



PRIME MEDIA GROUP

2017 ANNUAL REPORT

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CORPORATE INFORMATION

ABN 97 000 764 867

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

NAME	POSITION	DATE APPOINTED	DATE RESIGNED/RETIRED
Directors:			
John K. Hartigan	Chair	15 May 2014	–
Ian R. Neal		6 June 2008	–
Peter J. Macourt		1 September 2014	–
Cass O'Connor		21 April 2015	–
Alexander A. Hamill		2 October 2003	30 September 2016
Michael H. Hill		4 August 2015	30 September 2016
Ian C. Audsley	Chief Executive Officer	24 June 2010	–
Company Secretary			
Emma McDonald		27 February 2012	–

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
Ph: 1300 554 474

AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000

Prime Media Group Limited shares 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 2017 financial year.

We have had a pleasing result this year, notwithstanding the continuing challenges in the regional television advertising market, coupled with the increasing competition for audiences and advertising revenue from global media and technology companies.

Although we witnessed a 5.8% decline in the regional television audiences in the 2017 financial year, the Company was able to successfully monetise the 2016 Rio Olympic Games and Paralympic Games, and this helped improve our 2017 earnings.

Additionally, we were delighted that, in response to industry calls to address the punitive television licence fee regime, the Federal Government used its regulatory powers to remove licence fees payable as a one-off relief measure.

I am pleased to report to our shareholders that PRIME was able to pay a full year dividend of 3.4 cents per share fully franked. Your board has continued to focus on lowering debt and the Company successfully reduced its debt by \$28.6 million to \$36.9 million in the 2017 financial year.

During the course of the year, we continued to advocate for well-overdue changes to Australia's outdated media ownership and control laws. We have often said – and we remain of the view – that repealing these inflexible laws is the best opportunity available to the Company for new revenue or transaction opportunities. At the date of writing this report, the proposed reforms have successfully passed the Senate thanks to the tireless efforts of the Minister for Communications & the Arts, Mitch Fifield and with the help of cross bench senators. We are confident that the House of Representatives will pass the legislation in mid-October and the bill will become law soon after.

We have, over the course of the year, maintained our focus on maximising the Company's revenue and audience share, in the challenging revenue environment. At the same time, Ian Audsley and his executive team continue to improve the Company's operational performance, with operating expenses down by 1.8% on the prior year.

On behalf of the Board, I would like to extend my thanks to my fellow directors for their support and to all our Prime employees for their continued efforts.

The Board welcomes continued feedback and engagement with our shareholders.

A handwritten signature in black ink, appearing to read 'John Hartigan'. The signature is fluid and cursive, with a long horizontal stroke at the end.

John Hartigan
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REPORT

PRIME's financial result for the 2017 Financial Year comes largely off the back of PRIME's Rio Olympic Games and Paralympic Games telecasts. PRIME also benefitted from the Federal Government's one-off television broadcast licence fee relief. To a lesser extent PRIME gained positive revenue share shift as a result of changes to our competitors' network affiliation arrangements in the first half of the reporting period.

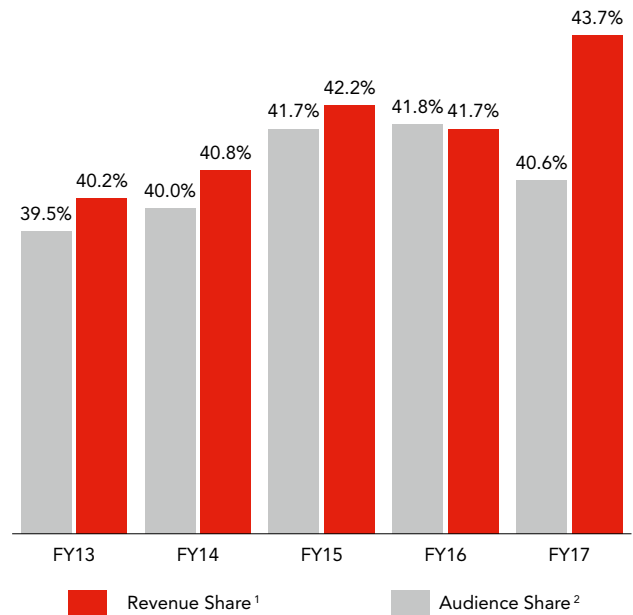
PRIME's advertising revenue in its key aggregated market of New South Wales and Victoria grew 1.7% or 4.8 percentage points above market. In the same period, the market declined 3.1% and total audiences a further 5.8%. The decline in total audience numbers in regional television is concerning and highlights PRIME's consistent argument for necessary and long overdue media regulation reform.

With a disciplined and earnest approach to expense management continuing in the business, PRIME's focus in FY17 was to ensure that the opportunity presented by the Rio Olympic Games and Paralympic Games was optimised. I am very pleased to tell you that our national and local sales teams delivered an outstanding result over the Olympic Games period, snaring an almost 57% share of television advertising in the Olympic month of August and a 48.4% share of television advertising for the Olympic quarter – July to September.

PRIME also found success in local news programming when its North Coast local news bulletin moved into a leading position in the Northern Rivers market, and PRIME reporter Lucy Langtry and cameraman Rod Smith won the prestigious Paul Lockyer Award for Outstanding Regional Broadcast Journalism at the Kennedy Awards for their combined work covering the Lismore floods in March and early April 2017.

PRIME commissioned two news specials hosted by Ray Martin to assert its local news leadership position and credentials. The first program focused on the ICE epidemic in regional Australian communities, providing a platform for families affected by the drug to tell their stories, while the second program shone a light on domestic violence and its impact on communities from the Gold Coast to Kalgoorlie. Both programs won their respective time slots and cemented PRIME's position as the leader in local commercial television public affairs reporting.

TV REVENUE AND AUDIENCE SHARE



1 KPMG industry data 1 July 2012 to 30 June 2017.

2 Regional TAM All People 0600-2359 1 July 2012 to 30 June 2017.

Shareholders would know that PRIME played a pivotal role in arguing for media reforms, which have now been passed by the Senate and look set for introduction following a number of amendments that should pass the House of Representatives in October.

The much needed reforms comprised in the Government's media reform bill will liberate traditional media companies like PRIME from legacy rules that are no longer relevant or appropriate in contemporary markets where global media giants participate unregulated and unrestricted. Though we are very pleased that the passing of the reforms seems all but done, we are disappointed in the time it took for the parliament to come together and agree the package; as a result of that delay Australian owned and operated media companies have experienced significant value decay and several hundred regional media employees have lost their jobs.

With the world's largest media companies now accessing our audiences and advertising markets, the introduction of the reforms, inclusive of licence fee relief, should provide new opportunities for shareholders in an increasingly competitive market for audiences and advertising spends.

Finally PRIME continues to pride itself on our regional engagement providing valuable community airtime sponsorships to support and assist community endeavours. PRIME was proudly associated with many charitable and community-based organisations, including Relay for Life, Camp Quality, Young Achiever Awards and Royal Far West.



Ian Audsley
CHIEF EXECUTIVE OFFICER

HIGHLIGHTS

\$240.1m

REVENUE

\$64.1m

EBITDA

\$35.6m

CORE NET PROFIT AFTER TAX[^]

**3.4¢
per share**

FULL YEAR DIVIDEND

[^] Excludes non-core specific items.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2017.

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.



**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 current director of FOXTEL and a former director and chief operating officer of News Limited and Independent Newspapers Limited. Mr Macourt is Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee.



**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 corporate advisory company. Ms O'Connor is currently Chair and non-executive director of McGrath 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 is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.



**ALEXANDER A.
HAMILL**

**Non-Executive Director
(retired 30 September 2016)**

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 was a member of the Remuneration and Nomination Committee.



**MICHAEL H.
HILL**

**Non-Executive Director
(resigned 30 September 2016)**

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 Ironbridge, a domestic based private equity firm. Mr Hill is currently the Executive Chair of rhipe Limited and non-executive Chair of Ahalife Holdings Limited, HJB Corporation Limited and Noble Mining Resources Limited. Mr Hill is also a non-executive director of JustKapital Limited and LiveTiles Limited. Mr Hill is a member of Chartered Accountants Australia and New Zealand and was a member of the Audit and Risk Committee.



**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	–	–
I.R. Neal	40,000	–
P.J. Macourt	–	–
C.A. O'Connor	75,000	–
I.C. Audsley	621,756	1,350,000

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	May 2017
	McGrath Limited (Chair and 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 (Non-Executive Director)	September 2014	Present
	Noble Mining Resources Limited (Non-Executive Chair)	November 2015	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 – Profit from Statutory earnings	9.9
Diluted earnings per share – Profit from Statutory earnings	9.9
Basic earnings per share – Profit from Core earnings	9.7
Basic earnings per share – Profit from Core earnings	9.7

DIVIDENDS	CENTS	\$'000
Final dividend recommended:		
– on ordinary shares	1.7	6,228
Dividends paid in the year:		
<i>Interim for the year</i>		
– on ordinary shares	1.7	6,228
<i>Final for 2016 shown as recommended in the 2016 financial report</i>		
– on ordinary shares	1.7	6,228

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 profit after tax attributable to the members for the year ended 30 June 2017 was \$36,244,000 (2016: restated loss \$57,743,000). Revenue of \$240,059,000 increased 0.5% or \$1,241,000 on the previous corresponding period, and included advertising revenue derived from broadcasting the Olympic Games in August 2016.

During the financial year, the Company increased its lead revenue share by 2.1 share points to 43.75% in the aggregated regional market of New South Wales and Victoria. The Company's television advertising revenue in the aggregated regional market of New South Wales and Victoria increased by \$3,257,000 or 1.7% on the previous corresponding period, compared to the market, which declined 3.1% in the same period.

