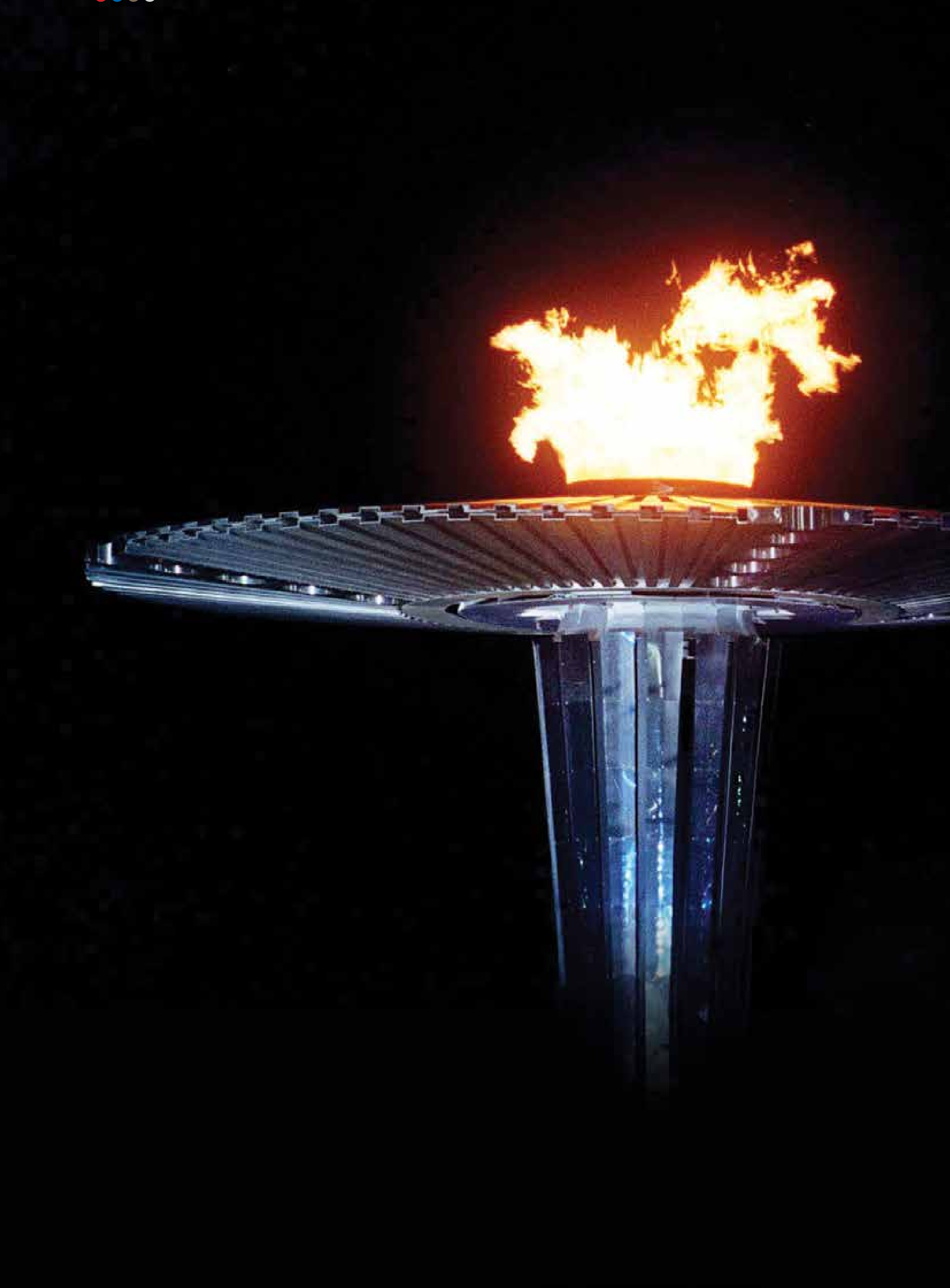

SEVEN WEST MEDIA

2014 Annual Report

# Leadership in Content. The Best Media Brands. Delivering the Biggest Audiences.

ABN 91 053 480 845



# Contents

# From the Chairman

Kerry Stokes AC

*We are looking forward to the coming twelve months as Seven West Media moves to the next level in its development as a leading integrated media company across broadcast television, publishing, online and new forms of content delivery.*

Welcome to our annual report for shareholders.

Your company will play a key role in defining the future media landscape in Australia. Our market leadership and the positive financial performance of the company's media businesses in these changing times provide us with confidence. Our presence in broadcast television, newspaper and magazine publishing, and online provides the framework for the development of your company.

Beyond driving the leadership of our media businesses, much has been undertaken over the past twelve months in changing how we do business: in particular building our creative content, managing our costs and driving greater synergies across our media businesses.

It has been a positive twelve months for your company. It is undoubtedly a challenging media landscape. Beyond the rapid developments in technology and new forms of delivery of content, all media companies are also confronting challenges in consumer confidence and the impact on advertising demand.

However, we confront these challenges with confidence. Rather than challenges, we see them as opportunities for us to drive our future, and the strength and leadership of our media businesses in a rapidly evolving landscape.

The company has a strong balance sheet and is focused on reducing debt. The company has also successfully finalised new revolving credit facilities, and while strengthening our balance sheet, we are committed to expanding Seven West Media's market-leading presence as Australia's best performing integrated media company.

We are well-placed to build our businesses – vertically and horizontally – as we pursue growth through taking our audiences into new forms of delivery of our content, and driving greater revenue opportunities for your company. We are also further advancing on our data capabilities and management to deliver further benefits to our businesses and our clients.

We are defining our future, and leading your company's development is Tim Worner. The board is delighted with how Tim and his management team are leading the company in a time of structural change for media and ensuring your company's continuing success as it evolves.

We have the best-performing media businesses in Australia.

Our leadership in broadcast television and the strength of our audience delivery and acknowledged capabilities in the creation of content provide us with great confidence. The performance of our publishing businesses, and in particular the market-leading performance of The West Australian and our leadership in key publishing categories with our magazines business underline the importance of our continuing investment as we deliver our market-leading content to all Australians across all forms of digital delivery.

The publishing sector does face well-documented challenges, however we believe our publishing businesses are stabilising and demonstrating their ability to deliver readership and profitability, and build their presence in new forms of content delivery. The company's move to bring together The West Australian and Channel Seven Perth in the one location will deliver significant synergies and benefits for both The West and Seven.

The past twelve months has seen our businesses build on their leadership. Much has also been done to put in place structures that allow us to manage our costs, drive greater efficiencies, and importantly bring our media businesses together as "one company".

As always, it does not stop. More is to be done. We know we have the right people and we know we create great content. Our opportunity is to take our people and the content they create to build new businesses that will underpin the company's growth.

Your board and management are committed to building shareholder value and ensuring the future growth of the company. We are committed to driving home our leadership. We are focused on further strengthening the performance of our core media businesses and building our presence in new forms of content.

We are looking forward to the coming twelve months as Seven West Media moves to the next level in its development as a leading integrated media company across broadcast television, publishing, and online and through the introuction of new forms of content delivery.

On behalf of the board and our people, I thank you, our shareholders, for your commitment to the company.

**Kerry Stokes AC**
Chairman

# From the Chief Executive Officer

Tim Worner


*The past twelve months has seen us drive home our leadership as we bring our broadcast television, publishing and online businesses together as "one company" and drive greater efficiencies as well as identify new opportunities for growth.*

Our company is set to continue to expand its presence in media.

Driving that development is our leadership in broadcast television, publishing and online. Our objective is clear: identifying and originating the very best content and delivering that content anywhere, anytime to the biggest audiences.

As we extend our publishing businesses into new forms of digital delivery, we know that broadcast television will continue to be the cornerstone of our development as a broad-based media company. We want to take the opportunities that come with our acknowledged strengths in the creation and production of Australian television.

We will soon unveil more plans for the further delivery of our video and publishing content across an array of platforms, including Hybrid Broadband Broadcast Television which should allow us to strengthen our broadcast television business and eventually extend to one-on-one communications with our mass audiences.

The way people consume and engage with content is changing. But television will continue to be the key to connecting with mass audiences. Television will continue to underpin our plans to further engage with our audiences on mobile devices, laptops or tablets, consoles, boxes and new smart televisions.

The past twelve months has seen us drive home our leadership as we bring our broadcast television, publishing and online businesses together as "one company" and drive greater efficiencies as well as identify new opportunities for growth.

Across the 2014 television season and in a year of major events, Seven continues to lead in primetime, building on its market-leading performance in the 2013 television season. And, our leadership sees Seven securing a market-leading share of the television advertising market across the 2013 and 2014 television seasons. The network is now in its eighth consecutive year of leadership in securing more advertising revenue than any other television network.

And we will continue to invest to secure that leadership.

Our success with the Australian Football League along with our coverage of major events including The Australian Open and The Melbourne Cup confirms the importance of live coverage of major sports. It remains a key plank in the strategy for Seven's development as a media and communications company.

This underpins our signing of an historic, long-term agreement for an all-encompassing coverage of the Olympic Games over the coming decade. Seven's agreement with the International Olympic Committee delivers free broadcast television and subscription television rights, and expands beyond television to all rights, including Seven's digital platforms, online and HbbTV.

This is an unprecedented agreement. The Olympic Games promises to be a remarkable platform for Seven as we move forward as a media company over the coming decade, a second-to-none platform from which we launch new programming.

We are now creating more content than at any time in our history. We are driving our own future with the programmes and content we create and leverage, and we are making deliberate and considered moves into new opportunities not only for our own primary market in Australia but increasingly in international markets.

We have announced the formation of two new international production companies: 7Wonder and 7Beyond. These two new businesses underline a key part of our strategy for today and in the future: the expansion of our presence in the production of content.

And this focus on content underpins our publishing businesses.

We have some of the best-performing brands in publishing. There is the market-leading presence for us in Western Australia of The West Australian. Pacific Magazines is acknowledged as publishing Australia's most powerful portfolio of magazines, occupying the largest per title share of all major publishers.

The performance of The West and Pacific Magazines reflects the continuing investment in our cornerstone brands. And we are building beyond our newspaper and magazine presence with our drive to digital editions. This move allows us to take advantage of another new channel for the delivery of our content, connect with audiences and develop new opportunities to build revenues. Our objective is to continue to build our brands through print, digital, social media, events and other media.

We have strengthened our leadership in our media businesses over the past twelve months. We have also made significant progress in our plans for development based on expanding our leadership in content creation and distribution to new delivery platforms.

This commitment to the rapid development of our digital platforms defines our Yahoo7 partnership with Yahoo! Inc. Yahoo7 continues to build its audiences and is delivering significant growth in mobile audiences. It is also playing a key role in the success of PLUS7, our catch-up offering, creating content and distribution partnerships that build on the success of our broadcast television programming.

As our Chairman has highlighted in this annual report, we are focused on building the company. We have put in place the structures, the people and the strategy. We are building our presence in content. We are making our first significant steps in implementing a major data initiative that will play a key role in defining how we communicate with our audiences and how we drive greater revenue opportunities. We are also creating a connection with all Australians in events with a new company that will expand our presence beyond our current media businesses. These moves are important signposts to our future: it is a positive one for your company.

**Tim Worner**
Chief Executive Officer

# REVIEW OF OPERATIONS

## Summary Financial Performance

Seven West Media Limited reported a statutory net profit of $149.2 million for the year ended 28 June 2014. This compares to the previous corresponding year statutory net loss of $69.8 million (including significant items). Significant items of $87.0 million after tax include the impairment of the magazine business' intangible assets.

Excluding significant items, the current year profit after tax of $236.2 million is up 4.9 per cent on the previous year profit of $225.2 million.

The group delivered revenue of $1,861.8 million, down 1.1 per cent versus the previous year, and profit before significant items, net finance costs and tax (EBIT) of $408.2 million, down 3.3 per cent on the previous year. A fully franked final dividend of 6 cents per share has been declared and will be paid in October 2014 (2013 final dividend: 6 cents per share fully franked).

| | FY14 ($m) | FY13 ($m) | Change (%)[3] |
|---|---|---|---|
| Revenue | 1,844.9 | 1,866.5 | -1.2% |
| Other income | 0.1 | 0.2 | -50.0% |
| Share of net profit of equity accounted investees | 16.8 | 15.3 | 9.8% |
| Revenue, other income and equity accounted profits | 1,861.8 | 1,882.0 | -1.1% |
| Operating expenses excluding depreciation and amortisation | (1,403.6) | (1,402.0) | 0.1% |
| **EBITDA**[1] | **458.2** | **480.0** | **-4.5%** |
| Depreciation and amortisation | (50.0) | (58.0) | -13.8% |
| **EBIT**[2] | **408.2** | **422.0** | **-3.3%** |
| Net finance costs | (77.8) | (102.4) | -24.0% |
| **Profit before significant items and tax** | **330.4** | **319.6** | **3.4%** |
| Significant items | (87.0) | (308.4) | -71.8% |
| **Profit before tax** | **243.4** | **11.2** | **n/a** |
| Tax expense | (94.2) | (81.0) | 16.3% |
| **Profit/(loss) after tax** | **149.2** | **(69.8)** | **313.7%** |
| | | | |
| EBITDA margin | 24.6% | 25.5% | |
| Basic EPS | 14.9 cents | -7.1 cents | |
| Basic EPS excluding significant items net of tax | 23.7 cents | 23.0 cents | |
| Diluted EPS | 12.7 cents | -6.1 cents | |
| Diluted EPS excluding significant items net of tax | 20.1 cents | 19.8 cents | |

1. EBITDA relates to profit before significant items, net finance costs, tax, depreciation and amortisation.
2. EBIT relates to profit before significant items, net finance costs and tax.
3. Change percentages are calculated on whole dollars and not the rounded amounts presented.

## Reconciliation of EBIT to statutory profit before tax

| | FY14 ($m) | FY13 ($m) | Change (%) |
|---|---|---|---|
| **EBIT** | **408.2** | **422.0** | **-3.3%** |
| Net finance costs | (77.8) | (102.4) | -24.0% |
| Significant items | (87.0) | (308.4) | -71.8% |
| **Profit before tax** | **243.4** | **11.2** | **n/a** |

## Advertising Market and Revenue Performance

The total advertising market returned to growth in the financial year to 30 June 2014, up 1.9 per cent on the prior year according to SMI data.

Advertising expenditure benefited in the first half from higher Government spending around the Federal Election, while the second half declined slightly, down 1.4 per cent, with consumer confidence and business sentiment also softening.

Based on SMI data, television industry advertising has broadly maintained its share of total advertising expenditure, while print's share of total advertising has declined at the expense of growth in digital advertising. Newspaper advertising now represents 11.1 per cent of advertising spend and magazines 3.6 per cent.

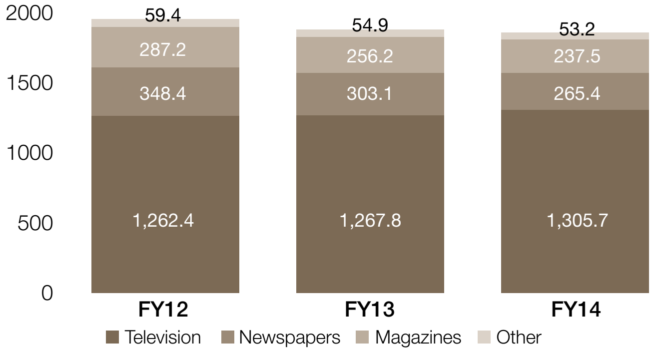
The metropolitan television advertising market grew 3.5 per cent for the twelve months to 30 June 2014 and Seven achieved a record 40.5 per cent revenue market share.

Advertising conditions in print remain challenging although Seven West Media continues to outperform its peers.

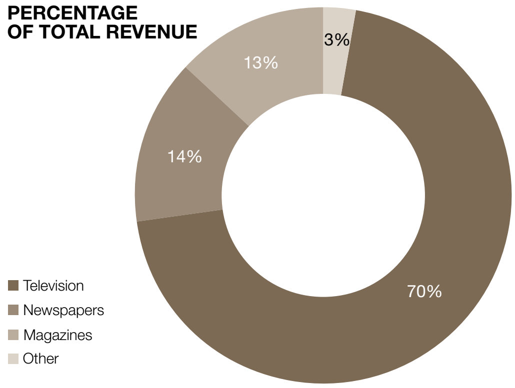
Metro newspaper advertising fell by 18.8 per cent and magazine advertising reduced 17.0 per cent, based on the SMI data. Both the West Australian Newspapers and Pacific Magazines grew market share, outperforming the market with declines of 14.7 per cent and 6.0 per cent respectively.

Group revenue of $1,861.8 million fell 1.1 per cent on the prior year which was made up of advertising revenue of $1,429.1 million down 0.7 per cent and other revenue of $432.7 million down 2.3 per cent. Television revenue now makes up 70 per cent of group revenue.

**TOTAL REVENUE ($M'S)**




**PERCENTAGE OF TOTAL REVENUE**




## Cost Management

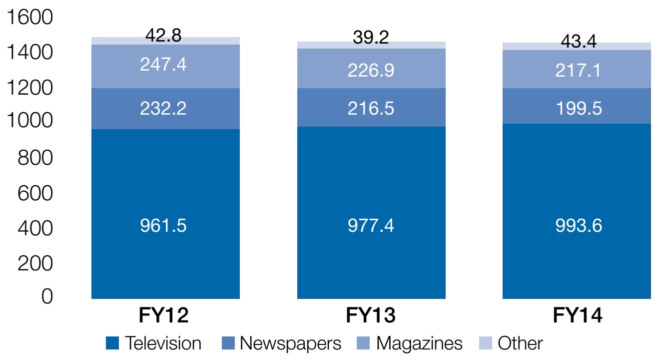
Total Group costs decreased 0.4 per cent in the period to $1,453.6 million as a result of continued focus on cost reduction initiatives.

Newspaper and magazine cost reductions of 7.9. per cent and 4.3 per cent respectively were offset by television cost growth of 1.7 per cent in the year.

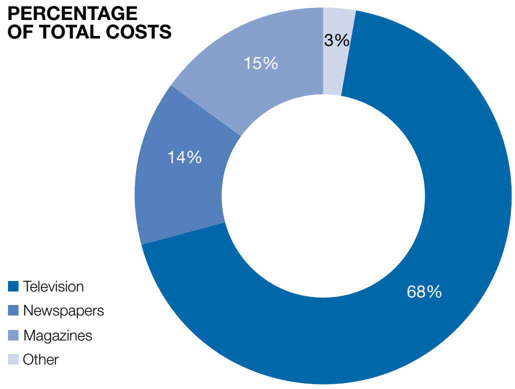
The company has achieved the cost reduction objectives that it set out at the start of the last financial year, offsetting investment in content and inflation pressures to keep total group costs at just over $1.4 billion by delivering the $120 million in cost savings and revenue initiatives over the two year period.

All costs shown in charts exclude the impact of significant items.

**OPERATING COSTS ($M'S)**




**PERCENTAGE OF TOTAL COSTS**



## EBITDA and Operating Margins

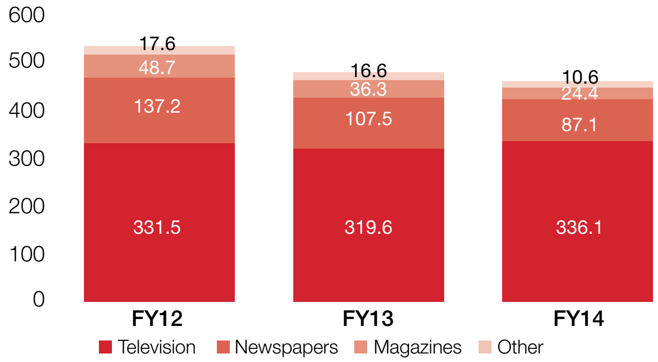
In challenging market conditions, Seven West Media delivered EBITDA of $458.2 million, 4.5 per cent lower than the prior year ($480.0 million) at an EBITDA margin of 24.6 per cent (25.5 per cent in prior year).

The company's key businesses continue to maintain strong margins with television increasing its EBITDA margin to 25.7 per cent (25.2 per cent in prior year). Newspapers achieved an EBITDA margin of 32.8 per cent (35.5 per cent in prior year) and magazines an EBITDA margin of 10.3 per cent (14.2 per cent in prior year).

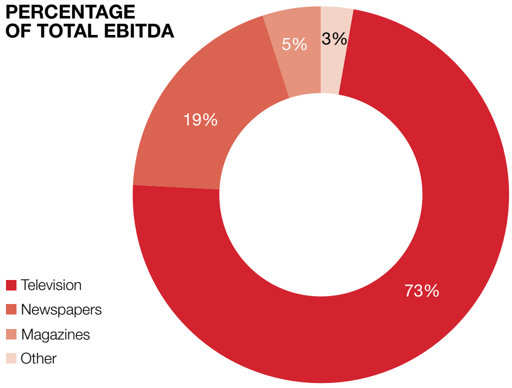
The strong performance in television led to an increase in the percentage of EBITDA contribution to the group by the Television business, which now accounts for 73 per cent of total group EBITDA.

All EBITDA margin percentages exclude the impact of significant items.

EBITDA ($M'S)




PERCENTAGE OF TOTAL EBITDA




## Balance Sheet

At 28 June 2014 Seven West Media had net assets of $2,897 million. Group net debt declined 6.6 per cent to $1,158.5 million compared to the prior year ($1,240.8 million). The group has continued to use its strong operating cash flows to pay down debt. As a result the group's debt leverage ratio has reduced to 2.5x EBITDA versus the prior year (2.6x EBITDA).

On 13 February 2014 Seven West Media finalised new revolving bilateral credit facilities totalling $1.4 billion and used funds drawn from these facilities together with available funds of $100 million to repay all amounts outstanding under the existing facilities.

Original commitments for the new facilities were provided by seven Australian and international banks with the facilities having an initial maturity date of October 2017 at which time they can be extended.

## Review of Businesses

A summary of the performance of Seven West Media's key business units for the year ending 28 June 2014 is set out on the following pages.

# Commitment to our Community

Seven West Media is committed to reflecting and assisting the lives of Australians. Beyond the company's significant commitments to the promotion of major causes and raising awareness of issues of importance to our audiences, Seven West Media conducts two major telethons in Australia: The Good Friday Appeal and the Channel 7 Telethon. This year, The Good Friday Appeal, with Seven in partnership with the Herald and Weekly Times and Radio 3AW raised a record $16.8 million for the Royal Children's Hospital in Melbourne. In Perth, Telethon this year raised $20.7 million for Telethon Kids Institute and Princess Margaret Hospital for Children in Perth.


INXS
NEVER TEAR US APART


AFL
FOOTY

# Broadcast Television


# TELEVISION

## Financial Performance: Television

| | FY14 ($m) | FY13 ($m) | Change (%) |
|---|---|---|---|
| **Revenue** | | | |
| Advertising | 1,153.3 | 1,124.7 | 2.5% |
| Other | 152.4 | 143.1 | 6.5% |
| **Total Revenue** | **1,305.7** | **1,267.8** | **3.0%** |
| **Costs** | | | |
| Revenue variable costs | 83.8 | 83.9 | -0.1% |
| Depreciation and amortisation | 24.1 | 29.2 | -17.6% |
| Other costs | 885.7 | 864.3 | 2.5% |
| **Total Costs** | **993.6** | **977.4** | **1.7%** |
| **EBIT** | **312.1** | **290.4** | **7.5%** |

**40.5%**

Seven delivers eighth consecutive year of market leadership in metro advertising revenue share

The Seven Network marked its 8th consecutive year of market leadership with a total individuals rating share in primetime of 39.7 per cent and a record revenue share of 40.5 per cent for the twelve months to 30 June 2014. Seven won 30 of the 40 ratings weeks and grew ratings share in all key demographics in the second half of the 2014 financial year. Seven was number one on primary channels and the combined audiences of additional digital channels across primetime.

Seven continues to lead the market in television advertising revenue share, building share in a tough and competitive advertising market. Across the first six months of the 2014 television year Seven secured a 41.3 per cent share of the overall advertising market and across the 2013-2014 financial year Seven secured an overall advertising revenue share of 40.5 per cent – the highest revenue share ever for Seven in a year with or without the benefit of broadcasting an Olympic games.

Television revenue grew 3.0 per cent to $1,305.7 million accounting for 70 per cent of group revenue (67 per cent FY13). EBIT (Profit before significant items, net finance costs and tax) grew 7.5 per cent to $312.1 million making up 76 per cent of group EBIT (69 per cent FY13).

Seven maintained its prudent cost approach with total cost growth limited to 1.7 per cent compared to last year, and delivered EBITDA of $336.2 million, up 5.2 per cent on the prior year with a market leading EBITDA margin of 25.7 per cent for the FTA television sector. Notably, Seven's television EBITDA grew 12.4 per cent in the second half of the year.

### Leadership in Australian Television

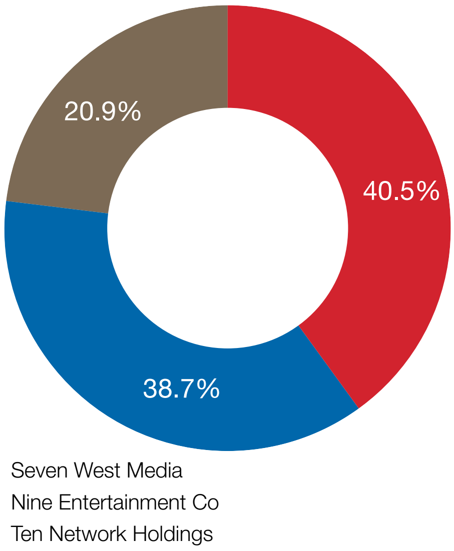
Broadcast television is our primary focus.

Our television audience delivery and our leadership in Australian production are the fundamental strengths of our broadcast television business.

This is our eighth consecutive year of leadership in primetime, our eleventh consecutive year of leadership in breakfast television and our eighth consecutive year of leadership in morning television.

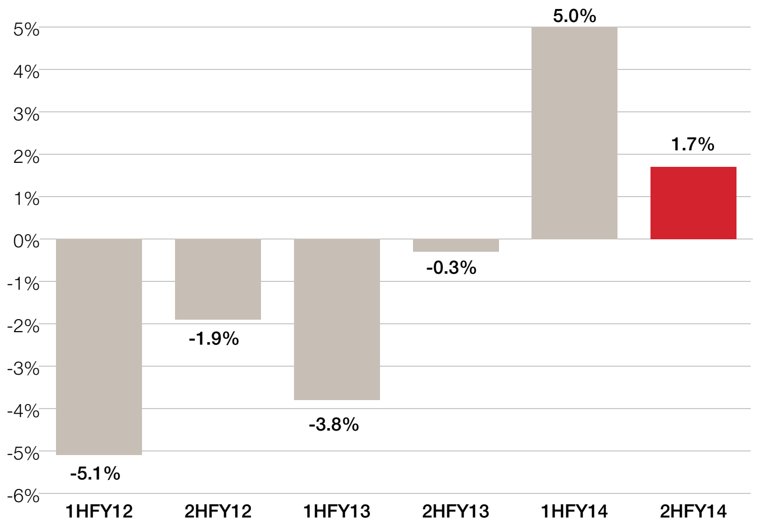
Seven is the most-watched primary channel for total viewers in the current television year and our suite of channels deliver more viewers than anyone else.

## Metro FTA TV Ad Revenue Market Share




Source: KPMG Free TV, 12 months to 30 June 2014

## Metro FTA TV Ad Revenue Market Growth




Source: KPMG Free TV, 6 months to June 2014

Driven by My Kitchen Rules and The X Factor, Seven recorded the most-watched regular programs on television with 5 of the top 10 and 11 of the top 20 programmes. New productions for Seven, including INXS and The Killing Field, were added to support the network's performance in 2014. Seven's newest major franchise, House Rules, returned and built on the success of last year with the audience up 22 per cent for the second season.

In February 2014, Seven Network launched a new one hour news strategy in the capital cities on the east coast as part of its focus to improve ratings in Sydney and Melbourne, where there are opportunities to recover share. While it is still early days, there have been encouraging results. Despite increased competition in Perth and Adelaide, Seven has maintained its dominant lead and in certain cases has extended it.

Seven West Media is the largest content company in Australia producing over 4,000 hours per annum of drama, entertainment, news and public affairs. Since 2006, Seven has made significant investments in production, building its internal capabilities and growing its content library. This gives Seven a distinct advantage in the local market, providing it with the flexibility to work with our advertising partners to integrate their messages into our programs, maintaining control of the production costs and increasing revenue through overseas content sales.

International program and format sales are a growing revenue stream for Seven West Media with sales up 14 per cent in the 2014 financial year. Seven has expanded its production capabilities and international sales channels this year with the launch of two new joint venture companies in the UK and US, 7Wonder and 7Beyond. Our planning for the 2015 television season is well-advanced with a number of new Australian series in development, including a new multi-part series based on The Killing Field and, building on the success of My Kitchen Rules and House Rules, a new event franchise.

## Leadership in Sports

Our agreement with the Australian Football League underlines the company's commitment to secure key programming content to drive leadership in broadcast television in an increasingly competitive landscape.

Our success with the Australian Football League along with our coverage of major events including The Australian Open and The Melbourne Cup confirms the importance of major sports in defining Seven's development as a media and communications company. This strategy underpins our signing of an historic, long-term agreement for an all-encompassing coverage of the Olympic Games over the coming decade.

Seven's agreement with the International Olympic Committee delivers free broadcast television and subscription television rights, and expands beyond television to Seven's digital platforms, including online and Hybrid Broadband Broadcast Television. Seven has secured all rights including the radio broadcasting rights.

Under the unprecedented new agreement, Seven will broadcast the Games of the XXXI Olympiad in Rio de Janeiro in 2016, the XXIII Olympic Winter Games in PyeongChang in 2018 and the Games of the XXXII Olympiad in Tokyo in 2020. Underlining this new partnership is an option which, if exercised, extends the rights to include the XXIV Olympic Winter Games in 2022 and the XXXIII Olympiad Games in 2024.

The Olympic Games will be a remarkable platform for Seven as we move forward as a media company, developing new programming and content, and building new businesses which will drive our future as Australia's leading integrated media and communications business.


# Television Future Development

Our primary focus is the creation of our own content as we continue to re-define the operating model for our broadcast television business.

Consumer behaviour and content consumption is changing but television will continue to be the cornerstone for reaching mass audiences and will underpin our plans to further engage with our audiences through mobile, desktop, consoles and other new devices.

We are taking our content even further: available anywhere and on any device at any time. Our objective is to create more content that Australians want to watch and engage with as well as distribute that content wherever it is the most profitable. We will invest to create more choice for consumers and new revenue opportunities for Seven, by delivering our content in subscription, transactional or ad-funded models and formats.

We are driving our presence in Hybrid Broadband Broadcast Television – a new system that combines the power of broadcast television with the internet and other content delivery platforms. This should eventually allow us to not only deliver our television content to mass audiences but also to engage with our audiences one-on-one.

Driving our success will be our content. Seven is recognised as a leader in the development and production of Australian television. We are driving our own future with the programs and content we create and leverage, and we are making deliberate and considered moves into new opportunities not only for our own primary market in Australia but increasingly in international markets.


We are now creating more content than at any time in our history and we are now making content for broadcasters other than ourselves. This coming year Seven Productions will commission, create and produce nearly 700 hours of scripted, entertainment, reality, observational documentaries and children's programming. We are expanding our presence in international content production with the formation of two new production companies: 7Wonder and 7Beyond. Seven and key executives who led the creative and commercial success of Maverick Television, one of the United Kingdom's leading independent television production companies, have formed a new television production company: 7Wonder. 7Wonder is focused on the creation of new television programs and formats, initially for the United Kingdom television market.

Complementing 7Wonder is a new venture with Beyond Productions which focuses on new programming initially for the North American marketplace. 7Beyond combines Seven's market-leading presence in the creation of content in Australia and increasingly in international markets, and Beyond's acknowledged track record in the production of programming for the United States television market, including Beyond Tomorrow and Mythbusters.

Both new ventures have secured their first commissions and have commenced production. Our success in production and most importantly our people are driving a growth business for Seven Productions.

