	10.7	64.1

1 These returns have been calculated using net profit after tax from continuing and discontinued operations and before the impact of items disclosed as specific non-core items. (Refer to Note 9 for details of specific non-core items).

2 Equity has been normalised for the impact of items disclosed as specific items.

CAPITAL STRUCTURE

	2014 \$'000	2013 \$'000
Interest-bearing loan and borrowings	119,645	142,275
Cash and short term deposits	(12,722)	(10,326)
Net debt	106,923	131,949
Total equity	162,240	154,380
Total capital employed	269,163	286,329
Gearing	39.7%	46.1%

The profile of the Group's debt finance is as follows:

	2014 \$'000	2013 \$'000
Current		
Obligations under finance leases	246	252
	246	252
Non-current		
Obligations under finance leases	672	918
Secured bank loan	118,727	141,105
	119,399	142,023
	119,645	142,275

The Group's debt level has fallen during the year, in part due to the proceeds from sale of the Group's Radio business and the timing of payments to suppliers. Capital expenditure of \$4,795,000 in the current year (2013: \$9,203,000) was less than the prior year largely due to commissioning in the prior year of a new television sales and traffic software system and completion of the analogue to digital transmission project. Current year expenditure includes investments in broadcast and computer equipment.

DIRECTORS' REPORT

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of strategic plans, which encompass the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk; and
- implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including monitoring of financial and non-financial Key Performance Indicators ('KPIs').

Risk management is further addressed in the Corporate Governance Statement.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 July 2014 the Group completed the sale of its premises at 194 Lake Albert Road Wagga Wagga and realised a gain on sale of \$1,122,000.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board and Executive consider that the future performance of the Group will be influenced by changes in legislation specific to the media industry and changes in media technologies. Notwithstanding these influences, the Board and Executive will continue to focus on maximising its yield from the advertising market and to prudently manage debt and risk generally to optimise returns to shareholders.

PERFORMANCE RIGHTS (EQUITY)

UNISSUED SHARES

At the date of this report there were 3,976,000 (2013: 2,546,000) unissued ordinary shares under The Prime Media Group Limited Performance Rights Plan that are yet to vest. Refer to Note 27 of the financial statements for further information.

Performance rights holders do not have any right, by virtue of the performance right, to participate in any share issue of the Company or any related body corporate.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF PERFORMANCE RIGHTS

During the financial year, employees and executives have not exercised any performance rights to acquire ordinary shares in Prime Media Group Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with the *Corporations Act 2001*, the directors disclose that the Company has a Directors' and Officers' Liability policy covering each of the directors and certain executive officers for liabilities incurred in the performance of their duties and as specifically allowed under the *Corporations Act 2001*. During the year, the Company paid premiums totalling \$107,500 (2013: \$107,850) in relation to the Directors' and Officers' Liability policy. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy. The Company has also executed a deed of access, indemnity and insurance with Directors and Officers in their capacity as Directors and Officers of the Company, its subsidiaries and related parties.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director were as follows:

	DIRECTORS' MEETINGS	MEETINGS OF COMMITTEES	
		AUDIT AND RISK	REMUNERATION AND NOMINATION
Number of meetings held	8	2	3
Number of meetings attended			
P.J. Ramsay AO ¹	5 ¹	–	–
J.K. Hartigan ²	2 ²	–	–
M.S. Siddle	8	–	–
P.J. Evans FCA	7	2	2
A.A. Hamill	8	–	2
I.R. Neal ³	8	2	1 ³
I.P. Grier AM	8	1	3
I.C. Audsley	8	–	–

1 Retired as a director on 17 April 2014 and was eligible to attend 6 Directors' Meetings.

2 Indicates maximum number of meetings the director was eligible to attend during the period.

3 Appointed to the Remuneration and Nomination Committee for the meeting held on 26 June 2014.

COMMITTEE MEMBERSHIP

Members acting on the committees of the Board during the year were:

Audit and Risk

P.J. Evans FCA (Chairman)

I.R. Neal

I.P. Grier AM

Remuneration and Nomination

I.P. Grier AM (Chairman)

P.J. Evans FCA

A.A. Hamill

I.R. Neal (appointed for 26 June 2014 meeting only)

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

The Board is pleased to present the Remuneration Report for the year ended 30 June 2014 which outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Executive remuneration outcomes for 2014 (including link to performance)
5. Executive contracts
6. Non-executive directors' remuneration arrangements
7. Additional statutory disclosures
8. Corporate governance

1. INTRODUCTION

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), executive directors, senior executives, and secretaries of the Company and the Group.

Details of KMP of the Company and Group are set out below:

KEY MANAGEMENT PERSONNEL

(i) Directors

J.K. Hartigan	Chairman (non-executive appointed 15 May 2014)
P.J. Ramsay AO	Chairman (non-executive retired 17 April 2014)
M.S. Siddle	Deputy Chairman (non-executive)
P.J. Evans FCA	Director (non-executive)
A.A. Hamill	Director (non-executive)
I.P. Grier AM	Director (non-executive)
I.R. Neal	Director (non-executive)
I.C. Audsley	Director (CEO)

(ii) Executives

D. Walker	Group General Manager Sales and Marketing
J. Palisi	Chief Financial Officer (CFO)
S. Wood	Group General Manager Operations
E. McDonald	General Counsel and Company Secretary

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. REMUNERATION GOVERNANCE

REMUNERATION AND NOMINATION COMMITTEE

The Board has appointed a Remuneration and Nomination Committee consisting of three non-executive directors (NEDs), including 2 independent NEDs to, amongst various responsibilities, review and make recommendations to the Board regarding the Group's:

- executive management remuneration and incentives;
- executive management performance against agreed performance targets; and
- the remuneration framework for directors.

The Remuneration and Nomination Committee meets throughout the year. The CEO and Company Secretary have attended certain Remuneration and Nomination Committee meetings by invitation, where management input is required. The CEO, CFO and Company Secretary are not present during any discussions relating to their own remuneration arrangements. Further information on the Remuneration and Nomination Committee's role, responsibilities and membership is available at www.primemedia.com.au.

REMUNERATION CONSULTANTS

To ensure the Board is fully informed when making decisions, the Remuneration and Nomination Committee has formalised policies that govern arrangements to engage independent remuneration consultants to provide independent advice and, where required, to make remuneration recommendations, free from undue influence from members of the KMP.

Godfrey Remuneration Group (GRG) was engaged during the reporting period to review the market competitiveness of remuneration packages for non-executive directors and senior executive roles. The Committee is satisfied that the advice received from GRG is free from undue influence from the KMP to whom the remuneration recommendations apply as GRG was engaged directly by, and reported directly to, the Chairman of the Committee. GRG's fees in FY2014 totalled \$30,000.

CRA Plan Managers Pty Limited also provided remuneration services to the Group during the reporting period and received fees totalling \$5,732 (FY2013: \$23,802).

DIRECTORS' REPORT

3. EXECUTIVE REMUNERATION ARRANGEMENTS

REMUNERATION PRINCIPLES AND STRATEGY

The Company's executive remuneration strategy aims to attract, motivate and retain high performing individuals and align the interests of executives and shareholders.

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- are aligned to the Group's business strategy;
- offer competitive remuneration benchmarked against the external market;
- provide strong linkage between individual and Group performance and rewards; and
- align the interests of executives and shareholders.

REMUNERATION COMPONENT	VEHICLE	PURPOSE	LINK TO PERFORMANCE
Fixed remuneration	<ul style="list-style-type: none"> • Represented by total employment cost (TEC); • Comprises base salary, superannuation contributions and other discretionary and non-discretionary benefits. 	<ul style="list-style-type: none"> • To provide competitive fixed remuneration set with reference to role, market and experience. 	<ul style="list-style-type: none"> • Company and individual performance are considered during the annual review process.
STI component	<ul style="list-style-type: none"> • Paid in cash. 	<ul style="list-style-type: none"> • Rewards executives for their contribution to achievement of Group and business unit outcomes, as well as individual Key Performance Indicators (KPIs). 	<ul style="list-style-type: none"> • Core NPAT; • Divisional financial performance; • Operational performance; • Power ratio; and • Risk management.
LTI component	<ul style="list-style-type: none"> • Awards are made in the form of performance rights. 	<ul style="list-style-type: none"> • Rewards executives for their contribution to the creation of shareholder value over the longer term. 	<ul style="list-style-type: none"> • Performance rights are subject to achieving core EPS and power ratio targets.

APPROACH TO SETTING REMUNERATION

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice.

The Remuneration and Nomination Committee reviews TEC annually against the median of its direct industry peers and other Australian listed entities of a similar size and complexity. KMP remuneration is benchmarked against industry peers and remuneration levels reviewed having regard for market data, insights into remuneration trends, the performance of the Company and individual, and the broader economic environment.

DETAIL OF INCENTIVE PLANS

Short Term Incentives (STI)

The Group operates an annual STI program that is available to key management personnel and awards a cash bonus subject to attainment of clearly defined Group, business unit and individual measures.

The actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of KPIs covering financial and non-financial, corporate and individual measures of performance. A summary of the measures and weightings is set out below:

PERFORMANCE MEASURES	CORE NPAT	POWER RATIO	NON-FINANCIAL MEASURES: • STRATEGIC • LEADERSHIP/TEAM CONTRIBUTION • RISK MANAGEMENT INCLUDING COMMITMENT TO WORK HEALTH SAFETY • BUSINESS DEVELOPMENT AND GROWTH INITIATIVES
CEO	50%	25%	25%
Other functional executives	0-50%	0-25%	0-50%

On an annual basis, after consideration of performance against KPIs, the Remuneration and Nomination Committee, in line with their responsibilities, determine the amount, if any, of the STI paid to each executive. This process usually occurs within three months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period.

Long Term Incentives (LTI)

LTI awards to executives are made annually under the Prime Media Group Limited Performance Rights Plan. The cumulative allocations represent less than 1.5% of the undiluted capital of the Group with a maximum income cost of \$2,718,142. The performance rights are available over a 36 month vesting period subject to continuing service and achieving the following targets:

- 60% of the rights will be subject to achievement of annual core earnings per share (EPS) targets; and
- 40% of the rights will be subject to achievement of annual power ratio targets (revenue share: audience share).

The exercise price of the performance rights is nil. The rights will lapse 30 days after vesting date.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

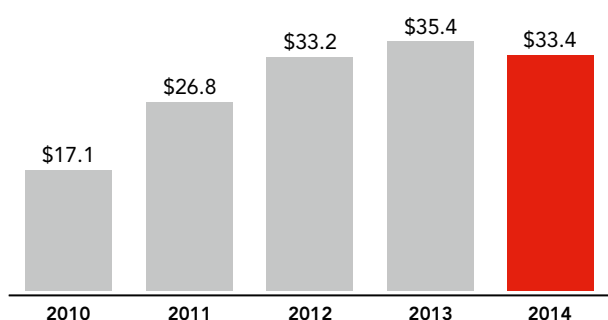
4. EXECUTIVE REMUNERATION OUTCOMES FOR 2014 (INCLUDING LINK TO PERFORMANCE)

COMPANY PERFORMANCE AND ITS LINK TO SHORT TERM INCENTIVES

The financial performance measures driving STI payment outcomes are:

- core NPAT (defined as NPAT before specific non-core items); and
- a power ratio greater than 1. The power ratio is a measure of the Company's share of revenue to the Company's share of audience. A power ratio greater than 1 indicates that the Company is performing ahead of its audience share.

The following chart shows the Company's core NPAT over the 5 year period ended 30 June 2014. Core NPAT is defined as statutory net profit after tax and before non-core items.



Core NPAT (\$ million)
including discontinued operations

STI awards for 2013 and 2014 financial years

For the 2013 financial year, 100% of the STI cash bonus pool of \$1,071,496 as previously accrued in that period vested to key management personnel and was paid in the 2014 financial year.

The Remuneration and Nomination Committee will consider the STI payments for the 2014 financial year in the first quarter of the 2015 financial year. The maximum STI cash bonus available for the 2014 financial year is \$1,086,246. STI payments have been accrued at 100% of the maximum cash bonus available for the 2014 financial year based on individual executive's actual performance against KPIs. Any adjustments between the actual amounts to be paid as determined by the Remuneration and Nomination Committee and the amounts accrued will be adjusted in the 2015 financial year. The minimum amount of the STI cash bonus, assuming that no executives meet their respective KPIs for the 2014 financial year, is nil.

COMPANY PERFORMANCE AND ITS LINK TO LONG TERM INCENTIVES

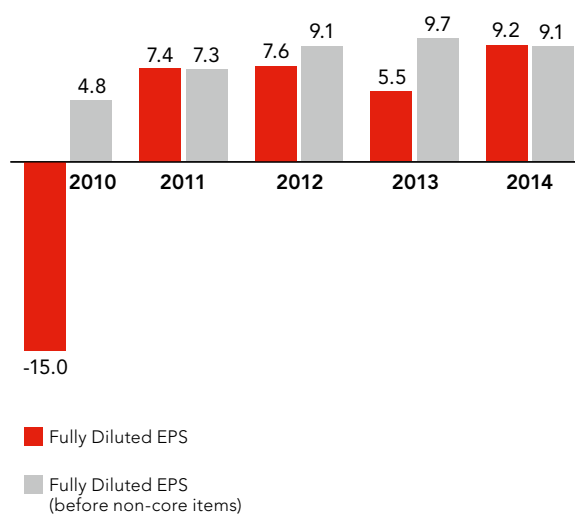
The Company has adopted the following performance measures for the vesting of LTI performance rights:

- core EPS (defined as statutory EPS before specific non-core items); and
- maintenance or growth of the power ratio greater than 1.

The following chart shows the Company's core EPS over the 5 year period from 1 July 2009 to 30 June 2014. Core EPS is defined as statutory EPS before non-core items.

Earnings Per Share

(Cents per share)



LTI awards for 2014 financial year

During the year ended 30 June 2014 nil shares (2013: nil shares) were issued due to the exercise of performance rights. The LTI remuneration for each KMP is set out in within Table 1 and 2 of this section.

DIRECTORS' REPORT

4. EXECUTIVE REMUNERATION OUTCOMES FOR 2014 (INCLUDING LINK TO PERFORMANCE) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND THE GROUP

Table 1: Remuneration for the year ended 30 June 2014

	SHORT-TERM BENEFITS			POST-EMPLOYMENT	LONG TERM BENEFITS		EQUITY SETTLED SHARE-BASED PAYMENTS	TOTAL	PERFORMANCE RELATED
	SALARY & FEES FOR PARENT ENTITY ²	CASH BONUS	NON-CASH BENEFITS ¹		SUPER-ANNUATION	LONG TERM BENEFITS ³			
	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors									
P.J. Ramsay AO (Chairman) (Resigned 17 April 2014)	103,492	-	-	9,573	-	-	-	113,065	0.0%
J.K. Hartigan (Chairman) (Appointed Director and Chairman 15 May 2014)	21,827	-	-	2,019	-	-	-	23,846	0.0%
M.S. Siddle (Deputy Chairman)	94,495	-	-	8,741	-	-	-	103,236	0.0%
P.J. Evans FCA	70,872	-	-	6,556	-	-	-	77,428	0.0%
A.A. Hamill	77,428	-	-	-	12,028	-	-	89,456	0.0%
I.P. Grier AM	70,872	-	-	6,556	-	-	-	77,428	0.0%
I.R. Neal	77,428	-	-	-	-	-	-	77,428	0.0%
Total non-executive directors	516,414	-	-	33,445	12,028	-	-	561,887	0.0%
Executive directors									
I. Audsley	833,660	500,000	8,780	17,775	7,372	-	344,005	1,711,592	49.3%
Other key management personnel									
D. Walker	367,453	244,246	6,876	17,775	2,021	-	132,440	770,811	48.9%
S. Wood	363,714	110,000	-	17,775	3,809	-	116,436	611,734	37.0%
E. McDonald	377,553	100,000	-	17,775	1,240	-	65,333	561,901	29.4%
J. Palisi	360,231	132,000	-	17,775	2,336	-	86,119	598,461	36.4%
Total executive KMP	2,302,611	1,086,246	15,656	88,875	16,778	-	744,333	4,254,499	
Totals	2,819,025	1,086,246	15,656	122,320	28,806	-	744,333	4,816,386	

1 Grossed Up Reportable Value.

2 The amounts disclosed under this category include annual leave accrued and long service leave taken for each KMP during the year by virtue of their service.

