Annual report

2017

APN Outdoor Group Limited | ABN 57 155 848 589

Contents

Made it count

APN OUTDOOR

Chairman's letter

Dear shareholder,

On behalf of the Board of Directors, I am pleased to present APN Outdoor's Annual Report for the year ended 31 December 2017.

Over 2017 a number of financial and operational highlights were achieved, including:

- Roll out of 38 new elite digital large format billboards taking our inventory to 125 sites across Australia and New Zealand
- Retention of most key contracts that came up for tender
- Expansion of the XtrackTV network to Perth
- Implementation of important digital campaign post analysis reporting providing transparency and insight to our customers
- Commencement of investment in crucial campaign reporting systems for both digital and classic formats, as well as our digital delivery system and inventory management
- Implementation of the Calibre audience measurement and campaign planning tool in New Zealand – offering unmatched visibility and transparency into audiences of our assets
- Ground breaking neuroscience research for Transit which found that our transit offering has 20% more effective recall compared to static Out-of-Home formats
- Complete turnaround in the Transit business in 2H17, with strong momentum for this business into 2018.

Credible financial results

The financial result for the year was a credible outcome in a challenging environment.

Revenue growth of 4% resulted in Underlying EBITDA of $90.3 million, which was within the guidance range provided in August 2017, albeit at the lower end of the range.

Statutory Net Profit after Tax (NPAT) decreased 9% to $44.0 million, after allowing for $6 million of after-tax non-recurring expenses.

Underlying NPATA (NPAT before amortisation) increased 2% to $53.0 million.

Comfortable gearing and growing dividend

At 31 December 2017 net debt was 1.1x last 12 months' underlying EBITDA (December 2016: 1.0x).

This comfortable gearing level, combined with a $200 million senior debt facility, supports the Company's future expansion and product development opportunities.

Reflecting the Group's strong balance sheet, cash flows and earnings, your Board declared a fully franked final dividend of 12.5 cents per share, bringing the full year dividend declared to 19.2 cents per share, fully franked.

Termination of merger agreement with oOh!media Limited

In May 2017, the Company advised that the proposed merger with oOh!media Limited would not proceed following consideration of a Statement of Issues that was received outlining the preliminary views of the Australian Competition and Consumer Commission (ACCC) regarding the proposed merger. Although both companies disagreed with the ACCC's views, after detailed consideration the parties decided that the nature and extent of the ACCC's indicative intervention represented an unacceptable risk to a successful merger.

Reshaping the management team

As a key step to supporting the growth trajectory of the business, your Board has reorganised the Executive Leadership team. The Company now has a flatter structure with seven direct reports to the CEO, all with clear accountabilities.

James Warburton commenced as Managing Director and Chief Executive Officer on 22 January 2018. We are excited to have James join APN Outdoor. He brings to the company extensive executive leadership experience with a significant understanding of complex media environments including Out-of-Home, dealing with key advertisers and media agencies, developing new income streams, and dealing with technological change and digital disruption.

Rail, XtrackTV, Adelaide

In late February 2018 we announced the appointment of Philip Knox as Chief Financial Officer. Phil has more than 30 years' experience in CFO, Board and finance leadership roles including 11 years as CFO of Austar United Communications up to its sale to Foxtel, and 9 years at Ten Network Holdings.

Your Board is encouraged by the progress the new management team is already making within the business. While still early in the transition, there has been a noticeable change in the sales approach that is already delivering results.

2017 was a tumultuous year for our business, and I would like to acknowledge the contribution of our entire team and thank them for their dedication and commitment that delivered a credible financial result. I would also like to thank you, our shareholders, for your continued support of APN Outdoor.

Doug Flynn
Chairman

Elite Screens, Victoria Street, Victoria

CEO letter

Dear shareholder,

I am absolutely delighted to be back in the media industry that I love and enjoy, and I thank the Board for the opportunity they have provided me to lead APN Outdoor.

APN Outdoor has significant upside that it can pursue, both in our existing high quality portfolio as well as other formats and locations not previously pursued.

The Out-of-Home industry should be congratulated for investing in a high quality roll out of digital products. At only circa 6% share of the overall advertising industry, the ability to continue to promote Out-of-Home and the industry shows untapped potential.

