NZ
ME.

NEW ZEALAND
MEDIA AND
ENTERTAINMENT

ANNUAL REPORT
NZME LIMITED

For the year ended 31 December 2017

CONTENTS

This annual report is dated 27 March 2018
and is signed on behalf of the Board of Directors by:

Peter Cullinane
Chair

Carol Campbell
Director

NZME FY17 RESULTS SUMMARY

Statutory NPAT[1]

$20.9m

Trading Revenue[2]

$387.7m

▼4% FY16 Pro forma[2] $404.7m

Trading EBITDA[2]

$66.2m

▼2% FY16 Pro forma[2] $67.2m

Trading NPAT[2]

$26.7m

▼4% FY16 Pro forma[2] $27.8m

Trading Earnings Per Share[2]

13.6cps

▼4% FY16 Pro forma[2] 14.2cps

Final Dividend Fully Imputed[3]

6.0cps

Scheduled for payment on 3 May 2018

Full Year Dividends 9.5cps

(1) The FY16 Statutory NPAT of $74.5m was impacted by the demerger from HT&E (formerly APN), discontinued businesses and tax payments, and is therefore not comparable with the FY17 result as explained in the Supplementary Information on pages 30-34 of the NZME Full Year 2017 Result's Presentation available on the Company's website. (2) All Trading and Pro forma measures shown here are non-GAAP measures that are explained and reconciled in the Supplementary Information on pages 30-34 of the NZME Full Year 2017 Result's Presentation available on the Company's website. (3) A supplementary dividend of 1.06 cents per share will be payable to shareholders who are not tax resident in New Zealand and who hold less than 10% of the shares in NZME Limited.

LETTER FROM THE CHAIR

I was honoured to be named Chair when Sir John Anderson retired in December 2017 and I am pleased to be able to report that in our first full year as a standalone company NZME Limited delivered a solid earnings performance.

> "NZME's strategy continued to add value for shareholders in the 2017 financial year."

The financial results featured continued Digital revenue growth, a slowing rate of decline in Print advertising revenue and an improvement in Radio revenue trends over the year. NZME's strong focus on cost control and business integration again assisted earnings.

This has enabled the Board to declare a fully-imputed final dividend of 6.0 cents per share to be paid in May, making 9.5 cents per share in dividends for the full year.

Bringing Print, Radio and Digital together to form NZME has provided revenue opportunities and cost efficiencies. In the medium term, NZME aims to be a growth business and, as such, we continue to explore ways to further improve efficiency, address customer needs, and establish new revenue streams.

Our audience of 3.2 million[1] New Zealanders is a key driver of value. The most recent survey results show our audience grew again in 2017, supported by an increase in nzherald.co.nz audience and Radio listener growth.

Our strong brands in Print, Radio and Digital provide multiple contact points with our audience, and we often remain in touch with an audience member over an entire day across our various platforms; over breakfast, in the workplace, during the commute and in the evening. This unique offering gives our advertising customers multiple opportunities in a single day to engage with their marketplace through NZME.

Given a challenging third quarter of 2017, impacted in part by the general election and the ongoing headwinds in traditional advertising markets, we were heartened that Trading EBITDA[2] was down just 2% compared to pro forma[2] 2016.

Print advertising revenue trends improved, Radio revenue returned to growth in the fourth quarter, and we saw continued strong growth in Digital revenue. Moreover, NZME outperformed the market in 2017 in each of these key areas[3].

Revenue was assisted by operational and content initiatives, while a strong focus on efficiency through our business integration and process improvement further enhanced profitability.

NZME continues to invest in growth, launching our exciting new digital classifieds platforms DRIVEN, YUDU and OneRoof in recent months. You will no doubt see a lot more of these brands in automotive, employment and property over the course of 2018. If you haven't yet visited these sites I commend you to have a look and see what a fantastic user experience they offer.

Pursuing the merger with Stuff Limited (previously Fairfax New Zealand Limited) remains a priority. NZME believes the transaction would be positive for New Zealand, its employees and shareholders due to enhancing the competitiveness of locally produced content for our news, sport and entertainment offerings. Further information on the proposed merger is included on page 19 of this Annual Report.

Sir John Anderson retired as Chairman and from the Board of NZME on the 8th of December 2017. Sir John made an invaluable contribution to NZME, including leading the Board through the demerger from HT&E Limited, and listing in June 2016.

Sir John has also made a significant contribution over a long period to the growth of businesses in New Zealand. His extensive business and governance experience has been an asset to the Company during NZME's first year as a listed company and all of us at NZME wish Sir John the very best for his retirement.

Following Sir John's retirement, NZME appointed David Gibson as an independent director. David has a strong background in strategy and finance with over 20 years' investment banking experience.

We are expanding our Board to achieve the optimal mix of general business experience and specific skills. I have been encouraged by the interest shown and the depth of talent we have to choose from. I am fully confident that we will have an exemplary Board team, to further enhance the Company's governance and ensure NZME continues to have the appropriate resources and skills to support its growth strategy.

The Board would like to thank our employees for all their commitment and dedication throughout the year.

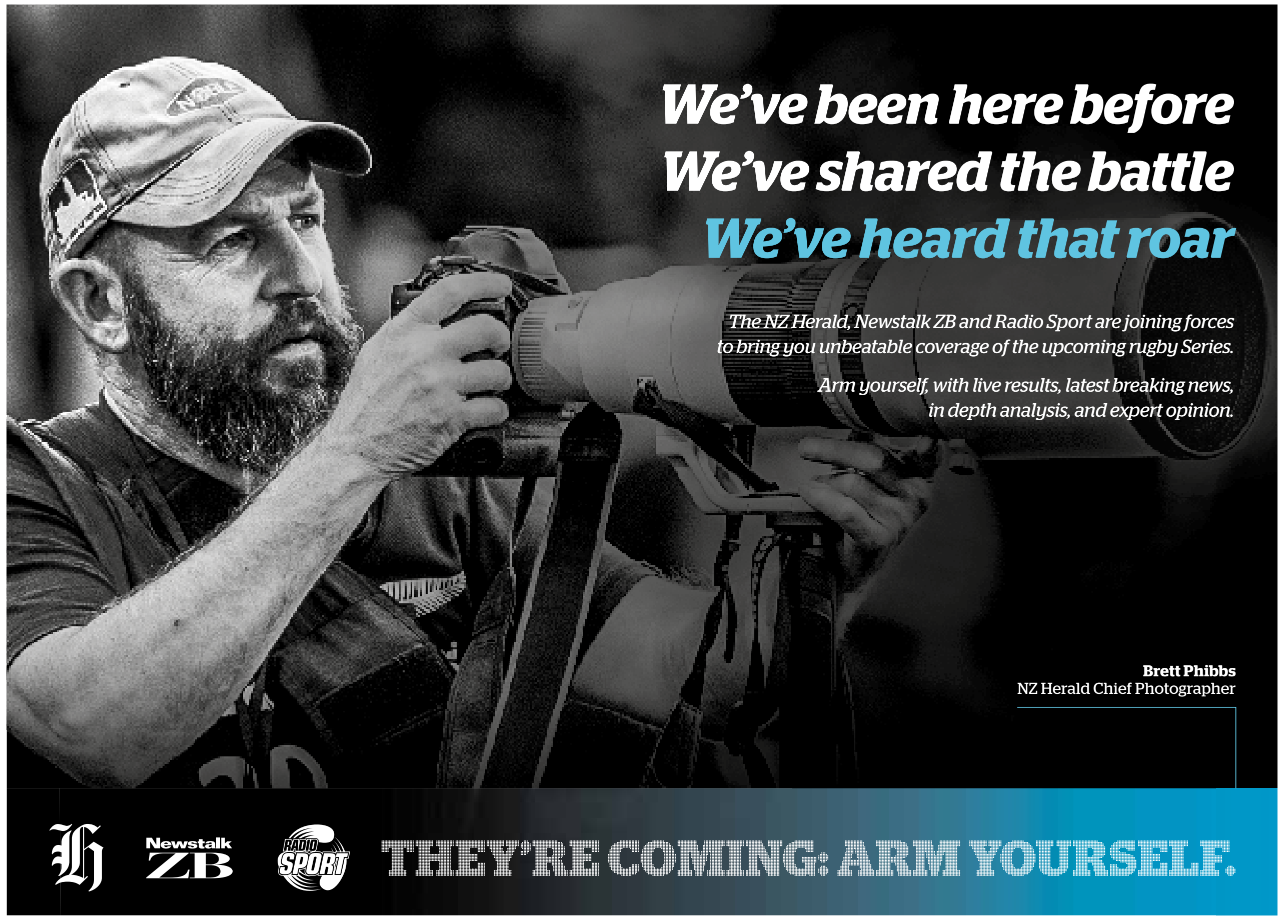
Ours is a dynamic industry. While there is no question that we will face headwinds in some areas, I am excited about the many opportunities NZME has to improve its business and to grow.

Given our market leading brands and audience reach, great people, and unique integrated offering, we are well placed to build on our existing assets as well as re-imagine our business to grow shareholder value in the medium to long term.

Peter Cullinane
Chair

(1) Nielsen CMI, November 2017 fused database: Q4 16 – Q3 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels (2) All references to "Trading" and "pro forma" are non-GAAP measures that are fully explained and reconciled on pages 30 to 34 of the NZME Full Year 2017 Results Presentation available on the Company's website. (3) See also page 10 of the NZME Full Year 2017 Results Presentation (available on the Company's website) for a more detailed analysis of the market comparisons.


Our wisdom is our strength
The team is our courage
The NZ Herald, Newstalk ZB and Radio Sport are joining forces to bring you unbeatable coverage of the upcoming Series.
Arm yourself, with live results, latest breaking news, in depth analysis, and expert opinion.
Chris Allen and Trevor McKewen
The New Zealand Herald
Newstalk ZB
RADIO SPORT
THEY'RE COMING: ARM YOURSELF.

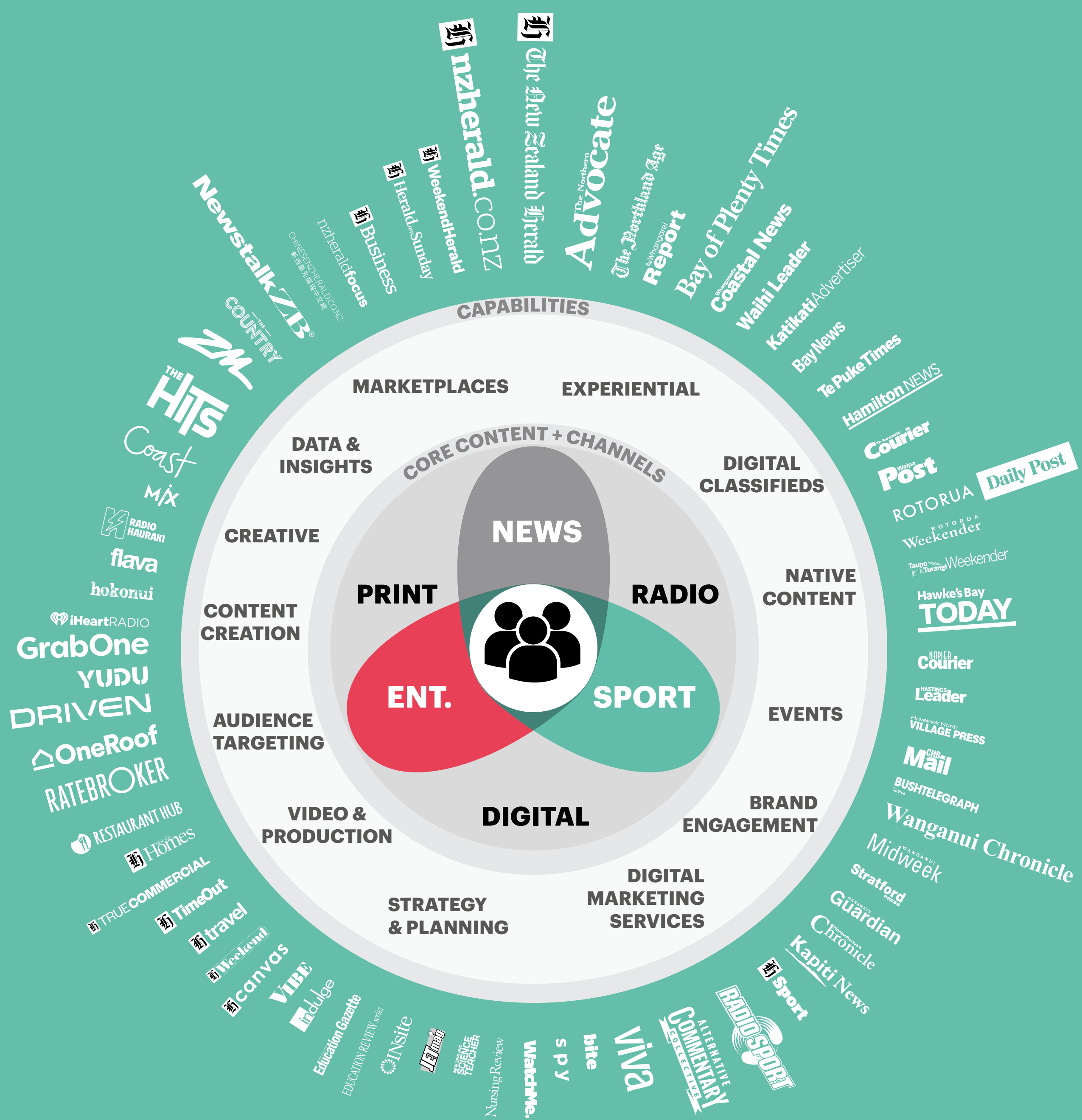

We've been here before
We've shared the battle
We've heard that roar
The NZ Herald, Newstalk ZB and Radio Sport are joining forces to bring you unbeatable coverage of the upcoming rugby Series.
Arm yourself, with live results, latest breaking news, in depth analysis, and expert opinion.
Brett Phibbs
NZ Herald Chief Photographer
Newstalk ZB
RADIO SPORT
THEY'RE COMING: ARM YOURSELF.


United in battle
We'll be there
The NZ Herald, Newstalk ZB and Radio Sport are joining forces to bring you unbeatable coverage of the upcoming rugby Series.
Arm yourself, with live results, latest breaking news, in depth analysis, and expert opinion.
D'Arcy Waldegrave and Goran Paladin
Radio Sport Hosts
Newstalk ZB
RADIO SPORT
THEY'RE COMING: ARM YOURSELF.


We'll be there
Come, join us
The NZ Herald, Newstalk ZB and Radio Sport are joining forces to bring you unbeatable coverage of the upcoming rugby Series.
Arm yourself, with live results, latest breaking news, in depth analysis, and expert opinion.
Laura McGoldrick
NZ Herald Focus Host
Newstalk ZB
RADIO SPORT
THEY'RE COMING: ARM YOURSELF.

HOW WE CREATE VALUE

NZME offers advertisers a unique opportunity to access a growing audience via its fully integrated multi-platform brands.



NZME's reach continues to grow and cross-pollinate

UP 2% YOY, 3.2 MILLION[1] NEW ZEALANDERS READ, WATCH, LISTEN TO OR OTHERWISE ENGAGE WITH OUR BRANDS

NZME REACHES:

2.6million	1.2million	0.7million
in the North Island[1]	in Auckland[1]	in South Island[1]
▲ 2% YoY	▲ 2% YoY	▲ 2% YoY

OUR GROWING NATIONAL AND LOCAL PRESENCE ALLOWS US TO OFFER ADVERTISERS BROADER ACCESS TO THEIR TARGET MARKETS THROUGH OUR INTEGRATED MULTI-PLATFORM PRESENCE

(1) Nielsen CMI, November 2017 fused database: Q4 16 – Q3 17 (population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.

LETTER FROM THE CEO

As CEO, it has been rewarding to see the achievement of our strategic priorities to improve shareholder value and deliver results in the 2017 financial year. I am pleased to report that we had a productive year and made good progress on the implementation of our strategy and adding value for shareholders.

> "NZME now operates as an integrated audience-centric media business, across Print, Radio and Digital channels."

With an unmatched portfolio of leading brands, delivering premium News, Sport and Entertainment content, we are uniquely placed to help advertisers engage with their customers.

In the context of the headwinds faced by the media sector in traditional advertising markets, we are pleased with our solid financial results for 2017. These results reflect significant steps, both in our existing assets and in establishing new businesses, to achieving revenue growth in NZME in the medium term.

NZME reported statutory net profit after tax (NPAT) of $20.9 million in 2017. Given the changes in the structure of the Company since listing in 2016, we see our "Trading"[1] and "pro forma"[1] figures as offering a useful view of NZME's underlying performance.

Trading Revenue[1] was $387.7 million in 2017, down 4% on 2016. We were pleased to limit the revenue decline when many of our peers globally have seen significant advertising revenue erosion. This was achieved by limiting declines in Print revenues, while improving momentum in Radio and achieving strong growth in Digital revenue.

We are equally encouraged by Trading Earnings before Interest, Tax, Depreciation and Amortisation ("Trading EBITDA")[1] of $66.2 million in 2017, down just 2% on 2016. Our continued focus on efficiency and full integration of the business has again underpinned an excellent cost performance and helped us achieve a 5% reduction in costs in 2017, supporting Trading EBITDA[1] despite lower revenue.

Our Trading Net Profit After Tax[1] was $26.7 million in 2017, down 4%. This translated to Trading Earnings Per Share[1] of 13.6 cents and total dividends declared for 2017 of 9.5 cents per share.

NZME has healthy cash flow, enabling a $5.7 million reduction in net debt over the year to $90.2 million at 31 December 2017. This was achieved on the back of relatively stable Trading EBITDA[1], and capital expenditure within our plan.

Capital expenditure in 2017 was in line with our expectations of $15.0 million. We expect to maintain this level of spending in 2018, including the capital component of the investment in digital classifieds and other projects under our 2018 plan.

It's pleasing that we were able to pay dividends to shareholders, implement our growth strategy and reduce debt in 2017. This is consistent with our medium term capital management objectives for the Company.

In 2017, Print revenue was $221.3 million, down 7% on pro forma[1] 2016. Despite the challenging third quarter of 2017, in which advertising spending was impacted by the New Zealand general election and a slowing property market, the rate of decline in Print advertising revenue slowed a little compared to pro forma[1] 2016.

We also maintained Print subscriber revenue in 2017, which provides comfort that despite major changes in the media landscape, subscribers continue to support our major publications.

Across the NZ Herald, Herald on Sunday and five regional daily newspapers, our subscriber base is strong. A 5% decline in our average net circulation to the third quarter of 2017 was better than the 7% decline for the market, again reflecting our brand strength and reader loyalty[2]. The New Zealand print advertising market declined an estimated 12%[3] in 2017 while our pro forma[1] print advertising revenue declined only 9% for the same period, which suggests we are doing better than many of our competitors in retaining advertisers,

reflecting a healthy readership of our leading publications.

The NZ Herald remains our most valuable media asset and we are working hard to continue to grow its audience to further enhance its value.

The daily brand audience of the NZ Herald passed 1 million for the first time in the third quarter[4], across print and digital, assisted by events such as the Americas Cup in the first half of 2017. There's a lot more work to do but we're encouraged with these achievements in the print business in 2017. Achieving this on a consistent basis is a focus for 2018.

Radio and Experiential revenue was $110.1 million in 2017, down 4% on 2016. After a period of declining radio revenue, we achieved our priority of returning radio revenue to growth in the final quarter of 2017.

The improvement in Radio was supported by the completion of the sales team integration, and talent and content enhancements. It's still early days in the turnaround of this business but trends are encouraging and we look forward to seeing the full benefit of our initiatives in further audience growth and improved financial results over the medium term.

On radio content, we continue to pursue the best offer in the market to inform, entertain and attract radio audiences, and this is demonstrated in our ratings performance in 2017.

New Zealand's leading news and talk station, Newstalk ZB, retained the highest station market share nationally, also winning a number of other key categories[5]. The Hits breakfast show, with Sarah, Sam and Toni, also grew audience in every survey since launch in early 2017[6].

On the digital radio side, iHeart Radio registered users reached 700,000 in 2017, which represents 35% growth in just 12 months.

In Digital and e-Commerce, revenue grew 8% overall to $56.3 million, but digital display revenue grew 19%, well above market growth supported by strong growth in mobile advertising and video. This is a very exciting part of the NZME story as we have a number of initiatives in train to maintain this strong momentum in Digital revenue.

We continue to emphasise new product development, launching our first multi-platform content series, including podcasts, "Chasing Ghosts" in October, which introduces a new level of storytelling. In another exciting initiative, NZ Herald and Newstalk ZB flash briefings and ZM's custom Amazon Alexa skill were made available for the launch of Alexa in New Zealand, in February 2018.

The team has had a very busy year as we launched our new digital classifieds marketplaces in motoring, employment and property, called DRIVEN, YUDU and OneRoof.

> "Our leading audience, brands and industry relationships provide a tremendous opportunity to establish new revenue streams."

This supports our objective to become a growth business in the medium term.

NZME intends to create market-leading platforms and experiences in each of the three verticals, supported by competitive advantages as a unique multi-platform media company.

And we are not just about emulating existing online offers. Each of the new sites provides an innovative user experience and proposition that aims to evolve the market, and consumer behaviour. We have included further details of each of these new initiatives on pages 16 to 18 of this Annual Report.

The launch of these three new platforms is only beginning and, as such, it's very early days. While we see the medium-term opportunity for these platforms as appealing, the market is competitive and

our financial expectations in the initial phase of operation remain modest.

We are excited by these opportunities, but this is just one of the areas where we are looking to drive shareholder value.

We also remain focused on our operational priorities, which include retaining revenue in our traditional businesses and improving operational efficiency, as these are also fundamental to achieving our goals for NZME shareholders.

Developing our people and talent is very important. Given the pace of change in our industry we've focused strongly on employee engagement. Results have been positive and we are starting to see the benefits of this across the Company.

The final major area of focus for 2017 was to progress the merger with Stuff Limited. We have been granted leave to appeal the High Court's adverse ruling on the matter, with a four-day hearing in the Court of Appeal set down for 5 to 8 June 2018 and judgment expected in the second half of 2018.

On page 22 we outline our strategic plan, based around the three horizon model. It focuses on optimising our existing business, while launching new ventures to take advantage of our existing audience and customer relationships, and identifying new business models that address unmet customer needs.