3 The amounts disclosed under this category represent amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE REMUNERATION OUTCOMES FOR 2014 (INCLUDING LINK TO PERFORMANCE) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND THE GROUP

Table 2: Remuneration for the year ended 30 June 2013

	SHORT-TERM BENEFITS			POST EMPLOYMENT		LONG TERM BENEFITS		EQUITY SETTLED SHARE BASED PAYMENTS		TOTAL	PERFORMANCE RELATED
	SALARY & FEES FOR PARENT ENTITY: ² \$	CASH BONUS \$	NON-CASH BENEFITS ¹ \$	SUPER-ANNUATION \$	OTHER LONG TERM BENEFITS ³ \$	LOAN FORGIVENESS \$	\$	\$			
Non-executive directors											
P.J. Ramsay AO (Chairman)	128,750	-	-	-	-	-	-	-	-	128,750	0.0%
M.S. Siddle (Deputy Chairman)	94,495	-	-	8,505	-	-	-	-	-	103,000	0.0%
P.J. Evans FCA	70,872	-	-	6,378	-	-	-	-	-	77,250	0.0%
A.A. Hamill	77,250	-	-	-	11,850	-	-	-	-	89,100	0.0%
I.P. Grier AM	70,872	-	-	6,378	-	-	-	-	-	77,250	0.0%
I.R. Neal	77,250	-	-	-	-	-	-	-	-	77,250	0.0%
Total non-executive directors	519,489	-	-	21,261	11,850	-	-	-	-	552,600	0.0%
Executive directors											
I. Audsley	797,688	460,000	57,395	16,470	3,214	-	-	198,054	-	1,532,821	42.9%
Other key management personnel											
D. Walker	380,872	212,388	133,728	16,470	1,397	-	-	65,493	-	810,348	34.3%
S. Wood	363,101	140,000	19,574	16,470	3,000	-	-	58,222	-	600,367	33.0%
G. Smith	314,797	89,108	28,572	16,470	-	74,768	-	-	-	523,715	17.0%
E. McDonald	354,934	50,000	-	16,470	593	-	-	13,953	-	435,950	14.7%
J. Palisi	299,112	120,000	-	16,470	1,174	-	-	27,905	-	464,661	31.8%
Total executive KMP	2,510,504	1,071,496	239,269	98,820	9,378	74,768	-	363,627	-	4,367,862	
Totals	3,029,993	1,071,496	239,269	120,081	21,228	74,768	-	363,627	-	4,920,462	

1 Grossed Up Reportable Value

2 The amounts disclosed under this category include annual leave accrued and long service leave taken for each KMP during the year by virtue of their service.

3 The amounts disclosed under this category represent amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made.

DIRECTORS' REPORT

Table 3: The Prime Media Group Limited Performance Rights Plan

2014	GRANTED		TERMS AND CONDITIONS FOR EACH GRANT					VESTED	
	NUMBER	GRANT DATE	FAIR VALUE PER PERFORMANCE RIGHT AT GRANT DATE	EXERCISE PRICE PER PERFORMANCE RIGHT	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE	NUMBER	%
Director									
I. Audsley	500,000	19/11/2013	\$0.8410	\$0.00	19/12/2016	19/11/2016	-	-	-
Executive									
S. Wood	200,000	19/11/2013	\$0.8410	\$0.00	19/12/2016	19/11/2016	-	-	-
D. Walker	230,000	19/11/2013	\$0.8410	\$0.00	19/12/2016	19/11/2016	-	-	-
J. Palisi	200,000	19/11/2013	\$0.8410	\$0.00	19/12/2016	19/11/2016	-	-	-
E. McDonald	200,000	19/11/2013	\$0.8410	\$0.00	19/12/2016	19/11/2016	-	-	-
Total	1,330,000								

2013	NUMBER	GRANT DATE	FAIR VALUE PER PERFORMANCE RIGHT AT GRANT DATE	EXERCISE PRICE PER PERFORMANCE RIGHT	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE	VESTED	
								NUMBER	%
Director									
I. Audsley	700,000	28/11/2012	\$0.6290	\$0.00	28/12/2015	28/11/2015	-	-	-
Executive									
S. Wood	200,000	29/10/2012	\$0.6236	\$0.00	28/11/2015	29/10/2015	-	-	-
D. Walker	230,000	29/10/2012	\$0.6236	\$0.00	28/11/2015	29/10/2015	-	-	-
J. Palisi	200,000	29/10/2012	\$0.6236	\$0.00	28/11/2015	29/10/2015	-	-	-
E. McDonald	100,000	29/10/2012	\$0.6236	\$0.00	28/11/2015	29/10/2015	-	-	-
Total	1,430,000								

Table 4: Value of performance rights granted, exercised, lapsed or cancelled during the year

	VALUE OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR \$	VALUE OF PERFORMANCE RIGHTS EXERCISED DURING THE YEAR \$	VALUE OF PERFORMANCE RIGHTS LAPSED DURING THE YEAR \$	VALUE OF PERFORMANCE RIGHTS CANCELLED DURING THE YEAR \$	REMUNERATION CONSISTING OF PERFORMANCE RIGHTS FOR THE YEAR %
I. Audsley	420,500	-	-	-	-
D. Walker	193,430	-	-	-	-
S. Wood	168,200	-	-	-	-
J. Palisi	168,200	-	-	-	-
E. McDonald	168,200	-	-	-	-
Total	\$1,118,530	-	-	-	-

For details on the valuation of the performance rights, including models and assumptions used, please refer to Note 27. There were no alterations to the terms and conditions of performance rights granted as remuneration since their grant date.

The maximum grant, which was payable assuming that all service and performance criteria were met, was equal to the number of rights granted multiplied by the fair value at the grant date. The minimum payable assuming that service and performance criteria were not met was nil.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. EXECUTIVE CONTRACTS

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are provided below:

CHIEF EXECUTIVE OFFICER ('CEO')

The CEO, Mr Audsley, is employed under a rolling contract. Under the terms of the present contract:

- The CEO receives fixed remuneration of \$750,000 per annum;
- The CEO's maximum STI opportunity is 65% of annual TEC;
- The CEO is eligible to participate in the Company's LTI performance rights plan on terms determined by the Board, subject to prior shareholder approval, as required;
- The CEO is entitled to 6 weeks annual leave;
- The CEO may resign from his position and terminate his contract by giving 6 months written notice;
- The CEO's employment may be terminated by the Company providing 6 months written notice. The Company may elect to provide 6 months payment in lieu of the notice period, or a combination of notice and payment in lieu of notice. Payment in lieu of notice will be based on fixed remuneration and any short term incentive amounts for the prior year;
- The CEO's employment contract may be terminated by the Company at any time without notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to that portion of his remuneration contract that is fixed, and only to the date of termination; and
- The Company or the CEO may terminate the contract within 12 months of the Company ceasing to be listed on the official list of the Australian Securities Exchange (ASX) or a material diminution in the CEO's functions, status or duties. In these circumstances, the Company must provide 12 months' notice or 12 months' payment in lieu of notice, or a combination thereof.

OTHER KEY MANAGEMENT PERSONNEL

During the reporting period, Mr D. Walker, Group General Manager Sales and Marketing, was employed on a fixed term contract that was due to expire 30 September 2014. Mr Walker has since settled a new 3 year fixed term contract that commenced on 1 July 2014. The Group General Manager Sales and Marketing's employment may be terminated by the Company at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Walker is only entitled to that portion of his remuneration contract that is fixed, and only to the date of termination.

All other KMPs are employed under rolling contracts with no fixed term employment. Each KMP's employment may be terminated by either party providing 6 months written notice or payment in lieu of the notice period (based on the fixed component of the executive's remuneration and at the discretion of the Company). The Company may terminate the contract by giving 3 months written notice where the Company has advised the executive of their failure to perform. In this case the Company has the discretion to make a payment in lieu of notice or the unexpired portion of the notice period. The Company may terminate immediately for serious misconduct. Where termination with cause occurs the KMP is only entitled to that portion of remuneration that is fixed and accrued up to the date of termination.

6. NON-EXECUTIVE DIRECTORS' REMUNERATION ARRANGEMENTS

REMUNERATION POLICY

The Board seeks to aggregate remuneration at the level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of the aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board also considers advice from external consultants when undertaking the annual review process. In accordance with the ASX listing rules, the aggregate fees for NEDs approved at the 2013 Annual General Meeting (AGM) was \$561,887.

NED fees will increase in the 2015 financial year to \$725,000, which is less than the determination made at the AGM held in November 2007 when shareholders approved an aggregate fee pool of \$750,000 per annum (excluding superannuation and retirement benefits arising from the Directors' Retirement plan).

STRUCTURE

The remuneration of NEDs consists of directors' fees, consisting of a fixed annual fee. One NED is currently entitled to benefits under the Directors' Retirement Plan, approved by shareholders in November 1997. The Board agreed to discontinue the Directors' Retirement Plan in the 2008 financial year for all new directors appointed after that date. These fees are summarised in Table 1 and 2 under section 4 above.

DIRECTORS' REPORT

7. ADDITIONAL STATUTORY DISCLOSURES

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors have received and are satisfied with the 'Audit Independence Declaration' provided by the Company's external auditors, Ernst & Young. We have obtained the independence declaration from our auditors, Ernst & Young included on page 18.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that the Auditor's independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	\$
Income Tax Return & Goods and Services Tax Compliance Services	47,443
Advisory Services	24,282
Total	71,725

8. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Prime Media Group Limited support and have, unless otherwise disclosed in the Corporate Governance Statement, adhered to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the following section of this report.

Signed in accordance with a resolution of the directors.



P. J Evans FCA
Director

Sydney, 27 August 2014

AUDITOR'S INDEPENDENCE DECLARATION



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

In relation to our audit of the financial report of Prime Media Group Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'C George', written over a horizontal line.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Christopher George', written over a horizontal line.

Christopher George
Partner
27 August 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company is responsible for the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Company and Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

Management recognise their responsibility in the implementation and maintenance of an effective system of corporate governance.

The Company's corporate governance practices were in place throughout the year ended 30 June 2014 and were compliant with the ASX CGC's principles and recommendations except as noted in this statement.

For further information on corporate governance policies adopted by Prime Media Group Limited, refer to the Company's website www.primemedia.com.au

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Comply

The Board is committed to effectively representing and promoting the Company and adding long-term value to all shareholders. The Board's Charter outlines the roles and responsibilities of the Board and its Committees.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- approval of strategic plans designed to meet stakeholders' needs and manage business risk;
- ongoing development of strategic plans and approving initiatives designed to ensure the continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget through the establishment and reporting of both financial and non-financial key performance indicators.

Other functions reserved to the Board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

The Board meets regularly and intends to meet at least six times each year. A director may at any time request the Company Secretary to convene a meeting of the Board.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, it makes use of two sub-committees, being an Audit and Risk Committee and a Remuneration and Nomination Committee which have formal charters.

All new directors participate in a formal induction process, which includes the provision of Board and Committee charter documents that were updated during the reporting period.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

2.1	A majority of the board should be independent directors.	Comply
2.2	The chair should be an independent director.	Comply from 6 March 2014
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Comply
2.4	The board should establish a nomination committee.	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Comply

STRUCTURE OF THE BOARD

NAME	POSITION
J.K. Hartigan	Non-Executive Chairman (appointed 16 May 2014)
M.S. Siddle	Non Executive Deputy Chairman (appointed 1985)
P.J. Evans FCA	Non Executive Director (appointed 1991)
A.A. Hamill	Non Executive Director (appointed 2003)
I.R. Neal	Non Executive Director (appointed 2008)
I.P. Grier AM	Non Executive Director (appointed 2008)
I.C. Audsley	Chief Executive Officer (appointed 16 June 2010) Executive Director (appointed 24 June 2010)

The Board composition is determined by applying the following principles:

- The number of Board members will be a minimum of 3 members and a maximum of 12 members;
- The Board consists primarily of non-executive directors and will include independent directors;
- The Chairman of the Board should be a non-executive director; and
- The directors should possess a broad range of skills, qualifications and experience.

BOARD INDEPENDENCE

The directors of the Company are required to perform their duties in the best interests of the Company. Directors must declare potential conflicts of interest, interests in contracts, other directorships or offices held, potential related party transactions and the acquisition or disposal of Company shares.

Under the Board Charter, where a conflict of interest arises or a perceived conflict of interest exists, the director is required to declare the potential or perceived conflict of interest and is then excluded from all board discussions relating to the issue around which the conflict of interest has arisen.

ASX Recommendation 2.1 of the CGC's recommends that a majority of the Board should be independent directors. As at the date of this report, the Board consists of six independent non-executive directors and one executive director (I.C. Audsley). Three non-executive directors, (P.J. Ramsay prior to retirement, M.S. Siddle and P.J. Evans FCA) were considered to be independent from the date that Paul Ramsay Holdings Pty Limited disposed of its controlling interest in the Company on 5 March 2014.

CHAIRMAN INDEPENDENCE

The Board Charter requires the roles of Chairman and Chief Executive Officer to be separate positions and not exercised by the same individual.

Mr P.J. Ramsay AO was Chairman of the Board until his retirement on 17 April 2014. During Mr Ramsay's tenure as Chairman, the Company did not satisfy CGC Recommendation 2.2 until Paul Ramsay Holdings Pty Limited disposed of its controlling interest in the Company on 5 March 2014.

Mr J.K. Hartigan was subsequently appointed Chairman of the Board on 15 May 2014 and is considered an independent director.

BOARD COMPOSITION

The Company aims to maintain a Board that comprises directors with a broad range of skills, expertise and experience. Details of the background, particular qualifications, expertise and period of service of each director is set out in the Directors' Report section of this Annual Report. At each Annual General Meeting, one third of the directors must resign and, in order to continue in office, must offer themselves for re-election and be elected at the meeting. No director shall serve more than three years without being a candidate for re-election.

PERFORMANCE EVALUATION

During the 2014 financial year, the Board undertook a formal, structured evaluation that involved each director completing a confidential questionnaire covering the role, composition and dynamics of the Board. The results of the questionnaires were compiled and an analysis reported to the Board by the Company Secretary.

INDEPENDENT PROFESSIONAL ADVICE

Each director has full access to the Company Secretary and the right of access to all relevant Company information. Any director who requires legal advice in relation to the performance of their duties as a director of the Company is permitted to seek advice, on approval of the Chairman, and all costs reasonably incurred are reimbursable by the Company. When the advice is received, it is made available to the full Board.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> The practices necessary to maintain confidence in the Company's integrity. The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Comply
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Comply
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Comply
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Comply
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Comply

The Company strives to act with honesty and integrity and to be a respected and valued broadcaster in the media sector and the communities in which it operates. The Board and the Company's commitment to ethical and responsible decision making is reflected in the internal policies, guidelines and procedures.