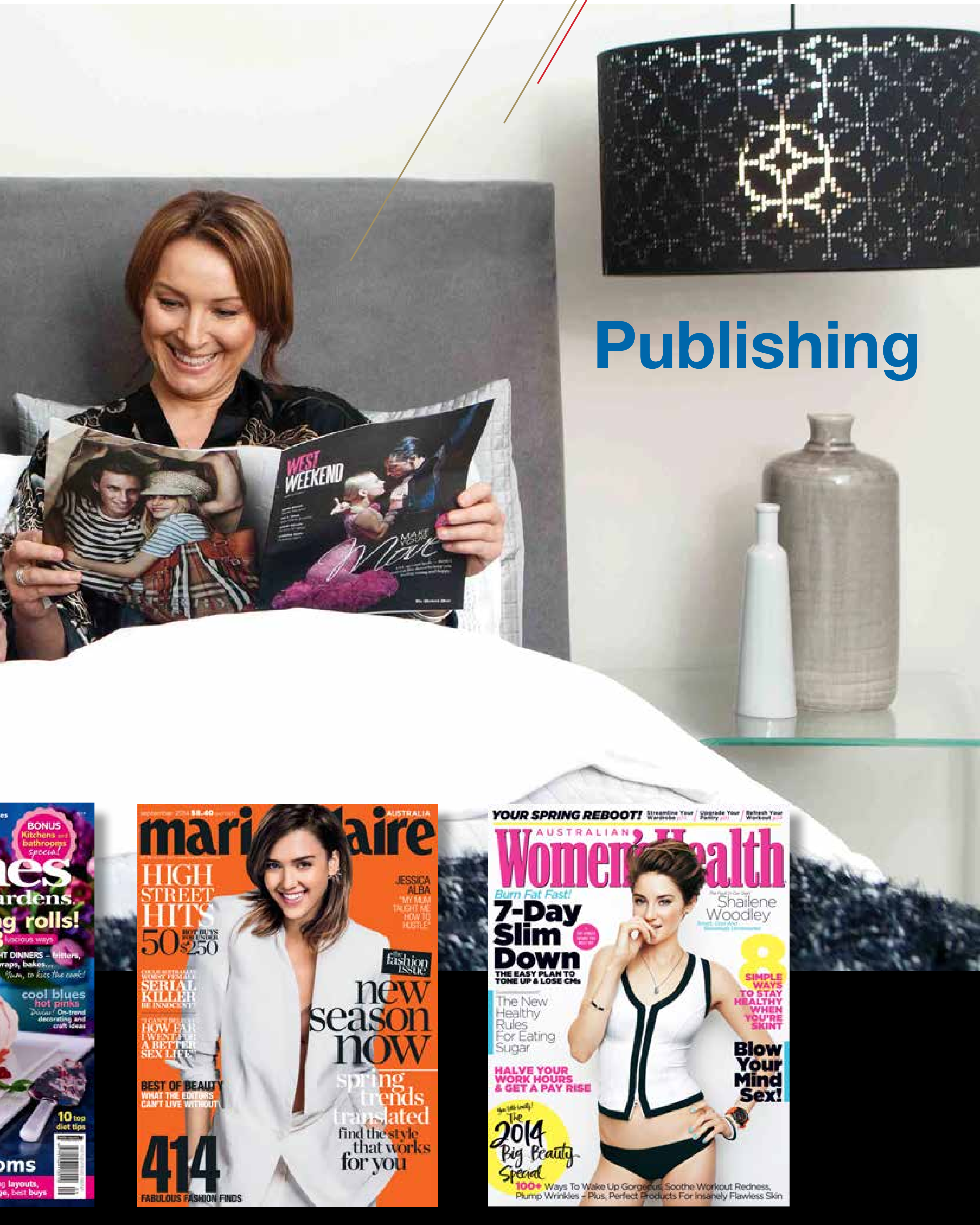

WESTKIDS
The Weekend West
"It's good for your mind, your body and your soul."
WEEKEND


Free 2 HUGE POSTERS + FLAG!
G'DAY GEORGE!
Our Aussie Prince of Hearts
Pete Evans
OFFICIAL INTERVIEW & PICS
MKR
GEOFF DATES BRYNNE'S TWIN!
Meet Bree!
3 SHOCK WEDDINGS!
PLUS!
Harry & Vikki
GUESS WHO'S IN LOVE
TOM'S NEW LOVE, NEW LOOK!


THE CREATIVE SECRETS BEHIND A GREAT MAKEOVER
home beautiful
Kitchen & bathroom design guide
IDEAS, ADVICE + THE LATEST LOOKS
50 Beautiful rooms
The swoon-worthy style of this year's best homes
30+ pages of inspiring projects
RENOVATING DECORATING ENTERTAINING OUTDOOR LIVING


Better Homes
TV SHOW 7
Growing power
BIG SPECIAL
The dynamic duo!
Kitchens and bathro
23

# Publishing


WEST WEEKEND
MAKE YOUR Move
BONUS Kitchens and bathrooms special!
cool blues hot pinks
10 top diet tips
marie claire AUSTRALIA
HIGH STREET HITS
50 HOT BUYS FOR UNDER $250
SERIAL KILLER
HOW FAR I WENT FOR A BETTER SEX LIFE
BEST OF BEAUTY
WHAT THE EDITORS CAN'T LIVE WITHOUT
414 FABULOUS FASHION FINDS
JESSICA ALBA
"MY MUM TAUGHT ME HOW TO HUSTLE"
the fashion issue
new season now
spring trends translated
find the style that works for you
YOUR SPRING REBOOT!
AUSTRALIAN Women's Health
Burn Fat Fast!
7-Day Slim Down
THE EASY PLAN TO TONE UP & LOSE CMs
The New Healthy Rules For Eating Sugar
HALVE YOUR WORK HOURS & GET A PAY RISE
The 2014 Big Beauty Special
100+ Ways To Wake Up Gorgeous, Soothe Workout Redness, Plump Wrinkles – Plus, Perfect Products For Insanely Flawless Skin
Shailene Woodley
8 SIMPLE WAYS TO STAY HEALTHY WHEN YOU'RE SKINT
Blow Your Mind Sex!

# NEWSPAPER PUBLISHING


## Financial Performance: Newspapers

| | FY14 ($m) | FY13 ($m) | Change (%) |
|---|---|---|---|
| **Revenue** | | | |
| Advertising | 189.6 | 222.4 | -14.7% |
| Circulation | 63.2 | 68.2 | -7.3% |
| Other | 12.5 | 12.5 | 0.0% |
| **Total Revenue** | **265.4** | **303.1** | **-12.4%** |
| **Costs** | | | |
| Depreciation and amortisation | 21.2 | 20.9 | 1.2% |
| Other costs | 178.3 | 195.6 | -8.9% |
| **Total Costs** | **199.5** | **216.5** | **-7.9%** |
| **EBIT** | **65.9** | **86.6** | **-23.9%** |

#1

The West is closely integrated with Seven in Perth to create a powerful and market-leading communications platform across Western Australia

Now in its 182nd year, The West Australian is the leading Monday to Saturday metro newspaper in Perth, and it continues to be an important part of the lives of all West Australians. The West is closely integrated with Channel 7 Perth, creating the most powerful promotional platform in the market with a high level of community engagement. Newspaper trends in print advertising have been challenging, due to the significant pressure from digital media as well as softer cyclical conditions in the local and national economy. Despite this, we continue to outperform our peers in terms of circulation, audience delivery and advertising.

The West Australian's audited circulation from Monday-Friday was 164,107 with The Weekend West's audited circulation at 270,541 (ABC audit three months ended 30 June 2014). The average daily readership for Monday-Friday was 637,000 with The Weekend West at 681,000 (emmaTM conducted by Ipsos MediaCT, People 14+ for the 12 months ending June 2014). The West maintains its position as one of the strongest performing newspapers in the country. In print over 1.1 million people read The West Australian across the week, and 1.9 million people will access the publication either in print or online via website, tablet and mobile (emmaTM conducted by Ipsos MediaCT for the 12 months ending June 2014).

Newspaper revenue declined 12.4 per cent to $265.4 million while EBIT fell 23.9 per cent to $65.9 million. Economic conditions in Western Australia's economy have softened over the last 12 months, particularly in retail sales, employment and auto sales, which are all key revenue categories for The West. These adverse cyclical conditions have impacted revenue in addition to the pressures from some of the structural challenges facing the newspaper industry. The newspaper division has maintained market leading operating margins despite current revenue trends with an EBITDA margin of 32.8 per cent achieved during the financial year. Cost management has been a key focus with operating costs down 8.9 per cent in the period, although this has not compromised the quality of The West. Management continue to look for new ways to drive greater operating efficiencies and improve revenue across the business.


## Leadership in Newspapers

The West Australian drives the news agenda and public opinion in Western Australia. The West maintained a strong performance relative to other newspaper companies confirming the paper's disciplined approach to cost management and its focus on the delivery of a product consumers seek and trust. The West Australian is one of Australia's best performing news-media brands. Three in four West Australians access the masthead each month across print and online. Both the Monday-Friday edition and the Weekend West deliver among the highest market penetration of any Australian major metropolitan newspaper and The West Australian's online site thewest.com.au is the leading Western Australian news site (Nielsen online ratings June 2014). Seven Days and West Weekend magazine are Western Australia's best read magazines compared to all newspaper inserted magazines.

# Newspapers of the Future

Management continue to seek to evolve the traditional business model to capitalise on changing consumer behaviour. A core pillar of the newspaper strategy is integrating print and digital offerings through innovation. This will play a key part in how we package our print and digital products – be they in mobile, tablet or desktop - to deliver compelling advertising solutions for The Wests' clients and readers. Our circulation strategy proposes to grow the West's home delivery subscriber base and reduce customer churn through revised pricing and retention programs that rewards subscriber loyalty. The continued migration of customers through the circulation subscriber project, implemented in May last year, is expected to deliver benefits in circulation sales and customer management in future years.

We are continuing to expand our digital offering through partnering and innovation. WAN's classified sites have developed partnerships with Jobfinder in the employment category and the Real Estate Institute of West Australia in the real estate category. The West's online ventures including West Announcements, Airline Ratings, New Homes Guide and Health and Medicine have maintained good momentum since launch. The West will seek to invest in growth categories where we see a clear path to leadership.

The West is building on the level of engagement with the local community and increasing its integration with Channel 7 Perth by co-locating offices and integrating news rooms. This integrated news room will provide thewest.com.au greater access to video content, fuelling new revenue opportunities. The implementation of The West's new multi-media editorial platform will be completed in the coming financial year. This new platform is fundamental to enhancing the digital delivery of the West, improving the editorial and publishing process allowing us to publish once and distribute to multiple devices. New growth opportunities in digital and events are key priorities for The West.

# MAGAZINES PUBLISHING

## Financial Performance: Magazines

| | FY14 ($m) | FY13 ($m) | Change (%) |
|---|---|---|---|
| **Revenue** | | | |
| Circulation | 154.4 | 168.3 | -8.3% |
| Advertising | 72.8 | 77.5 | -6.0% |
| Other | 10.3 | 10.4 | -1.0% |
| **Total Revenue** | **237.5** | **256.2** | **-7.3%** |
| **Costs** | | | |
| Depreciation and amortisation | 4.0 | 7.0 | -43.4% |
| Other costs | 213.1 | 219.9 | -3.1% |
| **Total Costs** | **217.1** | **226.9** | **-4.3%** |
| **EBIT** | **20.4** | **29.3** | **-30.4%** |

**35%**

Pacific Magazines publishes more than one in three magazines sold in Australia

Our presence in magazine publishing is a key element in building our content and brands beyond broadcast television.

Pacific Magazines accounts for 35 per cent of magazine circulation and 50 per cent of women's weekly magazines sold in Australia and our portfolio now reaches 8.7 million Australians aged 14+ every month. Pacific Magazines continued to out-perform the overall consumer magazine market with overall advertising share growing to 26.4 per cent in FY14 versus 24.8 per cent in FY13, based on SMI data. Over the last 12 months to June 2014, overall readership share was at 32 per cent and circulation at 35 per cent (33 per cent FY13). Digital editions have more than tripled in copy sales on the prior year and our social network footprint continues to build with more than four million followers.

Pacific Magazines has delivered a robust revenue performance in trying conditions, improving its circulation and revenue market share as a result. Revenue in the magazines division declined 7.3 per cent to $237.5 million versus the prior year, with an improvement in the rate of decline in advertising revenue contributing to the improved overall revenue trend. The rate of decline in advertising revenue slowed from 20.7 per cent in the 2013 financial year to 6.0 per cent in FY14 in line with management's expectations, with the fourth quarter marking the first quarter of advertising revenue growth in three years. Circulation revenue, however, was down 8.3 per cent impacted by soft retail conditions, particularly from newsagencies. Digital revenues are growing strongly but off a low base. The continued focus on cost initiatives delivered a 3.1 per cent year-on-year reduction in operating costs.

Due to the continuing challenges in the magazine market an impairment charge of $77.0 million was recorded in the financial year against the carrying value of magazine's goodwill, mastheads and licences.

## Leadership in Publishing

Our magazines business is acknowledged as one of Australia's most powerful portfolio of magazines, occupying the largest per title share of all major publishers. This reflects the continuing investment in our cornerstone brands and builds on our highly successful partnerships with internationally regarded publishing companies including Groupe marie claire, Time Inc, Meredith and Rodale.

Pacific Magazines publishes two of the three biggest-selling weekly magazines and three of the top five highest-selling magazines in Australia. Pacific Magazines publishes many of the biggest brands in magazines in Australia: New Idea, Better Homes and Gardens, that's life!, Home Beautiful, marie claire, InStyle, Men's Health, Women's Health, Who and Girlfriend.


Pacific Magazines portfolio of 17 measured titles in a market of approximately 100 titles combine to deliver the company an overall 35 per cent share of circulation and a 32 per cent share of readership. Pacific has grown 2.4 per cent in annual gross readership in the twelve months to June 2014.

The company's flagship title, New Idea, is one of the top two highest-selling weekly magazines in Australia selling an average of 281,514 print copies and reaching 2.027 million readers every week.

Better Homes and Gardens is the country's leading integrated media brand across television, publishing, online and events. Better Homes and Gardens is the most-read magazines in Australia, securing the largest increase in readership of any magazine over the past twelve months.

Home Beautiful is out-performing the overall home and lifestyle category. Over the past twelve months, circulation is up 8.4 per cent year on year reflecting enhanced editorial and promotion and a highly successful integration with Seven's hit television franchise, House Rules.

The integration of Pacific Magazines key titles with Seven Network programming is yielding strong results. New Idea, which was coupled with My Kitchen Rules and House Rules, has grown total circulation across print and digital quarter on quarter.

Management is focused on developing further opportunities to leverage the power of our brands across the group to create new revenue opportunities and improve the monetisation of our content.

## Magazines of the Future

Every year Australians consume over 200 million magazines. We continue to rank amongst the highest consumers of magazines in the world.

Our drive to produce digital editions of our magazine titles is another example of seeking new channels for the delivery of our content, connecting with wider audiences and developing new opportunities to build revenues. In the twelve months to June 2014, Pacific Magazines has increased its share of gross annual digital circulation by 6.0 percentage points year on year to deliver a 13 per cent share. Pacific Magazines total digital editions are up 250 per cent year on year and the majority of Pacific Magazines brands now have a digital edition.

Our magazines are big, powerful, highly-engaging, market-leading brands. Our objective is to build our magazine audiences through print, digital, social media and events. Our focus has been to create magazines for key categories, or 'passion points', establishing our brands as market leaders. This strategy is not about transitioning our business from print to digital. We seek to immerse our audience in their interests in order to create new revenue opportunities beyond publishing across e-commerce, services, brand extensions, events, and strategic partnerships.

Magazine Audience Performance Predictor (MAPP), which was rolled out to media agencies in FY14, is a worldwide first which allows the contribution of magazines to the media mix to be quantified in a manner that is in line with the forms of data available for other media. The greater precision means that the link between magazine advertising and advertisers' product sales will be measured more effectively, resulting in more accurate estimates of magazines' return on investment.


# Yahoo7 and Other Media

# YAHOO7 AND OTHER MEDIA


Other media assets include: Yahoo7, Australian News Channel (Sky News), Quokka, Community Newspapers, regional newspaper publishing and regional radio licences in West Australia.

Yahoo7 brings together the online assets of Yahoo Inc and the content creation and marketing strengths of Seven West Media. Engagement has grown strongly with an average 9.1 million Australian users visiting Yahoo7 each month, an increase of 19.5 per cent from the prior year average. There were approximately 116 million video streams over the period, up 24.6 per cent on the prior year, of which over 40 million were long-form content.

Mobile audiences have grown over 60 per cent in the past year to more than 6.7 million users on smartphone and 3.2 million users on tablets and Yahoo7 is continuing its development of device aware experiences across web, tablet and mobile, leveraging Yahoo's global technology.

Yahoo7 has invested in new targeting products and solutions helping to secure its position as the fastest growing online publisher (of the top five publishers) with advertising share up 16 per cent in the second half of FY14 (according to Standard Media Index).

The company has also dramatically expanded its PLUS7 catch-up TV offering. PLUS7 streams full episodes of Seven's most popular programmes every month – with 250 hours of content each month across Seven, 7TWO and 7mate primetime programmes. The PLUS7 app now has almost 1.2 million downloads and Yahoo7 has seen an 11 per cent increase in the number of of long form video streams from January to June 2014 versus the previous year.

## Financial Performance

Digital and other businesses contributed EBIT of $9.8 million, down 37.7 per cent compared to the prior year. Growth from Yahoo7 and Community News was offset by declines predominantly related to the performance of print classifieds in Quokka, Colourpress and other WA businesses.

Structural challenges have impacted the general classifieds market; as a result, an impairment charge of $10.0 million was recorded in the financial year against the carrying value of the Quokka masthead.

# STRATEGIC DEVELOPMENT

## Market Leadership

Leadership through content we own and create, as we redefine our operating model and build opportunities for growth.

At the core of Seven West Media's business is the content that it produces, curates and distributes to audiences across multiple platforms. As the media landscape evolves it is imperative that this content is available where and when audiences want to consume it. This presents the company with opportunities to exploit our content in new and different ways. Seven West Media's strategy is based on three fundamental principles:

- Maintain leadership in all our current businesses. We will do this where possible, through content we own or control.
- Redefining the operating model so we can be leaner and more agile but importantly without ever compromising the quality of our content.
- Fuelling new growth in a digital world, building businesses that use the promotional power of our media assets, the audience and readership they attract, and entrench leadership in new categories.

Much has been achieved in this financial year in laying the foundations and implementing this strategy. A new management team has been put in place to drive it forward and good progress has been made on each of the strategic elements:

**Maintain Leadership:** Seven West Media continues to be the leading TV network by revenue and audience share and the largest commercial producer of Australian TV content. The West Australian newspaper continues to lead in Western Australia, and is delivering strong operating margins, and our online and magazine businesses are in the top three domestic players in their respective categories.

**Redefine the operating model:** We continue to redefine our operating model to best position our businesses to maintain and enhance their value for audiences and advertisers. We have completed the cost programs we outlined last year, which can be seen in the current year financials, and continue to seek further operational efficiencies and cost savings across the group.

**Fuel new growth:** The third element of our strategy is to fuel new growth for our business by identifying new opportunities and investing in adjacent verticals. We have launched our HbbTV platform, which is the next evolution of broadcast television combined with online connectivity, allowing us to interact with our audiences at a whole new level. We are in advanced discussions with potential partners to offer a subscription video on demand service. Other new growth initiatives include our investment in our Big Data platform across the group, which we plan to monetise in the coming financial year. RED Events is another growth area we are focused on, with a Director of Events appointed earlier this year to drive this business forward.

This strategic framework is designed to address the key risks to our business:

- Approximately 80 per cent of group revenue sourced from advertising which is subject to cyclical and/or structural impacts and ratings performance
- Decline in circulation revenues due to increasing changes in the consumption of media
- Management of a largely fixed cost base for the television segment
- Other changes to technology which may impact our audience share

# Board of Directors

**Kerry Stokes AC**
**Chairman – Non-executive Director**

Mr Stokes is the Executive Chairman of Seven Group Holdings Limited, a company with a market-leading presence in media in Australia and the resources services sector in Australia and China. Mr Stokes has held this position since April 2010. He is also Chairman of Australian Capital Equity Pty Limited, which has significant interests in media and entertainment, as well as property and industrial activities.

Mr Stokes' many board memberships include Council Member for the Paley Group (formerly the International Council for Museum & Television); Council Member for the Australian War Memorial; and a former Chairman of the National Gallery of Australia. Mr Stokes holds professional recognitions which include an Honorary Doctorate in Commerce at Edith Cowan University and an Honorary Fellow of Murdoch University.

Mr Stokes has, throughout his career, been the recipient of many awards, including Life Membership of the Returned Services League of Australia; 1994 Paul Harris Rotary Fellow Award; 1994 Citizen of Western Australia for Industry & Commerce; 2002 Gold Medal award from the AIDC for Western Australian Director of the Year; 2007 Fiona Stanley Award for outstanding contribution to Child Health Research; 2009 Richard Pratt Business Arts Leadership Award from the Australian Business Arts Foundation; and 2011 Charles Court Inspiring Leadership Award.

Mr Stokes was awarded Australia's highest honour, the Companion in the General Division in the Order of Australia (AC) in 2008. In 1995, he was recognised as Officer in the General Division of the Order of Australia (AO).

Mr Stokes was appointed to the Board on 25 September 2008.

**Don Voelte AO**
**Non-executive Deputy Chairman**

Mr Voelte was appointed Deputy Chairman of the Board with effect from 1 July 2013.

Mr Voelte held the position of Managing Director & Chief Executive Officer of Seven West Media Limited from 26 June 2012 to 30 June 2013. Mr Voelte has been a director of Seven West Media Limited, and prior to the formation of Seven West Media Limited, West Australian Newspapers Holdings Limited since December 2008.

Mr Voelte is currently the Managing Director & Chief Executive Officer of Seven Group Holdings Limited, a position he has held since 1 July 2013. He is also Chairman of Coates Group Holdings Pty Limited and was Chairman of Nexus Energy Limited until 18 February 2014.

Mr Voelte has significant experience in the global oil and gas industry and, prior to his retirement in June 2011, was the Managing Director and Chief Executive Officer of Woodside Petroleum Limited, a position he had held since joining the company in 2004.

Prior to joining Woodside Petroleum Limited, Mr Voelte held a number of Senior Executive positions in the oil and gas sector. Mr Voelte was a member of the Board of the University of Western Australia Business School during his Woodside tenure, and is a member of the Society of Petroleum Engineers, the American Society of Civil Engineers, the Chi Epsilon Honor Society, a Foreign Fellow to ATSE (FTSE) and a Fellow of the Australian Institute of Company Directors (AICD). He is a trustee of the University of Nebraska Foundation and was awarded the University of Nebraska Engineering Alumni of Year in 2002. The University of Nebraska recently named their Nanotechnology & Metrology Research Centre for Mr Voelte and his wife Nancy. He has a degree in Civil Engineering, from the University of Nebraska.

Mr Voelte was awarded the Officer of the Order of Australia (AO) in 2012, for service to the Australian LNG industry and contribution to education and the arts in Perth.

Mr Voelte was appointed to the Board on 11 December 2008.

# Board of Directors (continued)

**John Alexander**
**Non-executive Director**

Mr Alexander was the Executive Chairman of Consolidated Media Holdings Limited (CMH) from 2007 to November 2012, when CMH was acquired by News Corporation. Prior to 2007, Mr Alexander was the Chief Executive Officer and Managing Director of Publishing and Broadcasting Limited (PBL) from 2004, the Chief Executive of ACP Magazines Limited from 1999 and PBL's group media division comprising ACP Magazines Limited and the Nine Network from 2002. Before joining the PBL Group, Mr Alexander was the Editor-in-Chief, Publisher & Editor of The Sydney Morning Herald and Editor-in-Chief of The Australian Financial Review.

Mr Alexander has previously acted as a director of a number of media companies including Foxtel Management Pty Limited, Fox Sports Australia Pty Limited, SEEK Limited, Carsales.com Limited and Ninemsn Pty Limited. Mr Alexander has been the Executive Deputy Chairman of listed company Crown Resorts Limited (formerly Crown Limited) since December 2007.

Mr Alexander was appointed to the Board on 2 May 2013.

**Dr Michelle Deaker**
**Non-executive Director**

Dr Michelle Deaker is the founder, Managing Director and CEO of OneVentures, an Australian venture capital firm established in 2006. OneVentures invests in technology companies that serve or disrupt large high growth global markets. The firm manages a $40 million Innovation Investment Fund, four co-investment funds and is launching a $100 million growth and development capital fund in 2014.

Dr Deaker has extensive experience in the development of high growth technology companies, a strong background in Australian R&D and expertise in international business expansion. She is a former successful entrepreneur and business owner with over 18 years' experience in information technology, enterprise businesses targeting finance, retail, media, security and education. She has served on the Boards of listed and unlisted companies across media and information technologies in Australia and North America.

The Company Dr Deaker founded in 1999, E Com Industries (giftvouchers.com), became the leading prepaid card and electronic voucher provider in Australia, servicing over 100 major retail brands including Coles Myer and Woolworths, managing $700m in Australian retail liability and eventually expanding operations into the UK, South Africa and New Zealand. E Com was acquired by UK publicly listed company, Retail Decisions, in 2005. Prior to E Com, Dr Deaker was Managing Director of Networks Beyond 2000.

Dr Deaker serves on the Board of NICTA, Australia's National ICT Centre of Excellence. Dr Deaker is also a member of the Investment Committee, manages the Supervisory Boards of OneVentures funds and is a Non-Executive Director of OneVentures portfolio companies, Smart Sparrow (educational technology), Peak3 (mining services) and Incoming Media (mobile media technology). She is also a past member of the AVCAL Venture Capital working group, the University of Sydney's Incubate program and the NSW Government's Taskforce for the Digital Economy.

Dr Deaker has over 10 years' experience in research and development with leading Australian Universities and CSIRO. She holds a Bachelor of Science (First Class Honours) (University of Sydney), and with both Commonwealth and CSIRO Postgraduate Research Scholarships, was awarded a Masters of Science (University of Sydney) and a PhD in Applied Science (University of Canberra). While completing her PhD, Dr Deaker was the vice-chancellor's nominee and subsequently selected as a Queens Trust Future Perspectives national leader. Dr Deaker is also a member of the board of Ravenswood School for Girls. Dr Deaker is a Member of the Australian Institute of Company Directors.

Dr Deaker was appointed to the Board on 21 August 2012.

**David Evans**
**Non-executive Director**

Mr Evans is the Executive Chairman of Evans and Partners Pty Ltd having established the investment advisory company in June 2007. Mr Evans has spent his working life in the world of investment banking and stockbroking. Since 1990, he has worked in a variety of roles within JB Were & Son, and then the merged entity Goldman Sachs JBWere Pty Limited. Prior to establishing Evans and Partners, Mr Evans ran Goldman Sachs JBWere's Private Wealth business and the Institutional Equities business. His most recent role at GSJBW was as Managing Director and Chief of Staff.

Mr Evans has lived in Melbourne all his life, and finished his formal education in 1988 at Monash University. He is a Director of the Export Finance and Insurance Corporation (EFIC) and The Shane Warne Foundation.

Mr Evans is also a member of the Victorian Police Corporate Advisory Group and the State Library of Victoria.

Mr Evans was appointed to the Board on 21 August 2012.

**Doug Flynn**
**Non-executive Director**

Mr Flynn graduated in chemical engineering from the University of Newcastle, New South Wales. He received an MBA with distinction from Melbourne University in 1979.

Mr Flynn was appointed Chief Executive of newspaper publisher Davies Brothers Limited in 1987. The company was acquired by News Corporation in 1989.

During his career at News Limited Group, Mr Flynn held positions as Deputy Managing Director of News International Newspapers Ltd, Director of News International Plc, and Managing Director of News International Plc.

Mr Flynn then held Chief Executive positions with Aegis Group Plc and Rentokil Initial Plc in London, before returning to Australia in 2008.

He has been a director and Chairman of the Board of Konekt Limited since July 2012. Konekt Limited is the largest private sector provider of workplace health and risk management solutions.

Mr Flynn has been a Director of NEXTDC Limited since September 2013 and Chairman since April 2014; the company designs, develops and operates a network of enterprise – class data centres.

He has been Chairman of iSentia Group Limited since May 2014; the company is the Asia-Pacific region's leading business intelligence company and operates across 15 countries.

Mr Flynn is a former Director of Qin Jia Yuan Media Services Ltd, the leading private television company in China.

Mr Flynn was appointed to the Board on 6 August 2008.

**Peter Gammell**
**Non-executive Director**

Mr Gammell was the Deputy Chairman of Australian Capital Equity Pty Limited, the investment holding company associated with Mr Kerry Stokes AC, and was on the Board of Seven Group Holdings Limited from February 2010 until 28 June 2013 and was Managing Director and Group Chief Executive Officer from April 2010 until 28 June 2013.

Prior to the formation of Seven West Media Limited, Mr Gammell served as a Director of Seven Network Limited for 14 years. He was Chairman of the Seven Network Limited Finance Committee and was a member of the Audit Committee. He was the Chairman of Coates Hire, Australia's largest equipment hire company.

Mr Gammell is a former Director of Federal Capital Press Pty Ltd, the publisher of the Canberra Times (1989 to 1998) and is a former Director of the Community Newspaper Group (1996 to 1998). Between 10 September 2009 and 19 November 2012, Mr Gammell was a Director of Consolidated Media Holdings Limited.

Mr Gammell is a member of the Institute of Chartered Accountants of Scotland and holds a Bachelor of Science degree from the University of Edinburgh.

Mr Gammell was appointed to the Board on 25 September 2008.

**Graeme John AO**
**Non-executive Director**

Mr John was Managing Director of Australia Post from 1993 to 2009. He is a Fellow of the Chartered Institute of Transport and a Member of the Australian Institute of Company Directors. He has been a director of Aurizon Holdings Limited since September 2010.

Mr John's former positions include AFL Commissioner, Director of Racing Victoria, Trustee of the Melbourne Cricket Ground, Chairman of the Board of the Kahala Posts Group, Board member of the International Post Corporation (Netherlands), and Vice-Chairman of Sai Cheng Logistics International (China), a joint venture with China Post.

Mr John was awarded the Officer of the Order of Australia (AO) in 2003, for service to business and to the community. He is also a recipient of the Centennial Medal and the Australian Sports Medal.

Mr John was appointed to the Board on 3 December 2008.

**Ryan Stokes**
**Non-executive Director**

Mr Ryan Stokes is Chief Executive Officer of Australian Capital Equity Pty Limited (ACE) and Chief Operating Officer of Seven Group Holdings Limited. Mr Stokes was appointed an Executive Director of ACE in 2001 and CEO in April 2010. ACE is a private company with its primary investment being an interest in Seven Group Holdings (SGH). He has been an Executive Director of Seven Group Holdings Limited since February 2010, and was appointed Chief Operating Officer in 2012.

Mr Stokes is also a Director of Iron Ore Holdings Limited (IOH) and WesTrac Pty Limited and has extensive experience in China, having developed relationships with various mining and media companies over the past 13 years. Mr Stokes has been a Director of Seven Network Limited since 2005, Executive Director then Chairman of Pacific Magazines from 2004 until 2008 and previously a Director of Yahoo7 from inception in 2005 until 2013.

Between 10 September 2009 and 19 November 2012, Mr Stokes was a Director of Consolidated Media Holdings Limited.

Mr Stokes is Chairman of the National Library of Australia, a position he has held since July 2012 and is a Director of the Australian Strategic Policy Institute. Mr Stokes is also a member of the Prime Ministerial Advisory Council on Veterans Mental Health established in 2014.

Mr Stokes is the former Chairman of Australia's National Youth Mental Health Foundation (Headspace), a Federal Government initiative established in 2006. Mr Stokes was also a former member of the International Olympic Committee's Radio and Television Commission.

Mr Stokes holds a BComm from Curtin University and is a Fellow of the Australian Institute of Management (FAIM).

Mr Stokes was appointed to the Board on 21 August 2012.

**Warren Coatsworth**
**Company Secretary**

Mr Coatsworth has been Company Secretary since 24 April 2013.

Mr Coatsworth is a solicitor holding a current practising certificate with degrees in Arts and Law (Hons) from the University of Sydney. He has been Company Secretary of Seven Group Holdings Limited since April 2010 and Company Secretary of Seven Network Limited since July 2005. Legal Counsel with Seven Network Limited for the past fourteen years, advising broadly across the company, and formerly a solicitor at Clayton Utz. He has completed a Graduate Diploma in Applied Corporate Governance and is a qualified Chartered Company Secretary and a Fellow and member of the Governance Institute of Australia (formerly Chartered Secretaries Australia).

# Corporate Governance Statement

FOR THE YEAR ENDED 28 JUNE 2014

This statement outlines the Company's main corporate governance practices that were in place throughout the financial year, unless otherwise stated, and its compliance with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations 2nd Edition ("ASX Recommendations"). The Company is currently reviewing its corporate governance practices in light of the recent release of the 3rd Edition of the ASX Recommendations, and will, as required, report on its compliance with the updated ASX Recommendations in next year's Annual Report.

The documents marked with an * below have been posted on the Company's website at sevenwestmedia.com.au. Those policies which are not separately available on the Company's website are summarised in this statement. A copy of this statement will be made available on the Company's website.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### The Board Charter

The Board is empowered to manage the business of the Company subject to the Corporations Act and the Company's Constitution*. The Board is responsible for the overall corporate governance of the Company and has adopted a Board Charter* setting out the role and responsibilities of the Board. The Board Charter provides that the Board's role includes:

- charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available.
- monitoring the implementation of policies and strategies and the achievement of financial objectives.
- monitoring compliance with control and accountability systems, regulatory requirements and ethical standards.
- ensuring the preparation of accurate financial reports and statements.
- reporting to shareholders and the investment community on the performance and state of the Company.
- reviewing on a regular and continuing basis:
  - executive succession planning (in particular for the Chief Executive Officer); and
  - executive development activities.

The Board Charter provides that matters which are specifically reserved for the Board or its Committees include:

- appointment and removal of the Chief Executive Officer.
- approval of annual budget.
- calling of shareholder meetings.
- monitoring capital management and approval of major capital expenditures in excess of authority levels delegated to management.
- approval of the acquisition, establishment, disposal or cessation of any significant business of the Company.

### Board Committees

The Board is assisted in carrying out its responsibilities by the Audit & Risk Committee and the Remuneration & Nomination Committee. These standing Committees were established by the Board to allow detailed consideration of complex issues. Each Committee has its own written Charter, which is reviewed on an annual basis and is available on the Company website.