The Company's gross profit margin improved from 45.1% to 47.5% as a result of the Federal Government announcement made on 28 June 2017 to remove free-to-air television broadcast licence fees for the 2017 financial year.

During the reporting period, the Company completed the sale of surplus property located in Tamworth New South Wales, recording a gain on sale of \$1,005,000.

Total operating expenses of \$50,047,000 were \$920,000 or 1.8% favourable to the previous corresponding period, primarily due to a reduction in employee benefits expense of \$735,000 or 1.8%.

The Company's share of profits from joint ventures was \$101,000 for the reporting period, compared to a combined loss of \$1,063,000 in the previous corresponding period. In July 2016, the ventures commenced broadcasting Nine Entertainment programming in regional Western Australia and Mildura, having broadcast TEN programming in these regions in the prior corresponding period.

During the reporting period the Company successfully outsourced the playout of 60 discrete market channels to MediaHub Australia. Redundancy costs of \$504,000 were incurred as a result of the outsourcing.

Earnings before interest, tax and depreciation and amortisation of \$64,060,000 increased by \$8,650,000 or 15.6%.

Net cash flow from operating activities of \$43,971,000 improved \$10,046,000 or 29.6% compared to the prior corresponding period.

Net interest bearing debt reduced by \$28,619,000 during the period to \$36,950,000 at 30 June 2017. The Company continues to operate comfortably within bank covenants. Finance costs were \$2,542,000 or 30.6% favourable to the previous corresponding period due to the lower average interest bearing debt levels.

RESTATEMENT OF PRIOR YEAR RESULTS DUE TO CHANGE IN ACCOUNTING POLICY

In November 2016 the IFRS Interpretation Committee (IFRIC) issued a clarification that indefinite life assets, such as television broadcast licences, were subject to consumption, but the period of consumption could not be reliably predicted. IFRIC concluded that the assumption of sale could not be presumed and that the principles of AASB 112 *Income Taxes* needed to be applied.

As a consequence of IFRIC's recent determination, the Company has amended its accounting policy to comply with the revised guidance. The impact of the restatement is to increase deferred tax liabilities at 1 July 2015, being the beginning of the earliest comparative reporting period, by \$54,889,000 and to increase accumulated losses by \$54,889,000.

At 30 June 2016, the carrying value of indefinite life television broadcast licences was reduced as a result of a one off non-cash impairment charge of \$119,450,000 to \$63,513,000. As a result of the impairment, the deferred tax liability recognised on television broadcast licences was reduced by \$35,835,000 to \$19,054,000 as at 30 June 2016. The income tax expense for the 2016 financial year was also reduced by \$35,835,000 resulting in a net income tax benefit for the financial year of \$23,562,000.

As a result of the change in income tax expense, EPS for the 2016 financial year increased from negative 25.5 cents per share to negative 15.8 cents per share.

As at 30 June 2017, the deferred tax liability on television broadcast licences was unchanged at \$19,054,000. In the event that the Company formalises a plan to sell the television broadcast licences in the future, the Company has unbooked capital losses to offset tax arising from a future sale.

CORE NET PROFIT AFTER TAX

Core net profit after tax (non-IFRS measure) and before specific items was \$35,592,000 (2016: \$27,351,000), representing an increase of \$8,241,000 or 30.1% on the previous corresponding period. The Group's final dividend has been declared based on the core net profit after tax:

	2017 \$'000	2016 RESTATED \$'000
Reported profit/(loss) after tax	36,244	(57,743)
Impairment of television broadcast licences and goodwill (non-cash)	–	122,931
Release of deferred tax liability arising from impairment	–	(35,835)
Gain on sale of surplus assets	(1,005)	(2,084)
Redundancies	504	118
Income tax benefit related to specific items	(151)	(36)
Core net profit after tax and before specific items	35,592	27,351

SHAREHOLDER RETURNS

Core Earnings Per Share (cents per share) ¹		9.7	7.5
Statutory Earnings Per Share (cents per share)		9.9	(15.8)
Core Return on Assets (ROA) ¹	%	22.9	16.0
Statutory Return on Assets (ROA)	%	23.3	(33.8)
Weighted Average Cost of Capital (pre-tax)	%	11.74	11.61
Core Return on Equity (ROE) (%) ^{1,2}		53.0	63.3
Statutory Return on Equity (ROE)	%	53.9	(133.7)
Net Debt/Net Debt + Equity Ratio	%	35.5	60.3
Share price	\$	0.38	0.32
Dividends per share	cents	3.4	3.7
Total Shareholder Return	%	29.4	(48.3)

1 These returns have been calculated using core net profit after tax as set out within the Directors Report.

2 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 increased by \$10,046,000 to \$43,971,000 primarily due to an increase in television advertising revenue arising from the broadcast of the 2016 Olympic Games, cash outflows associated with the Olympics in the prior corresponding period, and the timing of payments.

Net cash flows used in investing activities of \$2,428,000 (2016: \$1,085,000) related to capital expenditure, mainly for broadcast and computer equipment totalling \$3,996,000. Net cash flows from investing activities included the proceeds from the sale of surplus property in Tamworth, New South Wales of \$1,611,000.

DIRECTORS' REPORT

CAPITAL STRUCTURE

The Group's secured bank loan facility decreased to \$43,540,000 as at 30 June 2017 (2016: \$73,402,000). The Group continues to operate comfortably within the terms of its debt facility, which matures April 2020. During the reporting period, the debt facility limit was reduced by \$40 million to \$80 million.

	2017 \$'000	2016 RESTATED \$'000
Interest-bearing loan and finance lease contracts	43,540	73,804
Cash and short term deposits	(6,590)	(8,235)
Net debt	36,950	65,569
Total equity	67,206	43,177
Total capital employed	104,156	108,746
Gearing	35.5%	60.3%

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

	2017 \$'000	2016 \$'000
Current		
Obligations under finance leases	–	402
	–	402
Non-current		
Secured bank loan facility	43,540	73,402
	43,540	73,402
Total interest bearing liabilities	43,540	73,804

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 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

Subsequent to 30 June 2017 the Directors of certain subsidiary companies within the Group resolved to pay dividends totalling \$282,000,000 to the Parent entity, Prime Media Group Limited. This action was taken to remit profits earned by subsidiaries in the year ended 30 June 2017 and prior periods, which were reflected in the consolidated results of the Group in 2017 and those prior periods and from which the Group paid dividends in 2017 and in those prior periods.

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. Changes to the regulatory environment may also impact the outlook for free-to-air television broadcasters.

PERFORMANCE RIGHTS (EQUITY)

UNISSUED SHARES

At the date of this report there were 3,495,191 (2016: 4,925,191) performance rights over unissued ordinary shares under the Prime Media Group Limited Performance Rights Plan that are yet to vest. Refer to Note 26 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, 1,142,091 (FY16: 1,580,000) ordinary shares were acquired on market by the Trustee of the Prime Media Group Limited Performance Rights 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 \$164,315 (2016: \$134,459) 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	–	–
I.R. Neal	8	3	5
P.J. Macourt	8	3	3 ¹
C.A. O'Connor	8	2 ¹	5
A.A. Hamill (Retired 30 September 2016)	1 ²	–	1 ²
M.H Hill (Resigned 30 September 2016)	1 ²	1 ¹	–
I.C. Audsley	8	–	–

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

2 the director was eligible to attend 2 meetings during the period.

DIRECTORS' REPORT

MESSAGE FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholder

I am pleased to present to you the Company's Remuneration Report for the financial year to 30 June 2017 in accordance with section 300A of the Corporations Act, outlining the nature and amount of remuneration for non-executive directors and key management personnel.

Over the past 12 months, your board has continuously sought feedback from Company stakeholders to ensure Prime Media's remuneration framework continues to incentivise superior performance whilst producing pay outcomes that are consistent with the interests of long term shareholders. The remuneration structure for the 2017 financial year is summarised as follows:

REMUNERATION ISSUE	POSITION
Fixed remuneration – Base salary plus superannuation	Benchmarked by an independent third party and referencing industry (media sector) peers where the Company competes for talent.
'At Risk' Remuneration	100% of STI is awarded in cash payments made in the year following achievement. 100% of LTI is awarded in performance rights deferred over for three years. New issues under the LTI plan have been suspended pending a review by the Remuneration and Nomination Committee.
Short Term Incentive Plan (STI)	The metrics for 2017 STI awards are set out on page 14 of this Remuneration Report. It is an annual cash incentive opportunity applying a mix of key performance indicators aligned to the Company strategy. Financial and non-financial performance for the 2017 year, including the performance of the individual executives, surpassed expectations and 99.5% of the STI was achieved.
Long Term Incentive Plan (LTI)	The current LTI plan measures performance based on earnings per share (EPS) and power ratio targets over a three year period. Performance and vesting outcomes under the LTI plan are set out on page 18 of this Remuneration Report. As a result of a review of the LTI plan, no performance rights were granted to KMP in the 2017 financial year. This year performance rights granted in prior years vest and the details of the vesting are shown on page 19.

I am pleased to advise that having consulted widely with key stakeholders, the Company will implement a revised LTI plan that better aligns the Company's strategic business objectives with long term shareholder value creation. The new plan will be implemented from the 2018 financial year.

As Chair of the Remuneration and Nomination Committee, I would like to thank shareholders for their ongoing support and invite feedback from them regarding the changes made and implemented in relation to the structure of the executive remuneration framework.

