PRIME MEDIA GROUP

2016 ANNUAL REPORT

CONTENTS

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/RETIRED
Directors			
John Kenneth Hartigan	Chair	15 May 2014	–
Alexander Andrew Hamill		2 October 2003	–
Ian Richard Neal		6 June 2008	–
Peter John Macourt		1 September 2014	–
Cass O'Connor		21 April 2015	–
Michael Hastings Hill		4 August 2015	–
Michael Stanley Siddle		17 April 1985	10 November 2015
Ian Craig Audsley	Chief Executive Officer	24 June 2010	–

REGISTERED OFFICE

363 Antill Street
Watson ACT 2602
Ph: 02 6242 3700

BANK

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

SHARE REGISTER

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000

AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000

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

CHAIRMAN'S REPORT

On behalf of the directors of PRIME Media Group I am pleased to present the Annual Report for the 2016 financial year.

There is no doubt that 2016 was challenging, and your Board has made some difficult decisions throughout the financial year. The Company had a consolidated net loss after tax of $93,578,000, with total revenue down by 7.2%. Included in the operating loss was a one-off cash impairment of television licences and goodwill of $122,931,000. Your Board believes that this adjustment was necessary in an environment where we are seeing the impact of new and largely unregulated market entrants, increased competition from global and national media platforms, and the comprehensive reach of the internet and streaming services, all of which are impacting regional television audience numbers and our revenue.

Critically, our continued focus on advocating for changes to Australia's media ownership and control laws is aimed at positioning the Company for new revenue or transaction opportunities. We have been at the forefront of this debate, and have advocated for the repeal of out-dated media laws that put Australian-owned businesses at a commercial disadvantage. We face increasing competition for advertising revenue from global media and technology companies such as Google and Facebook, and we have called upon all parliamentarians to support reform that will secure diversity and preserve a viable and vibrant Australian media sector. Australia also has the most punitive licence fee regime in the world and the Company supports much-needed reform to the fees paid by Australian broadcasters to recognise the shifting media environment in which we now operate.

We have experienced a rapid decline in our market capitalisation over the previous reporting period and shareholders will no doubt be disappointed in the reduction in value of their stocks in the past twelve months. In the context of the decline in regional television advertising spending, your directors and senior executives have been focussed on maximising the Company's revenue and audience share. The executive team continues to work hard to improve the Company's operational performance by reducing operating expenses and identifying new technologies and managed services, as well as divesting non-core assets.

As you will be aware, the Company experienced its first strike against the Remuneration Report at the 2015 Annual General Meeting. This has led to your Board, and particularly the Remuneration and Nomination Committee, looking carefully at the remuneration arrangements, including the short term incentive (STI) metrics that have been applied to the Chief Executive Officer and the senior executives for the most recent reporting period. The key performance indicator analysis gave average STI entitlements for the top six executives at just over 55% of base salary, which, with weighting, totalled 42.2% of the available STI pool. Given the non-cash impairment, your Board decided to reduce these measures, so that the individual entitlement and total pool awards were harmonised at 30%. The Remuneration and Nomination Committee also noted the feedback from shareholders and stakeholders regarding the appropriateness of long term incentive (LTI) performance and vesting criteria. Your Board has resolved to freeze the current LTI plan with the objective of introducing an improved LTI scheme to be put forward for shareholder approval at the 2017 Annual General Meeting. Your Board has also determined that the current LTI plan structure is not considered appropriate, and there will not be an FY17 offer of LTI incentives to the Chief Executive Officer or senior executives. We feel confident that the 2016 Remuneration Report demonstrates that, after significant consideration of concerns raised, we have found an alignment between executive and Company performance and our shareholders' interests.

At the 2016 Annual General Meeting we will have two serving Directors standing for re-election. Ian Neal has served as a director since 2008. He has a very successful professional background in banking and finance, is currently a Chair for the Executive Connection, and serves as the non-executive Chairman of Dyesol Limited. Ian is the Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Peter Macourt is a highly experienced media executive, having worked as chief operating officer of News Limited and served as a former director of FOXTEL, Premier Media and Independent Newspapers Limited, and he is currently Chairman of SKY Network Television Limited and Virtus Health Limited. Peter also serves as Chair of the Company's Audit and Risk Committee.

I would also like to take the opportunity to acknowledge the retirement of two of our directors on 30 September. Mike Hill has decided to focus on his other business interests and we respect that decision and wish him well. Alex Hamill has decided to reduce his work commitments after making an outstanding contribution to the Board over the past thirteen years. We wish him every success for the future and on behalf of the directors I would like to thank him for his advice, insights and generous contribution.

On behalf of the Board, I would like to extend my thanks to my fellow directors and to all our hard working PRIME employees for their tireless efforts in a very challenging year.

The Board welcomes continued feedback and engagement with our shareholders.

John Hartigan
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

The 2016 financial year was paradoxical for PRIME. Our television business was successful in maintaining its leadership status in regional television, taking the largest share of audience and revenue, however, disruption to regional audiences and advertising markets from new competitors and new platforms, positions PRIME as a very good business in what is currently, a deteriorating environment.

During the 2016 financial year the competitive environment in PRIME's markets increased dramatically as the Seven, Nine and Ten networks commenced live streaming of their metropolitan free to air television programming into regional Australia. Combined with their respective catch-up services, and the growing popularity and accessibility of Netflix, Stan, ABC iView and SBS On Demand, the competition for regional viewers is greater than at any other time in PRIME's history.

While PRIME remains subject to media regulations introduced in 1992 that are out of step with current technology, new streaming services in our markets are unbridled in their ability to offer audiences and advertisers viewing and advertising flexibility that free to air television broadcasters, like PRIME, are precluded from matching. The result is a deterioration of regional television advertising spends. And in PRIME's markets, television advertising fell for the second year in a row, this time by almost 6%.

As a result of the changing business environment, the Company reviewed the value of its television licences and associated goodwill, resulting in a non-cash impairment charge of $122.9 million. It should be noted that PRIME is the last television business in Australia to write down the value of its television licences.

Despite the soft and disrupted advertising market, PRIME's core net profit before one-off items was $27.4 million. The Company's cash flow remains strong, generating $33.9 million from operating activities, which enabled the payment of $18.3 million in fully franked dividends in FY16, whilst concurrently reducing interest bearing debt by $15 million.

Initiatives undertaken in the reporting period to mitigate the market revenue decline included a 2.3% or $1.2 million reduction in operating expenditure, and the disposal of non-core assets, which realised $5.5 million. The continuing program of cost reduction and non-core asset disposals has delivered cumulative annual savings of $8.5 million since 2013 and total sale proceeds from non-core assets to $32 million.

PRIME is continuing its focus on cost reduction and non-core asset disposals in 2017 to meet one of the Company's core strategy pillars, which is to reduce debt and maintain a strong balance sheet through a challenging period for all Australian traditional media companies. As a result of all these initiatives, PRIME maintains a healthy balance sheet and we continue to operate comfortably within our bank covenants.

NETWORK AFFILIATIONS

On 1 July 2016, PRIME's two direct competitors in regional Australia, WIN Television and Southern Cross Television swapped respective program suppliers. The period leading up to and through the change of affiliations in the fourth quarter of 2016 was one of uncertainty for many advertisers. As a result PRIME was the only constant in the market, which played well for PRIME leading into our coverage of the 2016 Rio Olympic Games.

PRIME's programming arrangements with Seven West Media are in place until June 2019 and we are confident in Seven's ability to maintain its position as the producer of Australia's best performing program schedule.

CONTINUING THE FIGHT FOR REGULATORY CHANGE

The change in the competitive profile of regional television markets has heightened the need for changes to Australia's media regulations. With our industry peers WIN and Southern Cross, PRIME continues to prosecute the case for media reform, specifically as it relates to regional broadcasters.

Disappointing is the best adjective to describe the manner in which this issue has been handled by the Federal Parliament, and now, almost four years on from the release of the Convergence Review, which recommended wholesale reform, regional broadcasters find themselves in an unenviable position.

PRIME continues to be a leading voice seeking the removal of three key pieces of broadcasting regulation: the repeal of the audience reach rule that prevents a television licensee from reaching more than 75% of the population; repeal of the 2 out of 3 rule that prevents a media company from owning TV, radio and newspapers in one market; and a reduction in licence fees, which are significantly out of kilter with those paid by broadcasters elsewhere in the world.

Over the past few years the Company has met and engaged with more than 100 federal parliamentarians, including the Prime Minister and Minister for Communications, both with our industry peers and on our own, to inform the Government and Opposition about the issues affecting regional broadcasters that mean urgent reform should be a priority.

The Company will continue to pursue this core strategy pillar of advocating for regulatory change to benefit our industry, our regional audiences and advertisers, and ultimately our shareholders.

COMMITMENT TO REGIONAL AUSTRALIA

As a regional broadcaster, PRIME prides itself on its regional engagement, making a significant investment in local news programming and providing valuable community airtime sponsorships to support and assist community endeavours. During 2016, Prime was proudly associated with many charitable and community-based organisations, including the Spirit of ANZAC Centenary Experience, Camp Quality, Young Achiever Awards and Royal Far West.

Ian Audsley
CHIEF EXECUTIVE OFFICER

HIGHLIGHTS

$238.8m
REVENUE

$55.4m
EBITDA

$27.4m
CORE NET PROFIT AFTER TAX^

3.7¢ per share
FULL YEAR DIVIDEND

^ Excludes non-core specific items.

DIRECTORS' **REPORT**

Your directors submit their report for the year ended 30 June 2016.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. 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). 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 trustee of the Sydney Cricket and Sports Ground Trust, is Chairman of Destination NSW, a Lifetime Member of The Bradman Foundation and is a director of the Australian Paralympic 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 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. 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, a previous National President of The Securities Institute of Australia and was a member of the first Corporate Governance Council which established the Corporate Governance Guidelines. Mr Neal is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

PETER J. MACOURT

Non-Executive Director (appointed 1 September 2014)

Mr Macourt is currently Chairman of SKY Network Television Limited and Virtus Health Limited. He is also a former director and chief operating officer of News Limited and a former director of FOXTEL and Independent Newspapers Limited. Mr Macourt is Chairman of the Audit and Risk Committee and was a member of the Remuneration and Nomination Committee until 4 August 2015.

CASS O'CONNOR

Non-Executive Director (appointed 21 April 2015)

Ms O'Connor has over 30 years' experience as a director of ASX listed companies, Federal and State government and unlisted entities. For the past 15 years she has managed her own successful corporate advisory company. Ms O'Connor is currently a non-executive director of McGrath Limited, PS&C Limited and Carriageworks Limited, and a shareholder and director of multi-award winning Goalpost Pictures and other private entities. Ms O'Connor has previously worked for Deutsche Bank, Turnbull & Partners, Goldman Sachs (Australia), and Carnegie, Wylie & Company. Ms O'Connor was appointed a member of the Remuneration and Nomination Committee on 4 August 2015.

MICHAEL H. HILL

Non-Executive Director (appointed 4 August 2015)

Mr Hill has more than 20 years' experience working on corporate and private equity transactions in Australia and the United Kingdom. He is a former partner of Ernst & Young and a Director of Ernst & Young Transaction Advisory Services Limited. In 2005 Mr Hill joined Ironbridge, a leading Sydney based private equity firm. Mr Hill is currently the Executive Chairman of rhipe Limited, non-executive Chairman of Ahalife Holdings Limited, HJB Corporation Limited and Modun Resources Limited, and a non-executive director of JustKapital Limited. Mr Hill is a member of Chartered Accountants Australia and New Zealand and was appointed a member of the Audit and Risk Committee on 4 August 2015.

MICHAEL S. SIDDLE

Non-Executive Director (appointed 17 April 1985)

(retired 10 November 2015)

Mr Siddle has been a director of the Company since 1985 and was a member of the Audit and Risk Committee until 4 August 2015. He is also Chairman of Ramsay Health Care Limited and a trustee of the Paul Ramsay Foundation.

IAN C. 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:

NAME	ORDINARY SHARES	RIGHTS OVER ORDINARY SHARES
J.K. Hartigan	–	–
A.A. Hamill	–	–
I.R. Neal	–	–
P.J. Macourt	–	–
C.A. O'Connor	–	–
M.H. Hill	–	–
I.C. Audsley	222,423	1,850,000

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**
P.J. Macourt	SKY Network Television Limited (Non-Executive Chair)	August 2002	Present
	Virtus Health Limited (Non-Executive Chair)	June 2013	Present
I.R. Neal	Dyesol Limited (Non-Executive Chair)	September 2006	Present
C.A. O'Connor	PS&C Limited (Non-Executive Director)	October 2013	Present
	McGrath Limited (Non-Executive Director)	December 2015	Present
M.H. Hill	rhipe Limited (Executive Chair)	March 2013	Present
	Ahalife Holdings Limited (Non-Executive Chair)	January 2014	Present
	HJB Corporation Limited (Non-Executive Chair)	July 2014	Present
	JustKapital Limited (Non-Executive Director)	July 2014	Present
	LiveTiles Limited (formerly Modun Resources Limited) (Non-Executive Director)	September 2014	Present
	Noble Mining Resources Limited (Non-Executive Chair)	November 2015	Present
M.S. Siddle	Ramsay Health Care Limited (Non-Executive Chair)	May 1975	Present

COMPANY SECRETARY

Ms Emma McDonald was appointed Company Secretary on 27 February 2012. She has been a solicitor for over 20 years, having worked in a number of large media companies and for a major law firm. She also holds the role of General Counsel for Prime Media Group Limited.