ETHICAL CONDUCT

The Company promotes ethical and responsible behaviours for its directors and employees through a Code of Conduct, which was developed in accordance ASX CGC Recommendation 3.1, and a range of supporting internal policies and guidelines that apply to all companies within the Group.

The Company also requires all employees to undertake regular online training covering topics that promote their understanding of ethical and safe work practices and conduct. As part of its ongoing commitment to improved corporate governance disclosure, these policies and guidelines are published on the Company intranet.

DIVERSITY

The Group recognises the benefits arising from workplace diversity and is committed to promoting a workplace that recognises and embraces the skills, perspectives and experiences that people bring to the Group through, among other things, their gender, age, origin, ethnicity, religion, culture, disability, education, life experience, work experience, personality, area of residence, marital status, carer responsibilities and sexual orientation.

During the current year the proportion of women in key executive management positions was 20% (2013: 18%). As at 30 June 2014, women represented 53.0% of the Group's workforce (2013: 53.0%).

In 2014 the Group was assessed as compliant with the Equal Opportunity for Women in the Workplace Act 2010.

SECURITIES TRADING POLICY

In accordance with the ASX Listing Rule 12.9, the Company has a Securities Trading Policy, available at www.primemedia.com.au, that outlines the key terms including "Closed Periods" during which Restricted Persons and their associates are not permitted to trade in Prime securities. As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1	The board should establish an audit committee.	Comply
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> Consists only of non-executive directors. Consists of a majority of independent directors. Is chaired by an independent chair, who is not chair of the Board. Has at least three members. 	Comply from 6 March 2014
4.3	The audit committee should have a formal charter.	Comply
4.4	Companies should provide the information indicated in the guide to reporting on Principle 4.	Comply

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is responsible for assisting the Board in discharging its responsibilities to safeguard the integrity of the Company and the Group's financial reporting and system of internal control. The Audit and Risk Committee provides advice and recommendations to the Board to assist the Board to fulfil its corporate governance. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. For details regarding the Audit and Risk Committee's responsibilities to recognise and manage risk refer to Principle 7.

The Audit and Risk Committee must meet at least two times each year.

The Audit and Risk Committee comprised of 3 non-executive directors of which a majority are independent. Details of the qualifications of the members of the Audit and Risk Committee and the number of meetings of the Audit and Risk Committee held during the current year are set out in the Directors' Report.

The Group's Auditor attended the Audit and Risk Committee meetings and reported to the Committee at those meetings. In addition, the directors considered and discussed numerous audit related matters during the course of directors' meetings held throughout the year.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Comply
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.	Comply

The Company is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and *Corporations Act 2001* and to ensuring that shareholders are kept informed of all major developments affecting the Company's state of affairs.

The Board has established policies and procedures to ensure that the disclosure obligations under of the ASX Listing Rule 3.1 and the *Corporations Act 2001* are adhered to. These policies are outlined in the Continuous Disclosure policy published on the Company website. The Company has an established process for considering and releasing potentially price sensitive information to the market. Processes have been established to manage all disclosures relating to the release to the market of potentially price sensitive information.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Comply

The Company acknowledges the importance of effective investor relations through providing clear communications and information channels for all shareholders. The Board aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Communication of information to shareholders includes the following:

- the annual report and half year report is available to all shareholders on the Company's website;
- the Company discloses all price sensitive information to the ASX in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules and publishes releases on the corporate website in a timely manner after the release to the ASX has been confirmed;
- notices of all general meetings are sent to all shareholders and a copy is published on the Company's website;
- an investor email inquiry facility has been established to ensure timely responses by the Company Secretary or CFO to all investor questions; and
- the Board encourages full participation by shareholders at the Annual General Meeting.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Comply
7.3	The board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Comply

Risk management focuses on strategic, financial, operational and legal/compliance risks through control systems. During the period, the Company sought to comply with AS/NZS ISO31000:2009 Risk Management to identify and manage risk. The Company does not have an internal audit function. The Board believes that the size and nature of the Company's operations currently do not warrant a separate internal audit function.

In addition to the Operating and Review section of this Directors' Report, the Company has identified a number of risks, including but not limited to:

- fluctuations in consumer demand that impact advertising revenues;
- change to the operating, market or regulatory environment as a result of changes in government media policy; and
- impact of new media technologies.

CEO AND CFO CERTIFICATION

In accordance with section 295A of the *Corporations Act 2001*, the Chief Executive Officer and the Chief Financial Officer have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

8.1	The board should establish a remuneration committee.	Comply
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • Consists of a majority of independent directors. • Is chaired by an independent chair. • Has at least three members. 	Comply
8.3	Companies should clearly distinguish the structure of non-executive director’s remuneration from that of executive directors and senior executives.	Comply
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	Comply

The Board has established a Remuneration and Nomination Committee which, in accordance with the Remuneration and Nomination Committee Charter available on the Company website, is responsible for reviewing and making recommendations to the Board in respect of:

- executive remuneration and incentive policy;
- performance rights plans;
- remuneration of the Company’s key management personnel and any other senior executive reporting to the CEO;
- recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the CEO and key management personnel; and
- the disclosure of remuneration in the Company’s public materials including ASX filings and the annual report.

The Remuneration and Nomination Committee’s current membership, the independence of the members and details of Remuneration and Nomination Committee meetings and attendance by each Committee member are set out earlier in this Corporate Governance Statement.

Details of the number of meetings of the Remuneration and Nomination Committee held during the year and the attendees at those meetings are set out in the Directors’ Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED	
		2014 \$'000	2013 \$'000
CONTINUING OPERATIONS			
Revenue and other income			
Revenue from services	5(A)	256,342	253,241
Interest income	5(A)	290	332
Other income	5(A)	3,645	3,688
Total revenue and other income		260,277	257,261
Cost of sales		(137,918)	(133,979)
Gross profit		122,359	123,282
Broadcasting and transmission expenses		(41,651)	(42,455)
Sales, marketing and administration expenses		(14,811)	(16,274)
Depreciation, amortisation and impairment expenses		(11,979)	(9,165)
Finance costs	5(B)	(6,499)	(7,965)
Share of associate losses	14(B)	(833)	(1,548)
Profit from continuing operations before income tax		46,586	45,875
Income tax expense	6(B)	(15,398)	(12,267)
Profit for the year from continuing operations		31,188	33,608
DISCONTINUED OPERATIONS			
Profit/(Loss) after tax for the year from discontinued operations	8(B)	2,664	(13,397)
Profit for the year		33,852	20,211
Other comprehensive income			
Net gain on available for sale financial asset		–	499
Other comprehensive income for the year, net of tax		–	499
Total comprehensive income for the year, net of tax		33,852	20,710
Profit attributable to:			
Owners of the Parent		33,852	20,710
		33,852	20,710
Total comprehensive income attributable to:			
Owners of the Parent		33,852	20,710
		33,852	20,710
Basic earnings per share (cents per share)			
– profit for the year	9	9.2	5.5
– profit from continuing operations	9	8.5	9.2
Diluted earnings per share (cents per share)			
– profit for the year	9	9.2	5.5
– profit from continuing operations	9	8.5	9.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTES	CONSOLIDATED	
		2014 \$'000	2013 \$'000
ASSETS			
CURRENT ASSETS			
Cash and short term deposits	11	12,722	10,326
Trade and other receivables	12	55,518	57,937
Intangible assets	18	2,067	400
Other assets	13	1,370	1,303
		71,677	69,966
Assets classified as held for sale		1,222	25,228
Total Current Assets		72,899	95,194
NON-CURRENT ASSETS			
Receivables	12	–	178
Investment in associates	14	140	–
Investment in available-for-sale financial assets	16	2,508	2,507
Property, plant and equipment	17	37,685	43,595
Deferred tax assets	6	1,442	6,111
Intangible assets and goodwill	18	201,741	196,894
Other assets	13	1,258	1,183
Total Non-Current Assets		244,774	250,468
Total Assets		317,673	345,662
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	33,270	37,474
Interest-bearing loans and borrowings	20	246	252
Current tax liabilities	6	1,737	7,210
Provisions	21	445	1,432
		35,698	46,368
Liabilities directly associated with assets classified as held for sale	8(D)	–	2,497
Total Current Liabilities		35,698	48,865
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	20	119,399	142,023
Provisions	21	336	394
Total Non-Current Liabilities		119,735	142,417
Total Liabilities		155,433	191,282
Net Assets		162,240	154,380
EQUITY			
Equity attributable to equity holders of the parent interest			
Contributed equity	22	310,262	310,262
Reserves	23	3,957	919
Accumulated losses	23	(151,979)	(156,801)
Parent Interests		162,240	154,380
Total Equity		162,240	154,380

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2014

	ISSUED CAPITAL \$'000	ACCUMULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	GENERAL RESERVE \$'000	TOTAL PARENT ENTITY INTEREST \$'000	NON- CONTROLLING INTEREST \$'000	TOTAL \$'000
At 1 July 2013	310,262	(156,801)	3,207	(2,288)	154,380	–	154,380
Profit for the period	–	33,852	–	–	33,852	–	33,852
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income and expense for the period	–	33,852	–	–	33,852	–	33,852
Transactions with equity holders in their capacity as equity holders:							
Share based payments	–	–	750	–	750	–	750
Reclassification	–	(2,288)	–	2,288	–	–	–
Dividends on ordinary shares	–	(26,742)	–	–	(26,742)	–	(26,742)
At 30 June 2014	310,262	(151,979)	3,957	–	162,240	–	162,240

AS AT 30 JUNE 2013

	ISSUED CAPITAL \$'000	ACCUMULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	GENERAL RESERVE \$'000	TOTAL PARENT ENTITY INTEREST \$'000	NON- CONTROLLING INTEREST \$'000	TOTAL \$'000
At 1 July 2012	310,262	(150,270)	2,822	(2,787)	160,027	–	160,027
Profit for the period	–	20,211	–	–	20,211	–	20,211
Other comprehensive income	–	–	–	499	499	–	499
Total comprehensive income and expense for the period	–	20,211	–	499	20,710	–	20,710
Transactions with equity holders in their capacity as equity holders:							
Share based payments	–	–	385	–	385	–	385
Dividends on ordinary shares	–	(26,742)	–	–	(26,742)	–	(26,742)
At 30 June 2013	310,262	(156,801)	3,207	(2,288)	154,380	–	154,380

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONSOLIDATED	
		2014 \$'000	2013 \$'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		291,743	302,741
Payments to suppliers and employees (inclusive of GST)		(226,407)	(257,356)
Interest received		305	341
Borrowing costs paid		(6,839)	(8,314)
Income tax refunds received		–	255
Income tax paid		(16,241)	(14,942)
NET CASH FLOWS FROM OPERATING ACTIVITIES	11	42,561	22,725
INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		–	44
Purchase of property, plant & equipment and intangible assets		(4,795)	(9,203)
Proceeds from sale of financial assets		24,395	215
Proceeds from sale of business operations – deferred contingent consideration		330	352
Purchase of program rights		(10,000)	–
Loan funds to related entities		(1,123)	(2,352)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		8,807	(10,944)
FINANCING ACTIVITIES			
Proceeds from borrowings		93,525	167,500
Repayments of borrowings		(115,525)	(149,500)
Finance lease liability payments		(230)	(1,629)
Dividends paid		(26,742)	(26,742)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(48,972)	(10,371)
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,396	1,410
Cash and cash equivalents at beginning of period		10,326	8,916
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11	12,722	10,326

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1 CORPORATE INFORMATION

The consolidated financial report of Prime Media Group Limited (the "Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 27 August 2014.

Prime Media Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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- (U) Provisions
- (V) Share-based payments
- (W) Trade and other receivables
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- (Y) Contributed equity

(A) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements from the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period.

(B) COMPLIANCE WITH IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(C) CHANGES IN ACCOUNTING POLICIES, DISCLOSURES, STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2012:

- AASB 112 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*;
- *Improvements to AASBs (May 2010)*; and
- AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*.

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 112 *Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*

The Amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in AASB 140 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in AASB 116 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Group's financial position, performance or disclosures.

AASB 2013-3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendment is effective for annual periods beginning on or after 1 January 2014 and has no effect on the Group's financial position, performance or disclosures.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

The following Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective. The changes have had no material effect on the financial statements of the Group.

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	1 July 2014
AASB 9/IFRS 9	Financial Instruments	1 January 2018	1 July 2018
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014	1 July 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	1 January 2014	1 July 2014
AASB 2014-1 Part A – Annual Improvements 2010–2012 Cycle	Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014	1 July 2014
AASB 2014-1 Part A – Annual Improvements 2011–2013 Cycle	Amendments to Australian Accounting Standards – Part A Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014	1 July 2014
AASB 1031	Materiality	1 January 2014	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	1 January 2014	1 July 2014
Amendments to IAS 16 and IAS 38****	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	1 July 2016

(D) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Prime Media Group Limited and its subsidiaries (as outlined in Note 30) as at and for the year ended 30 June 2014. Interests in associates are equity accounted and are not part of the consolidated Group (see Note 14).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income expenses and cashflows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;

- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

(E) BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 is measured at fair value with changes in fair value recognised in profit or loss or as a change in other comprehensive income. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate Standard. Contingent consideration that is reclassified as equity is not re-measured and subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) BUSINESS COMBINATIONS AND GOODWILL (CONTINUED)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(F) INVESTMENTS IN ASSOCIATES

The Group's investments in its associates are accounted for using the equity method. An associate is an entity over which the Group has significant influence.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of associate losses" in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(G) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 months after the reporting date; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current. A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting date; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(H) FOREIGN CURRENCY TRANSLATION

The Group's consolidated financial statements are presented in Australian dollars (A\$). Each overseas entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

(i) TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(ii) GROUP COMPANIES

On consolidation the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(I) REVENUE RECOGNITION

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

ADVERTISING REVENUE

Broadcasting operations derive revenue primarily from the sale of advertising time to local, regional and national advertisers. Revenue is recognised when the commercial advertisements are broadcast.

COMMERCIAL ADVERTISEMENT PRODUCTION REVENUE

Revenue is recognised at the time of invoicing the customers, which is on completion of the production.

RENDERING OF SERVICES

Revenue from the provision of production facilities is brought to account after services have been rendered and the fee is receivable.

SALES REPRESENTATION REVENUE

Sales representation revenue is brought to account as the service is provided.

INTEREST INCOME

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

DIVIDENDS

Dividend revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

RENTAL INCOME

Rental income is derived from the sub-letting of the Group's property, plant and equipment. This rental income is recognised on a straight line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

(J) GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives non-monetary grants, the assets and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.

(K) TAXES

(i) CURRENT INCOME TAX

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) DEFERRED INCOME TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Information regarding the Group's consolidated tax group is disclosed at Note 6.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or favourable to, the taxation authority.

(L) NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repairs and maintenance are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (Note 3) and provisions (Note 21) for further information about the recorded decommissioning provision.