Yours sincerely



Mr. Ian Neal

Chair – Remuneration and Nomination Committee

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2017 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

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 2017 were:

KMP	POSITION	TERM AS KMP
Non-Executive Directors		
J.K. Hartigan	Chair; Director	Full Year
I.R. Neal	Director	Full Year
P.J. Macourt	Director	Full Year
C.A. O'Connor	Director	Full Year
A.A. Hamill	Director	Retired 30 September 2016
M.H. Hill	Director	Resigned 30 September 2016
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

A. 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 five meetings during this financial year and attendance was as follows:

	MEETINGS ATTENDED	COMMENTARY
I.R. Neal (Chair)	5/5	Maximum number of meetings eligible to attend
C.A. O'Connor	5/5	Maximum number of meetings eligible to attend
P.J. Macourt	3/3	Maximum number of meetings eligible to attend
A.A. Hamill	1/2	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

A. 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 has 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

B. 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	<ul style="list-style-type: none"> Represented by total employment cost: comprises base salary, superannuation contributions and other discretionary and non-discretionary benefits. 	<ul style="list-style-type: none"> To provide competitive fixed remuneration set with reference to the median of comparable external market roles. 	<ul style="list-style-type: none"> Company and individual performance are considered during the annual review process.
STI component	<ul style="list-style-type: none"> Paid in cash. 	<ul style="list-style-type: none"> Rewards executives for their contribution to achievement of Group and business unit outcomes, as well as individual Key Performance Indicators (KPIs). 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Awards are made in the form of performance rights. 	<ul style="list-style-type: none"> Rewards executives for their contribution to the creation of shareholder value over the longer term. 	<ul style="list-style-type: none"> Performance rights vest subject to achieving core EPS and power ratio targets.

FIXED REMUNERATION – 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) or the amount of increase paid to other KMP, there were no base salary increases to Executive KMP.

DIRECTORS' REPORT

4. DETAIL OF INCENTIVE PLANS

A. 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	12%	80%	8%
Group GM Operations	20%	20%	60%
General Counsel & Company Secretary	20%	20%	60%
Chief Financial Officer	16%	24%	60%
GM Television	24%	32%	44%

KEY PERFORMANCE OBJECTIVES	OUTCOMES	COMMENTARY
Financial results	Achieved Achieved Achieved	Statutory net profit after tax of \$36,244,000. Core net profit after tax of \$35,592,000. Group EBITDA of \$64,060,000.
Maximising advertising revenue share and yield	Partially achieved	Prime reported a power ratio of 1.078, which demonstrates that Prime's revenue share significantly exceeded its audience share in the aggregated regional market of New South Wales and Victoria.
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 \$920,000 or 1.8% on the prior comparable period.
Sale of non-core assets	Achieved	Successful outsourcing of broadcast playout operations to MediaHub Australia.
Risk management culture including promotion of work health safety	Achieved	Sale of surplus premises in Tamworth NSW resulting in a one-off gain on sale of \$1.0 million.
		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 considers and 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 has assessed whether STI deferral is appropriate. At this stage it has decided not to implement STI deferral but will continue to review this on an annual basis.

B. LONG TERM INCENTIVES

LTI awards to executives are made annually under the Prime Media Group Limited Performance Rights Plan. The cumulative allocations represent 1.0% of the undiluted capital of the Company with a maximum income cost of \$1,974,183 (2016: \$3,570,458). 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 are 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.

C. EXECUTIVE REMUNERATION OUTCOMES (INCLUDING LINK TO PERFORMANCE)

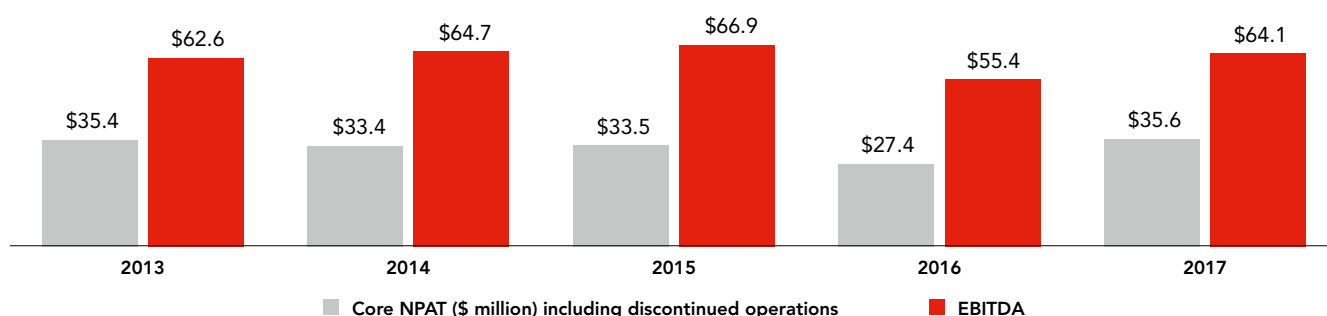
COMPANY PERFORMANCE AND ITS LINK TO SHORT TERM INCENTIVES

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 1.08 as a result of a lift in revenue due to the Olympics broadcast.

DIRECTORS' REPORT

The following chart shows the Group's core NPAT (\$million) and EBITDA for the five year period ended 30 June 2017. Core NPAT is defined as statutory net profit after tax and before non-core items.



The Remuneration and Nomination Committee will consider the STI payments for the 2017 financial year in the first quarter of the 2018 financial year (30% of the STI cash bonus pool accrued for 2016 financial performance was paid in the 2017 financial year to key management personnel). As demonstrated in the table below, STI payments have been accrued at 99.5% of the maximum cash bonus available for the 2017 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 2018 financial year.

EXECUTIVE	FY17 STI ACCRUED	FY17 STI AWARD POOL	%	FY16 STI PAID IN CASH	FY16 STI AWARD POOL	PAID %
I. Audsley	500,000	500,000	100.0%	150,000	500,000	30.0%
D. Walker	295,867	299,915	98.7%	88,724	295,746	30.0%
S. Wood	102,875	102,875	100.0%	30,863	102,875	30.0%
E. McDonald	102,700	102,700	100.0%	30,810	102,700	30.0%
J. Palisi	105,000	105,000	100.0%	31,500	105,000	30.0%
A. Hogarth	107,360	110,000	97.6%	33,000	110,000	30.0%
Total	1,213,802	1,220,490	99.5%	364,897	1,216,321	30.0%

COMPANY PERFORMANCE AND ITS LINK TO LONG TERM INCENTIVES

The Company's current long term performance rights plan 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 2013 to 30 June 2017. Core EPS is defined as statutory EPS before non-core items.

CORE EARNINGS PER SHARE (60%)	FY14	FY15	FY16	FY17
Target	9.1	9.1	9.0	5.6
Actual	9.1	9.1	7.5	9.7
Percentage Achieved	100.0%	100.0%	-%	100.0%

POWER RATIO (40%)

	FY14	FY15	FY16	FY17
Total revenue share: 3AGG Market	40.82%	42.16%	41.70%	43.75%
All People 06:00 to 23:59	40.00%	41.70%	41.80%	40.60%
Power Ratio	1.021	1.011	0.998	1.078
Percentage Achieved	100.0%	100.0%	99.8%	100.0%

LTI AWARDS

During the 2017 financial year 1,142,091 (FY16: 1,580,000) 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 November 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.

2018 FINANCIAL YEAR

As a result of a review of the LTI scheme in 2016, LTI incentives were not offered to eligible senior executives in the 2017 financial year. The Board is putting forward a new LTI plan for shareholder approval at the 2017 Annual General Meeting. The revised LTI plan will take effect from the 2018 financial year.

Further details of the revised LTI plan are disclosed in the Notice of Meeting for the 2017 Annual General Meeting.

DIRECTORS' REPORT

Table 1: Remuneration for the year ended 30 June 2017

	SHORT-TERM BENEFITS			POST EMPLOYMENT		LONG-TERM BENEFITS	EQUITY SETTLED SHARE BASED PAYMENTS EXPENSE ⁴	TOTAL	PERFORMANCE RELATED
	SALARY & FEES \$	ANNUAL LEAVE ¹ \$	CASH BONUS \$	NON-CASH BENEFITS ² \$	SUPER-ANNUATION \$				
Non-executive directors									
J.K. Hartigan (Chair)	91,725	-	-	-	8,275	-	-	100,000	0.0%
I.R. Neal	95,000	-	-	-	-	-	-	95,000	0.0%
P.J. Macourt	86,758	-	-	-	8,242	-	-	95,000	0.0%
C.A. O'Connor	86,758	-	-	-	8,242	-	-	95,000	0.0%
A.A. Hamill (Retired 30 Sept 2016)	23,750	-	-	-	-	4,393	-	28,143	0.0%
M.H. Hill (Resigned 30 Sept 2016)	21,690	-	-	-	2,060	-	-	23,750	0.0%
Total non-executive directors	405,681	-	-	-	26,819	4,393	-	436,893	0.0%
Executive directors									
I. Audsley	830,692	97,060	500,000	56,028	19,616	16,072	205,475	1,724,943	40.9%
Key management personnel									
D. Walker	460,388	34,977	295,867	84,864	19,616	8,126	98,454	1,002,292	39.3%
S. Wood	396,245	41,197	102,875	-	19,616	8,140	77,406	645,479	27.9%
E. McDonald	403,221	32,088	102,700	17,579	19,616	4,315	77,406	656,925	27.4%
J. Palisi	402,195	29,821	105,000	-	19,616	10,618	77,406	644,656	28.3%
A. Hogarth	382,434	28,344	107,360	-	19,616	7,376	35,148	580,278	24.6%
Total executive KMP	2,875,175	263,487	1,213,802	158,471	117,696	54,647	571,295	5,254,573	34.0%
TOTAL	3,280,856	263,487	1,213,802	158,471	144,515	59,040	571,295	5,691,466	31.4%

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.