EARNINGS PER SHARE	CENTS
Basic earnings per share	(25.5)
Diluted earnings per share	(25.5)

DIVIDENDS	CENTS	$'000
Final dividend recommended:		
– on ordinary shares	1.7	6,228
Dividends paid in the year:		
Interim for the year		
– on ordinary shares	2.0	7,327
Final for 2015 shown as recommended in the 2015 financial report		
– on ordinary shares	3.0	10,990

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 regional New South Wales, the Australian Capital Territory, regional Victoria, the Gold Coast area of Southern Queensland and regional Western Australia.

The majority of the Group's television programming is supplied through an affiliation agreement with the Seven Network and broadcast under the PRIME7 brand on the east coast and the GWN7 brand in regional Western Australia.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

STATUTORY RESULTS

The Company's consolidated loss after tax attributable to the members of Prime Media Group Limited for the year ended 30 June 2016 was $93,578,000 (2015: profit $35,621,000). Total revenue of $235,103,000 was down 7.2% or $18,130,000 on the prior year, while earnings before interest, tax and depreciation of $55,410,000 fell by $11,455,000 or 17.1%.

Included in the operating loss is a one-off non-cash impairment of television licences and goodwill of $122,931,000. This adjustment reflects the impact of new and largely unregulated market entrants, increased competition in the form of global and national media platforms, and the comprehensive reach of the internet and streaming services, all of which impact regional television audiences, and revenues.

In the 2015 calendar survey year, the Group's total audience in the aggregated regional market of New South Wales and Victoria fell by 5.6% on the previous year. Viewers aged between 25 and 54 in this aggregated market also declined by 12.3% in the 2015 calendar year, which was the second consecutive survey year of double digit decline. Revenue in this aggregated market also contracted again, declining 6.0% in the 2016 financial year compared to a decline of 3.9% in the prior year.

The Company maintained its lead revenue share in the aggregated markets of 41.7%, however this was down 0.5 share points on the previous year. The Company's revenue from television advertising in this market fell by 7.0% compared to the previous corresponding period.

The following non-core items improved the Company's net loss:

- The gain on sale of surplus properties in Wollongong and Albury, New South Wales of $1,583,000; and
- The gain on sale of the Group's 15% interest in Gearhouse Broadcast Pty Limited, resulting in a one-off gain on sale of $501,000.

The Group's gross profit margin was 45.1%, down 1.4PP on the previous corresponding period due to increases in program affiliation costs and other sales related costs.

The Group's total operating expenses of $50,967,000 were $1,196,000 or 2.3% down on the previous corresponding period, mainly due to a reduction in employee costs of $1,199,000 or 2.9% on the previous corresponding period.

Share of associate losses of $1,063,000 relate to the Group's ventures to broadcast the TEN television signal in Mildura and regional Western Australia. The ventures will broadcast the Nine Network television signal in these regions during the 2017 financial year.

Finance costs of $3,661,000 were 26.6% less than the previous corresponding reporting period, largely due to lower average debt levels. The one-off non-cash impairment of $122,931,000 did not impact bank covenants.

CORE NET PROFIT AFTER TAX

Core net profit after tax and before specific items was $27,351,000 (2015: $33,468,000), representing a decrease of $6,117,000 or 18.3% on the previous corresponding period. The Group's final dividend has been declared based on the core net profit after tax:

	2016 $'000	2015 $'000
Reported (loss)/profit after tax	**(93,578)**	35,621
Impairment of television broadcast licences and goodwill (non-cash)	**122,931**	–
Gain on sale of surplus assets	**(2,084)**	(1,157)
Digital Restack Program Revenue (non-cash)	**–**	(1,501)
Redundancies	**118**	78
Income tax(benefit)/expense related to specific items	**(36)**	427
Core net profit after tax and before specific items	**27,351**	**33,468**

SHAREHOLDER RETURNS

	2016	2015
Core Earnings Per Share (cents per share)*	**7.5**	9.1
Statutory Earnings Per Share (cents per share)	**(25.5)**	9.7
Core Return on Assets (ROA) %*	**15.9**	11.0
Statutory Return on Assets (ROA) %	**(54.4)**	11.7
Weighted Average Cost of Capital (pre-tax) (%)	**11.61**	10.95
Core Return on Equity (ROE) (%)*^	**43.9**	19.2
Statutory Return on Equity (ROE) (%)	**(150.4)**	20.5
Net Debt/Net Debt + Equity Ratio (%)	**51.3**	31.2
Share price ($)	**0.32**	0.69
Dividends per share (cents)	**3.7**	6.8
Total Shareholder Return (%)	**(48.3)**	(27.8)

* These returns have been calculated using core net profit after tax as set out at Note 4 of this report.

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

STATEMENT OF FINANCIAL POSITION AND CASH FLOW

During the reporting period, the Group's operating cash flows decreased by $24,045,000 to $33,925,000. The decrease in operating cash flows was primarily due to a fall in television advertising revenue.

Net cash flows used in investing activities of $1,085,000 (2015: $4,544,000) related to capital expenditure, mainly for broadcast and computer equipment totalling $6,023,000. Net cash flows from investing activities included the proceeds from the sale of surplus properties in Wollongong and Albury, New South Wales of $2,583,000 and the proceeds from the sale of the Group's 15% interest in Gearhouse Broadcast Pty Limited of $3,000,000.

A further $645,000 (FY15: $605,000) was used to fund Prime's interest in associates, which broadcast the TEN television signal in Mildura and regional Western Australia.

CAPITAL STRUCTURE

The Group's secured bank loan facility decreased to $73,402,000 as at 30 June 2016 (2015: $88,064,000). The Group continues to operate comfortably within the terms of its debt facility, which matures April 2018. During the reporting period, the debt facility limit was reduced by $55 million to $120 million. The non-cash impairment of television broadcast licences and goodwill of $122,931,000 did not impact on bank covenants.

	2016 $'000	2015 $'000
Interest-bearing loan and finance lease contracts	**73,804**	88,736
Cash and short term deposits	**(8,235)**	(9,837)
Net debt	**65,569**	78,899
Total equity	**62,231**	173,876
Total capital employed	**127,800**	252,775
Gearing	**51.3%**	31.2%

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

	2016 $'000	2015 $'000
Current		
Obligations under finance leases	**402**	270
	402	270
Non-current		
Obligations under finance leases	**–**	402
Secured bank loan facility	**73,402**	88,064
	73,402	88,466
Total interest bearing liabilities	**73,804**	88,736

RISK MANAGEMENT

The Group's approach to risk management is addressed in the Corporate Governance Statement, which is available on the Company's website www.primemedia.com.au/investors. 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').

As part of its risk management framework, the Company has identified the following key risks that may affect the Group's financial performance:

- fluctuations in consumer demand that impact advertising revenues, which the Company manages by ensuring it continues to maintain a strong advertising sales team and strong relationships with advertisers and agencies;
- change to the operating, market or regulatory environment as a result of changes in government media policy, which the Company seeks to manage by engaging with policy-makers and stakeholders to ensure that the interests of the Company and its shareholders are represented; and
- the impact on audiences as a result of new media platforms and technologies and the resultant impact on television advertising revenues.

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

The Group has engaged MediaHub Australia (a joint venture between the Australian Broadcasting Corporation and WIN Television) to provide on-air operations services. On-air operations in a television business augment the program feed with commercials, community service announcements and other materials, to create the complete schedule of content for transmission. It is a major component of television broadcasting. Outsourcing this function to a managed service is an established practice in the major and mature television markets of Great Britain and Europe, with impressive continuity of service outcomes.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board and Executive consider that the future performance of the Group will be influenced by the outlook for television advertising in regional Australia and changes in media platforms and technologies that may result in new entrants accessing advertising markets and consumers in regions where the Group holds licences to broadcast free-to-air television.

PERFORMANCE RIGHTS (EQUITY)

UNISSUED SHARES

At the date of this report there were 4,925,191 (2015: 4,527,438) performance rights over 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 OR ACQUIRED AS A RESULT OF THE EXERCISE OF PERFORMANCE RIGHTS

During the financial year, 1,580,000 (FY15: 966,000) ordinary shares were acquired on market by the Trustee of the Prime Media Group Limited Performance Rights Plan (Plan) as a result of the vesting and exercise of rights under the Plan.

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 $134,459 (2015: $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 for 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' MEETINGS AND COMMITTEE MEMBERSHIP

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

	BOARD MEETINGS	AUDIT AND RISK COMMITTEE MEETING	REMUNERATION AND NOMINATION COMMITTEE MEETING
Number of meetings held:	**8**	**3**	**5**
Number of meetings attended:			
J.K. Hartigan	8	–	–
A.A. Hamill	6	–	1
I.R. Neal	7	3	5
P.J. Macourt	8	3	1*
C.A. O'Connor	8	–	4*
M.H. Hill (Appointed 4 August 2015)	7*	2	–
M.S. Siddle# (Retired 10 November 2015)	4	–	–
I.C. Audsley	8	–	–

* indicates maximum number of meetings the director was eligible to attend during the period.

\# the director was eligible to attend 5 meetings during the period.

MESSAGE FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholder

I am pleased to present to you the Prime Media Group's Remuneration Report for the financial year to 30 June 2016. In its continual review and assessment of the appropriateness of the current remuneration framework for senior executives, the Remuneration and Nomination Committee considers feedback received from shareholders and their advisers, the recommendations of the ASX Corporate Governance Council and Prime Media's strategic objectives, with a focus on long term shareholder wealth creation. Ultimately, the remuneration mix applied to senior executives is designed to attract and retain the highest calibre talent whilst ensuring that pay outcomes remain aligned with the shareholder expectations.

Prime Media has experienced a rapid decline in its market capitalisation over the previous reporting period. In context of reductions in regional television advertising spend, senior executives have been focussed upon maximising Prime Media's revenue and audience share through driving advertiser activity growth. The senior executive team has also been tasked with improving the Company's operational performance through reducing operating expenses by identifying new technologies and managed service options and divesting non-core assets. Additionally, Prime Media's focus upon advocating for changes to Australia's media ownership and control laws, specifically relating to free-to-air television, is aimed at positioning the Company for new revenue or transaction opportunities. As such, these objectives have underpinned the predetermined short term incentive (STI) metrics that have been applied to the senior executive team for the most recent reporting period.

Although the financial hurdles set for senior executives in FY16 were not achieved, the advertising, revenue generation and audience share key performance indicators were partially met, whilst operational performance and cultural metrics were achieved. The key performance indicator analysis gives average STI entitlements for the top six executives being for just over 55% of base, which, with weighting, totals 42.2% of the available STI pool. Given the non-cash impairment reported by the Company, the Remuneration and Nomination Committee has decided to reduce each of these measures, so that both the individual entitlement and total pool awards are harmonised at 30%.

As a result of the Remuneration and Nomination Committee's concerns with the appropriateness of long term incentive (LTI) performance and vesting criteria, in addition to feedback received from shareholders and other Company stakeholders, the Board has resolved to freeze the current LTI plan with the objective of introducing an improved LTI scheme that will be put forward for shareholder approval at the 2017 Annual General Meeting. This will allow the Board to engage with executives and stakeholders around designing an LTI that is fit for purpose and that will appropriately motivate the executive team in delivering strong investment returns and business growth. Given that the current LTI plan structure is no longer regarded to be appropriate, there will not be an FY17 offer of LTI incentives to eligible senior executives.

In addition to freezing the LTI scheme in FY17, the base salaries for the reported senior executives will remain frozen for the period, with the exception of one senior executive who has a contractual entitlement to an inflationary fixed pay increase.

The Board is confident that 2016 remuneration outcomes demonstrate an alignment between executive and Company performance and shareholders' interests. With regard for the evolving expectations and views of Prime Media's investors, the Board welcomes continued feedback and engagement with our shareholders.

Yours sincerely

Mr. Ian Neal
Chair – Remuneration and Nomination Committee

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2016 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
   a. Remuneration and Nomination Committee
3. Executive Remuneration Arrangements
   a. Remuneration Principles and Strategy
   b. Remuneration Mix
4. Detail of Incentive Plans
   a. Short Term Incentive Entitlements and Outcomes
   b. Long Term Incentives
   c. Executive Remuneration Outcomes (including link to performance)
5. Executive Contracts
6. Non-Executive Director Remuneration
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. KMP for the year ended 30 June 2016 were:

KMP	POSITION	TERM AS KMP
Non-Executive Directors		
J.K. Hartigan	Chair; Director	Full Year
A.A. Hamill	Director	Full Year
I.R. Neal	Director	Full Year
P.J. Macourt	Director	Full Year
C.A. O'Connor	Director	Full Year
M.H. Hill	Director	Commenced 4 August 2015
M.S. Siddle	Director	Retired 10 November 2015
Executive KMP		
I. Audsley	CEO and Executive Director	Full Year
D. Walker	Group General Manager Sales and Marketing	Full Year
S. Wood	Group General Manager Operations	Full Year
E. McDonald	General Counsel & Company Secretary	Full Year
J. Palisi	Chief Financial Officer	Full Year
A. Hogarth	General Manager Television	Full Year

2. REMUNERATION GOVERNANCE

REMUNERATION AND NOMINATION COMMITTEE

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

- Executive management remuneration and incentives;
- Executive management performance against agreed performance targets; and
- The remuneration framework for directors.