There is no doubt that the digital model, particularly from an industry audience measurement and an industry go-to-market sales perspective, needs to be evolved and you will see us better leverage this opportunity through 2018.

APN Outdoor is strongly positioned over the 2018 and 2019 calendar years following a credible but modest performance in 2017, in what was a challenging environment.

Our contracts are in excellent shape for the immediate future with a low contract renewal exposure over the next two years that will allow us to pursue a number of growth initiatives and opportunities.

With a re-energised and passionate sales team, we are now well positioned to reclaim the leadership position in our industry. With market and client expectations having developed, we will be more focused over 2018 on better planning tools, end to end operations as well as being audience led with a focus on data.

As APN Outdoor transforms, we recognise the significance that data and technology will play in the products we develop and deliver to our customers. We are committed to lead the market and pioneer new ways to deliver campaigns with advanced capabilities - improving efficiencies, ease of transaction and audience engagement. To this end, we will have an increased focus on data and technological innovation throughout our product offering.

The immediate focus is to stabilise the business, in the short-term to re-focus, and in the medium to long-term, to win market share.

We have a clear business plan, focused around three pillars of change:

- Transformation;
- Innovation; and
- Acquisition.

Our strategic pillars will underpin the evolution of APN Outdoor as we shift to become an audience-led, sales centric media business.

As with any organisational change, improvement takes time. With a new management team now in place, and a re-energised approach for the business, we are focused on improving the business' performance as quickly as possible.

I am excited about the opportunities we see for APN Outdoor, and the company's ability to deliver increased shareholder returns. I look forward to providing an update on progress made in executing our growth strategy at our Annual General Meeting to be held on 20 April 2018.

James Warburton
Chief Executive Officer and Managing Director

Elite Screens, All Traffic Entry, Sydney Airport, Sydney

Corporate directory

Directors and officers

Doug Flynn
Independent Non-Executive Chairman

Pat O'Sullivan
Independent Non-Executive Director

Lisa Chung
Independent Non-Executive Director

Jack Matthews
Independent Non-Executive Director

James Warburton
Chief Executive Officer and Managing Director (appointed: 22 January 2018)

Philip Knox
Chief Financial Officer (appointed: 5 March 2018)

Notice of Annual General Meeting

The details of the Annual General Meeting of APN Outdoor Group Limited are:

The Mint
10 Macquarie Street
Sydney NSW 2000
11:00am on 20 April 2018

Registered office and principal place of business

Level 4, 33 Saunders Street
Pyrmont NSW 2009

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Share registry telephone: 1300 554 474

Auditor

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay Barangaroo NSW 2000

Bankers

Commonwealth Bank of Australia
Westpac Banking Corporation
Bank of China
ASB Bank Limited

Investor & Media Relations

Market Eye
Level 2, 92 Pitt Street
Sydney NSW 2000

Stock exchange listing

APN Outdoor Group Limited shares are listed on the Australian Securities Exchange (ASX code: APO)

Investor website

http://investors.apnoutdoorcorporate.com/Investor-Centre/

Operating and financial review

Overview

Forming part of the Directors report, the Directors are pleased to present the Operating and Financial Review for APN Outdoor Group Limited (APN Outdoor) and its controlled entities (collectively referred to as the Group) for the year ended 31 December 2017.

APN Outdoor's Financial Statements for the year ended 31 December 2017 are presented in accordance with Australian Accounting Standards.

This Operating and Financial Review includes certain non-IFRS financial information. This information has been included to allow shareholders and other users of the financial information to relate the performance of the business to measures used by management and the Board to assess performance and make decisions on the allocation of resources. Non-IFRS measures have not been subject to audit.