We remain very much focused on growing audience and engagement. This will be achieved through the amplification of NZME's brands and developing more planned, unique, local and premium content and the exploration of paid content solutions.

Returning total revenue to growth across the business is a focus for the medium term. Retaining print revenues as best we possibly can, growing digital revenue, and capitalising on radio enhancements, is expected to help us to achieve this goal.

We also want to make sure we maintain a strong balance sheet, enabling us to invest for growth, reduce debt, maintain financial stability, and maximise shareholder returns.

I would like to echo the Chairman's comments about the efforts of our dedicated people. Aiming to be a growth business in a challenging industry requires constant innovation and effort and the whole NZME team has been amazing in 2017 in embracing this mantra.

I also offer our thanks to the 3.2 million Kiwis that make up our audience, as well as our suppliers, business partners, customers and shareholders for their continued support.

Michael Boggs
Chief Executive Officer

(1) All references to "Trading" and "pro forma" are non-GAAP measures that are fully explained and reconciled on pages 30 to 34 of the NZME Full Year 2017 Results Presentation available on the Company's website. (2) Nielsen CMI, NZ Herald AIR trend to Q3 17. AP15+. ABC Circulation Q4 16 - Q3 17. (3) PwC NPA Quarterly Performance Comparison Report Q4 2017. (4) Nielsen CMI Q4 2016 – Q3 2017. AP15+. (5) GfK Radio Audience Measurement. Total NZ Survey, NZME & Partners. Trended till T4/2017. Cumulative Audience. Mon-Sun 12mn-12mn, All 10+. (6) GfK Radio Audience Measurement, The Hits Auckland, trended till T4/2017. Cumulative Audience. Mon-Fri 6am-9am, 25-54.

DIGITAL INITIATIVES

DRIVEN is the destination for car buyers and motoring enthusiasts alike where, with our DRIVEN Ambassador, Sam Wallace, you can find the latest car news, reviews, and road tests; alongside over 30,000 dealer and private car listings.

DRIVEN makes it easier than ever to buy or sell a car with buyers for new and used vehicles across all price points together with reviews and the soon-to-be-released DRIVEN Toolbox. The Toolbox features easy-to-use tools to discover what a car is worth, the best time to buy or sell a car and details regarding the cost of ownership without having to trawl numerous websites – DRIVEN has put it all in one place.

For those with a passion for cars or motorsport, DRIVEN offers the latest car news and high octane motorsport action from New Zealand and around the globe with in-depth articles, videos and content to keep you up to date. It also contains a new video series, DRIVEN News, where our DRIVEN Ambassador provides you with the latest information on all things motoring.

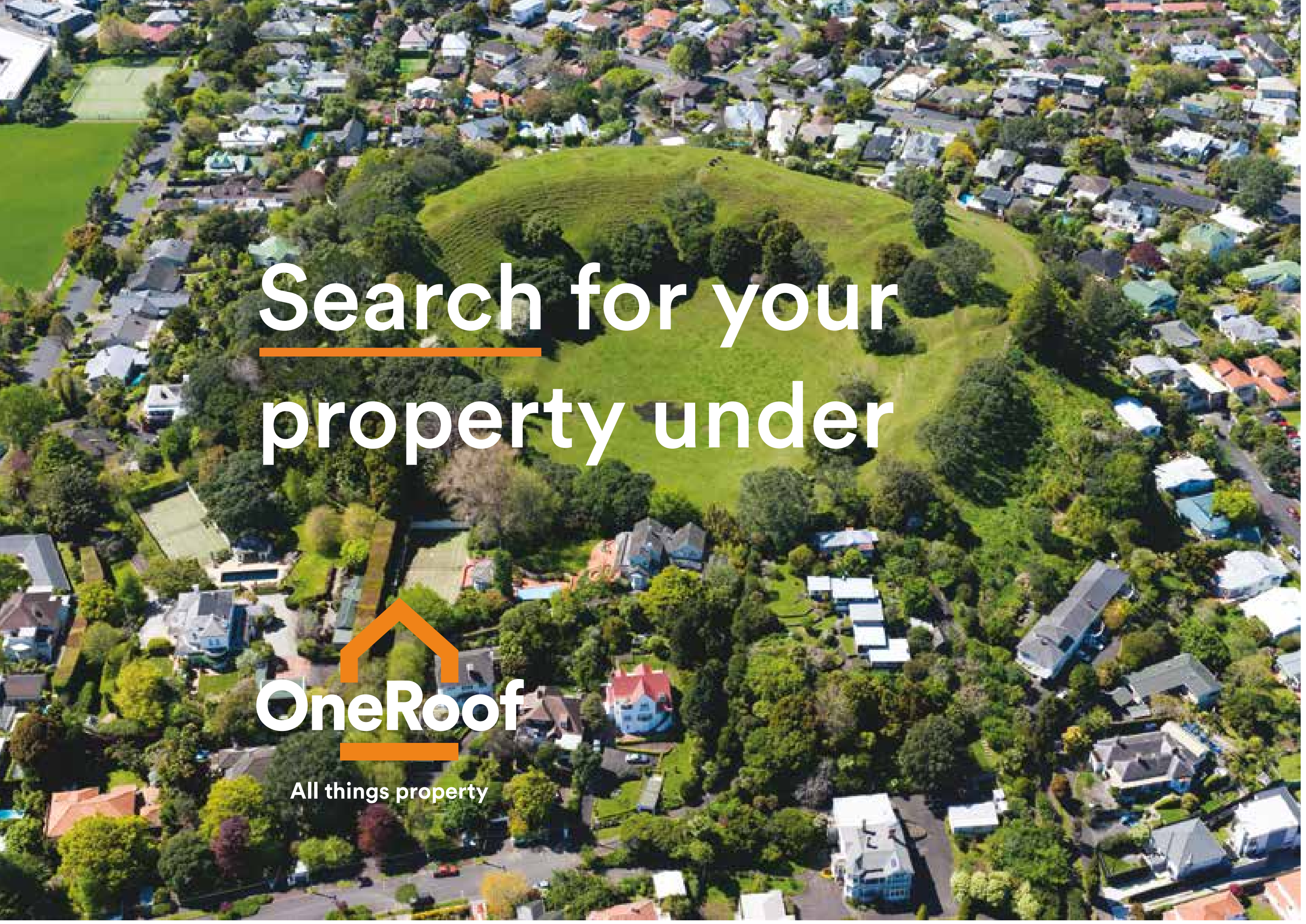
YUDU is about you. The astronaut, the rock star, the whatever-it-is-you-want-to-do.

YUDU is more than just another job listing site. It is a dedicated career platform which aims to connect employers to the right talent that fits the role and to connect candidates to the right role that fits their talent. YUDU allows jobseekers to create a profile online and apply for available roles directly from YUDU.

YUDU aims to empower the user to never stop learning, never settle for less, and never miss the chance to do what they do best.

YUDU is about more than just job hunting. There are twelve dedicated Career Hubs filled with news, tips and insights aimed at keeping users informed about the latest developments in their industry.

Through these Career Hubs, YUDU also provides opportunities for users to get involved with personality based profiles, relevant news, videos and more.



It's hard to make the right property decision when you're scattered between websites, trying to make sense of and consolidate all the information from real estate agents, banks, maps and more. OneRoof makes this easier by bringing it all together on one platform.

Regardless of whether you're buying, selling or renting, OneRoof helps to make property decisions easier by enhancing New Zealand's latest real estate listings with up-to-date property and market insights. OneRoof provides enhanced search capabilities, allowing users to search for properties based on criteria that may be important to them, such as school zones, valuations and yield growth, journey times and other location-based benefits.

As well as offering real estate agents a platform to connect with buyers, OneRoof also caters to renters, allowing them to apply for tenancies directly through the platform. OneRoof will build on NZME's strong property resources — such as Herald Homes — and is backed by the Company's network that reaches 3.2 million Kiwis.

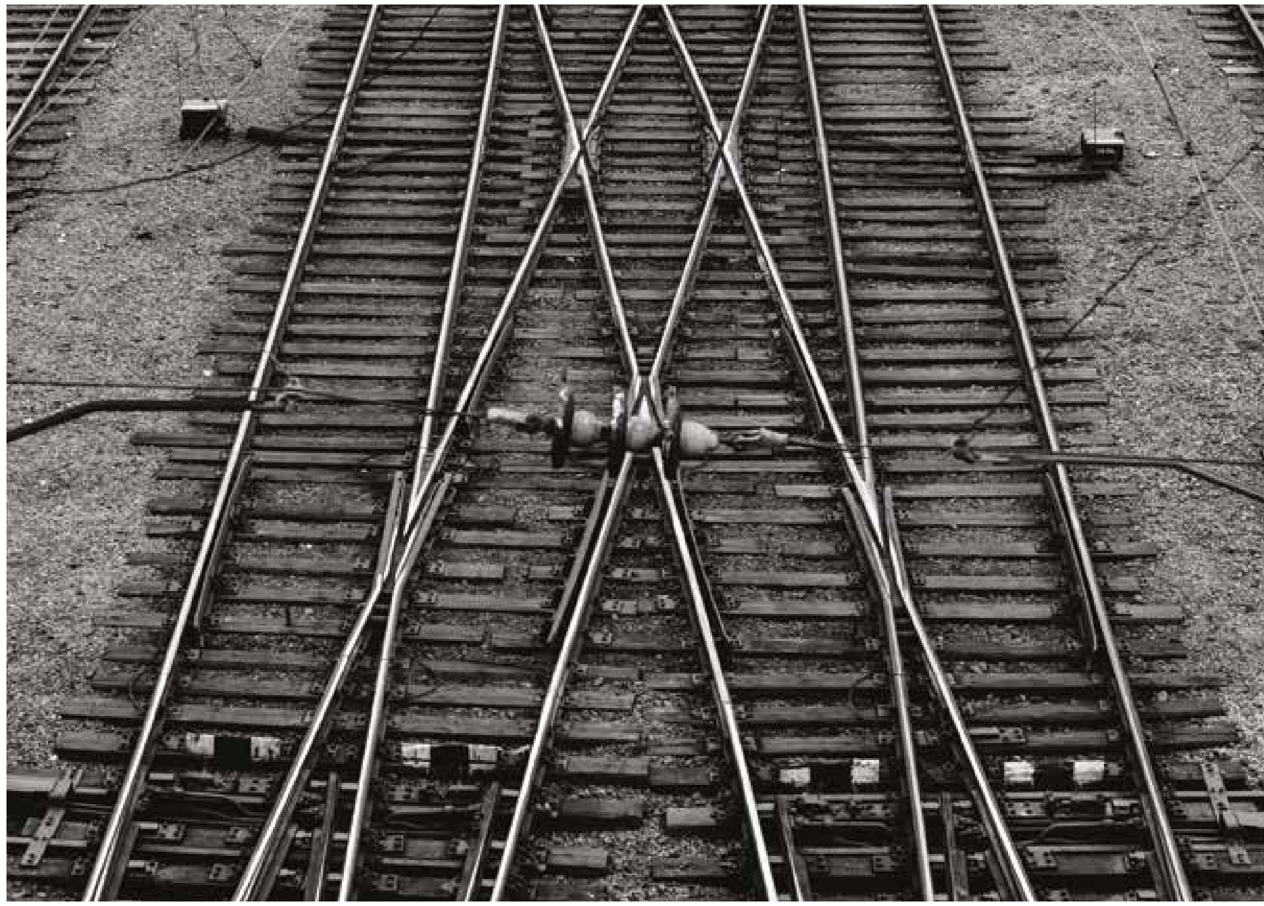
PROPOSED NZME/STUFF LIMITED MERGER UPDATE

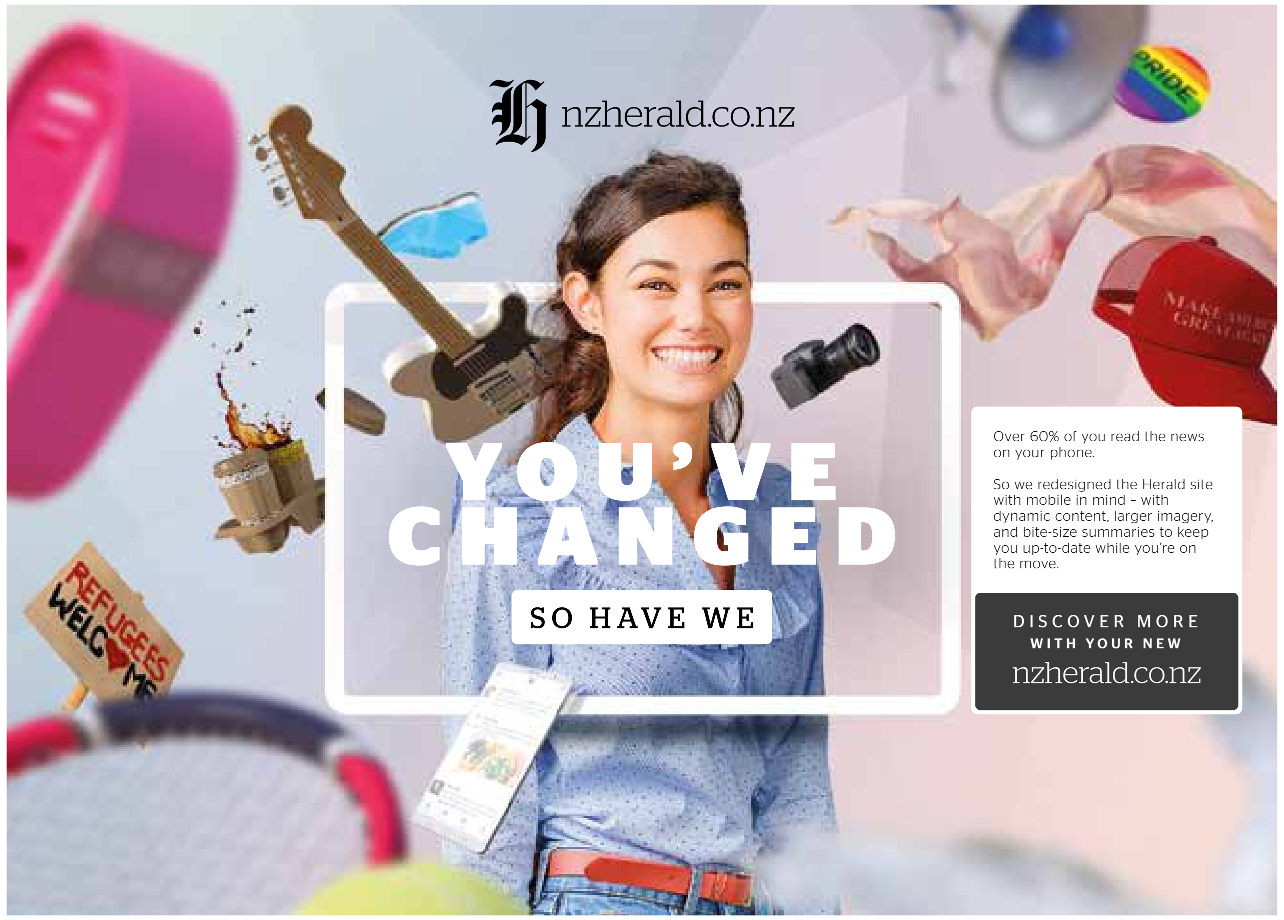
PROCESS UPDATE

- The previous merger implementation agreement in respect of the proposed merger between NZME Limited ("NZME") and Stuff Limited ("Stuff") terminated on 5 March 2018. However, if an appeal of the transaction is successful we intend to negotiate a new agreement to implement the merger, with the transaction also expected to be subject to finance, board and shareholder approval.
- NZME and Fairfax Media Limited's ("Fairfax") appeal to the High Court of the New Zealand Commerce Commission's ("NZCC") decision to decline the merger was declined in a judgement issued on 19 December 2017.
- The parties have been granted leave to appeal the High Court's adverse ruling on the matter, with a four-day hearing in the Court of Appeal set down for 5 to 8 June 2018 and judgement expected in the second half of 2018.
- There is a further right of appeal to the Supreme Court with leave on points of general public importance.

RATIONALE FOR A FURTHER APPEAL

- NZME and Fairfax continue to believe the NZCC was wrong in fact and wrong in law to decline clearance or authorisation for the merger. The questions on appeal are focused on the issue of plurality.
- NZME continues to share the costs of the legal process with Fairfax. The shared costs going forward are expected to be less than $0.5m, significantly outweighed by the potential benefits of the transaction, both for shareholders and the New Zealand public.




nzherald.co.nz
YOU'VE CHANGED
SO HAVE WE
Over 60% of you read the news on your phone.
So we redesigned the Herald site with mobile in mind – with dynamic content, larger imagery, and bite-size summaries to keep you up-to-date while you're on the move.
DISCOVER MORE WITH YOUR NEW
nzherald.co.nz
PRIDE
REFUGEES WELCOME


nzherald.co.nz
YOU'VE CHANGED
SO HAVE WE
You said your life was busier – that you had less time to read the news.
So we redesigned the Herald site to give you an instant snapshot of what's going on, right now – with bite-size summaries, intuitive navigation, and faster loading speeds.
DISCOVER MORE WITH YOUR NEW
nzherald.co.nz


nzherald.co.nz
YOU'VE CHANGED
SO HAVE WE
You told us you're often overwhelmed by information.
So we redesigned the Herald site to highlight the top stories of the hour, with a simpler structure and clearer signposting to the issues that matter most to you.
DISCOVER MORE WITH YOUR NEW
nzherald.co.nz
CAPE REINGA
AUCKLAND
BLUFF


nzherald.co.nz
YOU'VE CHANGED
SO HAVE WE
You told us you wanted to broaden your horizons.
So we redesigned the Herald site with enhanced navigation, a clearer interface, and pointers to in-depth stories and opinion pieces – deepening your understanding across a wider range of topics.
DISCOVER MORE WITH YOUR NEW
nzherald.co.nz

STRATEGIC PLAN

Horizon 1: Optimising the Core

Offsetting declines in Print advertising with growth in Radio and Digital advertising, and streamlining the cost base.

Horizon 2: Beyond Advertising

Growing new revenue streams that leverage our audiences to generate new revenue opportunities - Digital classifieds and paid content.

Horizon 3: Re-imagining

Identifying opportunities to develop new business models that grow audience engagement and deliver new revenue streams.

1. **Grow audience and engagement** through amplification of NZME's brands and increased focus on planned, unique, local and premium content, supported by continued implementation of the Washington Post arc roadmap.

2. **Return advertising revenue to growth** by continuing to retain Print revenues, drive Digital revenue growth and capitalise on Radio coverage, content and talent enhancements.

3. **Effective cost and capital management** through exploring opportunities to leverage our existing fixed cost base and continued focus on improving balance sheet strength.

4. **Engage and develop our people** by continuing to focus on improving leadership and talent succession planning.

5. **Grow new revenue streams** through the launch of DRIVEN, YUDU and OneRoof, improved data monetisation and developing a paid content proposition. Identify and develop new business models.

6. **Progress the Stuff merger** to further improve our efficiency and underwrite the competitiveness of New Zealand content generation and delivery.

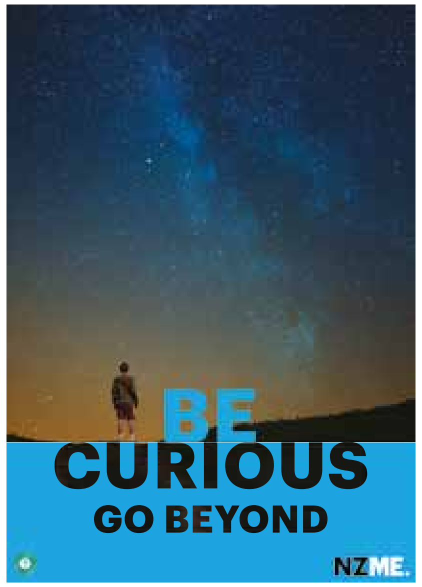
OUR PEOPLE

We all want to be phenomenal at what we do. Success doesn't just happen, it's about delivering the best work in the best way to the right audience. Whether they're fronting our brands, selling our advertising products, driving new initiatives, or helping to run our business, it's crucial our people share a common purpose.

We work hard to ensure everyone at NZME understands and is aligned with our Company's key priorities (what needs to be achieved) and our values (how these should be achieved).

OUR VALUES

Our Values make us who we are, and we express them at every turn. They are the stuff of our DNA; the things that make us unique and different from everyone else in the industry. We deliver to our priorities by being connected, curious and confident.



PEOPLE & DIVERSITY

NZME sets itself apart by having talented people who can make a difference for our audiences and our customers.

Diversity and inclusion are key to attracting and engaging the best talent and we work very hard to make sure everyone not only feels safe but looks forward to coming to work.

We have a Diversity Policy that is available on our website and established a Diversity Committee in 2017 consisting of a passionate group of individuals with diverse backgrounds, experiences and viewpoints to contribute to our efforts in this space. "Diversity of all kinds - gender, ethnic, cultural and sexual - is key to a productive workplace. Great solutions come from seeking opinions and perspectives from a diverse group. Our workplace is a slice of our community so it's important people bring their whole selves to work. This is what NZME is about," says Michael Boggs, NZME's CEO.

We were actively involved in celebrating Māori language week, including challenging our people to learn a number of new words every day; ranging from colours and numbers to some Māori slang. Other initiatives included an Instagram contest where you name everyday objects in Te Reo and photograph them creatively to win a prize!

And speaking of language, NZME was proud to support New Zealand Sign Language week which included workshops to learn the basics of New Zealand's third official language – Sign Language.

Diwali is the five-day festival of lights, celebrated by millions of Hindus, Sikhs and Jains across the world. This year our celebrations included a traditional lamp lighting and Bollywood dance performance, some delicious food and treats and henna hand designs.

During 2017 we have put considerable effort into youth employment, participating in JobFest events in Auckland and careers festivals in Southland, Dunedin and Christchurch. Our involvement with WorkChoice has seen us speak at their youth employability events in Auckland, Wellington and Christchurch. We also had multiple secondary school groups visit our offices in Auckland, Wellington and Christchurch for a first-hand experience of what working at NZME is like.

As a result of our input into youth employment and our involvement with students, WorkChoice, JobFest and various careers festivals right around the country, NZME was nominated as a finalist for the Young at Heart Awards in the School Engagement and Work Experience Award category.