Further details regarding the Audit & Risk Committee and the Remuneration & Nomination Committee are set out later in this Corporate Governance Statement.

### Management of the Company

Subject to oversight by the Board and the exercise by the Board of functions which it is required by law to carry out, it is the role of management to carry out functions that are delegated to management by the Board as it considers appropriate as well as those functions not specifically reserved to the Board, including those functions and affairs which pertain to the day-to-day management of the operations and administration of the Company. Management is responsible for implementing the policies and strategic objectives approved by the Board. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

The Board has established a framework for the management of the Company which includes a system of internal control, a business risk management process and the establishment of appropriate ethical standards for Directors and employees. The Company has also implemented a Delegated Authority Policy delegating to management authority to carry out expenditure in relation to specified areas of the Company's operations, subject to the Company's policies and procedures in respect of the authorisation and signing of Company contracts which includes a system of legal review.

The functions exercised by the Board and those delegated to management, as disclosed herein and set out in the Board Charter, are subject to ongoing review to ensure that the division of functions remains appropriate.

For information about the process for performance evaluation of senior executives, please see the discussion under "Principle 2 – Structure the Board to Add Value" and the information in the Remuneration Report on pages 42 to 58.

# Corporate Governance Statement

FOR THE YEAR ENDED 28 JUNE 2014

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### Board composition and independence

From 13 November 2013, at which time Mr Justin Reizes retired as a Director at the end of the Company's Annual General Meeting, the Board has comprised nine Non-executive Directors, including the Chairman and Non-executive Deputy Chairman, of which five Directors are considered independent and four are considered non-independent.

Prior to 13 November 2013, the Board consisted of an equal number of independent and non-independent Directors. The Board acknowledges the ASX Recommendation that a majority of the Board should be independent directors. However, in respect of the period of the financial year prior to 13 November 2013 when the Board consisted of an equal number of independent and non-independent Directors, the Directors believe that they were able to act independently of management, to objectively analyse the issues before them in the best interests of the Company and all shareholders and in accordance with their duties as Directors. The Board considers that despite the Board not comprising a majority of independent Directors during that period, the individual Directors were able to make highly-skilled decisions in the best interests of the Company.

In determining whether a Director is independent, the guidelines contained within Principle 2 of the ASX Recommendations are applied. In assessing if a supplier or customer is a material supplier or customer, the principles of "Materiality", contained in AASB 1031, are applied.

Mr Stokes AC, Mr Voelte AO, Mr Gammell and Mr Ryan Stokes are not regarded as independent within the framework of the guidelines because of their positions, or in the case of Mr Gammell, former position, within Seven Group Holdings Limited, which is a major shareholder of Seven West Media Limited. In Mr Voelte's case, his former executive position of Managing Director & Chief Executive Officer within the Company and his current position as Managing Director & Chief Executive Officer of Seven Group Holdings Limited also prevent him from being regarded as independent within the framework.

In respect of his period of appointment until his retirement as a Director on 13 November 2013, Mr Reizes was not regarded as independent within the framework of the guidelines because of his position within Kohlberg Kravis Roberts & Co. L.P. which was a major shareholder of Seven West Media Limited until 27 May 2013, when its shareholding was sold.

Procedures have been put in place to ensure observance of both the letter and the spirit of the law when dealing with issues which might give rise to a conflict of interest.

The roles of the Chairman and Chief Executive Officer are separate. Mr Kerry Stokes AC is the Chairman of the Company. The Board acknowledges the ASX Recommendation that the Chairman should be an independent Director, however the Board firmly believes that Mr Stokes' experience and skills, particularly with regard to his long term association with the various media businesses of the Company, coupled with the existence of a clear and accepted conflict of interest protocol, have delivered a structure which will best achieve the Company's objectives.

Each Director brings a range of personal and professional experiences and expertise to the Board. The Board seeks to achieve an appropriate mix of skills and diversity, including a deep understanding of the media industry across multiple channels, as well as corporate management and operational, safety and financial matters. Directors devote significant time and resources to the discharge of their duties.

Directors are entitled to seek independent professional advice at the expense of the Company.

### Review of the Board, its Committees and individual Directors

As set out in the Board Charter, the Board undertakes an annual performance evaluation of itself that compares the performance of the Board with the requirements of its Charter and effects any improvements deemed necessary or desirable.

The Chairman closely monitors the performance and actions of the Board and its Committees and meets with individual Board members during each financial year to ensure that the Board and its Committees operate effectively and efficiently. The Chairman and each Board member consider the performance of that Board member in relation to the expectations for that Board member and consider any opportunities for enhancing future performance. For the purposes of his own performance evaluation, the Chairman meets with the Non-executive Deputy Chairman and a senior independent Director. Matters which may be taken into account include the expertise and responsibilities of the Board member and their contribution to the Board and any relevant Committees and their functions. During a financial year the Chairs of the respective Committees also monitor and evaluate the performance of the Committee – according to the function and objectives of the Committee, its program of work, and the contributions of its members – and discuss the Committee's performance with the Chairman and its members.

During the reporting period, performance evaluations of the Board, its Committees and individual Directors were carried out in accordance with this process.

# Corporate Governance Statement



Additionally, during the financial year a succession process was completed with Mr Tim Worner appointed as Chief Executive Officer of the Company and Mr Don Voelte AO transitioned from the position of Managing Director & Chief Executive Officer to the role of Non-executive Deputy Chairman of the Company effective on 1 July 2013.

During the financial year the Board reviewed its Committees and on 21 August 2013 appointed Mr David Evans to the Audit & Risk Committee and appointed Mr John Alexander to the Remuneration & Nomination Committee as its Chairman. As at the same date, Mr Kerry Stokes AC resigned from the Remuneration & Nomination Committee.

## Directors

Details regarding the skills, experience and expertise of the Company's Directors and the period of office held by each Director in office are set out in this Annual Report on pages 27 to 29.

## Meetings of the Board of Directors and Board Committees

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 28 June 2014, and the numbers of Board and Committee meetings held and attended by each Director are set out in the Directors' Report on page 40.

## Appointment of Directors

The Board has established a Remuneration & Nomination Committee to assist in the appointment of new Directors. Further information concerning that Committee is set out under "Principle 8 – Remunerate Fairly and Responsibly".

The Remuneration & Nomination Committee periodically reviews the composition of the Board to ensure that the Board has the appropriate mix of expertise and experience. This review includes considering the appointment of new Directors and the re-election of incumbent Directors to the Board, if so requested by the Board. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, potential candidates may be identified by the Committee. Internal recommendations and advice from external consultants may be sought. Again, in considering any new Board appointments, the Board is seeking to achieve an appropriate mix of skills and diversity, including a deep understanding of the media industry, corporate management, and operational, safety and financial matters.

Following the appointment of Non-executive Directors, key terms and conditions relating to the appointment are set out in formal engagement letters.

Directors appointed as casual vacancies hold office until the next Annual General Meeting and are then eligible for election. The Notice of Meeting for the Annual General Meeting discloses other key current directorships of Director candidates standing for election, as well as other appropriate biographical details and qualifications.

To ensure they have a full understanding of the Company and its operations, Board appointees are inducted through a briefing with the Chairman, discussions of the Company's corporate governance (including its policies and procedures) with the Company Secretary, visits to key business sites and meetings with senior Company executives.

The date at which each Director was appointed to the Board is announced to ASX and is provided in this Annual Report on pages 27 to 29.

## Effective functioning of the Board

The Board, under the terms of appointment of Directors and by virtue of their position, is entitled to access, and is provided with, information concerning the Company needed to discharge its duties efficiently. Directors are entitled, and encouraged, to request additional information if they believe that is necessary to support informed decision making.

In addition to an induction process for new Director appointments, Directors variously attend external education seminars and peer group meetings regarding regulatory and compliance developments. The Company arranges presentations to the Board by executives to update the Directors on the Company's business activities, industry and regulatory developments.

The Company Secretary is charged by the Board to support the Board's effectiveness by monitoring that Company policies and procedures are followed, and coordinating the timely distribution of Board and Committee agendas and briefing materials.

The Company Secretary's appointment and removal is a matter for the Board. The Company Secretary is accountable to the Board through the Chairman on corporate governance matters. Each of the Directors has access to the Company Secretary.

## Performance Evaluation of senior executives

The Chief Executive Officer and the Chief Financial Officer are employed pursuant to engagement agreements which include formal job descriptions.

# Corporate Governance Statement



Throughout the financial year, the Board maintained a Senior Executive development program, which included assessment of key competencies of the Senior Executive team, as well as training and mentoring of executives.

The process adopted by the Company to evaluate the performance of senior executives is documented within the Remuneration Report from page 42. The performance evaluation process is carried out annually and forms part of the determination of appropriate performance linked bonus payments. The Chief Executive Officer is invited to Remuneration & Nomination Committee meetings, as required, to discuss management performance and remuneration packages (although he is not present for discussion relating to his own performance or remuneration).

A performance evaluation of senior executives in accordance with the process adopted by the Company was carried out during the financial year.

## PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### Code of Conduct and other Company policies

The Board has adopted a Code of Conduct for Directors* which establishes guidelines for their conduct in matters such as ethical standards and the disclosure and management of conflicts of interests. The Code is based on a Code of Conduct developed by the Australian Institute of Company Directors.

The Company has adopted a Code of Conduct for Employees (internal policy) which provides a framework of ethical principles for conducting business and dealing with customers, employees and other stakeholders. The Code sets out the responsibilities of employees to the Company and requires employees to avoid conflicts of interest, misuse of Company property and accepting or offering inappropriate gifts.

The Board has implemented a number of other policies and procedures to maintain confidence in the Company's integrity and promote ethical behaviour and responsible decision making, including the following:

- Continuous disclosure policy*
- Share Trading policy*
- Group Editorial policy*
- Diversity policy*
- Issue Escalation policy (internal policy)

The Company's Issue Escalation Policy encourages the reporting and investigation of unethical and unlawful practices and matters of concern which cannot otherwise be adequately dealt with under Company policies. The Policy, including employee contacts as well as an external auditor contact service, is available on the Company's intranet site.

The Company requires compliance with Company policies by staff under the terms of their employment and carries out training of employees in relation to its policies and procedures.

### Trading in Company shares by Directors and Employees

The Company has adopted a Share Trading Policy* which establishes the governing principles for trading in Company shares by Directors and other Key Management Personnel. Directors and other Key Management Personnel may acquire shares in the Company within the guidelines set out in the policy. In addition to the policy, Directors are required to advise the Company Secretary of all transactions in the Company's shares.

### Diversity policy

The Board recognises the benefits of a workplace culture that is inclusive and respectful of diversity. The Board values diversity in relation to age, gender, cultural background and ethnicity and recognises the benefits it can bring to the organisation. In order to support the culture, the Board has adopted a Diversity Policy* that sets out the Board's commitment to working towards achieving an inclusive and respectful environment.

In accordance with the Diversity Policy, diversity within Seven West Media is focused on age, gender and cultural background. Diversity initiatives are in four key areas, and the Board has set measurable objectives in relation to each:

- Career development and performance (CDP).
- Flexible work practices (FWP).
- Gender diversity (GD).
- Talent and succession planning (TSP).

# Corporate Governance Statement

FOR THE YEAR ENDED 28 JUNE 2014

## Measurable objectives

| Measurable objective | Link to Diversity Policy CDP | FWP | GD | TSP |
|---|---|---|---|---|
| Report on initiatives that facilitate diversity and promote growth for the Company, and for all employees | • | • | • | |
| Annual succession planning to consider diversity initiatives | | | | • |
| Determine and report on employee turnover by age and gender and parental leave return rates | | | • | • |
| Determine and report on the proportion of women in the Company, in senior executive positions, and on the Board | | | • | |

Unless otherwise stated, for the purpose of this section of the report employee numbers and statistics have been calculated based on employees who were paid in the final pay periods of June 2014. “Senior executive positions” refer to senior management positions which are levels one and two below the Chief Executive Officer.

## Initiatives that facilitate diversity and promote growth for the Company, and for all employees

Seven West Media continues to develop flexible work practices that assist employees to balance work with family, carer or other responsibilities.

An executive development program trialled with key women in the Group in the 2013 financial year has been continued in the 2014 Financial Year.

## Annual succession planning initiatives

In 2014 the Group’s succession planning process continued to include a requirement for diversity initiatives to be considered.

***Employee turnover and parental leave return statistics***

**Employee turnover by Gender (as a percentage of total men and as a percentage of total women) and Employee Turnover by Age (as a percentage of total turnover)**

| | Women | Men | < 25 years | 25 years – 34 years | 35 years – 44 years | 45 years – 54 years | > 55 years |
|---|---|---|---|---|---|---|---|
| **Total** | 20% | 11% | 17% | 39% | 21% | 9% | 14% |

The percentage of employees who returned from parental leave during 2014 (as a percentage of the total number of employees whose parental leave entitlement ended during 2014) was 64%.

***Proportion of women***

| Group | Number of women | Total number of employees/officers | Proportion of women |
|---|---|---|---|
| In the Company | 2,687 | 5,119 | 52% |
| Key Management Personnel executives (as set out in section 2a of the remuneration report) | 2 | 8 | 25% |
| In senior executive positions | 11 | 49 | 22% |
| On the Board | 1 | 9 | 11% |

Additionally, the Company has posted its Workplace Gender Equality Act Public Report for 2013 – 2014* on its website.

# PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

## Audit & Risk Committee

During the financial year, the Committee comprised the following members, all of whom are independent Directors except for Mr Gammell:

- D Evans (appointed to the Committee on 21 August 2013. Appointed Chairman of the Committee effective 14 February 2014)
- D Flynn (Acting Chairman until Mr Evans’ appointment as Chairman of the Committee)
- P Gammell
- Dr M Deaker

The Board believes the ASX Recommendations are satisfied as regards the composition and technical expertise of the Audit & Risk Committee and its members. Details of the qualifications of Committee members are set out on pages 27 to 29. The number of

# Corporate Governance Statement



Committee Meetings held during the reporting period, as well as Committee Members' attendance, is set out in the Directors' Report at page 40.

During the financial year the Board reviewed its Committees and on 21 August 2013 appointed Mr David Evans to the Audit & Risk Committee. Mr Evans became Chairman of the Audit & Risk Committee effective from 14 February 2014.

The Audit & Risk Committee Charter* sets out that the Committee's key objectives include:

- assisting the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the Company's:
  - reporting of financial information;
  - application of accounting policies;
  - financial management;
  - internal control systems;
  - risk management;
  - protection of the Company's assets; and
  - compliance with applicable laws, regulations, licences, standards and best practice guidelines.
- improving the credibility and objectivity of the accountability process, including financial reporting.
- provide a formal forum for communication between the board and senior financial management.
- improve the quality of internal and external reporting of financial and non-financial information.

The Charter also provides that the Committee's role includes monitoring, investigating and making recommendations to the Board with respect to:

- considering the appropriateness of the Company's accounting policies and principles and any changes, as well as the methods of applying them, ensuring that they are in accordance with the stated financial reporting framework.
- assessing significant estimates and judgements in financial reports as well as information from internal and external auditors that affects the quality of financial reports (including the form of the External Audit opinion).
- reviewing related-party transactions.

The Internal and External auditors, the Chief Executive Officer and the Chief Financial Officer are invited to meetings of the Committee.

## External Audit function

In relation to the External Audit function, the Audit & Risk Committee is charged under its Charter to:

- make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the External Auditor.
- together with the External Auditor, review the scope of the external audit (particularly the identified risk areas) and any additional agreed-upon procedures on a regular and timely basis.

It is the practice of Audit & Risk Committee to meet periodically with the External Auditor without management being present.

The Board has adopted an External Audit Policy* which deals with the appointment of the External Auditor, rotation of engagement partners and approval of additional assignments to the External Auditor.

The Company's policy is to appoint External Auditors who clearly demonstrate quality and independence. The performance of the External Auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

The Company requires that the external audit firm rotates the engagement partner in accordance with accepted best practice, bearing in mind the relationship between rotated audit partners and the need for auditor independence.

The role of the Committee is also to advise on the establishment and maintenance of a framework of internal control for the management of the Company, to ensure that the Company has an effective risk management system in order for risks to be identified and managed effectively. The Audit & Risk Committee's key responsibilities in respect of its risk function are set out below under "Principle 7 – Recognise and Manage Risk".

# Corporate Governance Statement



## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is committed to complying with the disclosure obligations of the Corporations Act and the Listing Rules of the ASX, and to ensuring accountability at a senior executive level for that compliance.

To that end, the Company has adopted a Continuous Disclosure Policy*.

The Company also follows a program of half yearly and yearly disclosures to the market on financial and operational results and has established policies and procedures to ensure that a wide audience of investors has access to information given to ASX for market release. Media releases, half yearly and yearly financial reports and results presentations are lodged with ASX and upon confirmation of receipt by ASX, they are posted to the Company's website.

In order to protect against inadvertent disclosure of price sensitive information, the Company imposes communication 'blackout' periods for financial information between the end of financial reporting periods and the announcement of results to the market.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Company recognises the right of shareholders to be informed of matters which affect their investment in the Company and has adopted a Shareholder Communication Policy*.

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs by promoting effective communication with shareholders principally through ASX announcements, the Company website, the provision of the Annual Report, including the Financial Statements, and the Annual General Meeting (and any extraordinary meetings held by the Company) and notices of General Meetings. Information concerning resolutions for consideration at the Company's General Meetings is provided in the notice of meeting. Shareholders are encouraged to participate in General Meetings and are invited to put questions to the Chairman of the Board in that forum. The Board ensures that the Company's External Auditor attends all Annual General Meetings and is available to answer shareholders' questions about the conduct of the audit and the preparation and content of the Auditor's report thereon.

The Company's website provides additional information about the Company, including its Corporate Governance policies. The Board continues to review its channels of communications with shareholders for cost effectiveness and efficiencies, including using electronic delivery systems for shareholder communications where appropriate.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Risk oversight and management

The Board acknowledges that the management of business risk is an integral part of the Company's operations and that a sound risk management framework not only helps to protect established value, it can also assist in identifying and capitalising on opportunities to create value. The Company has adopted policies and procedures for the oversight and management of material business risks, including the Board's establishment of the Audit & Risk Committee. The Board requires management to design and implement a risk management and internal control system to manage the Company's material business risks and report to it on the management of those risks. During the reporting period, management reported to the Board as to the effectiveness of the Company's management of its material business risks. The respective roles of the Board, the Audit & Risk Committee, and Management in relation to the oversight and management of risk are described in more detail below.

### Risk management function of the Audit & Risk Committee

The Board has established an Audit & Risk Committee. As mentioned under "Principle 4 – Safeguard Integrity in Financial Reporting" the Committee comprises Mr David Evans as its Chairman, Mr Doug Flynn, Mr Peter Gammell and Dr Michelle Deaker.

In relation to the Company's risk management function, the Committee's role includes:

- supporting the development of a strong risk culture that encourages the identification and effective management of risk.
- reviewing of risk management activities and challenging assessment of the Company's risk profile to ensure alignment with the Company's risk appetite.
- assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
- reviewing periodically the debt management strategy in the treasury management of the Company.

# Corporate Governance Statement



## Risk Management Policy

The Board has adopted a Risk Management Policy* that complies with Australian Standard ISO 31000:2009 and Principle 7 of the ASX Recommendations.

Under the policy, during the year management produced a revised group wide strategic risk profile and enhanced reporting process for the Company's key risks as an overlay to existing risk assessment processes at the business level. The risk profile covers the key strategic, operational, financial and compliance risks of the Company and is prepared by the Head of Risk Assurance & Internal Audit in consultation with key executives within the business. Ownership of each key risk is assigned within the Company's senior executive team, with the Chief Executive Officer providing leadership across the process. The Audit & Risk Committee reviews the group wide risk profile each quarter and monitors progress and reviews the success of the risk mitigation strategies. External advice is obtained as appropriate.

## Internal Control Framework - Risk Assurance & Internal Audit

The Company has established a Risk Assurance & Internal Audit function to evaluate and improve the effectiveness of the Company's governance, risk management and internal control processes. Functional responsibility for Risk Assurance & Internal Audit resides with the Head of Risk Assurance & Internal Audit who reports to the Chairman of the Audit & Risk Committee and has access to the Company's records, information systems, properties and personnel in order to conduct its activities. The Audit & Risk Committee reviews and approves Risk Assurance & Internal Audit's plans and resourcing as well as monitors its independence, performance and management's responsiveness to its findings and recommendations.

Throughout the financial year the Audit & Risk Committee fulfilled its responsibilities with respect to review of the Company's internal control framework and the Head of Risk Assurance & Internal Audit presented detailed Internal Audit reviews to the Committee regarding the effectiveness of the Company's management of its material business risks, in accordance with the approved Internal Audit plan.

### Workplace Safety

The Company is committed to providing a safe workplace and maintains comprehensive workplace safety policies and systems which are overseen by health and safety specialists within the Company's human resources team. These polices are promulgated to staff through induction and training and the availability of information on the Company's intranet as well as through Occupational Health & Safety Committees and representatives at each business premises which ensure that any workplace safety issues are dealt with promptly and in a consultative manner. Procedures relating to security at the Company's business sites are prioritised and are subject to review and continuous improvement. Management provides leadership by promoting a culture of safety and risk awareness and monitors and responds to incident reporting and provides regular workplace safety updates and briefings to the Board. Additionally, to support well-being within the workplace, the Company provides a free and confidential external counselling service for employees and their immediate families.

### Environment

Environmental risks are considered as part of the Company's risk assessment processes. Environmental risks relating to the use and storage of any hazardous materials are identified and managed through regular inspections of business premises, reviews of compliance and emergency procedures, and advice from external consultants on environmental matters.

### Financial reporting

The Company maintains a comprehensive budgeting system with an annual budget reviewed by the Audit & Risk Committee, which is then recommended to, and considered and approved by the Board. Weekly and monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The Company reports to the ASX on a half yearly and yearly basis - see "Principle 5 – Make Timely and Balanced Disclosure" above.

### Special reports

The Company has identified a number of key areas which are subject to regular reporting to the Board or its Committees such as legal, and health and safety matters.

## Declaration of Chief Executive Officer and Chief Financial Officer

Pursuant to section 295A of the Corporations Act, the Chief Executive Officer and the Chief Financial Officer must confirm in writing to the Board that the financial records of the Company for the financial year have been properly maintained, the financial statements are prepared in accordance with relevant accounting standards, and the financial statements and notes present a true and fair view of the financial position and performance of the consolidated group. These statements also confirm that the declarations provided in accordance with section 295A are founded on a sound system of risk management and internal compliance and control systems which are operating effectively in all material respects in relation to financial reporting risks. The risk assessment framework described above, including the internal audit function, is an integral part of the process underlying these statements.

The Board received these written statements from the Chief Executive Officer and the Chief Financial Officer with respect to the financial year ending 28 June 2014.

# Corporate Governance Statement

FOR THE YEAR ENDED 28 JUNE 2014

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The objective of the remuneration process is to ensure that remuneration packages properly reflect the duties and responsibilities of the employees and that the remuneration is at an appropriate but competitive market rate which enables the Company to attract, retain and motivate people of the highest quality and best skills from the industries in which the Company operates. This policy provides for the Chief Executive Officer to consider the remuneration packages paid within the industry and the impact that employees are expected to have on the operational and financial performance of the Company.

The Company conducts annual employee performance reviews, involving a written questionnaire, discussion between employee and manager of employee competencies and the agreement of performance goals for the employee.

The remuneration of the Non-executive Directors of the Board is restricted, in aggregate, by the Constitution of the Company and the requirements of the ASX Listing Rules. Fees for Directors are set out in the Remuneration Report.

In light of the ban on hedging remuneration of Key Management Personnel now found in the Corporations Act, the Company does not consider it necessary to establish a separate policy in relation to entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under an equity-based remuneration scheme.

### Remuneration & Nomination Committee

To assist in the adoption of appropriate remuneration practices, the Board has established a Remuneration & Nomination Committee. The Committee Charter* sets out the role and responsibilities of the Committee. Following a review of the composition of the Committee, from 21 August 2013 the Committee comprised the following members:

- J Alexander (Chairman)
- D Evans
- Dr M Deaker
- G John AO
- J Reizes (retired on 13 November 2013)
- RK Stokes

The Board believes the Remuneration & Nomination Committee as currently comprised satisfies the ASX Recommendations that the Chair of the Committee should be an Independent Director and that the Committee should consist of at least three members, a majority of whom are Independent (Mr Alexander, Dr Deaker, Mr Evans and Mr John AO).

Prior to 21 August 2013 the Committee comprised the following members, half of whom are independent Non-executive Directors (Dr Deaker, Mr Evans and Mr John AO):

- K Stokes AC (Chairman)
- D Evans
- Dr ME Deaker
- G John AO
- J Reizes
- RK Stokes

Prior to 21 August 2013 Mr Kerry Stokes AC acted as Chairman of the Committee. The Remuneration & Nomination Committee Charter provides that the Chairman of the Board may be Chairman of the Committee. The Board acknowledges the ASX Recommendation that a majority of Committee members, as well as the Chair, of a Remuneration Committee should be independent. However, the composition of the Remuneration & Nomination Committee, including the Chair, was considered appropriate in order for the Company to gain the maximum benefit of their experience and expertise in relation to an ambitious program of human resource-related matters and reviews undertaken by the Committee. These reviews were integral to driving efficiencies and reviewing business processes across the Company.

The number of Committee Meetings held during the reporting period, as well as Committee members' attendance at those meetings, is set out in the Directors' Report at page 40.

The Committee reviews remuneration packages and policies applicable to the Chief Executive Officer and senior executives. This includes share schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and insurance policies. External advice is sought directly by the Committee, as appropriate.

The Committee also directly obtains independent market information on the appropriateness of the level of fees payable to Non-executive Directors and makes recommendations to the Board.

The Remuneration & Nomination Committee met after the end of the financial year to review and recommend to the Board performance-linked remuneration for Key Management Personnel. This process is summarised in the Remuneration Report.

Further details of Directors' and executives' remuneration, superannuation and retirement payments are set out in the Remuneration Report which forms part of the Directors' Report. The Board's remuneration policy and a discussion of the differing structures of non-executive Directors and senior executives' remuneration are also discussed in the Remuneration Report throughout sections 1 to 5.

# Directors' Report

FOR THE YEAR ENDED 28 JUNE 2014

Your Directors present their report on the Group consisting of Seven West Media Limited and the entities it controlled at the end of, or during, the year ended 28 June 2014.

## Board

The following persons were Board members of Seven West Media Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- KM Stokes AC – Chairman
- DR Voelte AO – Deputy Chairman
- JH Alexander
- Dr ME Deaker
- D Evans
- DR Flynn
- PJT Gammell
- GT John AO
- JC Reizes (resigned 13 November 2013)
- RK Stokes

BI McWilliam is Alternate Director to PJT Gammell. EJM Bostock was Alternate Director to JC Reizes and resigned on 13 November 2013. Alternate Directors do not receive any additional remuneration for acting as an Alternate Director. WW Coatsworth is the Company Secretary. MJ Ellis resigned as a Company Secretary on 7 February 2014.

## Principal activities

The principal activities of the Group during the financial year were free to air television broadcasting, newspaper and magazine publishing, online and radio broadcasting. There were no significant changes in the nature of the Group's principal activities during the financial year.

## Business strategies, prospects and likely developments

Information on the Company's operations, financial position, business strategies and prospects for future financial years has been included in the "Operating and Financial Review". The Operating and Financial Review also refers to likely developments in the Group's operations and the expected results of those operations in future financial years.

Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Detail that could give rise to likely material detriment to the Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in the Operating and Financial Review, information about other likely developments in the Group's operations and the expected results of these operations in future financial years has not been included.

## Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group that have occurred during the financial year.

## Matters subsequent to the end of the financial year

There are no matters or circumstances which have arisen since 28 June 2014 that have significantly affected or may significantly affect:

(a) the Group's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Group's state of affairs in future financial years.

# Directors' Report



## Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 28 June 2014, and the numbers of meetings attended by each Director were:

| | Meetings of Directors | | Audit and Risk | | Remuneration and Nomination | |
|---|---|---|---|---|---|---|
| | (a) | (b) | (a) | (b) | (a) | (b) |
| **Directors** | | | | | | |
| KM Stokes AC | 9 | 9 | – | – | – | – |
| DR Voelte AO | 9 | 9 | 4 | 4 | 3 | 3 |
| JH Alexander | 9 | 9 | – | – | 3 | 3 |
| Dr ME Deaker | 9 | 9 | 5 | 5 | 3 | 3 |
| D Evans | 9 | 9 | 4 | 4 | 3 | 3 |
| DR Flynn | 9 | 9 | 5 | 5 | – | – |
| PJT Gammell | 9 | 9 | 5 | 5 | – | – |
| GT John AO | 9 | 8 | – | – | 3 | 2 |
| JC Reizes * | 5 | 5 | – | – | 1 | 1 |
| RK Stokes | 9 | 9 | – | – | 3 | 3 |
| **Alternate directors** | | | | | | |
| EJM Bostock * | – | – | – | – | – | – |
| BI McWilliam | 7 | 7 | – | – | – | – |

(a) Number of meetings held during the year while the person was a Director

(b) Number of meetings attended. Please note Directors may attend meetings of which they are not a formal member, and in these instances, their attendance is also included above

* Resigned as a Director / Alternate Director on 13 November 2013

## Options exercised and shares issued

During the financial year, 1,330,358 rights were issued over an equivalent number of unissued fully paid ordinary shares in the Company under the Seven West Media Equity Incentive Plan. No rights or options have been exercised during or since the end of the financial year, nor have they expired.

## Unissued Shares under Options

At the date of this report, the following rights to acquire an equivalent number of ordinary shares in the Company under the various employee equity schemes are outstanding:

| Share Plan | Rights on Issue | Expiry Date |
|---|---|---|
| Seven West Media Equity Incentive Plan | 1,287,600 | 1 Sept 2015 |
| Seven West Media Equity Incentive Plan | 1,330,358 | 1 Sept 2016 |
| Seven West Media Performance - Transitional Equity Grant | 109,601 | 1 Oct 2014 |
| Long Term Incentive Plan – Chief Executive Officer of West Australian Newspapers | 111,067 | 3 Aug 2015/ 12 Aug 2016 |

None of the rights currently on issue entitle the holder to participate in any share issue.

There are no other unissued shares or interests under options as at the date of this report.

For names of the Directors and Key Management Personnel who currently hold options through these schemes refer to the Remuneration Report. Any other Executives who hold options under the Seven West Media Performance Transitional Equity Grant are entered in the Register of Options kept by the Company pursuant to Section 170 of the Corporations Act.

# Directors' Report



## Dividends – Seven West Media Limited

Dividends paid to members during the financial year were as follows:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Final ordinary dividend for the year ended 29 June 2013 of 6 cents (2012 - 6 cents) per share paid on 11 October 2013 | **59,892** | 59,887 |
| Interim ordinary dividend for the year ended 28 June 2014 of 6 cents (2013 - 6 cents) per share paid on 1 April 2014 | **59,893** | 59,888 |
| | **119,785** | 199,775 |

In addition to the above dividends, since the end of the 2014 financial year the Directors have declared the payment of a final ordinary dividend of 6 cents per share, to be paid on 10 October 2014.

## Environmental regulation

The Group's major production facilities do not require discharge licences under the Environmental Protection Act 1986 and no formal reporting is required to either the Environmental Protection Authority or the National Pollutant Inventory.

## Greenhouse gas and energy data reporting requirements

Seven West Media Limited continues to measure and monitor its Greenhouse Gas emissions under the National Greenhouse and Energy Reporting Act (2007). The Company is actively working towards reduction of direct emissions from the consumption of fuels (Scope 1) and indirect emissions from electricity consumption (Scope 2) reportable under NGER, as well as Scope 3 voluntary emissions where possible and practical for the business units.

There are no other particular environmental regulations for the Group.

## Directors' interests in shares

Set out in the table below are particulars of the relevant interests of each Director in shares, rights and options issued by the Company.

| | Performance Rights or Options | Number of convertible preference shares | Number of ordinary shares |
|---|---|---|---|
| **Directors** | | | |
| KM Stokes AC | - | 2,500 | 353,555,298 |
| DR Voelte AO | - | - | 150,638 |
| JH Alexander | - | - | - |
| Dr ME Deaker | - | - | 14,892 |
| D Evans | - | - | 528,160 |
| DR Flynn | - | - | 78,578 |
| PJT Gammell | - | - | 187,409 |
| GT John AO | - | - | 103,804 |
| RK Stokes | - | - | 136,887 |
| **Alternate director** | | | |
| BI McWilliam | 358,224 | - | 611,044 |

# Remuneration Report



## Message from the Remuneration & Nomination Committee

Dear Shareholder

### Executive remuneration outcomes and key developments

Seven West Media Limited continues to operate in intensively competitive markets. Despite operating in a challenging market, Seven West Media is outperforming its peers. This is a testament to our brands and to our people in our businesses. Revenue in the 2014 financial year (FY14) decreased from $1,867 million to $1,845 million and earnings per share increased from -7.1 cents to 14.9 cents. Profit before significant items, net finance costs and tax (EBIT) for the Group was $408 million and net profit after tax excluding significant items (NPAT) was $236 million. The Company and Group's NPAT target was achieved and was slightly ahead of market guidance, however the EBIT performance fell short of the Company's original target. Accordingly, executive variable remuneration outcomes, which are dependent on the Company and Group's financial performance, were below target level in FY14, whilst recognising the hard work and dedication of our people and reflecting the Board's commitment to maintaining the link between executive remuneration and Company performance.