The Remuneration and Nomination Committee held 5 meetings during FY16 and attendance was as follows:

	MEETINGS ATTENDED	COMMENTARY
I.R. Neal (Chair)	5/5	
A.A. Hamill	1/5	
C.A. O'Connor	4/4	Maximum number of meetings eligible to attend
P.J. Macourt	1/1	Maximum number of meetings eligible to attend

The CEO, CFO 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/investors.

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. The Remuneration and Nomination Committee reviews total remuneration packages annually.

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

- Are aligned to Prime Media 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 interest of executives and shareholders.

The Company 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. When referencing the external market, the Company carries regard for media sector wages and remuneration offered amongst the pool of candidates for which it must compete for talent. KMP remuneration is therefore benchmarked against industry peers and with regard for market data, insights into remuneration trends, the performance of the Company and individual, and the broader economic environment.

Base pay is set with reference to the median of the external market and is designed to reflect the competence of the individual whilst remaining competitive amongst similar roles. Total remuneration is targeted between the median and 75th percentile of the external market and considers the need to effectively motivate senior executives to exceed performance expectations and underpin remuneration outcomes that are consistent with shareholder outcomes. The Remuneration and Nomination Committee considers this positioning to be appropriate in attracting and retaining the calibre of talent required to execute the Company's strategy and deliver superior long term shareholder wealth creation.

DIRECTORS' REPORT

REMUNERATION MIX

The following table represents target remuneration at grant assuming that all performance conditions are met. The relative proportions of senior executive remuneration are as follows:

NAME	FIXED REMUNERATION %	AT RISK STI %	AT RISK LTI %	TOTAL %
CEO and Executive Director				
I. Audsley	51%	30%	19%	100%
Other KMP				
D. Walker	51%	32%	17%	100%
S. Wood	67%	16%	17%	100%
E. McDonald	67%	16%	17%	100%
J. Palisi	67%	16%	17%	100%
A. Hogarth	72%	20%	8%	100%

There is no stretch reward opportunity under the current STI scheme.

Approximately half of the CEO's total remuneration package is 'at risk' and therefore subject to the achievement of both short term and long term performance requirements that are linked to the Company's strategy and driving long term shareholder wealth creation.

REMUNERATION COMPONENT	VEHICLE	PURPOSE	LINK TO PERFORMANCE
Fixed remuneration	• Represented by total employment cost: comprises base salary, superannuation contributions and other discretionary and non-discretionary benefits.	• To provide competitive fixed remuneration set with reference to the median of comparable external market roles.	• Company and individual performance are considered during the annual review process.
STI component	• Paid in cash.	• Rewards executives for their contribution to achievement of Group and business unit outcomes, as well as individual Key Performance Indicators (KPIs).	• EBITDA; • Core NPAT; • Divisional financial performance; • Operational performance; • Power ratio; Business development; Audience share and • Risk management including commitment to Work Health Safety.
LTI component	• Awards are made in the form of performance rights.	• Rewards executives for their contribution to the creation of shareholder value over the longer term.	• Performance rights vest subject to achieving core EPS and power ratio targets.

2017 Financial Year

For the 2017 financial year and with the exception of Mr Dave Walker, who is contractually entitled to an annual base salary increase consistent with inflation (CPI), the fixed remuneration applicable to the other reported senior executives will remain frozen for the period.

4. DETAIL OF INCENTIVE PLANS

SHORT TERM INCENTIVE ENTITLEMENTS AND OUTCOMES

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 company wide, business unit and individual measures.

STI Performance Criteria

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	GROUP FINANCIAL PERFORMANCE MEASURES: GROUP EBITDA CORE NPAT	DIVISIONAL FINANCIAL PERFORMANCE MEASURES: POWER RATIO REVENUE YIELD REVENUE GENERATION EXPENSE MANAGEMENT	NON-FINANCIAL MEASURES: STRATEGIC INCLUDING GROWTH INITIATIVES OPERATIONAL PERFORMANCE INCLUDING: BUSINESS DEVELOPMENT AUDIENCE SHARE COMMITMENT TO RISK MANAGEMENT AND WORK HEALTH SAFETY
Chief Executive Officer	60%	–	40%
Group GM Sales and Marketing	20%	45%	35%
Group GM Operations	20%	30%	50%
General Counsel & Company Secretary	20%	30%	50%
Chief Financial Officer	20%	30%	50%
GM Television	20%	57.5%	22.5%

KEY PERFORMANCE OBJECTIVES	OUTCOMES	COMMENTARY
Financial results	Not achieved	Operating loss of $93,578,000. Core net profit after tax of $27,351,000, down $6,117,000 or 18.3% on the pcp.
	Not achieved	Group EBITDA of $55,410,000, down $11,455,000 or 17.1% on the pcp.
Maximising advertising revenue share and yield	Partially achieved	Prime reported a power ratio of 0.998, which demonstrates that Prime's revenue share is marginally less than its audience share in the aggregated regional market of New South Wales and Victoria.
Revenue generation	Partially achieved	Maintained market leading total advertising revenue share of 41.7% for the aggregated regional market of New South Wales and Victoria despite the market contracting 6.0% on the pcp.
Audience share	Partially achieved	Maintained market leading audience share of 41.8% for total people in the aggregated regional market of New South Wales and Victoria through effective engagement with regional audiences including a commitment to local news, community partnerships and channel promotion.
Strategic priorities	Achieved	Lead role in advocating for the removal of media laws that regulate the ownership and control of traditional media companies.
Operational performance: Efficient allocation of resources	Achieved	Reduction in operational expenses of $1,196,000 or 2.3% on the pcp.
Sale of non-core assets	Achieved	Sale of surplus premises in Wollongong and Albury NSW and the sale of Prime's 15% interest in Gearhouse Broadcast Pty Limited resulting in a one-off gain on sale of $2.1 million.
Risk management culture including promotion of work health safety	Achieved	The Executive Risk Management Committee continued to promote a company wide culture of risk management and work health safety.

After consideration of performance against KPIs, the Remuneration and Nomination Committee recommends to the Board, on an annual basis, the amount, if any, of STI to be 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.

The Remuneration and Nomination Committee assessed whether STI deferral is appropriate. At this stage it decided not to implement STI deferral but will continue to review this on an annual basis.

LONG TERM INCENTIVES

LTI awards to executives are made annually under the Prime Media Group Limited Performance Rights Plan. The cumulative allocations represent 1.3% of the undiluted capital of the Company with a maximum income cost of $3,570,458 (2015: $3,724,786). The performance rights are measured over a three year performance period, vesting subject to continuous service and the achievement of 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).

If the LTI performance target is met or exceeded at the point of testing, 100% of that portion of the award will vest. The exercise price of the performance rights is nil. The rights will lapse 30 days after vesting date.

The EPS targets will be disclosed at the point of testing and to the degree that awards vest under this portion of the LTI scheme.

LTI participants are not entitled to dividends on unvested awards. In a change of control event, the Board retains discretion in determining the manner in which outstanding equity incentives will be dealt with.

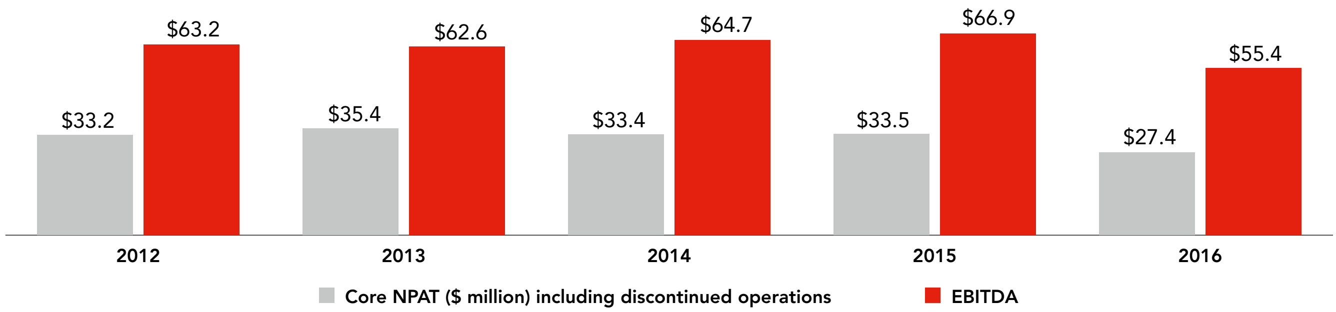
EXECUTIVE REMUNERATION OUTCOMES (INCLUDING LINK TO PERFORMANCE)

Company performance and its link to Short Term Incentives

The financial performance measures driving STI payment outcomes are:

- EBITDA and 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 Company achieved a power ratio of 0.998 in a market characterised by a 5.9% fall in total audience in the regional aggregated market of News South Wales and Victoria and an associated fall in regional revenue in this aggregated market of 6.0% on the pcp.

The following chart shows the Group's core NPAT ($million) and EBITDA for the 5 year period ended 30 June 2016. Core NPAT is defined as statutory net profit after tax and before non-core items.



For the 2015 financial year, 97.2% of the STI cash bonus pool of $1,307,033 as previously accrued in that period vested to key management personnel and was paid in the 2016 financial year.

The Remuneration and Nomination Committee will consider the STI payments for the 2016 financial year in the first quarter of the 2017 financial year. As demonstrated in the table below, STI payments have been accrued at 30% of the maximum cash bonus available for the 2016 financial year. 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 2017 financial year.

EXECUTIVE	FY16 STI ACCRUED	FY16 STI AWARD POOL	%	FY15 STI PAID IN CASH	FY15 STI AWARD POOL	PAID %
I. Audsley	**150,000**	500,000	30.0%	500,000	500,000	100.0%
D. Walker	**88,724**	295,746	30.0%	288,533	288,533	100.0%
S. Wood	**30,863**	102,875	30.0%	115,000	115,000	100.0%
E. McDonald	**30,810**	102,700	30.0%	110,000	110,000	100.0%
J. Palisi	**31,500**	105,000	30.0%	143,500	143,500	100.0%
T. Hogarth	**33,000**	110,000	30.0%	113,437	150,000	75.6%
Total	**364,897**	1,216,321	30.0%	1,270,470	1,307,033	97.2%

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 table shows the Company's performance over the 4 year period from 1 July 2012 to 30 June 2016. Core EPS is defined as statutory EPS before non-core items.

CORE EARNINGS PER SHARE (60%)	FY13	FY14	FY15	FY16
Target	8.5	9.1	9.1	9.0
Actual	9.7	9.1	9.1	7.5
Percentage Achieved	**100.0%**	**100.0%**	**100.0%**	**0.0%**

POWER RATIO (40%)				
Total Revenue: 3AGG Market	40.22%	40.82%	42.16%	41.70%
All People 06:00 to 23:59	39.50%	40.00%	41.70%	41.80%
Power Ratio	1.018	1.021	1.011	0.998
Percentage Achieved	**100.0%**	**100.0%**	**100.0%**	**99.8%**

LTI awards

During the 2016 financial year 1,580,000 (FY15: 966,000) ordinary shares were acquired on market by the Trustee of the Prime Media Group Limited Performance Rights Plan as a result of performance rights that were issued in 2013 and vested under the Plan in 2016. The LTI remuneration for each KMP is set out within Table 1 and 2 of this section. The equity settled share based payments expense, referenced in tables 1 and 2 of this section, represents amounts accrued for performance rights that have not vested and do not represent payments made to any KMP.

2017 Financial Year

As a result of the current review that is underway in redesigning the LTI scheme so that it is fit for purpose and reflects corporate governance best practice standards, there will not be an offer of LTI incentives to eligible senior executives during the FY17 period. The Board intends to put forward a new LTI plan for shareholder approval by the 2017 Annual General Meeting.