This year we were pioneers in the media industry as the first media company in New Zealand to receive the Rainbow Tick. The Rainbow Tick is awarded to organisations that truly embrace making their workplace a safe environment for everyone, regardless of sexual orientation.

To celebrate being awarded the Rainbow Tick, and to continue the crusade to become an employer of choice and cement our commitment to being a truly diverse workplace, NZME proudly displayed the rainbow in its brands on Friday 13 October. The iconic New Zealand Herald brand and well known radio brands sported a rainbow Logo.

The Rainbow Tick forms part of our wider Inclusion and Diversity strategy, which includes nurturing a multicultural workforce, encouraging you to "bring your whole self to work" and truly harnessing all our differences.

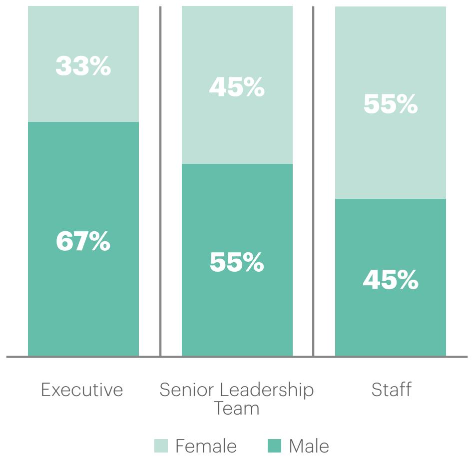
The charts on the next page demonstrate our demographic breakdown as at 31 December 2017.

WELLNESS WEEK

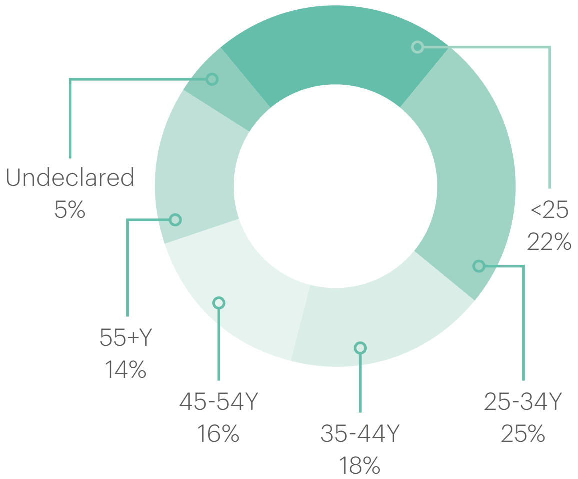
We again hosted two wellness weeks this year, one in May and one in October. Wellness Weeks provide our people with the opportunity to spend some time reflecting on their health and wellbeing. This year activities included free eyesight testing, yoga sessions, flu jabs, healthy breakfasts, boot camps and a host of other activities around the country.

Please also refer to the Governance section of this Annual Report for additional information on Health & Safety.

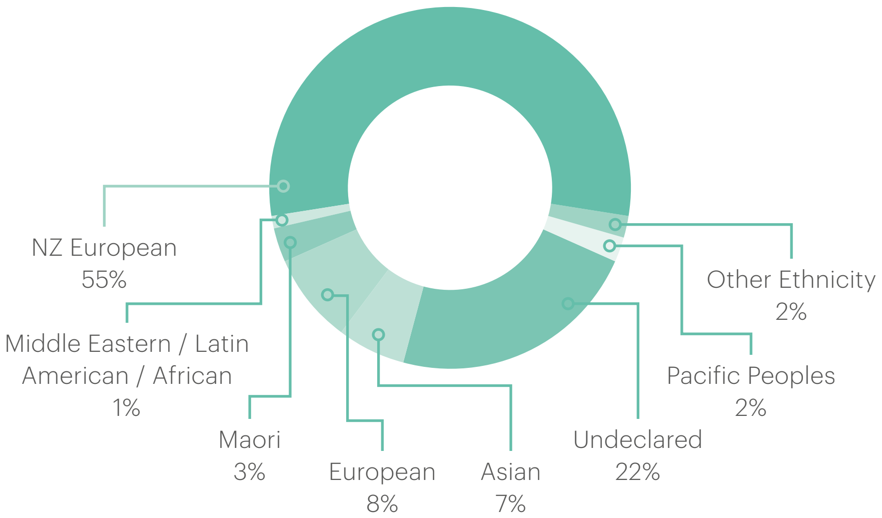
GENDER/LEVEL
including undeclared



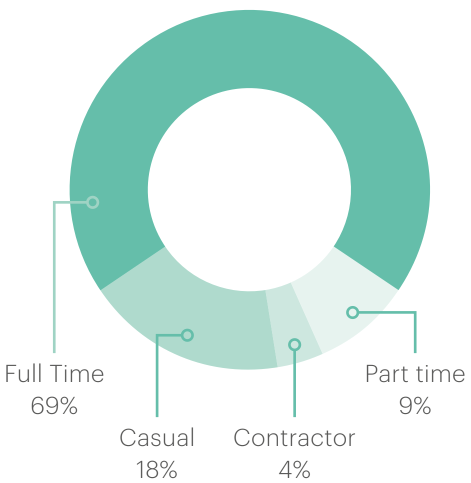
AGE GROUP



ETHNICITY
Incl. Undeclared



CONTRACT TYPE



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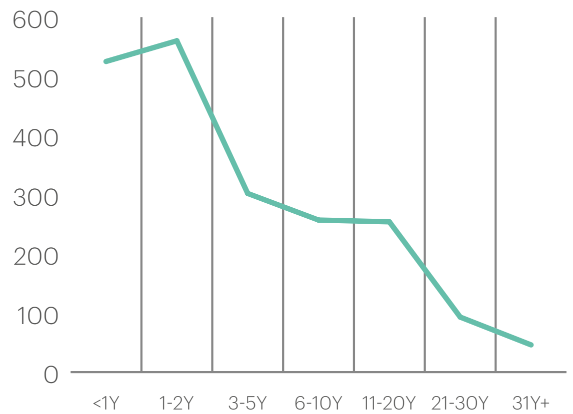


OUR PEOPLE (continued)

ENGAGEMENT

We believe that an engaging work environment is essential to us achieving our goals. We undertook two engagement surveys last year to take stock of what our people think. We are very happy that participation rates and overall engagement scores have consistently increased over the last year.

To foster an inclusive and engaging workplace, we also give our people other opportunities to engage and say it as it is. Our CEO is regularly joined by other members of the Executive for his Kitchen Catch-ups where different groups get to interact, share and ask whatever is on their minds. He also regularly invites someone from the business to join him as CEO for the day where they get an inside look into what being CEO entails.

Boggsy's Bus has become a bit of an institution as well. Given that half of NZME's people are outside the Auckland head office, it is an opportunity to build a connection with all our people. The CEO and others get to visit a number of offices in the regions to make sure we give all our people a chance to have their say. In 2017 they visited Waihi, Katikati, Tauranga, Te Puke, Rotorua, Taupo, Te Awamutu, Hamilton and drove over 1,400 kilometres visiting our South Island teams from Blenheim to Invercargill.

2017 AWARDS

NZME is proud to be the home of some of New Zealand's best talent and 2017 again provided us with plenty of opportunity to celebrate.

At the 2017 Canon Media Awards, the NZ Herald walked away with the following top awards: Website of the Year (nzherald.co.nz), Newspaper of the Year (Weekend Herald), Weekly Newspaper of the Year (Weekend Herald) and Best Daily Newspaper (more than 30,000 circ) (NZ Herald). In addition, many of our journalists won individual awards including Matt Nippert being awarded both Reporter of the Year and Best Investigation, Dylan Cleaver being awarded Sports Journalist of the Year, Alan Gibson being awarded Photographer of the Year, and Mike Scott (with Olivia Carville) being awarded Best Single Story. Herald Weekends Editor Miriyana Alexander was also awarded the prestigious Wolfson College (Cambridge University) press fellowship. The NZME Ellerslie team was also thrilled to receive a Gold Medal for the 29 March edition of the NZ Herald in the Publications category at the Pride in Print awards.

Stephen Parker, Chief Photographer from the Rotorua Daily Post was named best regional sports photographer at 2017's PANPA (Pacific Area Newspapers Publishers' Association) Awards in Sydney. We also took home four awards in Advertising & Marketing section of the PANPA Awards.

We were delighted that NZH Focus, our video news bulletin, was announced as winner of the "Best Launch of a Brand or Product to Create an Audience Segment" award at the International News Media Association ("INMA") World Congress in New York.

On the Radio front, NZME had a fantastic showing at the 2017 NZ Radio Awards. ZM was crowned Network Station of the Year for excellence in radio broadcasting and Hauraki once again took "The Blackie" award for funny and entertaining radio excellence. Our radio stations ZB, The Hits and Radio Sport and their presenters received numerous awards in the Best On-Air category and Best News and Sport categories plus NZME teams took home awards that recognise excellence and effectiveness in marketing, digital/social promotion, services to broadcasting and associated craft.

OUR COMMUNITIES AND THE ENVIRONMENT

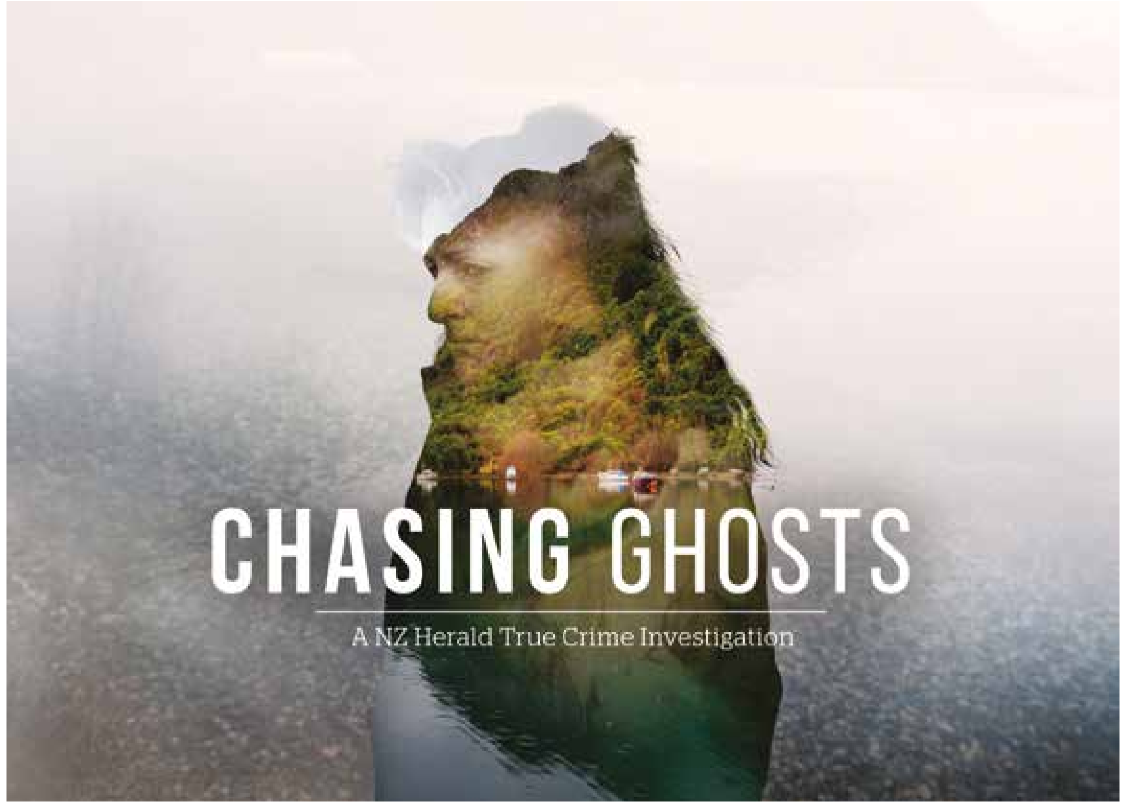
As a diverse, wide reaching, influential and integrated media company, NZME takes great pride in championing worthy causes and facilitating community conversations about the topics that matter to our audiences. We use our huge reach across NZ to support a vast number of causes by providing platforms and audiences to discuss social issues and to campaign for good.

Under the Bridge was a long-form documentary which saw us spending a year following staff and students at Papakura High. We were there for their highs and lows, tribulations and triumphs. The results were powerful, emotive and compelling. We expected to be telling the story of a school in decline. But we found a heart-warming and raw tale of pride and prejudice; a group of passionate young people who, with the help of a new principal, were determined to turn around the school and its reputation.

Break the Silence – a campaign of care and responsibility, was an investigative series to start a national conversation about youth suicide in New Zealand and to encourage young people to speak up and ask for help. It has been heartening to see how deeply our readers and our people have connected with the campaign.

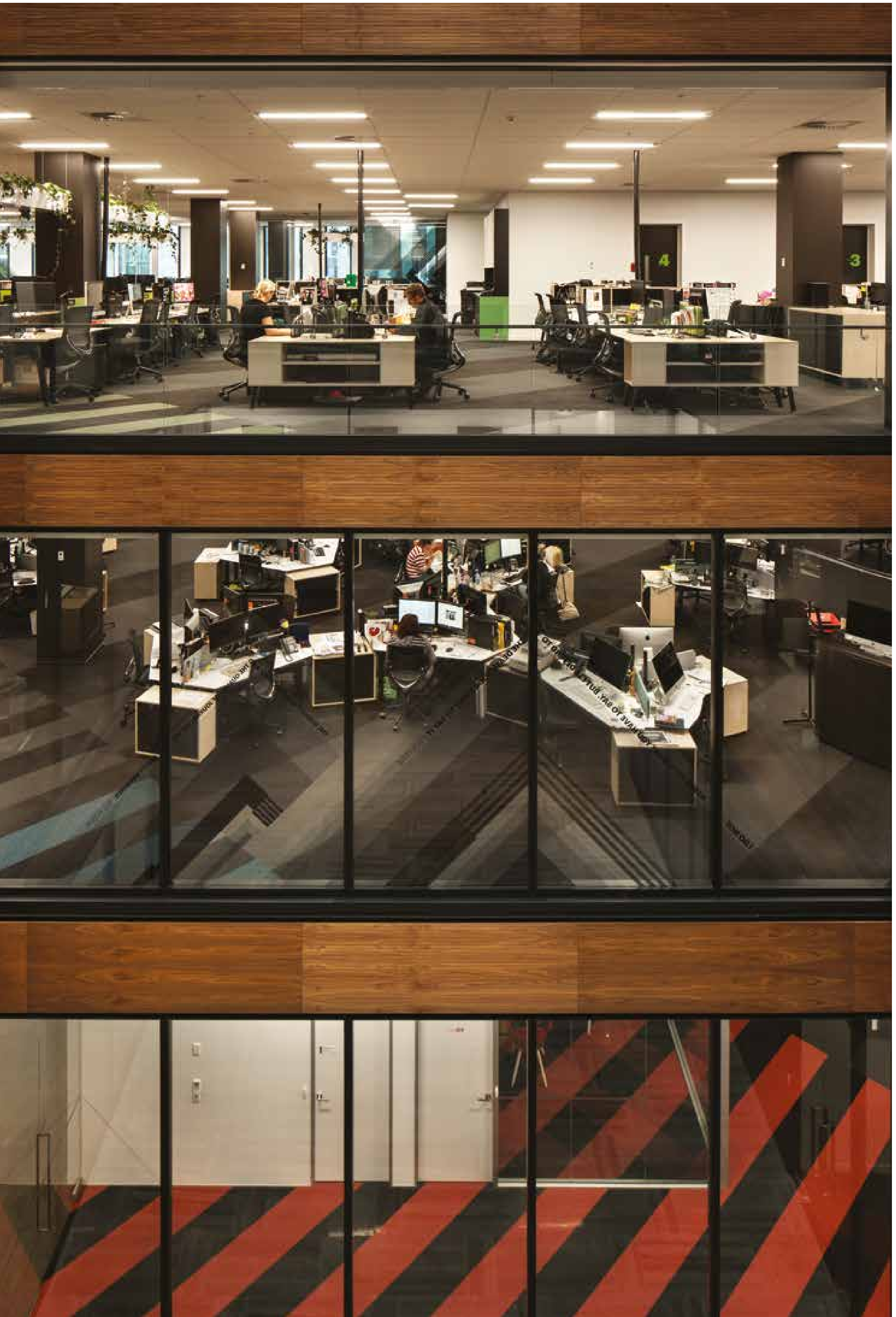
Chasing Ghosts was our first true crime podcast series, about the investigation into the cold case disappearance of two year old Amber-Lee Cruickshank in 1992. Chasing Ghosts retraced the steps of the police investigation and provided exclusive new interviews and insights.

The Herald and World Vision ran the **Hidden Pacific** campaign to raise funds for the immense and urgent needs in Melanesia, a hidden corner of the Pacific, where our neighbours are isolated and vulnerable with children and their families lacking essential resources.



We are also proud to support and work with local organisations such as the Tauranga Art Gallery, the Port of Tauranga Half; and support local initiatives like the Property Brokers/The Hits Round the Bridges fun run (this year raising money for Alzheimers Whanganui), Thrive Whanganui social enterprise business expo and the Child Cancer Charity Breakfast & Art Auction in Rotorua. Our Christmas campaigns at multiple locations across the country also help raise food and funds for worthy causes such as the Salvation Army's foodbank.

Our footprint on the environment is something NZME takes seriously. NZME Print has been at the forefront of this for some years now and has again been awarded the Enviro-Mark Gold certificate for excellence in environmental responsibility. This is achieved after satisfying a range of criteria including having environmental objectives, targets and KPIs; implementing environmental programmes; monitoring environmental aspects; having emergency preparedness and response processes; and leadership and commitment from top management. Last year, NZME Print was recognised for the site's longstanding commitment and compliance to the Enviro-Mark scheme of which it has been a participant for the past 11 years. Our building at NZME Central has a 5 Green Star – New Zealand Excellence – rating which is the second highest rating under the Green Star system that takes into consideration the building or fitout's rating in nine categories: Energy, Water, Materials, Indoor Environment Quality (IEQ), Transport, Land Use & Ecology, Management, Emissions, and Innovation.



THE NZME BOARD

PETER CULLINANE
Independent Chair

Peter has a strong track record in building and running companies as well as advising companies on business, marketing and advertising matters. He is the founder and Chief Executive of Lewis Road Creamery and the former Chief Operating Officer of Saatchi & Saatchi (Worldwide), and its Chief Executive Officer (New Zealand) and Chairman (Australasia) for over eight years prior. Peter is widely respected in global advertising and marketing, and has extensive knowledge and expertise in both Australasian and global markets. Peter is a Director of HT&E (listed on the ASX). Peter was previously on the Board of WPP AUNZ and SKYCITY Entertainment Group. Peter is a member of both the Advertising and Marketing 'Halls of Fame'. He holds Masters degrees in Business Administration and Management.

CAROL CAMPBELL
Independent Director

Carol is a chartered accountant and member of Chartered Accountants of Australia and New Zealand. Carol has extensive financial experience and a sound understanding of efficient Board governance. Carol holds a number of directorships across a broad spectrum of companies, including New Zealand Post, T&G Global, NPT and the Fisher Listed Investment companies – Kingfish, Barramundi and Marlin Global where she is also Chair of the Audit and Risk Committee. She is also a Director of Kiwibank. Carol was a Director of The Business Advisory Group for 11 years, a chartered accountancy practice, and prior to that a partner at Ernst & Young for over 25 years. She holds a Bachelor of Commerce in Accounting.

DAVID GIBSON
Independent Director

David has a strong background in strategy and finance with over 20 years' investment banking experience, including as Co-Head of Investment Banking in New Zealand for Deutsche Bank and Deutsche Craigs. During his finance career David has advised on many of New Zealand's largest capital market transactions, including within the media industry. He holds a Bachelor of Laws (LL.B. Hons) and a Bachelor of Commerce in Economics.

THE NZME EXECUTIVE TEAM

MICHAEL BOGGS
Chief Executive Officer

Michael was appointed CEO of NZME in March 2016, prior to that he held the CFO position. He has been integral in developing the strategy to grow NZME's presence in New Zealand particularly in the areas of digital, video and events whilst upholding the company's traditional brands including The New Zealand Herald and Newstalk ZB.

Joining NZME from TOWER Limited where he successfully managed TOWERS multibillion dollar assets, TOWERS's Pacific Islands operations, TOWER's earthquake recovery programme and the sale of TOWER's life insurance, health insurance and investment management businesses.

Prior to TOWER, Michael held executive roles in leading finance, commercial and business functions in major telecommunications and technology organisations including TelstraClear and previously Clear Communications. In 2014 Michael was awarded CFO of the year at the annual New Zealand CFO Awards.

SARAH JUDKINS
Chief Strategy Officer & Acting Chief Financial Officer

Sarah is responsible for a number of strategic projects across NZME and the development of new business initiatives. Sarah joined NZME in 2014 to lead the transformation and integration of the APN, TRN and GrabOne businesses into NZME.

Sarah joined NZME from KPMG where she was a Director in the transactions team, specialising in operational strategy, transaction support and integration planning. Sarah has 20 years' experience working with business managers and stakeholders in a wide range of industries in New Zealand and Asia developing and implementing strategic plans. Since returning to New Zealand, Sarah has worked with several New Zealand companies on a range of strategic projects and brings a breadth of financial and strategic experience to NZME. Sarah is also currently the acting CFO.

LAURA MAXWELL
Chief Digital Officer

Laura first joined The Radio Network as a Commercial Director in July 2013, moving to the role of Group Director Digital Media in 2014. In 2015, Laura was promoted to Group Revenue Director and this title transitioned to Chief Commercial Officer as part of the NZME transformation. Prior to the NZME group, Laura held the position of General Manager/Director for Yahoo! New Zealand.

Laura has over 20 years of experience in media and is well known and respected in the industry, having held roles including Sales Director for both APN Outdoor and Buspak New Zealand. She is also currently serving as the Chair of the Interactive Advertising Bureau and as a Director of Restaurant Hub and Chinese New Zealand Herald. Laura was also previously a Director of the Newspapers Publishers Association and a board member of the Radio Bureau.

MATT HEADLAND
Chief Commercial Officer

Matt joined NZME as Head of Agency Sales in August 2016 and in September 2017 he was appointed Acting Chief Commercial Officer. Within his time at NZME Matt has restructured and revitalised the agency sales team, building and leading an innovative and fresh culture, while delivering market leading revenue growth.