### Managing Director & Chief Executive Officer Remuneration

Mr Tim Worner was appointed to the position of Chief Executive Officer from 1 July 2013. The key terms of Mr Worner's employment arrangements as Chief Executive Officer were announced to ASX on 21 May 2013.

In setting Mr Worner's remuneration, the Board considered Mr Worner's extensive experience with the Company and his exceptional performance, leadership and key strategic contributions in his previous executive roles with the Company. Mr Worner's remuneration was set having regard for the remuneration of peers in the industry through review of market remuneration data from companies in Seven West Media Limited's market peer group. The Board considered that Mr Worner's remuneration was reasonable for the Company to offer in the circumstances of the Company and having regard to his responsibilities as the CEO of the leading multi-platform media organisation in Australia as well as remuneration of other executives across the Group. Details of remuneration paid to Mr Worner are in section 2.a. of the Remuneration Report.

### Group Executives

During FY14, the Group's executive team comprised the following members:

- MJ Allibon *Group Executive, Human Resources (Appointed 1 July 2013)*
- DJ Boorman *Group Chief Financial Officer*
- KJ Burnette *Group Chief Revenue Officer*
- N Chan *Group Chief Operating Officer*
- BC Fair *Group Chief – Corporate and Regulatory Affairs*
- RT Lund *Group Chief Operating Officer (Resigned 31 December 2013)*
- BI McWilliam *Commercial Director*
- CS Wharton *Chief Executive Officer WA*
- TG Worner *Group Chief Executive Officer (Appointed 1 July 2013)*

***Executive changes during the year***

We welcome to our executive team Melanie J Allibon, Group Executive, Human Resources from 1 July 2013. Additionally, in new executive roles are Nicholas Chan, Chief Operating Officer (formerly Chief Executive Officer Pacific Magazines) and Kurt Burnette, Chief Revenue Officer (formerly Group Chief Sales & Digital Officer). We look forward to continuing to work with Melanie, Nicholas and Kurt in their new roles with the Company.

Leaving the executive team during the year was Rohan Lund, Group Chief Operating Officer on 31 December 2013.

### Company Directors

During FY14 the Board of the Company comprised the following Non-Executive Directors:

- KM Stokes AC *Chairman*
- DR Voelte AO *Deputy Chairman*
- JH Alexander *Director*
- D Evans *Director*
- Dr ME Deaker *Director*
- DR Flynn *Director*
- PJT Gammell *Director*
- GT John AO *Director*
- JC Reizes *Director (Retired 13 November 2013)*
- RK Stokes *Director*

# Remuneration Report



***Director changes during the year***

Mr Don Voelte AO was appointed Deputy Chairman from 1 July 2013 following the cessation of his role of Managing Director & Chief Executive Officer with the Company on 30 June 2013.

Mr Justin Reizes retired as a Non-Executive Director on 13 November 2013.

***Remuneration and Nomination Committee***

During FY14 the Remuneration & Nomination Committee comprised the following members:

- JH Alexander (Chairman of the Committee – appointed 21 August 2013)
- KM Stokes (Chairman of the Committee – ceased as Chairman and member of the Committee 21 August 2013)
- D Evans
- Dr ME Deaker
- GT John AO
- JC Reizes (Retired 13 November 2013)
- RK Stokes

## Executive remuneration developments

The Committee completed a comprehensive review of the Group's executive remuneration framework in the 2012 and 2013 financial years, integrating and consolidating remuneration practices across the Group.

Other than the inclusion of the new Chief Executive Officer in the long-term incentive plan with a grant value of 50% of fixed remuneration (other executives participate at 25% of fixed remuneration), no further changes were made in FY14 and the Group continued to operate its Group short-term incentive and long-term incentive plans for executives.

## Executive remuneration details

Details on the executive remuneration arrangements and the remuneration for FY14 are set out in this Remuneration Report. I invite you to read the FY14 Remuneration Report and look forward to answering any questions you may have at our Annual General Meeting.

Yours faithfully

Mr John Alexander
Remuneration & Nomination Committee Chairman

# Remuneration Report (Audited)



## Introduction (Audited)

This report describes the remuneration arrangements for the key management personnel (KMP) of Seven West Media Limited; KMP being the executives (including executive directors) (hereafter referred to in this report as executives) and the Non-Executive Directors (NEDs) of Seven West Media Limited.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

The Committee's role is described in the corporate governance statement in this annual report, and includes the following:

- To recommend to the Board the remuneration of NEDs, within the aggregate approved by shareholders;
- To recommend to the Board the remuneration and other conditions of service of the Group Chief Eexecutive Officer;
- To approve the remuneration and other conditions of service for senior executives reporting to the Group Chief Executive Officer, based on the recommendations of the Group Chief Executive Officer;
- To design the executive incentive plans and approve payments or awards under such plans; and
- To establish the performance hurdles associated with the incentive plans.

This report is set out under the following main headings:

1. **Remuneration strategy and policy**
    a. Non-executive director remuneration framework
    b. Executive remuneration framework
        i. Fixed remuneration
        ii. Variable remuneration
            o Short-term incentive (STI) plan
            o Long-term incentive (LTI) plan
    c. Link between remuneration policy and Company performance
2. **Remuneration in detail**
    a. Amounts of remuneration
    b. Fixed and variable remuneration
3. **Key Management Personnel equity transactions and holdings**
4. **Service agreements**
5. **Services from remuneration consultants**

## 1. Remuneration strategy and policy

### a. Non-executive Director remuneration framework

Fees and payments to NEDs reflect the demands which are made on, and the responsibilities of, the NEDs. NED fees and payments are reviewed by the Committee and, where appropriate, changes are recommended to the Board. The Committee has the discretion to directly seek the advice of independent remuneration consultants to ensure NED fees are appropriate and in line with the market. The Chairman's fees are determined in the same way.

The aggregate of payments each year to NEDs must be no more than the amount approved by shareholders in the annual general meeting (AGM). The current aggregate is $1,900,000, which was approved at the 2013 AGM held on 13 November 2013. The aggregate of payments to NEDs in FY14 did not exceed the approved amount. The increase of $400,000 in the NED aggregate fee pool was requested as a result of the expansion in the size of the Board from seven members in FY12 to ten members in FY14.

The fees for the year to 28 June 2014 were $135,000 per annum for Non-Executive Directors, $250,000 to the Deputy Chairman and $335,000 per annum to the Chairman. In addition, a fee of $26,000 per annum is paid to the Chairman of the Audit & Risk Committee and $20,000 is paid to the Chairman of the Remuneration & Nomination Committee. Members of the Audit & Risk Committee receive an additional fee of $14,000 per annum and members of the Remuneration & Nomination Committee receive an additional fee of $10,000 per annum. From FY14, the Deputy Chairman and Chairman are not eligible to receive Committee fees. The Company's statutory superannuation contributions are included in these amounts. Non-executive director fees have not been increased since 1 July 2011.

***Deputy Chairman fee***

Mr Don Voelte AO was appointed as Deputy Chairman on 1 July 2013. The fee for the Deputy Chairman for the year to 28 June 2014 was set by the Board at $250,000 per annum. The Board considers the fee for the Deputy Chairman is appropriate given the significantly greater time commitment expected of the Deputy Chairman than is expected of other Non-Executive Directors. The Company has the ability to leverage Mr Voelte AO's prior experience as the Managing Director & Chief Executive Officer of the Company, he fills a key mentoring role for senior executives within the Group, the position reflects designation of a clear Deputy for when the Chairman is unavailable and Mr Voelte AO brings to the Company extensive external business relationships in Australia.

# Remuneration Report



## b. Executive remuneration framework

Executive remuneration comprises both a fixed component and a variable (or "at risk") component which comprises separate STI and LTI elements. These components are explained in detail below.

### *i. Fixed remuneration*

Fixed remuneration is determined by the Committee and recommended to the Board for approval with reference to relevant market comparators. Fixed remuneration includes base pay which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles as well as employer contributions to superannuation funds.

### *ii. Variable remuneration*

Variable remuneration comprises two elements:

a) STI – rewards the achievement of pre-determined, individual and Company KPIs over the 12-month performance period which are aligned to and supportive of the Company's annual objectives. STI awards are delivered in cash, and subject to specific thresholds, deferred share rights; and

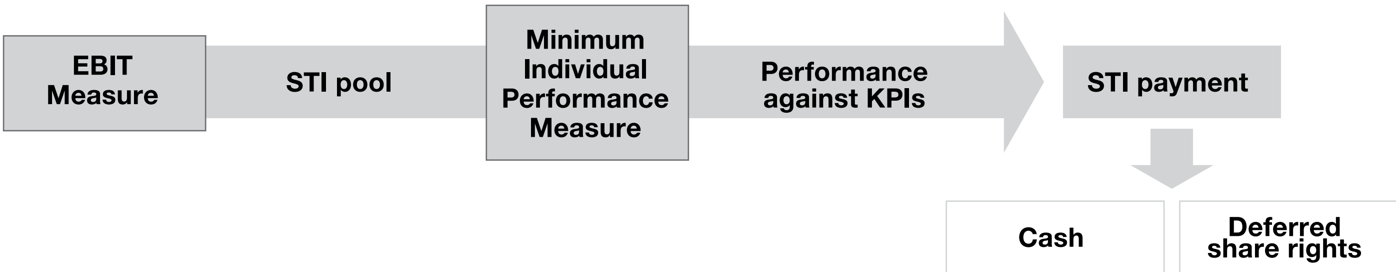
b) LTI – rewards performance over the longer term and is designed to encourage sustained performance, drive long-term shareholder value creation and ensure alignment of executive remuneration outcomes to shareholder interests. LTI awards are delivered in the form of performance rights subject to Company performance hurdles.

Further details of the Company's STI and LTI plans in which all executives participate are set out below.

### *Short-term incentive plan*

The STI plan provides participants with the opportunity to earn an annual cash incentive, based on the achievement of Company and individual KPIs over the relevant 12-month performance period. To support an ownership culture and drive retention outcomes, fifty per cent of the STI award may be deferred for up to three years (please refer to the 'STI deferral' section below).

The following diagram provides an overview of the STI plan.




### *STI pool*

The size of the STI pool available for distribution is based on the achievement of EBIT targets set by the Committee at the start of the financial year. Where business-unit EBIT targets are not met and no STI pool is accrued, the Committee has the discretion to consider other factors that may be relevant to determine the level of potential payment for participants.

### *STI opportunity*

Each participant's STI opportunity for on-target performance is set out in the table below, expressed as a percentage of fixed remuneration. 'On-target' refers to the STI award opportunity for an executive who achieves successful performance against all KPIs.

| | On-target STI opportunity (as a percentage of fixed remuneration) |
|---|---|
| | **Total STI** |
| Chief Executive Officer | 50% |
| Other executives | 25-50% |

# Remuneration Report



Once the executive reaches or exceeds their on-target STI opportunity, fifty per cent of their award is deferred into share rights. Further details on the deferral into share rights are set out below.

### *Minimum Individual performance measure*

Prior to the determination of performance levels against targets, in addition to the financial targets that must be achieved for an STI pool to be available, achievement of a minimum individual performance rating is required for an executive to be eligible for an award under the STI plan.

### *Key performance indicators*

Prior to the start of each performance year, participants have individual KPIs set, at on-target and stretch levels. The executives' KPIs are approved by the Committee.

Financial and non-financial measures are differentially weighted to reflect the different focus for executives in driving the overall business strategy. Scorecard measures for participants are set out in the table below.

| Participant | Scorecard measures and weightings |
|---|---|
| Chief Executive Officer | Individual scorecard measures are grouped into two categories – quantitative and qualitative measures. Individual measures include:<br>• Company net profit after tax (NPAT) performance,<br>• performance against various budget measures,<br>• leadership and executive development,<br>• ratings performance for the television business in key demographics,<br>• relevant circulation performance and market share for the publishing businesses,<br>• revenue and advertising share performance,<br>• development and execution of business strategy,<br>• cost management across the Group,<br>• Company representation.<br>Each individual measure is allocated a specific weighting such that the sum of the collective measures' weightings equals the relevant percentage of the participant's STI opportunity. For the CEO, 70 per cent of his STI goals relate to quantitative measures. |
| Other Executive | Individual scorecard measures are grouped into two categories – quantitative and qualitative measures. Individual measures include:<br>• Company net profit after tax (NPAT) performance,<br>• divisional EBIT performance,<br>• performance against various budget measures,<br>• leadership and staff development,<br>• ratings performance for television executives in key demographics,<br>• performance for launch of new shows in the television business,<br>• circulation performance and market share for the magazine executives,<br>• circulation performance for the newspapers executives,<br>• revenue and advertising share performance,<br>• cost management and delivery of cost targets.<br>Each individual measure is allocated a specific weighting such that the sum of the collective measures' weightings equals the relevant percentage of the participant's STI opportunity. For the other executives, between 40 and 60 per cent of their STI goals relate to quantitative measures. |

### *Performance measurement*

The Chief Executive Officer assesses each executive's performance at the end of the financial year relative to agreed business and individual targets. Based on this assessment, the Chief Executive Officer makes a recommendation to the Committee for approval.

Based on each executive's individual performance rating, the Chief Executive Officer may apply a discretionary adjustment during the performance assessment process. Discretionary adjustments are applicable to the overall STI award and are limited to a 25% increase to the overall award. The level of discretionary adjustment applied is based on the executive's individual performance rating and represents the maximum award opportunity for material out-performance.

The Committee assesses the Chief Executive Officer's performance and makes a recommendation to the Board for approval. The Committee may apply an additional discretionary adjustment based on the Chief Executive Officer's individual performance rating that is limited to the same parameters as for other executives.

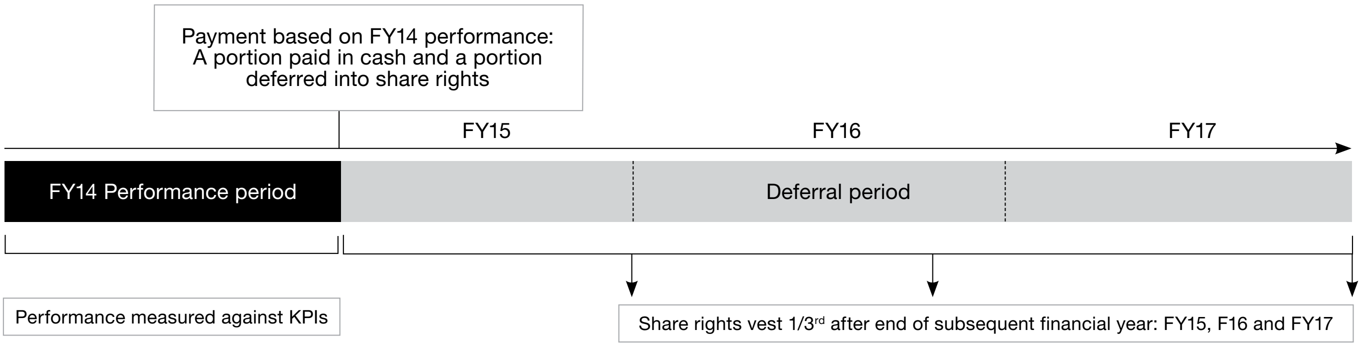
# Remuneration Report

FOR THE YEAR ENDED 28 JUNE 2014

***STI deferral***

To enhance long-term focus, where the STI award amount reaches or exceeds the on-target amount, fifty per cent of the award is deferred into share rights. The deferred portion of STI is not subject to further performance conditions (other than continuous employment such that if the executive's employment is terminated they do not receive the portion of the unvested deferred share rights). The share rights vest in three equal tranches, over a period of three years. Executives do not have any entitlements to dividends until the share rights have vested.

The following diagram is based on the FY14 performance period where a portion of the STI may be deferred into share rights once the awards amount reaches or exceeds on-target amount. No executive received an on-target STI award in FY14 and therefore no deferred share rights will be granted in respect of FY14 STI awards.




***FY14 STI outcomes***

The Group continues to operate in intensively competitive markets and in FY14 the Group's EBIT target was not achieved, falling just short of the target by 3.4%. Accordingly, an STI pool for FY14 was not automatically accrued under the terms and conditions of the STI plan.

In FY14 the Committee exercised its discretion to consider other factors that are relevant to determine the level of potential payment for participants under the STI plan and made a reduced STI pool available for distribution. The Committee determined that STI awards of between 40 and 91 per cent of the on target incentives will be made to executives under the STI plan in respect of FY14 performance. In making this determination, the Committee considered the near achievement of the EBIT target and the achievement of the Net Profit after Tax (NPAT) target, the challenging market in which the Group is competing and the outperformance of the Group relative to its peers.

In determining individual awards and the proportion of on target award made to each executive, the Committee had regard to the achievement of executives against their key performance indicators, including achievement of the NPAT target, television ratings performance, performance for launch of new television shows, revenue and advertising share performance, business strategy development and execution, leadership, cost management and delivery of ambitious cost targets.

The STI awards made are below target level while reflecting the hard work, dedication and contribution of our executives in delivering the performance of the group, in particular the achievement of the NPAT target and the continued exceptional performance of the Television business which continued its market leading commercial revenue share and achieved its challenging EBIT target in FY14.

The table below outlines the STI award outcomes for each executive in FY14.

| Executive | % of on-target FY14 STI paid in cash | % of on-target FY14 STI forfeited | Portion of FY14 STI deferred into share rights |
|---|---|---|---|
| Group Executive, Human Resources – Melanie J Allibon | 69 | 31 | 0% |
| Chief Financial Officer – David Boorman | 85 | 15 | 0% |
| Chief Revenue Officer – Kurt Burnette | 82 | 18 | 0% |
| Chief Operating Officer – Nicholas Chan | 53 | 47 | 0% |
| Group Chief – Corporate and Regulatory Affairs – Bridget Fair | 64 | 36 | 0% |
| Group Chief Operating Officer – Rohan Lund until 31 December 2013 | 0 | 100 | 0% |
| Commercial Director – Bruce McWilliam | 91 | 9 | 0% |
| Chief Executive Officer WA – Chris Wharton | 40 | 60 | 0% |
| Chief Executive Officer Broadcast Television – Tim Worner | 50 | 50 | 0% |

The remuneration table in section 2.a. contains a comparison to FY13 bonus payments.

### *Long-term incentive plan*

In FY14 executives were invited by the Board to participate in the LTI plan. The value of the LTI granted in FY14 to the Chief Executive Officer was equivalent to 50% of the CEO's fixed remuneration. The LTI grant to the Chief Executive Officer was approved by shareholders at the Company's Annual General Meeting on 13 November 2013. The value of the LTI granted in FY14 to the other executives was equivalent to 25% of the executive's fixed remuneration. The purpose of the LTI plan is to encourage sustained performance, drive long-term shareholder value creation and ensure alignment of executive remuneration outcomes to shareholder interests. LTI awards, which are structured as rights to acquire ordinary shares in the Company at no cost to the executive, will only deliver benefits to participants if certain earnings targets and shareholder returns are achieved and the executive remains employed by the Company over the three-year performance period.

Shares acquired on vesting of performance rights (to the extent the performance hurdles are achieved) are subject to a minimum 12-month disposal restriction

**Seven West Media long-term incentive plan**

| | |
|---|---|
| **What is granted?** | The grant is made in the form of performance rights. The performance rights are granted at no cost and each right entitles the participant to one ordinary share in the Company, subject to the achievement of the performance hurdles and service conditions outlined below. |
| **How many performance rights are granted?** | The value of LTI granted is allocated annually and, for the Chief Executive Officer is 50% of the CEO's fixed remuneration and for other executives is 25% of the participant's fixed remuneration. The number of performance rights granted to each executive is equivalent to the face value of the LTI grant divided by an amount calculated based on the share price in accordance with the terms and conditions of the plan. |
| **What is the performance hurdle?** | The vesting of performance rights granted under the LTI plan is dependent on two independent performance measures, Diluted Earnings Per Share (DEPS) and TSR. |
| **Why was the DEPS performance hurdle chosen, and how is performance measured?** | Half of the award is subject to a DEPS hurdle. DEPS provides a direct link between executive rewards with the creation of wealth driven through the increase in diluted earnings per share received by shareholders. The DEPS target that was used for the FY14 LTI grant is the sum of three annual DEPS growth targets each set by the Board for the three years (i.e., FY14, FY15 and FY16). The Board believes this is the appropriate way to assess the Company's performance as it reflects the performance expectations for each coming year, taking into account external market conditions and projected outlook. The DEPS target is set and communicated to executives at the beginning of the financial year and disclosed retrospectively the following financial year.<br><br>The actual annual DEPS targets and performance against each target are disclosed retrospectively (i.e., in the following financial year). Diluted EPS is calculated by dividing the net profit or loss (for the reporting period) by the weighted average number of ordinary shares in the Company plus the potential number of ordinary shares that may be on issue (for example, from conversion of the Company's Convertible Preference Shares). DEPS is the audited figure for diluted earnings per share as reported in the relevant Annual Report. The Board has discretion to make such adjustments to this figure for abnormal or unusual profit items as it considers appropriate.<br><br>The Board believes that setting hurdles based on one-year projections better align to the interests of shareholders than setting a three-year DEPS target that may become unrealistic or insufficiently challenging as external market conditions change. The threshold DEPS target for FY14 is the budget DEPS for that financial year and the stretch DEPS hurdle is 10% growth on actual DEPS in FY13 (adjusted for significant items). The percentage of DEPS performance rights that vest (if any) at the end of the three-year performance period is based on the following schedule:<br><br>**Aggregate DEPS over the three years** — **Proportion of DEPS performance rights that vest (%)**<br>Equal to or above the aggregate stretch DEPS — 100%<br>Between the aggregate threshold DEPS and the aggregate stretch DEPS — Straight-line vesting*<br>At the aggregate threshold DEPS — 50%<br>Less than the aggregate threshold DEPS — Nil<br><br>* The proportion of DEPS performance rights that vests increases in a straight line between 50% and 100% for DEPS performance between the aggregate threshold DEPS and aggregate stretch DEPS.<br><br>For FY14:<br>• the Threshold (budget) DEPS was 20.0 cents;<br>• the Stretch DEPS was 21.4 cents (excluding significant items); and<br>• the actual DEPS for the year ending 28 June 2014 was 12.7 cents (20.1 cents excluding significant items) |

# Remuneration Report

FOR THE YEAR ENDED 28 JUNE 2014

**Why was the TSR performance hurdle chosen, and how is performance measured?**

The other half of the LTI award is subject to a relative-TSR hurdle. Relative TSR provides an indicator of shareholder value creation by comparing the Company's return to shareholders relative to other companies of similar size. TSR provides an external, market-based hurdle and creates the alignment of executive remuneration outcomes to shareholder returns. Participants will not derive any benefit from this portion of the grant unless the Company's performance is at least at the median of the comparator group.

The comparator group chosen for assessing the Company's relative TSR consists of 15 S&P / ASX 200 companies above and 15 companies below the Company's 12-month average market capitalisation ranking, excluding trusts and companies classified under the Metals and Mining Global Industry Classification System (GICS). The Board believes the chosen comparator group represents companies with which Seven West Media competes for talent / revenue / market share. The comparator group is defined at the start of the performance period. The composition of the comparator group may change as a result of corporate events, such as mergers, acquisitions, de-listings etc. The Committee has agreed guidelines for adjusting the comparator group following such events, and has the discretion to determine any adjustment to the comparator group.

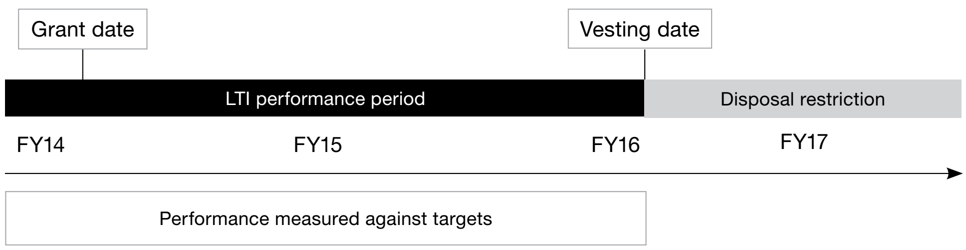
TSR performance is monitored and assessed by an independent advisor. The percentage of TSR performance rights that vest (if any) at the end of the three-year performance period will be based on the following schedule:

| Company's TSR ranking in the comparator group | Proportion of performance rights vesting |
|---|---|
| Below the 51st percentile | Nil |
| At the 51st percentile | 50% |
| Between the 51st and 75th percentiles | Between 51% and 100%, increasing on a straight-line basis |
| Above the 75th percentile | 100% |

**When will performance be tested?**

Awards are subject to a three-year performance period. Immediately following the completion of the performance period, the performance hurdles are tested to determine whether, and to what extent, awards vest. The LTI Plan does not permit re-testing. Any performance rights that do not vest following testing of performance hurdles (i.e. at the end of the three-year performance period) will lapse.

The following diagram summarises the timeline for grants made in FY14:




**Disposal restrictions on vested shares**

As shown in the above diagram, shares acquired on vesting of performance rights (to the extent the performance hurdles are achieved) are subject to a minimum 12-month disposal restriction. Participants have the ability to elect for an additional disposal restriction period to apply beyond the required 12 months.

**Do the performance rights carry dividend or voting rights?**

Performance rights do not carry any dividend or voting rights prior to vesting.

**What happens in the event of a change in control?**

In the event of a change of control of the Company unvested performance rights may vest to the extent the performance hurdles are considered to have been achieved to the date of the transaction. The Board will have discretion to determine whether any additional vesting should occur.

**What happens if the participant ceases employment?**

If the participant ceases employment before the end of the performance period by reason of death, disablement, retirement, redundancy or for any other reason approved by the Board, unvested awards remain on-foot, subject to original performance hurdles, although the Board may determine that awards should be forfeited. If the participant ceases employment before the end of the performance period by reasons other than outlined above, unvested awards will lapse.

Under the Seven West Media Equity Plan Rules, executives who are granted share based payments, such as performance rights under the LTI plan, as part of their remuneration are prohibited from entering into other arrangements that limit their exposure to losses that would result from share price decreases.

## c. Link between remuneration policy and Group performance

In FY14, the remuneration policy was linked to profit before significant items, net finance costs and tax (EBIT), diluted earnings per share (DEPS) and total shareholder return (TSR) performance of the Group. The following table sets out the Group's performance over the last 5 financial years:

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Profit before significant items, net finance costs and tax (EBIT) ($'000's) | 153,564 | 243,947 | 473,423 | 422,015 | 408,177 |
| Net finance costs ($'000's) | (19,455) | (44,037) | (148,240) | (102,452) | (77,788) |
| Significant items1 ($'000's) | - | (26,380) | - | (294,933) | (87,040) |
| Profit before tax ($'000's) | 134,109 | 173,530 | 325,183 | 11,189 | 243,349 |
| Diluted earnings per share (as reported) (cents)[2] | 45.0 | 35.2 | 26.7 | -6.1 | 12.7 |
| Diluted earnings per share (excluding significant items[1]) (cents) | 45.0 | 43.3 | 26.7 | 19.8 | 20.1 |
| Share price as at reporting date ($) | 6.54 | 4.00 | 1.75 | 1.90 | 1.89 |
| Return on capital employed (%) | 41.06 | 4.81 | 10.26 | 9.54 | 9.70 |

1. For details of significant items refer note 6 to the financial statements
2. AASB 133: Earnings per Share requires the calculation of basic and diluted earnings per share for all periods presented to be adjusted retrospectively for shares to be issued under a rights issue. Accordingly, the weighted average number of ordinary shares includes an adjustment for the 1-for-2 entitlement for both the 2011 and 2012 financial years

Group performance is linked to the STI Plan through EBIT hurdles. Group performance is linked to the LTI plan through the DEPS and TSR targets.

# Remuneration Report

FOR THE YEAR ENDED 28 JUNE 2014

## 2. Remuneration in detail

### a. Amounts of remuneration

Details of the remuneration of the Seven West Media Limited and Group KMP are set out in the following tables.

The KMP have authority and responsibility for planning, directing and controlling the activities of the Group. For the year ended 28 June 2014, KMP includes the directors of Seven West Media Limited, the Chief Executive Officer, and certain executives that report directly to the Chief Executive Officer. The remuneration disclosed for the executives of Seven West Media reflects their remuneration for the period that they were considered to be KMP.

KMP executives, whose remuneration has been disclosed in this report are:

- MJ Allibon Group Executive, Human Resources (Appointed 1 July 2013)
- DJ Boorman Group Chief Financial Officer
- KJ Burnette Group Chief Revenue Officer
- N Chan Group Chief Operating Officer
- BC Fair Group Chief – Corporate and Regulatory Affairs
- RT Lund Group Chief Operating Officer (Resigned 31 December 2013)
- BI McWilliam Commercial Director
- CS Wharton Chief Executive Officer WA
- TG Worner Group Chief Executive Officer (Appointed 1 July 2013)

Directors, whose remuneration has been disclosed in this report are:

- KM Stokes AC Chairman
- DR Voelte AO Deputy Chairman
- JH Alexander Director
- D Evans Director
- Dr ME Deaker Director
- DR Flynn Director
- PJT Gammell Director
- GT John AO Director
- JC Reizes Director (Retired 13 November 2013)
- RK Stokes Director

# Remuneration Report

FOR THE YEAR ENDED 28 JUNE 2014

| | | SHORT–TERM BENEFITS | | | POST–EMPLOYMENT BENEFITS |
|---|---|---|---|---|---|
| KMP | Year | Cash salary & fees $ | Cash bonus & incentives $ | Non–monetary benefits[1] $ | Super-annuation $ |
| **Non–Executive Directors of the Company** | | | | | |
| KM Stokes AC –Chairman | **2014** | **317,225** | **-** | **-** | **17,775** |
| | 2013 | 173,761 | - | - | 12,526 |
| DR Voelte AO – Deputy Chairman | **2014** | **232,225** | **-** | **-** | **17,775** |
| | 2013 | - | - | - | - |
| JH Alexander | **2014** | **138,826** | **-** | **-** | **12,841** |
| | 2013 | 20,642 | - | - | 1,858 |
| Dr ME Deaker | **2014** | **159,000** | **-** | **-** | **-** |
| | 2013 | 103,601 | - | - | - |
| D Evans | **2014** | **143,402** | **-** | **-** | **13,265** |
| | 2013 | 86,298 | - | - | 10,302 |
| DR Flynn | **2014** | **147,368** | **-** | **-** | **13,632** |
| | 2013 | 102,926 | - | - | 12,487 |
| PJT Gammell | **2014** | **136,384** | **-** | **-** | **12,616** |
| | 2013 | 102,926 | - | - | 12,487 |
| GT John AO | **2014** | **132,723** | **-** | **-** | **12,277** |
| | 2013 | 100,162 | - | - | 12,152 |
| JC Reizes (retired 13 November 2013) | **2014** | **48,981** | **-** | **-** | **4,531** |
| | 2013 | 100,162 | - | - | 12,152 |
| RK Stokes (appointed 21 August 2012) | **2014** | **132,723** | **-** | **-** | **12,277** |
| | 2013 | 86,298 | - | - | 10,302 |
| **Executive Director of the Company** | | | | | |
| DR Voelte AO (ceased 30 June 2013) | **2014** | **-** | **-** | **-** | **-** |
| | 2013 | 2,433,342 | - | 32,822 | - |
| **Key Management Personnel of the Group** | | | | | |
| MJ Allibon[5] | **2014** | **236,970** | **90,000[4]** | **-** | **17,775** |
| | 2013 | - | - | - | - |
| DJ Boorman | **2014** | **721,712** | **160,000[4]** | **4,241** | **17,775** |
| | 2013 | 56,299 | - | - | 4,118 |
| KJ Burnette | **2014** | **1,193,558[6]** | **490,000[4]** | **39,161** | **17,775** |
| | 2013 | 838,728 | 330,000[3] | 575 | 16,470 |
| N Chan | **2014** | **803,866** | **240,000[4]** | **42,271** | **17,775** |
| | 2013 | 692,670 | 100,000[3] | 40,860 | 16,470 |
| BC Fair | **2014** | **482,225** | **80,000[4]** | **24,563** | **17,775** |
| | 2013 | 201,471 | 75,500[3] | - | 6,863 |
| RT Lund (resigned 31 December 2013) | **2014** | **480,471** | **-** | **-** | **8,887** |
| | 2013 | 807,108 | 198,500[3] | - | 13,725 |
| BI McWilliam[5] | **2014** | **807,225** | **250,000[4]** | **3,747** | **17,775** |
| | 2013 | 808,530 | 111,000[3] | - | 16,470 |
| CS Wharton | **2014** | **926,157** | **200,000[4]** | **78,678** | **17,775** |
| | 2013 | 967,864 | 100,000[3] | 139,991 | 16,470 |
| TG Worner | **2014** | **2,582,225** | **650,000[4]** | **23,240** | **17,775** |
| | 2013 | 3,075,962[9] | 750,000[3] | 14,238 | 25,000 |
| **Total KMP** | **2014** | **9,823,266** | **2,160,000** | **215,901** | **268,076** |
| Total KMP | 2013 | 10,758,750 | 1,665,000 | 228,486 | 199,852 |

1. Provision of a motor vehicle and/or other benefits.
2. Shares in the Company acquired on-market under the Non-Executive Directors Share Plan, approved by shareholders at the Annual General Meeting of the Company on 7 November 2002. The NED Share Plan was discontinued with effect from 1 July 2013.
3. STI award for 2013 being a percentage of the on-target STI award opportunity.
4. STI award for 2014 being a percentage of the on-target STI award opportunity.