DIRECTORS' REPORT

Table 2: Remuneration for the year ended 30 June 2016

	SHORT-TERM BENEFITS				EMPLOYMENT		POST		LONG-TERM		EQUITY SETTLED		PERFORMANCE RELATED
	SALARY & FEES \$	ANNUAL LEAVE ¹ \$	CASH BONUS \$	NON-CASH BENEFITS ² \$	EMPLOYMENT	SUPER-ANNUATION \$	LONG TERM BENEFITS	OTHER LONG TERM BENEFITS ³ \$	SHARE BASED PAYMENTS EXPENSE ⁴ \$	TOTAL \$	%		
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	31.6%			
TOTAL	3,519,735	64,857	364,897	45,995	-	162,069	108,192	1,104,590	5,370,335	27.4%			

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 Prime 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 3: Prime Media Group Limited Performance Rights Plan

As demonstrated in the table below, no performance rights were issued during the 2017 financial year.

2017	GRANTED		TERMS AND CONDITIONS FOR EACH GRANT					VESTED	LAPSED
	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	NUMBER
Director									
I. Audsley	-	19/11/2013	-	-	-	-	-	399,333	100,667
Executive									
D. Walker	-	19/11/2013	-	-	-	-	-	183,693	46,307
S. Wood	-	19/11/2013	-	-	-	-	-	159,733	40,267
E. McDonald	-	19/11/2013	-	-	-	-	-	159,733	40,267
J. Palisi	-	19/11/2013	-	-	-	-	-	159,733	40,267
A. Hogarth	-	19/11/2013	-	-	-	-	-	79,866	20,134
TOTAL	-							1,142,091	287,909

Table 4: Performance rights holdings of KMP

2016	BALANCE 1 JULY 2016	GRANTED AS REMUNERATION	PERFORMANCE RIGHTS EXERCISED	PERFORMANCE RIGHTS LAPSED	BALANCE 30 JUNE 2017	EXERCISABLE	NOT EXERCISABLE
Director							
I. Audsley	1,850,000	-	399,333	100,667	1,350,000	-	1,350,000
Executive							
D. Walker	825,191	-	183,693	46,307	595,191	-	595,191
S. Wood	650,000	-	159,733	40,267	450,000	-	450,000
E. McDonald	650,000	-	159,733	40,267	450,000	-	450,000
J. Palisi	650,000	-	159,733	40,267	450,000	-	450,000
A. Hogarth	300,000	-	79,866	20,134	200,000	-	200,000
TOTAL	4,925,191	-	1,142,091	287,909	3,495,191	-	3,495,191

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.

DIRECTORS' REPORT

Table 5: Value of performance rights granted, exercised, lapsed or cancelled during the year

	VALUE OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR ¹ \$	VALUE OF PERFORMANCE RIGHTS EXERCISED DURING THE YEAR ² \$	VALUE OF PERFORMANCE RIGHTS LAPSED DURING THE YEAR ¹ \$	VALUE OF PERFORMANCE RIGHTS CANCELLED DURING THE YEAR \$
I. Audsley	–	115,426	84,661	–
D. Walker	–	53,096	33,864	–
S. Wood	–	46,170	38,944	–
E. McDonald	–	46,170	33,864	–
J. Palisi	–	46,170	16,933	–
A. Hogarth	–	23,085	33,865	–
TOTAL	–	330,117	242,131	–

1 Determined at the time of grant per AASB 2.

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 26. 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.

Table 6: Equity holdings and transactions

	BALANCE AT START OF THE YEAR	SHARES GRANTED ON EXERCISE OF RIGHTS	PURCHASES AND OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Non-Executive Director				
J.K. Hartigan	–	–	–	–
I.R. Neal	–	–	40,000	40,000
P.J. Macourt	–	–	–	–
C.A. O'Connor	–	–	75,000	75,000
A.A Hamill (Retired 30 Sept 2016)	–	–	–	–
M.H Hill (Resigned 30 Sept 2016)	–	–	–	–
Executive Director				
I.C. Audsley	222,423	399,333	–	621,756
Key Management Personnel				
D. Walker	–	183,693	(183,693)	–
S. Wood	200,000	159,733	(159,733)	200,000
E. McDonald	–	159,733	(159,733)	–
J. Palisi	153,809	159,733	(125,000)	188,542
A. Hogarth	–	79,866	(79,866)	–

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.

DIRECTORS' REPORT

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 2017 financial year were \$405,681 (excluding superannuation and retirement benefits).

NED fees in the 2018 financial year are estimated to be \$360,242, 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 NEDs are not entitled to receive performance-based remuneration or any other entitlements that may be perceived to compromise their independence. Mr Alexander Hamill was 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 FY17 is as follows:

BOARD POSITION	ANNUAL FEE
Chair	\$100,000
NED Base Fee	\$95,000
Committee Chair	Nil
Committee Member	Nil

Chairman Mr. J.K. Hartigan took a voluntary 50% reduction to his fees effective from 1 July 2016.

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 \$20,000 (2016: \$14,000).

ADDITIONAL STATUTORY DISCLOSURES

ROUNDING

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

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 22.

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:

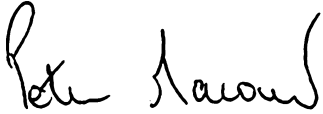
	\$
Income tax return and indirect tax compliance services	29,355
Advisory services	22,880
Total	52,235

DIRECTORS' REPORT

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.

A handwritten signature in black ink, appearing to read 'P. J. Macourt', written in a cursive style.

P. J. Macourt
Director

Sydney, 24 August 2017

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2017, 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.

A handwritten signature in black ink that reads 'EY + Yoy'.

Ernst & Young

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

Christopher George
Partner
24 August 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	CONSOLIDATED	
		2017 \$'000	2016 RESTATED ¹ \$'000
Revenue and other income			
Revenue from services	2	237,426	235,103
Interest income	2	141	172
Other income	2	2,492	3,543
Total revenue and other income		240,059	238,818
Cost of sales		(125,912)	(131,206)
Gross profit		114,147	107,612
Broadcasting and transmission expenses		(36,814)	(37,464)
Administration and marketing expenses		(13,233)	(13,503)
Depreciation and amortisation		(9,971)	(10,295)
Impairment of intangibles	7	–	(122,931)
Operating Profit/(Loss)		54,129	(76,581)
Finance costs	3	(2,542)	(3,661)
Share of associate profits/(losses)	21	101	(1,063)
Profit/(Loss) before income tax		51,688	(81,305)
Income tax (expense)/benefit	25	(15,444)	23,562
Profit/(Loss) for the year		36,244	(57,743)
Profit/(Loss) for the year		36,244	(57,743)
Total comprehensive income for the year		36,244	(57,743)
Profit/(Loss) attributable to owners of the parent		36,244	(57,743)
Total comprehensive income attributable to owners of the parent		36,244	(57,743)
Basic Earnings per share (cents per share)	5	9.9	(15.8)
Diluted Earnings per share (cents per share)	5	9.9	(15.8)

1 Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 1(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	CONSOLIDATED		
		2017 \$'000	2016 RESTATED ¹ \$'000	AS AT 1 JULY 2015 RESTATED ¹ \$'000
ASSETS				
Current Assets				
Cash and short term deposits	6	6,590	8,235	9,837
Trade and other receivables	8	42,908	47,769	49,669
Intangible assets	7	1,667	1,667	1,667
Other assets	9	1,698	3,923	1,273
		52,863	61,594	62,446
Assets classified as held for sale	19	645	584	963
Total Current Assets		53,508	62,178	63,409
Non-Current Assets				
Investment in associates	21	1,071	927	1,259
Non-current financial assets	20	9	9	2,508
Property, plant and equipment	12	28,390	31,866	35,475
Intangible assets and goodwill	7	71,753	75,034	199,722
Other assets	9	801	956	1,118
Total Non-Current Assets		102,024	108,792	240,082
Total Assets		155,532	170,970	303,491
LIABILITIES				
Current Liabilities				
Trade and other payables	10	22,007	32,738	35,963
Interest-bearing loans and borrowings	13	–	402	270
Current tax liabilities	25	4,543	2,485	5,127
Provisions	11	–	267	365
Total Current Liabilities		26,550	35,892	41,725
Non-Current Liabilities				
Interest-bearing loans and borrowings	13	43,540	73,402	88,466
Provisions	11	518	507	417
Deferred income tax Liabilities	25	17,718	17,992	53,896
Total Non-Current Liabilities		61,776	91,901	142,779
Total Liabilities		88,326	127,793	184,504
Net Assets		67,206	43,177	118,987
EQUITY				
Equity attributable to equity holders of the parent interest				
Contributed equity	15	310,262	310,262	310,262
Reserves	17	4,641	4,400	4,150
Accumulated losses	17	(247,697)	(271,485)	(195,425)
Parent Interests		67,206	43,177	118,987
Total Equity		67,206	43,177	118,987

1 Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 1(c).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2017

	ISSUED CAPITAL \$'000	ACCUMULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	TOTAL PARENT ENTITY INTEREST \$'000
At 1 July 2016	310,262	(271,485)	4,400	43,177
Profit for the period	–	36,244	–	36,244
Other comprehensive income	–	–	–	–
Total comprehensive income and expense for the period	–	36,244	–	36,244
Transactions with equity holders in their capacity as equity holders:				
Exercise of performance rights	–	–	(330)	(330)
Share-based payments expense	–	–	571	571
Dividends on ordinary shares	–	(12,456)	–	(12,456)
At 30 June 2017	310,262	(247,697)	4,641	67,206