Table 1: Remuneration for the year ended 30 June 2016

	SHORT-TERM BENEFITS				POST EMPLOYMENT	LONG-TERM BENEFITS	EQUITY SETTLED SHARE BASED PAYMENTS EXPENSE [4]	TOTAL	PERFORMANCE RELATED
	SALARY & FEES FOR PARENT ENTITY $	ANNUAL LEAVE [1] $	CASH BONUS $	NON-CASH BENEFITS [2] $	SUPER-ANNUATION $	OTHER LONG TERM BENEFITS [3] $	$	$	%
Non-executive directors									
J.K. Hartigan (Chair)	181,981	–	–	–	18,019	–	–	200,000	0.0%
A.A. Hamill	95,000	–	–	–	–	17,750	–	112,750	0.0%
I.R. Neal	95,000	–	–	–	–	–	–	95,000	0.0%
P.J. Macourt	86,441	–	–	–	8,559	–	–	95,000	0.0%
C.A. O'Connor	86,441	–	–	–	8,559	–	–	95,000	0.0%
M.H. Hill (commenced 4 Aug 2015)	81,419	–	–	–	7,735	–	–	89,154	0.0%
M.S. Siddle (retired 10 Nov 2015)	35,254	–	–	–	3,349	–	–	38,603	0.0%
Total non-executive directors	**661,536**	**–**	**–**	**–**	**46,221**	**17,750**	**–**	**725,507**	**0.0%**
Executive directors									
I. Audsley	830,692	62,157	150,000	–	19,308	19,352	399,355	1,480,864	37.1%
Key management personnel									
D. Walker	443,412	(15,723)	88,724	6,084	19,308	7,899	180,843	730,547	36.9%
S. Wood	396,245	(11,304)	30,863	–	19,308	10,078	151,588	596,778	30.6%
E. McDonald	403,221	4,242	30,810	–	19,308	6,180	144,754	608,515	28.9%
J. Palisi	402,195	21,015	31,500	–	19,308	10,813	151,588	636,419	28.8%
A. Hogarth	382,434	4,470	33,000	39,911	19,308	36,120	76,462	591,705	18.5%
Total executive KMP	**2,858,199**	**64,857**	**364,897**	**45,995**	**115,848**	**90,442**	**1,104,590**	**4,644,828**	
Total	**3,519,735**	**64,857**	**364,897**	**45,995**	**162,069**	**108,192**	**1,104,590**	**5,370,335**	

1 The amounts disclosed under this category represent amounts that accrued to each KMP during the year, by virtue of their service, less amounts for annual leave taken.
2 Grossed Up Reportable Value. Non-cash benefits made to A. Hogarth include costs to relocate to Sydney due to his promotion to General Manager Television.
3 The amounts disclosed under this category represents amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made to KMP.
4 Equity settled share-based payments expense represents amounts accrued for performance rights that have not vested and do not represent payments made to KMP.

DIRECTORS' REPORT

Table 2: Remuneration for the year ended 30 June 2015

	SHORT-TERM BENEFITS				POST EMPLOYMENT	LONG-TERM BENEFITS	EQUITY SETTLED SHARE BASED PAYMENTS EXPENSE[4]	TOTAL	PERFORMANCE RELATED
	SALARY & FEES FOR PARENT ENTITY $	ANNUAL LEAVE[1] $	CASH BONUS $	NON-CASH BENEFITS[2] $	SUPER-ANNUATION $	OTHER LONG TERM BENEFITS[3] $	$	$	%
Non-executive directors									
J.K. Hartigan (Chair)	183,066	–	–	–	17,391	–	–	200,457	0.0%
M.S. Siddle	94,495	–	–	–	8,977	–	–	103,472	0.0%
A.A. Hamill	95,000	–	–	–	–	20,000	–	115,000	0.0%
I.R. Neal	95,000	–	–	–	–	–	–	95,000	0.0%
P.J. Macourt	71,743	–	–	–	6,816	–	–	78,559	0.0%
C.A. O'Connor	16,351	–	–	–	1,553	–	–	17,904	0.0%
P.J. Evans FCA (retired 20 Nov 2014)	34,642	–	–	–	3,291	–	–	37,933	0.0%
I.P. Grier AM (retired 20 Nov 2014)	34,642	–	–	–	3,291	–	–	37,933	0.0%
Total non-executive directors	**624,939**	**–**	**–**	**–**	**41,319**	**20,000**	**–**	**686,258**	**0.0%**
Executive directors									
I. Audsley	781,217	37,082	500,000	–	18,783	9,300	411,432	1,757,814	51.9%
Key management personnel									
D. Walker	442,870	(2,167)	288,533	5,673	18,783	5,993	170,054	929,739	49.3%
S. Wood	372,000	(1,870)	115,000	–	18,783	4,640	150,674	659,227	40.3%
E. McDonald	382,900	(6,325)	110,000	–	18,783	2,713	122,329	630,400	36.9%
J. Palisi	350,000	(19,459)	143,500	–	18,783	4,465	143,115	640,404	44.8%
A. Hogarth	304,154	(10,055)	150,000	–	18,783	7,646	81,951	552,479	42.0%
Total executive KMP	**2,633,141**	**(2,794)**	**1,307,033**	**5,673**	**112,698**	**34,757**	**1,079,555**	**5,170,063**	
Total	**3,258,080**	**(2,794)**	**1,307,033**	**5,673**	**154,017**	**54,757**	**1,079,555**	**5,856,321**	

1 The amounts disclosed under this category represent amounts that accrued to each KMP during the year, by virtue of their service, less amounts for annual leave taken.
2 Grossed Up Reportable Value.
3 The amounts disclosed under this category represents amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made to KMP.
4 Equity settled share-based payments expense represents amounts accrued for performance rights that have not vested and do not represent payments made to KMP.

Table 3: Prime Media Group Limited Performance Rights Plan

2016	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	750,000	10/11/2015	$0.4160	$0.00	9/12/2018	9/12/2018	9/12/2018	–
I. Audsley	–	28/11/2012	–	–	–	–	–	700,000
Executive								
D. Walker	377,753	28/9/2015	$0.4258	$0.00	27/10/2018	27/10/2018	27/10/2018	–
D. Walker	–	29/10/2012	–	–	–	–	–	230,000
S. Wood	250,000	28/9/2015	$0.4258	$0.00	27/10/2018	27/10/2018	27/10/2018	–
S. Wood	–	29/10/2012	–	–	–	–	–	200,000
E. McDonald	250,000	28/9/2015	$0.4258	$0.00	27/10/2018	27/10/2018	27/10/2018	–
E. McDonald		29/10/2012						100,000
J. Palisi	250,000	28/9/2015	$0.4258	$0.00	27/10/2018	27/10/2018	27/10/2018	–
J. Palisi		29/10/2012						200,000
A. Hogarth	100,000	28/9/2015	$0.4258	$0.00	27/10/2018	27/10/2018	27/10/2018	–
A. Hogarth		29/10/2012						150,000
Total	**1,977,753**							**1,580,000**

2015	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	600,000	20/11/2014	$0.6590	$0.00	20/12/2017	20/11/2017	20/12/2017	–
I. Audsley	–	23/11/2011	–	–	–	–	–	615,000
Executive								
S. Wood	200,000	27/8/2014	$0.8100	$0.00	26/9/2017	27/8/2017	26/9/2017	–
S. Wood	–	30/9/2011	–	–	–	–	–	167,000
D. Walker	217,438	27/8/2014	$0.8100	$0.00	26/9/2017	27/8/2017	26/9/2017	–
D. Walker	–	30/9/2011	–	–	–	–	–	184,000
J. Palisi	200,000	27/8/2014	$0.8100	$0.00	26/9/2017	27/8/2017	26/9/2017	–
E. McDonald	200,000	27/8/2014	$0.8100	$0.00	26/9/2017	27/8/2017	26/9/2017	–
A. Hogarth	100,000	27/8/2014	$0.8100	$0.00	26/9/2017	27/8/2017	26/9/2017	–
Total	**1,517,438**							**966,000**

The Prime Media Group Security Trading Policy applies to all NEDs and executives. The policy prohibits officers and employees from dealing in Company securities in a way that breaches insider trading laws or would compromise confidence in Prime's investor practices. This policy is publicly disclosed and available at www.primemedia.com.au/investors.

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 $
I. Audsley	312,000	390,610	–	–
D. Walker	160,836	121,297	–	–
S. Wood	106,443	105,475	–	–
E. McDonald	106,443	52,738	–	–
J. Palisi	106,443	105,475	–	–
A. Hogarth	42,577	79,106	–	–
Total	**834,742**	**854,701**	**–**	**–**

^ Determined at the time of grant per AASB 2.

* Determined at the time of exercise.

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 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.

5. EXECUTIVE CONTRACTS

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

NAME	NOTICE PERIOD	TERMINATION PAYMENT
CEO AND EXECUTIVE DIRECTOR		
I. Audsley	12 months	12 months (fixed remuneration)
OTHER KMP		
D. Walker	End of contract	Maximum of 6 months
A. Hogarth	12 months	12 months (fixed remuneration)
Other Executives	6 months	6 months (fixed remuneration)

Where a participant holds performance rights and becomes a good leaver, all unvested performance rights will automatically lapse unless the Board determines in its sole and absolute discretion to allow some or all of those performance rights to vest. Under other leaver circumstances, such as termination for cause, all unvested performance rights will automatically lapse.

6. NON-EXECUTIVE DIRECTOR REMUNERATION

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.

All of the current NEDs carry an initial contract duration of three years that remains subject to their re-election by shareholders. The employment contracts for NEDs do not carry notice provisions or termination entitlements. Board fees are set with reference to comparable ASX-listed companies. The Company does not currently provide securities as part of NED remuneration and shareholder approval would be sought for this form of remuneration to be paid.

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. The aggregate fees paid to NEDs in the 2016 financial year were $661,536 (excluding superannuation and retirement benefits).

NED fees in the 2017 financial year are estimated to be $675,000, which is less than the determination made at the Annual General Meeting 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' remuneration plan).

Structure

NED remuneration consists of fixed annual directors' fees only and therefore NED's are not entitled to receive performance-based remuneration or any other entitlements that may be perceived to compromise their independence. Mr Alexander Hamill is currently entitled to benefits under the Directors' Retirement Plan, approved by shareholders in November 1997. These fees are summarised in Table 1 and 2 under section 4 above. The Directors' Retirement Plan was discontinued in the 2008 financial year for all directors appointed after that date. No further termination benefits are to be paid to NEDs.

The rates and fees (inclusive of superannuation contributions) for the NEDs in FY16 is as follows:

BOARD POSITION	ANNUAL FEE
Chair	$200,000
NED Base Fee	$95,000
Committee Chair	Nil
Committee Member	Nil

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, which is included on page 20.

Non-Audit Services

The following non-audit services were provided by the Group'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 and indirect tax compliance services	31,415
Advisory services	37,506
Total	**68,921**

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 the undue influence by members of the KMP.

Godfrey Remuneration Group (GRG) was engaged during the reporting period to provide advice on various remuneration issues arising from the Prime Media Group Performance Rights Plan. The Committee is satisfied that the advice received from GRG is free from undue influence from members of the KMP. GRG's fees in the current reporting period totalled $14,000 (2015: $8,500).

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 available on the Company website www.primemedia.com.au/investors.

Signed in accordance with a resolution of the directors.

Peter Macourt

P. J. Macourt
Director

Sydney, 22 August 2016

AUDITOR'S INDEPENDENCE DECLARATION

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

As lead auditor for the audit of Prime Media Group Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Prime Media Group Limited and the entities it controlled during the financial year.

Ernst & Young

Christopher George
Partner
22 August 2016

FINANCIAL STATEMENTS CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Revenue and other income			
Revenue from services	2	**235,103**	253,233
Interest income	2	**172**	245
Other income	2	**3,543**	5,335
Total revenue and other income		**238,818**	258,813
Cost of sales		**(131,206)**	(138,665)
Gross profit		**107,612**	120,148
Broadcasting and transmission expenses		**(37,464)**	(37,564)
Administration and marketing expenses		**(13,503)**	(14,599)
Depreciation and amortisation		**(10,295)**	(11,351)
Impairment of intangibles	8	**(122,931)**	–
Operating (Loss)/Profit		**(76,581)**	56,634
Finance costs	3	**(3,661)**	(4,987)
Share of associate losses	22	**(1,063)**	(875)
(Loss)/Profit before income tax		**(81,305)**	50,772
Income tax expense	26	**(12,273)**	(15,151)
(Loss)/Profit for the year		**(93,578)**	35,621
(Loss)/Profit for the year		**(93,578)**	35,621
Total comprehensive income for the year		**(93,578)**	35,621
(Loss)/Profit attributable to owners of the parent		**(93,578)**	35,621
Total comprehensive income attributable to owners of the parent		**(93,578)**	35,621
Basic Earnings per share (cents per share)		**(25.5)**	9.7
Diluted Earnings per share (cents per share)		**(25.5)**	9.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	NOTES	CONSOLIDATED 2016 $'000	2015 $'000
ASSETS			
Current Assets			
Cash and short term deposits	7	**8,235**	9,837
Trade and other receivables	9	**47,769**	49,669
Intangible assets	8	**1,667**	1,667
Other assets	10	**3,923**	1,273
		61,594	62,446
Assets classified as held for sale	20	**584**	963
Total Current Assets		**62,178**	63,409
Non-Current Assets			
Investment in associates	22	**927**	1,259
Non-current financial assets	21	**9**	2,508
Property, plant and equipment	13	**31,866**	35,475
Deferred tax assets	26	**1,062**	993
Intangible assets and goodwill	8	**75,034**	199,722
Other assets	10	**956**	1,118
Total Non-Current Assets		**109,854**	241,075
Total Assets		**172,032**	304,484
LIABILITIES			
Current Liabilities			
Trade and other payables	11	**32,738**	35,963
Interest-bearing loans and borrowings	14	**402**	270
Current tax liabilities	26	**2,485**	5,127
Provisions	12	**267**	365
Total Current Liabilities		**35,892**	41,725
Non-Current Liabilities			
Interest-bearing loans and borrowings	14	**73,402**	88,466
Provisions	12	**507**	417
Total Non-Current Liabilities		**73,909**	88,883
Total Liabilities		**109,801**	130,608
Net Assets		**62,231**	173,876
EQUITY			
Equity attributable to equity holders of the parent interest			
Contributed equity	16	**310,262**	310,262
Reserves	18	**4,400**	4,150
Accumulated losses	18	**(252,431)**	(140,536)
Parent Interests		**62,231**	173,876
Total Equity		**62,231**	173,876