Land and buildings are measured at cost less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than freehold and leasehold land, over the estimated useful life of the assets as follows:

MAJOR DEPRECIATION PERIODS ARE:

– Land:	Not depreciated
– Freehold buildings:	40 years
– Leasehold improvements:	The lease term
– Plant and equipment:	3 to 15 years
– Plant and equipment under lease:	5 to 15 years
– Motor vehicles:	6 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(N) LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) GROUP AS A LESSEE

Finance leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at commencement of the lease at the fair value of the leased property or, if lower, at present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

(ii) GROUP AS A LESSOR

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(O) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the periods in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(P) INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in the useful life from indefinite to finite is accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

BUSINESS SOFTWARE, DEVELOPMENT AND WEBSITES

Business software, development and website costs are capitalised based on management's judgement that key milestones for the developments have been achieved. In determining the amounts to be capitalised, management makes assumptions regarding the future cash to be generated from the asset, discount rates to be applied and the expected period of benefits.

TELEVISION BROADCAST LICENCES, ACQUIRED BOTH SEPARATELY AND AS PART OF A BUSINESS COMBINATION

Television broadcast licences consist of the right to broadcast television and radio services to specific market areas. The licences are subject to renewal by the Australian Communications and Media Authority (ACMA). The directors have no reason to believe the licences will not be renewed at the end of their legal terms and have not identified any factor that would affect their useful life. Therefore, the television licences are deemed to have indefinite useful lives.

PROGRAM RIGHTS

Consists of television program rights arising from the Company's affiliation with the Seven Network.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

A summary of the policies applied to the Group's intangible assets is as follows:

	TELEVISION AND RADIO BROADCAST LICENCES	BUSINESS SOFTWARE, DEVELOPMENT, WEBSITES, PROGRAM RIGHTS AND INFRASTRUCTURE ACCESS LICENCE
Useful lives:	Indefinite	Finite
Amortisation method used:	Not amortised or revalued	Amortised on a straight-line basis over the period of the expected future benefit
Internally generated or acquired:	Acquired	Internally generated/acquired

(Q) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of the assets within the period established by regulation or convention in the market place are recognised on the trade date being the date that the Group commits to purchase or sell the asset.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB139. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in reserves until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from reserves

to the statement of profit or loss in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

(ii) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(Q) FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (CONTINUED)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

(iii) FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, described as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iv) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same; and
- a discounted cash flow analysis or other valuation models.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(R) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group uses derivative financial instruments, as necessary, such as interest rate swaps to manage its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the statement of profit or loss.

The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

(S) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

GOODWILL

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(T) CASH AND SHORT TERM DEPOSITS

Cash and short term deposits in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and short term deposits consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

(U) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

PROVISION FOR ASSET DECOMMISSIONING

The Group records a provision for decommissioning costs of analogue transmitters and related assets. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

WAGES, SALARIES AND ANNUAL LEAVE

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

LONG SERVICE LEAVE

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(V) SHARE-BASED PAYMENTS

Employees (including senior executives) of the Group receive remuneration in the form of performance rights which are share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions is recognised, together with a corresponding increase in employee benefits reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee, as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding performance rights is reflected as additional share dilution in the computation of diluted earnings per share (see Note 9).

(W) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for impairment. Credit terms, generally 30 – 45 days, may be extended based upon an assessment of the credit standing of each customer.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Objective evidence may be in the form of, but not limited to, legal rulings and determinations, defaults on agreed payment plans and age of debtors.

(X) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually settled within 30 days of recognition.

(Y) CONTRIBUTED EQUITY

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into operating leases that have an average lease term of 3 years for Motor Vehicles, 3 year (+ 3 year options) for building leases, and 5–15 years for transmission site access agreements. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it does not retain all the significant risks and rewards of ownership of these sites and equipment and accounts for the contracts as operating leases.

OPERATING LEASE COMMITMENTS – GROUP AS LESSOR

The Group has entered into site sharing agreements in relation to transmission sites and equipment it owns. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these sites and equipment and accounts for the contracts as operating leases.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment exists when the carrying value of an asset or cash generating unit exceeds the recoverable value amount which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the future cash inflows and the growth rate for extrapolation purposes. The key assumptions used to determine the recoverable amount for different CGUs, including a sensitivity analysis, are further explained at Note 18.

IMPAIRMENT OF INVESTMENTS IN FINANCIAL ASSETS (INCLUDING ASSOCIATES)

The Group assesses impairment of investments in financial assets including associates at each reporting date in accordance with the measurement rules established in the accounting standards.

For financial assets determined to be associates, the Group assesses at each balance date the circumstances and conditions specific to that associate. These include operating performance, market and environmental factors. If management believes that an impairment trigger exists then the recoverable value of the investment in the associate is determined.

RENEWAL OF BROADCASTING LICENCES

The Group's television and radio broadcasting licences consist of the right to broadcast television and radio services to specific market areas. These licences are issued by the relevant broadcasting authority for periods of 5 years. The ownership and renewal processes of these licences is such that in the absence of major breaches of licensing and broadcasting regulations, licence renewal is virtually guaranteed for the existing licence holders.

CLASSIFICATION OF ASSETS AND LIABILITIES AS HELD FOR SALE

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

IMPAIRMENT OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIVES

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 18.

VALUATION OF INVESTMENTS

The Group has decided to classify investments in listed and unlisted securities as "available-for-sale" investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market.

The fair values of unlisted securities not traded in an active market are determined using valuation assumptions that are not observable market prices or rates. Future likely cash flows are determined to most likely arise from the disposal of the securities. Disposal cash flows are determined using Earnings before interest, tax, depreciation and amortisation ('EBITDA') multiples and compared to similar companies with observable market sales data.

PROVISION FOR DECOMMISSIONING COSTS

The Group has recognised a provision for decommissioning obligations associated with the switch off of analogue transmission. These costs are recognised as part of the cost of the asset and are depreciated over the remaining useful life of the asset. Assumptions and estimates are made in relation to the expected cost to dismantle and remove the analogue transmission equipment from each site and the timing of those costs. The carrying amount of the provision as at 30 June 2014 was \$215,000 (2013: \$944,000).

SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in Note 27.

FAIR VALUE OF FINANCIAL DERIVATIVES

The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

TAXES

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent management considers it is probable that future taxable profits will be available to utilise those temporary differences.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group manages its exposure to key financial risks including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Group also enters into derivative transactions, including interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The main risks arising from the Group's financial instruments are cash flow risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

The Board of directors reviews and agrees policies for managing each of these risks which are summarised below.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise interest rate risk and currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 30 June 2014 and 2013.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates as well as derivative interest rate swap contracts. The level of debt is disclosed in Note 20.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Financial Assets		
Cash and short-term deposits	12,722	10,326
	12,722	10,326
Financial Liabilities		
Secured bank loans	(118,727)	(141,105)
	(118,727)	(141,105)
Net exposure	(106,005)	(130,779)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Consolidated				
+0.5% (50 basis points)	(371)	(458)	–	–
-0.5% (50 basis points)	371	458	–	–

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a higher volatility than in prior years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in different currency from the Group's functional currency) and the Group's net investment in foreign subsidiaries.

The Group operates in Australia and New Zealand. The majority of transactions for the Group entities are made in the functional currency of the relevant entity.

From time to time the Group enters into transactions that give rise to currency exposure risks. Such currency exposures arise from purchases in currencies other than the Group's functional currency. The Group reviews the transactional currency risks arising from significant foreign currency transactions and, if appropriate, enters into forward currency contracts to reduce currency risks. The Group also has foreign currency translation risk where the operations of the foreign based subsidiaries are translated to the Group's reporting currency.

At 30 June 2014, the Group had the following exposure to NZ\$ foreign currency that is not designated as cash flow hedges:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Financial Assets		
Receivables – Deferred contingent consideration	–	134
Net exposure	–	134

As at 30 June 2014, apart from the foreign currency translation risks within the Group, there were no other exposures to currency fluctuations.

The foreign currency exposures within the Group relate to the translation to the Group presentation currency of AUD. These translation differences are taken to the statement of profit or loss.

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

TRADE RECEIVABLES

It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

An impairment analysis is performed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed at Note 12. The Group does not hold collateral as security.

A small number of media buying agencies account for approximately 58.2% of Prime's revenue and no individual agency accounts for more than 15% of the Group's revenue. Agency clients operate with strict credit terms of 45 days and are required to provide detailed financial information as part of their credit approval process. Late payments are closely monitored and followed up if the 45 day terms are not met.

The Group maintains cash on deposit only with major Australian banks or similar in countries of operation.

LIQUIDITY RISK

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a weekly basis. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, debentures, finance leases and hire purchase agreements. The Group currently has funding through:

- \$175 million debenture subscription facility (2013: \$200 million), which is currently drawn to 68% of the facility limit (2013: 71%); and
- long term finance lease contracts over specific items of plant and equipment.

Currently the Group secures up to 84% of the drawn down balance of the Debenture Subscription Facility for 6 monthly periods. In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Group has available approximately \$56 million of undrawn committed borrowing facilities, subject to continued compliance with the bank loan covenants. The facility is repayable in full on expiry in March 2018. Interest will be charged at a rate of BBSY plus a margin between 1.50% and 1.80%. At 30 June 2014, 0.3% of the Group's debt will mature in less than one year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

The remaining contractual maturities of the Group's financial assets and liabilities are:

YEAR ENDED 30 JUNE 2014	≤ 6 MONTHS \$'000	6 – 12 MONTHS \$'000	1 – 5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Financial assets					
Cash and cash equivalents	12,722	–	–	–	12,722
Trade and other receivables	55,518	–	–	–	55,518
	68,240	–	–	–	68,240
Financial liabilities					
Trade and other payables	(33,270)	–	–	–	(33,270)
Interest bearing loans and borrowings	(2,684)	(2,698)	(119,462)	–	(124,844)
	(35,954)	(2,698)	(119,462)	–	(158,114)
Net inflow/(outflow)	32,286	(2,698)	(119,462)	–	(89,874)
YEAR ENDED 30 JUNE 2013	≤ 6 MONTHS \$'000	6 – 12 MONTHS \$'000	1 – 5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Financial assets					
Cash and cash equivalents	10,326	–	–	–	10,326
Trade and other receivables	57,937	–	178	–	58,115
Asset classified as held for sale	25,228	–	–	–	25,228
	93,491	–	178	–	93,669
Financial liabilities					
Trade and other payables	(37,474)	–	–	–	(37,474)
Liabilities associated with assets classified as held for sale	(2,497)	–	–	–	(2,497)
Interest bearing loans and borrowings	(3,388)	(3,405)	(142,152)	–	(148,945)
	(43,359)	(3,405)	(142,152)	–	(188,916)
Net inflow/(outflow)	50,132	(3,405)	(141,974)	–	(95,247)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

5 INCOME AND EXPENSES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
INCOME AND EXPENSES FROM CONTINUING OPERATIONS		
(A) INCOME		
Advertising revenue	256,342	253,241
Finance income	290	332
Other revenue	3,645	3,688
	260,277	257,261
Breakdown of finance income:		
Interest received – other persons	290	332
	290	332
Breakdown of other income:		
Government grants	1,805	2,097
Other revenues	1,840	1,591
	3,645	3,688
(B) FINANCE EXPENSES		
Interest expense – other persons	6,499	7,965
	6,499	7,965
(C) EMPLOYEE BENEFIT EXPENSE		
Wages and salaries	34,722	34,715
Superannuation expense	2,720	2,639
Share based payments expense	750	385
Other employee benefits expense	589	1,112
	38,781	38,851
(D) OTHER EXPENSES		
Bad and doubtful debts – trade debtors	119	238
Minimum lease payments – operating leases	13,700	15,523

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6 INCOME TAX

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
(A) INCOME TAX EXPENSE		
The major components of income tax expense are:		
STATEMENT OF COMPREHENSIVE INCOME		
Current income tax		
– Current income tax charge	11,510	12,119
– Adjustments in respect of current income tax of previous years	(174)	(616)
– Income tax expense on discontinued operations	282	714
Deferred income tax		
– Relating to origination and reversal of temporary differences	4,649	2,724
– Adjustments in respect of deferred income tax of previous years	217	(377)
– Net deferred tax asset not previously recognised due to accumulated loss position of subsidiary	(804)	(1,583)
– Income tax expense on discontinued operations	–	46
INCOME TAX EXPENSE	15,680	13,027
Aggregate income tax expense attributable to:		
– Continuing operations	15,398	12,267
– Discontinued operations	282	760
	15,680	13,027
(B) NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE AND TAX EXPENSE CALCULATED PER THE STATUTORY INCOME TAX RATE		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's appropriate income tax rate is as follows:		
Profit before tax from continuing operations	46,586	45,875
Profit/(Loss) before tax from discontinued operations	2,946	(12,637)
Total accounting profit before income tax	49,532	33,238
Prima facie tax expense on accounting profit at the Group's statutory rate of 30% (2013: 30%)	14,860	9,971
– Expenses not deductible for tax	2,379	1,267
– Impairment charge not deductible for tax	–	4,500
– Income not assessable for tax	(2,240)	(81)
– Deferred Tax Asset on income tax losses not previously recognised	(755)	(2,511)
– Deferred Tax Asset derecognised	1,607	–
– Foreign tax rate adjustment	(171)	(119)
Aggregate income tax expense	15,680	13,027
Aggregate income tax expense attributable to:		
– Continuing operations	15,398	12,267
– Discontinued operations	282	760
	15,680	13,027

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(C) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	CONSOLIDATED			
	2014 \$'000 CURRENT INCOME TAX	2014 \$'000 DEFERRED INCOME TAX	2013 \$'000 CURRENT INCOME TAX	2013 \$'000 DEFERRED INCOME TAX
Opening balance	(7,210)	6,111	(10,235)	7,676
Charged to income	(11,617)	(3,780)	(12,218)	(1,091)
Other payments and utilisation of tax losses	17,090	(889)	15,243	(474)
Closing balance	(1,737)	1,442	(7,210)	6,111
Tax expense in statement of comprehensive income		15,680		13,027
Amounts recognised in the statement of financial position:				
Deferred tax asset		1,442		6,111
Deferred tax liability		-		-
		1,442		6,111

The movement in deferred tax assets is in part due to derecognition of deferred tax assets from New Zealand operations, which have been discontinued.

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	2014 \$'000	2013 \$'000
Deferred income tax as at 30 June relates to the following:		
Deferred tax liabilities		
Accelerated depreciation for tax	(502)	-
Leased assets	(32)	(191)
Prepaid expenses deductible for tax	(3,196)	(526)
Income not yet assessable for tax	-	(261)
Fair value of television licences on acquisition	(6,690)	(6,690)
	(10,420)	(7,668)
Set-off of deferred tax assets	10,420	7,668
Net deferred tax liabilities	-	-
Deferred income tax as at 30 June relates to the following:		
Deferred tax assets		
Employee entitlements	1,533	1,584
Provisions	89	108
Expenses not yet deductible for tax	2,039	2,316
Difference between accounting and tax building write off	505	519
Accounting depreciation not yet deductible for tax	-	44
Impairments of investments	6,690	6,690
Tax losses	1,006	2,518
	11,862	13,779
Set-off of deferred tax liabilities	(10,420)	(7,668)
Net deferred tax assets	1,442	6,111

(D) INCOME TAX LOSSES

(a) Deferred tax assets arising from tax losses of a controlled entity which at balance date are recognised as being highly probable of recovery. These losses relate to the Australian Tax Consolidated Group and an entity outside the Australian Tax Consolidated Group that is making profits.	1,006	2,513
(b) Deferred tax assets arising from tax losses of controlled entities not recognised at reporting date as realisation of the benefit is not regarded as highly probable	15,307	12,982

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

6 INCOME TAX (CONTINUED)

TAX CONSOLIDATION

(i) Members of the tax consolidated group and the tax sharing arrangements

Effective 1 July 2002, for the purposes of income taxation, Prime Media Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Prime Media Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the consolidated group

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group Allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and deferred tax assets arising from unused tax losses and unused tax credits from controlled extras in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their taxable income for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each half year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Prime Media Group Limited. In accordance with UIG 1052: Tax Consolidation Accounting, the group has applied the "separate taxpayer within group" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

	PRIME MEDIA GROUP LIMITED	
	2014 \$'000	2013 \$'000
Prime Media Group Limited has recognised the following amounts as tax consolidation contribution adjustments:		
Total increase to inter-company assets of Prime Media Group Limited	12,627	15,317

(E) TAXATION OF FINANCIAL ARRANGEMENTS (TOFA)

Legislation is in place which changes the tax treatment of financial arrangements, including the tax treatment of hedging transactions. The Group has assessed the potential impact of these changes on the Group tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2014 (2013: \$Nil).