	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
Adjustment for change in accounting policy	–	(54,889)	–	(54,889)
At 1 July 2015¹ Restated	310,262	(195,425)	4,150	118,987
Loss for the period	–	(57,743)	–	(57,743)
Other comprehensive income	–	–	–	–
Total comprehensive income and expense for the period	–	(57,743)	–	(57,743)
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 2016¹ Restated	310,262	(271,485)	4,400	43,177

1 Certain amounts shown here do not correspond to the 2016 financial statements and reflect adjustments made, refer to Note 1(c).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	CONSOLIDATED	
		2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		265,799	264,190
Payments to suppliers and employees (inclusive of GST)		(205,980)	(212,110)
Interest received		141	172
Borrowing costs paid		(2,328)	(3,341)
Income tax paid		(13,661)	(14,986)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	43,971	33,925
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,611	2,583
Purchase of property, plant & equipment and intangible assets		(3,996)	(6,023)
Proceeds from sale of financial assets		-	3,000
Loan funds to related entities		(43)	(645)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(2,428)	(1,085)
FINANCING ACTIVITIES			
Proceeds from borrowings		82,000	92,000
Repayments of borrowings		(112,000)	(107,000)
Finance lease liability payments		(402)	(270)
Share-based payments – performance rights exercised		(330)	(855)
Dividends paid		(12,456)	(18,317)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(43,188)	(34,442)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		8,235	9,837
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	6,590	8,235

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of Prime Media Group Limited (the "Company") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 24 August 2017.

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.

Significant accounting policies are provided throughout the notes to the financial statements.

(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 Group adopted all new and amended Australian Accounting Standards and Interpretations that became applicable during the current financial year.

The adoption of these Standards and Interpretations did not have a significant impact on the Group's financial results or statement of financial position.

RESTATEMENT OF PRIOR YEAR RESULTS DUE TO CHANGE IN ACCOUNTING POLICY

The Company acquired 100% of its television broadcast licences through business combinations that occurred prior to Australian Accounting Standards adopting International Financial Reporting Standards (IFRS).

On transition to IFRS in the year ended 30 June 2006 the Group elected to take the AASB 1 transition exemption which allowed the Group to not restate previous business combination accounting. This enabled the television broadcast licences to continue to be carried at the attributed value on acquisition of \$182,963,000. When determining the associated deferred taxes on these indefinite life intangible assets on transition to IFRS, Prime applied a common accounting policy that the licences were non-depreciable. Accordingly a related deferred tax liability of \$54,889,000 was not recognised on the basis that the deferred tax could be calculated on the assumption of sale rather than use.

In November 2016 the IFRS Interpretation Committee (IFRIC) issued a clarification that indefinite life assets, such as television broadcast licences, were subject to consumption, but the period of consumption could not be reliably predicted. IFRIC concluded that the assumption of sale could not be presumed and that the principles of AASB 112 *Income Taxes* needed to be applied.

As a consequence of the IFRIC's recent determination, the Company has amended its accounting policy to comply with the revised guidance.

The change in accounting policy has impacted the following notes:

- Note 5: Earnings per share
- Note 6: Cash and short-term deposits
- Note 17: Retained earnings and reserves
- Note 22: Investments in subsidiaries
- Note 25: Income tax

The impact of the restatement is to increase deferred tax liabilities at 1 July 2015, being the beginning of the earliest comparative reporting period, by \$54,889,000 and to increase accumulated losses by \$54,889,000.

During the year ending 30 June 2016, the carrying value of indefinite life television broadcast licences was reduced as a result of a non-cash impairment charge of \$119,450,000 to \$63,513,000. As a result of the impairment, the related deferred tax liability referred to above has been reduced by \$35,835,000 to \$19,054,000 as at 30 June 2016. The income tax expense for the year ending 30 June 2016 was restated to reduce it by \$35,835,000 resulting in a total income tax benefit for the year of \$23,562,000.

As a result of the change in income tax expense, EPS for the 2016 financial year increased from negative 25.5 cents per share to negative 15.8 cents per share.

As at 30 June 2017, the deferred tax liability on television broadcast licences was unchanged at \$19,054,000.

In the event that the Company formalises a plan to sell the television broadcast licences in the future, the Company has unbooked capital losses to offset tax arising from a future sale.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

The following significant Australian Accounting Standards and Interpretations have recently been issued or amended, but are not yet effective:

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 9/IFRS 9	Financial Instruments	1 January 2018	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
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
AASB 2017-2	Amendments to Australian Accounting Standards – Further Annual Improvements 2014–2016 cycle	1 January 2017	1 July 2017
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 July 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019

The Group has elected not to early adopt any of the new standards or amendments in these financial statements. The Group has yet to fully assess the impact the following accounting standards will have on the financial statements, when applied in future periods:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 16 *Leases*

AASB 9 will require the Group to change its basis for determining allowances for doubtful receivables. Currently, allowances for doubtful receivables are recognised by assessing each receivable balance for collectability based on an analysis of specific customer and historical factors. Under the revised standard, these allowances will be required to reflect current and forecast credit conditions. The Group in the early stages of assessment of the impact of this standard prior to adoption in the 2019 financial year.

The Group is undertaking a comprehensive review of its revenue arrangements ahead of the 2019 financial year application of AASB 15 *Revenue from Contracts with Customers*. The Group has not reached a determination as to the impacts of this accounting standard.

While in early stages of assessment, the adoption of AASB 16 *Leases* in the 2020 financial year is expected to have a significant impact on the Group's balance sheet and income statement, given the volume and maturity profile of the Group's leases (see Note 23). The Group's balance sheet is expected to be grossed up for future lease payments (both receivable and payable, at their discounted values) and for the unamortised portion of right to use assets. Net rental expense in the income statement is expected to be replaced by a 'front-loaded' interest expense and a straight-line depreciation expense.

Other standards and interpretations that have been issued but are not yet effective are not expected to have any significant impact on the Group's financial statements in the year of their initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

2. REVENUE

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Advertising and other external revenue	237,426	235,103
Finance income	141	172
Other income	2,492	3,543
	240,059	238,818
<i>Breakdown of finance income:</i>		
Interest received	141	172
	141	172
<i>Breakdown of other income:</i>		
Government grants	667	668
Other revenues	1,825	2,875
	2,492	3,543

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 received. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

3. EXPENSES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Finance Expenses		
Interest on debt and borrowings	2,524	3,616
Finance charges payable under finance leases	18	45
	2,542	3,661
Employee Benefit Expense		
Wages and salaries	34,673	34,470
Superannuation expense	2,619	2,759
Share-based payments expense	571	1,105
Other employee benefits expense	1,195	1,459
	39,058	39,793
Other Expenses		
Bad and doubtful debts and credit notes – trade debtors	237	561
Minimum lease payments – operating leases	12,113	12,619

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

4. 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.

5. EARNINGS PER SHARE

	CONSOLIDATED	
	2017	2016 RESTATED
Basic earnings per share (cents per share)	9.9	(15.8)
Diluted earnings per share (cents per share)	9.9	(15.8)

ACCOUNTING POLICY

Basic Earnings Per Share

Basic earnings per share (EPS) 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	
	2017 \$'000	2016 RESTATED \$'000
Earnings used in calculating basic and diluted earnings per share	36,244	(57,743)

	2017	2016
	NUMBER OF SHARES	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 when tested at 30 June 2017. 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 26 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 at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

6. CASH AND SHORT-TERM DEPOSITS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Cash balance comprises:		
Cash at bank and on hand	6,590	8,235
Closing cash balance	6,590	8,235

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.

	2017 \$'000	2016 RESTATED \$'000
RECONCILIATION OF THE NET PROFIT/(LOSS) AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS		
Profit/(Loss) after tax	36,244	(57,743)
<i>Non-cash adjustment for:</i>		
Depreciation and amortisation	8,304	8,628
Amortisation of program rights	1,667	1,667
Provision for doubtful debts	197	(53)
Net gain on disposal of property, plant and equipment	(891)	(1,329)
Gain on sale of financial asset	–	(501)
Impairment of television broadcast licences and goodwill	–	122,931
Gain on foreign currency translation	6	–
Share of associate (profits)/losses	(101)	1,063
Share based payments expense	571	1,105
Working capital adjustments		
Decrease in trade and other receivables	4,658	1,953
Decrease/(increase) in prepayments	2,380	(2,488)
Increase in provisions	11	90
Decrease in trade and other payables	(10,995)	(3,190)
Cash flows from operating activities	42,051	72,133
Decrease in deferred tax liabilities	(275)	(35,904)
Increase/(decrease) in tax provision	2,058	(2,642)
Increase in borrowing costs	137	338
Net cash flow from operating activities	43,971	33,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

7. INTANGIBLE ASSETS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Television broadcast licences	63,513	63,513
Program rights	3,333	5,000
Infrastructure access licence	948	1,246
Business software, development costs including websites	5,626	6,942
	73,420	76,701

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 INCLUDING WEBSITES

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 INCL WEBSITES \$'000	TOTAL \$'000
Cost						
At 1 July 2015	18,355	182,963	14,000	4,052	16,359	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	16,906	236,469
Additions	–	–	–	389	531	920
Disposals	–	–	–	–	(19)	(19)
At 30 June 2017	18,355	182,963	14,000	4,634	17,418	237,370
Amortisation and impairment						
At 1 July 2015	(14,874)	–	(7,333)	(2,312)	(9,821)	(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)	(9,964)	(159,768)
Amortisation charges	–	–	(1,667)	(687)	(1,847)	(4,201)
Impairment charges	–	–	–	–	–	–
Disposals	–	–	–	–	19	19
At 30 June 2017	(18,355)	(119,450)	(10,667)	(3,685)	(11,792)	(163,950)
Net Book Value						
At 30 June 2017	–	63,513	3,333	948	5,626	73,420
Total Current	–	–	1,667	–	–	1,667
Total Non-Current	–	63,513	1,666	948	5,626	71,753
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

IMPAIRMENT TESTING OF 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

7. INTANGIBLE ASSETS (CONTINUED)

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 its annual impairment tests as at 30 June 2017 and 30 June 2016. 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 assessing for impairment, the Group had regard for declining regional audiences. For the calendar survey year ended 31 December 2016, the Group's total audience in the aggregated regional market of New South Wales and Victoria declined by 7.2% on the previous survey year. Viewers aged between 25 and 54 in this aggregated market also declined by 10.9% on the previous survey year. Revenue in this aggregated market declined 3.1% in the 2017 financial year compared to a decline of 6.0% in the prior year.