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2016

	ISSUED CAPITAL $'000	ACCUMULATED LOSSES $'000	EMPLOYEE BENEFITS RESERVE $'000	TOTAL PARENT ENTITY INTEREST $'000
At 1 July 2015	310,262	(140,536)	4,150	**173,876**
Loss for the period	–	(93,578)	–	**(93,578)**
Other comprehensive income	–	–	–	**–**
Total comprehensive income and expense for the period	–	(93,578)	–	**(93,578)**
Transactions with equity holders in their capacity as equity holders:				
Exercise of performance rights	–	–	(855)	**(855)**
Share–based payments expense	–	–	1,105	**1,105**
Dividends on ordinary shares	–	(18,317)	–	**(18,317)**
At 30 June 2016	310,262	(252,431)	4,400	**62,231**

	ISSUED CAPITAL $'000	ACCUMULATED LOSSES $'000	EMPLOYEE BENEFITS RESERVE $'000	TOTAL PARENT ENTITY INTEREST $'000
At 1 July 2014	310,262	(151,979)	3,957	**162,240**
Profit for the period		35,621	–	**35,621**
Other comprehensive income	–	–	–	**–**
Total comprehensive income and expense for the period	–	35,621	–	**35,621**
Transactions with equity holders in their capacity as equity holders:				
Exercise of performance rights	–	–	(887)	**(887)**
Share–based payments expense	–	–	1,080	**1,080**
Dividends on ordinary shares	–	(24,178)	–	**(24,178)**
At 30 June 2015	310,262	(140,536)	4,150	**173,876**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**264,190**	285,877
Payments to suppliers and employees (inclusive of GST)		**(212,110)**	(211,910)
Interest received		**172**	245
Borrowing costs paid		**(3,341)**	(4,779)
Income tax refunds received		**–**	457
Income tax paid		**(14,986)**	(11,920)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7	**33,925**	57,970
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**2,583**	1,900
Purchase of property, plant & equipment and intangible assets		**(6,023)**	(5,839)
Proceeds from sale of financial assets		**3,000**	–
Loan funds to related entities		**(645)**	(605)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(1,085)**	(4,544)
FINANCING ACTIVITIES			
Proceeds from borrowings		**92,000**	118,000
Repayments of borrowings		**(107,000)**	(149,000)
Finance lease liability payments		**(270)**	(246)
Share-based payments – performance rights exercised		**(855)**	(887)
Dividends paid		**(18,317)**	(24,178)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(34,442)**	(56,311)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,602)**	(2,885)
Cash and cash equivalents at beginning of period		**9,837**	12,722
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	**8,235**	9,837

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of Prime Media Group Limited (the Company) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 22 August 2016.

Prime Media Group Limited is a for profit 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.

(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 under the option available to the Company under the Australian Securities and Investment Commission (ASIC) Legislative Instrument 2016/191. The Company is an entity to which this Legislative Instrument applies.

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

To improve readability and usefulness the financial report has been re-ordered this year. Significant accounting policies are provided throughout the notes to the financial statements.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

(B) SIGNIFICANT JUDGEMENTS AND ESTIMATES

The carrying amounts of certain assets and liabilities are determined based on estimates and assumptions of future events. The key estimates and assumptions which are material to the financial reports are found in the following notes:

- Note 8: Intangible assets and goodwill
- Note 12: Provisions
- Note 13: Property, plant and equipment
- Note 26: Income tax
- Note 27: Share-based payments expense

2. REVENUE

	CONSOLIDATED	
	2016 $'000	2015 $'000
Advertising and other external revenue	**235,103**	253,233
Finance income	**172**	245
Other revenue	**3,543**	5,335
	238,818	258,813
Breakdown of finance income:		
Interest received – other persons	**172**	245
	172	245
Breakdown of other income:		
Government grants	**668**	926
Other revenues	**2,875**	4,409
	3,543	5,335

ACCOUNTING POLICY

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:

REVENUE CLASS	RECOGNITION CRITERIA
Advertising revenue	Revenue is recognised when the commercial advertisement has been broadcast.
Advertising production revenue	Revenue is recognised when the production is complete and the customer invoiced.
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.
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.
i) Reimbursement of expense	Recognised in profit or loss on a systematic basis over the periods the related costs, which it is intended to compensate, are expensed.
ii) Reimbursement for cost of asset	Recognised in profit or loss over the useful life of the related asset on a systematic basis. When the Group receives grants of non-monetary assets, 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.
Rental income	Rental income is recognised on a straight-line basis over the term of the lease.
Dividends	Dividend revenue is recognised when the Group's right to receive the payment is established.
Interest income	Interest revenue is recognised as it accrues, based on the effective yield of the financial asset.

3. EXPENSES

	CONSOLIDATED	
	2016 $'000	2015 $'000
Finance Expenses		
Interest on debt and borrowings	**3,616**	4,921
Finance charges payable under finance leases and hire purchase agreements	**45**	66
	3,661	4,987
Employee Benefit Expense		
Wages and salaries	**34,470**	35,686
Superannuation expense	**2,759**	2,735
Share-based payments expense	**1,105**	1,080
Other employee benefits expense	**1,459**	1,491
	39,793	40,992
Other Expenses		
Bad and doubtful debts and credit notes – trade debtors	**561**	(39)
Minimum lease payments – operating leases	**12,619**	13,278

ACCOUNTING POLICY

Borrowing Costs

Borrowing costs are expensed in the period incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Operating Leases

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

4. CORE NET PROFIT BEFORE SPECIFIC ITEMS AND AFTER TAX

	CONSOLIDATED	
	2016 $'000	2015 $'000
(Loss)/Profit for the year	**(93,578)**	35,621
– Impairment of television broadcast licences and goodwill (non-cash)	**122,931**	–
– Gain on sale of surplus assets	**(2,084)**	(1,157)
– Redundancies	**118**	78
– Digital Restack Program revenue (non-cash)	**–**	(1,501)
– Income tax (benefit)/expense related to specific items	**(36)**	427
Core net profit after tax and before specific items attributable to members of Prime Media Group Limited	**27,351**	33,468

The Group's final dividend has been declared based on the core net profit after tax.

ACCOUNTING POLICY

Specific items are those items of such a nature or size that separate disclosure will assist users to understand the financial statements.

5. OPERATING SEGMENTS

ACCOUNTING POLICY

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to assess performance, make resource allocation decisions and for which discrete financial information is available.

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group operates as a single regional free-to-air television broadcasting segment. The Group holds commercial television licences to broadcast in regional New South Wales, the Australian Capital Territory, regional Victoria, the Gold Coast area of Southern Queensland and regional 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 of Australia and the GWN7 brand in regional Western Australia.

The Board and Executive monitor the operating performance of the segment based on internal reports and discrete financial information that is reported to the Board on at least a monthly basis.

6. EARNINGS PER SHARE

	CONSOLIDATED	
	2016	2015
Basic earnings per share (cents per share)	**(25.5)**	9.7
Diluted earnings per share (cents per share)	**(25.5)**	9.7

ACCOUNTING POLICY

Basic Earnings Per Share

Basic earnings per share is 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

Diluted earnings per share is 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:

	CONSOLIDATED 2016 $'000	2015 $'000
Earnings used in calculating basic and diluted earnings per share	**(93,578)**	35,621

	2016 NUMBER OF SHARES	2015 NUMBER OF SHARES
Weighted average number of ordinary shares used in calculating basic EPS:	**366,330,303**	366,330,303
Weighted average number of ordinary shares used in calculating diluted EPS:	**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.

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 2016 $'000	2015 $'000
Basic Earnings per share (cents per share)		
Profit from core earnings (Note 4)	**7.5**	9.1
Diluted Earnings per share (cents per share)		
Profit from core earnings (Note 4)	**7.5**	9.1

7. CASH AND SHORT-TERM DEPOSITS

	CONSOLIDATED 2016 $'000	2015 $'000
Cash balance comprises:		
Cash at bank and on hand	**8,235**	9,837
Closing cash balance	**8,235**	9,837

ACCOUNTING POLICY

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand. 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.

7. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

RECONCILIATION OF THE NET (LOSS)/PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
(Loss)/Profit after tax	**(93,578)**	35,621
Non-cash adjustment for:		
Depreciation and amortisation	**8,628**	9,284
Amortisation of program rights	**1,667**	2,067
Provision for doubtful debts	**(53)**	(101)
Net gain on disposal of property, plant and equipment	**(1,329)**	(2,539)
Gain on sale of financial asset	**(501)**	–
Impairment of television broadcast licences and goodwill	**122,931**	–
Gain on foreign currency translation	**–**	(12)
Share of associate losses	**1,063**	875
Share based payments expense	**1,105**	1,080
Working capital adjustments		
Decrease in trade and other receivables	**1,953**	4,476
(Increase)/decrease in prepayments	**(2,488)**	237
Increase in provisions	**90**	81
(Decrease)/increase in trade and other payables	**(3,190)**	2,725
Cash flows from operating activities	**36,298**	53,794
(Increase)/decrease in deferred tax assets	**(69)**	449
(Decrease)/increase in tax provision	**(2,642)**	3,390
Increase in borrowing costs	**338**	337
Net cash flow from operating activities	**33,925**	57,970

8. INTANGIBLE ASSETS AND GOODWILL

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Television broadcast licences	**63,513**	182,963
Program rights	**5,000**	6,667
Goodwill	**–**	3,481
Infrastructure access licence	**1,246**	1,740
Business software and development costs	**6,942**	6,538
Total	**76,701**	201,389

ACCOUNTING POLICY

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

	TELEVISION BROADCAST LICENCES AND GOODWILL	PROGRAM RIGHTS, INFRASTRUCTURE ACCESS LICENCES, BUSINESS SOFTWARE AND DEVELOPMENT COSTS
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

TELEVISION 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 the Australian Communications and Media Authority 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 and have not identified any factor that would affect their useful life. These assets are not amortised but are tested for impairment annually.

PROGRAM RIGHTS

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

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.

INFRASTRUCTURE ACCESS LICENCES

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.

BUSINESS SOFTWARE AND DEVELOPMENT COSTS

Business software and development costs represent the cost to implement a television sales and traffic software system and a newsroom management 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 software and development costs is cost less accumulated amortisation and impairment losses.

Reconciliation of carrying amounts at the beginning and end of the 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 2014	**18,355**	**182,963**	**14,000**	**3,885**	**16,438**	**550**	**236,191**
Additions	–	–	–	167	1,608	–	1,775
Disposals	–	–	–	–	(2,237)	–	(2,237)
At 30 June 2015	**18,355**	**182,963**	**14,000**	**4,052**	**15,809**	**550**	**235,729**
Additions	–	–	–	193	1,933	–	2,126
Disposals	–	–	–	–	(1,386)	–	(1,386)
At 30 June 2016	**18,355**	**182,963**	**14,000**	**4,245**	**16,356**	**550**	**236,469**
Amortisation and impairment							
At 1 July 2014	**(14,874)**	**–**	**(5,267)**	**(1,625)**	**(10,098)**	**(519)**	**(32,383)**
Amortisation charges	–	–	(2,066)	(687)	(1,408)	(31)	(4,192)
Disposals	–	–	–	–	2,235	–	2,235
At 30 June 2015	**(14,874)**	**–**	**(7,333)**	**(2,312)**	**(9,271)**	**(550)**	**(34,340)**
Amortisation charges	–	–	(1,667)	(687)	(1,488)	–	(3,842)
Impairment charges	(3,481)	(119,450)	–	–	–	–	(122,931)
Disposals	–	–	–	–	1,345	–	1,345
At 30 June 2016	**(18,355)**	**(119,450)**	**(9,000)**	**(2,999)**	**(9,414)**	**(550)**	**(159,768)**
Net Book Value							
At 30 June 2016	**–**	**63,513**	**5,000**	**1,246**	**6,942**	**–**	**76,701**
Total Current	–	–	1,667	–	–	–	1,667
Total Non-Current	–	63,513	3,333	1,246	6,942	–	75,034
At 30 June 2015	**3,481**	**182,963**	**6,667**	**1,740**	**6,538**	**–**	**201,389**
Total Current	–	–	1,667	–	–	–	1,667
Total Non-Current	3,481	182,963	5,000	1,740	6,538	–	199,722

8. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

ACCOUNTING POLICY

Impairment of non-financial assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as 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 intangible assets with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. When an asset is tested for impairment, the Group estimates the assets recoverable amount. An assets recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset of 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 the markets assessment of the time value of money and the risks specific to the asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses should be reversed. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment 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 calculated in prior years. A reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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.