# Remuneration Report

FOR THE YEAR ENDED 28 JUNE 2014

| OTHER LONG-TERM BENEFITS | TERMINATION BENEFITS | SHARE-BASED PAYMENTS | | | | |
|---|---|---|---|---|---|---|
| Long service leave and annual leave $ | Termination benefits $ | Right & options $ | Shares[2] $ | Total $ | % of remuneration Performance related % | Value of rights/options as % of remuneration |
| **-** | **-** | **-** | **-** | **335,000** | **-** | **-** |
| - | - | - | 160,560 | 346,847 | - | - |
| **-** | **-** | **-** | **-** | **250,000** | **-** | **-** |
| - | - | - | - | - | - | - |
| **-** | **-** | **-** | **-** | **151,667** | **-** | **-** |
| - | - | - | - | 22,500 | - | - |
| **-** | **-** | **-** | **-** | **159,000** | **-** | **-** |
| - | - | - | 28,173 | 131,774 | - | - |
| **-** | **-** | **-** | **-** | **156,667** | **-** | **-** |
| - | - | - | 28,173 | 124,773 | - | - |
| **-** | **-** | **-** | **-** | **161,000** | **-** | **-** |
| - | - | - | 33,587 | 149,000 | - | - |
| **-** | **-** | **-** | **-** | **149,000** | **-** | **-** |
| - | - | - | 33,587 | 149,000 | - | - |
| **-** | **-** | **-** | **-** | **145,000** | **-** | **-** |
| - | - | - | 32,686 | 145,000 | - | - |
| **-** | **-** | **-** | **-** | **53,512** | **-** | **-** |
| - | - | - | 32,686 | 145,000 | - | - |
| **-** | **-** | **-** | **-** | **145,000** | **-** | **-** |
| - | - | - | 28,173 | 124,773 | - | - |
| | | | | | | |
| **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| - | 50,775[8] | - | - | 2,516,939 | - | - |
| | | | | | | |
| **(1,211)** | **-** | **22,935** | **-** | **366,469** | **25** | **6** |
| - | - | - | - | - | - | - |
| **8,813** | **-** | **32,764** | **-** | **945,305** | **17** | **3** |
| 4,647 | - | - | - | 65,064 | - | - |
| **59,990** | **-** | **80,781** | **-** | **1,881,265** | **26** | **4** |
| 118,924 | - | 90,948 | - | 1,395,645 | 24 | 7 |
| **132** | **-** | **63,431** | **-** | **1,167,475** | **21** | **5** |
| 68,812 | - | 77,337 | - | 996,149 | 10 | 8 |
| **32,161** | **-** | **21,843** | **-** | **658,567** | **12** | **3** |
| 23,296 | - | - | - | 307,130 | 25 | - |
| **-** | **151,739[7]** | **(101,569)** | **-** | **539,528** | **-** | **(19)** |
| 6,612 | - | 101,569 | - | 1,127,514 | 18 | 9 |
| **69,103** | **-** | **83,421** | **-** | **1,231,271** | **20** | **7** |
| 59,963 | - | 113,428 | - | 1,109,391 | 10 | 10 |
| **5,118** | **-** | **75,838** | **-** | **1,303,566** | **15** | **6** |
| (10,363) | - | 211,725 | - | 1,425,687 | 7 | 15 |
| **(43,908)** | **-** | **307,545** | **-** | **3,536,877** | **18** | **9** |
| (482,446) | - | 308,213 | - | 3,690,967 | 20 | 8 |
| **130,198** | **151,739** | **586,989** | **-** | **13,336,169** | | |
| (210,555) | 50,775 | 903,220 | 377,625 | 13,973,153 | | |

5. Excludes cash salaries and fees charged by Seven West Media Limited to Seven Group Holdings Limited for the provision of services to Seven Group Holdings by Ms Allibon and Mr McWilliam in a company to company agreement.
6. Remuneration for Mr Burnette includes back pay of $18,167 representing fixed remuneration paid in FY14 determined after the previous report that related to FY13.
7. Termination benefits are Mr Lund's accrued but untaken long service leave.
8. Mr Voelte AO's statutory entitlement to accrued but untaken annual leave on termination of employment.
9. Includes $600,962 being the pay out of accrued but untaken annual leave entitlement.

### b. Fixed and variable remuneration

The relative proportions of total possible remuneration that are linked to performance and those that are fixed are as follows:

| | Fixed remuneration | | At risk – STI (on-target) | | At risk – LTI | |
|---|---|---|---|---|---|---|
| Name | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| MJ Allibon[1] | 67% | NA | 16.5% | NA | 16.5% | NA |
| DJ Boorman[2] | 67% | 100% | 16.5% | 0% | 16.5% | 0% |
| KJ Burnette | 57% | 57% | 29% | 29% | 14% | 14% |
| N Chan | 57% | 57% | 29% | 29% | 14% | 14% |
| BC Fair[3] | 67% | 80% | 16.5% | 20% | 16.5% | 0% |
| RT Lund[4] | 57% | 57% | 29% | 29% | 14% | 14% |
| BI McWilliam | 67% | 67% | 16.5% | 16.5% | 16.5% | 16.5% |
| CS Wharton | 57% | 57% | 29% | 29% | 14% | 14% |
| TG Worner | 50% | 57% | 25% | 29% | 25% | 14% |

1. Ms Allibon was appointed on 1 July 2013.
2. Mr Boorman was appointed on 3 June 2013. His variable remuneration commenced from FY14.
3. Ms Fair was appointed on 1 February 2013. Her LTI participation commenced from FY14.
4. Mr Lund resigned on 31 December 2013.

Further information on remuneration of Directors and other Key Management Personnel is set out in the Corporate Governance Statement.

## 3. Key Management Personnel equity transactions and holdings

### a. Equity granted as remuneration

As described above in section 1.b.i, the Company operates an LTI plan and an STI plan for executives. Under the LTI plan, executives may be granted performance rights. Under the STI plan a portion of the award may be granted to executives as share rights. Equity grants under the LTI plan and the STI plan are made in accordance with the Seven West Media Equity Incentive Plan rules.

### Long-term incentive plan

***FY14 grants***

Details of vesting profiles of the performance rights granted as remuneration in FY14 to each executive of the Group under its LTI plan are detailed below. Further details about the LTI plan are included at section 1.b.i of the Remuneration Report.

| Executive | Number of share rights | Grant Date | Expiry Date | Fair value per right at Grant Date TSR component ($) | Fair value per right at Grant Date DEPS component ($) | Number of rights vested during FY14 | % forfeited in FY14 | Financial year in which grant may vest |
|---|---|---|---|---|---|---|---|---|
| MJ Allibon | 62,500 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |
| DJ Boorman | 89,286 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |
| KJ Burnette | 142,857 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |
| N Chan | 107,143 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |
| BC Fair | 59,524 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |
| BI McWilliam | 130,952 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |
| CS Wharton | 119,048 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |
| TG Worner | 619,048 | 2 June 2014 | 1 September 2016 | $0.60 | $1.62 | - | - | June 2017 |

The maximum possible total value of each grant assuming all vesting conditions are met is calculated as the number of share rights (split 50:50 between TSR and DEPS) times the fair value. If all vesting conditions are met, this will be received by each executive in the year of vesting. The minimum possible total value is nil where the vesting conditions are not met.

# Remuneration Report

FOR THE YEAR ENDED 28 JUNE 2014

***Prior year grants***

Details of the performance rights that remain unvested and on-foot, granted to executives under the LTI plan in prior years, are below.

| Executive | Number of share rights | Grant Date | Expiry Date | Fair value per right at Grant Date TSR component ($) | Fair value per right at Grant Date DEPS component ($) | Number of rights vested during FY14 | % forfeited in FY14 | Financial year in which grant may vest |
|---|---|---|---|---|---|---|---|---|
| KJ Burnette | 182,231 | 1 March 2013 | 1 September 2015 | $0.93 | $2.07 | - | - | June 2016 |
| N Chan | 154,958 | 1 March 2013 | 1 September 2015 | $0.93 | $2.07 | - | - | June 2016 |
| RT Lund | 203,512 | 1 March 2013 | 1 September 2015 | $0.93 | $2.07 | - | 100 | - |
| BI McWilliam | 227,272 | 1 March 2013 | 1 September 2015 | $0.93 | $2.07 | - | - | June 2016 |
| CS Wharton | 206,611 | 1 March 2013 | 1 September 2015 | $0.93 | $2.07 | - | - | June 2016 |
| TG Worner | 516,528 | 1 March 2013 | 1 September 2015 | $0.93 | $2.07 | - | - | June 2016 |

The maximum possible total value of each grant assuming all vesting conditions are met is calculated as the number of share rights (split 50:50 between TSR and DEPS) times the fair value. If all vesting conditions are met, this will be received by each executive in the year of vesting. The minimum possible total value is nil where the vesting conditions are not met.

## Short-term incentive plan

No share rights were granted as remuneration in FY14, or in prior years, to executives under the STI plan.

## Legacy equity holdings

Prior to FY13, the Company offered equity plans for executives in which some unvested awards remain on-foot. The operation of the equity plans has otherwise been discontinued. Details of these plans are as follows:

***Seven Media Group Performance Management Plan transitional equity grant***

A grant of share rights was provided for selected former Seven Media Group executives during their transitioning onto the Seven West Media arrangements in lieu of a 2011 financial year (FY11) LTI grant. The grant of share rights vest over three years with the hurdle being that the executive remains employed within the Group.

Details of vesting profiles of the share rights that remain on-foot to each executive of the Group are detailed below.

| Executive | Number of share rights | Grant Date | Expiry date | Fair value per right at grant date ($) | Number of rights vested during FY14 | % forfeited in FY14 | Financial year in which grant may vest |
|---|---|---|---|---|---|---|---|
| TG Worner | 25,374 | 1 March 2012 | 1 October 2013 | $3.09 | 25,374 | - | June 2014 |
| TG Worner | 25,374 | 1 March 2012 | 1 October 2014 | $2.79 | - | - | June 2015 |

The maximum possible total value of each grant assuming all vesting conditions are met is calculated as the number of share rights times the fair value. If all vesting conditions are met, this will be received by the executive in the year of vesting. The minimum possible total value is nil where the vesting conditions are not met.

***LTI Plan – CEO of WA***

An LTI plan was in place for the CEO of WA, Mr CS Wharton, in FY10, FY11 and FY12. No grant was made under the LTI plan in respect of the FY12 performance period due to business performance during the period. From FY13 Mr Wharton was transitioned to the Seven West Media LTI plan.

Details of vesting profiles of the awards that remain on-foot to Mr Wharton are detailed below.

| Executive | Number of performance rights | Grant Date | Expiry date | Fair value per right at grant date ($) | Number of rights vested during FY14 | % forfeited in year | Financial year in which grant may first vest |
|---|---|---|---|---|---|---|---|
| CS Wharton[1] | 41,081 | 3 August 2010 | 3 August 2015 | $4.95 | - | - | June 2014 |
| CS Wharton[2] | 69,986 | 12 August 2011 | 12 August 2016 | $1.75 | - | - | June 2015 |

1. Granted in FY11 in relation to performance in FY10.
2. Granted in FY12 in relation to performance in FY11.

# Remuneration Report



The maximum possible total value of each grant assuming all vesting conditions are met is calculated as the number of share rights times the fair value. If all vesting conditions are met, this will be received by the executive in the year of vesting. The minimum possible total value is nil where the vesting conditions are not met.

The remaining awards will vest in accordance with the TSR hurdles outlined below. The Company performed the 3 year test on Mr Wharton's 3 August 2010 performance rights as at 3 August 2013 and determined that 0% of the performance rights vested at the first test.

**LTI – CEO of WA vesting conditions**

| | |
|---|---|
| **How is TSR performance measured?** | The TSR of the Company is measured as a percentile ranking compared to a comparator group of companies over the performance period (from grant date to test date).<br><br>Awards vest based on the ranking against companies in the comparator group, based on the following schedule: |

| Company's TSR ranking in the comparator group | Proportion of performance rights vesting |
|---|---|
| Below the 50th percentile | Nil |
| At the 50th percentile | 50% |
| Between the 50th and 75th percentiles | Between 50% and 100%, increasing on a straight-line basis |
| At the 75th percentile | 100% |
| Between the 75th and 100th percentiles | Between 100% and 150%, increasing on a straight-line basis |
| At the 100th percentile | 150% |

| | |
|---|---|
| **When will performance be tested?** | There are three test dates for the performance rights, being 3, 4 and 5 years after the date of grant. |
| **Do the performance rights carry dividend or voting rights?** | Performance rights do not carry any dividend or voting rights. |
| **What happens in the event of a change in control?** | In the event of a change of control of the Company unvested performance rights may vest to the extent the performance hurdles are considered to have been achieved to the date of the transaction. The Board will have discretion to determine whether any additional vesting should occur. |
| **What happens if the participant ceases employment?** | If the participant ceases employment before the end of the performance period by reason of death, disablement, retirement, redundancy or for any other reason approved by the Board, unvested awards remain on-foot, subject to original performance hurdles, although the Board may determine that awards should be forfeited. If the participant ceases employment before the end of the performance period by reasons other than outlined above, unvested awards will lapse. |
| **Are there any disposal restrictions once the performance rights vest?** | There are no disposal restrictions once the performance rights vest. |

## b. Total performance right holdings

Details of performance rights and share rights in the Company held by each Director and other Key Management Personnel are described above in section 3.a of the Remuneration Report. The total number of performance rights and share rights in the Company held during the financial year by each Director of Seven West Media Limited and other Key Management Personnel of the Group are set out in the table below. Performance rights do not carry any dividends or voting rights prior to vesting.

| Executive | Balance at start of the year | Rights granted as remuneration | Exercised | Expired or Forfeited | Balance at the end of the year[2] |
|---|---|---|---|---|---|
| MJ Allibon | - | 62,500 | - | - | 62,500 |
| DJ Boorman | - | 89,286 | - | - | 89,286 |
| KJ Burnette | 182,231 | 142,857 | - | - | 325,088 |
| N Chan | 154,958 | 107,143 | - | - | 262,101 |
| BC Fair | - | 59,524 | - | - | 59,524 |
| RT Lund[1] | 203,512 | - | - | (203,512) | - |
| BI McWilliam | 227,272 | 130,952 | - | - | 358,224 |
| CS Wharton | 317,678 | 119,048 | - | - | 436,726 |
| TG Worner | 567,276 | 619,048 | (25,374) | - | 1,160,950 |

1. Details for RT Lund are as at 31 December 2013 when he ceased to be KMP.
2. The balance of performance rights at the end of the year are unvested rights.

# Remuneration Report

FOR THE YEAR ENDED 28 JUNE 2014

## c. Equity holdings and transactions

The number of ordinary shares and convertible preference shares in the Company held during the financial year by each Director of Seven West Media Limited and other Key Management Personnel of the Group held directly, indirectly, beneficially and including their personally-related entities are set out in the table below.

| 2014 | Balance at start of the year | Shares granted as compensation | Purchases and other changes during the year | Balance at the end of the year |
|---|---|---|---|---|
| **Directors of Seven West Media Limited** | | | | |
| *Ordinary Shares:* | | | | |
| KM Stokes AC | 353,555,298 | - | - | 353,555,298 |
| DR Voelte AO | 150,638 | - | - | 150,638 |
| JH Alexander | - | - | - | - |
| Dr ME Deaker | 14,892 | - | - | 14,892 |
| D Evans | 398,660 | - | 129,500 | 528,160 |
| DR Flynn | 78,578 | - | - | 78,578 |
| PJT Gammell | 187,409 | - | - | 187,407 |
| GT John AO | 103,804 | - | - | 103,804 |
| JC Reizes[1] | 36,813 | - | - | 36,813 |
| RK Stokes | 136,887 | - | - | 136,887 |
| *Ordinary Shares:* | | | | |
| KM Stokes AC | 2,500 | - | - | 2,500 |
| **Directors of Seven West Media Limited** | | | | |
| *Ordinary Shares:* | | | | |
| MJ Allibon | - | - | 2,901 | 2,901 |
| DJ Boorman | - | - | - | - |
| KJ Burnette | 8,765 | - | - | 8,765 |
| N Chan | 197,913 | - | (167,913) | 30,000 |
| BC Fair | 7,484 | - | - | 7,484 |
| RT Lund[2] | 54,921 | - | - | 54,921 |
| BI McWilliam | 611,044 | - | - | 611,044 |
| CS Wharton | 66,426 | - | 23,068 | 89,494 |
| TG Worner | 138,062 | - | 25,374[3] | 163,436 |

1. Details for JC Reizes are as at 13 November 2013 when he ceased to be KMP.
2. Details for RT Lund are as at 31 December 2013 when he ceased to be KMP.
3. Movement relates to share rights provided to TG Worner at nil cost under the Seven Media Group Transitional Equity Grant that vested as ordinary shares during FY14.

## 4. Service agreements

The terms of employment for the Chief Executive Officer, and the other key management personnel of the Seven West Media Group, are formalised in employment contracts, the major provisions of which are set out below.

| Name | Duration of Contract | Period of Notice Required to Terminate the Contract | Contractual Termination Benefits |
|---|---|---|---|
| MJ Allibon | Open ended | Six months' notice | Nil |
| DJ Boorman | Open ended | Three months' notice | Nil |
| KJ Burnette | Two years | Three months' notice given by either party after the fixed term. | Remainder of contract term, plus notice period, to a maximum of 12 months where termination occurs during the contract term. |
| N Chan | Two years | Three months' notice given by either party after the fixed term. | Remainder of contract term, plus notice period, to a maximum of 12 months where termination occurs during the contract term. |
| BC Fair | Open ended | Three months' notice | Nil |
| RT Lund[3] | Open ended | Three months' notice by Mr Lund and six months' notice by the Company | Nil |
| BI McWilliam | Open ended | Three months' notice | Nil |
| CS Wharton | Open ended | Three months' notice | Nil |
| TG Worner | Three years[1] | Twelve months' notice[2] | Nil |

1. At the end of the first anniversary of the commencement date either the Company or Mr Worner has an option to extend the term for a further year. If such option is exercised then on the second anniversary of the commencement date each either the Company or Mr Worner has an option to extend the term for an additional year. The first option to extend Mr Worner's contract by one year has been exercised.
2. The Company may give Mr Worner twelve months' notice to terminate and Mr Worner may give the Company twelve months' notice to terminate other than during the first two years of the term.
3. Mr Lund's employment with the Company ceased on 31 December 2013.

## 5. Services from Remuneration Consultants

The Committee did not engage any remuneration consultants to provide remuneration recommendations in FY14.

During FY14 Mercer Consulting (Australia) Pty Ltd (Mercer) was engaged by the Company to provide market remuneration data on executive roles, including select KMP roles. In the course of providing this information, the Board is satisfied that Mercer did not make any remuneration recommendations relating to KMP as defined by the Corporations Act.

*End of remuneration report*

# Directors' Report



## Indemnity and insurance of directors and officers

The Constitution of the Company provides an indemnity to any current and former Director, Alternate Director and Secretary of the Company against any liabilities incurred by that person, or arising out of, the discharge of duties as an officer of the Company or the conduct of the business of the Company, including associated legal costs defending any proceedings relating to that person's position with the Company.

As permitted by the Constitution of the Company, the Company has entered into deeds of access, insurance and indemnity with each Director as at the end of the financial year.

No amounts were paid and no actions were taken pursuant to these indemnities during the year.

During the financial year, the Company paid a premium in respect of a contract insuring all Directors and officers (including employees) of the Company and of related bodies corporate against certain liabilities specified in the contract. The contract prohibits disclosure of the nature of the liabilities insured and the amount of the premium.

## Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is 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 Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor's independence as set out in APES 110 Code of Ethics for Professional Accountants.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 60.

Details of amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in note 23 to the financial statements.

## Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Directors.

KM Stokes AC

*Chairman*

Sydney

27 August 2014

# Auditor's Independence Declaration



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Seven West Media Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 28 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

KPMG

Bruce Phillips
*Partner*

Sydney

27 August 2014

SEVEN WEST MEDIA – ANNUAL REPORT 2014

# FINANCIAL STATEMENTS

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 28 JUNE 2014

| | Notes | **2014 $'000** | 2013 $'000 |
|---|---|---|---|
| Revenue | 4 | **1,844,920** | 1,866,457 |
| Other income | 4 | **68** | 260 |
| **Revenue and other income** | | **1,844,988** | 1,866,717 |
| Expenses | 5 | **(1,453,608)** | (1,479,600) |
| Share of net profit of equity accounted investees | 13 | **16,797** | 15,251 |
| Impairment of intangible assets | 6 | **(87,040)** | (227,274) |
| Impairment of equity accounted investees | 6 | **-** | (61,453) |
| **Profit before net finance costs and tax** | | **321,137** | 113,641 |
| Net finance costs | 7 | **(77,788)** | (102,452) |
| **Profit before tax** | | **243,349** | 11,189 |
| Tax expense | 8 | **(94,161)** | (80,947) |
| **Profit (loss) for the year** | | **149,188** | (69,758) |
| **Other comprehensive income (expense)** | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | |
| Effective portion of changes in fair value of cash flow hedges | | **4,178** | (1,839) |
| Tax relating to items that may be reclassified subsequently to profit or loss | | **(1,253)** | 551 |
| **Other comprehensive income (expense) for the year, net of tax** | | **2,925** | (1,288) |
| **Total comprehensive income (expense) for the year attributable to owners of the Company** | | **152,113** | (71,046) |
| **Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company** | | | |
| Basic earnings per share | 9 | **14.9 cents** | -7.1 cents |
| Diluted earnings per share | 9 | **12.7 cents** | -6.1 cents |

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Financial Position

FOR THE YEAR ENDED 28 JUNE 2014

| | Notes | **2014 $'000** | 2013 $'000 |
|---|---|---|---|
| ASSETS | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | **68,833** | 257,316 |
| Trade and other receivables | 11 | **277,649** | 278,105 |
| Current tax receivable | | **40,149** | - |
| Program rights and inventories | 12 | **142,256** | 117,508 |
| Other assets | | **4,855** | 5,105 |
| Total current assets | | **533,742** | 658,034 |
| **Non-current assets** | | | |
| Equity accounted investees | 13 | **294,705** | 304,394 |
| Other investments | | **777** | 777 |
| Property, plant and equipment | 14 | **231,967** | 241,357 |
| Intangible assets | 15 | **3,545,221** | 3,632,015 |
| Deferred tax assets | 8 | **-** | 26,270 |
| Other assets | | **3,427** | 3,191 |
| Total non-current assets | | **4,076,097** | 4,208,004 |
| **Total assets** | | **4,609,839** | 4,866,038 |
| LIABILITIES | | | |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **304,130** | 321,875 |
| Provisions | 17 | **71,332** | 76,838 |
| Deferred income | 18 | **24,920** | 20,044 |
| Current tax liabilities | | **-** | 25,308 |
| Total current liabilities | | **400,382** | 444,065 |
| **Non-current liabilities** | | | |
| Trade and other payables | 16 | **20,961** | 35,937 |
| Provisions | 17 | **14,545** | 16,513 |
| Deferred income | 18 | **14,985** | 7,539 |
| Deferred tax liabilities | 8 | **34,445** | - |
| Borrowings | 19 | **1,227,361** | 1,498,106 |
| Total non-current liabilities | | **1,312,297** | 1,558,095 |
| **Total liabilities** | | **1,712,679** | 2,002,160 |
| **Net assets** | | **2,897,160** | 2,863,878 |
| EQUITY | | | |
| Share capital | 20 | **3,090,474** | 3,090,405 |
| Reserves | 21 | **(1,453)** | (5,263) |
| Accumulated deficit | | **(191,861)** | (221,264) |
| **Total equity** | | **2,897,160** | 2,863,878 |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 28 JUNE 2014

| | Notes | Share capital $'000 | Cash flow hedge reserve $'000 | Equity compensation reserve $'000 | Reserve for own shares $'000 | Accumulated deficit $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2012** | | **2,656,017** | **(4,392)** | **799** | **(1,300)** | **(31,731)** | **2,619,393** |
| **Loss for the year** | | - | - | - | - | (69,758) | (69,758) |
| Cash flow hedge losses taken to equity | | - | (1,839) | - | - | - | (1,839) |
| Tax on other comprehensive expense | | - | 551 | - | - | - | 551 |
| **Other comprehensive expense for the year, net of tax** | | - | (1,288) | - | - | - | (1,288) |
| **Total comprehensive expense for the year** | | - | (1,288) | - | - | (69,758) | (71,046) |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Shares issued pursuant to 1-for-2 entitlement offer | 20 | 439,633 | - | - | - | - | 439,633 |
| Shares issued pursuant to executive and employee share plans | 20 | 10 | - | - | - | - | 10 |
| Transaction costs arising on share issues | 20 | (7,508) | - | - | - | - | (7,508) |
| Deferred tax recognised directly in equity | | 2,253 | - | - | - | - | 2,253 |
| Payments made for own shares | 20 | - | - | - | (217) | - | (217) |
| Dividends paid | 22 | - | - | - | - | (119,775) | (119,775) |
| Share based payment expense | | - | - | 1,135 | - | - | 1,135 |
| **Total transactions with owners** | | 434,388 | - | 1,135 | (217) | (119,775) | 315,531 |
| **Balance at 29 June 2013** | | **3,090,405** | **(5,680)** | **1,934** | **(1,517)** | **(221,264)** | **2,863,878** |
| **Profit for the year** | | - | - | - | - | 149,188 | 149,188 |
| Cash flow hedge gains taken to equity | | - | 4,178 | - | - | - | 4,178 |
| Tax on other comprehensive income | | - | (1,253) | - | - | - | (1,253) |
| **Other comprehensive income for the year, net of tax** | | - | 2,925 | - | - | - | 2,925 |
| **Total comprehensive income for the year** | | - | 2,925 | - | - | 149,188 | 152,113 |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Shares issued pursuant to executive and employee share plans | 20 | 69 | - | - | - | - | 69 |
| Dividends paid | 22 | - | - | - | - | (119,785) | (119,785) |
| Share based payment expense | | - | - | 885 | - | - | 885 |
| **Total transactions with owners** | | 69 | - | 885 | - | (119,785) | (118,831) |
| **Balance at 28 June 2014** | | **3,090,474** | **(2,755)** | **2,819** | **(1,517)** | **(191,861)** | **2,897,160** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 28 JUNE 2014

| | Notes | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows related to operating activities** | | | |
| Receipts from customers | | **2,043,928** | 2,115,106 |
| Payments to suppliers and employees | | **(1,649,231)** | (1,611,068) |
| Dividends received from equity accounted investees | 13 | **21,386** | 4,270 |
| Interest and other items of similar nature received | | **7,174** | 9,496 |
| Interest and other costs of finance paid | | **(84,734)** | (111,937) |
| Income taxes paid, net of refunds | | **(100,156)** | (63,295) |
| **Net operating cash flows** | 10 | **238,367** | 342,572 |
| **Cash flows related to investing activities** | | | |
| Payments for purchases of property, plant and equipment | 14 | **(31,349)** | (19,980) |
| Proceeds from sale of property, plant and equipment | | **184** | 524 |
| Payments for software | 15 | **(9,124)** | (9,089) |
| Payments for equity accounted investees | | **(1,000)** | (1,900) |
| Proceeds from capital return on investments | 13 | **7,500** | - |
| Net cash acquired on acquisition of controlled entity | | **253** | - |
| Loans issued | | **(118)** | (488) |
| **Net investing cash flows** | | **(33,654)** | (30,933) |
| **Cash flows related to financing activities** | | | |
| Proceeds from shares issued pursuant to 1-for-2 entitlement offer | | **-** | 439,633 |
| Proceeds from shares issued pursuant to executive and employee share plans | | **69** | 10 |
| Payments made for own shares | | **-** | (217) |
| Payments for transaction costs arising on share issues | 20 | **-** | (7,508) |
| Proceeds from borrowings | 19 | **1,235,002** | - |
| Repayment of borrowings | 19 | **(1,508,482)** | (441,518) |
| Dividends paid | 22 | **(119,785)** | (119,775) |
| **Net financing cash flows** | | **(393,196)** | (129,375) |
| **Net (decrease) increase in cash and cash equivalents** | | **(188,483)** | 182,264 |
| Cash and cash equivalents at the beginning of the year | | **257,316** | 75,052 |
| **Cash and cash equivalents at the end of the year** | 10 | **68,833** | 257,316 |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of this consolidated financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Seven West Media Limited (the "Company" or "Parent Entity") and its subsidiaries, all of which are for-profit entities.

The consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2014.

### (a) Basis of preparation

The financial statements are a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of The Australian Accounting Standards Board.

The financial statements have been prepared using the historical cost basis except for derivative financial instruments which have been measured at fair value and share rights which have been valued using options pricing models.

The financial statements are presented in Australian dollars (AUD) and all values are rounded to the nearest $1,000 unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission (ASIC) Class order 98/100. The Company is an entity to which the Class Order applies.

*(i) Compliance with IFRS*

The financial statements comply with Australian Accounting Standards. The financial statements also comply with International Financial Reporting Standards (IFRS).

*(ii) Changes in accounting policy*

The Group adopted all new and amended Australian Accounting Standards and Interpretations that became applicable during the current financial year, including the following key Standards and Interpretations.

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurements, and
- AASB 119 Employee Benefits (Revised 2011)
- Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The adoption of these Standards and Interpretations did not have a significant impact on the Group's financial results or statement of financial position. All other accounting policies are consistent with those of the previous financial year.

### (b) Principles of consolidation

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Seven West Media Limited as at 28 June 2014 and the results of all subsidiaries for the year then ended. Seven West Media Limited and its subsidiaries together are referred to in this financial report as the "Group."

The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is is transferred to the Group. They are de-consolidated from the date that control ceases.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Principles of consolidation (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

*(ii) Associates and jointly controlled entities (equity-accounted investees)*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in equity accounted investees includes goodwill identified on acquisition and net of any accumulated impairment loss.

The Group's share of its equity accounted investees' post-acquisition profit or losses is recognised in profit or loss, its share of associates' post-acquisition movements in reserves is recognised in reserves and its share of jointly controlled entities' post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from equity accounted investees are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

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

Unrealised gains on transactions between the Group and its equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Accounting for acquisitions and business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Foreign currency translation

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, responsible for allocating resources and assessing performance of the operating segments, have been identified as the Chief Executive Officer, the Chief Financial Officer and other relevant members of the executive team.

### (f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of agency commissions, discounts, rebates, returns, trade allowances and duties and taxes paid. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

*(i) Advertising*

Revenue is recognised when the advertisement has been published or broadcast. Revenue from advertising services provided in exchange for broadcast rights or other goods or services is measured at the fair value of the goods or services received. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the advertising services provided.

*(ii) Circulation and commercial printing*

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and control of the right to be compensated has been obtained.

*(iii) Program sales*

Program sales revenue is recognised upon delivery of episodes to the buyer. Affiliate revenue is recognised in line with the contract terms and conditions held with affiliates.

*(iv) Government grants*

Government grants are recognised initially in the statement of financial position as deferred income when it is highly probable that the grant will be received and all attaching conditions will be complied with. When the grant relates to the reimbursement of an expense item, it is recognised in profit or loss over the periods necessary to match the costs that it is intended to compensate. When the grant relates to the cost of an asset, the amount received is credited to a deferred income account and is released to profit or loss over the lifetime of the asset on a systematic basis.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Revenue recognition (continued)

*(v) Rendering of services*

Revenue is recognised when the service has been performed, the stage of completion can be measured reliably and the costs to complete can be measured reliably.

*(vi) Rental income*

Rental income is recognised in profit and loss on a straight line basis over the term of the lease.

*(vii) Dividends*

Dividend income is recorded net of any franking credits. Dividends are recognised when the right to receive payment is established.

### (g) Finance income and costs

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. It comprises income on funds invested and fair value gains on financial assets at fair value through profit or loss.

Finance costs comprise interest expense on borrowings, the ineffective portion of cash flow hedges and fair value losses on financial assets at fair value through profit or loss.

### (h) Taxation

The tax expense for the year is the tax payable on the current year's taxable income based on the national tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management have determined that deferred tax assets and deferred tax liabilities associated with intangible assets that have an indefinite useful life, such as mastheads, should be measured based on the tax consequences that would follow from the sale of that asset. Deferred tax assets are only booked where recovery of that asset is probable.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Taxation (continued)

*(i) Tax consolidation*

The Company and it's wholly owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Seven West Media Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the Company or its subsidiaries are ultimately assumed by the head entity in the tax consolidated group and are recognised as amounts payable/(receivable) to/(from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below).

*(ii) Nature of tax funding arrangements*

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to the head entity equal to the current tax liability assumed by the head entity resulting in a related party payable to the head entity equal in amount to the current tax liability assumed. This related party balance is at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### (i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand and deposits held at call or with maturities of three months or less with financial institutions.

### (j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.  Trade receivables are generally due for settlement within 30-90 days.

The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amounts directly. A provision for impairment of trade receivables is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (not settled within the terms and conditions that have been agreed with the relevant customer) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss in other expenses. When a trade receivable for which a provision for impairment had been recognised becomes uncollectible in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts  previously written off are credited against other expenses in profit or loss.

Other receivables are reviewed on an ongoing basis and are written down to their recoverable amount when this amount is in excess of the carrying value.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Program rights

Television program assets and program liabilities are recognised from the commencement of the rights period of the contract. Contract payments made prior to commencement of the rights period are disclosed as a prepayment and included under television program rights and inventories.