In the 2017 financial year the Company increased its lead revenue share in the aggregated markets to 43.8%, up from 41.7%. The Company's revenue from television advertising in this market improved by 1.7% compared to the previous corresponding period.

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 2017, the market capitalisation of the Group, based on the volume weighted average share price for the 30 day period to the reporting date, was above the book value of its equity, indicating no evidence of impairment.

The Group is considered to be the sole CGU and includes television broadcasting intangible assets. The Group has completed a value-in-use assessment of the carrying value of television broadcast intangible assets, 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 2017 Olympics consistent with the decline in regional television advertising audiences, albeit the declines are ameliorated by the broadcast of the Commonwealth Games to be held on Gold Coast, Queensland in April 2018. 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	2017	2016
5 year compound annual growth rate for free-to-air advertising revenue	(2.2%)	(1.8%)
Long-term growth rate – terminal	(2.2%)	(1.7%)
Discount rate (pre-tax)	11.74%	11.61%
Discount rate (post-tax)	11.14%	11.01%

The discounted cash flow valuation of the intangibles assets gives a recoverable amount which is in excess of the current carrying value.

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Carrying amount of Intangibles allocated to each of the cash generating units		
Television Broadcasting Licences	63,513	63,513
Broadcast Licences	63,513	63,513

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, which would result in either a surplus or deficit between the recoverable amount and the carrying amount:

VALUE-IN-USE ASSUMPTIONS – SENSITIVITY	SURPLUS/(DEFICIT) SENSITIVITY \$'000
5 year compound annual growth rate for free-to-air advertising revenue ('CAGR')	
An increase in the 5 year CAGR of 0.5% will not result in an impairment:	12,658
A decrease in the 5 year CAGR of 0.5% will result in an impairment of:	(6,177)
Long-term growth rate – terminal ('TGR')	
An increase in the TGR of 1.0% will not result in an impairment:	6,498
A decrease in the TGR of 1.0% will not result in an impairment:	1,117
Discount rate (pre-tax)	
An increase in the discount rate (pre-tax) of 2.0% will result in an impairment of:	(5,091)
A decrease in the discount rate (pre-tax) of 2.0% will not result in an impairment:	14,948

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

8. RECEIVABLES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Current		
Trade receivables	39,719	44,111
Allowance for impairment loss	(449)	(248)
	39,270	43,863
Other receivables	2,813	3,421
Related party receivables	825	485
Carrying amount of trade and other receivables	42,908	47,769

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 14 regarding information on the Group's exposure to credit and market risk).

Refer to Note 27 regarding receivables from related parties.

ALLOWANCE FOR IMPAIRMENT LOSS

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
At July 1	248	281
Charge for the year	237	561
Amounts written off	(36)	(594)
At June 30	449	248

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

	TOTAL	0-30 DAYS	31-60 DAYS	61-90 DAYS PDNI ¹	61-90 DAYS PDNI ¹	+91 DAYS PDNI ¹	+91 DAYS PDNI ¹
2017	39,719	20,696	18,141	383	–	50	449
2016	44,111	25,154	18,056	592	–	61	248

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

Receivables past due but not considered impaired incorporate those customers on payment plans or those with a good payment history for which we expect payment in the short term.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

9. PREPAID FINANCIAL ASSETS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Current		
Prepayments	1,698	3,923
Non-current		
Prepayments	801	956
Total	2,499	4,879

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.

10. PAYABLES

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Current		
Trade payables	2,375	3,158
Accrued expenses	12,364	22,768
Accrued employee entitlements	7,268	6,812
Carrying amount of trade and other payables	22,007	32,738

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

11. PROVISIONS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Current		
Director's retiring provision	–	267
	–	267
Non-current		
Long service leave	518	507
	518	507

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	LONG SERVICE LEAVE \$'000	TOTAL \$'000
At 1 July 2016	267	507	774
Arising during the year	4	119	123
Utilised	(271)	(108)	(379)
At 30 June 2017	–	518	518
Current 2017	–	–	–
Non-current 2017	–	518	518
Total	–	518	518
Current 2016	267	–	267
Non-current 2016	–	507	507
Total	267	507	774

DIRECTOR'S RETIRING PROVISION

Refer to Remuneration Report. The Directors' Retirement plan, as approved by shareholders in November 1997, ended upon the retirement of Mr Alexander Hamill on 30 September 2016.

LONG SERVICE LEAVE PROVISION

The Group does not expect its long service leave benefits to be settled wholly within 12 months of each reporting date. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

12. 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 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
Additions	23	215	3,120	–	3,358
Disposals	–	(11)	(2,045)	–	(2,056)
Classification transfer	–	–	2,242	(2,242)	–
Reclassification to asset held for sale	(885)	–	(1,873)	–	(2,758)
At 30 June 2017	11,534	1,726	85,007	–	98,267
Depreciation and amortisation					
At 1 July 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)
Depreciation charges	(323)	(173)	(5,190)	–	(5,686)
Amortisation charges	–	–	–	(96)	(96)
Disposals	–	11	1,638	–	1,649
Classification transfer	–	–	(1,615)	1,615	–
Reclassification to asset held for sale	329	–	1,784	–	2,113
At 30 June 2017	(4,774)	(1,042)	(64,061)	–	(69,877)
Net Book Value					
At 30 June 2017	6,760	684	20,946	–	28,390
At 30 June 2016	7,616	642	22,885	723	31,866

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 as follows:

Major depreciation periods are:

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

13. INTEREST BEARING LOANS AND BORROWINGS

	MATURITY	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Current			
Obligations under finance lease contracts (Note 23)	2017	–	402
		–	402
Non-current			
\$80 million secured bank loan facility (2016: \$ 120 million)	2020	43,540	73,402
		43,540	73,402

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.

TERMS AND CONDITIONS

SECURED BANK LOAN FACILITY

During the reporting period the Company entered into a Second Amendment and Restatement Deed extending the terms of the current secured bank loan facility to 30 April 2020 with a reduced facility limit of \$80 million. The facility is secured by a charge over the assets of the borrower group comprising all wholly owned entities in Australia, but excluding Broadcast Production Services Pty Limited and its subsidiaries. Interest is charged at the 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 3.2% to 3.6% (2016: 3.4% to 4.0%), 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 24. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors' estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors' estimate of amounts that will be payable by the Group.

Details regarding interest rate risk are disclosed in Note 14.

DEFAULTS AND BREACHES

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

14. 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 13.

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Financial Assets		
Cash and short-term deposits	6,590	8,235
	6,590	8,235
Financial Liabilities		
Secured bank loan facility	(43,540)	(73,402)
	(43,540)	(73,402)
Net exposure	(36,950)	(65,167)

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 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Consolidated				
+0.25% (25 basis points)	(65)	(114)	-	-
-0.25% (25 basis points)	65	114	-	-

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 8. The Group does not hold collateral as security.

A small number of media buying agencies account for approximately 57.1% of Prime's revenue. Three media buying agencies individually contribute more than 10% of the Group's revenue and collectively account for \$83,846,207 or 34.9% 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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:

- \$80 million secured bank loan facility (2016: \$120 million), which is currently drawn to 55% of the facility limit (2016: 62%); and
- Long-term finance lease contracts over specific items of plant and equipment.

Currently the Group secures up to 45% 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 \$36 million of undrawn committed borrowing facilities, subject to continued compliance with the bank loan covenants. The facility repayable on expiry in April 2020. Interest will be charged at a rate of BBSW plus a margin between 1.50% and 1.80%. At 30 June 2017, 0.0% 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 2017	≤ 6 MONTHS \$'000	6 – 12 MONTHS \$'000	1 – 5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Financial assets					
Cash and cash equivalents	6,590	–	–	–	6,590
Trade and other receivables	42,908	–	–	–	42,908
	49,498	–	–	–	49,498
Financial liabilities					
Trade and other payables	(22,007)	–	–	–	(22,007)
Interest bearing loans (refer note 13)	–	–	(43,540)	–	(43,540)
Interest bearing loans – finance charges	(437)	–	–	–	(437)
	(22,444)	–	(43,540)	–	(65,984)
Net inflow/(outflow)	27,054	–	(43,540)	–	(16,486)

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 23)	(201)	(201)	–	–	(402)
Finance lease contracts – finance charges (refer note 23)	(9)	(9)	–	–	(18)
Interest bearing loans (refer note 13)	–	–	(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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

15. CONTRIBUTED EQUITY

ISSUED AND PAID UP CAPITAL	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Ordinary shares fully paid 366,330,303 shares (2016: 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	2017		2016	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000
Beginning of the financial year	366,330,303	310,262	366,330,303	310,262
End of the financial year	366,330,303	310,262	366,330,303	310,262

EQUITY SETTLED SHARE-BASED PAYMENTS

PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

During the financial year nil performance rights (2016: 1,977,753) were granted 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 (2016: Nil).