7 OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

DESCRIPTION OF SEGMENTS

CONTINUING OPERATIONS

Television Broadcasting

Television broadcasting comprises "free to air" television broadcasting through PRIME7 and GWN7.

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

Corporate and Other

Administrative and financial support operations are reported separately to the Board.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

DISCONTINUED OPERATIONS

Radio Broadcasting

On 30 August 2013 the Group completed the sale of its radio broadcasting business, which consisted of 10 radio stations in Queensland.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the accounts. The below tables detail revenue and profit for the operating segments for the years ended 30 June 2014 and 30 June 2013.

AS AT 30 JUNE 2014

	TELEVISION BROADCASTING \$'000	TOTAL CONTINUING SEGMENTS \$'000	UNALLOCATED \$'000	TOTAL CONTINUING OPERATIONS \$'000	DISCONTINUED OPERATIONS \$'000	TOTAL OPERATIONS \$'000
Segment Revenues						
External sales and customers	256,342	256,342	–	256,342	3,364	259,706
Other income (excluding interest income)	2,962	2,962	683	3,645	2,434	6,079
Total segment revenue	259,304	259,304	683	259,987	5,798	265,785
Finance income	–	–	290	290	2	292
Total revenue per the statement of comprehensive income	259,304	259,304	973	260,277	5,800	266,077
Result						
EBITDA	74,985	74,985	(10,211)	64,774	2,944	67,718
EBIT	63,209	63,209	(10,414)	52,795	2,944	55,739
Profit/(Loss) before income tax per the statement of comprehensive income	63,063	63,063	(16,477)	46,586	2,946	49,532
Income tax expense				(15,398)	(282)	(15,680)
Net Profit after tax				31,188	2,664	33,852
Net Profit after tax attributable to members of Prime Media Group Limited				31,188	2,664	33,852

AS AT 30 JUNE 2014

	TELEVISION BROADCASTING \$'000	UNALLOCATED \$'000	TOTAL CONTINUING OPERATIONS \$'000	DISCONTINUED OPERATIONS \$'000	TOTAL OPERATIONS \$'000
Assets and liabilities					
Segment assets ¹	313,034	4,499	317,533	–	317,533
Investments in associates	140	–	140	–	140
Total assets	313,174	4,499	317,673	–	317,673
Segment liabilities ¹			(155,433)	–	(155,433)
Net assets			162,240	–	162,240
Other segment information					
Capital expenditure ²	4,187	25	4,212	–	4,212
Program Rights	10,000	–	10,000	–	10,000
	14,187	25	14,212	–	14,212
Depreciation and amortisation	(11,776)	(203)	(11,979)	–	(11,979)
Share of associate losses	(833)	–	(833)	–	(833)

1 Excludes inter-segment receivables and payables, and investments in subsidiaries.

2 To comply with the requirements of AASB 8, the Group has included the cost of segment assets acquired by way of business combinations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

7 OPERATING SEGMENTS (CONTINUED)

AS AT 30 JUNE 2013

	TELEVISION BROADCASTING \$'000	TOTAL CONTINUING SEGMENTS \$'000	UNALLOCATED \$'000	TOTAL CONTINUING OPERATIONS \$'000	DISCONTINUED OPERATIONS \$'000	TOTAL OPERATIONS \$'000
Segment Revenues						
External sales and customers	253,241	253,241	–	253,241	18,999	272,240
Other income (excluding interest income)	3,341	3,341	347	3,688	740	4,428
Total segment revenue	256,582	256,582	347	256,929	19,739	276,668
Finance income	–	–	332	332	16	348
Total revenue per the statement of comprehensive income	256,582	256,582	679	257,261	19,755	277,016
Result						
EBITDA	72,841	72,841	(10,169)	62,672	3,304	65,976
EBIT	63,884	63,884	(10,376)	53,508	(12,653)	40,855
Profit/(Loss) before income tax per the statement of comprehensive income	63,694	63,694	(17,819)	45,875	(12,637)¹	33,238
Income tax expense				(12,267)	(760)	(13,027)
Net Profit/(Loss) after tax				33,608	(13,397)	20,211
Net Profit after tax attributable to members of Prime Media Group Limited				33,608	(13,397)	20,211

1 Profit/(Loss) before income tax per the statement of comprehensive income includes an impairment charge to reduce the carrying value of Radio Broadcast Licences by \$15.0 million.

AS AT 30 JUNE 2013

	TELEVISION BROADCASTING \$'000	UNALLOCATED \$'000	TOTAL CONTINUING OPERATIONS \$'000	DISCONTINUED OPERATIONS \$'000	TOTAL OPERATIONS \$'000
Assets and liabilities					
Segment assets ¹	308,573	11,860	320,433	25,228	345,661
Investments in associates	–	–	–	–	–
Total assets	308,573	11,860	320,433	25,228	345,661
Segment liabilities ¹			(188,784)	(2,497)	(191,281)
Net assets			131,649	22,731	154,380
Other segment information					
Capital expenditure ²	8,817	9	8,826	852	9,678
Depreciation and amortisation	(8,957)	(208)	(9,165)	(957)	(10,122)
Impairment	–	–	–	(15,000)	(15,000)
Share of associate losses	(1,548)	–	(1,548)	–	(1,548)

1 Excludes inter-segment receivables and payables, and investments in subsidiaries.

2 To comply with the requirements of AASB 8, the Group has included the cost of segment assets acquired by way of business combinations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
RECONCILIATION OF PROFIT		
Segment profit before tax (Continuing operations)	63,063	63,694
Finance costs	(6,063)	(7,443)
Administration expenses	(10,414)	(10,376)
Profit/(Loss) from discontinued operations	2,946	(12,637)
Group profit before tax	49,532	33,238
RECONCILIATION OF ASSETS		
Segment operating assets (Continuing operations)	317,673	320,433
Assets classified as held for sale	–	25,228
Group operating assets	317,673	345,661
RECONCILIATION OF LIABILITIES		
Segment operating liabilities (Continuing operations)	155,433	188,784
Liabilities classified as held for sale	–	2,497
Group operating liabilities	155,433	191,281

8 DISCONTINUED OPERATIONS

(A) DETAILS OF OPERATIONS DISPOSED

On 30 August 2013, the Group completed the sale of the Group's radio business, for \$24,525,000 in cash, which resulted in a pre-tax gain on sale of \$2,302,000. The results of the Radio segment for the period 1 July to 30 August 2013 are presented in the table at Note 8(B). The radio business was classified as a disposal group held for sale at 30 June 2013. The Radio segment consisted of the following wholly owned subsidiaries:

Prime Radio (Holdings) Pty Limited ACN: 122 696 753
 Prime Radio (Townsville) Pty Limited ACN: 113 960 688
 Prime Radio (Cairns) Pty Limited ACN: 113 960 722
 Prime Radio (Barrier Reef) Pty Limited ACN: 113 960 651
 Prime Radio (Mackay) Pty Limited ACN: 113 960 606
 Prime Radio (Mackay-AM) Pty Limited ACN: 122 696 842
 Prime Radio (Cairns-AM) Pty Limited ACN: 122 696 879
 Prime Radio (Rockhampton) Pty Limited ACN: 113 960 624
 Prime Radio (Gladstone) Pty Limited ACN: 113 960 642
 AMI Radio Pty Limited ACN: 075 044 861
 Hot 91 Pty Limited ACN: 101 804 371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

8 DISCONTINUED OPERATIONS (CONTINUED)

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
(B) FINANCIAL PERFORMANCE OF OPERATIONS DISPOSED OR HELD FOR SALE		
Revenue from external sales and customers	3,364	18,999
Other revenue	135	756
Total revenue from discontinued operations	3,499	19,755
Expenses	(2,855)	(32,392)
Net Profit/(Loss) attributable to discontinued operations	644	(12,637)
Gain on disposal of discontinued operations	2,302	–
Net Profit/(Loss) attributable to discontinued operations before income tax	2,946	(12,637)
Income tax expense	(282)	(760)
– Profit/(Loss) attributable to discontinued operations after tax	2,664	(13,397)
– Profit/(Loss) from discontinued operations attributable to members of parent entity	2,664	(13,397)
Earnings/(Loss) per share (cents per share)		
– Basic from discontinued operations	0.7	(3.7)
– Diluted from discontinued operations	0.7	(3.7)
<p>The results for the current period are based on trading for the period to 30 August 2013. The prior corresponding period results included an impairment charge reducing the carrying value of radio broadcast licences by \$15,000,000.</p>		
(C) CASH FLOW INFORMATION – DISCONTINUED OPERATIONS		
Net cash inflow from operating activities	1,134	1,964
Net cash (outflow) from investing activities	(82)	(638)
Net cash (outflow) from financing activities	(1,777)	(1,082)
Net cash outflow from discontinued operations	(725)	244
(D) ASSETS AND LIABILITIES HELD FOR SALE		
Trade and other receivables	–	3,940
Prepayments	–	139
Total current assets	–	4,079
Property, plant and equipment	1,222	4,334
Intangibles – broadcast licences	–	16,533
Deferred tax assets	–	282
Total non-current assets	1,222	21,149
Assets classified as held for sale	1,222	25,228
Trade and other payables	–	2,341
Total current liabilities	–	2,341
Provisions	–	156
Total non-current liabilities	–	156
Liabilities associated with assets classified as held for sale	–	2,497

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

9 EARNINGS PER SHARE

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Basic earnings per share (cents per share)		
– profit for the year	9.2	5.5
– profit from continuing operations	8.5	9.2
Diluted earnings per share (cents per share)		
– profit for the year	9.2	5.5
– profit from continuing operations	8.5	9.2

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

(A) EARNINGS USED IN CALCULATING EARNINGS PER SHARE

Net profit attributable to ordinary equity holders of the parent from continuing operations	31,188	33,608
Net profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations	2,664	(13,397)
Net profit attributable to ordinary equity holders of the parent	33,852	20,211
Earnings used in calculating basic and diluted earnings per share	33,852	20,211

	NUMBER OF SHARES	NUMBER OF SHARES
(B) WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of ordinary shares used in calculating basic earnings per share	366,330,303	366,330,303
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	366,330,303	366,330,303

All performance rights are anti-dilutive, as service and performance conditions are yet to be met. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the completion of the financial statements.

(C) INFORMATION ON THE CLASSIFICATION OF SECURITIES

EQUITY SETTLED SHARE BASED PAYMENTS

Equity settled share based payments granted to employees (including KMP) as described in Note 27 are considered to be potential ordinary shares and will be included in the determination of diluted earnings per share to the extent they are dilutive when the performance rights vest.

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Basic earnings per share (cents per share)		
– profit from core earnings	9.1	9.7
Diluted earnings per share (cents per share)		
– profit from core earnings	9.1	9.7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

9 EARNINGS PER SHARE (CONTINUED)

To calculate earnings per share amounts for the core continued and discontinued operations, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figure used as the numerator:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
(D) PROFIT FROM OPERATIONS EXCLUDING SPECIFIC ITEMS		
Reported profit after tax from continuing operations (refer Statement of comprehensive income)	31,188	33,608
Reported profit/(loss) after tax from discontinued operations (refer Statement of comprehensive income)	2,664	(13,397)
	33,852	20,211
– Fair value change in derivatives	–	2
– Fair value change in receivable – deferred contingent consideration	(493)	(270)
– Impairment of radio broadcasting licences	–	15,000
– Radio gain on sale	(2,302)	–
– Depreciation of decommissioning costs	604	481
– Redundancies	626	–
– Derecognise deferred tax asset carried for New Zealand tax losses	1,296	–
– Income tax benefit related to specific items	(188)	(1)
Profit after tax from operations before specific items attributable to members of Prime Media Group Limited	33,395	35,423

Core net profit after tax from both continuing and discontinued operations, and before specific items, of \$33,395,000 (2013: \$35,423,000) includes the Group's Radio operations for the 2 month reporting period, compared to 12 months in the previous corresponding period. The Group's final dividend has been declared based on the core net profit after tax.

10 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
(A) RECOGNISED AMOUNTS		
Declared and paid during the year		
(i) CURRENT YEAR INTERIM		
Franked dividends 4.0 cents per share (2013: 4.0 cents) – ordinary shares	14,653	14,653
(ii) PREVIOUS YEAR FINAL		
Franked dividends 3.3 cents per share (2013: 3.3 cents) – ordinary shares	12,089	12,089
	26,742	26,742
(B) UNRECOGNISED AMOUNTS		
(i) CURRENT YEAR FINAL		
Franked dividends 2.8 cents per share (2013: 3.3 cents) – ordinary shares	10,257	12,089

	THE GROUP	
	2014 \$'000	2013 \$'000
(C) FRANKING CREDIT BALANCE		
The amount of franking credits available for the subsequent financial year are:		
– franking account balance as at the end of the financial year at 30% (2013: 30%)	31,050	26,531
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,762	7,150
– franking debits that will arise from the payment of dividends as at the end of the financial year	–	–
	32,812	33,681
The amount of franking credits available for future reporting periods		
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(4,396)	(5,181)
	28,416	28,500

(D) TAX RATES

The tax rate at which paid dividends have been franked is 30% (2013: 30%). Dividends proposed will be franked at the rate of 30% (2013: 30%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

11 CASH AND SHORT-TERM DEPOSITS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Cash balance comprises:		
Cash at bank and on hand	12,722	10,326
Closing cash balance	12,722	10,326
<p>Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.</p> <p>At 30 June 2014 the Group had available \$56 million (2013: \$58 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.</p>		
Reconciliation of the net profit after tax to the net cash flows from operations		
Profit after tax from continuing operations	31,188	33,608
Profit/(Loss) after tax from discontinued operations	2,664	(13,397)
Net profit after income tax	33,852	20,211
Non-cash adjustment for:		
Depreciation and amortisation	9,912	9,722
Amortisation of program rights	2,067	400
Provision for doubtful debts	(104)	(115)
Net loss on disposal of property, plant and equipment	157	35
Gain on sale of financial asset	(2,303)	(11)
Gain on foreign currency translation	(181)	(206)
Net gain MTM derivatives	–	2
Impairment of intangibles and goodwill	–	15,000
Share of losses of associates	833	1,548
Share based payments expense	750	385
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	837	(815)
Decrease in deferred tax assets	6,090	1,329
Decrease in prepayments	770	549
Decrease in trade and other payables	(3,526)	(21,784)
Decrease in tax provision	(6,147)	(3,025)
Decrease in borrowing costs	(378)	(196)
Decrease in provisions	(68)	(304)
Net cash flow from operating activities	42,561	22,725

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

12 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Current		
Trade receivables	48,657	49,547
Allowance for impairment loss	(404)	(650)
	48,253	48,897
Deferred contingent consideration	–	134
Other receivables	4,081	6,812
Related party receivables	3,184	2,094
Carrying amount of trade and other receivables	55,518	57,937

(A) ALLOWANCE FOR IMPAIRMENT LOSS

Trade receivables are carried at original invoice amount less an allowance for any uncollectible debts. Credit terms for advertisers, generally 30 – 45 days, are extended based upon an assessment of the credit standing of each customer. An allowance for impairment loss is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. No individual amount within the impairment allowance is material. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Movement in the provision for impairment loss in relation to trade receivables was as follows:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
At July 1	650	701
Charge for the year	(65)	495
Amounts written off	(181)	(432)
Less provision for impairment loss in relation to assets held for sale	–	(114)
At June 30	404	650

At 30 June, the ageing analysis of trade receivables is as follows:

	TOTAL	0-30 DAYS	31-60 DAYS	61-90 DAYS PDNI ¹	61-90 DAYS CI ¹	+91 DAYS PDNI ¹	+91 DAYS CI ¹
2014	48,657	24,970	22,054	925	–	304	404
2013	49,547	25,688	21,332	1,060	–	817	650

¹ Considered impaired ('CI'), Past due not impaired ('PDNI')

Receivables past due but not considered impaired incorporate those customers on payment plans or those with a good payment history for which we expect payment in the short term. For each client, credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets. It is expected that these other balances will be received.