Television program rights are carried at the lower of cost less amortisation and net recoverable amount. Cost comprises acquisition of program rights and, for programs produced using the Group's facilities, direct labour and materials and directly attributable fixed and variable overheads.

The Group's amortisation policy requires the amortisation of purchased programs on a straight line basis over a life of one year from commencement of the rights period or over the rights period of the contract (whichever is the lesser). Produced programs are expensed on telecast or in full on the twelfth month after completion period.

### (l) Investments and other financial assets

The Group classifies its financial assets in the following categories:

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position. Loans and receivables are carried at amortised cost using the effective interest method.

*(ii) Other investments*

These unlisted equity securities are available for sale non-derivative assets in which the Group does not have significant influence or control. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Available-for-sale financial assets are subsequently carried at fair value or cost if fair value cannot be reliably measured. Unrealised gains and losses arising from changes in their fair value are recognised in other comprehensive income.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. For financial assets in a market that is not active and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Derivatives and hedging activities

The Group is party to derivative financial instruments on recognised liabilities in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign currency exchange rates. These derivatives are designated as cash flow hedges.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items. The fair values of derivative financial instruments designated as cash flow hedges are disclosed in note 16. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item (i.e. cash flows) is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The gain or loss from re-measuring the hedging instruments to fair value is recognised in other comprehensive income and accumulated in a hedging reserve, to the extent that the hedge is effective, and is recognised in profit or loss within finance costs when the hedged interest expense is recognised. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

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

### (n) Property, plant and equipment

All property, plant and equipment is stated at historical cost to the Group less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Leasehold improvements are depreciated over the shorter of the life of the lease of each property or the life of the asset. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 40 years |
| Printing presses and publishing equipment | 15 years |
| Other plant and equipment | 3-10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1(p). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Intangible assets

*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

*(ii) Newspaper mastheads and radio licences*

The newspaper mastheads and radio licences of the Group are carried at cost less accumulated impairment losses. The carrying amounts of these assets are not amortised as the directors have determined them to have indefinite useful lives. Instead, newspaper mastheads and radio licences are tested for impairment annually, or whenever there is an indication that they may be impaired. Newspaper mastheads and radio licences are carried at cost less accumulated impairment losses.

*(iii) Magazine mastheads*

The magazine mastheads are carried at cost less accumulated impairment losses. No amortisation is provided against the carrying amount as the directors believe that the lives of these assets are indefinite. Instead, magazine mastheads are tested for impairment annually, or whenever there is an indication that they may be impaired. Magazines mastheads are carried at cost less accumulated impairment losses.

*(iv) Magazine licences*

The magazine licences are carried at the cost of acquisition less accumulated impairment losses and are amortised on a straight-line basis over the period of the licences ranging from 8 to 25 years.

*(v) Television licences*

The television licences are renewable every five years under the provisions of the Broadcasting Services Act 1992. The directors have no reason to believe that they will not be renewed. Television licences are considered to have an indefinite useful life and no amortisation is charged. Instead, television licences are tested for impairment annually, or whenever there is an indication that they may be impaired. Television licences are carried at cost less accumulated impairment losses.

*(vi) Program copyrights*

Program copyrights are carried at cost less accumulated impairment losses and are amortised on a straight line basis over the period of the contract.

*(vii) Computer software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are recognised in profit and loss unless the asset has previously been revalued, in which case the impairment is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the profit and loss.

### (q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-60 days of recognition.

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings. Any related accrued interest is included in trade creditors and accruals.

### (s) Provisions

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

Provisions for libel and legal claims against the Group are recognised when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### (t) Employee benefits

*(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. Sick leave is recognised in profit or loss when the leave is taken and measured at the rates paid.

*(ii) Long-term employee benefit obligations*

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Employee benefits (continued)

*(iii) Share-based payments*

Share-based compensation benefits are provided to executives and employees in accordance with the Company's share purchase and loan plans and employment agreements. Information relating to these plans is set out in note 27.

The fair value of the rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimate of the number of rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

*(iv) Short term incentives and bonus plans*

A liability for employee benefits in the form of short term incentives and bonus plans is recognised in the provision for employee benefits when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

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

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

*(v) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more then 12 months after the end of the reporting period are discounted to present value.

*(vi) Superannuation*

Contributions made by the Company to defined contribution employee superannuation funds are charged to profit or loss in the period employees' services are provided.

### (u) Share capital

Ordinary shares and convertible preference shares are classified as equity (for information on ordinary shares and convertible preference shares, (refer to note 20). Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (w) Earnings per share

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

*(iii) Retrospective adjustments*

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively.

### (x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised exclusive of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (y) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

Lease income from operating leases, where the Group is a lessor, is recognised as income on a straight-line basis over the lease term.

### (z) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

### (aa) Parent entity financial information

The financial information for the Parent Entity, Seven West Media Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

*(i) Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost less impairment losses in the financial statements of Seven West Media Limited. Dividends received from subsidiaries are recognised in the parent entity's profit and loss.

# Notes to the Financial Statements



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Parent entity financial information (continued)

*(ii) Financial guarantees*

Where the Parent Entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

### (ab) New accounting standards and interpretations

A number of new accounting standards have been issued but were not effective during the year ended 28 June 2014. The Group has elected not to early adopt any of these new standards or amendments in these financial statements. The Group has yet to fully assess the impact of the following accounting standards and amendments to accounting standard will have on the financial statements, when applied in future periods:

- AASB 136 Recoverable Amount Disclosures for Non-Financial Assets
- AASB 9 Financial Instruments
- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments
- IFRIC 21 Levies
- IFRS 15 Revenue from Contracts with Customers

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.

### (ac) Comparatives

Comparative information is reclassified where appropriate to enhance comparability.

## 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

*(i) Recoverable amounts of intangible assets and investments*

The Group tests annually whether investments, goodwill and intangibles with indefinite useful lives have suffered any impairment in accordance with the group accounting policy stated in note 1(p). The recoverable amounts of cash-generating units have been determined based on value in use and fair value less costs to sell approaches. These calculations require the use of assumptions.
Refer to note 15 for details of these assumptions.

*(ii) Tax exposures*

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due (refer note 7). This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

# Notes to the Financial Statements



## 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

*(iii) Other assets*

The Group also tests other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

*(iv) Share based payment transactions*

The Group measures the cost of equity transactions with employees by reference to the fair value of equity instruments at the date at which they are granted.  The fair value is determined by an external valuer using a valuation model as detailed in note 27.

*(v) Restructuring and redundancy provisions*

The provisions for restructuring and redundancy has been disclosed in note 17 as a result of the group having a constructive obligation and a detailed formal plan for restructuring.

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 3. SEGMENT INFORMATION

### Description of segments

The chief operating decision makers consider the business from both a product and a geographical perspective and have identified the following reportable segments:

- Television (operation of commercial television stations)
- Newspapers (publishers of newspapers and insert magazines in Western Australia)
- Magazines (publisher of magazines)
- Other includes Quokka (a weekly classified advertising publication), Radio (radio stations broadcasting in regional areas of Western Australia), ColourPress (commercial printing operation), digital publishing, West Australian Publishers, equity accounted investees including Yahoo!7 and Community Newspapers, corporate costs and other minor operating segments.

Revenue from external sales is predominantly to customers in Australia and total segment assets are predominantly held in Australia.
Total assets and liabilities by segment are not provided regularly to the chief operating decision maker and as such, are not required to be disclosed.

| Year ended 28 June 2014 | Television $'000 | Newspapers $'000 | Magazines $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Total segment revenue | 1,305,624 | 265,368 | 237,498 | 55,121 | 1,863,611 |
| Inter-segment revenue | - | - | - | (18,691) | (18,691) |
| **Revenue from continuing operations** | 1,305,624 | 265,368 | 237,498 | 36,430 | 1,844,920 |
| Profit before significant items, net finance costs, tax, depreciation and amortisation | 336,114 | 87,100 | 24,350 | 10,613 | 458,177 |
| Depreciation and amortisation (i) | (24,062) | (21,150) | (3,965) | (823) | (50,000) |
| **Profit before significant items, net finance costs and tax** | **312,052** | **65,950** | **20,385** | **9,790** | **408,177** |
| **Year ended 29 June 2013** | | | | | |
| Total segment revenue | 1,267,788 | 302,931 | 256,163 | 60,166 | 1,887,048 |
| Inter-segment revenue | - | - | - | (20,591) | (20,591) |
| **Revenue from continuing operations** | 1,267,788 | 302,931 | 256,163 | 39,575 | 1,866,457 |
| Profit before significant items, net finance costs, tax, depreciation and amortisation | 319,616 | 107,461 | 36,306 | 16,621 | 480,004 |
| Depreciation and amortisation (i) | (29,209) | (20,845) | (7,056) | (879) | (57,989) |
| **Profit before significant items, net finance costs and tax** | **290,407** | **86,616** | **29,250** | **15,742** | **422,015** |

(i) Excludes program rights amortisation which is treated consistently with other media content (refer note 5).

The chief operating decision makers assess the performance of the operating segments based on a measure of earnings before net finance costs and tax. This measurement basis excludes the effects of significant expenditure from the operating segments.

A reconciliation of profit before significant items, net finance costs and tax to profit before tax is provided as follows:

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| **Reconciliation of profit before significant items, net finance costs and tax** | | |
| Profit before significant items, net finance costs and tax | **408,177** | 422,015 |
| Finance income (refer note 7) | **8,367** | 13,297 |
| Finance costs (refer note 7) | **(86,155)** | (115,749) |
| **Profit before tax excluding significant items** | **330,389** | 319,563 |
| Significant items before tax (refer note 6) | **(87,040)** | (308,374) |
| **Profit before tax** | **243,349** | 11,189 |

# Notes to the Financial Statements



## 4. REVENUE AND OTHER INCOME

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Sales revenue** | | |
| Advertising revenue | **1,433,799** | 1,445,071 |
| Circulation revenue | **220,802** | 240,438 |
| Rendering of services | **23,049** | 23,085 |
| Other revenue | **167,270** | 157,863 |
| Total revenue | **1,844,920** | 1,866,457 |
| **Other income** | | |
| Net gain on disposal of property, plant and equipment and computer software | **68** | 260 |

## 5. EXPENSES

Profit before tax includes the following specific expenses:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Depreciation and amortisation (excluding program rights amortisation) | **50,000** | 57,989 |
| Advertising and marketing expenses | **59,162** | 60,350 |
| Printing, selling and distribution (including newsprint and paper) | **121,579** | 131,881 |
| Media content (including program rights amortisation) | **586,307** | 583,776 |
| Employee benefits expense (excluding significant items) | **410,446** | 403,488 |
| Raw materials and consumables used (excluding newsprint and paper) | **8,738** | 9,904 |
| Repairs and maintenance | **18,203** | 17,383 |
| Licence fees (including significant items) | **73,028** | 64,330 |
| Redundancy and restructure costs (significant item- refer note 6) | **-** | 27,033 |
| Other expenses from ordinary activities | **126,145** | 123,466 |
| Total expenses | **1,453,608** | 1,479,600 |
| *Included in the expenses above are the specific items (a) to (d) from continuing operations:* | | |
| (a) Employee benefits expense | **373,799** | 368,900 |
| (b) Defined contribution superannuation expense | **36,647** | 34,588 |
| (c) Rental expense relating to operating leases | **25,537** | 25,451 |
| (d) Depreciation of property, plant and equipment | **40,779** | 40,769 |
| Amortisation of intangible assets | **9,221** | 17,220 |
| Television program rights amortisation | **124,578** | 132,350 |
| Total depreciation and amortisation | **174,578** | 190,339 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 6. SIGNIFICANT ITEMS

Profit before tax expense includes the following specific expenses for which disclosure is relevant in explaining the financial performance of the Group:

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| Impairment of Magazine mastheads, licences and goodwill (i) | **(77,043)** | (220,774) |
| Impairment of other mastheads (ii) | **(9,997)** | (6,500) |
| Total Impairment of intangible assets | **(87,040)** | (227,274) |
| Impairment of equity accounted investees (iii) | **-** | (61,453) |
| Impairment of intangible assets and equity-accounted investees | **(87,040)** | (288,727) |
| Redundancy and restructure costs (iv) | **-** | (27,033) |
| Change in estimate of Television licence fee (v) | **-** | 7,386 |
| Total significant items before tax | **(87,040)** | (308,374) |
| Tax benefit | **-** | 13,441 |
| Net significant items after tax | **(87,040)** | (294,933) |

(i) Impairment losses on Magazine intangible assets were recognised during the year following an assessment of their recoverable amounts. Despite an improvement in recent advertising revenue trends, the impairments largely reflected the structural challenges facing the publishing industry. The total impairment comprises amounts of $15,171,000 for mastheads (2013: $69,783,000), $143,000 for licences (2013: $18,793,000) and $61,729,000 for goodwill (2013: $132,198,000). Refer note 15 for additional information on intangible assets.

(ii) An impairment loss on Quokka masthead (a weekly classified advertising publication) was recognised during the year and in prior year following an assessment of its recoverable amount. The impairment largely reflected the difficult advertising market and deteriorating business trends.

(iii) An impairment loss of $60,203,000 on SWM's investment in Yahoo!7 was recognised during the prior year following an assessment of its recoverable amount. The impairment largely reflected the deterioration in the results of Spreets, its group buying business. An impairment loss of $1,250,000 was recognised in relation to other equity accounted investees in the prior financial year.

(iv) The redundancy and restructure costs are related to the cost reduction programs which are addressing efficiencies in operating procedures and processes across the Group.

(v) In March 2013 the Television Licence Fees Amendment Bill 2013 provided for the 50 per cent reduction in the licence fees paid by commercial television broadcasters to be made permanent in legislation on an ongoing basis. The television licence fee accrual, which is based on estimates, was reduced in line with the amended legislation.

## 7. NET FINANCE COSTS

| | | |
|---|---|---|
| Finance costs | **(86,155)** | (115,749) |
| Total finance costs | **(86,155)** | (115,749) |
| Finance income | **7,059** | 9,606 |
| Ineffective portion of changes in fair value of cash flow hedges | **1,308** | 3,691 |
| Total finance income | **8,367** | 13,297 |
| Net finance costs | **(77,788)** | (102,452) |

# Notes to the Financial Statements



## 8. TAXES

| | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| **Tax expense recognised in profit or loss** | | |
| Current year tax expense | **(34,699)** | (84,371) |
| Adjustments for current tax of prior periods | **-** | 1,998 |
| Current tax expense | **(34,699)** | (82,373) |
| Deferred tax (expense)/benefit | **(59,462)** | 1,426 |
| Total tax expense | **(94,161)** | (80,947) |
| | | |
| **Reconciliation of tax expense to prima facie tax payable** | | |
| Profit before tax | **243,349** | 11,189 |
| | | |
| Tax at the Australian tax rate of 30% (2013: 30%) | **(73,005)** | (3,357) |
| Tax effect of amounts which are not (deductible)/taxable in calculating taxable income: | | |
| Share of net profit of equity-accounted investees | **5,039** | 4,575 |
| Deferred tax benefit (expense) related to equity accounted investees | **-** | 5,902 |
| Deferred tax assets not recognised in relation to impairment of assets | **(26,112)** | (86,618) |
| Other changes in recognition of deferred tax assets and liabilities | **-** | (1,097) |
| Other non-assessable / (non-deductible) items | **(83)** | (2,350) |
| Adjustments for current tax of prior periods | **-** | 1,998 |
| Tax expense | **(94,161)** | (80,947) |
| | | |
| **Tax recognised in other comprehensive income** | | |
| Cash flow hedges | **(1,253)** | 551 |
| | | |
| **Tax recognised directly in equity** | | |
| Deferred tax benefit | **-** | 2,253 |
| Total tax recognised directly in equity | **-** | 2,253 |
| | | |
| **Deferred tax asset not recognised** | | |
| Deductible temporary differences | **232,187** | 193,269 |

# Notes to the Financial Statements



## 8. TAXES (CONTINUED)

**Deferred tax assets/(liabilities)**

| **Year ended 28 June 2014** | Balance 30 June 2013 $'000 | Recognised in profit or loss $'000 | Recognised in other comp-rehensive income $'000 | Recognised directly in equity $'000 | Balance 28 June 2014 $'000 |
|---|---|---|---|---|---|
| The balance comprises temporary differences attributable to: | | | | | |
| Trade and other receivables | 7,762 | (2,700) | - | - | 5,062 |
| Program rights and inventories | (42,447) | (51,850) | - | - | (94,297) |
| Equity accounted investees | - | - | - | - | - |
| Intangible assets | (7,058) | (951) | - | - | (8,009) |
| Property, plant and equipment | (7,383) | (1,297) | - | - | (8,680) |
| Trade and other payables | 34,686 | (3,786) | - | - | 30,900 |
| Provisions | 26,095 | (165) | - | - | 25,930 |
| Deferred income | 5,650 | 2,890 | - | - | 8,540 |
| Cash flow hedges | 3,176 | (774) | (1,253) | - | 1,149 |
| Transaction costs | 6,302 | (452) | - | - | 5,850 |
| Other | (513) | (377) | - | - | (890) |
| Net deferred tax assets/(liabilities) | 26,270 | (59,462) | (1,253) | - | (34,445) |

| **Year ended 29 June 2013** | Balance 1 July 2012 $'000 | Recognised in profit or loss $'000 | Recognised in other comp-rehensive income $'000 | Recognised directly in equity $'000 | Balance 29 June 2013 $'000 |
|---|---|---|---|---|---|
| The balance comprises temporary differences attributable to: | | | | | |
| Trade and other receivables | 10,177 | (2,415) | - | - | 7,762 |
| Program rights and inventories | (40,407) | (2,040) | - | - | (42,447) |
| Equity accounted investees | (5,902) | 5,902 | - | - | - |
| Intangible assets | (7,530) | 472 | - | - | (7,058) |
| Property, plant and equipment | (8,228) | 845 | - | - | (7,383) |
| Trade and other payables | 38,681 | (3,995) | - | - | 34,686 |
| Provisions | 24,530 | 1,565 | - | - | 26,095 |
| Deferred income | 2,563 | 3,087 | - | - | 5,650 |
| Cash flow hedges | 1,883 | 742 | 551 | - | 3,176 |
| Transaction costs | 6,754 | (2,705) | - | 2,253 | 6,302 |
| Other | (481) | (32) | - | - | (513) |
| Net deferred tax assets/(liabilities) | 22,040 | 1,426 | 551 | 2,253 | 26,270 |

# Notes to the Financial Statements



## 9. EARNINGS PER SHARE

| | 2014 | 2013 |
|---|---|---|
| **Basic earnings per share** | | |
| Profit (loss) attributable to the ordinary equity holders of the Company (i) | **14.9 cents** | -7.1 cents |
| **Diluted earnings per share** | | |
| Profit (loss) attributable to the ordinary equity holders of the Company (i) | **12.7 cents** | -6.1 cents |

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Earnings used in calculating earnings per share** | | |
| Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share. | **149,188** | (69,758) |

| | 2014 Number | 2013 Number |
|---|---|---|
| **Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share (i) | **997,918,322** | 977,492,423 |
| Adjustments for calculation of diluted earnings per share: | | |
| - Convertible Preference Shares (CPS) (ii) | **173,786,240** | 159,614,658 |
| - Shares issued pursuant to the suspended executive and employee share plans treated as options deemed to have been converted into ordinary shares at the beginning of the financial year | **1,242,550** | 1,349,975 |
| - Share rights issued pursuant to equity incentive plan | **439,882** | 1,017,068 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **1,173,386,994** | 1,139,474,124 |

(i) AASB 133: Earnings per Share requires the calculation of basic and diluted earnings per share for all periods presented to be adjusted retrospectively for shares issued under a rights issue. Accordingly, the prior corresponding full year weighted average number of ordinary shares includes an adjustment relating to the shares issued pursuant to the 1-for-2 entitlement offer completed in August 2012, for the period from 1 July 2012 to the dates when the shares were issued.

(ii) For the purpose of calculating diluted earnings per share, a notional CPS amount has been calculated. At 28 June 2014 the notional CPS amount is $312,815,872 (2013: $291,670,229). This is divided by the conversion price to calculate the notional number of shares. Under the terms of the CPS there is more than one basis of conversion. For the calculation of diluted EPS the "Redemption Conversion Price" based on an average weighted share price has been used as the conversion price since this results in the most advantageous position for the holder of the CPS. This is in line with requirements of AASB 133: Earnings per Share. Refer note 20 for further details relating to the CPS.

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 10. CASH AND CASH EQUIVALENTS

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Current | | |
| Cash at bank, on hand and at call | 68,833 | 257,316 |

Cash at bank and deposits at call bear interest at a floating weighted average rate of 2.82% at the reporting date (2013: 3.57%). The maximum exposure to credit risk at the reporting date is the carrying amount. The exposure to interest rate risk is discussed in note 29.

**Reconciliation of operating profit after tax to net cash provided by operating activities**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Profit (loss) for the year | 149,188 | (69,758) |
| Non-cash items | | |
| Depreciation and amortisation of property, plant and equipment and intangible assets | 50,000 | 57,989 |
| Amortisation of television program rights | 124,578 | 132,350 |
| Impairment of intangible assets and equity accounted investees | 87,040 | 288,727 |
| Net gain on disposal of property, plant and equipment and computer software | (68) | (260) |
| Share based payment expense | 885 | 1,135 |
| Dividend received from equity accounted investees less share of profit of equity accounted investees | 4,589 | (10,981) |
| Movement in unamortised finance costs | 2,736 | 9,825 |
| Movement in: | | |
| Receivables | (953) | 49,215 |
| Inventories | 929 | 5,478 |
| Program rights | (150,255) | (134,859) |
| Other operating assets | 140 | 2,361 |
| Payables | (4,338) | (27,113) |
| Program liabilities | (24,578) | 5,206 |
| Provisions | (7,762) | 12,649 |
| Other operating liabilities | 12,193 | 2,956 |
| Tax balances | (5,957) | 17,652 |
| Net cash inflow from operating activities | 238,367 | 342,572 |

# Notes to the Financial Statements



## 11. TRADE AND OTHER RECEIVABLES

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Current | | |
| Trade receivables | **311,307** | 307,533 |
| Provision for doubtful debts | **(7,010)** | (8,395) |
| Provision for sales credits and returns | **(29,933)** | (24,443) |
| | **274,364** | 274,695 |
| Other receivables | **3,285** | 3,410 |
| | **277,649** | 278,105 |

Trade receivables are generally settled within 30-90 days and are non interest bearing.

The ageing of the Group's trade receivables net of provision for sales credits and returns at the reporting date was:

| | Gross 2014 $'000 | Provision for doubtful debts 2014 $'000 | Gross 2013 $'000 | Provision for doubtful debts 2013 $'000 |
|---|---|---|---|---|
| Not past due | **254,940** | **-** | 259,215 | - |
| Past due 0-30 days | **20,621** | **(4,529)** | 19,528 | (4,857) |
| Past due 31-120 days | **4,253** | **(2,418)** | 4,157 | (2,978) |
| Past due 120+ days | **1,560** | **(63)** | 190 | (560) |
| | **281,374** | **(7,010)** | 283,090 | (8,395) |

Movements in the provision for doubtful debts are as follows:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Balance at the beginning of the financial year | **8,395** | 7,604 |
| Provision assumed in a business combination | **10** | - |
| Net movement in provision recognised during the year | **(1,395)** | 791 |
| Balance at the end of the financial year | **7,010** | 8,395 |

Refer to Note 29 regarding information on the Group's exposure to credit and market risks, and impairment losses for trade and other receivables

## 12. PROGRAM RIGHTS AND INVENTORIES

| | | |
|---|---|---|
| Current | | |
| Television program rights at cost less accumulated amortisation | **118,703** | 93,026 |
| Newsprint and paper – at cost | **13,665** | 13,796 |
| Work in progress – at cost | **4,435** | 5,865 |
| Other raw materials and stores – at net realisable value | **5,170** | 4,524 |
| Finished goods – at cost | **283** | 297 |
| | **142,256** | 117,508 |

*Program rights and inventory expense*

Program rights and inventories recognised as an expense during the year ended 28 June 2014 amounted to $124,578,000 (2013: $132,350,000) and $61,168,842 (2013: $67,663,000) respectively.

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 13. EQUITY ACCOUNTED INVESTEES

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Non-current** | | |
| Investments in associates and jointly controlled entities | **294,705** | 304,394 |

Information relating to associates and jointly controlled entities is set out in the tables below:

| Name of entity | Principal activities | Reporting date | Ownership interest 2014 % | Ownership interest 2013 % |
|---|---|---|---|---|
| Airline Ratings Pty Limited | Ratings service provider | 30 June | **50.0** | 50.0 |
| Australian News Channel Pty Limited | Pay TV channel operator | 30 June | **33.3** | 33.3 |
| Bloo (WA) Pty Limited (i) | Online business directory | 30 June | **-** | 27.8 |
| 7Beyond Media Rights Limited (ii) | Television production | 30 June | **50.0** | - |
| Community Newspaper Group Limited | Newspaper publishing | 30 June | **49.9** | 49.9 |
| Coventry Street Properties Pty Limited | Property management | 30 June | **50.0** | 50.0 |
| Healthengine Pty Limited (iii) | Online Health Directory | 30 June | **30.8** | 22.3 |
| Hybrid Television Services (ANZ) Pty Limited (iv) | TiVo distributor | 30 June | **66.7** | 66.7 |
| Impact Merchandising Pty Limited (v) | Visual merchandising services | 30 June | **100.0** | 50.0 |
| Oztam Pty Limited | Ratings service provider | 31 December | **33.3** | 33.3 |
| Perth Translator Facility Pty Limited (vi) | Transmitter facilities provider | 30 June | **33.3** | 33.3 |
| TX Australia Pty Limited | Transmitter facilities provider | 30 June | **33.3** | 33.3 |
| Yahoo Australia & New Zealand (Holdings) Pty Limited | Internet content provider | 31 December | **50.0** | 50.0 |

All of above entities are incorporated in Australia apart from 7Beyond Media Rights Limited which is incorporated in Ireland.

(i) Investment in Bloo (WA) Pty Limited was disposed during the year ended 28 June 2014.

(ii) 50% of 7Beyond Media Rights Limited was acquired on 1 November 2013.

(iii) The investment in Healthengine Pty Limited increased during the year due to the acquisition of additional shares for $2,600,000.

(iv) Under the shareholder agreement, Seven West Media and the other shareholders have equal voting rights and Board representation. During the financial year the shareholders collectively controlled the investment in Hybrid Television Services (ANZ) Pty Ltd and as a result it was equity accounted. On 1 July 2014 the Group acquired the remaining shares in the entity and obtained 100% control.

(v) Impact Merchandising Pty Limited is not an equity accounted investee as at 28 June 2014. The Group acquired the remaining 50% during the current financial year and it is now accounted for as a controlled entity.

(vi) On 14 July 2014 the shares held in Perth Translator Facility Pty Limited were transferred to TX Australia Pty Limited and this entity therefore ceased to be an equity accounted investee from this date.

**Significant Equity Accounted Investees**

The Group has 50% interest in Yahoo Australia and New Zealand (Holdings) Pty Limited, a jointly controlled entity with Yahoo Inc.
Yahoo Australia and New Zealand (Holdings) Pty Limited is incorporated in Australia.
The Groups interest in Yahoo Australia and New Zealand (Holdings) Pty Limited is accounted for using the equity method in the consolidated financial statements.
Summarised financial information of the investment, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below. All amounts shown are 100% unless otherwise stated.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Revenue | **100,582** | 106,986 |
| Profit for the year (continuing operations) (i) | **24,057** | 19,721 |
| Group's 50% share of profit for the year | **12,028** | 9,860 |

(i) Includes depreciation and amortisation of $7,301,000 (2013: $8,360,000) and income tax expense of $10,346,000 (2013: $7,959,000). Interest expense for both reporting periods is not significant.

# Notes to the Financial Statements



## 13. EQUITY ACCOUNTED INVESTEES (CONTINUED)

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Current assets (i) | **58,619** | 76,053 |
| Non current assets | **77,683** | 80,122 |
| Current liabilities | **(24,885)** | (21,146) |
| Non current liabilities | **(4,873)** | (4,540) |
| Net assets | **106,544** | 130,488 |

(i) Includes cash and cash equivalents of $32,488,000 (FY13: $52,192,000)
There are no current or non current financial liabilities (excluding trade and other payables and provisions)

| Movements in carrying amount of the investment in Yahoo7 | | |
|---|---|---|
| Carrying amount at the beginning of the financial year | **287,210** | 337,553 |
| Impairment of equity accounted investees (refer note 6) | **-** | (60,203) |
| Share of profit of investees after tax | **12,028** | 9,860 |
| Dividends received | **(16,500)** | - |
| Return of capital received | **(7,500)** | - |
| Carrying amount of the investment at the end of the financial year | **275,238** | 287,210 |

The carrying amount of the investment is based on the fair value of investees at acquisition date adjusted for equity accounted profits, dividends, impairments and any other movement since acquisition.

| | | |
|---|---|---|
| Groups share of net assets (50%) | **53,272** | 65,244 |
| Fair value adjustment of acquisition and subsequent impairment | **221,966** | 221,966 |
| Carrying amount of the investment at end of the financial year | **275,238** | 287,210 |

There are no significant capital commitments or contingent liabilities held by or owed to this equity accounted investee as at reporting date.

**Other Equity Accounted Investees**

The following is summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's financial statements:
All amounts shown are 100% unless otherwise stated.

| | | |
|---|---|---|
| Revenue | **129,967** | 135,621 |
| Profit for the year (continuing operations) | **11,838** | 15,118 |
| Group's share of profit for the year (i) | **4,769** | 5,391 |

(i) Share of profit is based on ownership percentage ranging from 30.8% to 66.7% for each equity accounted investee.

| | | |
|---|---|---|
| Current assets | **48,887** | 41,448 |
| Non current assets | **58,690** | 60,689 |
| Current liabilities | **(28,969)** | (28,150) |
| Non current liabilities | **(50,502)** | (49,857) |
| **Net assets** | **28,106** | 24,130 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 13. EQUITY ACCOUNTED INVESTEES (CONTINUED)

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Movements in carrying amount of other investments** | | |
| Carrying amount at the beginning of the financial year | **17,184** | 14,213 |
| Impairment of equity accounted investees (refer note 6) | **-** | (1,250) |
| Share of profit of investees after tax | **4,768** | 5,391 |
| Dividends received | **(4,886)** | (4,270) |
| Acquisitions and other movements | **2,401** | 3,100 |
| Carrying amount of the investments at the end of the financial year | **19,467** | 17,184 |

The carrying amount of the investment is based on the fair value of invests at acquisition date adjusted for equity accounted profits, dividends, impairments and any other movement since acquisition.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Share of equity accounted investees' net profit** | | |
| Profit before tax | **24,100** | 21,661 |
| Tax expense | **(7,303)** | (6,410) |
| Share of net profit of equity accounted investees disclosed in the statement of profit or loss and other comprehensive income | **16,797** | 15,251 |
| Share of equity accounted investees' capital commitments | **173** | 360 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Non-current assets** | | |
| Freehold land and buildings - at cost | **114,576** | 110,171 |
| Accumulated depreciation | **(30,344)** | (28,216) |
| | **84,232** | 81,955 |
| Leasehold improvements - at cost | **19,663** | 19,501 |
| Accumulated depreciation | **(14,609)** | (10,363) |
| | **5,054** | 9,138 |
| Plant and equipment - at cost | **364,807** | 340,906 |
| Accumulated depreciation | **(222,126)** | (190,642) |
| | **142,681** | 150,264 |
| Total property, plant and equipment - at cost | **499,046** | 470,578 |
| Accumulated depreciation | **(267,079)** | (229,221) |
| | **231,967** | 241,357 |

# Notes to the Financial Statements



## 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold land and buildings $'000 | Leasehold improve-ments $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|
| **Year ended 29 June 2013** | | | | |
| Opening net book amount | 83,786 | 14,118 | 164,506 | 262,410 |
| Additions | 545 | - | 19,435 | 19,980 |
| Disposals | - | - | (264) | (264) |
| Depreciation charge | (2,376) | (4,980) | (33,413) | (40,769) |
| Closing net book amount | 81,955 | 9,138 | 150,264 | 241,357 |
| **Year ended 28 June 2014** | | | | |
| Opening net book amount | 81,955 | 9,138 | 150,264 | 241,357 |
| Additions | 4,404 | 161 | 26,784 | 31,349 |
| Disposals | - | - | (116) | (116) |
| Depreciation charge | (2,127) | (4,245) | (34,407) | (40,779) |
| Additions through acquisition of controlled entity | - | - | 156 | 156 |
| Closing net book amount | 84,232 | 5,054 | 142,681 | 231,967 |

## 15. INTANGIBLE ASSETS

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Television licences - at cost | **2,300,000** | 2,300,000 |
| Magazine licences - at cost | **38,080** | 38,080 |
| Magazine licences - accumulated amortisation and impairment losses | **(30,631)** | (29,602) |
| Radio licences - at cost | **17,316** | 17,316 |
| Total licences | **2,324,765** | 2,325,794 |
| | | |
| Magazine mastheads - at cost | **129,731** | 129,731 |
| Magazine mastheads - impairment losses | **(84,954)** | (69,783) |
| Newspaper mastheads - at cost | **100,558** | 100,558 |
| Newspaper mastheads - impairment losses | **(16,497)** | (6,500) |
| Total mastheads | **128,838** | 154,006 |
| | | |
| Television program copyrights - at cost | **20,848** | 20,848 |
| Accumulated amortisation | **(12,848)** | (8,848) |
| Total television program copyrights | **8,000** | 12,000 |
| | | |
| Software - at cost | **52,977** | 41,314 |
| Accumulated amortisation | **(26,762)** | (18,951) |
| Total software | **26,215** | 22,363 |
| | | |
| Goodwill | **1,251,330** | 1,250,050 |
| Impairment losses | **(193,927)** | (132,198) |
| Total goodwill | **1,057,403** | 1,117,852 |
| | | |
| Total intangible assets | **3,545,221** | 3,632,015 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 15. INTANGIBLE ASSETS (CONTINUED)

| | Licences | Mastheads | Program copyrights | Computer software(i) | Goodwill | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Year ended 29 June 2013** | | | | | | |
| Opening net book amount | 2,348,585 | 230,289 | 16,000 | 20,621 | 1,250,050 | 3,865,545 |
| Additions | - | - | - | 10,964 | - | 10,964 |
| Amortisation charge (ii) | (3,998) | - | (4,000) | (9,222) | - | (17,220) |
| Impairment loss (iii) | (18,793) | (76,283) | - | - | (132,198) | (227,274) |
| Closing net book amount | 2,325,794 | 154,006 | 12,000 | 22,363 | 1,117,852 | 3,632,015 |
| **Year ended 28 June 2014** | | | | | | |
| Opening net book amount | 2,325,794 | 154,006 | 12,000 | 22,363 | 1,117,852 | 3,632,015 |
| Additions | - | - | - | 8,187 | - | 8,187 |
| Amortisation charge (ii) | (886) | - | (4,000) | (4,335) | - | (9,221) |
| Impairment loss (iii) | (143) | (25,168) | - | - | (61,729) | (87,040) |
| Goodwill acquired on acquisition of controlled entity (iv) | - | - | - | - | 1,280 | 1,280 |
| Closing net book amount | 2,324,765 | 128,838 | 8,000 | 26,215 | 1,057,403 | 3,545,221 |

(i) Software additions for the year include $8,187,000 (2013: $10,638,000) which were acquired separately and $nil (2013: $326,000) which were internally generated. Software additions include $937,000 for which cash payments were made during the year and capitalised in the prior year.