KEY ASSUMPTIONS USED IN VALUE-IN-USE CALCULATIONS AND SENSITIVITY TO CHANGES IN ASSUMPTIONS

In accordance with the Group's accounting policies, the Group performed annual impairment tests as at 30 June 2016 and 30 June 2015. In assessing for impairment, the Group considered the impact of new and largely unregulated market entrants, increased competition in the form of global and national media platforms, and the comprehensive reach of the internet and streaming services, all of which impact regional television audiences, and revenues.

In the 2015 calendar survey year, the Group's total audience in the aggregated regional market of New South Wales and Victoria fell by 5.6% on the previous year. Viewers aged between 25 and 54 in this aggregated market also declined by 12.3% in the 2015 calendar year, which was the second consecutive survey year of double digit decline. Revenue in this aggregated market also contracted again, declining 6.0% in the 2016 financial year compared to a decline of 3.9% in the prior year.

The Company maintained its lead revenue share in the aggregated markets of 41.7%, however this was down 0.5 share points on the previous year. The Company's revenue from television advertising in this market fell by 7.0% compared to the previous corresponding period. The decline in regional viewing audiences has led to a decline in regional television advertising markets, both of which indicate a potential impairment of goodwill and television broadcast licences. The Group also considers the relationship between its market capitalisation and its book value, in addition to other factors, when reviewing for indicators of impairment. As at 30 June 2016, the market capitalisation of the Group, based on the volume weighted average share price for the 30 day period to the reporting date, was below the book value of its equity, indicating a potential impairment of goodwill and television broadcast licences.

The Group, which has been identified as the CGU, has completed a value-in-use assessment of its carrying value to which television broadcasting intangible assets, including television broadcast licences and goodwill, are allocated, to test for impairment.

VALUE-IN-USE CASH FLOWS	APPROACH
Year 1	Based on the annual budget approved by the Board.
Years 2–5 cash flows	Free-to-air television advertising revenue has been assumed to decline post 2016 Olympics consistent with the decline in regional television advertising audiences. Expenses have been forecast to increase in line with long term CPI and/or agreed contractual increases.
Long-term growth rate – terminal	The rate is consistent with industry forecasts specific to the CGU in which the industry operates.
Discount rate	Reflects the current market assessment of the time value of money.

The value-in-use assessment is based on the following key assumptions:

VALUE-IN-USE ASSUMPTIONS	2016	2015
5 year compound annual growth rate for free-to-air advertising revenue	**(1.8%)**	0.0%
Long-term growth rate – terminal	**(1.7%)**	2.0%
Discount rate (pre-tax)	**11.61%**	10.95%
Discount rate (post-tax)	**11.01%**	10.54%

The discounted cash flow (DCF) valuation of the intangibles assets gives a recoverable amount which is less than the current carrying value resulting in an impairment charge of $122,931,000. Following the impairment, the recoverable amount of the Group is equal to its carrying amount.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Carrying amount of Intangibles allocated to each of the cash generating units		
Television Broadcasting Licences	**63,513**	182,963
Broadcast Licences	**63,513**	182,963
Goodwill	–	3,481
Goodwill on acquisition	–	3,481

The Group recognises that the speed of technological change and the impact of new viewing platforms can have a significant impact on growth rate assumptions. The value-in-use calculation is most sensitive to changes in the following assumptions:

VALUE-IN-USE ASSUMPTIONS – SENSITIVITY	IMPACT ON IMPAIRMENT $'000
5 year compound annual growth rate for free-to-air advertising revenue	
+0.5%	9,941
-0.5%	(9,941)
Long-term growth rate – terminal	
+1.0%	3,557
-1.0%	(3,038)
Discount rate (pre-tax)	
+2.0%	(10,191)
-2.0%	13,515

9. RECEIVABLES

	CONSOLIDATED	
	2016 $'000	2015 $'000
Current		
Trade receivables	**44,111**	45,948
Allowance for impairment loss	**(248)**	(281)
	43,863	45,667
Other receivables	**3,421**	3,512
Related party receivables	**485**	490
Carrying amount of trade and other receivables	**47,769**	49,669

ACCOUNTING POLICY

Trade Receivables

Trade receivables are carried at original invoice amount less an allowance for any uncollectible debts. Trade receivables are generally settled within 30 to 45 days and are not interest bearing. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The collectability of trade receivables is reviewed on an ongoing basis and bad debts are written off when identified. An allowance for impairment loss is made when there is objective evidence that the Group will not be able to collect a debt. The maximum exposure to credit risk is the fair value of receivables (refer to Note 15 regarding information on the Group's exposure to credit and market risk).

Refer to Note 28 regarding receivables from related parties.

9. RECEIVABLES (CONTINUED)

ALLOWANCE FOR IMPAIRMENT LOSS

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

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
At July 1	**281**	404
Charge/(recovery) for the year	**561**	(39)
Amounts written off	**(594)**	(84)
At June 30	**248**	281

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

	TOTAL	0-30 DAYS	31-60 DAYS	61-90 DAYS PDNI*	61-90 DAYS CI*	+91 DAYS PDNI*	+91 DAYS CI*
2016	**44,111**	**25,154**	**18,056**	**592**	**–**	**61**	**248**
2015	45,948	24,473	20,581	597	–	16	281

* 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.

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

10. PREPAID FINANCIAL ASSETS

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Current		
Prepayments	**3,923**	1,273
Non-current		
Prepayments	**956**	1,118
Total	**4,879**	2,391

ACCOUNTING POLICY

Prepayments

Prepayments are recognised when a payment is made for goods or services the company expects to receive or consume in future periods. Prepayments are expensed to profit or loss as they are received or consumed.

11. PAYABLES

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Current		
Trade payables	**3,158**	3,366
Accrued expenses	**22,768**	24,722
Accrued employee entitlements	**6,812**	7,875
Total	**32,738**	35,963

ACCOUNTING POLICY

Trade Payables and Other Accrued Expenses

Liabilities for trade creditors and other amounts are carried at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are non-interest bearing and are normally settled on 30 day terms.

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

Accrued employee entitlements

Liabilities for wages and salaries, including non-monetary benefits and 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.

12. PROVISIONS

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Current		
Provision for asset decommissioning	**–**	115
Director's retiring provision	**267**	250
Total	**267**	365
Non-current		
Long service leave	**507**	417
Total	**507**	417

ACCOUNTING POLICY

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 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.

NATURE AND TIMING OF THE PROVISIONS

	DIRECTOR'S RETIRING PROVISION $'000	PROVISION FOR ASSET DECOM-MISSIONING $'000	LONG SERVICE LEAVE $'000	TOTAL $'000
At 1 July 2015	250	115	417	**782**
Arising during the year	17	–	125	**142**
Utilised	–	(115)	(35)	**(150)**
At 30 June 2016	**267**	**–**	**507**	**774**
Current 2016	267	–	–	**267**
Non-current 2016	–	–	507	**507**
Total	**267**	**–**	**507**	**774**
Current 2015	250	115	–	**365**
Non-current 2015	–	–	417	**417**
Total	**250**	**115**	**417**	**782**

12. PROVISIONS (CONTINUED)

PROVISION FOR ASSET DECOMMISSIONING

The Group recorded a provision for decommissioning costs of analogue transmitters and related assets. The provision was fully utilised at the reporting date.

DIRECTOR'S RETIRING PROVISION

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

LONG SERVICE LEAVE PROVISION

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 corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

13. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS[1] $'000	LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	TOTAL $'000
Cost or valuation					
At 1 July 2014	**13,241**	**2,052**	**108,976**	**2,242**	**126,511**
Additions	7	91	5,541	–	5,639
Disposals	–	(474)	(20,522)	–	(20,996)
Classification transfer	(38)	15	23	–	–
Reclassification to asset held for sale	43	–	–	–	43
At 30 June 2015	**13,253**	**1,684**	**94,018**	**2,242**	**111,197**
Additions	34	387	3,328	–	3,749
Disposals	(48)	(549)	(13,549)	–	(14,146)
Reclassification to asset held for sale	(843)	–	(234)	–	(1,077)
At 30 June 2016	**12,396**	**1,522**	**83,563**	**2,242**	**99,723**
Depreciation and amortisation					
At 1 July 2014	**(4,464)**	**(1,415)**	**(81,732)**	**(1,215)**	**(88,826)**
Depreciation charges	(317)	(166)	(6,499)	–	(6,982)
Amortisation charges	–	–	–	(177)	(177)
Disposals	–	441	19,844	–	20,285
Classification transfer	33	–	(33)	–	–
Reclassification to asset held for sale	(22)	–	–	–	(22)
At 30 June 2015	**(4,770)**	**(1,140)**	**(68,420)**	**(1,392)**	**(75,722)**
Depreciation charges	(318)	(276)	(5,732)	–	(6,326)
Amortisation charges	–	–	–	(127)	(127)
Disposals	16	536	13,273	–	13,825
Reclassification to asset held for sale	292	–	201	–	493
At 30 June 2016	**(4,780)**	**(880)**	**(60,678)**	**(1,519)**	**(67,857)**
Net Book Value					
At 30 June 2016	**7,616**	**642**	**22,885**	**723**	**31,866**
At 30 June 2015	8,483	544	25,598	850	**35,475**

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.

ASSETS PLEDGED AS SECURITY

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

ACCOUNTING POLICY

Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. 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.

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. 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 de-recognition 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.

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. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense. 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 within one year from the date of classification.

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

14. INTEREST BEARING LOANS AND BORROWINGS

		CONSOLIDATED	
		2016 $'000	2015 $'000
Current			
Obligations under finance lease contracts (Note 24)	2016	**402**	270
Total		**402**	270
Non-current			
Obligations under finance lease contracts (Note 24)	2017	**–**	402
$120 million secured bank loan facility (2015: $175 million)	2018	**73,402**	88,064
Total		**73,402**	88,466

ACCOUNTING POLICY

Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Subsequent Measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate 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 statement of profit or loss.

Derecognition

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

14. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

TERMS AND CONDITIONS

SECURED BANK LOAN FACILITY

The Company's secured bank loan facility with a limit of $120 million matures in April 2018. 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 BBSW rate plus a margin of between 1.50% and 1.80% (Level 2).

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 3.4% to 4.0% (2015: 3.6% to 4.4%), depending on the type of borrowing (Level 2).

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 previous 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.

Details regarding interest rate risk are disclosed in Note 15.

DEFAULTS AND BREACHES

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

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities 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's principal financial assets include trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Group also holds available-for-sale investments and from time to time 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 risks 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 Board of directors reviews risks in accordance with its approach to risk management as set out in the Directors' Report and the Group's Corporate Governance Statements which are displayed on the Company's website www.primemedia.com.au/investors.

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. The level of interest bearing debt is disclosed in Note 14.

At balance date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Financial Assets		
Cash and short-term deposits	**8,235**	9,837
	8,235	9,837
Financial Liabilities		
Secured bank loan facility	**(73,402)**	(88,064)
	(73,402)	(88,064)
Net exposure	**(65,167)**	(78,227)

The Group analyses its interest rate exposure from time to time. 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 2016, 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:

	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Consolidated				
+0.25% (25 basis points)	**(114)**	(196)	**–**	–
–0.25% (25 basis points)	**114**	196	**–**	–

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.

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 and 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 9. The Group does not hold collateral as security.

A small number of media buying agencies account for approximately 55.7% of Prime's revenue and no individual agency accounts for more than 15.0% 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.

LIQUIDITY RISK

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

- $120 million secured bank loan facility (2015: $175 million), which is currently drawn to 62% of the facility limit (2015: 51%); and
- Long-term finance lease contracts over specific items of plant and equipment.

Currently the Group secures up to 68% of the drawn down balance of the interest bearing debt facility for 3 to 6 month terms. In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Group has available approximately $46 million of undrawn committed borrowing facilities, subject to continued compliance with the bank loan covenants. The facility is repayable in full on expiry in April 2018. Interest will be charged at a rate of BBSW plus a margin between 1.50% and 1.80%. At 30 June 2016, 0.5% of the Group's debt will mature in less than one year. The remaining contractual maturities of the Group's financial assets and liabilities are:

YEAR ENDED 30 JUNE 2016	≤ 6 MONTHS $'000	6 – 12 MONTHS $'000	1 – 5 YEARS $'000	> 5 YEARS $'000	TOTAL $'000
Financial assets					
Cash and cash equivalents	8,235	–	–	–	**8,235**
Trade and other receivables	47,769	–	–	–	**47,769**
	56,004	**–**	**–**	**–**	**56,004**
Financial liabilities					
Trade and other payables	(32,738)	–	–	–	**(32,738)**
Finance lease contracts (refer note 24)	(201)	(201)	–	–	**(402)**
Finance lease contracts – finance charges (refer note 24)	(9)	(9)	–	–	**(18)**
Interest bearing loans (refer note 14)	–	–	(73,402)	–	**(73,402)**
Interest bearing loans – finance charges	(509)	–	–	–	**(509)**
	(33,457)	**(210)**	**(73,402)**	**–**	**(107,069)**
Net inflow/(outflow)	**22,547**	**(210)**	**(73,402)**	**–**	**(51,065)**

YEAR ENDED 30 JUNE 2015	≤ 6 MONTHS $'000	6 – 12 MONTHS $'000	1 – 5 YEARS $'000	> 5 YEARS $'000	TOTAL $'000
Financial assets					
Cash and cash equivalents	9,837	–	–	–	**9,837**
Trade and other receivables	49,669	–	–	–	**49,669**
	59,506	**–**	**–**	**–**	**59,506**
Financial liabilities					
Trade and other payables	(35,963)	–	–	–	**(35,963)**
Finance lease contracts (refer note 24)	(135)	(135)	(402)	–	**(672)**
Finance lease contracts – finance charges (refer note 24)	(23)	(22)	(18)	–	**(63)**
Interest bearing loans (refer note 14)	–	–	(88,064)	–	**(88,064)**
Interest bearing loans – finance charges	(1,065)	–	–	–	**(1,065)**
	(37,186)	**(157)**	**(88,484)**	**–**	**(125,827)**
Net inflow/(outflow)	**22,320**	**(157)**	**(88,484)**	**–**	**(66,321)**

16. CONTRIBUTED EQUITY

ISSUED AND PAID UP CAPITAL	CONSOLIDATED 2016 $'000	2015 $'000
Ordinary shares fully paid 366,330,303 shares (2015: 366,330,303 shares)	**310,262**	310,262

ACCOUNTING POLICY

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.