(B) RELATED PARTY RECEIVABLES

For terms and conditions of related party receivables refer to Notes 30 and 31.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(C) FOREIGN EXCHANGE AND INTEREST RATE RISK

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 4.

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Non-current		
Sundry receivables	–	133
Related party receivables	–	45
Carrying amount of non-current receivables	–	178

(D) FAIR VALUE AND CREDIT RISK

The fair values of non-current receivables approximate their carrying value.

(E) FOREIGN EXCHANGE AND INTEREST RATE RISK

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 4.

(F) CREDIT RISK

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables. No collateral is held as security.

13 OTHER ASSETS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Current		
Prepayments	1,370	1,303
Non-current		
Prepayments	1,258	1,183

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

14 INVESTMENTS IN ASSOCIATES

(A) INVESTMENT DETAILS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Unlisted		
Mildura Digital Television Pty Limited (refer to Note 21)	90	–
West Digital Television Pty Limited	50	–
West Digital Television No.2 Pty Limited	–	–
West Digital Television No.3 Pty Limited	–	–
West Digital Television No.4 Pty Limited	–	–
WA SatCo Pty Limited	–	–
Broadcast Transmission Services Pty Limited	–	–
Total Investments in Associates	140	–

(B) THE CONSOLIDATED ENTITY HAS A MATERIAL INTEREST IN THE FOLLOWING ENTITIES:

	OWNERSHIP INTEREST		CONTRIBUTION TO NET PROFIT	
	2014 %	2013 %	2014 \$'000	2013 \$'000
Unlisted				
Mildura Digital Television Pty Limited	50%	50%	(376)	(1,012)
West Digital Television Pty Limited	50%	50%	(457)	(536)
West Digital Television No.2 Pty Limited	50%	50%	–	–
West Digital Television No.3 Pty Limited	50%	50%	–	–
West Digital Television No.4 Pty Limited	50%	50%	–	–
WA SatCo Pty Limited	50%	50%	–	–
Broadcast Transmission Services Pty Limited	33%	33%	–	–
Total contribution to net profit			(833)	(1,548)

(C) MOVEMENTS IN THE CARRYING AMOUNT OF THE GROUP'S INVESTMENT IN ASSOCIATES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
At July 1	–	–
Contributions made ¹	1,243	2,971
Share of losses after income tax	(833)	(1,548)
Provision for loan funds still to be paid to associate (refer to Note 21)	(270)	(1,423)
At June 30	140	–

¹ Reflects loan funds advanced to associates under short term loan arrangement or in accordance with requirements of shareholder agreements. These payments are deemed to be part of the Investment in Associates for the purposes of equity accounting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

15 INVESTMENTS IN SUBSIDIARIES AND FINANCIAL ASSETS

CLOSED GROUP CLASS ORDER DISCLOSURES

ENTITIES SUBJECT TO CLASS ORDER RELIEF

Pursuant to Class Order 98/1418, relief has been granted to Prime Television (Holdings) Pty Limited, Prime Television (Southern) Pty Limited, Prime Television (Victoria) Pty Limited, Prime Television (Northern) Pty Limited, Golden West Network Pty Limited, Prime Television Investments Pty Limited and Prime Radio (Holdings) Pty Limited from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Prime Media Group Limited and its 100% owned Australian resident subsidiaries entered into a Deed of Cross Guarantee on 17 October 2006 (the "Closed Group"). The effect of the deed is that Prime Media Group Limited has guaranteed to pay any deficiency in the event of winding up of any of the controlled entities within the Closed Group. The controlled entities within the Closed Group, listed below, have also given a similar guarantee in the event that Prime Media Group Limited is wound up.

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2014 %	2013 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television Digital Media Pty Limited	Australia	100	100
Prime Television Investments Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	100	100
Prime Digital Media Pty Limited	Australia	100	100
Prime Digitalworks Pty Limited	Australia	100	100
Prime Media Broadcasting Services Pty Limited	Australia	100	100
Prime Media Communications Pty Limited	Australia	100	100
Prime Growth Media Pty Limited	Australia	100	100
Prime Media Group Services Pty Limited	Australia	100	100
Prime New Media Investments Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Prime Radio (Cairns) Pty Limited	Australia	–	100
Prime Radio (Townsville) Pty Limited	Australia	–	100
Prime Radio (Barrier Reef) Pty Limited	Australia	–	100
Prime Radio (Rockhampton) Pty Limited	Australia	–	100
Prime Radio (Gladstone) Pty Limited	Australia	–	100
Prime Radio (Mackay) Pty Limited	Australia	–	100
Prime Radio (Holdings) Pty Limited	Australia	–	100
Prime Radio (Cairns-AM) Pty Limited	Australia	–	100
Prime Radio (Mackay-AM) Pty Limited	Australia	–	100
AMI Radio Pty Limited	Australia	–	100
Hot 91 Pty Limited	Australia	–	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

15 INVESTMENTS IN SUBSIDIARIES AND FINANCIAL ASSETS (CONTINUED)

The consolidated statement of comprehensive income and statement of financial position of the entities which are members of the 'Closed Group' are as follows:

	CLOSED GROUP	
	2014 \$'000	2013 \$'000
(A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Operating profit before income tax from continuing operations	37,994	39,421
Income tax expense attributable to operating profit	(12,585)	(11,851)
Operating profit after tax from continuing operations	25,409	27,570
Profit/(Loss) after tax from discontinued operations	2,664	(13,397)
Operating profit after tax	28,073	14,173
Retained losses at beginning of the financial year	(74,460)	(61,871)
Dividends provided for or paid	(26,742)	(26,762)
Retained losses at end of the financial period	(73,129)	(74,460)
(B) CONSOLIDATED BALANCE SHEET		
Assets		
Current assets	72,662	93,510
Non-current assets	388,589	394,643
Total assets	461,251	488,153
Liabilities		
Current liabilities	35,686	48,777
Non-current liabilities	185,803	201,693
Total liabilities	221,489	250,470
Equity	239,762	237,683

16 INVESTMENTS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Investments at fair value:		
Shares in uncontrolled entities (quoted) (i)	5	4
Investments at cost:		
Shares in uncontrolled entities (unquoted) (ii)	3	3
Investments at fair value:		
Shares in uncontrolled entities (unquoted) (iii)	2,500	2,500
	2,508	2,507

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

(i) Quoted equity shares

The fair value of the listed available-for-sale investments has been determined directly by reference to published price quotations in an active market. There are no individually material investments.

(ii) Unquoted equity shares at cost

Investments in shares of unlisted entities are carried at cost where fair value cannot be reliably measured. The financial instruments held are shares of an entity that has a small shareholder base and a relatively stable share register with few exchanges of shareholdings.

(iii) Unlisted shares at fair value

The fair value of the unquoted available-for-sale investments has been estimated using valuation techniques based on assumptions, which are outlined in Note 3, that are not supported by observable market information. Management believes the estimated fair value resulting from the valuation techniques and recorded in the statement of financial position and the related changes in fair value recorded in other comprehensive income are reasonable and the most appropriate at the reporting date. A reconciliation of the movement during the year is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Investments at fair value:		
Opening balance	2,500	2,001
Increase in fair value	–	499
Closing balance	2,500	2,500

(iv) Valuation sensitivity

Management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation and has quantified this as a reduction in fair value of approximately \$595,000 using less favourable assumptions and an increase in fair value of approximately \$595,000 using more favourable assumptions, i.e. change in Enterprise Value (EV)/EBITDA multiples of 0.5 in either direction.

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. Refer to Note 2(Q) for objective evidence.

17 PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS ¹ \$'000	LEASEHOLD IMPROVE- MENTS \$'000	PLANT AND EQUIPMENT \$'000	LEASED PLANT AND EQUIPMENT \$'000	MOTOR VEHICLES \$'000	TOTAL \$'000
Cost or valuation						
At 1 July 2012	15,560	3,954	139,252	4,906	71	163,743
Additions	122	32	6,280	–	–	6,434
Disposals	–	–	(9,734)	–	–	(9,734)
Classification transfer	–	–	1,925	(2,020)	–	(95)
Reclassification to asset held for sale	(248)	(1,934)	(10,129)	–	(71)	(12,382)
At 30 June 2013	15,434	2,052	127,594	2,886	–	147,966
Additions	240	–	3,569	–	–	3,809
Disposals	(14)	–	(22,423)	–	–	(22,437)
Classification transfer	10	–	482	(644)	–	(152)
Reclassification to asset held for sale	(2,429)	–	(246)	–	–	(2,675)
At 30 June 2014	13,241	2,052	108,976	2,242	–	126,511
Depreciation and amortisation						
At 1 July 2012	(5,114)	(1,884)	(105,304)	(1,411)	(46)	(113,759)
Depreciation charges	(104)	(315)	(7,558)	–	(9)	(7,986)
Amortisation charges	(269)	–	–	(376)	–	(645)
Disposals	–	–	5,690	–	–	5,690
Classification transfer	10	–	3,564	707	–	4,281
Reclassification to asset held for sale	–	949	7,044	–	55	8,048
At 30 June 2013	(5,477)	(1,250)	(96,564)	(1,080)	–	(104,371)
Depreciation charges	(46)	(165)	(7,221)	–	–	(7,432)
Amortisation charges	(258)	–	–	(242)	–	(500)
Disposals	5	–	22,215	–	–	22,220
Classification transfer	–	–	(303)	107	–	(196)
Reclassification to asset held for sale	1,312	–	141	–	–	1,453
At 30 June 2014	(4,464)	(1,415)	(81,732)	(1,215)	–	(88,826)
Net Book Value						
At 30 June 2014	8,777	637	27,244	1,027	–	37,685
At 30 June 2013	9,957	802	31,030	1,806	–	43,595

¹ Includes land located in the Australian Capital Territory, under the ACT legislation, the land has a 99-year lease period, and also includes Leasehold Strata Units located in Sydney, which are held under a 99 year lease.

(A) ASSETS PLEDGED AS SECURITY

All plant and equipment under lease is pledged as security for the associated lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

18 GOODWILL AND INTANGIBLE ASSETS

Reconciliation of carrying amounts at the beginning and end of period

	GOODWILL \$'000	BROADCAST LICENCES \$'000	PROGRAM RIGHTS \$'000	INFRA- STRUCTURE ACCESS LICENCE \$'000	BUSINESS SOFTWARE AND DEVELOPMENT COSTS \$'000	WEBSITE DEVELOPMENT COSTS \$'000	TOTAL \$'000
Cost							
At 1 July 2012	18,355	250,101	4,000	2,942	13,684	550	289,632
Additions	–	–	–	830	2,510	–	3,340
Disposals	–	–	–	–	–	–	–
Reclassified as held for sale	–	(67,138)	–	–	–	–	(67,138)
At 30 June 2013	18,355	182,963	4,000	3,772	16,194	550	225,834
Additions	–	–	10,000	113	257	–	10,370
Disposals	–	–	–	–	(197)	–	(197)
Classification transfer	–	–	–	–	184	–	184
At 30 June 2014	18,355	182,963	14,000	3,885	16,438	550	236,191
Amortisation and impairment							
At 1 July 2012	(14,874)	(35,431)	(2,800)	(314)	(8,644)	(153)	(62,216)
Amortisation charges	–	–	(400)	(624)	(548)	(183)	(1,755)
Disposals	–	(175)	–	–	–	–	(175)
Impairment	–	(15,000)	–	–	–	–	(15,000)
Reclassified as held for sale	–	50,606	–	–	–	–	50,606
At 30 June 2013	(14,874)	–	(3,200)	(938)	(9,192)	(336)	(28,540)
Amortisation charges	–	–	(2,067)	(687)	(1,109)	(183)	(4,046)
Disposals	–	–	–	–	7	–	7
Classification transfer	–	–	–	–	196	–	196
At 30 June 2014	(14,874)	–	(5,267)	(1,625)	(10,098)	(519)	(32,383)
Net Book Value							
At 30 June 2014	3,481	182,963	8,733	2,260	6,340	31	203,808
Total Current	–	–	2067	–	–	–	2,067
Total Non-Current	3,481	182,963	6,666	2,260	6,340	31	201,741
At 30 June 2013	3,481	182,963	800	2,834	7,002	214	197,294
Total Current	–	–	400	–	–	–	400
Total Non-Current	3,481	182,963	400	2,834	7,002	214	196,894

(A) DESCRIPTION OF THE GROUP'S INTANGIBLE ASSETS AND GOODWILL

(i) BROADCAST LICENCES

Television broadcast licences have been acquired through business combinations and consist of the right to broadcast television to specific market areas. The licences are carried at cost less accumulated impairment losses. The licences are subject to renewal by broadcasting authorities in Australia at no significant cost to the Company. The directors have no reason to believe the licences will not be renewed at the end of their current legal terms.

(ii) PROGRAM RIGHTS

Program Rights represent the purchased rights to broadcast certain programs at some time in the future. These program rights are amortised to the profit and loss over the term of the contract to which the rights relate. The carrying value of the rights is cost less accumulated amortisation and impairment losses.

(iii) GOODWILL

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is indication of impairment (refer to section (B) of this note).

(iv) INFRASTRUCTURE ACCESS LICENCE

Infrastructure access licenses represent licences acquired to use transmission facilities for periods up to 10 years. The licences are amortised to the profit and loss over the term of the licence.

(v) BUSINESS SOFTWARE AND DEVELOPMENT COSTS

Business software and development costs represent the cost to implement a new television sales and traffic software system. Amortisation of the asset begins when the development is complete and the asset is available for use. It will be amortised over the period of the expected future benefit. The carrying value of the rights is cost less accumulated amortisation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(vi) WEBSITE DEVELOPMENT COSTS

Website development costs represent the costs to integrate the PRIME7 and GWN7 broadcast footprint to deliver localised content online and are being amortised over a three year period.