Prior to the NZME group, Matt held the position of Director of National Direct Sales TV, Radio and Digital at Mediaworks New Zealand. Matt has over 18 years of experience in media, entertainment and advertising industries, where he has led change and revenue growth across multiple businesses, these roles include Country Manager EMI Music New Zealand, NZ Sales Manager MTV Networks, Head of Marketing EMI New Zealand and founder of Wonder and Thunder Talent Management. He is also the Chair of the Radio Bureau Board.

SHAYNE CURRIE
Managing Editor

As NZME's Managing Editor Shayne oversees journalists and content across the newsroom for Newstalk ZB, Radio Sport, The NZ Herald and NZME's regional and community news brands. Shayne has been a journalist for 25 years, starting as a crime reporter in Wellington - and briefly, New York - before taking up newsroom leadership roles. Shayne has overseen major change and innovation in newsrooms throughout New Zealand.

A former News Editor and Deputy Editor of the Sunday Star Times, Shayne joined the Company to help launch the Herald on Sunday and became editor of that paper in 2005 and of The NZ Herald in 2011. He led the editorial project to transform the NZ Herald into the award-winning compact format. In 2016 Shayne was awarded a scholarship to Wolfson College at Cambridge University in the UK, studying audience patterns in the digital age.

DEAN BUCHANAN
Group Director, Entertainment

Dean has over two decades of experience in developing world class content and talent in New Zealand and internationally. Prior to joining the Radio Network as Chief Content Officer in September of 2013, then Managing Director Radio, Dean was an international consultant in the UK and Europe. He then joined DMG Radio Australia as Group Programme Director and was responsible for launching the highly successful Nova Network.

Dean has vast multimedia experience having worked in Touring with TV Touring and established a successful talent management company Plus1 Talent, developing the futures of many key Australian TV and Radio talent.

MATTHEW WILSON
Chief Operations Officer

Matthew has lead several of NZME's operational teams. With a passion for media, Matthew has over two decades of experience working across NZME's newspaper brands, including finance roles in print, commercial, content and corporate to leading the Newspaper Sales, Print and Herald product functions.

Matthew was integral to the launch of the Weekend Herald brand and the Herald on Sunday newspaper in 2004, consolidated newspaper sales and distribution functions across NZME in 2013 and led the development of NZME's highly successful distribution services business in 2015. Matthew's extensive experience and knowledge of the business and its brands helps drive NZME's operating performance.Matthew currently also looks after Culture & Performance.

ALLISON WHITNEY
General Counsel

Allison joined NZME in 2013 and with over 20 years' legal experience, manages the provision of legal advice and company secretarial services across the NZME group - bringing corporate, commercial, intellectual property, consumer and media law experience to the table.

Prior to commencing her role at NZME Allison held roles both in-house and in private practice, including six years as Group Legal Advisor to London-based International Media Group; UBM plc. During her time at NZME, Allison has provided legal guidance to the NZME Group through several significant milestones and projects, including the 2014 re-brand from APN to NZME, and the 2016 demerger from APN and listing of NZME on the NZX and ASX.

CORPORATE GOVERNANCE

GOVERNANCE FRAMEWORK

The Company is listed on the NZX Main Board and as a Foreign Exempt Listing on the ASX (both under the ticker code "NZM"). The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rests with the home exchange and the supervisory regulator in that jurisdiction. As such, NZME is required to comply with a limited set of ASX Listing Rules.

The Company's corporate governance framework, as described in this section, therefore primarily takes into consideration contemporary standards in New Zealand, incorporating the NZX Corporate Governance Code 2017, effective for reporting periods from 1 October 2017, ("NZX Code").

The Group is committed to having a good governance framework within which it operates and therefore aims to comply with the recommendations of the NZX Code. The Corporate Governance Policies set out in this section reflect the Group's governance framework as at 31 December 2017 (unless otherwise stated). The Board considers that the corporate governance practices it has adopted are in compliance with the NZX Code unless otherwise stated below.

PRINCIPLE 1 - CODE OF ETHICAL BEHAVIOUR

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Conduct & Ethics

The Company's Code of Conduct & Ethics governs the Company and its subsidiaries' commercial operations and the conduct of Directors, employees, consultants and all other people when they represent the Company and its subsidiaries, together with the Company. The Code of Conduct & Ethics comprises certain fundamental principles and demonstrates the high standards of conduct expected of us. The current Code of Conduct & Ethics was adopted on 27 June 2016 (and updated on 12 December 2017) and is available via the Company's website. Reporting of breaches of the Code is encouraged and steps for doing so are set out in the Code of Conduct & Ethics and the Whistleblower Policy.

The Company also has an Editorial Code of Ethics highlighting that our principal responsibilities are to the community and the truth; undertaking to maintain the highest ethical standards in our journalism while balancing the right of the individual with the public's right to know.

Securities Trading Policy

The Securities Trading Policy details the Company's trading policy and guidelines, including trading restrictions on dealing in the Company's quoted financial products which applies to the Directors and all employees. The Securities Trading Policy places additional trading restrictions on the Directors, the CEO and his direct reports (and employees reporting directly to them) and all participants in any NZME employment incentive plans.

PRINCIPLE 2 - BOARD COMPOSITION & PERFORMANCE

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Role of the Board

The business and affairs of the Company is managed under the direction and supervision of the Board. The Directors acknowledge their duty to act in good faith and in the best interests of the Company. The objective of the Company is to generate growth, corporate profit and shareholder gain from the activities of the Group. In pursuing this objective the role of the Board is to assume accountability for the success of the Company by taking overall responsibility for the strategic direction and monitoring of operational management of the Group in accordance with good corporate governance principles. More details regarding the main functions of the Board can be found in the Board Charter (adopted 12 December 2017) on the Company's website.

Director Independence and Profile

All of the Company's directors are independent directors for the purposes of the NZX Listing Rules. The profile for each Director is available on the Company's website (http://www.nzme.co.nz/corporate-governance/board-members/) and on page 31 of the Annual Report. The roles of the Chair and Chief Executive Officer are exercised by different persons.

Nomination and Appointment

Directors are appointed by the Company's shareholders, with rotation and retirement being determined by the Constitution. The Board may appoint Directors to fill casual vacancies. Directors appointed to fill casual vacancies are required to retire and stand for election at the first annual shareholders meeting after their appointment. The Governance & Remuneration Committee recommends to the Board potential candidates for appointment as Directors.

Induction and Access To Information and Advice

On appointment to the Board a Director will be given a copy of the Board Charter, an appointment letter covering the role of the Board, the Board's expectations of the Director and any particular terms of his or her appointment. The Director will be offered induction training as to the responsibilities of the Directors and to enable the Director to become familiar with the Company's operations and sites. All Directors have access to the advice and assistance of the General Counsel on the Board's affairs and governance matters. In addition, all Directors may access such information and seek independent advice as they consider necessary to fulfil their duties and responsibilities.

Skills and Experience

The Governance & Remuneration Committee reviews, and makes recommendations to the Board, regarding the composition of the Board on an ongoing basis to ensure that it is comprised of members who provide the required breadth and depth of experience and knowledge to achieve the objectives of the Board. It also considers and recommends to the Board the appointment of additional Directors to provide the expertise to achieve the strategic and economic goals of the Company. Directors are expected to maintain their knowledge of the latest governance and business practices in order to perform their duties.

Directors and Officers Insurance

In accordance with Section 162 of the Companies Act 1993 and the Company's Constitution, NZME has indemnified and arranged insurance for all Directors and executive officers to the extent permitted by law for liabilities arising out of the performance of their normal duties as Directors and officers. The total amount of insurance contract premiums was $156,500.

Performance Review

The Chairperson meets annually with Directors of the Company to discuss individual performance of Directors. The Board reviews its performance as a whole, and the performance of its committees, on an annual basis. The Board may choose to use external facilitators, where appropriate, to assist with reviewing the performance of Directors, the Board and its committees.

Diversity
The Group believes that a diverse workforce is essential for it to be able to deliver its strategic objectives and continue to meet its responsibilities to its customers, its employees, the communities in which it works, and its shareholders.

For the Group, diversity means the competitive value in the differences of its people in relation to gender, race, ethnicity, sexual orientation, age, disability, religion or cultural background.

The Group's full Diversity Policy is available on it's website. It is the Board's view that the Group is currently operating in accordance with, and applying the principles of, the policy. Also refer to the Our People section on page 23 of the Annual Report for more information on our diverse workforce.

The table below includes the quantitative breakdown as to the gender composition of NZME's Board and Officers[A].

As at	Board		Officers[A]	
	Male	Female	Male	Female
31 December 2017	2	1	6	3
31 December 2016	2	1	5	6

PRINCIPLE 3 - BOARD COMMITTEES

The Board should use committees where this will enhance its effectiveness in key areas, while retaining Board responsibility.

The Board has two standing Committees, the Audit & Risk Committee and the Governance & Remuneration Committee, to assist in carrying out its responsibilities. Both Committees operate under Board approved charters. The Board may establish other committees from time to time to deal with specific projects or matters relating to the Company's various activities. The Board does not have a separate Health & Safety Committee, but Health & Safety is considered by the full Board. The Board did not identify a need for any other standing Board committees. The Company also has a NZME Takeover Response Manual (not publicly available) which was in place for the full year, but as recommended by Recommendation 3.6 of the NZX Code, was formally adopted by the Board on 12 December 2017.

Audit & Risk Committee
The Committee consists of at least three non-executive directors, with the majority being also independent directors (one of whom has an accounting and financial background). The functions of the Committee are to:

- Review, consider and if necessary, investigate any reports or findings arising from any audit function either internally or externally;
- Evaluate financial information submitted to it, along with relevant policies and procedures; and
- Assess the effectiveness of risk management throughout the Group.

The Committee is also responsible for communicating and engaging with the external auditors and for oversight and review of the risk management framework. For further information, also refer to the Committee's charter which is available on the Company's website.

For the year ended 31 December 2017, all the Directors were members of the Audit & Risk Committee and it was chaired by Carol Campbell. Employees and external parties may attend meetings of the Audit & Risk Committee at the invitation of the Audit & Risk Committee.

(A) The term 'Officer' is defined in the NZX Listing Rules as a person, however designated, who is concerned or takes part in the management of the Issuer's business, but excludes (i) a person who does not report directly to the Board or (ii) a person who does not report directly to a person who reports to the Board. NZME has interpreted this to mean the Chief Executive and any person reporting to the Chief Executive or the Board directly. The numbers above therefore include the CEO and other members of the Group Executive Team.

Governance & Remuneration Committee
The Governance & Remuneration Committee ensures that remuneration policies and practices are consistent with the strategic goals of the Group and are relevant to the achievement of those goals. The Committee also reviews the remuneration of the CEO and, in consultation with the CEO, the remuneration packages of executives reporting directly to the CEO.

The Governance & Remuneration Committee also makes recommendations to the full Board regarding the composition of the Board, filling of vacancies, appointing additional Directors to the Board, and to review and adopt corporate governance policies and practices which reflect contemporary standards in New Zealand, incorporating principles and guidelines issued by the Financial Markets Authority and the NZX. For further information, also refer to the Committee's charter filed on the Company's website.

For the year ended 31 December 2017, all the Directors were members of the Governance & Remuneration Committee and it was chaired by Peter Cullinane. David Gibson will take over as Chair in 2018. Employees and external parties may attend meetings of the Governance & Remuneration Committee at the invitation of the Governance & Remuneration Committee.

PRINCIPLE 4 - REPORTING & DISCLOSURE

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Market Disclosure Policy
The Board has policies and procedures in place to keep investors and staff informed of material information about the Company and to ensure compliance with the continuous disclosure obligations under the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

The Market Disclosure Policy is designed to ensure that:

- There is full and timely disclosure of the Company's activities and price sensitive information to shareholders and the market; and
- All stakeholders (including shareholders, the market and other interested parties) have an equal opportunity to receive and obtain externally available information issued by the Company.

The Company will immediately notify the market of any material information concerning the Company in accordance with legislative and regulatory disclosure requirements.

Charters and Policies
The following charters and policies have been adopted by the Company and are available on the Company's website under the Corporate Governance section (http://www.nzme.co.nz/corporate-governance/):

- Board Charter
- Code of Conduct & Ethics
- Remuneration Policy
- Diversity Policy
- Editorial Code of Ethics
- Fraud Policy
- Market Disclosure Policy
- Whistleblower Policy
- Securities Trading Policy
- Audit & Risk Committee Charter
- Governance & Remuneration Committee Charter
- Risk Management Policy

Constitution
The Company's constitution ("Constitution") is filed on the Companies Office website (http://www.companies.govt.nz/co/1181195). The Constitution specifies that the maximum number of directors (other than alternate directors) is eight. As at 31 December 2017, the Company had three directors.

The Constitution contains, amongst other things, the requirements regarding appointment and rotation of directors, filling vacancies on the Board, meetings of the Board and Board Committee proceedings, and appointing alternate directors. The Constitution also requires the Company to comply with the NZX Listing Rules for so long as it is listed on the NZX.

Financial Reporting and Disclosure

The Company is committed to providing financial reporting that is balanced, clear and objective. The Audit & Risk Committee oversees the quality, integrity and timeliness of external reporting. The Group's Consolidated Financial Statements for the year ended 31 December 2017 are set out on pages 48 to 96 of the Annual Report. Those Consolidated Financial Statements have been streamlined to make them easier to read. Also refer to the letters from the Chair and the CEO in this Annual Report and the NZME Full Year 2017 Results Presentation (available on the Company's website) for additional information.

Non-Financial Reporting and Disclosure

The Company provides non-financial disclosures relating to Health & Safety, Risk Management, our interaction with our communities and our impact on the environment. We also include information about our performance against our operational priorities for the year. Information about our strategic plan for 2018 is included on page 22 of the Annual Report.

NZME does not currently report under a recognised environmental, social and governance ("ESG") framework, but aims to provide non-financial information that would be useful for our stakeholders. This includes a summary of how we create value as set out on pages 10 to 11 of the Annual Report and the information referred to above. We intend to continue enhancing our non-financial reporting initiatives based on the feedback we receive from our shareholders.

PRINCIPLE 5 - REMUNERATION

The remuneration of Directors and executives should be transparent, fair and reasonable.

Remuneration Policy

The Remuneration Policy outlines the Company's approach to the remuneration of its Directors and executives. The Governance & Remuneration Committee is responsible for reviewing non-executive Directors' remuneration and benefits. The pool available to be paid to non-executive Directors is subject to shareholder approval. The levels of fixed fees payable to non-executive Directors should reflect the time commitment and responsibilities of the role. The Governance & Remuneration Committee will obtain independent advice, as necessary, and will also consider the results of market comparison and a benchmarking assessment in setting the fixed fees payable to non-executive Directors.

While the Company does not pay equity based remuneration to its non-executive Directors, it encourages those Directors to hold shares in the Company to better align their interests with the interests of other security holders.

As noted under 4.2, the Governance & Remuneration Committee is also responsible for reviewing the remuneration of the Chief Executive Officer ("CEO") and any executive Directors and, in consultation with the CEO, for reviewing the remuneration packages of executives reporting directly to the CEO. The Company conducts external benchmarking analysis in order to determine the market rate for a role. The Company provides a combination of cash and non-cash benefits and takes a total remuneration approach. The Company reviews remuneration with the objective of achieving pay equity, including by gender.

Directors' Remuneration

The fees paid to each Director depends on the duties of the Director, including committee work. Current fees per annum are as follow:

	Fees ($)
Chairman of the NZME Board	150,000
Membership of the NZME Board	100,000
Chair of NZME Board Committees	20,000
Membership of NZME Board Committees	10,000

FEES PAID FOR THE YEAR ENDED 31 DECEMBER 2017 (IN $)

	Date appointed	Date resigned / retired	Chairman of the Board	Board Member	Committee Chair	Committee Member	Total[A]
Peter Cullinane[B]	24 June 2016	N/A	9,524	93,651	20,000	10,000	133,175
Sir John Anderson[C]	24 June 2016	8 December 2017	140,476		-	18,730	159,206
Carol Campbell[D]	24 June 2016	N/A	-	100,000	20,000	10,000	130,000
David Gibson[E]	8 December 2017	N/A		6,349		1,270	7,619
Total fees paid							**430,000**

(A) In addition to the fees noted in the table above, Directors are also entitled to be reimbursed for all reasonable travel, accommodation, and other costs incurred by them in connection with their attendance at NZME Board or shareholder meetings or otherwise in connection with NZME business. The fees above exclude any such reimbursements. (B) Peter Cullinane is a member of the NZME Board, Chair of the Governance & Remuneration Committee and a member of the Audit & Risk Committee. Following the retirement of Sir John Anderson, Peter Cullinane was also elected as Chairman of the NZME Board. (C) Sir John Anderson was, up to his retirement, the Chairman of the NZME Board and a member of the Audit & Risk and Governance & Remuneration Committees.(D) Carol Campbell is a member of the NZME Board, Chair of the Audit & Risk Committee and a member of the Governance & Remuneration Committee. (E) David Gibson is a member of the NZME Board, the Audit & Risk Committee and the Governance & Remuneration Committee. David will become Chair Governance & Remuneration Committee in 2018.

Chief Executive Officer's Remuneration

	Salary[A]	Bonus[B]	Benefits[C]	Total
Michael Boggs	806,226	336,699	34,288	1,177,213

(A) Salary includes normal basic salary and paid leave. (B) Bonus payments are those paid during the current accounting period and excludes any bonus accrual not yet paid. (C) Benefits relate to company contributions for KiwiSaver.

Michael Boggs held 141,167 shares in the Company as at 31 December 2017 and earned $10,411 in dividends paid by the company on shares held by him during the year. In addition to the remuneration disclosed above, as at 22 February 2018, Michael Boggs held 1,119,022 performance rights issued to him under the Group's Total Incentive Plan ("TIP"). Please refer to note 4.3 of the Consolidated Financial Statements for a summary of the TIP and the performance criteria used to determine performance based payments. Under the 2016 TIP, the participants will be entitled to additional shares (not reflected in the rights above) when the rights are exercised (on 31 December 2019) for any dividends foregone during the period 1 January 2017 to 31 December 2019. For dividends declared during the period 1 January 2017 to 31 December 2017, this will result in an additional 53,161 shares being issued to him.

Directors of Subsidiary Companies
As at 31 December 2017, Michael Boggs (CEO) and Sarah Judkins (Chief Strategy Officer & Acting Chief Financial Officer) were directors of the wholly owned subsidiaries listed in Note 6.2 of the Consolidated Financial Statements, other than NZME Australia Pty Limited. Michael Boggs and Mark O'Sullivan (a professional director resident in Australia) were Directors of NZME Australia Pty Limited as at 31 December 2017. Sarah Judkins was also a director of Chinese New Zealand Herald Limited, Restaurant Hub Limited, Eveve New Zealand Limited and Ratebroker Limited (resigned 3 October 2017) and a trustee of the Auckland Arts Festival. Michael Boggs is also a director of Ratebroker Limited (appointed 6 October 2017), New Zealand Press Association Limited and a trustee of the Herald Foundation. Other than Mark O'Sullivan who received $8,624 for his services as a director of NZME Australia Pty Limited, they did not receive any fees or other benefit for their services as directors to any of these companies. Michael Boggs and Sarah Judkins receive remuneration as employees of the Company which are not related to their duties as directors of these companies.

Employee Remuneration
The Group paid remuneration including benefits in excess of $100,000 to employees (other than directors) during the year ended 31 December 2017. The salary banding for these employees are disclosed in the following table (bands with zero number of employees have been excluded):

Remuneration Amount	Employees	Remuneration Amount	Employees
$100,000 - $110,000	68	$300,001 - $310,000	2
$110,001 - $120,000	59	$310,001 - $320,000	2
$120,001 - $130,000	50	$320,001 - $330,000	6
$130,001 - $140,000	45	$330,001 - $340,000	1
$140,001 - $150,000	28	$340,001 - $350,000	1
$150,001 - $160,000	28	$350,001 - $360,000	3
$160,001 - $170,000	18	$370,001 - $380,000	1
$170,001 - $180,000	12	$380,001 - $390,000	1
$180,001 - $190,000	8	$390,001 - $400,000	1
$190,001 - $200,000	9	$400,001 - $410,000	1
$200,001 - $210,000	4	$410,001 - $420,000	2
$210,001 - $220,000	9	$420,001 - $430,000	1
$220,001 - $230,000	3	$440,001 - $450,000	1
$230,001 - $240,000	6	$450,001 - $460,000	1
$240,001 - $250,000	2	$470,001 - $480,000	2
$250,001 - $260,000	5	$480,001 - $490,000	1
$260,001 - $270,000	4	$540,001 - $550,000	1
$270,001 - $280,000	1	$610,001 - $620,000	1
$280,001 - $290,000	11	$1,170,001 - $1,180,000	1
$290,001 - $300,000	4		
Total number of employees that were paid remuneration of $100,000+			**404**

The remuneration above include all remuneration paid to permanent employees, including fixed remuneration, employer KiwiSaver contributions, medical aid contributions, bonuses, commission, settlements and redundancies.

PRINCIPLE 6 - RISK MANAGEMENT

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Risk Management Framework
The Audit & Risk Committee is responsible for the oversight and independent review of the Group's risk management framework, including:
- Review and approval of the risk management policy;
- Receiving and considering reports on risk management;
- Assessing the effectiveness of the Group's responses to risk; and
- Providing the Board with regular reports on risk management.

The Group has a formal Risk Management Policy and is committed to the consistent, proactive and effective monitoring and management of risk throughout the organisation, in accordance with best practise and the NZME Risk Management Framework and Guidelines.

The Board is ultimately responsible for the effectiveness, oversight and implementation of the Group's approach to risk management.

The Audit & Risk Committee is responsible for the oversight and independent review of the NZME Risk Management Framework and Guidelines, and assisting the Board to discharge its oversight responsibility for risk management.

The Chief Executive Officer ("CEO") is responsible for:
- The management of strategic, operational and financial risk of the Group;
- Continually monitoring the Group's progress against financial and operational performance targets;
- The day-to-day identification, assessment and management of risks applicable to the Group;
- Implementation of risk management controls, processes and policies and procedures appropriate for the Group;
- Driving a culture of risk management throughout the Group.

The NZME Risk Committee acts as a governance forum to assist the NZME CEO and the Group Executive in fulfilling their corporate governance responsibilities. This Committee provides assurance that the following aspects are managed appropriately:
- Strategic and operational risk management;
- Workplace Health & Safety matters;
- Legal, regulatory and policy compliance;
- Technology and security matters;
- Business continuity planning.