(ii) Amortisation of $9,221,000 (2013: $17,220,000) is included in depreciation and amortisation expense in the comprehensive income statement (refer note 5).

(iii) Impairment of $77,043,000 for Magazine intangible assets and $9,997,000 for other intangible assets were recognised during the year (refer note 6).

(iv) During the year, the Company acquired 7Wonder Limited, a UK based company. Refer note 28.

The Company has reviewed the carrying values of all intangible assets at reporting date to ensure that no amounts were in excess of their recoverable amounts. Total impairment loss of $87,040,000 relating to licences, mastheads and goodwill were recognised during the current year (2013: $227,274,000). No other impairment losses for intangible assets have been incurred or reversed during the current or prior years.

**(i) Impairment of cash generating units (CGU) including goodwill and indefinite life assets**

A CGU is the grouping of assets at the lowest level for which there are separately identifiable cash flows. CGU Groups are an aggregation of CGUs which have similar characteristics. The recoverable amount of each CGU which includes goodwill or indefinite life intangibles has been tested. The value in use calculations prepared by the company use discounted cash flow methodology.

Key components of the calculation and the basis for each CGU are detailed below:

*Television*

The recoverable amount of the overall Television CGU that includes goodwill is determined based on value in use and using discounted cash flow projections based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management;
- Average annual revenue growth rate over the 5 year forecast period of 2.5% (June 2013: 3.4%);
- Pre-tax discount rate of 12.83% (June 2013: 13.56%);
- Terminal growth rate of 3.0% (June 2013: 3.0%).

# Notes to the Financial Statements



## 15. INTANGIBLE ASSETS (CONTINUED)

*Newspaper and Other WA*

The recoverable amount of the overall Newspapers and Other WA CGU that includes goodwill is determined based on value in use and using discounted cash flow projections based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management
- Pre-tax discount rate of 14.0% (June 2013: 14.0%);
- Terminal growth rate of 1.0% (June 2013: 1.0%).

*Magazine*

Relief from Royalty Method over magazine mastheads' useful lives based on the following assumptions:

- Future maintainable revenue forecasts which are based on historical actual results as well as financial budgets and forecasts approved by management;
- Royalty rates between 5.0% and 11.0% (June 2013: 1.5% and 11.0%);
- Earnings multiples between 3x and 5x (June 2013: 4x and 6x).

Multi Period Excess Earnings Methodology over magazine licences' useful lives based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management;
- Discount rates between 12.25% and 13.25% (June 2013: 14.0% and 16.0%);
- Terminal growth rate of 1.0% (June 2013: 2.0%).

As a result of this analysis, management has recognised an impairment charge of $15,171,000 against masthead and $143,000 against licences.

The recoverable amount of the overall Magazine CGU that includes goodwill is determined based on value in use and using discounted cash flow projections based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management
- Pre-tax discount rate of 15.0% (June 2013: 15.0%);
- Terminal growth rate of 1.0% (June 2013: 2.0%).

Management has recognised an impairment charge of $61,729,000 against goodwill.

The values assigned to the key assumptions represent management's assessment of future performance in each CGU based on historical experience and internal and external sources. The estimated recoverable amounts are highly sensitive to key assumptions.

**(ii) Impact of possible changes in key assumptions**

The estimated recoverable amount of the Television CGU, based on value in use, exceeds its carrying amount by approximately $12,500,000. Accordingly, no impairment is required. Any adverse movements in key assumptions would lead to an impairment.

The recoverable amount for Newspapers and Other WA overall business is significantly higher than the carrying value, and as such, is not sensitive to reasonably foreseeable changes in key assumptions.

Following impairments to the individual and overall Magazine CGUs, the recoverable amounts are equal to the carrying amounts. Therefore any adverse movements in key assumptions would lead to further impairment loss.

**(iii) Allocation of goodwill and indefinite life assets**

For the purpose of impairment testing, intangible assets with indefinite lives, including goodwill, are allocated to the Group's operating divisions which represent the lowest level within the Group at which the assets are monitored for internal management purposes. The table below outlines the allocation of the intangible assets.

# Notes to the Financial Statements



## 15. INTANGIBLE ASSETS (CONTINUED)

| **Allocation of CGU Groups** | **Goodwill** $'000 | **Licences, mastheads** $'000 | **Total** $'000 |
|---|---|---|---|
| **Year ended 29 June 2013** | | | |
| Television | 960,875 | 2,300,000 | 3,260,875 |
| Newspapers | 1,558 | 82,497 | 84,055 |
| Magazines | 154,493 | 68,425 | 222,918 |
| Other WAN | 926 | 28,878 | 29,804 |
| Total goodwill and indefinite life assets | 1,117,852 | 2,479,800 | 3,597,652 |
| **Year ended 28 June 2014** | | | |
| Television | 962,155 | 2,300,000 | 3,262,155 |
| Newspapers | 1,558 | 82,497 | 84,055 |
| Magazines | 92,764 | 52,226 | 144,990 |
| Other WAN | 926 | 18,880 | 19,806 |
| Total goodwill and indefinite life assets | 1,057,403 | 2,453,603 | 3,511,006 |

## 16. TRADE AND OTHER PAYABLES

| | **2014** $'000 | 2013 $'000 |
|---|---|---|
| Current | | |
| Trade payables and other accrued expenses (i) | **220,071** | 218,351 |
| Derivative financial liabilities | **3,830** | 1,908 |
| Television program liabilities (ii) | **80,229** | 101,616 |
| | **304,130** | 321,875 |
| Non-current | | |
| Accruals | **12,101** | 15,207 |
| Derivative financial liabilities | **-** | 8,679 |
| Television program liabilities | **8,860** | 12,051 |
| | **20,961** | 35,937 |

Trade and other payables are generally settled within 30-60 days from the end of the month in which they are incurred and are non-interest bearing.

(i) Included in trade payables and accruals is an amount of $7,159,852 related to future minimum purchases of an associate (2013: $7,874,130). This has been guaranteed by Seven Network (Operations) Limited, a wholly-owned subsidiary.

(ii) There were no amounts recognised during the year relating to onerous program rights contracts in accordance with AASB 137 and $4,381,000 was utilised.

In the prior year, $4,381,000 related to onerous program rights contracts, all of which was classified as current. No amounts were recognised in the income statement and $16,923,000 was utilised.

# Notes to the Financial Statements



## 17. PROVISIONS

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| **Current** | | |
| Employee benefits | **63,243** | 59,131 |
| Redundancy and restructuring | **6,085** | 16,103 |
| Other | **2,004** | 1,604 |
| | **71,332** | 76,838 |
| **Non-current** | | |
| Employee benefits | **6,575** | 8,683 |
| Other | **7,970** | 7,830 |
| | **14,545** | 16,513 |

Movements in the provisions during the reporting period are as follows:

| | **Employee Benefits (i)** | **Redundancy & Restructuring (ii)** | **Other (iii)** | **Total** |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Year ended 28 June 2014** | | | | |
| Carrying amount at 30 June 2013 | 67,814 | 16,103 | 9,434 | 93,351 |
| Amounts provided | 39,220 | 3,676 | - | 42,896 |
| Amounts utilised | (37,216) | (13,694) | 400 | (50,510) |
| Unwind of discount | - | - | 140 | 140 |
| Carrying amount at 28 June 2014 | 69,818 | 6,085 | 9,974 | 85,877 |

### (i) Employee Benefits

The provision for employees relates to annual leave, long service leave and short term incentives.
It is expected that the majority of annual leave will be paid out in the next 12 months.

### (ii) Redundancy and restructuring

During the year the Group recognised $3,676,019 of redundancy and restructure costs in relation to cost programs across the group (2013: $27,033,000). The provision of $6,084,807 (2013: $16,102,761) mainly relates to termination benefits and is based on a committed detailed plan.

### (iii) Other

Includes a provision for libel claims against the Group in relation to published material.
The Group is also required to restore the leased premises of its offices, studios and other premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 18. DEFERRED INCOME

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Current** | | |
| Deferred revenue (i) | **24,920** | 20,044 |
| **Non-current** | | |
| Deferred revenue | **14,985** | 7,539 |

(i) Includes $12,102,372 (2013: $11,820,000) of precharged magazine sales and subscriptions

## 19. BORROWINGS

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Non-current** | | |
| Bank loans – unsecured | **1,227,361** | 1,498,106 |

### Financial arrangements

The Group completed a refinance of its existing syndicated debt facilities by entering into bilateral facility arrangements with seven different lenders. All facilities are currently set to expire in October 2017. All previous external debt arrangements were repaid by amounts drawn from these facilities, together with existing cash balances available to the Group. On the termination of prior borrowing arrangements, unamortised borrowing costs of $8,000,000 were written off in the period.

At reporting date, the Group had access to unsecured bilateral revolving credit facilities to a maximum of $1,400,000,000 (2013: $1,508,482,000 syndicated). The amount of these facilities undrawn at reporting date was $165,000,000 (2013: $8,100,000).

In addition, the Group continues to have access to a $20,000,000 (2013: $20,000,000) multi-option facility with Australia and New Zealand Banking Group Limited. As at year end, $11,900,000 of this facility (2013: $11,900,000) was utilised for the provision of bank guarantees.

The unsecured bank loans are net of $7,639,000 refinancing costs (2013: $10,376,000).
The facilities are subject to a weighted average interest rate of 4.47% at 28 June 2014 (2013: 4.86%).

The facilities are subject to certain covenants being:

(i) **Total Interest Cover ratio:** the Total Interest Cover Ratio should exceed 3.00 times the interest expense on the Facilities and other financial indebtedness, net of interest income, adjusted for any hedging payments;

(ii) **Total Leverage Ratio:** the Total Leverage Ratio should not exceed 4.00 times the debt under the Facilities and other financial indebtedness of the Group, net of group cash and cash equivalents.

*Fair value*

The carrying amount and fair value of Group borrowings at the end of the financial year was $1,227,361,000 (2013: $1,498,106,000).

*Risk exposures*

Information about the Group's exposure to interest rate changes is provided in note 29.

# Notes to the Financial Statements



## 20. SHARE CAPITAL

| | **2014** **$'000** | 2013 $'000 |
|---|---|---|
| 998,004,222 (2013: 997,832,422) Ordinary shares fully paid (notes 20(a) and 20(c)) | **2,840,474** | 2,840,405 |
| 2,500 (2013: 2,500) Convertible preference shares fully paid (notes 20(b) and 20(d)) | **250,000** | 250,000 |
| | **3,090,474** | 3,090,405 |

### (a) Movements in ordinary share capital

| | **2014** **Shares** | 2013 Shares | **2014** **$'000** | 2013 $'000 |
|---|---|---|---|---|
| **Ordinary shares** | | | | |
| Balance at the beginning of the year | **997,832,422** | 664,733,554 | **2,840,405** | 2,406,017 |
| Movements during the year: | | | | |
| Shares issued pursuant to 1-for-2 entitlement offer | **-** | 333,055,818 | **-** | 439,633 |
| Shares issued pursuant to the executive and employee share plans | **171,800** | 43,050 | **69** | 10 |
| Transaction costs arising on share issues | **-** | - | **-** | (7,508) |
| Deferred tax recognised directly in equity | **-** | - | **-** | 2,253 |
| Movement in ordinary shares | **171,800** | 333,098,868 | **69** | 434,388 |
| Balance at the end of the year | **998,004,222** | 997,832,422 | **2,840,474** | 2,840,405 |

The total number of shares issued by the Company is 999,160,872 and differs from the amount included in share capital as follows:

| | | |
|---|---|---|
| Total shares issued by the Company | **999,160,872** | 999,160,872 |
| Executive and employee share plans treated as options (i) | **(1,156,650)** | (1,328,450) |
| Balance included in share capital | **998,004,222** | 997,832,422 |

(i) Outstanding loans pursuant to the executive and employee share plans are treated as options.

### (b) Movements in convertible preference shares

| | **2014** **Shares** | 2013 Shares | **2014** **$'000** | 2013 $'000 |
|---|---|---|---|---|
| **Convertible preference shares (CPS)** | | | | |
| Balance at the end of the year | **2,500** | 2,500 | **250,000** | 250,000 |

There were no movements during the year.

### (c) Ordinary shares

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

Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.
On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (d) Convertible preference shares (CPS)

The full terms and conditions of the CPS are set out in Appendix C of the Explanatory Memorandum in the Proposal to Acquire Seven Media Group issued by Seven West Media Limited (SWM) on 8 March 2011. A summary of these terms is described below and should be read in conjunction with the full CPS Terms of Issue set out in Appendix C of the Proposal.

# Notes to the Financial Statements



## 20. SHARE CAPITAL (CONTINUED)

The total of 2,500 CPS were issued to Seven Group Holdings (SGH) on 21 April 2011 at an issue price of $100,000 per CPS. These may be converted by SGH into a fixed number of fully paid ordinary shares in SWM (SWM Shares) at any time.

Earlier conversion by SGH of the CPS into SWM Shares is permitted where:

- A third party, other than SGH and its associates, makes a takeover bid for SWM that is unanimously recommended by the SWM Directors, or is to acquire all SWM Shares under a scheme of arrangement that has become effective;
- To enable SGH to maintain a shareholding in SWM of no less than 29.6% (less an adjustment for any SWM Shares sold by SGH) in the event of any issue of SWM Shares; and
- To the extent permitted by the SWM Board in writing.

At conversion by SGH, SWM may at its discretion elect whether to settle in SWM Shares or in cash. If SWM elects to settle in shares, the number of SWM Shares into which each CPS will be converted will be calculated by multiplying the number of CPS being converted by the "conversion ratio." The conversion ratio is equal to the issue price adjusted by 7.143% per annum (compounded on a semi-annual basis) up to the fifth anniversary of the date of issue of the CPS (20 April 2016) and then adjusted by 9.143% per annum (compounded on a semi-annual basis) thereafter (the "adjusted issue price") divided by the fixed conversion price of $6.68.

The conversion price is adjusted following any reconstruction, consolidation, division, reclassification, securities issue or rights offer (subject to customary exceptions) to ensure that CPS holders are placed in a similar economic position prior to the occurrence of the event that gave rise to the adjustment. Following the 1-for-2 rights issue the fixed conversion price was adjusted from $6.68 to $6.31.

The conversion price will also be adjusted downwards for any dividends paid to SWM Shareholders over and above an annual reference yield of 6.5% (excluding franking credits), initially calculated with reference to the first full year of ordinary dividends for the 2012 financial year. The final dividend for the 2012 financial year was paid in October 2012 (refer note 22) at which time the fixed conversion price was adjusted to $5.59.

There have been no further adjustments to the fixed conversion price during the financial year.

If SWM elects to settle in cash, SWM will pay a cash amount for each CPS equal to the number of SWM Shares into which the CPS would have been converted multiplied by the average of the daily VWAPs (volume weighted average prices) of the SWM shares over the 10 trading days commencing on the date of service of the conversion notice.

The CPS are otherwise redeemable by SWM at the adjusted issue price five years from the date of issue, and on every half-year anniversary thereafter, at the sole discretion of SWM with the form of settlement also at the discretion of SWM, in either SWM Shares or cash. The CPS are also redeemable at any time on the occurrence of standard tax and regulatory events. If SWM elects to settle in SWM Shares, the number of SWM Shares into which each CPS will be converted will be calculated by dividing the adjusted issue price by the average of the daily VWAPs of the SWM shares over five trading days prior to the date of conversion (calculated at a 5% discount). If SWM elects to settle in cash, SWM will pay a cash amount for each CPS equal to the adjusted issue price. In the case of tax and regulatory events, SWM's obligations to settle in SWM Shares or in cash will be calculated using 103% of the adjusted issue price.

SWM may not issue any preferred securities ranking ahead of the CPS without consent of the holders of 75% of the CPS. Voting rights are limited to those set out in Listing Rule 6.3. The CPS do not confer any dividend rights, although the conversion price may be adjusted as described above. Unless the CPS are redeemed, repurchased or exchanged by the fifth anniversary of their date of issue, SWM may not pay dividends, return capital or otherwise distribute value to any equal or lower ranking security holders until all CPS have been redeemed, repurchased or exchanged (subject to certain limited exceptions).

### (e) Capital risk management

Information about the Group’s exposure to capital risk is provided in note 29.

# Notes to the Financial Statements



## 21. RESERVES

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| Equity compensation reserve | **2,819** | 1,934 |
| Reserve for own shares | **(1,517)** | (1,517) |
| Cash flow hedge reserve | **(2,755)** | (5,680) |
| | **(1,453)** | (5,263) |

### Nature and purpose of reserves:

*Equity compensation reserve*

The equity compensation reserve is used to recognise the fair value of share rights granted as compensation.

*Cash flow hedge reserve*

The cash flow hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 1(m). Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

*Reserve for own shares*

Treasury shares are shares in Seven West Media Limited that are held by the Seven West Media Employee Share Plan Trust for the purpose of issuing shares under the group employee share scheme. There has been no movement in the reserve for the year ended 28 June 2014. For movements in reserves during the prior year, refer to the statement of changes in equity.

## 22. DIVIDENDS

| | | |
|---|---|---|
| Final ordinary dividend for the year ended 29 June 2013 of 6 cents per share (30 June 2012: 6 cents), fully franked based on tax paid at 30%, paid on 11 October 2013 (2012: 12 October 2012) | **59,892** | 59,887 |
| Interim ordinary dividend for the year ended 28 June 2014 of 6 cents per share (2013 interim: 6 cents), fully franked based on tax paid at 30%, paid on 1 April 2014 (2013 interim: 2 April 2013) | **59,893** | 59,888 |
| | **119,785** | 119,775 |

*Dividends not recognised at year end*

| | | |
|---|---|---|
| In addition to the above dividends, since year end the directors have declared a 2014 final dividend of 6 cents per ordinary share (2013: 6 cents), fully franked based on tax paid at the rate of 30%. The aggregate amount of the dividend payable on 10 October 2014, but not recognised as a liability at year end, is estimated at | **59,880** | 59,889 |

*Franked dividends*

The franked dividend declared after 28 June 2014 will be franked out of existing franking credits or out of franking credits arising from the receipt of franked dividends and the payment of tax in the year ending 28 June 2014.

| | | |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%) | **17,840** | 32,813 |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability or receivable;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 23. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and it's related practices.

| | 2014 $ | 2013 $ |
|---|---|---|
| **Auditors of the Company - KPMG** | | |
| *(i) Audit and other assurance services* | | |
| Audit or review of the financial statements | **335,100** | 367,500 |
| Other audit and assurance services | **119,896** | 103,933 |
| Total remuneration for audit and other assurance services | **454,996** | 471,433 |
| *(ii) Other services* | | |
| Advisory services | **207,695** | 805,789 |
| Total remuneration of KPMG Australia | **662,691** | 1,277,222 |

## 24. CONTINGENT LIABILITIES

### Contingent liabilities

Seven West Media's tax liabilities have been calculated based on currently enacted legislation. Any changes to the tax law or interpretations (including proposed changes already announced) may require changes to the calculation of the tax balances shown in the financial statements.

Participation in media involves particular risks associated with defamation litigation and litigation to protect media rights. The nature of the Group's activities is such that, from time to time, claims are received or made by the Group. The directors are of the opinion that there are no material claims that require disclosure of such a contingent liability.

# Notes to the Financial Statements



## 25. COMMITMENTS

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Capital expenditure commitments** | | |
| Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | **13,999** | 6,866 |
| Later than one year but not later than five years | **-** | 2,856 |
| | **13,999** | 9,722 |

### Operating lease commitments

The Group leases various offices, equipment, sites and residential premises under non-cancellable operating leases expiring within one year to 16 years (2013: 17 years). The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Within one year | **21,351** | 20,261 |
| Later than one year but not later than five years | **74,113** | 73,108 |
| Later than five years | **127,022** | 142,743 |
| | **222,486** | 236,112 |

### Contracts for purchase of television programs and sporting broadcast rights

Commitments for minimum payments in relation to non-cancellable purchase contracts of television programs and sporting broadcast rights at the reporting date but not recognised as liabilities, payable:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Within one year | **307,922** | 253,938 |
| Later than one year but not later than five years | **511,891** | 575,195 |
| Later than five years | **56,518** | 50,335 |
| | **876,331** | 879,468 |

### Contracts for employee services

Commitments for minimum payments in relation to non-cancellable contracts for employee services at the reporting date but not recognised as liabilities, payable:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Within one year | **57,149** | 56,348 |
| Later than one year but not later than five years | **25,911** | 22,315 |
| Later than five years | **-** | 63 |
| | **83,060** | 78,726 |

### Contracts for other services

Commitments for minimum payments in relation to non-cancellable contracts for other services at the reporting date but not recognised as liabilities, payable:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Within one year | **45,214** | 24,929 |
| Later than one year but not later than five years | **99,157** | 43,562 |
| Later than five years | **3,055** | 10,414 |
| | **147,426** | 78,905 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 26. RELATED PARTY TRANSACTIONS

### Parent entity

Seven West Media Limited is the ultimate Australian parent entity within the Group.

### Subsidiaries

Interests in subsidiaries are set out in note 28.

| | 2014 $ | 2013 $ |
|---|---|---|
| **Transactions with related parties** | | |
| The following transactions occurred with related parties during the financial year: | | |
| *Sale of goods, advertising and other services* | | |
| Equity accounted investees | **10,931,955** | 10,823,512 |
| Director-related entities | **133,855** | 494,777 |
| Other related entities | **1,377,260** | 2,036,566 |
| *Purchase of goods, advertising and other services* | | |
| Equity accounted investees | **10,209,909** | 8,082,240 |
| Director related entities | **3,626,914** | 3,932,038 |
| Other related entities | **2,485,336** | 1,827,598 |
| *Shareholder contribution* | | |
| Equity accounted investees | **1,103,434** | 1,364,051 |

### Outstanding balances arising from sales/purchases of goods, advertising and other services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | 2014 $ | 2013 $ |
|---|---|---|
| *Current receivables (sales of goods, advertising and other services)* | | |
| Equity accounted investees | **3,602,749** | 1,100,895 |
| Director-related entities | **39,681** | 72,979 |
| Other related entities | **1,851,795** | 1,527,673 |
| *Current payables (purchase of goods, advertising and other services)* | | |
| Equity accounted investees | **3,688,306** | 2,689,672 |

(i) There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

# Notes to the Financial Statements



## 26. RELATED PARTY TRANSACTIONS (CONTINUED)

### Key management personnel

The following transactions occurred with Key Management Personnel related parties:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Revenues | **1,650** | 86,820 |
| Expenses | **1,633,479** | 345,512 |

There were no receivable or payable balances at 28 June 2014 relating to transactions with KMP related parties that have not already been disclosed in the prior tables.

### Terms and conditions

Transactions were made on normal commercial terms and conditions.

*Key management personnel compensation*

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment superannuation fund on their behalf (refer to the remuneration report on pages 42 to 58).
Executive officers also participate in the Group's Equity Incentive Plan 2014 (refer note 27).

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Key management personnel compensation | | |
| Short-term employee benefits | **12,199,167** | 13,599,090 |
| Post-employment benefits | | |
| - Superannuation | **268,076** | 221,568 |
| - Termination benefits | **151,739** | 974,585 |
| Share-based payments | **586,989** | 1,326,821 |
| Other long term benefits | **130,198** | (210,555) |
| | **13,336,169** | 15,911,509 |

Detailed remuneration disclosures in respect of directors and each member of key management personnel are provided in the remuneration report on pages 42 to 58.

*Other transactions with key management personnel*

Apart from the details disclosed in this note, no Director or KMP has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' or KMP interests existing at year end.

# Notes to the Financial Statements



## 27. SHARE-BASED PAYMENTS

The total expense recognised for share-based payments for all plans during the financial year for the Group was $885,230 (2013: $1,558,369).
At 28 June 2014 the Group had the following share-based payment arrangements:

### Performance and share rights granted as compensation

*Seven West Media Equity Incentive Plan- 2014 and 2013 Long Term Incentive*

The Group established an additional 2014 long term incentive plan that entitles key management personnel to performance rights. Holders of vested rights are entitled to fully paid ordinary shares in the Company.
A total of 1,330,358 (2013: 1,749,376) performance rights were granted on 2 June 2014 (2013: 1 March 2013) and are awarded when the performance conditions are met. The performance period commenced on 1 July 2013 and ends on 30 June 2016 (2013: 1 July 2012 to 30 June 2015). 50% of the performance rights are subject to a total shareholder return (TSR) hurdle which compares the TSR performance of the Company with the TSR performance of each of the entities in a comparator group of peer companies. The remaining 50% is subject to a diluted earnings per share (DEPS) hurdle.
Performance rights do not carry any dividend or voting rights prior to vesting and are all equity settled. Vesting of the rights are subject to the condition that the executive remains employed by SWM at the vesting date. None of the performance rights have vested however 203,512 (2013: 258,264) were forfeited during the year.

Prior to the introduction of the 2013 Long Term Incentive Plan in March 2013 there were other equity plans in place which continue to have some unvested awards at 28 June 2014.

*Seven Media Group Performance Transitional Equity Grant*

On 1 March 2012 the board approved the grant of 328,811 share rights to certain key management personnel and other senior executives in lieu of a bonus payment for the 2011 financial year performance under the Seven Media Group Performance Management Plan 2011. This has subsequently been renamed the Seven Media Group Performance Transitional Equity Grant.
The size of the award granted was dependent on Seven Media Group's EBIT performance in the 2011 financial year.
The share rights were granted over three separate tranches, each vesting on 1 October from 2012 to 2014.
All of the share rights are equity settled.

The share rights under the Seven Media Group Performance Transitional Equity plan are subject to the same vesting conditions, as set out in the table on the following page. Prior to vesting, the share rights allocated represent a conditional entitlement to shares and do not attract the payment of dividends and do not entitle the executive to vote on the shares. Vesting of the share rights is subject to the condition that the executive remains employed by SWM at the relevant vesting date.
During the year, a further 109,605 share rights have vested under the Seven Media Group Performance Transitional Equity Grant (2013: 109,605).

*Long Term Incentive Plan (LTI)- Chief Executive Officer*

The CEO of Western Australian Newspapers, Mr CS Wharton is entitled to receive share rights under the LTI plan. This plan has two hurdles, or assessment points, which ultimately determine the entitlement. The first hurdle provides access to the program, and establishes an unvested number of share rights. The second hurdle determines the number of shares that vest and thus will be received by Mr Wharton.
The maximum value of shares issued under the LTI program, assuming all hurdles are passed at the highest level, equates to 75% of Mr Wharton's fixed annual remuneration. All of the rights are equity settled.
There were no rights which were forfeited during the year under this plan. No rights have yet expired and no rights have vested in 2014.
From the prior financial year Mr Wharton was transitioned to the Seven West Media Equity Incentive Plan.

Refer note 1(t)(iii) for accounting policy relating to share-based payments.

## 27. SHARE-BASED PAYMENTS (CONTINUED)

**2014**

| | **2014 Long Term Incentive Plan** | **2013 Long Term Incentive Plan** |
|---|---|---|
| Grant date | 2 June 2014 | 1 March 2013 |
| Expiry date | 31 August 2016 | 22 August 2015 |
| Award type | Performance Rights | Performance Rights |
| Vesting Conditions | Service condition and TSR hurdle (50%)<br>Service condition and DEPS hurdle (50%) | Service condition and TSR hurdle (50%)<br>Service condition and DEPS hurdle (50%) |
| End of performance period | 30 June 2016 | 30 June 2015 |
| First Vesting Date | 31 August 2016 | 22 August 2015 |
| Share price at grant date | $1.86 | $2.32 |
| Number of rights granted | 1,330,358 | 1,749,376 |
| Fair value at grant date | TSR $0.60<br>DEPS $1.62 | TSR $0.93<br>DEPS $2.07 |
| Exercise price | $0.00 | $0.00 |
| Volatility | 40% | 50% |
| Risk free interest rate | 2.67% | 2.67% |
| Dividend yield | 6.2% | 4.6% |
| Valuation methodology | TSR Monte Carlo simulation<br>DEPS Binomial Tree | TSR Monte Carlo simulation<br>DEPS Binomial Tree |

**Prior to 2013**

| | **LTI Program-CEO of WA** | | **Transitional Equity Grant** |
|---|---|---|---|
| | **1st Grant** | **2nd Grant** | |
| Grant date | 3 August 2010 | 12 August 2011 | 1 March 2012 |
| Expiry date | 3 August 2015 | 12 August 2016 | 1 October 2019 |
| Award type | Performance rights | Performance rights | Share rights |
| Vesting Conditions | Relative TSR | Relative TSR | Service condition |
| End of performance period | 3 August 2015 | 12 August 2016 | Not applicable |
| First Vesting Date | 3 August 2013 | 12 August 2014 | 1 October 2012 |
| Share price at grant date | $7.02 | $2.77 | $3.96 |
| Number of rights granted | 41,081 | 69,986 | 328,811 |
| Fair value at grant date | $4.95 | $1.75 | Tranche 1 $3.42<br>Tranche 2 $3.09<br>Tranche 3 $2.79 |
| Exercise price | $0.00 | $0.00 | $0.00 |
| Volatility | 37% | 37% | 40% |
| Risk free interest rate | 4.58% | 3.76% | 3.68 - 4.01% |
| Dividend yield | 6.0% | 10.0% | 10.0% |
| Valuation methodology | Monte Carlo simulation | Monte Carlo simulation | Binomial Tree |

### Shares granted as compensation

*Non-executive directors share plan*

The NED Share Plan was discontinued at the beginning of the financial year. Consequently, NEDs received 100% of their fees in cash during the financial year. In making its decision to discontinue the NED Share Plan the Board considered that, notwithstanding the perceived benefits of the NED Share Plan, the Plan was complex and inefficient to administer, in particular following changes to the tax legislation relating to equity plans, and that Directors could instead be encouraged to purchase and hold shares in the Company, subject to compliance with the Company's Share Trading Policy.