At the end of the year there were 3,495,191 (2016: 4,925,191) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

16. 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 2017, the Company paid dividends of \$12,456,000 (2016: \$18,317,000). The Board's target for dividend payments is currently up to 35% 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	\$194,450,000
Total Debt to EBITDA	< 3.25 times	0.7
Interest Cover to EBITDA	> 3.0 times	24.8

Shareholder funds has been adjusted to reflect the value of television licences consistent with the most recent independent valuation obtained in November 2015.

17. RETAINED EARNINGS AND RESERVES

	CONSOLIDATED	
	2017 \$'000	2016 RESTATE \$'000
Employee benefits equity reserve	4,641	4,400
Accumulated losses	(247,697)	(271,485)

EMPLOYEE BENEFITS EQUITY RESERVE

Movements in reserve

Balance at beginning of year	4,400	4,150
Exercise of performance rights	(330)	(855)
Share based payment	571	1,105
Balance at end of year	4,641	4,400

ACCUMULATED LOSSES

Balance at the beginning of year	(271,485)	(195,425)
Net profit/(loss) attributable to members of Prime Media Group Limited	36,244	(57,743)
Total accumulated losses	(235,241)	(253,168)
Dividends provided for or paid	(12,456)	(18,317)
Balance at end of year	(247,697)	(271,485)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

18. DIVIDENDS PAID AND PROPOSED

RECOGNISED AMOUNTS

DECLARED AND PAID DURING THE YEAR

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Current year interim franked dividends 1.7 cents per share (2016: 2.0 cents)	6,228	7,327
Previous year final franked dividends 1.7 cents per share (2016: 3.0 cents)	6,228	10,990
	12,456	18,317

PROPOSED DIVIDENDS ON ORDINARY SHARES NOT RECOGNISED AS A LIABILITY

Final cash dividend fully franked for 2017: 1.7 cents per share (2016: 1.7 cents)	6,228	6,228
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FRANKING CREDIT BALANCE	THE GROUP	
	2017 \$'000	2016 \$'000
Franking account balance as at the end of the financial year at 30% (2016: 30%)	47,324	39,001
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	4,543	2,485
Franking debits that will arise from the payment of dividends as at the end of the financial year	–	–
	51,867	41,486
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)	(2,669)
	49,198	38,817

TAX RATES

The tax rate at which paid dividends have been franked is 30% (2016: 30%). Dividends proposed will be franked at the rate of 30% (2016: 30%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

19. ASSETS HELD FOR SALE

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Total current assets held for sale	–	–
Property, plant and equipment	645	584
Total non-current assets held for sale	645	584
Assets classified as held for sale	645	584

During the period the Board resolved to sell property located in Bunbury, Western Australia, as it was considered surplus to requirements and the funds received would be applied to pay down interest bearing debt. As a result, a third party agent has been engaged to sell the surplus property, with the intention to complete the sale within the next 6 to 12 months. The carrying value has been reclassified as held for sale. As at 30 June 2017 there have been no gains or losses recognised.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

20. FINANCIAL ASSETS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Investments at fair value:		
Shares in uncontrolled entities (Level 1) ⁽ⁱ⁾	6	6
Investments at cost:		
Shares in uncontrolled entities (Level 3) ⁽ⁱⁱ⁾	3	3
	9	9

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

21. INVESTMENTS IN ASSOCIATES

UNLISTED	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Mildura Digital Television Pty Limited	-	86
West Digital Television Pty Limited	1,071	841
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	1,071	927

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

UNLISTED	OWNERSHIP INTEREST		CONTRIBUTION TO NET PROFIT/ (LOSS)	
	2017 %	2016 %	2017 \$'000	2016 \$'000
Mildura Digital Television Pty Limited	50%	50%	(129)	(645)
West Digital Television Pty Limited	50%	50%	230	(418)
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%	-	-
			101	(1,063)

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
At July 1	927	1,259
Contributions made	43	645
Share of profits/(losses) after income tax	101	(1,063)
Reclassification from/(to) assets held for sale	-	86
At June 30	1,071	927

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

22. INVESTMENTS IN SUBSIDIARIES

CLOSED GROUP CLASS ORDER DISCLOSURES

ENTITIES SUBJECT TO CLASS ORDER RELIEF

Pursuant to by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (previously 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 (the "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	
		2017 %	2016 %
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	
	2017 \$'000	2016 RESTATED \$'000
Operating profit/(loss) before income tax	51,684	(81,839)
Income tax expense attributable to operating profit	(15,443)	23,871
Operating profit/(loss) after tax	36,241	(57,968)
Retained losses at beginning of the financial year	(221,959)	(115,809)
Share cancellation – Prime Television New Zealand Limited	–	(29,865)
Dividends provided for or paid	(12,456)	(18,317)
Retained losses at end of the financial period	(198,174)	(221,959)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

22. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	CLOSED GROUP	
	2017 \$'000	2016 RESTATED \$'000
Assets		
Current assets	53,294	61,958
Non-current assets	157,079	164,093
Total assets	210,373	226,051
Liabilities		
Current liabilities	26,549	35,891
Non-current liabilities	68,945	99,309
Total liabilities	95,494	135,200
Equity	114,879	90,851

23. COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

	CONSOLIDATED	
	2017 \$000	2016 \$'000
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
– not later than one year	738	459

LEASE EXPENDITURE COMMITMENTS – GROUP AS LESSEE

Operating leases (Group as lessee):		
Minimum lease payments		
– not later than one year	5,513	6,425
– later than one year and not later than five years	15,774	18,448
– later than five years	4,149	6,973
Aggregate lease expenditure contracted for at reporting date	25,436	31,846

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 (CPI) adjustments if options are taken up. The majority of the transmission site leases are rentals that are subject to annual CPI adjustment. There are no restrictions placed upon the lessee by entering into these leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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	
	2017 \$'000	2016 \$'000
Operating leases (non-cancellable Group as lessor):		
Minimum lease payments receivable		
– not later than one year	1,334	1,528
– later than one year and not later than five years	3,219	4,064
– later than five years	572	1,088
Aggregate lease income contracted for at reporting date	5,125	6,680

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.

– not later than one year	4,456	4,326
– later than one year and not later than five years	15,439	18,641
– later than five years	–	1,254
Total	19,895	24,221

FINANCE LEASE COMMITMENTS

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
– not later than one year	–	420
– later than one year and not later than five years	–	–
Total minimum lease payments	–	420
– future finance charges	–	(18)
Lease liability	–	402
– current liability	–	402
– non-current liability	–	–
Total	–	402

FINANCE LEASE COMMITMENTS AT PRESENT VALUE

– not later than one year	–	402
– later than one year and not later than five years	–	–
Present value of minimum lease payments	–	402

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 27) 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	
	2017 \$'000	2016 \$'000
– not later than one year	900	1,200
– later than one year and not later than five years	–	900
Total	900	2,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

23. 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.

24. 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	
	2017 \$'000	2016 \$'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	4,692	7,038
Maximum contingent commitments	7,038	9,384

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

25. INCOME TAX

The major components of income tax expense are:

	CONSOLIDATED	
	2017 \$'000	2016 RESTATED \$'000
Consolidated Statement of Profit or Loss		
<i>Current income tax</i>		
Current income tax charge	16,426	12,146
Adjustments in respect of current income tax of previous years	(591)	11
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,027)	(35,719)
Adjustments in respect of deferred income tax of previous years	636	–
Income tax expense/(benefit) in the Consolidated Statement of Profit or Loss	15,444	(23,562)

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	
	2017 \$'000	2016 RESTATED \$'000
Accounting profit/(loss) before income tax	51,689	(81,305)
Prima facie tax expense/(benefit) at 30% (2016: 30%)	15,507	(24,392)
Expenses not deductible for tax	276	653
Income not assessable for tax	(384)	(878)
Goodwill impairment charge not deductible for tax	–	1,044
Adjustments in respect of current tax of previous years	45	11
Income tax expense/(benefit) reported in the Statement of Profit or Loss	15,444	(23,562)
Effective tax rate	29.9%	29.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

DEFERRED TAX ASSETS AND LIABILITIES

	CONSOLIDATED			
	2017 \$'000 CURRENT INCOME TAX	2017 \$'000 DEFERRED INCOME TAX	2016 RESTATED \$'000 CURRENT INCOME TAX	2016 RESTATED \$'000 DEFERRED INCOME TAX
Opening balance	(2,485)	(17,992)	(5,127)	(53,896)
Charged to income	(15,835)	390	(12,494)	36,056
Other payments and utilisation of tax losses	13,777	(116)	15,136	(152)
Closing balance	(4,543)	(17,718)	(2,485)	(17,992)
Tax expense in statement of comprehensive income		15,444		(23,562)
Amounts recognised in the statement of financial position:				
Deferred tax asset		-		-
Deferred tax liability		(17,718)		(17,992)
		(17,718)		(17,992)

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	2017 \$'000	2016 RESTATED \$'000
Deferred income tax as at 30 June relates to the following:		
<i>Deferred tax liabilities</i>		
Accelerated depreciation for tax	(1,332)	(1,202)
Leased assets	(4)	(28)
Prepaid expenses deductible for tax	(1,359)	(1,821)
Income not yet assessable for tax	(2)	(4)
Intangible assets	(19,054)	(19,054)
	(21,751)	(22,109)
Set-off of deferred tax assets	4,033	4,117
Net deferred tax liabilities	(17,718)	(17,992)
Deferred income tax as at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Employee entitlements	1,492	1,698
Provisions	101	43
Expenses not yet deductible for tax	1,897	1,910
Difference between accounting and tax on building write-off	298	105
Impairments of investments	-	-
Tax losses	245	361
	4,033	4,117
Set-off of deferred tax liabilities	(4,033)	(4,117)
Net deferred tax assets	-	-

INCOME TAX LOSSES

	2017 \$'000	2016 \$'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.	245	361
(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	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

25. 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	
	2017 \$'000	2016 \$'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	17,186	13,997

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

26. SHARE-BASED PAYMENTS EXPENSE

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Expense arising from equity-settled share-based payment transactions	571	1,105

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

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

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

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

The share-based payment plan is described below. During the financial year, 287,909 performance rights lapsed (2016: Nil), nil performance rights were forfeited (2016: Nil) and nil performance rights were cancelled (2016: 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 (EPS) targets; and
- 40% of the rights will be subject to achievement of annual power ratio targets (revenue share: audience share).