(B) IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

TELEVISION BROADCASTING

On an annual basis management undertakes an assessment of the carrying value of its television broadcasting unit's intangible assets, which consist of both television broadcast licences and goodwill, to test for impairment. On an annual basis management undertakes a value in use calculation using cashflow projections as at 30 June 2014 based on financial budgets approved by management covering a 5 year period. The long term forecasts are generated using a terminal growth rate of 3.0% (2013: 3.0%). The pre-tax discount rate applied to the cash flow projections is 10.96% (2013: 10.70%). The Discounted Cashflow (DCF) valuation of the intangibles assets gives a recoverable amount in excess of the current carrying value.

On a biannual basis the Group engages an independent valuer to assess the recoverable amount of its television broadcast licences. The most recent valuation was undertaken in December 2012. This valuation supported the carrying values of television broadcast licences.

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Carrying amount of Intangibles allocated to each of the cash generating units		
Television Broadcasting Licences	182,963	182,963
Broadcast Licences	182,963	182,963
Television Broadcasting	3,481	3,481
Goodwill on Acquisition	3,481	3,481

(C) KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

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

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

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and each operating segment. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

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

(D) SENSITIVITY OF ASSUMPTIONS

Television broadcasting is largely a fixed cost business, so variations in the financial performance are driven by changes in revenue. The entity has sophisticated revenue tracking systems that allow management to track current and future revenues on a daily basis which allows actions to be taken to combat downward trends in revenues early.

Television broadcasting is closely regulated in Australia and as such new competitors can only enter the market on issue of new licences by the national government after extensive reviews. The economic conditions are monitored closely for indicators that could influence the overall level of advertising spending to change significantly.

The most significant area of risk for the economic entity and its cash generating units are those that affect the broadcasting industry as a whole. These risks are monitored closely by management.

There are no key assumptions that could reasonably vary and result in recoverable amounts below carrying value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

19 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Current		
Trade payables ¹	1,102	4,455
Accrued expenses	25,895	28,349
Accrued employee leave entitlements	6,273	4,670
	33,270	37,474

¹ Trade payables are non-interest bearing and are normally settled on 30 day terms.

(A) FAIR VALUES

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(B) INTEREST RATE, FOREIGN EXCHANGE AND LIQUIDITY RISK

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 4.

20 INTEREST-BEARING LOANS AND BORROWINGS

		CONSOLIDATED	
		2014 \$'000	2013 \$'000
Current			
Obligations under finance lease contracts (Note 24(E))	2014	246	252
		246	252
Non-current			
Obligations under finance lease contracts (Note 24(E))	2015 – 2021	672	918
\$175 million secured bank loan (2013: \$200 million)	2018	118,727	141,105
		119,399	142,023

TERMS AND CONDITIONS

BANK LOAN FACILITY

During the reporting period, the Company extended its bank loan facility to March 2018 and permanently reduced the facility limit to \$175 million. The facility is secured by a charge over the assets of the borrower group comprising all wholly owned entities in Australia, but excluding Broadcast Production Services Pty Limited and its subsidiaries. Interest is charged at the BBSY rate plus a margin of between 1.50% and 1.80%.

(A) FAIR VALUES

The carrying amount of the Group's current and non-current borrowings approximates their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 4.2% to 4.7% (2013: 4.6% to 5.5%), depending on the type of borrowing.

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 25. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors' estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors' estimate of amounts that will be payable by the Group.

(B) INTEREST RATE, FOREIGN EXCHANGE AND LIQUIDITY RISK

Details regarding interest rate, foreign exchange and liquidity risk are disclosed in Note 4.

(C) DEFAULTS AND BREACHES

During the current and prior years, there were no defaults or breaches on any of the loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

21 PROVISIONS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Current		
Provision for asset decommissioning	215	944
Directors' retiring provision	230	218
Provision for losses on associates	–	270
	445	1,432
Non-current		
Long service leave	336	394
	336	394

(A) MOVEMENTS IN PROVISIONS

Movements in each class of provisions during the financial year are set out below:

	DIRECTORS RETIRING PROVISION \$'000	PROVISION FOR LOSSES ON ASSOCIATES \$'000	PROVISION FOR ASSET DECOM- MISSIONING \$'000	LONG SERVICE LEAVE \$'000	TOTAL \$'000
At 1 July 2013	218	270	944	394	1,826
Arising during the year	12	–	18	55	85
Utilised	–	(270)	(747)	(113)	(1,130)
At 30 June 2014	230	–	215	336	781
Current 2014	230	–	215	–	445
Non-current 2014	–	–	–	336	336
Total	230	–	215	336	781
Current 2013	218	270	944	–	1,432
Non-current 2013	–	–	–	394	394
Total	218	270	944	394	1,826

(B) NATURE AND TIMING OF THE PROVISIONS

(i) PROVISION FOR LOAN TO ASSOCIATE

Under the shareholders agreement for Mildura Digital Television Pty Limited the shareholders are required to provide funding to meet the losses of the company in proportion to their shareholding. The balance of the provision represents funding owed by the Group to Mildura Digital Television Pty Limited as at 30 June 2014.

(ii) PROVISION FOR ASSET DECOMMISSIONING

The Group has recognised a provision for decommissioning costs for the removal of analogue transmission equipment.

(iii) DIRECTORS' RETIRING PROVISION

Refer to Remuneration Report. The Directors' Retiring provision was approved by shareholders in November 1997.

(iv) LONG SERVICE LEAVE

Refer to Note 2(U) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

22 CONTRIBUTED EQUITY

(A) ISSUED AND PAID UP CAPITAL

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Ordinary shares fully paid 366,330,303 shares (2013: 366,330,303 shares)	310,262	310,262

(B) MOVEMENTS IN SHARES ON ISSUE

ORDINARY	2014		2013	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000
Beginning of the financial year	366,330,303	310,262	366,330,303	310,262
End of the financial year	366,330,303	310,262	366,330,303	310,262

(C) EQUITY SETTLED SHARE BASED PAYMENTS

PERFORMANCE RIGHTS OVER ORDINARY SHARES

The Prime Media Group Limited Performance Rights Plan

During the financial year 1,430,000 performance rights (2013: 1,580,000) were issued over ordinary shares. Nil performance rights were cancelled by the Company (2013: Nil).

At the end of the year there were 3,976,000 (2013: 2,546,000) unissued ordinary shares in respect of which performance rights were outstanding.

(D) TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

ORDINARY SHARES

Holders of ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(E) CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and has regard for changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

During 2014, the Company paid dividends of \$26,742,000 (2013: \$26,742,000). The Board's target for dividend payments is 75% of core earnings per share. The Board reviews the dividend target as necessary.

The Board and management monitor capital requirements with regard to its banking covenant requirements as well as comparative guidance to companies of similar size and nature of operations. The key capital management measures that the Company reviews on an ongoing basis are:

	TARGET	AT BALANCE DATE
Shareholder funds (Net Assets) ¹	> \$135,000,000	\$294,346,000
Net Debt to EBITDA	< 3.25 times	1.8
Interest Cover to EBITDA	> 3.0 times	10.4

¹ Shareholder Funds have been adjusted to reflect the value of the Licences, as set out in the most recent independent valuation obtained December 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

23 RETAINED EARNINGS AND RESERVES

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
General reserve	–	(2,288)
Employee benefits equity reserve	3,957	3,207
	3,957	919
Accumulated losses	(151,979)	(156,801)
(A) EMPLOYEE BENEFITS EQUITY RESERVE		
(i) NATURE AND PURPOSE OF RESERVE		
The employee benefits equity reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 27 for further details of these plans.		
(ii) MOVEMENTS IN RESERVE		
Balance at beginning of year	3,207	2,822
Share based payment	750	385
Balance at end of year	3,957	3,207
(B) GENERAL RESERVE		
(i) NATURE AND PURPOSE OF RESERVE		
This reserve account reflects the value of acquired non-controlling interests in controlled entities after the initial control transaction has occurred.		
(ii) MOVEMENTS IN RESERVE		
Balance at beginning of year	(2,288)	(2,787)
Reclassification	(2,288)	–
Fair value increase in available for sale financial assets	–	499
Balance at end of year	–	(2,288)
(C) (ACCUMULATED LOSSES)/RETAINED PROFITS		
Balance at the beginning of year	(156,801)	(150,270)
Net profit attributable to members of Prime Media Group Limited	33,852	20,211
Reclassification	(2,288)	–
Total accumulated losses	(125,237)	(130,059)
Dividends provided for or paid	(26,742)	(26,742)
Balance at end of year	(151,979)	(156,801)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24 COMMITMENTS

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
(A) CAPITAL EXPENDITURE COMMITMENTS		
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
– not later than one year	1,959	843
(B) LEASE EXPENDITURE COMMITMENTS – GROUP AS LESSEE		
OPERATING LEASES (CONTINUING OPERATIONS GROUP AS LESSEE):		
Minimum lease payments		
– not later than one year	6,700	6,767
– later than one year and not later than five years	19,132	16,540
– later than five years	13,291	12,244
Aggregate lease expenditure contracted for at reporting date	39,123	35,551
<p>Operating leases have an average lease term of 3 years for Motor Vehicles, 3 years (+ 3 year options) for building leases, and 5-15 years for transmission site access agreements. Motor Vehicle leases are fixed monthly rentals for the term of the lease. Building leases are generally fixed for the initial lease term, then subject to Consumer Price Index adjustments if options are taken up. The majority of the transmission sites leases are rentals that are subject to annual Consumer Price Index adjustment. There are no restrictions placed upon the lessee by entering into these leases.</p>		
(C) LEASE EXPENDITURE COMMITMENTS – GROUP AS LESSOR		
<p>Certain assets owned or under operating leases with excess capacity have been sub-let to third parties. These non-cancellable leases have remaining terms of between 1 to 15 years. All leases include clauses to enable upward revision of the rental charges on an annual basis according to increases in the Consumer Price Index.</p>		
OPERATING LEASES (NON-CANCELLABLE GROUP AS LESSOR):		
Minimum lease payments receivable		
– not later than one year	1,580	1,642
– later than one year and not later than five years	3,707	4,303
– later than five years	1,118	1,665
Aggregate lease income contracted for at reporting date	6,405	7,610
(D) OTHER COMMITMENTS COVERING THE RENTAL OF TECHNICAL EQUIPMENT UNDER A LONG TERM AGREEMENT		
<p>The technical communications equipment that is fundamental to the distribution of the television programming and data communications are leased through long term operating leases between 7 and 15 years.</p>		
– not later than one year	5,250	7,326
– later than one year and not later than five years	17,771	9,459
– later than five years	10,850	–
	33,871	16,785
(E) FINANCE LEASE COMMITMENTS		
– not later than one year	312	337
– later than one year and not later than five years	735	1,047
– later than five years	–	–
Total minimum lease payments	1,047	1,384
– future finance charges	(129)	(214)
Lease Liability	918	1,170
– current liability	246	252
– non-current liability	672	918
	918	1,170

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(F) FINANCE LEASE COMMITMENTS AT PRESENT VALUE

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
– not later than one year	299	324
– later than one year and not later than five years	619	846
– later than five years	–	–
Present value of minimum lease payments	918	1,170

(G) OTHER COMMITMENTS COVERING TRANSMISSION MAINTENANCE, SITE INSTALLATION AND MANAGEMENT SERVICES

The Company entered into a contract with Broadcast Transmission Services Pty Limited (refer to Note 30) on 1 April 2008, for the provision of site maintenance services over a 10 year period at an annual cost of \$1,200,000 per annum.

– not later than one year	1,200	1,200
– later than one year and not later than five years	3,300	4,500
– later than five years	–	–
	4,500	5,700

25 CONTINGENT LIABILITIES

The Group has issued the following guarantee at 30 June 2014:

It has guaranteed to an unrelated third party the payment of a contractual commitment of WA SatCo Pty Limited, an associate company in which the Group holds 50% of the share capital. WA SatCo Pty Limited has entered into a non-cancellable contract for the purchase of satellite services in WA for a period of 8 years until 30 June 2020 at the rate of \$2,346,192 per annum. In the event that WA SatCo Pty Limited defaults on any payments under this contract, the Group may be liable for full payment under the guarantee it has provided. WA SatCo Pty Limited has simultaneously entered into an agreement with the Commonwealth Government which provides for 100% funding of this satellite service for a period of 9 years until 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Maximum potential contingent commitment arising from the above mentioned guarantee:		
– not later than one year	2,346	2,346
– later than one year and not later than five years	9,384	9,384
– later than five years	2,346	4,692
Maximum contingent commitments	14,076	16,422

As noted above this entire amount in maximum potential contingent commitment is offset in entirety by government funding.

26 EMPLOYEE BENEFIT LIABILITY

EMPLOYEE BENEFITS

	NOTES	CONSOLIDATED	
		2014 \$'000	2013 \$'000
The aggregate employee benefit liability is comprised of:			
Accrued annual leave and long service leave (current)	19	6,273	4,670
Accrued long service leave (non-current)	21	336	394
		6,609	5,064

SUPERANNUATION BENEFITS

A superannuation plan has been established by the economic entity for the provision of benefits to Australian employees of the economic entity on retirement, death or disability. Benefits provided under this plan are based on contributions for each employee and at retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life assurance companies. Employees contribute various percentages of their gross income and the Company also contributes at varying rates. The Company's contributions under the Superannuation Guarantee Levy are legally enforceable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

27 SHARE BASED PAYMENTS

(A) RECOGNISED SHARE BASED PAYMENT EXPENSES

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Expense arising from equity-settled share-based payment transactions	750	385

The share-based payment plan is described below. During the financial year, nil performance rights lapsed (2013: 292,000), nil performance rights were forfeited (2013: Nil) and nil performance rights were cancelled (2013: Nil).

(B) THE PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

An Executive Performance Rights Plan was established by the Company on 17 November 2011, whereby the Company grants rights over the ordinary shares of Prime Media Group Limited to Executives of the consolidated entity. The rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the Directors of Prime Media Group Limited. The rights vest over a 36 month period subject to continuing service and achieving the following targets:

- 60% of the rights will be subject to achievement of annual core earnings per share (EPS) targets; and
- 40% of the rights will be subject to achievement of annual power ratio targets (revenue share: audience share).

The rights cannot be transferred and will lapse 30 days after vesting date.

(C) SUMMARY OF RIGHTS GRANTED UNDER THE PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

The following table outlines the number (No.) and weighted average exercise price (WAEP) of, and movements in, performance rights on issue during the year.

	2014		2013	
	NO.	WAEP	NO.	WAEP
Balance at beginning of year	2,546,000	\$0.00	1,258,000	–
– granted	1,430,000	–	1,580,000	\$0.00
– exercised	–	–	–	–
– lapsed	–	–	292,000	–
– cancelled	–	–	–	–
– forfeited	–	–	–	–
Balance at end of year	3,976,000	\$0.00	2,546,000	\$0.00
Exercisable at end of year	–	–	–	–

(D) PERFORMANCE RIGHTS PRICING MODEL

THE PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

Employees must remain in service for period of three years from date of grant. The fair value of performance rights granted in 2014 was estimated at the date of the grant using a Black-Scholes methodology, taking into account the terms and conditions upon which the performance rights were granted.

The fair value of performance rights granted in 2013 and prior years was estimated at the date of the grant using a Monte-Carlo methodology, taking into account the terms and conditions upon which the performance rights were granted.

The fair value of performance rights granted during the year were estimated on the date of grant using the following inputs to the model:

	2014	2013		2012	
	NOVEMBER 2013	OCTOBER 2012	NOVEMBER 2012	SEPTEMBER 2011	NOVEMBER 2011
Dividend yield (%)	6.89	8.23	8.23	6.33	6.33
Expected volatility (%)	29.00	33.65	35.02	26.57	27.24
Expected life of performance rights (years)	3	3	3	3	3
Performance rights exercise price (\$)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Share price at grant date (\$)	\$1.06	\$0.80	\$0.81	\$0.66	\$0.66

The dividend yield reflects the assumption that the current dividend payout will continue. The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(E) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE.