The Group has a Head of Risk, Compliance and Financial Reporting who is responsible for providing guidance where required and developing tools, templates and policies that facilitate the identification, management and reporting of risk and support the overall Risk Management Framework and Guidelines.

The Group is a diversified media company and is subject to diverse types of risk including, but not limited to cyber security, legal and regulatory compliance, financial and market, government policy and political, reputation and brand, operational risks and trading conditions.

The Group recognises that in order to achieve its strategic objectives it must be willing to take and accept informed risks. Risks relating to innovation, attracting and retaining talent, and content to drive audiences and address the needs of advertisers are encouraged within defined parameters. However in doing so, it is not acceptable to trade off financial or strategic returns by compromising compliance with the law, the safety of our people, or our reputation as a responsible corporate citizen and provider of news, sport and entertainment.

When setting the appetite for taking and accepting risk, the Group also considers the risk posed by inaction in what is a fast-paced and disrupted market.

The Group's approach to risk management is assessed at least annually by the Audit & Risk Committee of the Board in order to make a recommendation to the full Board on the appropriateness of NZME's Risk Management Framework and Guidelines. The NZME Head of Risk, Compliance and Financial Reporting reports to the NZME Risk Committee and the Audit & Risk Committee on progress of the implementation of the Risk Management Framework and Guidelines.

For additional information on financial risks, please also refer to Note 4.8 of the Consolidated Financial Statements.

Health & Safety

The NZME Board Charter states that the role of the Board includes ensuring that the Group Health & Safety and environmental practices and culture comply with legal requirements, reflects best practice and are recognised by employees and contractors as key priorities for the Group. As noted earlier, NZME does not have a separate Board-level Health & Safety Committee as Health & Safety is dealt with by the full Board.

Health & Safety is included on the NZME Board Risk Register. The NZME Annual Health & Safety Plan captures the projects and objectives for the year to respond to the identified risks. NZME records and monitors critical Health & Safety risks in a separate Health & Safety Critical Risk Register. Currently that register is reviewed and monitored by the Risk Committee, who meet monthly and receive and review reporting on Health & Safety performance, trends and updates, with key matters and progress against the annual plan being reported to the Board. In 2017, areas of focus included, for example, dealing with risks relating to fatigue, traffic management and public exposure.

Health & Safety advice and direction are overseen by the Culture and Performance team, a full-time Health & Safety Advisor and a contracted Health and a Safety Consultant. NZME utilises the online safety management system "Vault" as the framework for how safety is managed within the business. Vault is used for incident reporting, contractor management, hazard and risk management, management of hazardous substances, risk monitoring and reporting.

Worker engagement and involvement is recognised as an important part of growing a positive workplace Health & Safety culture. At NZME, being actively involved in and contributing to Health & Safety is included in the GuideMe performance review template as a KPI for all employees and reviewed as part of the performance review process. In 2016 and 2017 NZME rolled out a mandatory safety leadership training workshops to up-skill all levels of management to ensure they are aware of NZME's Health & Safety obligations, critical risks and the resources available to satisfy these. To ensure effective worker involvement, NZME has multiple Health & Safety Committees in place across New Zealand that actively contribute to the management of risk and the effectiveness of controls in place around the business. Health & Safety performance is communicated throughout all levels of NZME through regular Senior Leadership team meetings and internal business communications.

NZME maintains a Wellness & Safety page on its intranet with sections for Safety at NZME (which includes training manuals, emergency procedures and safety induction documents) and a Wellness section (which includes information about our Employee Assistance Programme, wellness videos and wellness success stories).

PRINCIPLE 7 - AUDITORS

The Board should ensure the quality and independence of the external audit process.

Refer to note 2.2.4 of the Consolidated Financial Statements for fees paid to the auditors, PricewaterhouseCoopers, for the year ended 31 December 2017.

The Audit & Risk Committee Charter requires the Committee to assess the following:

- The independence of the auditor;
- The ability of the auditors to provide additional services which may be occasionally required;
- The competency and reputation of the auditors;
- The projected audit fees; and
- Review the appointment, performance and remuneration of external auditors.

The Audit & Risk Committee also monitors and approves any services provided by the auditors other than in their statutory role and receives confirmation from the auditors as to their independence from the Company. This is undertaken on a service by service basis and assesses whether the service is permissible under Professional and Ethical Standard 1 ("PES 1") issued by the New Zealand Auditing and Assurance Standards Board, ensuring that any potential threat to independence is identified and appropriate safeguards to eliminate the threat or reduce the threat to an acceptable level are established. The Audit & Risk Committee receives an annual confirmation from the auditor as to their independence from the Group. The auditor is also required to provide the Audit & Risk Committee with a detailed analysis of fees relating to non-audit services provided during the year, including a description of potential threats to their independence and the applicable safeguards implemented by the auditor and the Company to either mitigate those threats or reduce them to an acceptable level as required by PES 1. The Audit & Risk Committee takes the nature of the services provided, the quantum of the fee, the reason for the additional services and whether the services are likely to be one-off or repetitive in nature into consideration when evaluating and concluding on auditor independence.

For the year ended 31 December 2017, given the nature of the services provided and based on the Committee's continuous monitoring of auditor independence, the Audit & Risk Committee do not believe that the non-audit services provided by the auditors compromised their objectivity and independence.

The Company requires the external auditor to attend the Annual Shareholders Meeting ("ASM") to answer questions from shareholders in relation to the audit. The Group's auditor, PricewaterhouseCoopers, attended the last ASM on 22 June 2017.

Internal Audit

The Audit & Risk Committee is responsible for reviewing the integrity and effectiveness of the internal audit function. NZME operates a co-sourced internal audit programme that utilises a mix of self-certifications, scheduled control testing by Group Financial Services, random assignments and investigations by Risk & Compliance and a structured internal audit programme executed by external firms.

Any reporting from external parties are presented to the Audit & Risk Committee and any significant findings from other internal activities are reported to the Audit & Risk Committee in the Risk & Compliance report.

PRINCIPLE 8 - SHAREHOLDER RIGHTS & RELATIONS

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

NZME seeks to regularly engage with shareholders to ensure they are informed about our activities and our progress against our stated priorities. NZME employs an Investor Relations Manager to ensure any questions or feedback from shareholders are responded to promptly.

The NZME website has a dedicated Investor Relations section containing NZX / ASX announcements, presentations & webcasts, financial reports, frequently asked questions and other information that might be useful to our shareholders. The share registry is maintained by Link Market Services and their contact details are available under the Investor Relations section of the Company's website. Shareholders can elect to receive communications electronically.

Following each results announcement, NZME holds an investor call to present the results and to allow investors to ask questions. This is followed by an investor roadshow during which the Chief Executive Officer and other members of the Executive aim to meet with as many shareholders as possible.

Shareholders are entitled to exercise their voting rights as provided for under the applicable legislation and listing rules.

OTHER STATUTORY INFORMATION

DIRECTORS' INTEREST IN NZME SHARES

Ordinary shares held by Directors and parties associated with them are as follows:

	31 Dec 2017 Number
Sir John Anderson (retired 8 December 2017)	**114,286**
Carol Campbell	**50,000**
Peter Cullinane	**68,286**

INTERESTS REGISTER

The general disclosures of interests made by Directors of Company during the accounting period, pursuant to section 140(2) of the Companies Act 1993, are shown below.

Director	Company	Position
Peter Cullinane	HT&E Limited	Director
	Lewis Road Creamery Limited	Director and shareholder
	Happy Chickens Limited	Director
Carol Campbell	The Business Advisory Group Limited	Director (resigned effective 1 April 2017) and shareholder (disposed effective 24 May 2017)
	New Zealand Post Limited	Director
	Kiwibank Limited	Director
	Kingfish Limited	Director
	Marlin Global Limited	Director
	Barramundi Limited	Director
	NPT Limited	Director
	T&G Global Limited	Director
	Ronald McDonald House Charities	Chair (resigned effective 31 August 2017)

Director	Company	Position
David Gibson	DG Advisory Limited	Director and shareholder
	Revolutionary Beekeeping Limited	Director and shareholder
	Eat Shop Do Limited (trading as Jess' Underground Kitchen)	Director and shareholder
	Hub App Limited	Director and shareholder
	Penguin Limited	Director and shareholder
	Waiheke Brewing Company Limited	Director and shareholder
	Herbal Investments Limited	Shareholder
	Lewis Road Creamery Limited	Shareholder
	Harker Herbal Products Limited	Shareholder
Sir John Anderson (retired 8 December 2017)	NPT Limited	Chairman (resigned effective 17 March 2017)
	Steel & Tube Holdings Limited	Chairman (resigned as Chairman 17 February 2017 and as Director effective 31 March 2017)
	T&G Global Limited	Deputy Chairman (resigned 4 December 2017)

The Interests Register also includes, pursuant to section 140(1) of the Companies Act 1993, entries for authorising the remuneration and particulars of indemnities and insurance for the Directors.

SHAREHOLDER INFORMATION

Substantial Shareholders

The following information is given pursuant to Sub-Part 5 of Part 5 of the Financial Markets Conduct Act 2013. According to notices given to the Company, the substantial security holders in the Company are noted below:

	Date of substantial security notice	Number of shares held	% of shares held
Allan Gray Australia Pty Limited	26/10/2016	23,395,418	11.94
Nomura Holdings Inc	5/09/2017	9,883,157	5.04
Forager Funds Management Pty Limited	19/09/2017	12,408,486	6.33
Auscap Asset Management Limited	23/02/2018	35,000,000	17.86

The total number of ordinary shares issued by the Company as at 31 December 2017 was 196,011,282. The Company did not have any other quoted voting products.

Top 20 shareholders
As at 28 February 2018

	Number of shares held	% of shares held
Citicorp Nominees Pty Limited	58,959,726	30.08
New Zealand Central Securities Depository Limited	33,106,861	16.89
J P Morgan Nominees Australia Limited	24,877,882	12.69
HSBC Custody Nominees (Australia) Limited	21,480,111	10.96
National Nominees Limited	12,233,821	6.24
Bond Street Custodians Limited	1,702,920	0.87
Pax Pasha Pty Limited	1,692,143	0.86
Aust Executor Trustees Limited	1,455,281	0.74
FNZ Custodians Limited	1,413,000	0.72
Forsyth Barr Custodians Limited	1,311,000	0.67
Bnp Paribas Nominees Pty Limited	1,222,463	0.62
Australian Executor Trustees Limited	1,000,000	0.51
Aet Ct Pty Limited	1,000,000	0.51
Morgan Stanley Australia Securities (Nominee) Pty Limited	700,188	0.36
Rudie Pty Limited	698,427	0.36
Leh Soon Yong	538,000	0.27
Goolestan Dinshaw Katrak	500,000	0.26
Steven Fahey & Lynette Fahey	410,238	0.21
UBS Nominees Pty Limited	389,302	0.2
Bnp Paribas Nominees Pty Limited Hub24 Custodial Serv Limited Drp	387,919	0.2
Timothy John Eakin	380,000	0.19
Georgina Jane Birrell	380,000	0.19

Spread of Quoted Security Holders

Range of Securities Held	Number of Investors	% of Total Investors	Shares Held	% of Shares Issued
1 to 1,000	3,807	63.76	1,041,437	0.53
1,001 to 5,000	1,232	20.63	2,949,899	1.50
5,001 to 10,000	349	5.84	2,611,911	1.33
10,001 to 100,000	514	8.61	15,612,212	7.96
Above 100,000	69	1.16	173,795,823	88.67
Total	**5,971**	**100**	**196,011,282**	**100**

OTHER INFORMATION

Waivers from the NZX
The Company did not receive any waivers from any of the NZX Listing Rules during the year.

Donations
In accordance with section 211(1)(h) of the Companies Act 1993, NZME notes that the Group made donations of $16,060 during the year ended 31 December 2017.

Credit rating
As at the date of this Annual Report, NZME did not have a credit rating.

Exercise of NZX disciplinary powers
For the year ended 31 December 2017, the NZX did not exercise any of its disciplinary powers under Rule 5.4.2 of the NZX Listing Rules in relation to the Company.

Direct director appointments under the Company Constitution
Rule 3.3.8 of the NZX Listing Rules allow a company to include in its Constitution a right for a product holder to appoint a director to the Board under certain circumstances. As at 31 December 2017, none of the Directors were appointed pursuant to Rule 3.3.8.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended
31 December 2017

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

*In an attempt to make these financial statements easier to read, the notes to the financial statements have been grouped into seven sections; aimed at grouping items of a similar nature together. The Basis of Preparation section presents a summary of material information and general accounting policies that are necessary to understand the basis on which these consolidated financial statements have been prepared. Accounting policies specific to a particular note are included in that note and are shaded for ease of reference. Key judgments and estimates relevant to a particular note are also included in the relevant note, and are clearly marked as such. A summary of the key judgments and estimates is also included under the Basis of Preparation section on pages 57 to 58.

DIRECTORS' STATEMENT

The directors are pleased to present the consolidated financial statements of NZME Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2017, incorporating the consolidated financial statements and the auditor's report.

The directors are responsible, on behalf of the Company, for presenting these consolidated financial statements in accordance with applicable New Zealand legislation and generally acceptable accounting practices in New Zealand in order to present consolidated financial statements that present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and the results of the Group's operations and cash flows for the year then ended.

The consolidated financial statements for the Group as presented on pages 50 to 96 are signed on behalf of the Board of Directors, and are authorised for issue on the date below.

For and on behalf of the Board of Directors

Peter Cullinane
Director

Carol Campbell
Director

Date: 21 February 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	NOTE	**2017 $'000**	2016 $'000
CONTINUING OPERATIONS			
Revenue	2.1	**390,688**	407,856
Finance and other income	2.1	**926**	2,340
Total revenue and other income	2.1	**391,614**	410,196
Expenses from operations before finance costs, depreciation, amortisation	2.2.1	**(332,839)**	(363,553)
Depreciation & amortisation	2.2.2	**(24,946)**	(23,845)
Finance costs	2.2.3	**(4,497)**	(9,300)
Profit / (loss) from continuing operations before income tax expense		**29,332**	13,498
Income tax expense	5.1	**(8,447)**	(64,050)
Profit / (loss) from continuing operations for the year		**20,885**	(50,552)
DISCONTINUED OPERATIONS			
Profit / (loss) after tax from discontinued operations		**-**	125,095
Profit / (loss) for the year		**20,885**	74,543
PROFIT / (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of the Company		**20,885**	60,618
Non-controlling interests		**-**	13,925
Profit / (loss) for the year		**20,885**	74,543

	NOTE	**CENTS**	CENTS
Earnings per share from continuing operations attributable to the ordinary shareholders of the company			
Basic / diluted earnings per share	2.3	**10.7**	(28.0)
Earnings per share from profit for the year (continuing and discontinued operations) attributable to the ordinary shareholders of the Company			
Basic / diluted earnings per share	2.3	**10.7**	30.9

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	NOTE	**2017 $'000**	2016 $'000
Profit for the year		**20,885**	74,543
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	4.2	**(15)**	44,846
Items that will not be reclassified to profit or loss			
Exchange and other differences applicable to non-controlling interests		**-**	(14,683)
Other comprehensive income, net of tax		**(15)**	30,163
Total comprehensive income		**20,870**	104,706
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**20,870**	105,464
Non-controlling interests		**-**	(758)
		20,870	104,706
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Continuing operations		**20,870**	(10,038)
Discontinued operations		**-**	115,502
		20,870	105,464

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

as at 31 December 2017

	NOTE	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	4.7	**9,570**	16,242
Trade and other receivables	3.3	**55,323**	53,631
Inventories		**1,926**	2,226
Total current assets		**66,819**	72,099
NON-CURRENT ASSETS			
Intangible assets	3.1	**330,553**	329,776
Property, plant and equipment	3.2	**64,725**	75,677
Other financial assets	6.3.2	**5,988**	5,988
Total non-current assets		**401,266**	411,441
Total assets		**468,085**	483,540
CURRENT LIABILITIES			
Trade and other payables	3.4	**56,894**	66,379
Current tax provision		**7,567**	2,800
Total current liabilities		**64,461**	69,179
NON-CURRENT LIABILITIES			
Trade and other payables	3.4	**13,565**	13,423
Interest bearing liabilities	4.5	**99,788**	112,168
Deferred tax liabilities	5.2	**1,239**	3,211
Total non-current liabilities		**114,592**	128,802
Total liabilities		**179,053**	197,981
Net assets		**289,032**	285,559
EQUITY			
Share capital	4.1	**360,363**	360,363
Reserves	4.2	**2,385**	(5,198)
Retained earnings		**(73,716)**	(69,606)
Total equity		**289,032**	285,559

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

		— Attributable to owners of the Company —					
	NOTE	SHARE CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	**TOTAL $'000**	NON-CONTROLLING INTERESTS $'000	**TOTAL EQUITY $'000**
BALANCE AT 1 JANUARY 2016		360,363	(34,992)	104,584	**429,955**	201,869	**631,824**
Profit for the year		-	-	60,618	**60,618**	13,925	**74,543**
Other comprehensive income		-	44,846	-	**44,846**	(14,683)	**30,163**
TOTAL COMPREHENSIVE INCOME		-	44,846	60,618	**105,464**	(758)	**104,706**
Transfer from asset revaluation reserve	4.2	-	(464)	464	**-**	-	**-**
Transfer from transaction with non-controlling interest reserve	4.2	-	(14,732)	14,732	**-**	-	**-**
Dividends paid	4.4	-	-	(198,118)	**(198,118)**	-	**(198,118)**
Transactions with non-controlling interests		-	-	-	**-**	(3,630)	**(3,630)**
Share based payments expense	4.2	-	144	-	**144**	-	**144**
Acquisitions and divestments of subsidiaries and operations		-	-	(51,886)	**(51,886)**	(197,481)	**(249,367)**
Balance at 31 December 2016		360,363	(5,198)	(69,606)	**285,559**	-	**285,559**
BALANCE AT 1 JANUARY 2017		360,363	(5,198)	(69,606)	**285,559**	-	**285,559**
Profit for the year		-	-	20,885	**20,885**	-	**20,885**
Other comprehensive income		-	(15)	-	**(15)**	-	**(15)**
TOTAL COMPREHENSIVE INCOME		-	(15)	20,885	**20,870**	-	**20,870**
Dividends paid	4.4	-	-	(18,622)	**(18,622)**	-	**(18,622)**
Supplementary dividends paid	4.4	-	-	(2,785)	**(2,785)**	-	**(2,785)**
Tax credit on supplementary dividends		-	-	2,785	**2,785**	-	**2,785**
Transfer from transaction with non-controlling interest reserve	4.2	-	6,373	(6,373)	**-**	-	**-**
Share based payments expense	4.2	-	1,225	-	**1,225**	-	**1,225**
Balance at 31 December 2017		360,363	2,385	(73,716)	**289,032**	-	**289,032**

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 31 December 2017

	NOTE	**2017 $'000**	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**387,228**	581,485
Payments to suppliers and employees		**(336,626)**	(488,558)
Dividends received		**128**	141
Interest received		**139**	223
Interest paid		**(5,804)**	(8,811)
Income taxes paid		**(5,610)**	(22,798)
Net cash inflows / (outflows) from operating activities	4.7	**39,455**	61,682
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(4,881)**	(11,549)
Payments for intangible assets including software		**(10,165)**	(4,407)
Proceeds from sale of property, plant and equipment		**27**	2,251
Proceeds from divestment of subsidiaries, net of their cash, as part of internal restructure		**-**	95,936
Payments for investment in other entities		**-**	(848)
Net loans repaid / (advanced) to other entities		**-**	2,278
Net cash inflows / (outflows) from investing activities		**(15,019)**	83,661
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans advanced / (repaid) by related parties		**-**	(55,958)
Proceeds from borrowings	4.5	**84,000**	54,000
Repayments of borrowings	4.5	**(96,486)**	(127,242)
Payments for borrowing cost		**-**	(400)
Dividends paid to Company's shareholders		**(18,622)**	(6,860)
Net payments to non-controlling interests		**-**	(3,630)
Net cash inflows / (outflows) from financing activities		**(31,108)**	(140, 090)
Net increase / (decrease) in cash and cash equivalents		**(6,672)**	5,253
Cash and cash equivalents at beginning of the year		**16,242**	11,065
Effect of exchange rate changes		**-**	(76)
Cash and cash equivalents at end of the year	4.7	**9,570**	16,242

The Consolidated Statement of Cash Flows includes cash flows from continuing and discontinued operations. Refer to Note 6.1 and the Consolidated Financial Statements for the year ended 31 December 2016 (available on the Company's website) for further information on cash flows from discontinued operations.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.0 BASIS OF PREPARATION

1.1 REPORTING ENTITY AND STATUTORY BASE

NZME Limited (NZX and ASX:NZM) is a for-profit company limited by ordinary shares which are publicly traded on the NZX Main Board and the Australian Securities Exchange as a Foreign Exempt Listing. NZME Limited is incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993 and is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The entity's registered office is 2 Graham Street, Auckland, 1010, New Zealand.

NZME Limited (the "Company" or "Parent") and its subsidiaries' (together the "Group") principal activity during the financial year was the operation of an integrated media and entertainment business.

1.2 GENERAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have also been prepared in accordance with Part 7 of the Financial Markets Conduct Act 2013 and the NZX Listing Rules.

The principal accounting policies adopted in the preparation of the financial statements are either set out below, or in the relevant note. These policies have been consistently applied to all the years presented, unless otherwise stated. These consolidated financial statements are presented for the Group and were approved for issue by the Board of Directors on 21 February 2018.

1.2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention with the exception of certain items for which specific accounting policies are identified.

1.2.2 Comparatives

Certain prior period information has been re-presented consistent with current year disclosures to provide more meaningful comparison.

1.2.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional and the Group's presentation currency, and rounded to the nearest thousand, except where otherwise stated.

1.2.4 Goods and Services Tax ('GST')

The income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with exception of receivables and payables, which include GST invoiced. In the statement of cash flows, receipts from customers and payments to suppliers are shown inclusive of GST.