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

No performance rights were granted in the 2017 financial year. As highlighted in the 2016 Remuneration Report, the current plan has been suspended, with the objective of introducing an improved LTI scheme that will be put forward for shareholder approval at the 2017 Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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.

	2017		2016	
	NO.	WAEP	NO.	WAEP
Balance at beginning of year	4,925,191	\$0.00	4,527,438	\$0.00
– granted	–	–	1,977,753	–
– exercised	(1,142,091)	–	(1,580,000)	–
– lapsed	(287,909)	–	–	–
– cancelled	–	–	–	–
– forfeited	–	–	–	–
Balance at end of year	3,495,191	\$0.00	4,925,191	\$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 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 during the year was estimated on the date of grant using the following inputs to the model:

	2017		2016		2015		2014
	NOV 16	SEP 16	NOV 15	SEP 15	NOV 14	AUG 14	NOV 13
Expected annual dividends (cents)	–	–	6.80	7.30	6.80	7.30	6.89
Expected volatility (%)	–	–	30.60	30.60	26.94	27.45	29.00
Expected life (years)	–	–	3	3	3	3	3
Exercise price (\$)	–	–	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

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 2017 is 0.6 years (2016: 1.4 years).

RANGE OF EXERCISE PRICE

The range of exercise price for performance rights outstanding at the end of the year was \$0.00 (2016: \$0.00).

WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of performance rights granted during the year was \$0.00 (2016: \$0.42).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

27. 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	
		2017 %	2016 %
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

(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	
	2017 \$'000	2016 \$'000
Short-term employee benefits	4,916	3,995
Post-employment benefits	145	162
Long-term benefits	59	108
Share based payments	571	1,105
Total	5,691	5,370

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

(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. The cost of these services was \$783,000 in the 2017 financial year.

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 at an annualised cost of \$1,429,000. 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. Services of \$562,000 were recovered from WA SatCo on a cost recovery basis in the 2017 financial year.

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 annualised cost of up to \$1,200,000 per annum.

28. PARENT ENTITY INFORMATION

	PRIME MEDIA GROUP LIMITED	
	2017 \$'000	2016 \$'000
Current assets	103	105
Total assets	220,424	205,572
Current liabilities	4,877	2,835
Total liabilities	176,208	140,487
Issued capital	310,262	310,262
Retained earnings	(270,688)	(249,577)
Employee benefits reserve	4,641	4,400
Total shareholders' equity	44,215	65,085
Loss of the parent entity	(1,966)	(125,069)
Total comprehensive loss of the parent entity	(1,966)	(125,069)

Parent entity total assets include investments in subsidiaries (refer Note 22). 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.

Subsequent to 30 June 2017 the Directors of certain subsidiary companies within the Group resolved to pay dividends totalling \$282,000,000 to the Parent entity, Prime Media Group Limited. This action was taken to remit profits earned by subsidiaries in the year ended 30 June 2017 and prior periods, which were reflected in the consolidated results of the Group in 2017 and those prior periods and from which the Group paid dividends in 2017 and in those prior periods.

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

As a condition of the Class Order, Prime Media Group Limited and its 100% owned Australian resident subsidiaries (the "Closed Group") entered into a Deed of Cross Guarantee on 17 October 2006 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 22).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

29. SUBSEQUENT EVENTS

Subsequent to 30 June 2017 the Directors of certain subsidiary companies within the Group resolved to pay dividends totalling \$282,000,000 to the Parent entity, Prime Media Group Limited. This action was taken to remit profits earned by subsidiaries in the year ended 30 June 2017 and prior periods, which were reflected in the consolidated results of the Group in 2017 and those prior periods and from which the Group paid dividends in 2017 and in those prior periods.

30. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2017 \$	2016 \$
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	239,900	260,355
– other services in relation to the entity and any other entity in the consolidated entity	73,983	87,121
– amounts received or due and receivable by related practices of Ernst & Young	–	–
	313,883	347,476

31. OTHER ACCOUNTING POLICIES

(A) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Prime Media Group Limited and its subsidiaries (as outlined in Note 27) as at and for the year ended 30 June 2017. Interests in associates are equity accounted and are not part of the consolidated Group (see Note 21).

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.

(B) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

32. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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 7.

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.

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 26.

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.

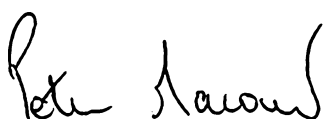
DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2017

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 2017 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 2017 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 1(b);
 - c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - d. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the Directors 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 2017.

On behalf of the Board



P.J. Macourt
Director

Sydney, 24 August 2017

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Prime Media Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prime Media Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Recoverability of Television Broadcast Licences

Why Significant to the Audit

At 30 June 2017, Television Broadcasting Licences have a net book value of \$63.5m and represent 41% of total assets of the Group.

As disclosed in Note 7 to the financial report, the Group's assessment of Television Broadcasting licences considered for impairment, involves critical accounting estimates and assumptions, specifically concerning future discounted cash flows.

These estimates and assumptions are impacted by future performance, market, regulatory and economic conditions. In particular, the decline in advertising revenues being experienced in the free to air television industry.

Given these factors, we considered this to be a key audit matter.

How our Audit Addressed the Matter

Our procedures included the following:

- ▶ Assessed whether the methodology and model used by the Group to test for impairment met the requirements of Australian Accounting Standard -AASB 136 *Impairment of Assets*.
- ▶ Tested whether the model used was mathematically accurate.
- ▶ Assessed whether the cash flows used in the impairment testing model accurately reflected the Board approved 2017 budget.
- ▶ Considered the historical reliability of the Group's cash flow forecasting process.
- ▶ Evaluated the external inputs and assumptions within the cash flow forecasting model, in particular growth rates and discount rates by comparing them to assumptions and estimates used elsewhere in the preparation of the financial report and benchmarked them against market observable external data.
- ▶ Considered the impact of a range of assumption sensitivities to the model.
- ▶ Considered the adequacy of the financial report disclosures contained in Note 7, in particular those regarding assumptions, to which the outcome of the impairment test is most sensitive.

As impairment testing relies upon business valuation principles we involved our valuation specialists to assist in the work outlined above where we considered such expertise was required.

INDEPENDENT AUDITOR'S REPORT



Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT



- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT



Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 25 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Prime Media Group Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A handwritten signature in black ink that reads 'EY + Jay'.

Ernst & Young

A handwritten signature in black ink that appears to be 'Christopher George'.

Christopher George
Partner
Sydney
24 August 2017

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2017

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 23 August 2017.

A. DISTRIBUTION OF EQUITY SECURITIES

ORDINARY SHARES

As at 23 August 2017, 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	547
1,001–5,000	964
5,001–10,000	618
10,001–100,000	1,227
100,001 and over	201
	3,557
The number of shareholders holding less than a marketable parcel of shares:	568

B. TWENTY LARGEST REGISTERED SHAREHOLDERS

The names of the twenty largest registered holders of quoted shares at 23 August 2017 are:

		LISTED ORDINARY SHARES	
		NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	HSBC Custody Nominees (Australia) Limited	77,731,641	21.22
2	Network Investment Holdings Pty Limited	41,701,955	11.38
3	BNP Paribas Nominees Pty Ltd	39,836,291	10.87
4	Citicorp Nominees Pty Limited	24,670,321	6.73
5	J P Morgan Nominees Australia Limited	20,226,210	5.52
6	National Nominees Limited	12,462,815	3.40
7	Birketu Pty Ltd	9,000,000	2.46
8	BNP Paribas Noms Pty Ltd	7,198,989	1.97
9	BNP Paribas Nominees Pty Ltd	6,775,237	1.85
10	CVC Limited	6,736,840	1.84
11	Mr George Walter Mooratoff	5,000,000	1.36
12	Citicorp Nominees Pty Limited	3,202,743	0.87
13	BT Portfolio Services Limited	2,500,000	0.68
14	RBC Investor Services Australia Nominees Pty Ltd	1,821,522	0.50
15	Boodup Nominees Pty Ltd	1,800,000	0.49
16	S M & R W Brown Pty Ltd	1,500,000	0.41
17	W & J Marshall Pty Ltd	1,400,000	0.38
18	Sojourn Services Pty Ltd	1,300,000	0.35
19	Mr Jonathon Edward Parks	1,200,000	0.33
20	Mrs Sarah Cameron	1,050,000	0.29
		267,114,564	72.92

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	30,099,400	8.216%

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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