MOVEMENTS IN SHARES ON ISSUE

ORDINARY	2016 NUMBER OF SHARES	2016 $'000	2015 NUMBER OF SHARES	2015 $'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

EQUITY SETTLED SHARE-BASED PAYMENTS

PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

During the financial year 1,977,753 performance rights (2015: 1,517,438) were issued over ordinary shares. The Trustee of the Prime Media Group Limited Performance Rights Plan purchases shares on-market when the performance rights are exercised. Nil performance rights were cancelled by the Company during the year (2015: Nil).

At the end of the year there were 4,925,191 (2015: 4,527,438) un-issued ordinary shares in respect of which performance rights were outstanding. The performance rights over ordinary shares are non-dilutive.

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.

17. 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 2016, the Company paid dividends of $18,317,000 (2015: $24,178,000). The Board's target for dividend payments is currently up to 50% 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)	**> $135,000,000**	$192,758,000
Total debt to EBITDA	**< 3.25 times**	1.4
Interest cover to EBITDA	**> 3.0 times**	14.8

The key capital management measures have been calculated excluding the one-off non-cash impairment charge of $122,931,000 as it does not impact bank covenants. Shareholder funds has been adjusted to reflect the value of television licences consistent with the most recent independent valuation obtained in November 2015.

18. RETAINED EARNINGS AND RESERVES

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Employee benefits equity reserve	**4,400**	4,150
Accumulated losses	**(252,431)**	(140,536)

EMPLOYEE BENEFITS EQUITY RESERVE

Movements in reserve		
Balance at beginning of year	**4,150**	3,957
Exercise of performance rights	**(855)**	(887)
Share based payment	**1,105**	1,080
Balance at end of year	**4,400**	4,150

ACCUMULATED LOSSES

Balance at the beginning of year	**(140,536)**	**(151,979)**
Net (loss)/profit attributable to members of Prime Media Group Limited	**(93,578)**	**35,621**
Total accumulated losses	**(234,114)**	**(116,358)**
Dividends provided for or paid	**(18,317)**	**(24,178)**
Balance at end of year	**(252,431)**	**(140,536)**

ACCOUNTING POLICY

Employee Benefits Reserve

The employee benefits reserve is used to record the value of benefits provided to employees and directors as part of their remuneration under the Prime Media Group Limited Performance Rights Plan.

19. DIVIDENDS PAID AND PROPOSED

RECOGNISED AMOUNTS

DECLARED AND PAID DURING THE YEAR

	CONSOLIDATED 2016	CONSOLIDATED 2015
	$'000	$'000
Current year interim franked dividends 2.0 cents per share (2015: 3.8 cents)	**7,327**	13,921
Previous year final franked dividends 3.0 cents per share (2015: 2.8 cents)	**10,990**	10,257
Total	**18,317**	24,178

PROPOSED DIVIDENDS ON ORDINARY SHARES NOT RECOGNISED AS A LIABILITY

Final cash dividend fully franked for 2016: 1.7 cents per share (2015: 3.0 cents)	**6,228**	10,990

FRANKING CREDIT BALANCE	TAX GROUP 2016 $'000	TAX GROUP 2015 $'000
Franking account balance as at the end of the financial year at 30% (2015: 30%)	**39,024**	31,889
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	**2,485**	5,127
Franking debits that will arise from the payment of dividends as at the end of the financial year	**–**	–
	41,509	37,016
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	**(2,669)**	(4,710)
Total	**38,840**	32,306

TAX RATES

The tax rate at which paid dividends have been franked is 30% (2015: 30%). Dividends proposed will be franked at the rate of 30% (2015: 30%).

20. ASSETS HELD FOR SALE

	CONSOLIDATED 2016 $'000	2015 $'000
Total current assets held for sale	**–**	–
Property, plant and equipment	**584**	877
Investment in associates	**–**	86
Total non-current assets held for sale	**584**	963
Assets classified as held for sale	**584**	963

The Group's investment in Mildura Digital Television Pty Limited has been re-classified as an investment in associates in the current year, as the sale is not highly probable.

ACCOUNTING POLICY

Non-current assets held for sale

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. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense. 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 within one year from the date of classification.

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

21. FINANCIAL ASSETS

	CONSOLIDATED 2016 $'000	2015 $'000
Investments at fair value:		
Shares in uncontrolled entities (Level 1) (i)	**6**	5
Investments at cost:		
Shares in uncontrolled entities (Level 3) (ii)	**3**	3
Available-for-sale investments at fair value:		
Shares in uncontrolled entities (Level 3) (iii)	**–**	2,500
Total	**9**	2,508

Financial assets consist of investments in ordinary shares which do not have a fixed maturity date or coupon rate.

(i) Quoted equity shares (Level 1)

The fair value of listed financial assets 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 (Level 3)

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 (Level 3)

The Company does not have unquoted available-for-sale investments at the reporting date. In the previous comparative period, the Company estimated the fair value of the unquoted available-for-sale investments using valuation techniques based on assumptions that are not supported by observable market information. Cash flow projections were determined assuming the disposal of the shares. A multiple of earnings before interest, tax and depreciation ('EBITDA multiple') was applied to the disposal cash flows to determine fair value. The results were compared to similar companies with observable market sales data.

ACCOUNTING POLICY

Financial assets

Initial recognition and measurement

Financial assets are recognised initially at fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

All assets (and liabilities) for which fair value is measured or disclosed are characterised within the fair value hierarchy, described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets (and liabilities).
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Subsequent Measurement

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

Financial assets at fair value through profit or loss or other comprehensive income

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. The Group has not designated any financial assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets include equity investments. 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.

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.

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.

22. INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
UNLISTED	2016 $'000	2015 $'000
Mildura Digital Television Pty Limited	**86**	–
West Digital Television Pty Limited	**841**	1,259
West Digital Television No2 Pty Limited	**–**	–
West Digital Television No3 Pty Limited	**–**	–
West Digital Television No4 Pty Limited	**–**	–
WA SatCo Pty Limited	**–**	–
Broadcast Transmission Services Pty Limited	**–**	–
Total Investment in Associates	**927**	1,259

The Group's investment in Mildura Digital Television Pty Limited has been re-classified in the current year from held for sale to investment in associates as the sale is not highly probable.

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

ACCOUNTING POLICY

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

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 aggregate of 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.

THE CONSOLIDATED ENTITY HAS A MATERIAL INTEREST IN THE FOLLOWING ENTITIES

	OWNERSHIP INTEREST		CONTRIBUTION TO NET LOSS	
UNLISTED	2016 %	2015 %	2016 $'000	2015 $'000
Mildura Digital Television Pty Limited	**50%**	50%	**(645)**	(434)
West Digital Television Pty Limited	**50%**	50%	**(418)**	(441)
West Digital Television No2 Pty Limited	**50%**	50%	**–**	–
West Digital Television No3 Pty Limited	**50%**	50%	**–**	–
West Digital Television No4 Pty Limited	**50%**	50%	**–**	–
WA SatCo Pty Limited	**50%**	50%	**–**	–
Broadcast Transmission Services Pty Limited	**33%**	33%	**–**	–
Total			**(1,063)**	(875)

MOVEMENTS IN THE CARRYING AMOUNT OF THE GROUP'S INVESTMENT IN ASSOCIATES

	CONSOLIDATED	
	2016 $'000	2015 $'000
At July 1	**1,259**	140
Contributions made	**645**	2,080
Share of losses after income tax	**(1,063)**	(875)
Reclassification from/(to) assets held for sale	**86**	(86)
At June 30	**927**	1,259

Contributions made reflect 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.

23. INVESTMENTS IN SUBSIDIARIES

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, and Prime Television Investments 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 (Closed Group) as amended from time to time by assumption deed for the addition and removal of controlled entities. 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 2016 %	EQUITY INTEREST 2015 %
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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CLOSED GROUP 2016 $'000	CLOSED GROUP 2015 $'000
Operating (loss)/profit before income tax	**(81,315)**	51,667
Income tax expense attributable to operating profit	**(11,964)**	(15,804)
Operating (loss)/profit after tax	**(93,279)**	35,863
Retained losses at beginning of the financial year	**(61,444)**	(73,129)
Share cancellation – Prime Television New Zealand Limited	**(29,865)**	–
Dividends provided for or paid	**(18,317)**	(24,178)
Retained losses at end of the financial period	**(202,905)**	(61,444)

23. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	CLOSED GROUP	
	2016 $'000	2015 $'000
Assets		
Current assets	**61,958**	63,205
Non-current assets	**170,783**	329,466
Total assets	**232,741**	392,671
Liabilities		
Current liabilities	**35,891**	41,722
Non-current liabilities	**86,945**	99,310
Total liabilities	**122,836**	141,032
Equity	**109,905**	251,639

24. COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

	CONSOLIDATED	
	2016 $'000	2015 $'000
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
– not later than one year	**459**	333

LEASE EXPENDITURE COMMITMENTS – GROUP AS LESSEE

Operating leases (Group as lessee):		
Minimum lease payments		
– not later than one year	**6,425**	7,079
– later than one year and not later than five years	**18,448**	19,492
– later than five years	**6,973**	10,757
Aggregate lease expenditure contracted for at reporting date	**31,846**	37,328

ACCOUNTING POLICY

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception of the lease. The arrangement is, or contains, a lease if 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.

Group as a Lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property or the estimated present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of 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 statement of profit or loss on a straight-line basis over the lease term.

Operating leases have an average lease term of 3 years for motor vehicles, 3 to 5 years for building leases, and 5 to 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 site 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.

LEASE EXPENDITURE COMMITMENTS – GROUP AS LESSOR

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.

	CONSOLIDATED	
	2016 $'000	2015 $'000
Operating leases (non-cancellable Group as lessor):		
Minimum lease payments receivable		
– not later than one year	**1,528**	1,731
– later than one year and not later than five years	**4,064**	4,470
– later than five years	**1,088**	1,740
Aggregate lease income contracted for at reporting date	**6,680**	7,941

OTHER COMMITMENTS COVERING THE RENTAL OF TECHNICAL EQUIPMENT UNDER A LONG TERM AGREEMENT

The technical communications equipment that is fundamental to the distribution of the television programming and data communications is leased through long term operating leases between 5 and 15 years.

	CONSOLIDATED	
	2016 $'000	2015 $'000
– not later than one year	**4,326**	4,400
– later than one year and not later than five years	**18,641**	18,098
– later than five years	**1,254**	6,123
Total	**24,221**	28,621

FINANCE LEASE COMMITMENTS

	CONSOLIDATED	
	2016 $'000	2015 $'000
– not later than one year	**420**	315
– later than one year and not later than five years	**–**	420
Total minimum lease payments	**420**	735
– future finance charges	**(18)**	(63)
Lease liability	**402**	672
– current liability	**402**	270
– non-current liability	**–**	402
Total	**402**	672

FINANCE LEASE COMMITMENTS AT PRESENT VALUE

	CONSOLIDATED	
	2016 $'000	2015 $'000
– not later than one year	**402**	301
– later than one year and not later than five years	**–**	371
Present value of minimum lease payments	**402**	672

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 28) 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.

	CONSOLIDATED	
	2016 $'000	2015 $'000
– not later than one year	**1,200**	1,200
– later than one year and not later than five years	**1,200**	2,100
Total	**2,400**	3,300

24. COMMITMENTS (CONTINUED)

ACCOUNTING POLICY

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.

25. CONTINGENT LIABILITIES

The Group 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 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 to 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

	CONSOLIDATED	
	2016 $'000	2015 $'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	**7,038**	9,384
– later than five years	**–**	–
Maximum contingent commitments	**9,384**	11,730

As noted above the entire maximum potential contingent commitment is offset by government funding.