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of certain significant judgements, accounting estimates and assumptions, including judgements, estimates and assumptions concerning the future. The estimates and assumptions are based on historical experiences and other factors that are considered to be relevant. The resulting accounting estimates will by definition, seldom equal the related actual results and are reviewed on an ongoing basis. A list of those areas of significant estimation or judgement and a reference to the notes containing further information is provided below:

Areas of significant accounting estimates or judgements	*Note*
Impact of Performance Rights on earnings per share	*2.3*
Determination of number of reportable segments	*2.4*
Intangible assets with indefinite useful lives	*3.1*
Assumptions used in testing for impairment of indefinite life intangible assets	*3.1.1*

1.4 SIGNIFICANT CHANGES

1.4.1 Demerger from APN News & Media Limited (now HT&E Limited) and tax settlement in the prior year

The Company completed its demerger from APN News & Media Limited (subsequently rebranded as HT&E Limited ("HT&E)) on 29 June 2016, marking the creation of a standalone New Zealand Group focused on the operation of an integrated print, radio and digital media and entertainment business. On 23 June 2016, the Company and HT&E reached a binding heads of agreement with the Inland Revenue Department ("IRD") to settle the Mandatory Convertible Note transaction, the Branch financing transaction, non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD. The demerger and tax settlement had a significant impact on the audited consolidated financial statements for the year ended 31 December 2016 as shown in the comparatives to these consolidated financial statements. The demerger and the tax settlement did not have a material impact on the year ended 31 December 2017. Detailed notes regarding the demerger and the tax settlement are included in the audited consolidated financial statements for the year ended 31 December 2016 available on the Company's website. Also refer to note 6.1 of these consolidated financial statements.

1.4.2 Proposed Merger with Stuff Limited

On 7 September 2016 the Company and Fairfax Media Limited ("Fairfax") announced the signing of a merger implementation agreement to effect the merger of the Company and Stuff Limited,formerly Fairfax New Zealand Limited, ("Stuff").

The New Zealand Commerce Commission ("NZCC") declined to grant clearance or authorisation for the proposed merger of the Company with Stuff on 3 May 2017.

On 26 May 2017 the Company, Fairfax and Stuff announced that they would appeal the NZCC's decision in the High Court.

A nine day hearing was held in October 2017 and on 19 December 2017 we announced that the High Court has upheld the NZCC's decision not to clear or authorise the proposed merger. The Company, Fairfax and Stuff have now applied for leave to appeal the High Court decision upholding the NZCC's decision not to clear or authorise the proposed merger of the two businesses.

2.1 REVENUE AND OTHER INCOME

	2017 $'000	2016 $'000
FROM CONTINUING OPERATIONS		
Advertising revenue	**279,095**	295,141
Circulation and subscription revenue	**83,263**	86,782
Services revenue	**12,542**	12,206
Other revenue	**15,788**	13,727
Revenue from continuing operations	**390,688**	407,856
Dividends	**128**	141
Rental income from sub-leases	**632**	586
Profit / (loss) on disposal of properties and businesses	**-**	1,320
Profit / (loss) on disposal of property, plant and equipment	**27**	-
Other income	**787**	2,047
Interest income – related parties	**-**	91
Interest income – other entities	**139**	202
Finance income	**139**	293
Total finance and other income	**926**	2,340
Total revenue and other income	**391,614**	410,196
FROM DISCONTINUED OPERATIONS (REFER TO NOTE 6.1)		
Total revenue and other income	**-**	127,542

Accounting Policies

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates and taxes paid.

The Group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that the economic benefits will flow to the Group; and
- the criteria for revenue recognition has been satisfied.

Advertising revenue is recognised when the advertisement is published or broadcast, when the coupon is sold, or over the period the advertisement is displayed.

Circulation and subscription revenue is recognised when the publication is purchased or on a straight-line basis over the subscription period.

Services revenue is recognised by reference to the stage of completion of the transaction, when it can be measured reliably. Services revenue includes printing and production and revenue generated by the shared services centre.

Other revenue includes revenue from events, recycling of waste, distribution and digital design and is recognised when the event occurs, the product is delivered or the goods are sold.

2.2 EXPENSES

2.2.1 Expenses from operations before finance costs, depreciation, amortisation

	2017 $'000	2016 $'000
FROM CONTINUING OPERATIONS		
Employee benefits expense	**157,350**	161,610
Production and distribution expense	**75,045**	82,301
Selling and marketing expense	**47,569**	45,840
Rental and occupancy expense	**21,986**	23,711
Masthead license fees	**-**	12,216
Costs in relation to one-off projects	**2,970**	6,946
Redundancies and associated costs	**4,314**	6,009
Asset write-downs and business closures	**275**	-
Repairs and maintenance costs	**6,973**	6,166
Travel and entertainment costs	**4,180**	4,086
Other	**12,177**	14,668
Total expenses from operations before finance costs, depreciation, amortisation	**332,839**	363,553

	2017 $'000	2016 $'000
2.2.2 Depreciation & amortisation		
FROM CONTINUING OPERATIONS		
Depreciation	**15,559**	16,173
Amortisation	**9,387**	7,672
Total depreciation & amortisation	**24,946**	23,845
2.2.3 Finance cost		
FROM CONTINUING OPERATIONS		
Interest and finance charges – related parties	**-**	2,765
Interest and finance charges – other entities	**4,391**	6,482
Borrowing cost amortisation	**106**	53
Total finance cost	**4,497**	9,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2017 $'000	2016 $'000
2.2.4 Fees paid to auditors		
Fees paid to the Group's auditors, PricewaterhouseCoopers, consist of:		
Audit or review of financial statements[A]	**368**	454
Other services		
Other assurance services[B]	**51**	6
Tax services[C]	**109**	1,057
Other services[D]	**125**	1,231
Total other services	**285**	2,294
Total fees paid to auditors	**653**	2,748

(A) Includes the fee for both the audit of the annual financial statements and the independent review of the interim financial statements.
(B) Includes regulatory and other assurance services, including New Zealand circulations and payroll assurance. (C) Includes services relating to transactional advice, tax compliance services, tax pooling services (2016 only) and services relating to the IRD settlement (2016 only).
(D) Includes due diligence and advisory services relating to the proposed merger with Stuff Limited of $124,941 (2016: $1,224,179).

2.3 EARNINGS PER SHARE

Significant Judgement

Under the Group's Total Incentive Plan ("TIP") as discussed in Note 4.3, Performance Rights were issued to certain participating employees that, for the 2017 TIP, will at the discretion of the Board either convert into fully paid ordinary shares or be settled in cash; and for the 2016 TIP, will convert into fully paid ordinary shares. Under the TIP, where Performance Rights are settled in shares, the Company would either repurchase those shares from the market or issue new shares. Any new shares issued would have a dilutive effect on the Earnings Per Share calculations noted below. It is currently the intention of the Company to either repurchase shares from the market or settle the rights in cash and not to issue new shares.

	2017 $'000	2016 $'000
RECONCILIATION OF EARNINGS USED IN CALCULATING BASIC / DILUTED EARNINGS PER SHARE ("EPS")		
Profit / (Loss) from continuing operations attributable to owners of the parent entity	**20,885**	(54,884)
Profit from discontinuing operations attributable to owners of the parent entity	**-**	115,502
Profit / (Loss) attributable to owners of the parent entity used in calculating EPS	**20,885**	60,618

	2017 NUMBER	2016 NUMBER
WEIGHTED AVERAGE NUMBER OF SHARES		
Weighted average number of shares in the denominator in calculating basic EPS	**196,011,282**	196,011,282
Adjusted for calculation of diluted EPS	**-**	-
Weighted average number of shares in the denominator in calculating diluted EPS	**196,011,282**	196,011,282

	2017 CENTS	2016 CENTS
BASIC / DILUTED EARNINGS PER SHARE		
From continuing operations attributable to owners of the parent entity	**10.7**	(28.0)
From discontinuing operations attributable to owners of the parent entity	**-**	58.9
Total basic / diluted earnings per share attributable to owners of the parent entity	**10.7**	30.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

Basic earnings per share (from continuing operations)

Basic earnings per share is determined by dividing:

- the profit or loss attributable to owners of the Company; by
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share (from continuing operations)

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account:

- the after-tax effect of dividends, interest and other changes in income or expense 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.

(Note that there are no dilutive potential ordinary shares in 2017 (2016: nil)).

Basic / dilutive earnings per share (from discontinued operations)

Basic / dilutive earnings per share (from discontinued operations) are calculated on the same basis as the policies described above, except that net profit or loss attributable to the owners of the Company is replaced with profit or loss from discontinued operations attributable to the owners of the Company.

2.4 SEGMENT INFORMATION

2.4.1 Determination and description of segments

Significant Judgement

The Group has one reportable segment – being "Integrated Media and Entertainment". All significant operating decisions are based upon analysis of NZME as one operating segment. The Executive Team and the Board of Directors have been identified as the Chief Operating Decision Maker. The Group's major products and services are split by channel only at the revenue level into Print, Radio & Experiential and Digital & e-Commerce which is the way in which revenue is reported to the Chief Operating Decision Maker. Although the Group operates in many different markets within New Zealand, for management reporting purposes the Group operates in one principle geographical area being New Zealand as a whole.

Integrated Media and Entertainment incorporates the sale of advertising, goods and services generated from the audiences attached to the Group's media platforms.

2.4.2 Segment revenues and results

The segment information provided to the Directors and Executive Team for the year ended 31 December 2017 is as follows:

	2017 $'000	2016 $'000
REVENUES FROM EXTERNAL CUSTOMERS BY CHANNEL		
Print	**221,319**	239,127
Radio & Experiential	**110,071**	114,849
Digital & e-Commerce	**56,327**	52,153
Segment revenue from integrated media and entertainment activities	**387,717**	406,129
Revenue from shared service centre	**2,971**	1,727
Total revenues from external customers	**390,688**	407,856
Dividend income	**128**	141
Rental income from sub-leases	**632**	586
Expenses from operations before finance costs, depreciation, amortisation and exceptional items	**(325,280)**	(338,382)
Total Segment Adjusted EBITDA[A]	**66,168**	70,201
Depreciation and amortisation	**(24,946)**	(23,845)
Interest income	**139**	293
Finance cost	**(4,497)**	(9,300)
EXCEPTIONAL ITEMS		
Gain / (loss) on disposal of properties and businesses[B]	**(248)**	1,320
Masthead royalty charges[C]	**-**	(12,216)
Redundancies and associated costs[D]	**(4,314)**	(6,009)
Costs in relation to one off projects[E]	**(2,970)**	(6,946)
Profit / (Loss) before tax from continuing operations	**29,332**	13,498

(A) Adjusted Earnings before Interest, Tax, Depreciation and Amortisation ("Adjusted EBITDA") from continuing operations which excludes exceptional items, is a non-GAAP measure that represents the Group's total segment result which is regularly monitored by the Chief Operating Decision Maker. Exceptional items are those gains, losses, income and expense items that are not directly related to the primary business activities of the Group which are determined in accordance with the NZME Exceptional Items Recognition Framework adopted by the Audit & Risk Committee. Exceptional items include redundancies, impairment, one-off projects and the disposal of properties or businesses. These items are excluded from the segment result that is regularly reviewed by the Chief Operating Decision Maker. (B) Gain / (loss) on disposal of properties and businesses is the loss on sale of land in Ouruhia and Greymouth in 2017 and the gain on sale of the Wairarapa Times Age, Whakatane News offset by loss on sale of property in Nelson in 2016. (C) Costs charged from a subsidiary company of HT&E for use of NZ publishing mastheads in 2016. On 24 June 2016, the Group acquired certain NZ publishing mastheads on normal commercial terms from this subsidiary company of HT&E. As a result, masthead royalty charges have not been incurred by the Group from 24 June 2016 onwards. (D) The redundancies and associated costs relate to the restructuring and integration of the New Zealand operations. (E) The costs related to one off projects refers primarily to costs of external consultants assisting with the proposed merger with Stuff and the continuing integration and co-location of NZME. In 2016 this also included costs relating to listing.

As the Group has one operating segment, the assets and liabilities as reported on the consolidated balance sheet are also the segment assets and liabilities, and the income tax expense in the consolidated income statement is also the segment income tax.

3.1 INTANGIBLE ASSETS

Significant Judgement

The Directors have determined that Masthead Brands and Brands have indefinite lives and are therefore not amortised. Refer to the accounting policies below for further information.

	GOODWILL $'000	SOFTWARE $'000	MASTHEAD BRANDS $'000	RADIO LICENCES $'000	BRANDS $'000	**TOTAL $'000**
AS AT 1 JANUARY 2016						
Cost	177,006	46,587	-	479,492	59,079	**762,164**
Accumulated amortisation and impairment	(95,614)	(35,316)	-	(34,134)	-	**(165,064)**
Net book value	81,392	11,271	-	445,358	59,079	**597,100**
FOR THE YEAR ENDED 31 DECEMBER 2016						
Opening net book amount	81,392	11,271	-	445,358	59,079	**597,100**
Additions[A]	-	4,286	146,976	-	-	**151,262**
Divestment of subsidiaries and operations[B]	(10,804)	-	-	(390,454)	-	**(401,258)**
Amortisation	-	(4,721)	-	(3,422)	-	**(8,143)**
Foreign exchange differences	195	34	-	(9,414)	-	**(9,185)**
Net book value	70,783	10,870	146,976	42,068	59,079	**329,776**
AS AT 31 DECEMBER 2016						
Cost	166,397	49,309	146,976	77,457	59,079	**499,218**
Accumulated amortisation and impairment	(95,614)	(38,439)	-	(35,389)	-	**(169,442)**
Net book value	70,783	10,870	146,976	42,068	59,079	**329,776**

	GOODWILL $'000	SOFTWARE $'000	MASTHEAD BRANDS $'000	RADIO LICENCES $'000	BRANDS $'000	**TOTAL $'000**
FOR THE YEAR ENDED 31 DECEMBER 2017						
Opening net book amount	70,783	10,870	146,976	42,068	59,079	**329,776**
Additions	-	1,932	-	90	-	**2,022**
Amortisation	-	(6,434)	-	(2,953)	-	**(9,387)**
Transfers and other adjustments[C]	-	8,142	-	-	-	**8,142**
Net book value	70,783	14,510	146,976	39,205	59,079	**330,553**
AS AT 31 DECEMBER 2017						
Cost	166,397	59,384	146,976	77,547	59,079	**509,383**
Accumulated amortisation and impairment	(95,614)	(44,874)	-	(38,342)	-	**(178,830)**
Net book value	70,783	14,510	146,976	39,205	59,079	**330,553**

(A) Prior to the implementation of the demerger, the Group acquired certain NZ publishing Masthead Brands on normal commercial terms from a subsidiary company of APN News & Media Limited (now HT&E Limited ("HT&E")). These Masthead Brands were purchased for consideration of $146,976,000 together with a termination amount in regard to the masthead license of $2,065,575, which was incurred as the Group early terminated the masthead licences agreement with HT&E. (B) The Company completed its demerger from HT&E on 29 June 2016. Refer to Note 6.1 and the Consolidated Financial Statements for the year ended 31 December 2016 (available on the Company's website) for further details around assets disposed and acquired as part of the Internal Restructure. (C) Included in plant and equipment is capitalised work in progress which is transferred to the relevant asset category (including software) once the project is complete (refer to note 3.2). Transfers and other adjustments primarily comprise of transfers from work in progress during the year.

Accounting policies

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of the acquisition. Goodwill is not amortised but rather is subject to periodic impairment testing.

Software

Costs incurred in developing systems, acquiring software and licences are capitalised to software. Costs capitalised include materials, services, payroll and payroll related costs of employees involved in development. Amortisation is calculated on a straight line basis over the useful life of the asset (typically 3 to 10 years).

Radio licences

Commercial radio licences are accounted for as identifiable assets and are initially recognised at cost. The current New Zealand radio licences expire on 31 March 2031 and are being amortised on a straight line basis to that date.

Masthead Brands

Masthead Brands, being the titles, logo's and similar items of the integrated media assets of the Group are accounted for as identifiable assets and are initially recognised at cost. The Directors believe the masthead brands have indefinite lives as there is no foreseeable limit over which they are expected to generate net cash inflows for the Group. Accordingly, Masthead Brands are not amortised but are tested for impairment each year (refer to note 3.1.1 below).

Brands

Brands are accounted for as identifiable assets and are initially recognised at cost. The Directors have considered the geographic location, legal, technical and other commercial factors likely to impact the assets' useful lives and consider that they have indefinite lives. Accordingly, Brands are not amortised but are tested for impairment each year (refer to note 3.1.1 below).

3.1.1 Year-end impairment review

Significant Judgement

As disclosed in note 2.4 the Directors have determined that the Group has one reportable segment – being "Integrated Media and Entertainment". The Directors have also determined that this is the only cash generating unit ("CGU") for impairment testing because this is the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Accordingly all goodwill and intangibles with indefinite useful lives are allocated to one CGU. This note also includes details of certain key estimates and assumptions made during the impairment testing calculations.

A comprehensive impairment review was conducted at 31 December 2017. The recoverable amount of the CGU (which includes goodwill and indefinite life intangible assets) is determined based on the higher of fair value less costs to sell and value in use calculations using management budgets and forecasts. The recoverable amount of the CGU is compared against the carrying value of the CGU to determine whether there has been an impairment.

Key estimates and assumptions

	2017 Post-tax discount rate	**2017 Long-term growth rate**	2016 Post-tax discount rate	2016 Long-term growth rate
Integrated Media and Entertainment CGU	**9.5%**	**0%**	9.5%	0%

Year 1 cash flows:

Based on Board approved annual budget.

Years 2 to 5 cash flows

Revenue forecasts are prepared based on management's current expectations, with consideration given to internal information and relevant external industry data and analysis. In particular:

- Print revenues are forecast to decline in line with recent experience and industry trends.
- Digital revenues are forecast to grow based on recent experience and industry trends and include cash flow assumptions for new digital ventures being launched in 2018.
- Radio and experiential revenues are forecast to grow based on management expectations of performance as a result of investment in key initiatives.

Expenses are forecast based on management expectations, with consideration given to internal information and relevant external data.

3.1.2 Impact of reasonably possible change in key assumptions

The forecasts used in impairment testing require assumptions and judgements about the future, such as discount rates, long term growth rates, forecasted print and digital revenues, to which the model is sensitive and which are inherently uncertain. Given these uncertainties, the Group has adopted a valuation approach based on scenario analysis for those scenarios that it considers to be reasonably likely to occur. Based on all available information, the directors do not consider there to be any reasonably possible change in the key assumptions that would cause impairment. Accordingly, based on the annual impairment assessment performed, there is no impairment.

Accounting policies

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that they may be impaired. Intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Currently, the group has only one CGU, being Integrated Media and Entertainment. Non-financial intangible assets, other than goodwill, that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

3.2 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND[B] $'000	BUILDINGS[B] $'000	PLANT AND EQUIPMENT[C] $'000	**TOTAL $'000**
AS AT 1 JANUARY 2016				
Cost or fair value	2,990	480	404,483	**407,953**
Accumulated depreciation and impairment	-	-	(308,737)	**(308,737)**
Net book amount	2,990	480	95,746	**99,216**
YEAR ENDED 31 DECEMBER 2016				
Opening net book amount	2,990	480	95,746	**99,216**
Additions	-	1,576	10,160	**11,736**
Disposals	(752)	(98)	(172)	**(1,022)**
Divestment of subsidiaries and operations[A]	(1,133)	(714)	(14,928)	**(16,775)**
Depreciation	-	(2,217)	(15,832)	**(18,049)**
Transfers and other adjustments[C]	302	13,335	(12,701)	**936**
Foreign exchange differences	(26)	(17)	(322)	**(365)**
Net book amount	1,381	12,345	61,951	**75,677**

(Footnotes on the next page)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	FREEHOLD LAND[B] $'000	BUILDINGS[B] $'000	PLANT AND EQUIPMENT[C] $'000	**TOTAL $'000**
AS AT 31 DECEMBER 2016				
Cost or fair value	1,381	14,562	336,730	**352,673**
Accumulated depreciation and impairment	-	(2,217)	(274,779)	**(276,996)**
Net book amount	1,381	12,345	61,951	**75,677**
YEAR ENDED 31 DECEMBER 2017				
Opening net book amount	1,381	12,345	61,951	**75,677**
Additions	-	273	12,759	**13,032**
Disposals	(216)	(8)	(60)	**(284)**
Depreciation	-	(2,302)	(13,257)	**(15,559)**
Transfers and other adjustments[C]	-	(29)	(8,112)	**(8,141)**
Net book amount	1,165	10,279	53,281	**64,725**
AS AT 31 DECEMBER 2017				
Cost or fair value	1,165	14,764	338,715	**354,644**
Accumulated depreciation and impairment	-	(4,485)	(285,434)	**(289,919)**
Net book amount	1,165	10,279	53,281	**64,725**

(A) The Company completed its demerger from APN News & Media Limited (now HT&E Limited ("HT&E")) on 29 June 2016. Refer to Note 6.1 and the Consolidated Financial Statements for the year ended 31 December 2016 (available on the Company's website) for further details around assets disposed and acquired as part of the Internal Restructure. (B) Freehold land and buildings include leasehold improvements with a net book value of $9,901,993 (2016: $11,942,062) carried at cost. All other freehold land and buildings are held at fair value based on independent valuations. If land and buildings were stated on the historical cost basis, the net book value of land would have been $442,270 (2016: $658,270) and the net book value of buildings would have been $336,973 (2016: $347,504). The last revaluation was performed for the year ended 31 December 2015.
(C) Included in plant and equipment is capitalised work in progress with a net book value of $8,149,802 (2016: $7,285,650) which is transferred to the relevant asset category (including software) once the project is complete. Transfers and other adjustments primarily comprise of transfers from work in progress during the year. Work in progress is not depreciated until the asset is completed.

Accounting policies
Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Furniture and fittings	3 to 25 years
Buildings	10 to 25 years
Leasehold improvements	3 to 25 years
Motor vehicles	5 to 10 years
Plant & equipment	3 to 25 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Land and buildings (excluding leasehold improvements) are recorded at fair value, based on periodic valuations (at least every 3 years) by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against the revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset. All other decreases are charged to the income statement.