The weighted average remaining contractual life of performance rights outstanding as at 30 June 2014 is 1.5 years (2013: 2.0 years).

(F) RANGE OF EXERCISE PRICE

The range of exercise price for performance rights outstanding at the end of the year was \$0.00 (2013: \$0.00).

(G) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of performance rights granted during the year was \$0.84 (2013: \$0.63).

28 SUBSEQUENT EVENTS

On 9 July 2014 the Group completed the sale of its premises at 194 Lake Albert Road Wagga Wagga and realised a gain on sale of \$1,122,000.

29 AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Amounts received or due and receivable by Ernst & Young Australia for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	248,200	307,766
– other services in relation to the entity and any other entity in the consolidated entity	75,200	131,340
	323,400	439,106
Amounts received or due and receivable by related practices of Ernst & Young:	18,725	33,059
	342,125	472,165

30 RELATED PARTY DISCLOSURES

(A) SUBSIDIARIES

The consolidated financial statements include the financial statements of Prime Media Group Limited and the subsidiaries listed in the following table.

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2014 %	2013 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Prime Television Digital Media Pty Limited	Australia	100	100
Prime Digital Media Pty Limited	Australia	100	100
Prime Media Group Services Pty Limited	Australia	100	100
Prime Media Communications Pty Limited	Australia	100	100
Prime New Media Investments Pty Limited	Australia	100	100
Prime Growth Media Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television Investments Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	100	100
Prime Media Broadcasting Services Pty Limited	Australia	100	100
Broadcast Production Services Pty Limited	Australia	100	100
Production Strategies Pty Limited as trustee for Production Strategies Discretionary Trust	Australia	100	100
Wastar International Pty Limited	Australia	100	100
Screenworld Pty Limited	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

30 RELATED PARTY DISCLOSURES (CONTINUED)

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2014 %	2013 %
OSB Holdings Pty Limited as trustee for the OSB Unit Trust	Australia	100	100
On Site Broadcasting Pty Limited	Australia	100	100
OSB Australia Pty Limited	Australia	100	100
OSB Corporation Pty Limited	Australia	100	100
On Corporation Pty Limited	Australia	100	100
Prime Digital Works Pty Limited	Australia	100	100
Broadcast Rentals Pty Limited	Australia	100	100
Prime Television New Zealand Limited	New Zealand	100	100
Prime Ventures New Zealand Limited	New Zealand	100	100
Prime Radio (Cairns) Pty Limited	Australia	–	100
Prime Radio (Townsville) Pty Limited	Australia	–	100
Prime Radio (Barrier Reef) Pty Limited	Australia	–	100
Prime Radio (Rockhampton) Pty Limited	Australia	–	100
Prime Radio (Gladstone) Pty Limited	Australia	–	100
Prime Radio (Mackay) Pty Limited	Australia	–	100
Prime Radio Holdings Pty Limited	Australia	–	100
Prime Radio (Cairns-AM) Pty Limited	Australia	–	100
AMI Radio Pty Limited	Australia	–	100
Hot 91 Pty Limited	Australia	–	100
Prime Radio (Mackay-AM) Pty Limited	Australia	–	100

(B) ULTIMATE PARENT

Prime Media Group Limited is the ultimate Australian entity and the ultimate parent entity of the Group.

(C) KEY MANAGEMENT PERSONNEL (KMP)

Details relating to KMP, including remuneration paid, are included in the Remuneration Report and Note 31.

(D) TRANSACTIONS WITH RELATED PARTIES

WHOLLY OWNED GROUP TRANSACTIONS

Sales and purchases are made within the wholly owned group in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settled through intercompany accounts.

RBA HOLDINGS PTY LIMITED

This company is owned by regional television operators. This company operates as a provider of transmission facilities under the Digital Black Spots Infill licence. The Company has entered into agreements under normal commercial terms and conditions with this company to use these transmission facilities for periods up to 10 years.

REGIONAL TAM PTY LIMITED

This company is owned by regional television operators to facilitate and manage the audience metering services for the regional television markets. The Company is party to a commercial agreement in which it purchases ratings services from Regional TAM Pty Limited. This agreement is under normal commercial terms and conditions.

WA SATCO PTY LIMITED

WA SatCo Pty Limited is owned by the Company and WIN Television Pty Limited and has been engaged by the Commonwealth Government to provide the WA Vast Service for a period of 20 years. The shareholders of the company provide services to WA SatCo to enable its operations. These services are recovered from WA SatCo on a cost recovery basis.

BROADCAST TRANSMISSION SERVICES PTY LIMITED (BTS)

The Company has a 33% shareholding in BTS. BTS provides transmission maintenance, site installation and management services to regional broadcasters and other third party customers. The Company entered into a contract with BTS for the provision of site maintenance services over a 10 year period at an annual cost of \$1,200,000 per annum under normal commercial terms and conditions.

CHANNEL SEVEN QUEENSLAND PTY LIMITED

The Company provides sales representation services to Seven Queensland Pty Limited, an entity associated with one of the Company's major shareholders. The fees payable by Seven Queensland Pty Limited are based on normal commercial terms and conditions applicable to this type of service.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

31 KEY MANAGEMENT PERSONNEL

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

(i) DIRECTORS

J.K. Hartigan	Chairman (non-executive) (Appointed 15 May 2014)
P.J. Ramsay AO	Chairman (non-executive) (Retired 17 April 2014)
M.S. Siddle	Deputy Chairman (non-executive)
P.J. Evans FCA	Director (non-executive)
A.A. Hamill	Director (non-executive)
I.P. Grier AM	Director (non-executive)
I.R. Neal	Director (non-executive)
I.C. Audsley	Director (Chief Executive Officer)

(ii) EXECUTIVES

D. Walker	Group General Manager Sales and Marketing
J. Palisi	Chief Financial Officer
E. McDonald	General Counsel and Company Secretary
S. Wood	Group General Manager Operations

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Short term employee benefits	3,921	4,340
Post-employment benefits	122	120
Long term benefits	29	96
Share based payments	744	364
TOTAL	4,816	4,920

Details of remuneration amounts paid to individual KMP are disclosed in tables 1 and 2 of section 4 of the Remuneration Report.

(C) EQUITY SETTLED SHARE BASED PAYMENTS OF KEY MANAGEMENT PERSONNEL

2014	BALANCE AT BEGINNING OF PERIOD 1 JULY 2013	GRANTED AS REMUNERATION	PERFORMANCE RIGHTS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 2014	VESTED AT 30 JUNE 2014	
						NOT EXERCISABLE	EXERCISABLE
Directors							
I. Audsley	1,315,000	500,000	-	-	1,815,000	-	-
Other Executives							
S. Wood	367,000	200,000	-	-	567,000	-	-
D. Walker	414,000	230,000	-	-	644,000	-	-
J. Palisi	200,000	200,000	-	-	400,000	-	-
E. McDonald	100,000	200,000	-	-	300,000	-	-
TOTAL	2,396,000	1,330,000	-	-	3,726,000	-	-

2013	BALANCE AT BEGINNING OF PERIOD 1 JULY 2012	GRANTED AS REMUNERATION	PERFORMANCE RIGHTS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 2013	VESTED AT 30 JUNE 2013	
						NOT EXERCISABLE	EXERCISABLE
Directors							
I. Audsley	615,000	700,000	-	-	1,315,000	-	-
Other Executives							
S. Wood	167,000	200,000	-	-	367,000	-	-
D. Walker	184,000	230,000	-	-	414,000	-	-
J. Palisi	-	200,000	-	-	200,000	-	-
E. McDonald	-	100,000	-	-	100,000	-	-
L. Kennedy (departed 31 July 2012)	292,000	-	-	(292,000)	-	-	-
TOTAL	1,258,000	1,430,000	-	(292,000)	2,396,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

31 KEY MANAGEMENT PERSONNEL (CONTINUED)

(D) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

SHARES HELD IN PRIME MEDIA GROUP LIMITED (NUMBER)	OPENING BALANCE ORD.	GRANTED AS REMUNERATION ORD.	ON EXERCISE OF RIGHTS ORD.	NET CHANGE OTHER ORD.	CLOSING BALANCE ORD.
30 June 2014					
Directors					
P.J. Ramsay AO (Retired 17 April 2014)	109,903,654	–	–	(109,903,444)	210
M.S. Siddle	984,082	–	–	–	984,082
P.J. Evans FCA	24,286	–	–	–	24,286
TOTAL	110,912,022	–	–	(109,903,444)	1,008,578
30 June 2013					
Directors					
P.J. Ramsay AO	109,903,654	–	–	–	109,903,654
M.S. Siddle	984,082	–	–	–	984,082
P.J. Evans FCA	24,286	–	–	–	24,286
TOTAL	110,912,022	–	–	–	110,912,022

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration rights have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(E) LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel in the reporting period. The following amounts were disclosed in the prior reporting period:

	BALANCE AT BEGINNING OF PERIOD \$'000	INTEREST CHARGED \$'000	LOAN BALANCE WAIVED \$'000	LOAN REPAYMENTS \$'000	BALANCE AT END OF PERIOD \$'000	INTEREST NOT CHARGED \$'000	HIGHEST LOAN BALANCE DURING YEAR \$'000
D. Edwards	100	–	100	–	–	–	100
G. Smith	40	–	40	–	–	–	40
TOTAL	140	–	140	–	–	–	140

(F) OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

There were no other transactions and balances with key management personnel other than those disclosed in this note during the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

32 PARENT ENTITY INFORMATION

	PRIME MEDIA GROUP LIMITED	
	2014 \$'000	2013 \$'000
Current assets	235	92
Total assets	382,914	896,018
Current liabilities	2,240	8,317
Total liabilities	146,816	631,598
Issued capital	310,262	310,262
Retained earnings	(78,746)	(49,675)
Employee benefits reserve	4,583	3,833
Total shareholders' equity	236,099	264,420
Loss of the parent entity	(3,790)	(7,361)
Total comprehensive loss of the parent entity	(3,790)	(7,361)

GUARANTEES ENTERED INTO BY PRIME MEDIA GROUP LIMITED IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES

As a condition of the Class Order, Prime Media Group Limited and its 100% owned Australian resident subsidiaries (the "Closed" Group) entered into a Deed of Cross Guarantee on 17 October 2006. The effect of the deed is that Prime Media Group Limited has guaranteed to pay any deficiency in the event that a controlled entity within the Closed Group is wound up. The controlled entities within the Closed Group have also given a similar guarantee in the event that Prime Media Group Limited is wound up. (Refer Note 15)

CONTINGENT LIABILITIES OF PRIME MEDIA GROUP LIMITED

By virtue of being a member of the Deed of Cross Guarantee mentioned above, the Company has guaranteed to pay any deficiency in the event of winding up Golden West Networks Pty Limited (GWN), a wholly owned subsidiary and party to the Deed of Cross Guarantee. GWN has guaranteed to an unrelated third party the payment of a contractual commitment on behalf of WA SatCo Pty Limited, an associate company in which GWN holds 50% of the share capital. WA SatCo Pty Limited has entered into a non-cancellable contract for the purchase of satellite services in WA for a period of 8 years until 30 June 2020 at the rate of \$2,346,192 per annum. In the event that WA SatCo Pty Limited defaults on any payments under this contract, GWN may be liable for full payment under the guarantee it has provided. WA Sat Co Pty Limited has simultaneously entered into an agreement with the Commonwealth Government which provides for 100% funding of this satellite service for a period of 8 years until 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2014

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

(1) In the opinion of the directors:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2B;

(c) 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

(d) as at the date of this declaration, there are reasonable grounds to believe the members of the Closed Group identified in Note 15 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.

(2) This declaration has been made after receiving the declarations required to be made to the Directors from the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

On behalf of the Board



P. J Evans FCA
Director

Sydney, 27 August 2014

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2014



Ernst & Young
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Independent auditor's report to the members of Prime Media Group Limited

Report on the financial report

We have audited the accompanying financial report of Prime Media Group Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2014



Opinion

In our opinion:

- a. the financial report of Prime Media Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Prime Media Group Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to be 'EY' followed by a stylized flourish.

Ernst & Young

A handwritten signature in black ink, appearing to be 'C George'.

Christopher George
Partner
Sydney
27 August 2014

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 August 2014.

(A) DISTRIBUTION OF EQUITY SECURITIES

ORDINARY SHARES

As at 19 August 2014, total number of fully paid up shares on issue is 366,330,303.

The number of shareholders, by size of holding, in each class of share are:

	NUMBER OF HOLDERS
1–1,000	583
1,001–5,000	1,098
5,001–10,000	687
10,001–100,000	927
100,001 and over	88
	3,383
The number of shareholders holding less than a marketable parcel of shares:	325

(B) TWENTY LARGEST REGISTERED SHAREHOLDERS

The names of the twenty largest registered holders of quoted shares at 19 August 2014 are:

	LISTED ORDINARY SHARES	
	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1. JP Morgan Nominees Australia Limited	55,740,068	15.22
2. National Nominees Limited	55,739,150	15.22
3. RBC Dexia Investor Services Australia Nominees Pty Limited	52,218,613	14.25
4. Network Investment Holdings Pty Limited	41,701,955	11.38
5. HSBC Custody Nominees (Australia) Limited	28,913,174	7.89
6. Citicorp Nominees Pty Limited	21,080,143	5.75
7. BNP Paribas Noms Pty Limited	19,769,981	5.40
8. AMP Life Limited	9,143,516	2.50
9. Birketu Pty Limited	7,824,811	2.14
10. Mr George Walter Mooratoff	5,000,000	1.36
11. Invia Custodian Pty Limited	3,103,849	0.85
12. RBC Investor Services Australia Nominees Pty Limited	2,420,570	0.66
13. BNP Paribas Nominees Pty Ltd	1,776,931	0.49
14. Brispot Nominees Pty Ltd	1,763,471	0.48
15. Franed Pty Limited	1,361,192	0.37
16. Mr Michael Siddle & Mrs Lee Siddle ATF Siddle Family	983,572	0.27
17. Mr Gerard Edward Van Camp	943,149	0.26
18. Mr Gerard Van Camp and Mrs Joanna Van Camp	939,879	0.26
19. WIN Corporation Pty Limited	900,000	0.25
20. Mr Jan Sinclair and Mrs Anne Sinclair <Sinclair Super Fund>	750,000	0.20
	312,074,024	85.20

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

(C) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
Perpetual Limited	51,781,999	14.14%
Network Investment Holdings Pty Ltd and Seven Group Holdings Limited	41,701,955	11.38% ¹
Ashblue Holdings Pty Limited and Mr Kerry Stokes	41,701,955	11.38% ¹
North Aston Pty Limited, Wroxby Pty Limited, Australian Capital Equity Pty Limited, ACE Group entities and Mr Kerry Stokes	41,701,955	11.38% ¹
AMP Limited	23,352,316	6.37%
Invesco Australia Limited	19,509,586	5.33%
AustralianSuper Pty Limited	18,707,058	5.11%
Challenger Limited and named entities	18,409,373	5.03%
NovaPort Capital Pty Limited	18,409,373	5.03%

¹ These substantial shareholdings relate to the same parcel of shares.

(D) VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

PRIME
MEDIA GROUP

www.primemedia.com.au