26. INCOME TAX

The major components of income tax expense are:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Consolidated Statement of Profit or Loss		
Current income tax		
Current income tax charge	**12,146**	15,296
Adjustments in respect of current income tax of previous years	**11**	(182)
Deferred income tax		
Relating to origination and reversal of temporary differences	**116**	160
Adjustments in respect of deferred income tax of previous years	**–**	(123)
Income tax expense in the Consolidated Statement of Profit or Loss	**12,273**	15,151

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by Australia's domestic income tax rate is as follows:

	CONSOLIDATED	
	2016 $'000	2015 $'000
Accounting (loss)/profit before income tax	**(81,305)**	50,772
Prima facie tax (benefit)/expense at 30% (2015: 30%)	**(24,392)**	15,232
Expenses not deductible for tax	**653**	912
Income not assessable for tax	**(878)**	(787)
Impairment charge not deductible for tax	**36,879**	–
Adjustments in respect of current tax of previous years	**11**	(305)
Deferred tax asset derecognised	**–**	80
Foreign tax rate adjustment	**–**	19
Income tax expense reported in the Statement of Profit or Loss	**12,273**	15,151
Effective tax rate	**(15.1%)**	29.8%

DEFERRED TAX ASSETS AND LIABILITIES

	CONSOLIDATED			
	2016 $'000 CURRENT INCOME TAX	2016 $'000 DEFERRED INCOME TAX	2015 $'000 CURRENT INCOME TAX	2015 $'000 DEFERRED INCOME TAX
Opening balance	**(5,127)**	**993**	(1,737)	1,442
Charged to income	**(12,494)**	**221**	(15,055)	(36)
Other payments and utilisation of tax losses	**15,136**	**(152)**	11,665	(413)
Closing balance	**(2,485)**	**1,062**	(5,127)	993
Tax expense in statement of comprehensive income		**12,273**		15,151
Amounts recognised in the statement of financial position:				
Deferred tax asset		**1,062**		993
Deferred tax liability		**–**		–
		1,062		993

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	2016 $'000	2015 $'000
Deferred income tax as at 30 June relates to the following:		
Deferred tax liabilities		
Accelerated depreciation for tax	**(1,202)**	(1,048)
Leased assets	**(28)**	(53)
Prepaid expenses deductible for tax	**(1,821)**	(2,367)
Income not yet assessable for tax	**(4)**	–
Fair value of television licences on acquisition	**(6,690)**	(6,690)
	(9,745)	(10,158)
Set-off of deferred tax assets	**9,745**	10,158
Net deferred tax liabilities	**–**	–
Deferred income tax as at 30 June relates to the following:		
Deferred tax assets		
Employee entitlements	**1,698**	1,654
Provisions	**43**	59
Expenses not yet deductible for tax	**1,910**	1,983
Difference between accounting and tax on building write off	**105**	252
Impairments of investments	**6,690**	6,690
Tax losses	**361**	513
	10,807	11,151
Set-off of deferred tax liabilities	**(9,745)**	(10,158)
Net deferred tax assets	**1,062**	993

INCOME TAX LOSSES

	2016 $'000	2015 $'000
(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.	**361**	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	**–**	–

26. 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 entities 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	
	2016 $'000	2015 $'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	**13,997**	16,762

ACCOUNTING POLICY

Current Income Taxes

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.

Deferred Income Taxes

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 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.

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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or favourable to, the taxation authority. 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.

27. SHARE-BASED PAYMENTS EXPENSE

	CONSOLIDATED	
	2016 $'000	2015 $'000
Expense arising from equity-settled share-based payment transactions	**1,105**	1,080

ACCOUNTING POLICY

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.

Outstanding performance rights are reflected as additional share dilution in the computation of diluted earnings per share (see Note 6).

The share-based payment plan is described below. During the financial year, nil performance rights lapsed (2015: Nil), nil performance rights were forfeited (2015: Nil) and nil performance rights were cancelled (2015: Nil).

PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

At the 2011 Annual General Meeting, shareholders approved the Prime Media Group Limited Performance Rights Plan, which was established for senior 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 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.

The Board has resolved to freeze the current plan with the objective of introducing an improved LTI scheme that will be put forward for shareholder approval at the 2017 Annual General Meeting.

SUMMARY OF RIGHTS GRANTED UNDER PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS

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

	2016		2015	
	NO.	WAEP	NO.	WAEP
Balance at beginning of year	**4,527,438**	**$0.00**	3,976,000	$0.00
– granted	**1,977,753**	**–**	1,517,438	–
– exercised	**(1,580,000)**	**–**	(966,000)	–
– lapsed	**–**	**–**	–	–
– cancelled	**–**	**–**	–	–
– forfeited	**–**	**–**	–	–
Balance at end of year	**4,925,191**	**$0.00**	4,527,438	$0.00
Exercisable at end of year	**–**	**–**	–	–

PERFORMANCE RIGHTS PRICING MODEL

PRIME MEDIA GROUP PERFORMANCE RIGHTS PLAN

Employees must remain in service for a period of three years from date of grant. The fair value of performance rights granted in 2016, 2015 and 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 was estimated on the date of grant using the following inputs to the model:

	2016		2015		2014	2013	
	NOV 15	SEP 15	NOV 14	AUG 14	NOV 13	NOV 12	OCT 12
Expected annual dividends	**6.80**	**6.80**	6.80	7.30	6.89	8.23	8.23
Expected volatility (%)	**30.60**	**30.60**	26.94	27.45	29.00	35.02	33.65
Expected life (years)	**3**	**3**	3	3	3	3	3
Exercise price ($)	**0.00**	**0.00**	0.00	0.00	0.00	0.00	0.00
Share price at grant date ($)	**0.62**	**0.63**	0.86	1.03	1.06	0.81	0.80

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.

WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life of performance rights outstanding as at 30 June 2016 is 1.4 years (2015: 1.3 years).

RANGE OF EXERCISE PRICE

The range of exercise price for performance rights outstanding at the end of the year was $0.00 (2015: $0.00).

WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of performance rights granted during the year was $0.42 (2015: $0.75).

28. 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 2016 %	EQUITY INTEREST 2015 %
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
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 Digitalworks Pty Limited	Australia	**100**	100
Broadcast Rentals Pty Limited	Australia	**100**	100
Prime Television New Zealand Limited (de-registered 14 July 2015)	New Zealand	**–**	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)

	CONSOLIDATED 2016 $'000	CONSOLIDATED 2015 $'000
Short-term employee benefits	**3,995**	4,568
Post-employment benefits	**162**	154
Long-term benefits	**108**	55
Share based payments	**1,105**	1,080
Total	**5,370**	5,857

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period that related to KMP. Details of remuneration amounts paid to individual KMP are disclosed in tables 1 and 2 of section 4 of the Remuneration Report.

(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 until 30 June 2020. 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 for the period to 2018 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 Channel Seven Queensland Pty Limited, an entity associated with one of the Company's major shareholders. The fees payable by Channel Seven Queensland Pty Limited are based on normal commercial terms and conditions applicable to this type of service.

RILEY STREET CONSULTING PTY LIMITED

In the prior year this company provided consulting services to the Group to the value of $10,190. This company has an association with the Group's General Counsel and Company Secretary. The consultancy fees payable by the Group were reviewed and approved by the CEO prior to the services being provided, and were based on normal commercial terms and conditions applicable to this type of service.

29. PARENT ENTITY INFORMATION

	PRIME MEDIA GROUP LIMITED	
	2016 $'000	2015 $'000
Current assets	**105**	106
Total assets	**205,572**	312,078
Current liabilities	**2,835**	5,477
Total liabilities	**140,487**	103,515
Issued capital	**310,262**	310,262
Retained earnings	**(249,577)**	(105,849)
Employee benefits reserve	**4,400**	4,150
Total shareholders' equity	**65,085**	208,563
Loss of the parent entity	**(125,069)**	(3,550)
Total comprehensive loss of the parent entity	**(125,069)**	(3,550)

Parent entity total assets include investments in subsidiaries (refer Note 23). The value of the investments has reduced in the 2016 financial year consistent with the one-off non-cash impairment of television licences and goodwill held by subsidiaries, totalling $122,931,000.

29. PARENT ENTITY INFORMATION (CONTINUED)

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 (Closed Group) entered into a Deed of Cross Guarantee on 17 October 2006 as amended from time to time by assumption deed for the addition and removal of controlled entities. 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 23).

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 Network 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 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 SatCo Pty Limited has simultaneously entered into an agreement with the Commonwealth Government which provides for 100% funding of this satellite service to 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

30. SUBSEQUENT EVENTS

The Group has engaged MediaHub Australia (a joint venture between the Australian Broadcasting Corporation and WIN Television) to provide On-Air operations services to the company. On air operations in a television business augment the program feed with commercials, community service announcements and other materials, to create the complete schedule of content for transmission. It is a major component of television broadcasting. Outsourcing this function to a managed service is an established practice in the major and mature TV markets of Great Britain and Europe with impressive continuity of service outcomes.

31. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2016 $	2015 $
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	**239,990**	264,974
– other services in relation to the entity and any other entity in the consolidated entity	**90,245**	57,344
– amounts received or due and receivable by related practices of Ernst & Young	**–**	23,870
Total	**330,235**	346,188

32. OTHER ACCOUNTING POLICIES

(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 AUSTRALIAN ACCOUNTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The following Australian Accounting Standards and Interpretations have recently been issued or amended, but are not yet effective. The Company will continue to review the changes and their impact on the financial statements of the Group as the application dates arises.

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 9/IFRS 9	Financial Instruments	1 January 2018	1 July 2018
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	1 July 2016
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 cycle	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	1 July 2016
AASB 16	Leases	1 January 2019	1 July 2019
AASB 2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	1 January 2017	1 July 2017
AASB 2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	1 July 2017
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	1 January 2018	1 July 2018

(D) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Prime Media Group Limited and its subsidiaries (as outlined in Note 28) as at and for the year ended 30 June 2016. Interests in associates are equity accounted and are not part of the consolidated Group (see Note 22).

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 Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the trustee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements 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 cash flows 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 related assets (including goodwill), liabilities, non-controlling interest and any other component of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(E) 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 the 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 the 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.

32. OTHER ACCOUNTING POLICIES (CONTINUED)

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. 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 to 5 years for building leases, and 5 to 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

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 value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for next year, plus growth assumptions 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 8.

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 broadcasting licences consist of the right to broadcast television 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.

VALUATION OF INVESTMENTS

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.

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.

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.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2016

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 Prime Media Group Limited for the financial year ended 30 June 2016 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 2016 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 32(b); and
   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.
2. This declaration has been made after receiving the declarations required to be made to the Directors by 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 2016.

On behalf of the Board

P.J. Macourt
Director

Sydney, 22 August 2016

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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 2016, 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

EY
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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 2016 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 2016. 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 2016, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Christopher George
Partner
Sydney
22 August 2016

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2016

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 18 August 2016.

A. DISTRIBUTION OF EQUITY SECURITIES

ORDINARY SHARES

As at 18 August 2016, 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 is:

	NUMBER OF HOLDERS
1 – 1,000	588
1,001 – 5,000	1,091
5,001 – 10,000	714
10,001 – 100,000	1,384
100,001 and over	195
	3,972
The number of shareholders holding less than a marketable parcel of shares:	808

B. TWENTY LARGEST REGISTERED SHAREHOLDERS

The names of the twenty largest registered holders of quoted shares at 18 August 2016 are:

		LISTED ORDINARY SHARES	
		NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	41,920,818	11.44
2	NETWORK INVESTMENT HOLDINGS PTY LIMITED	41,701,955	11.38
3	JP MORGAN NOMINEES AUSTRALIA LIMITED	37,837,761	10.33
4	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	35,011,975	9.56
5	CITICORP NOMINEES PTY LIMITED	23,509,595	6.42
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,055,982	4.38
7	BNP PARIBAS NOMS PTY LTD	11,529,201	3.15
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	11,479,764	3.13
9	NATIONAL NOMINEES LIMITED	11,464,146	3.13
10	BIRKETU PTY LTD	9,000,000	2.46
11	MR GEORGE WALTER MOORATOFF	5,000,000	1.36
12	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	3,641,935	0.99
13	CITICORP NOMINEES PTY LIMITED	2,951,432	0.81
14	CVC LIMITED	2,789,260	0.76
15	IQ RENTAL & FINANCE PTY LTD	1,800,000	0.49
16	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,670,162	0.46
17	FRANED PTY LIMITED	1,650,000	0.45
18	S M & R W BROWN PTY LTD	1,500,000	0.41
19	BRISPOT NOMINEES PTY LTD	1,362,667	0.37
20	CS FOURTH NOMINEES PTY LIMITED	1,344,486	0.37
	Total	**263,221,139**	**71.85**

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 [1]	41,701,955	11.38%*
ASHBLUE HOLDINGS PTY LIMITED AND MR KERRY STOKES [1]	41,701,955	11.38%*
NORTH ASTON PTY LIMITED, WROXBY PTY LIMITED, AUSTRALIAN CAPITAL EQUITY PTY LIMITED, ACE GROUP ENTITIES AND MR KERRY STOKES [1]	41,701,955	11.38%*
IOOF HOLDINGS LIMITED	23,661,544	6.46%

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.

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