Plant and equipment, furniture and fittings and motor vehicles are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets 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 reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Impairment of assets
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to depreciation are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.3 TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Trade receivables	**44,811**	45,043
Provision for impairment	**(592)**	(1,042)
	44,219	44,001
Amounts due from related companies (note 7.1.2)	**1,028**	750
Other receivables and prepayments	**10,076**	8,880
Total current trade and other receivables	**55,323**	53,631
Movements in the provision for impairment are as follows:		
Balance at beginning of the year	**1,042**	2,146
Provision for impairment expense	**430**	596
Receivables written off	**(880)**	(1,700)
Provision for impairment	**592**	1,042

3.3.1 Classification
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Receivables and other financial assets are classified as subsequently measured at amortised cost on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. If collection of the amounts is expected in one year or less they are classified as current assets.

3.3.2 Fair values of trade and other receivables
Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

3.3.3 Impairment and risk exposure
The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer to note 4.8.3 for credit risk and note 4.9 for fair value information.

Accounting policies
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are monitored on an individual basis and the company considers the probability of default upon initial recognition of the receivable and throughout the period and provides for receivables expected to be impaired. The amount of loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

3.4 TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
CURRENT PAYABLES		
Lease liability[A]	**833**	833
Amounts due to related companies (note 7.1.2)	**1,194**	2,654
Employee entitlements	**7,211**	7,104
Trade payables and accruals	**47,656**	55,788
Total current trade and other payables	**56,894**	66,379
NON-CURRENT PAYABLE		
Lease liability[A]	**13,565**	13,423
Total non-current trade and other payables	**13,565**	13,423

(A) Lease liability includes lease incentives received on operating leases.

Refer to note 4.8 for information regarding risk exposure, note 4.9 for further fair value considerations and note 4.6 for lease commitments.

Accounting policies

Trade and other payables

Trade payables, including accruals not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are unsecured and are generally settled within 30 to 45 days.

Leases

Finance leases are leases of property, plant and equipment where the Group, as lessee, has substantially all the risk and rewards of ownership. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding liability is also established and each lease payment is allocated between the liability and finance charges. The interest element is charged to the income statement over the period of the lease. Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the Group will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over the shorter of the estimated useful life or the lease term. The Group does not currently have any material finance leases.

Operating leases are other leases under which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments are charged to the income statement on a straight line basis over the period of the lease, net of lease incentives, which are classified as payables and amortised over the life of the associated lease.

Lease incentives are presented as part of the lease liabilities and are recognised in the income statement on a straight line basis over the lease term.

Employee entitlements

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be wholly settled within 12 months from the reporting date are recognised in payables and accruals in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Amounts to be settled more than 12 months after the reporting date are recognised as a non-current payable. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Short-term incentive plans

A liability for short-term incentives is recognised in trade payables when there is an expectation of settlement and at least one of the following conditions is met:

- there are contracted 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 statements; or
- past practice gives clear evidence of the amount of the obligation.

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

Refer to note 4.3 for disclosures relating to share based payments and note 7.1.1 for key management compensation.

3.5 NET TANGIBLE ASSETS

Net tangible assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules. The calculation of the Group's net tangible assets per share and its reconciliation to the consolidated balance sheet is presented below:

	2017 $'000	2016 $'000
AS AT 31 DECEMBER		
Total assets	**468,085**	483,540
Less intangible assets	**(330,553)**	(329,776)
Less total liabilities	**(179,053)**	(197,981)
Net tangible assets	**(41,521)**	(44,217)
Number of shares issued (in thousands)	**196,011**	196,011
Net tangible assets per share	**($0.21)**	($0.23)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.0 CAPITAL MANAGEMENT

4.1 SHARE CAPITAL

AUTHORISED, ISSUED AND PAID UP SHARE CAPITAL	2017 NUMBER '000	2016 NUMBER '000	2017 $'000	2016 $'000
Balance at the beginning of the period	**196,011**	378,550	**360,363**	360,363
Shares consolidated as part of the demerger[A]	**-**	(182,539)	**-**	-
Balance at the end of the period	**196,011**	196,011	**360,363**	360,363

(A) On demerger, NZME shares were distributed to eligible APN News & Media Limited (now HT&E Limited ("HT&E")) shareholders at a ratio of one NZME share for every one HT&E share. Also refer to note 6.1 and the Consolidated Financial Statements for the year ended 31 December 2016 (available on the Company's website) for further details on the demerger.

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

4.2 RESERVES

	2017 $'000	2016 $'000
SHARE BASED PAYMENTS RESERVE		
Balance at the beginning of the year	**144**	-
Share based payment expense	**1,225**	144
Balance at end of the year	**1,369**	144
ASSET REVALUATION RESERVE		
Balance at beginning of the year	**722**	1,186
Transfer to retained earnings due to asset disposals and discontinued operations	**-**	(464)
Balance at end of year	**722**	722
FOREIGN CURRENCY TRANSLATION RESERVE		
Balance at beginning of the year	**309**	(44,537)
Foreign exchange transfers	**-**	44,844
Net exchange difference on translation of foreign operations	**(15)**	2
Total movement for the year	**(15)**	44,846
Balance at end of year	**294**	309
TRANSACTIONS WITH NON-CONTROLLING INTERESTS RESERVE		
Balance at beginning of the year	**(6,373)**	8,359
Transfer to retained earnings	**6,373**	(14,732)
Balance at end of year	**-**	(6,373)
Total reserves	**2,385**	(5,198)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 Nature and purpose of reserves

Share based payments reserve
The share based payments reserve is used to recognise the fair value of the performance rights issued but not yet vested as described in note 4.3.

Asset revaluation reserve
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 3.2. In the event of the sale of an asset, the revaluation surplus is transferred to retained earnings.

Foreign currency translation reserve
Exchange differences arising on translation of any foreign controlled entities are taken to the foreign currency translation reserve, as described in the basis of preparation.

Transactions with non-controlling interests reserve
Following the demerger, there is no non-controlling interest in any of the Group's subsidiaries and the remaining balance at the beginning of the year relates to historical transactions with minority interests in entities that are still part of the Group. Given that there are no non-controlling interests in any of the Group entities, the remaining balance has been transferred to another category of equity; retained earnings.

4.3 SHARE BASED PAYMENTS

	2017		2016	
	AVERAGE PRICE PER RIGHT (CENTS)	**NUMBER OF RIGHTS**	AVERAGE PRICE PER RIGHT (CENTS)	NUMBER OF RIGHTS
As at 1 January	**0.58**	**745,301**	-	-
Granted (2016 TIP)[A]	**0.58**	**70,236**	0.58	745,301
Granted (2017 TIP)	**0.90**	**1,933,927**	-	-
Forfeited[B]	**0.58**	**(101,820)**	-	-
Exercised	**-**	**-**	-	-
As at 31 December	**0.81**	**2,647,644**	0.58	745,301

(A) Included in the number of rights granted for the year ended 31 December 2017 are 70,236 rights granted at a price of $0.58 per right relating to the 2016 TIP based on the final number of rights approved by the Board in March 2017. Under the 2016 Plan, the participants will be entitled to additional shares (not reflected in the rights above) when the rights are exercised (on 31 December 2019) for any dividends foregone during the period 1 January 2017 to 31 December 2019. For dividends declared during the period 1 January 2017 to 31 December 2017, this will result in an additional 96,862 shares being issued to the participants. (B) Two participants in the 2016 TIP departed prior to the completion of the Service Period and forfeited their rights under the 2016 TIP.

Share rights outstanding at the end of the year have the following expiry date and fair value at grant date:

			PERFORMANCE RIGHTS	
GRANT DATE	VESTING DATE	VALUE OF RIGHT AT GRANT DATE (CENTS)	**2017 $'000**	2016 $'000
20 December 2016	31 Dec 2017	0.58	**414**	432
25 September 2017	31 Dec 2018	0.90	**1,741**	-
As at 31 December			**2,155**	432
Share based payment expense recognised in the current period (refer to note 4.2)			**1,225**	144

	2017	2016
Weighted average remaining time until rights outstanding at the end of the period vest	**12 months**	12 months
Weighted average remaining time until rights outstanding at the end of the period automatically converts to ordinary shares	**34 months**	36 months

4.3.1 Background

Total incentive plan ("TIP")

The TIP is designed to align the reward outcomes with the shareholders' interest and to support the achievement of the Group's business strategy and was approved by the Board on 20 December 2016. Under the TIP, and at the absolute discretion of the Board, the CEO and other executive key management personnel are eligible to participate in the TIP. Eligible participants have a target award opportunity, which varies between 50% and 100% of fixed remuneration, depending on the participant's role and responsibilities. A new TIP opportunity will be offered at the commencement of each financial year. The award is dependent on performance over a one year period ("performance period") and there is no opportunity for retesting. Performance is formally evaluated after the date that the full year financial performance is announced to the market.

4.3.2 2017 TIP

Performance measures

Financial performance conditions (50%): Performance will be measured against earnings before interest, tax, depreciation and amortisation ("EBITDA"). This portion is determined based on actual EBITDA against budgeted EBITDA on the following scale:

% of EBITDA	% of target opportunity awarded
< 95%	0%
> 95% to 100%	Pro-rata vesting between 25% and 100%
> 100% to 110%	Pro-rata vesting between 100% and 150%

*Business Unit Goals (25%):*This portion is determined based on actual achievement against Business Unit ("BU") Goals on the following scale:

% of BU Goal achieved	% of target opportunity awarded
< 95%	25%
> 95% to 100%	Pro-rata vesting between 25% and 100%
> 100% to 110%	Pro-rata vesting between 100% and 150%

Individual performance conditions (25%): This portion is determined against individual performance conditions, as determined for each participant. The TIP award is earned if all of the individual performance conditions have been achieved, although the Board has discretion to award less than a 100% of the target for partial performance and more than a 100% of the target for exceptional performance.

Awards under the TIP are granted to participants following the assessment of performance. To the extent that performance measures are met:

- 50% of awards are made in cash; and
- 50% of awards are granted in rights to acquire fully paid ordinary shares in the Company for $nil consideration ("Rights").

The performance period for the 2017 awards is a twelve month period which commenced on 1 January 2017. Subject to remaining employed by the Company for a further one year period following the performance period ("service period"), rights will vest. The vested rights cannot be exercised for a further two years ("deferral period"). Vested rights will automatically convert into ordinary shares for $nil consideration at the end of the deferral period without the requirement for the participant to exercise their Rights. At the discretion of the Board, validly exercised rights may be satisfied in cash, rather than in shares. Participants are not entitled to receive any dividends for the rights they hold, but the Board may, at its sole discretion, allocate shares or make a cash payment to participants equal to the value of dividends that were payable whilst holding the unvested and/or vested rights. The Company may reduce unvested equity awards in certain circumstances such as gross misconduct, material misstatement or fraud. The Board may also reduce unvested awards to recover amounts where performance that led to payments being awarded is later determined to have been incorrectly measured or not sustained. Awards are normally forfeited if the participant leaves before the end of the performance period, except in limited circumstances that are approved by the Board on a case-by-case basis. If a participant leaves during the service period, the rights that will vest will be determined on a pro-rata basis based on when they leave during the service period. If a participant leaves during the deferral period, no rights will be forfeited, but rights will still only convert into ordinary shares at the end of the deferral period.

The fair value of the rights at grant date was estimated based on the NZME share price as at 25 September 2017, being the date on which the terms, as approved by the Board, were communicated to the eligible participants. The number of rights awarded are based on the Volume Weighted Average Price ("VWAP") of the Company's shares for the first 5 trading days of the Performance Period.

Model inputs

The following is a summary of the key inputs in calculating the share-based payment expense under the 2017 TIP:

Performance Period	*1 January 2017 to 31 December 2017*
Service Period	*1 January 2018 to 31 December 2018*
Vesting Period (being the Performance Period and the Service Period)	*1 January 2017 to 31 December 2018*
Deferral Period	*1 January 2019 to 31 December 2020*
Share price at grant date	*90 cents*
VWAP	*59.4 cents*

It is assumed that all participating employees will remain employed with the Company until the end of the Vesting Period.

4.3.3 2016 TIP

Performance measures

Financial performance conditions (75%): Performance will be measured against earnings before interest, tax, depreciation and amortisation ("EBITDA"). This portion is determined based on actual EBITDA against budgeted EBITDA on the following scale:

% of EBITDA	% of target opportunity awarded
< 95%	0%
> 95% to 100%	Pro-rata vesting between 25% and 100%
> 100% to 110%	Pro-rata vesting between 100% and 150%

Non-financial performance conditions (25%): Performance will be measured against specific measures, as determined for each participant at the commencement of the performance period.

Awards under the TIP are granted to participants following the assessment of performance. To the extent the performance measures are met:

- 50% of awards are made in cash; and
- 50% of awards are granted in rights to acquire fully paid ordinary shares in the Company for $nil consideration ("Rights").

The performance period for the 2016 awards is a 6 month period which commenced on 1 July 2016. Going forward, the performance period will be a 12 month period commencing at the start of the financial year. Subject to remaining employed by the Company for a further one year period following the performance period ("service period"), rights will vest and will be kept in trust for a further two years ("deferral period"). Vested rights will automatically convert into ordinary shares for $nil consideration at the end of the deferral period without the requirement for the participant to exercise their Rights. Participants will receive an additional allocation of shares when rights are exercised equal to the dividends paid on vested Rights over the Vesting Period and the Deferral Period. The Company may reduce unvested equity awards in certain circumstances such as gross misconduct, material misstatement or fraud. The Board may also reduce unvested awards to recover amounts where performance that led to payments being awarded is later determined to have been incorrectly measured or not sustained. Awards are normally forfeited if the participant leaves before the end of the performance period, except in limited circumstances that are approved by the Board on a case-by-case basis. If a participant leaves during the service period, the rights that will vest will be determined on a pro-rata basis based on when they leave during the service period. If a participant leaves during the deferral period, no rights will be forfeited, but rights will still only convert into ordinary shares at the end of the deferral period.

The fair value of the rights at grant date was estimated based on the NZME share price as at 20 December 2016, being the date on which the terms, as approved by the Board, were communicated to the eligible participants. The number of rights awarded are based on the Volume Weighted Average Price ("VWAP") of the Company's shares for the first 5 trading days of the Performance Period.

Model inputs
The following is a summary of the key inputs in calculating the share-based payment expense under the 2016 TIP:

Performance Period	*1 July 2016 to 31 December 2016*
Service Period	*1 January 2017 to 31 December 2017*
Vesting Period (being the Performance Period and the Service Period)	*1 July 2016 to 31 December 2017*
Deferral Period	*1 January 2018 to 31 December 2019*
Share price at grant date	*58 cents*
VWAP	*70 cents*

It is assumed that all participating employees will remain employed with the Company until the end of the Vesting Period.

Accounting policies
Total incentive plan (TIP)
The fair value of rights granted under the TIP plan is recognised as an employee benefits expense with a corresponding increase in equity over the vesting period, being the service period and the deferral period. The fair value is measured at grant date and the number of rights are determined using the volume weighted average price of NZME's shares on the NZX over the first 5 trading days of the performance period.

The fair value at grant date is determined taking into account the share price, any market performance conditions and any non-vesting conditions, but excluding the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. At each reporting date, the Group revises its estimate of the number of rights that are expected to become exercisable.

The employee benefits expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity.

4.4 DIVIDENDS

4.4.1 Dividends paid
On 23 February 2017, the Board of Directors declared a fully imputed final dividend for the year ended 31 December 2016 of 6 cents per share, paid on 28 April 2017 to registered shareholders as at 11 April 2017. The Board of Directors also declared a supplementary dividend of 1.06 cents per share, paid on 28 April 2017 to registered shareholders as at 11 April 2017, to those shareholders who are not tax residents in New Zealand and who hold less than 10% of the shares in the Company. On 24 August 2017, the Board of Directors declared a fully imputed interim dividend of 3.5 cents per share, paid on 27 October 2017 to registered shareholders as at 17 October 2017. The Board of Directors also declared a supplementary dividend of 0.62 cents per share, paid on 27 October 2017 to registered shareholders as at 17 October 2017, to those shareholders who are not tax residents in New Zealand and who hold less than 10% of the shares in the Company. The payment of a supplementary dividend effectively puts non-resident shareholders in the position they would have been had they received imputation credits (which are only available to resident shareholders).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.4.2 Dividends declared after balance date
On 21 February 2018, the Board of Directors declared a fully imputed final dividend of 6 cents per share, to be paid on 3 May 2018 to registered shareholders as at 18 April 2018. The Board of Directors also declared a supplementary dividend of 1.06 cents per share, to be paid on 3 May 2018 to registered shareholders as at 18 April 2018, to those shareholders who are not tax residents in New Zealand and who hold less than 10% of the shares in the Company. The payment of a supplementary dividend effectively puts non-resident shareholders in the position they would have been had they received imputation credits (which are only available to resident shareholders).

4.4.3 Franking and imputation credits

	2017 '000	2016 '000
Imputation credits available for subsequent reporting periods based on the New Zealand 28% tax rate for the Group	**NZ$ 8,519**	NZ$4,739
Franking credits available to the Company for subsequent reporting periods based on the Australia 30% tax rate for the Group	**AU$ 0 [A]**	AU$ 0 [A]

(A) Although the Company does not have any franking credits available for use, other entities within the Group have AU$10,828,676 (2016:AU$10,828,676) available that might become available to the Company in future periods.

4.5 INTEREST BEARING LIABILITIES

	2017 $'000	2016 $'000
Non-current interest bearing liabilities		
Bank loans – secured	**100,000**	112,486
Deduct:		
Capitalised borrowing costs	**(212)**	(318)
Total non-current interest bearing liabilities	**99,788**	112,168
NET DEBT		
Non-current interest bearing liabilities	**100,000**	112,486
Capitalised borrowing costs	**(212)**	(318)
Cash and cash equivalents	**(9,570)**	(16,242)
Total debt less cash and cash equivalents	**90,218**	95,926

The change in the bank loans - secured balance for the year ended 31 December 2017 of $12,486,375 is due to proceeds from borrowings / repayments of borrowings as reflected in the consolidated statement of cash flows. The change in capitalised borrowing costs of $212,220 for the year ended 31 December 2017 is due to the amortisation of those capitalised borrowing costs over the period of the loan.

The Group is funded from a combination of its own cash reserves and NZ$160 million bilateral bank loan facility, which NZME entered into on 29 June 2016, of which $100 million (2016: $112.5 million) is drawn and $60 million (2016: $47.5 million) is undrawn as at 31 December 2017. The facility expires on 1 January 2020.

The interest rate for the drawn facility is the applicable bank screen rate plus credit margin.

The NZME Bilateral Facilities contain undertakings which are customary for a facility of this nature including, but not limited to, provision of information, negative pledge and restrictions on priority indebtedness and disposals of assets. The assets of the Group are collateral for the interest bearing liability.

In addition, the Group must comply with financial covenants (a net debt to EBITDA ratio and an EBITDA to net interest expense ratio) for each 12 month period ending on 30 June and 31 December. The Group has complied with these covenants.

Accounting policies

Borrowings are initially recognised at fair value less attributable transaction costs and subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowing on an effective interest basis.

Costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These costs are netted off against the carrying value of borrowings in the balance sheet.

4.6 COMMITMENTS

4.6.1 Lease commitments

The group leases certain premises under operating leases. The leases have varying terms, escalation clauses and renewal rights. Excess space is sub-let to third parties under non-cancellable operating leases.

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to rental commitments contracted for at the reporting date and not recognised as liabilities, payable:		
Not later than one year	**16,389**	16,406
Later than one year but not later than five years	**48,973**	52,307
Later than five years	**62,185**	71,856
Commitments not recognised in the financial statements	**127,547**	140,569

4.7 CASH FLOW INFORMATION

	2017 $'000	2016 $'000
RECONCILIATION OF CASH		
Cash at end of the year, as shown in the statements of cash flows, comprises:		
Cash and cash equivalents	**9,570**	16,242
RECONCILIATION OF NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES TO PROFIT / (LOSS) FOR THE YEAR:		
Profit / (loss) for the year	**20,885**	74,543
Depreciation and amortisation expense	**24,946**	26,193
Borrowing cost amortisation	**106**	53
Net loss on sale of non-current assets	**216**	9
Gain on sale of business after tax	**-**	(192,519)
Reclassification of foreign currency translation reserve	**-**	65,326
Change in current / deferred tax payable	**2,837**	41,289
Current tax funded through related party balances	**-**	(12,842)
Foreign exchange losses / (gains)	**-**	1,086
Asset write offs and business closure	**-**	15
Revaluation/impairment of financial assets	**-**	(2,245)
Change in fair value of financial instrument	**-**	31,481
Share based payment expense	**1,225**	144
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	**(187)**	51,104
Inventories	**299**	730
Prepayments	**(1,505)**	(306)
Trade and other payables and employee benefits	**(9,367)**	(22,379)
Net cash inflows/(outflows) from operating activities	**39,455**	61,682

4.8 FINANCIAL RISK MANAGEMENT

4.8.1 Capital and Risk Management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

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.

Refer to note 4.5 for undrawn facilities to which the group has access to as well as the net debt calculation that is used by the group to capital requirements.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses 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 ageing analysis for credit risk.

Financial risk management is carried out by the Group Treasury function. The Group Treasury function meet regularly with the Group CFO to cover specific areas, such as interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Due to the Group's limited operations in foreign jurisdictions, the Group does not have a significant foreign exchange exposure.

4.8.2 Market risk

(a) Cash flow and fair value interest rate risk

Long term borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. The Group makes decisions regarding variable or fixed rate debt as and when debt contracts are entered into. Current interest bearing debt is fixed for 30 days on a rolling basis.

Based on the outstanding net floating debt at 31 December 2017, a change in interest rates of +/-1% per annum with all other variables being constant would impact post-tax profit and equity by $1.0 million lower/higher (2016: $1.1 million lower/higher).

(c) Price risk

The Group is not exposed to significant price risk. There is some risk associated with other financial assets however this is not deemed to be significant as other financial assets are categorised as level 3 in the fair value hierarchy and have been impaired, where applicable, to the present value of expected future cash flows.

4.8.3 Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board. For other customers, risk control assesses the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and the Group does not normally obtain collateral from its customers.