# Notes to the Financial Statements



## 28. INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

| | Notes | Country of incorporation | Ownership interest 2014 % | 2013 % |
|---|---|---|---|---|
| Harlesden Investments Pty Ltd | (a) | Australia | **100** | 100 |
| Western Mail Operations Pty Ltd | (a) | Australia | **100** | 100 |
| West Australian Newspapers Limited | (a) | Australia | **100** | 100 |
| Albany Advertiser Pty Ltd | (a) | Australia | **100** | 100 |
| ComsNet Pty Ltd | (a) | Australia | **100** | 100 |
| Colorpress Australia Pty Ltd | (a) | Australia | **100** | 100 |
| ColourPress Pty Ltd | (a) | Australia | **100** | 100 |
| Geraldton Newspapers Pty Ltd | (a) | Australia | **100** | 100 |
| Geraldton FM Pty Ltd | (a) | Australia | **100** | 100 |
| Great Northern Broadcasters Pty Ltd | (a) | Australia | **100** | 100 |
| Herdsman Print Centre Pty Ltd | (a) | Australia | **100** | 100 |
| Herdspress Leasing Pty Ltd | (a) | Australia | **100** | 100 |
| Hocking & Co. Pty Ltd | (a) | Australia | **100** | 100 |
| Quokka West Pty Ltd | (a) | Australia | **100** | 100 |
| Redwave Media Pty Ltd | (a) | Australia | **100** | 100 |
| North West Radio Pty Ltd | (a) | Australia | **100** | 100 |
| Australian Regional Broadcasters Pty Ltd | (a) | Australia | **100** | 100 |
| Spirit Radio Network Pty Ltd | (a) | Australia | **100** | 100 |
| South West Printing and Publishing Company Limited | (a) | Australia | **100** | 100 |
| Quokka Press Pty Ltd | (a) | Australia | **100** | 100 |
| W.A. Broadcasters Pty Ltd | (a) | Australia | **100** | 100 |
| Dansted and McCabe Holdings Pty Ltd | (a) | Australia | **100** | 100 |
| Riverlaw Holdings Pty Limited | (a) | Australia | **100** | 100 |
| West Australian Entertainment Pty Ltd | (a) | Australia | **100** | 100 |
| WAN Cinemas Pty Limited | (a) | Australia | **100** | 100 |
| Western Mail Pty Ltd | (a) | Australia | **100** | 100 |
| Westroyal Pty Ltd | (a) | Australia | **100** | 100 |
| 7Wonder Productions Limited | (f) | United Kingdom | **50** | - |
| Australian National Television Pty Limited | (c) | Australia | **100** | 100 |
| Australian Television International Pty Limited | (c) | Australia | **100** | 100 |
| Australian Television Network Limited | (c) | Australia | **100** | 100 |
| Channel Seven Adelaide Pty Limited | (c) | Australia | **100** | 100 |
| Channel Seven Brisbane Pty Limited | (c) | Australia | **100** | 100 |
| Channel Seven MelbournePty Limited | (c) | Australia | **100** | 100 |
| Channel Seven Perth Pty Limited | (c) | Australia | **100** | 100 |
| Channel Seven Queensland Pty Limited | (c) | Australia | **100** | 100 |
| Channel Seven Sydney Pty Limited | (c) | Australia | **100** | 100 |
| Cobbittee Publications Pty Limited | (c) | Australia | **100** | 100 |
| Dodds Street Properties Pty Limited | (c) | Australia | **100** | 100 |
| Faxcast Australia Pty Limited | (c) | Australia | **100** | 100 |
| Impact Merchandising Pty Limited | (e) | Australia | **100** | 50 |
| Jupelly Pty Limited | (c) | Australia | **100** | 100 |
| Kenjins Pty Limited | (c) | Australia | **100** | 100 |
| Pacific MM Pty Limited | (c) | Australia | **100** | 100 |
| Pacific Magazines Pty Limited | (c) | Australia | **100** | 100 |
| Pacific Magazines Trust | | Australia | **100** | 100 |
| Pacific Magazines (No. 2) Pty Limited | (c) | Australia | **100** | 100 |
| Pacific Magazines NZ Limited | | New Zealand | **100** | 100 |

# Notes to the Financial Statements



## 28. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

| | Notes | Country of incorporation | Ownership interest 2014 % | 2013 % |
|---|---|---|---|---|
| Pacific Magazines (PP) Pty Ltd | (c) | Australia | **100** | 100 |
| Pacific Magazines (PP) Holdings Pty Ltd | (c) | Australia | **100** | 100 |
| Pacific Magazines (WHO) Pty Ltd | (c) | Australia | **100** | 100 |
| Red Music Publishing Pty Limited | (d) | Australia | **100** | 100 |
| Red Publishing Pty Limited | (c) | Australia | **100** | 100 |
| Seven Magazines Pty Limited | (c) | Australia | **100** | 100 |
| Seven Network Programming Pty Limited | (c) | Australia | **100** | 100 |
| Seven Network (Operations) Limited | (c) | Australia | **100** | 100 |
| Seven Regional Operations Pty Limited | (c) | Australia | **100** | 100 |
| Seven Satellite Pty Limited | (c) | Australia | **100** | 100 |
| Seven West Media Investments Pty Limited | (c) | Australia | **100** | 100 |
| Seven Television Australia Limited | (c) | Australia | **100** | 100 |
| SMG H1 Pty Limited | (b) | Australia | **100** | 100 |
| SMG H2 Pty Limited | (b) | Australia | **100** | 100 |
| SWM Finance Pty Limited | (b) | Australia | **100** | 100 |
| SMG H4 Pty Limited | (c) | Australia | **100** | 100 |
| SMG H5 Pty Limited | (c) | Australia | **100** | 100 |
| Southdown Publications Pty Limited | (c) | Australia | **100** | 100 |
| Sunshine Broadcasting Network Limited | (c) | Australia | **100** | 100 |
| The Pacific Plus Company Pty Limited | (c) | Australia | **100** | 100 |
| West Central Seven Limited | (c) | Australia | **100** | 100 |
| Wide Bay - Burnett Television Limited | (c) | Australia | **100** | 100 |
| Zangerside Pty Limited | (c) | Australia | **100** | 100 |
| Zed Holdings Pty Limited | (c) | Australia | **100** | 100 |

The class of all shares is ordinary except for 100,000 preference shares held in West Australian Newspapers Limited (2013: 100,000).

(a) These controlled entities entered into a Deed of Cross Guarantee with Seven West Media Limited under ASIC Class Order 98/1418 (as amended) dated 8 April 2004 on 8 April 2004 or by Assumption Deeds prior to 30 June 2009.

(b) These controlled entities joined Seven West Media Limited's Deed of Cross Guarantee under ASIC Class Order 98/1418 (as amended) dated 8 April 2004 on 20 June 2011 by Assumption Deed.

(c) These controlled entities joined Seven West Media Limited's Deed of Cross Guarantee under ASIC Class Order 98/1418 (as amended) dated 8 April 2004 on 26 June 2012 by Assumption Deed.

(d) This controlled entity joined Seven West Media Limited's Deed of Cross Guarantee under ASIC Class Order 98/1418 (as amended) dated 8 April 2004 on 18 April 2013 by Assumption Deed.

(e) This controlled entity joined Seven West Media Limited's Deed of Cross Guarantee under ASIC Class Order 98/1418 (as amended) dated 8 April 2004 on 30 September 2013 by Assumption Deed.

(f) 7Wonder Productions Limited was acquired on 18 February 2014 and became part of the Group as a controlling interest of 50.1% was acquired.

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 28. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

Pursuant to ASIC Class Order 98/1418 (as amended) certain wholly-owned subsidiaries, as noted above, are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors' reports.

It is a condition of the Class Order that the 'Holding Entity' and each of the wholly-owned subsidiaries enter into a Deed of Cross Guarantee under which each company guarantees the debts of the others.

Seven West Media Limited and its subsidiaries represent a 'Closed Group' for the purposes of the Seven West Media Limited Class Order, and as there there are no other parties to its Deed of Cross Guarantee that are controlled by Seven West Media Limited, they also represent the 'Extended Closed Group.' Closed Group'

The consolidated statement of profit or loss and other comprehensive income for the year ended 28 June 2014 of the Seven West Media Limited Closed Group is presented below according to the Seven West Media Limited Class Order:

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| **Statement of comprehensive income** | | |
| Revenue | **1,844,025** | 1,866,457 |
| Other income | **68** | 260 |
| **Revenue and other income** | **1,844,093** | 1,866,717 |
| Expenses | **(1,452,221)** | (1,479,508) |
| Share of net profit of equity accounted investees | **16,797** | 15,251 |
| Impairment of intangible assets | **(87,040)** | (227,274) |
| Impairment of equity accounted investees | **-** | (61,453) |
| **Profit before net finance costs and tax** | **321,629** | 113,733 |
| Net finance costs | **(77,788)** | (102,589) |
| **Profit before tax** | **243,841** | 11,144 |
| Tax expense | **(94,096)** | (80,888) |
| **Profit (loss) for the year** | **149,745** | (69,744) |
| **Other comprehensive (expense) income** | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | |
| Effective portion of changes in fair value of cash flow hedges | **4,178** | (1,839) |
| Tax relating to items that may be reclassified subsequently to profit or loss | **(1,253)** | 551 |
| **Other comprehensive income (expense) for the year, net of tax** | **2,925** | (1,288) |
| **Total comprehensive income (expense) for the year attributable to owners of the Company** | **152,670** | (71,032) |

# Notes to the Financial Statements



## 28. INVESTMENTS IN CONTROLLED ENTITIES (CONTINUED)

The consolidated statement of financial position for the year ended 28 June 2014 of the Seven West Media Limited Closed Group is presented below according to the Seven West Media Limited Class Order:

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| ASSETS | | |
| **Current assets** | | |
| Cash and cash equivalents | **68,107** | 257,307 |
| Trade and other receivables | **274,044** | 274,903 |
| Current tax receivable | **40,149** | - |
| Program rights and inventories | **142,256** | 117,508 |
| Other assets | **4,852** | 5,105 |
| Total current assets | **529,408** | 654,823 |
| **Non-current assets** | | |
| Equity accounted investees | **293,124** | 302,813 |
| Other investments | **777** | 777 |
| Property, plant and equipment | **231,891** | 241,357 |
| Intangible assets | **3,545,221** | 3,632,015 |
| Deferred tax assets | **-** | 26,270 |
| Other assets | **3,427** | 3,191 |
| Total non-current assets | **4,074,440** | 4,206,423 |
| **Total assets** | **4,603,848** | 4,861,246 |
| LIABILITIES | | |
| **Current liabilities** | | |
| Trade and other payables | **302,181** | 320,434 |
| Provisions | **71,349** | 76,838 |
| Deferred Income | **24,791** | 20,044 |
| Current tax liabilities | **-** | 25,308 |
| Total current liabilities | **398,321** | 442,624 |
| **Non-current liabilities** | | |
| Trade and other payables | **20,961** | 35,937 |
| Provisions | **14,545** | 16,513 |
| Deferred income | **14,985** | 7,539 |
| Deferred tax liability | **34,445** | - |
| Borrowings | **1,227,361** | 1,498,106 |
| Total non-current liabilities | **1,312,297** | 1,558,095 |
| **Total liabilities** | **1,710,618** | 2,000,719 |
| **Net assets** | **2,893,230** | 2,860,527 |
| EQUITY | | |
| Share capital | **3,086,909** | 3,087,924 |
| Reserves | **102** | (3,708) |
| Accumulated deficit | **(193,781)** | (223,689) |
| **Total equity** | **2,893,230** | 2,860,527 |

# Notes to the Financial Statements



## 29. CAPITAL AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk, capital risk and liquidity risk.
The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.
The Group uses derivative financial instruments (interest rate swaps and collars) to hedge certain interest rate risk exposures and forward foreign exchange contracts to hedge certain foreign exchange risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange and aging analysis for credit risk.

Risk management is carried out by the finance department under policies approved by the board of directors. The policies provide principles for overall risk management, as well as policies covering specific areas such as interest rate risk.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that will affect the fair value or future cash flows of the Group's financial instruments.

*(i) Price risk*

The Group is not exposed to significant price risk.

*(ii) Cash flow and fair value interest rate risk*

Interest rate risk refers to the risks that the value of a financial instrument or its associated cash flows will fluctuate in response to changes in market interest rates. The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates

The Group's main interest rate risk arises from long-term borrowings. Borrowings sourced at variable rates expose the Group to cash flow interest rate risk. The Group has mitigated this interest rate risk by entering into derivative transactions, including interest rate swaps and collars.

Of the Group’s total debt, excluding unamortised refinancing costs, at 28 June 2014 of $1,235,000,000 (2013: $1,508,482,000), $200,000,000 (2013: $400,000,000) is covered by interest rate swaps, designated as cash flow hedges.
The current swaps fix the interest rate at a weighted average of 3.90% (2013: 3.80%) and expire on 16 March 2015.

*Interest Rate Swaps*

The amount of interest rate hedging in place from these swaps at financial year end is equal to 16% (2013: 29%) of the Groups' variable rate borrowings.

In prior year, $45,000,000 of the borrowings were covered by interest rate swaps measured at fair value through profit and loss and were not designated as cashflow hedges. These interest rate swap contracts expired on 16th August 2013.

*Interest Rate Collars*

The Group also has interest rate collars of $600,000,000 (2013: $600,000,000) which include an interest rate cap at 5% and a floor at a weighted average of 3.13%. These collars expire on 16 March 2015.

The total amount of interest rate hedging in place from the swaps and collars at financial year end is equal to 65% (2013: 69%).
The effective portion of changes in fair value of cash flow hedges amounts to a gain of $4,178,000 (2013: loss of $1,839,000).

There are no receivables on derivatives at balance date and the Group's current receivables generally do not bear interest.

# Notes to the Financial Statements



## 29. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

As at the end of the reporting period, the Group had the following variable and fixed rate financial instruments:

| | **28-Jun-2014** | | 29-Jun-2013 | |
|---|---|---|---|---|
| | Weighted average interest rate % | Balance $'000 | Weighted average interest rate % | Balance $'000 |
| **Variable rate instruments:** | | | | |
| Cash at bank, on hand and at call | 2.82% | (68,833) | 3.57% | (257,316) |
| Bank loans | 4.47% | 1,235,000 | 4.86% | 1,508,482 |
| Interest rate swaps (notional principal amount) | 3.90% | (200,000) | 3.94% | (445,000) |
| Interest rate collars (notional principal amount) | 3.13% | (600,000) | 3.13% | (600,000) |
| Net exposure to cash flow interest rate risk | | 366,167 | | 206,166 |

There are no fixed rate instruments in place at 28 June 2014.
An analysis by maturities is provided under liquidity risk on the following pages.

*Group sensitivity*

Based on the Group outstanding floating rate borrowings, interest rate swaps and collars at 28 June 2014, a change in interest rates at year end of +/- 1% per annum with all other variables remaining constant would impact equity and after tax profit by the amounts shown below.
This analysis assumes that all other variables remain constant.

| | Net Profit/(Loss) | | Reserves | | Equity | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| If interest rates were 1% higher with all other variables held constant: | | | | | | |
| (Decrease)/increase | **(6,047)** | (5,654) | **2,026** | 480 | **(4,021)** | (5,174) |
| If interest rates were 1% lower with all other variables held constant: | | | | | | |
| Increase/(decrease) | **3,095** | 4,345 | **(2,673)** | 3,426 | **422** | 7,771 |

*(iii) Foreign exchange risk*

Foreign exchange risk refers to the risk that the value of a financial instrument or its associated cash flows will fluctuate due to changes in foreign currency rates.

The Group has transactional currency risk. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's measurement currency. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The foreign currency contracts are being used to reduce the exposure to the foreign exchange risk.

As at the end of the reporting period, the Group had the following exposure to foreign exchange risk:

| | **2014** | 2013 |
|---|---|---|
| | **$'000** | $'000 |
| Receivables: | | |
| Foreign exchange receivables and forward contracts | 12,212 | 12,444 |
| Payables: | | |
| Foreign exchange payables and forward contracts | (11,985) | (11,466) |
| Net exposure | 227 | 978 |

# Notes to the Financial Statements

FOR THE YEAR ENDED 28 JUNE 2014

## 29. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

*Group sensitivity*

Based on the Group's financial instruments held at 28 June 2014, had the Australian dollar weakened/strengthened by 10% against the US dollar, Euro, UK pound and New Zealand dollar, with all other variables held constant, the Group's equity and after tax profit for the year would not have changed significantly (2013: no significant impact). The analysis was performed on the same basis as 2013 and ignores any impact of forecasted sales and purchases.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from credit exposures to customers, cash and cash equivalents and derivative financial instruments.

Credit risk is managed on a Group basis. The Group limits its exposure in relation to cash balances and derivative financial instruments by only dealing with well established financial institutions of high quality credit standing. For other customers, risk control assesses the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits are regularly monitored.

The Group's only significant concentration of credit risk is the receivable balance due from its main magazine distributor of $14,124,000 (2013: $14,976,000). The debtor has no history of bad debt and adheres to credit terms on a monthly basis.

### Liquidity risk

Liquidity risk refers to the risk that the Group is unable to meet its financial commitments as and when they fall due.
The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flow and monitoring the Group's liquidity reserve on the basis of these cash flow forecasts. In addition, the Group has access to total debt funding under its bilateral facilities equal to $1,400,000,000 of which only $1,235,000,000 is drawn at reporting date.

*Financing arrangements*

As disclosed in note 19, the Group has syndicated bank facilities which contains debt covenants. A breach in covenants may require the loan to be repaid earlier than indicated in the below table.

*Maturities of financial liabilities*

The table analyses the Group's financial liabilities including interest to maturity into relevant groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted principal and interest cash flows and therefore may not agree with the carrying amounts in the statement of financial position. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

| | Less than one year $'000 | Between 1 and 5 years $'000 | Total contractual cash flows $'000 | Carrying amount - liabilities $'000 |
|---|---|---|---|---|
| **At 28 June 2014** | | | | |
| Non-derivative financial liabilities | | | | |
| Trade and other payables | 283,318 | 20,961 | 304,279 | 321,261 |
| Unsecured loans | 51,625 | 1,358,835 | 1,410,460 | 1,227,361 |
| Total non-derivatives | 334,943 | 1,379,796 | 1,714,739 | 1,548,622 |
| Derivative financial liabilities | | | | |
| Net settled interest rate swaps and collars | 3,748 | - | 3,748 | 3,500 |
| Gross settled forward foreign exchange contracts - cash flow hedges: | | | | |
| - (inflow) | (12,212) | - | (12,212) | - |
| - outflow | 11,985 | - | 11,985 | 330 |
| Total derivatives | 3,521 | - | 3,521 | 3,830 |
| Total financial liabilities | 338,464 | 1,379,796 | 1,718,260 | 1,552,452 |

# Notes to the Financial Statements



## 29. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

| | Less than one year $'000 | Between 1 and 5 years $'000 | Total contractual cash flows $'000 | Carrying amount - liabilities $'000 |
|---|---|---|---|---|
| **At 29 June 2013** | | | | |
| Non-derivative financial liabilities | | | | |
| Trade and other payables | 309,219 | 27,258 | 336,477 | 347,225 |
| Unsecured loans | 73,283 | 1,652,591 | 1,725,874 | 1,498,106 |
| Total non-derivatives | 382,502 | 1,679,849 | 2,062,351 | 1,845,331 |
| Derivative financial liabilities | | | | |
| Net settled interest rate swaps and caps | 2,773 | 1,765 | 4,538 | 11,363 |
| Gross settled forward foreign exchange contracts - cash flow hedges: | | | | |
| - (inflow) | (12,444) | - | (12,444) | (776) |
| - outflow | 11,466 | - | 11,466 | - |
| Total derivatives | 1,795 | 1,765 | 3,560 | 10,587 |
| Total financial liabilities | 384,297 | 1,681,614 | 2,065,911 | 1,855,918 |

The cash flows associated with the cash flow hedge derivatives are expected to impact profit or loss in the same periods as those disclosed in the table shown on the prior page.

### Fair value measurement

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.
The carrying amounts of financial instruments disclosed in the statement of financial position approximate to their fair values.
AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The only assets or liabilities measured and recognised at fair value through profit and loss are the assets/liabilities recognised in relation to interest rate cash flow hedges and foreign exchange cash flow hedges amounting to $3,830,000 (2013: $10,587,000). The fair values of these derivatives (classified as level 2 in the fair value measurement hierarchy) are measured with reference to forward interest rates and exchange rates and the present value of the estimated future cash flows.

### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Capital consists of ordinary shares, convertible preference shares and retained earnings of the Group. The Board of directors monitors the return on capital as well as the level of dividends to ordinary shareholders.
In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# Notes to the Financial Statements



## 29. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's net debt to adjusted equity ratio at the reporting date was as follows:

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Total unsecured bank facility | **1,235,000** | 1,508,482 |
| Less: unamortised refinancing costs | **(7,639)** | (10,376) |
| Less: cash and cash equivalents | **(68,833)** | (257,316) |
| **Net Debt** | **1,158,528** | 1,240,790 |
| Total Equity | **2,897,160** | 2,863,878 |
| Add back; Amounts accumulated in equity relating to cash flow hedges | **2,755** | 5,680 |
| **Adjusted equity** | **2,899,915** | 2,869,558 |
| **Net debt to adjusted equity ratio** | **40%** | 43% |

There were no changes in the Group's approach to capital management during the year.

## 30. PARENT ENTITY FINANCIAL INFORMATION

### Summary of financial information

The individual financial statements for the Parent Entity show the following aggregate amounts:

| | Parent entity | |
|---|---|---|
| | **2014 $'000** | 2013 $'000 |
| **Financial position of parent entity at year end** | | |
| Current assets | **40,252** | 447 |
| Total assets | **2,977,479** | 3,194,365 |
| Current liabilities | **219** | 25,589 |
| Total liabilities | **219** | 25,589 |
| **Total equity of the parent entity comprising of;** | | |
| Share capital | **3,090,474** | 3,090,405 |
| Reserves | | |
| Asset revaluation reserve | **8,352** | 8,352 |
| Equity compensation reserve | **2,819** | 1,934 |
| Accumulated deficit | **(717,261)** | (584,562) |
| Profits reserve | **592,876** | 652,647 |
| | **2,977,260** | 3,168,776 |
| **Result of parent entity** | | |
| (Loss) for the year | **(72,686)** | (584,562) |
| Total comprehensive (expense) for the year | **(72,686)** | (584,562) |

### Guarantees entered into by the parent entity

The Parent Entity has provided financial guarantees in respect of borrowings of a subsidiary amounting to $Nil (2013: $Nil).

There are cross guarantees given by Seven West Media Limited and its subsidiaries described in note 28.

# Notes to the Financial Statements



## 30. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

### Contingent liabilities of the parent entity

The Parent Entity did not have any contingent liabilities as at 28 June 2014 or 29 June 2013.

### Contractual commitments for the acquisition of property, plant or equipment

The Parent Entity had no contractual commitments for the acquisition of property, plant or equipment as at 28 June 2014 or 29 June 2013.

## 31. EVENTS OCCURRING AFTER THE REPORTING DATE

In the interval between the end of the financial year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of these operations, or the state of affairs of the Group, currently or in future financial years.

# Directors' Declaration

FOR THE YEAR ENDED 28 JUNE 2014

1. In the opinion of the Directors of Seven West Media Limited (the 'Company'):

   (a) the consolidated financial statements and notes that are set out on pages 61 to 114 and the Remuneration report in sections 1 to 5 in the Directors' report, are in accordance with the Corporations Act, 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 28 June 2014 and of its performance for the financial year ended on that date; and

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

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

2. There are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee, described in Note 28, between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 28 June 2014.

4. The Directors draw attention to Note 1(a) to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

KM Stokes AC

*Chairman*

Sydney

27 August 2014

# Independent Auditor's Report



KPMG

## Independent auditor's report to the members of Seven West Media Limited

## Report on the financial report

We have audited the accompanying financial report of Seven West Media Limited (the company), which comprises the consolidated statement of financial position as at 28 June 2014, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

*Auditor's responsibility*

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

# Independent Auditor's Report



KPMG

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 28 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

## Report on the remuneration report

We have audited the Remuneration Report included in pages 44 to 58 of the directors' report for the year ended 28 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Seven West Media Limited for the year ended 28 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Bruce Phillips
*Partner*

Sydney
27 August 2014

# Company Information



## Directors

KM Stokes AC – Chairman
DR Voelte AO – Deputy Chairman
JH Alexander
Dr ME Deaker
D Evans
DR Flynn
PJT Gammell
GT John AO
RK Stokes
BI McWilliam – Alternate Director

## Company Secretary

WW Coatsworth

## Registered Office

Newspaper House
50 Hasler Road
Osborne Park WA 6017

## Share Registry

Computershare Investor Services Pty Limited
45 St Georges Terrace
Perth WA 6000
Telephone: (08) 9323 2000
Fax: (08) 9323 2033

## Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

## Stock Exchange Listing

Australian Stock Exchange

ASX code: SWM

## Legal Advisors

Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

Addisons
60 Carrington Street
Sydney NSW 2000

# Investor Information

FOR THE YEAR ENDED 28 JUNE 2014

## Shareholder inquiries

Investors seeking information regarding their shareholding or dividends or wishing to advise of a change of address should contact the Share Registry at:

Computershare Investor Services Pty Limited
45 St Georges Terrace
Perth WA 6000
Telephone (08) 9323 2000
Fax (08) 9323 2033 or

Visit the online service at computershare.com.au

Computershare has an online service which enables investors to make online changes, view balances and transaction history, as well as obtain information about recent dividend payments, download various forms and update shareholder details to assist in the management of their holding. To use this service, simply visit the Computershare website.

Other general inquiries may be directed to Mr W. Coatsworth, Company Secretary on (02) 8777 7777 or visit the website at sevenwestmedia.com.au.

## Tax File Number information

The company is obliged to record Tax File Numbers or exemption details provided by shareholders. While it is not compulsory for shareholders to provide a Tax File Number or exemption details, Seven West Media Limited is obliged to deduct tax from unfranked dividends paid to investors resident in Australia who have not supplied such information. Forms are available upon request from the Share Registry or shareholders can submit their Tax File Number via the Registry's website.

## The Chess System

Seven West Media Limited operates under CHESS – Clearing House Electronic Subregister System – an Australian Securities Exchange system which permits the electronic transfer and registration of shares. Under CHESS, the company issues a Statement of Holdings to investors, instead of share certificates, and the statement will quote the Holder Identification Number (HIN). The HIN should be quoted on any correspondence investors have with the Share Registry.

The company will maintain investors' holdings in an Issuer Sponsored facility, which enables investors to maintain their holding without the need to be tied to any particular stockbroker.

# Shareholder Information

FOR THE YEAR ENDED 28 JUNE 2014

The shareholder information set out below was applicable at 19 August 2014.

## a. Distribution of equity securities

a) Analysis of numbers of equity security holders by size of holding:

| Size of holding | Number of shareholders |
|---|---|
| 1 - 1,000 | 5,469 |
| 1,001 - 5,000 | 11,243 |
| 5,001 - 10,000 | 3,852 |
| 10,001 - 100,000 | 3,478 |
| 100,001 and over | 171 |
| | **24,213** |

b) There were 1,097 holders of less than a marketable parcel of ordinary shares.

## b. Equity security holders

The names of the twenty largest holders of equity securities are listed below:

| Name | Number of ordinary shares held | Percentage of issued shares |
|---|---|---|
| Seven Media Group Pty Limited | 334,788,846 | 33.51 |
| National Nominees Limited | 124,279,141 | 12.44 |
| HSBC Custody Nominees (Australia) Limited | 94,037,808 | 9.41 |
| JP Morgan Nominees Australia Limited | 79,712,328 | 7.98 |
| Citicorp Nominees Pty Limited | 72,960,160 | 7.30 |
| BNP Paribas Nominees Pty Limited | 44,614,351 | 4.47 |
| Neweconomy Com Au Nominees Pty Limited | 11,061,971 | 1.11 |
| UBS Nominees Pty Limited | 10,163,327 | 1.02 |
| Citicorp Nominees Pty Limited | 8,019,837 | 0.80 |
| UBS Nominees Pty Limited | 7,111,267 | 0.71 |
| AMP Life Limited | 4,991,868 | 0.50 |
| QIC Limited | 3,997,237 | 0.40 |
| HSBC Custody Nominees (Australia) Limited | 2,544,918 | 0.25 |
| Buttonwood Nominees Pty Limited | 2,361,476 | 0.24 |
| TCW Crescent Mezzanine Partners IV IVB (Ireland) Limited | 2,002,370 | 0.20 |
| UBS Wealth Management Australia Nominees Pty Limited | 1,915,309 | 0.19 |
| RBC Investor Services Australia Nominees Pty Limited | 1,868,054 | 0.19 |
| BNP Paribas Nominees Pty Limited | 1,749,756 | 0.18 |
| Milton Corporation Limited | 1,678,311 | 0.16 |
| Navigator Australia Limited | 1,578,183 | 0.15 |
| | **811,436,518** | **81.21** |

# Shareholder Information

FOR THE YEAR ENDED 28 JUNE 2014

## c. Substantial shareholders

Substantial shareholders in the Company are set out below:

| Name | Substantial holding* | Number of ordinary shares in substantial holding |
|---|---|---|
| Mr Kerry Matthew Stokes AC | 35.27% | 352,419,944 |
| Australian Capital Equity Pty Limited | 35.22% | 351,876,932 |
| Seven Group Holdings Limited | 35.22% | 351,876,932 |
| Ausbil Dexia Limited | 5.87% | 34,814,584 |
| Sumitomo Mitsui Trust Holdings Inc | 5.06% | 50,540,526 |

* Based on issued capital at date of notification.

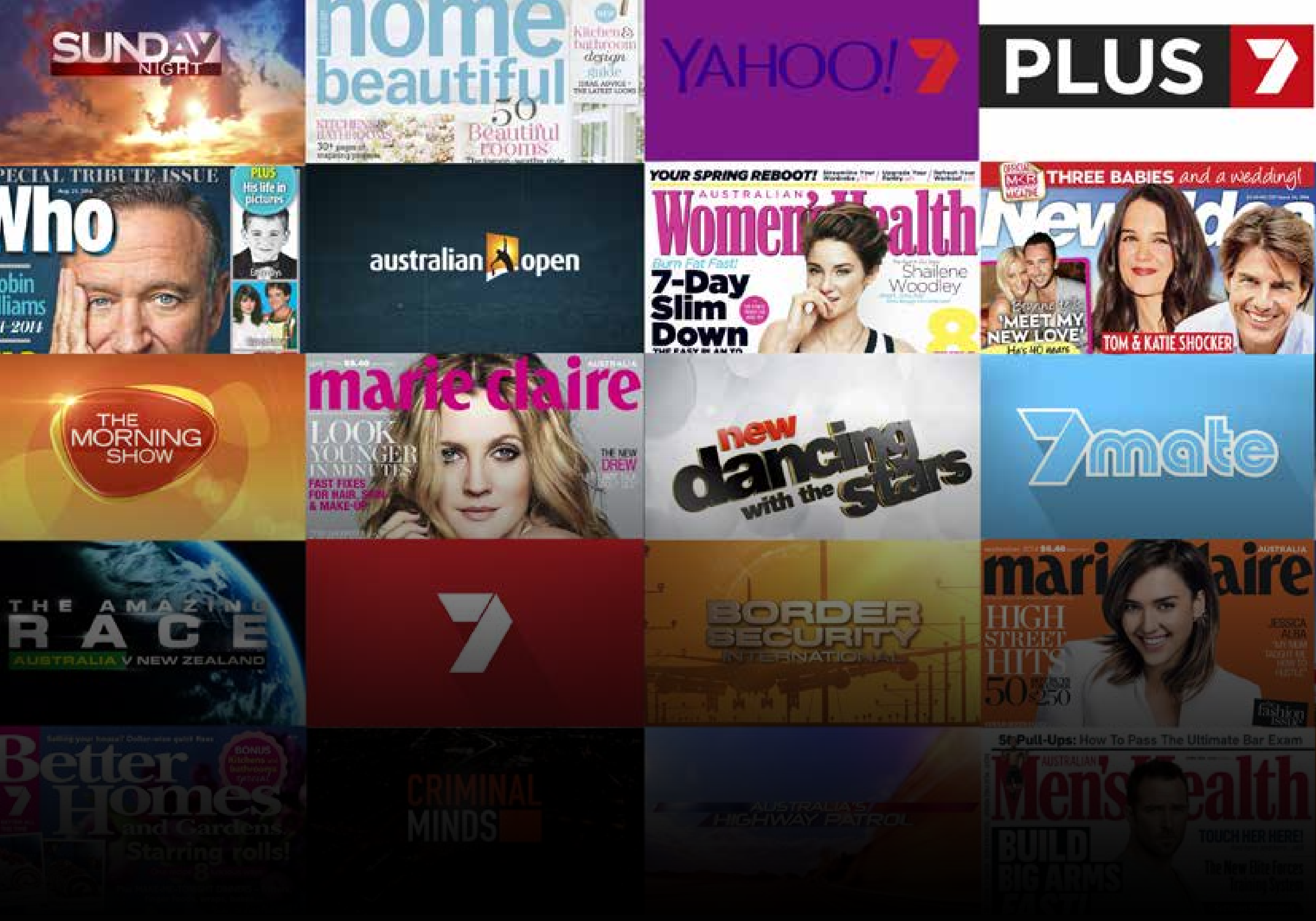
The above percentages include the relevant interests held pursuant to the *Corporations Act 2001* and accordingly may differ from that disclosed in note b.

## d. Voting rights

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

## e. On-Market Buy Back

There is no current on-market buy-back.


SUNDAY NIGHT
home beautiful
Kitchen & bathroom design guide
50 Beautiful rooms
YAHOO!7
PLUS 7
His life in pictures
australian open
YOUR SPRING REBOOT!
AUSTRALIAN
Burn Fat Fast!
7-Day Slim Down
Shailene Woodley
THREE BABIES and a wedding!
'MEET MY NEW LOVE'
TOM & KATIE SHOCKER
THE MORNING SHOW
marie claire
LOOK YOUNGER IN MINUTES
FAST FIXES FOR HAIR, SKIN & MAKE-UP
THE NEW DREW
new dancing with the stars
7mate
THE AMAZING RACE
AUSTRALIA V NEW ZEALAND
BORDER SECURITY INTERNATIONAL
HIGH STREET HITS
JESSICA ALBA
Better Homes and Gardens
Starring rolls!
BONUS
CRIMINAL MINDS
AUSTRALIA'S HIGHWAY PATROL
50 Pull-Ups: How To Pass The Ultimate Bar Exam
AUSTRALIAN
BUILD BIG ARMS
TOUCH HER HERE!