The table below sets out additional information about the credit quality of trade receivables net of the provision for doubtful debts:

			PAST DUE			
	CURRENT $'000	LESS THAN ONE MONTH $'000	**ONE TO THREE MONTHS $'000**	**THREE TO SIX MONTHS $'000**	**OVER SIX MONTHS $'000**	TOTAL $'000
2017						
Expected loss rate	0.0%	0.6%	4.6%	13.7%	37.2%	
Trade Receivables	30,308	10,601	1,929	1,258	715	**44,811**
Impaired receivables		(65)	(89)	(172)	(266)	**(592)**
	30,308	10,536	1,840	1,086	449	**44,219**
2016						
Expected loss rate	0.0%	0.7%	6.5%	47.8%	62.0%	
Trade Receivables	23,890	17,186	2,616	619	732	**45,043**
Impaired receivables		(121)	(171)	(296)	(454)	**(1,042)**
	23,890	17,065	2,445	323	278	**44,001**

Trade receivables are generally settled within 30 to 45 days. The Directors consider the carrying amount of trade receivables approximates their net fair value. Receivables are monitored on an individual basis and the company considers the probability of default upon initial recognition of the receivable and throughout the period and provides for receivables considered to be impaired.

As of 31 December 2017, trade receivables of $3,375,000 (2016: $3,046,000) were past due but not impaired.

The maximum exposure to credit risk at 31 December is equal to the carrying amount of cash and cash equivalents and trade and other receivables. The Group is not exposed to any concentrations of credit risk within cash and cash equivalents or trade and other receivables.

Credit risk further arises in relation to financial guarantees given to certain parties from time to time.

4.8.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The tables below analyse the Group's financial liabilities including interest to maturity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	LESS THAN ONE YEAR $'000	BETWEEN ONE AND TWO YEARS $'000	BETWEEN TWO AND FIVE YEARS $'000	OVER FIVE YEARS $'000
31 DECEMBER 2017				
Trade payables	47,656	-	-	-
Bank loans	4,022	4,022	104,022	-
Gross liability	51,678	4,022	104,022	-
Less: interest	(4,022)	(4,022)	(4,022)	
Total financial liabilities	47,656	-	100,000	-
31 DECEMBER 2016				
Trade payables	55,788	-	-	-
Bank loans	4,480	4,480	116,966	-
Gross liability	60,268	4,480	116,966	-
Less: interest	(4,480)	(4,480)	(4,480)	
Total financial liabilities	55,788	-	112,486	-

4.9 FAIR VALUE MEASUREMENT

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL);
- Land and buildings (excluding leasehold improvements).

4.9.1 Fair value hierarchy

NZ IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4.9.2 Recognised fair value measurements

	2017 $'000	2016 $'000
RECURRING FAIR VALUE MEASUREMENTS (LEVEL 3)		
There are no financial assets carried at fair value. Other financial assets of $5,988,765 (2016: $5,988,765) are held at cost and therefore have been excluded from this table.		
NON-FINANCIAL ASSETS		
Freehold land and buildings		
Freehold land	**1,165**	1,381
Buildings (excluding leasehold improvements)	**377**	403
Total non-financial assets	**1,542**	1,784

All fair value measurements referred to above are in Level 3 of the fair value hierarchy and there were no transfers between levels. The Group's policy is to recognise transfers between fair value hierarchy levels as at the end of the reporting period.

4.9.3 Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value but for which fair values are disclosed in these notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 31 December 2017 or 31 December 2016 (level 3).

The fair value of interest bearing liabilities disclosed in note 4.5 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the group for similar financial instruments. For the period ending 31 December 2017, the borrowing rates were determined to be between 3.3% and 4% (2016: between 3.5% and 4%), depending on the type of borrowing. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

4.9.4 Valuation techniques used to derive at level 2 and 3 fair values

Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment in note 3.2), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included as Level 3.

5.0 TAXATION

5.1 INCOME TAX

	2017 $'000	2016 $'000
REPORTED INCOME TAX EXPENSE / (BENEFIT) COMPRISES:		
Current tax expense / (benefit)	**10,529**	70,791
Deferred tax expense / (benefit)	**(1,972)**	8,175
(Over) / under provision in prior years	**(110)**	(3,310)
Income tax expense	**8,447**	75,656
Income tax is attributable to:		
Profit from continuing operations	**8,447**	64,050
Profit from discontinued operations	**-**	11,606
Total income tax expense	**8,447**	75,656
INCOME TAX EXPENSE DIFFERS FROM THE AMOUNT PRIMA FACIE PAYABLE AS FOLLOWS:		
Profit from operations before tax		
From continuing operations	**29,332**	13,498
From discontinued operations	**-**	136,701
	29,332	150,199
Prima facie income tax at 28%	**8,213**	42,056
IRD settlement	**-**	16,968
Non assessable asset sales and exempt distribution receipts	**(27)**	(275)
Non-deductible expenses	**675**	1,554
Derecognition of deferred tax on losses and foreign tax credits	**-**	62,035
Derecognition of deferred tax on intangible assets	**-**	(15,803)
Differences in international tax rates	**(8)**	(2)
Effects of accounting for discontinued operations	**-**	(26,498)
Other	**(296)**	(1,069)
(Over) / under provision in prior years	**(110)**	(3,310)
Income tax expense	**8,447**	75,656

5.2 DEFERRED TAX

Deferred tax assets and liabilities are attributable to:

	BALANCE	RECOGNISED IN INCOME $'000	RECOGNISED IN EQUITY $'000	OTHER MOVEMENTS $'000	BALANCE $'000
2016					
Tax credits	1,890	(1,887)	-	-	**3**
Tax losses	67,149	(61,549)	-	(5,600)	**-**
Employee benefits	2,987	(1,554)	-	-	**1,433**
Doubtful debts	636	(345)	-	-	**291**
Accruals / restructuring	705	397	-	-	**1,102**
Intangible assets	(43,155)	42,031	595	-	**(529)**
Property plant and equipment	(8,860)	3,490	-	-	**(5,370)**
Other	(11,383)	11,242	-	-	**(141)**
	9,969	(8,175)	595	(5,600)	**(3,211)**
2017					
Tax credits	3	-	-	-	**3**
Employee benefits	1,433	765	-	-	**2,198**
Doubtful debts	291	(126)	-	-	**165**
Accruals / restructuring	1,102	(560)	-	-	**542**
Intangible assets	(529)	37	-	-	**(492)**
Property plant and equipment	(5,370)	1,720	-	-	**(3,650)**
Other	(141)	136	-	-	**(5)**
	(3,211)	1,972	-	-	**(1,239)**

There are unrecognised tax losses of $1,917,077 (AUD1,744,812) (2016: $1,811,935 (AUD1,744,812)) in an Australian subsidiary of the Company which have not been recognised as there is uncertainty as to their future recoverability. The deferred tax asset on these losses were not offset against the deferred tax liabilities of the rest of the Group because they are levied by a different tax authority.

Accounting policies
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill: deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

6.0 GROUP STRUCTURE AND INVESTMENTS IN OTHER ENTITIES

6.1 NZME DEMERGER FROM APN

On 11 May 2016, APN News & Media Limited (subsequently rebranded as HT&E Limited ("HT&E)) then the ultimate parent entity of the Company announced a demerger of 100% of the Group to HT&E shareholders ("Demerger"), subject to a majority shareholder vote held on 16 June 2016. The Demerger was approved by the requisite majority of HT&E shareholders and all other conditions precedent to the Demerger were satisfied or waived. The Demerger was completed on 29 June 2016.

On 27 June 2016 the Company was listed as a separate standalone entity on the NZX Main Board and ASX under the ticker code NZM on a deferred settlement basis (on a post consolidation basis). Trading of NZME shares commenced on a normal settlement basis on 1 July 2016.

Detailed disclosures regarding the demerger (which affects the comparative figures included in these consolidated financial statements) are included in the audited consolidated financial statements for the year ended 31 December 2016 available on the Company's website.

6.2 CONTROLLED ENTITIES

Significant Judgement
Prior to the Demerger as described in note 6.1, the Group held 50% of the issued capital of Australia Radio Network Pty Ltd, but exercised effective control over the entity based on the Board and management representation and the 76.8% economic interest held by the Group.

The consolidated financial statements incorporate the assets, liabilities and results of the subsidiaries listed below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interest held equals the voting rights held by the Group. All entities are incorporated in, and operate in, New Zealand unless otherwise stated. There were no changes in control during the year ended 31 December 2017.

NAME OF ENTITY	2017	2016
Adhub Limited	**100%**	100%
ESKY Limited	**100%**	100%
Grabone Limited	**100%**	100%
Idea HQ Limited	**100%**	100%
Mt Maunganui Publishing Co Limited	**100%**	100%
NZME 2014 Limited	**100%**	100%
NZME Australia Pty Limited[A]	**100%**	100%
NZME Digital Limited	**100%**	100%
NZME Educational Media Limited	**100%**	100%
NZME Finance Limited	**100%**	100%
NZME Holdings Limited	**100%**	100%
NZME Investments Limited	**100%**	100%
NZME Online Limited	**100%**	100%
NZME Print Limited	**100%**	100%
NZME Publishing Limited	**100%**	100%
NZME Radio Investments Limited	**100%**	100%
NZME Radio Limited[B]	**100%**	100%
NZME Specialist Limited	**100%**	100%
NZME Trading Limited	**100%**	100%
Regional Publishers Limited	**100%**	100%
Sell Me Free Limited	**100%**	100%
Sella Limited	**100%**	100%
Stanley Newcomb & Co Limited	**100%**	100%
The Hive Online Limited	**100%**	100%
New Zealand Radio Network Limited	**100%**	100%
The Radio Bureau Limited	**100%**	100%
Trade Debts Collecting Co Limited	**100%**	100%
W & H Interactive Limited	**100%**	100%

(A) Incorporated in, and operates in, Australia. (B) One "Kiwi Share" held by the Minister of Finance. The rights and obligations are set out in the NZME Radio constitution.

Accounting policies

The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group, other than for common control transactions.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. 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 comprehensives income, statement of changes in equity and balance sheet respectively.

Business combinations in which all of the combining entities or businesses ultimately controlled by the same party or parties both before and after the combination are recognised as common control transactions.

The Group applies the predecessor values method, without any step up to fair value. The net assets acquired, including goodwill, are incorporated in the Group financial statements at the book values as per the consolidated financial statements of the highest entity that has common control. The difference between any consideration given and the aggregate book value of net assets (at the date of the transaction) of the acquired entity is recorded as an adjustment to equity. No additional goodwill is created.

The Group financial statements incorporate the acquired entity's results only from the date of acquisition. The corresponding amounts of the previous period are not restated

6.3 INTERESTS IN OTHER ENTITIES

6.3.1 Associates, joint ventures and joint operations

The Group has the following associates, joint ventures and joint operations:

	OWNERSHIP INTEREST 2017	OWNERSHIP INTEREST 2016
Chinese New Zealand Herald Limited[A]	**50%**	50%
Eveve New Zealand Limited[A]	**40%**	40%
KPEX Limited[A]	**25%**	25%
New Zealand Press Association Limited[A]	**38.82%**	38.82%
Restaurant Hub Limited[A]	**40%**	40%
The Beacon Printing & Publishing Company Limited[A]	**21%**	21%
The Gisborne Herald Company Limited (held through Essex Castle Limited as a trust company for NZME Publishing Limited)[A]	**49%**	49%
The Radio Bureau[B]	**50%**	50%
The Wairoa Star Limited[A]	**40.41%**	40.41%
Ratebroker Limited[A]	**20%**	20%
The Newspaper Publishers Association of New Zealand Incorporated[C]	**-**	-
The New Zealand Press Council Incorporated[C]	**-**	-
Radio Broadcasters Association Incorporated[C]	**-**	-

(A) These entities are classified as joint ventures or associates. Because the effects of equity accounting are immaterial, these investments are carried at cost (refer note 6.3.2). (B) The Radio Bureau is classified as a joint operation and the Group has included its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in these consolidated financial statements.(C) These are bodies with which entities in the Group have memberships, but no ownership interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policies

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Material investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

Joint arrangements

Under NZ IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

For material joint operations, the Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Interests in material joint ventures are accounted for using the equity method (see below) after initially being recognised at cost in the consolidated balance sheet.

Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, 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 other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. 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.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the effects of equity accounting is immaterial, investments are carried at cost.

6.3.2 Other financial assets

	2017 $'000	2016 $'000
Shares in other corporations	**5,988**	5,988
Total other financial assets	**5,988**	5,988

Shares in other corporations consist of investments in entities that are not consolidated or equity accounted (see also note 6.3.1). These investments are carried at cost.

7.0 OTHER NOTES

7.1 RELATED PARTIES

7.1.1 Key management compensation

	2017 $'000	2016 $'000
TOTAL REMUNERATION FOR DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL:		
Short term benefits	**5,935**	5,510
Termination benefits	**364**	52
Dividends	**33**	10
Share-based payments	**1,225**	144
	7,557	5,716

The table above includes remuneration of the Board of Directors and the Executive Team, including amounts paid to members of the Executive Team who left during the year. Where a staff member was acting in a position on the Executive Team, that portion of their remuneration has been included in the table above.

7.1.2 Other transactions with related parties

During the year, the Group purchased print services worth $3,385,000 (2016: $4,134,000) from The Beacon Printing & Publishing Company Limited, a company in which the Group holds an interest in.

New Zealand entities in the Group offset tax losses to New Zealand entities outside the Group of $nil (2016: $35,110,134) for consideration of $nil (2016: $9,830,837).

In November 2015, the Company, Stuff, TVNZ and MediaWorks launched a new local advertising exchange service, KPEX Limited, offering media agencies and clients a programmatic option for purchasing online advertising. The group received advertising revenue of $2,768,773 (2016: $2,359,475) and paid commission of $412,931 (2016: $358,782).

The Group has commitments to provide future services (such as house advertising, occupancy space at NZME offices, business as usual finance and human resources support) to certain joint ventures and associates. During the year such services were provided to Eveve New Zealand Limited, valued at $66,879 (2016:$10,706), Restaurant Hub Limited, valued at $281,923 (2016:$41,415) and Ratebroker Limited, valued at $1,174,394 (2016: $nil). The outstanding balances for future services are included in the table below, along with other receivables and payables.

	2017 RECEIVABLES $'000	2016 RECEIVABLES $'000	2017 PAYABLES $'000	2016 PAYABLES $'000
Balances with related party				
KPEX Limited	**1,028**	750	**148**	113
Chinese New Zealand Herald Limited	**-**	-	**43**	43
Eveve New Zealand Limited	**-**	-	**28**	194
Restaurant Hub Limited	**-**	-	**449**	604
Ratebroker Limited	**-**	-	**526**	1,700
Total related party receivables and payables	**1,028**	750	**1,194**	2,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1.3 Transactions with pre-Demerger related parties

The Company was, until the 29 June 2016, a wholly owned subsidiary of the APN News & Media Limited (subsequently rebranded as HT&E Limited ("HT&E")) group. The transactions with these HT&E related parties as described below include transactions up to 29 June 2016, the date on which these parties ceased being related parties to the Group.

In 2016 amounts due from related parties of $304,931,000 and amounts due to related parties of $322,304,000 have been settled, with a significant portion of the settlement occurring as part of the internal restructure prior to the Demerger (refer to Note 6.1 for further details).

In 2016 the Group charged interest of $358,780 to Biffin Pty Ltd a member of the HT&E Group. Biffin Pty Ltd charged management fees to NZME Holdings Limited of $611,056. A Group company, NZME Holdings Limited, charged shared services fees totalling $1,456,000 to related parties.

In 2016, Biffin Pty Ltd repaid loans of $5,012,246 to Group companies.

In 2016, Wilson & Horton Finance Pty Ltd, New Zealand Branch (the "Branch"), charged royalty fees of $12,216,000, advanced $13,200,000, repaid loans of $539,000 and charged interest of $2,765,000 to the Group. The Group charged the Branch, office rental and service fees of $78,000.

7.2 CONTINGENT LIABILITIES

7.2.1 Claims

Claims for damages are made against the Group from time to time in the ordinary course of business. The Group has previously disclosed that Sky Network Television Limited initiated proceedings against NZME Publishing Limited and other NZ media companies alleging breaches of copyright in relation to the use of rugby video footage in news stories. This matter has now been settled on confidential terms.

7.3 SUBSEQUENT EVENTS

Refer to note 1.4.2 for a description of events relating to the proposed merger with Stuff and note 4.4.2 for the dividend declared after the balance date.

The Directors are not aware of any other material events subsequent to the balance sheet date.

7.4 NEW STANDARDS AND INTERPRETATIONS ADOPTED IN THE CURRENT YEAR

The Group applied the following new or revised pronouncements for the first time during the year.

Recognition of deferred tax assets for unrealised losses (Amendments to NZ IAS 12) (effective 1 January 2017)

Amendments to clarify that unrealised losses on debt instruments measured at fair value for accounting purposes, but at cost for tax purposes, can give rise to deductible temporary differences; when determining whether future taxable profits are available against which deductible temporary differences may be utilised, tax deductions resulting from the reversal of those deductible temporary differences are excluded; and estimates of future taxable profits may take into account the recovery of an asset for more than its carrying amount if there is sufficient evidence that this recovery is probable. None of these changes had a material impact on disclosures or amounts recognised in these consolidated financial statements.

Disclosure initiative (Amendments to NZ IAS 7) (effective 1 January 2017)

The amendments to NZ IAS 7 require disclosures that allow users of financial statements to evaluate changes in liabilities which arise from financing activities (this includes both changes arising from cash flows and non-cash changes). The amendments apply prospectively from 1 January 2017 and no comparative information is required in the first year of application. Additional disclosures for the year ended 31 December 2017 are included in note 4.5.

7.5 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

NZ IFRS 16 Leases replaces NZ IAS 17 and is effective for periods commencing 1 January 2019. It requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets for lessees. Although the full impact of this standards has not yet been determined, it will result in additional assets and liabilities when the current operating leases are brought on to the balance sheet; with interest and depreciation replacing the current operating lease expense when the standard is adopted.

NZ IFRS 15 Revenue from contracts with customers replaces NZ IAS 18 and NZ IAS 11 and is effective for periods commencing 1 January 2018. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control therefore replaces the existing notion of risks and rewards.

The Group is currently assessing the effects of applying the new standard on the consolidated financial statements. Although this assessment has not been finalised, we currently expect the standard to result in us concluding that the nature of our promises (and therefore the performance obligations) in certain contra and experiential contracts are that we act as a principal and not as an agent as previously concluded (i.e. the nature of the performance obligations in those contracts are obligations to provide specified goods or services as opposed to arranging for those goods and services to be provided by another party). This is expected to result in an increase in both revenue and the related costs (i.e. the revenue and costs are shown on a gross basis and not on a net basis), without any material impact on profit for the year. The Group does not currently expect the standard to have a material impact on the timing of revenue recognition.

The standard permits either a full retrospective or a modified retrospective approach for adoption. The Group currently intends to adopt the standard using the modified retrospective approach, which means that the cumulative impact (if any) of the adoption will be recognised in retained earnings as at 1 January 2018 and that comparatives will not be restated.

All other standards, interpretations and amendments issued but not yet effective are either not applicable to the Group or not material.

Independent auditor's report

To the shareholders of NZME Limited

The consolidated financial statements ("financial statements") comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include the principal accounting policies.

Our opinion

In our opinion, the financial statements of NZME Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 December 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of taxation compliance and advisory services, advisory services in connection with the potential merger with Fairfax, and other assurance services including circulation and payroll assurance services. The provision of these other services has not impaired our independence as auditor of the Group.

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Our audit approach

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our overall group materiality was $1,845,000, which represents 5% of profit before tax, excluding one-off expense items incurred during the year.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We have adjusted this benchmark for one-off transactions to reduce volatility and to reflect the underlying performance of the Group.

We have determined that there is one key audit matter for the year to 31 December 2017, being the impairment testing of intangible assets.

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Audit scope

We designed our audit by assessing the risk of material misstatement in the financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. The key audit matter below was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of intangible assets As outlined in note 3.1, total non-amortising intangible assets, including goodwill ($70.8 million), masthead brands ($147.0 million), and brands ($59.1 million) have a combined carrying value of $276.9 million at 31 December 2017 and represent 59% of the total assets of the Group. In completing their annual impairment assessment management utilised a value in use methodology, reflecting the strategic direction of NZME, to determine the value of the business using discounted cash flows. This assessment is complex in nature and includes key estimates and assumptions made by management, particularly in the following areas: • The assessment that the NZME business constitutes one CGU. • The expected future trading results of both existing activities and new ventures which are based on budgets and forecasts which have been approved by the Board of Directors. • The weighted average cost of capital of 9.5% used as the discount rate in the model. • The application of a 0% long term growth rate for the purposes of impairment testing. • Considering sensitivity by determining other reasonably possible scenarios and assessing the impact on the valuation of these scenarios. In their sensitivity analysis management identified that the model was sensitive to the discount rate, long term growth rate,	We understood the strategic objectives of the business to enable us to evaluate the impairment assessment performed by management. We gained an understanding of the business, how it is managed, and how the results are reported to management and the Directors in order to understand management's determination that NZME constitutes one CGU. We tested the mathematical accuracy of the model by reperforming the calculation of the recoverable amount of the business, based on the same estimates and assumptions used by management. We then agreed the relevant net assets of the Group to the audited carrying values. We also assessed key estimates and assumptions made by management. Our audit procedures included the following: • We gained an understanding of the business process and controls applied by management in their impairment assessment. • We agreed the future cash flows included in management's model to the budgets and forecasts approved by the Board of Directors. • We considered the reasonableness of key assumptions for both existing activities and new ventures in the cash flow forecasts, in particular revenue growth for each channel, the expected trends of print and digital revenues, forecast margins and terminal growth rates. This was done with reference to the historic performance of the Group, key initiatives being undertaken and comparison to the results of comparable companies and available broker reports. • We engaged an auditor's expert to recalculate a reasonable range for the weighted average cost of capital used as the discount rate in the model and determined that the discount rate

Key audit matter	How our audit addressed the key audit matter
forecasted print and digital revenues. The impairment assessment completed by management calculated the recoverable amount of the business as higher than the carrying value of applicable net assets and no impairment was identified.	used by management was materially consistent with this. • We considered a range of reasonably possible scenarios, including those identified by management. For each scenario we tested the mathematical accuracy of the changes made to each assumption, and the impact of those changes on the valuation and comparison to the relevant net asset value of the Group. We reviewed the disclosures in the financial statements to ensure that they are compliant with the requirements of the relevant accounting standards and we have no other matters to report.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard, except that not all other information was available to us at the date of signing our auditor's report.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Julian Prior.

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants
21 February 2018

Auckland

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Chapman Tripp

SHARE REGISTRY
Link Market Services

SHARE REGISTRY CONTACT DETAILS
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