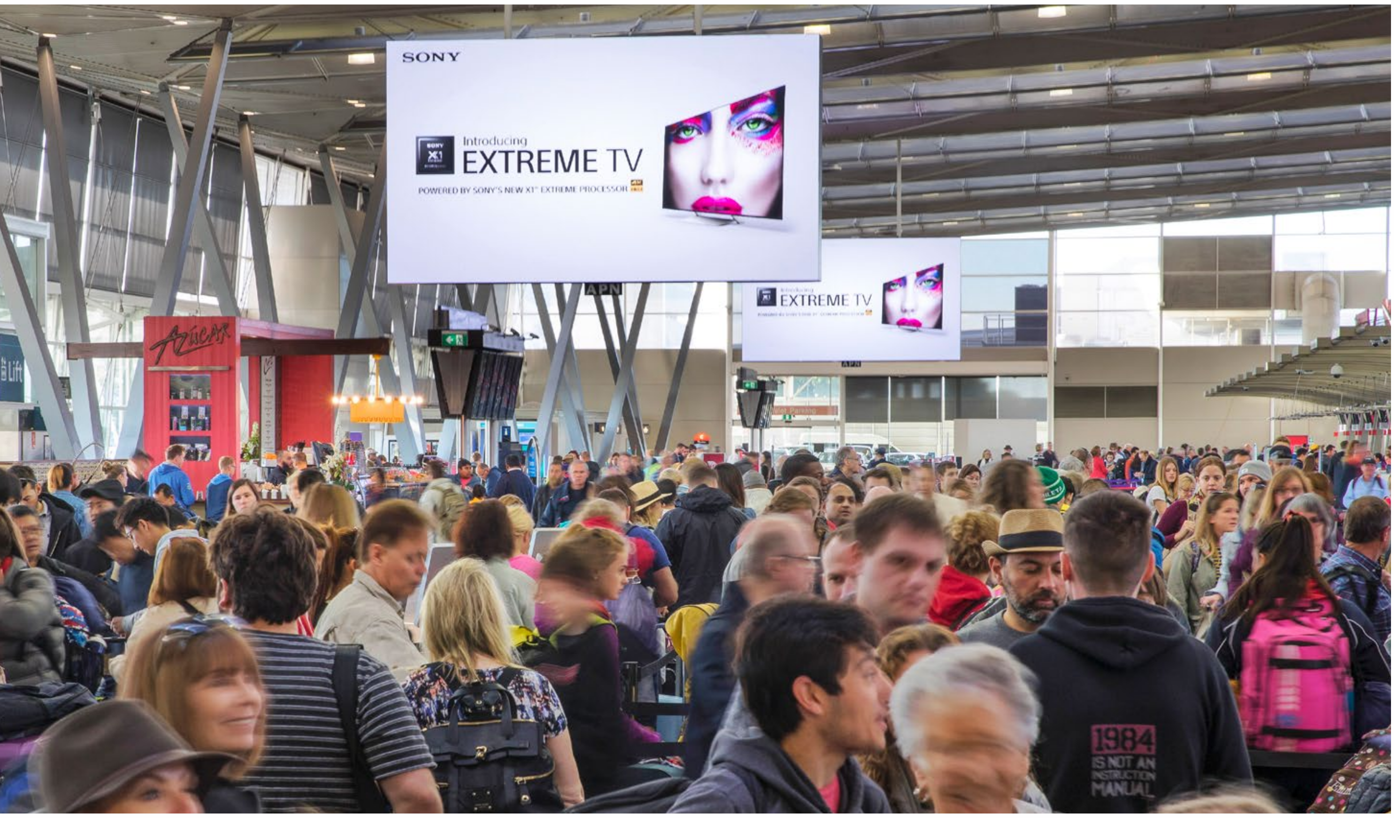
Business review

APN Outdoor supplies Out-of-Home media and advertising services in Australia and New Zealand. Publicly listed on the Australian Securities Exchange (ASX) (ASX code: APO), APN Outdoor is a member of the ASX 200.

APN Outdoor derives its income from the sale of advertising space primarily to advertising agencies and direct clients across its market leading asset base.

Recently the Out-of-Home advertising industry has outperformed the advertising industry as a whole and has continued to grow strongly in 2017.

Long-term industry prospects are strong and Out-of-Home advertising is expected to continue to take market share from traditional media.



Airport, Check-in Screen, Sydney Airport, Sydney

Transit, Maxibus, Sydney

~6%	Of total Australian advertising market
47%	Of Australian market revenue is digital (1)
6.0%	AU market (1) growth in 2017
18.0%	NZ market (2) growth in 2017

APN Outdoor believes there is a significant growth opportunity for the sector, as Out-of-Home only accounts for 6% of the Australian advertising market.

(1) Source OMA data – December 2017

(2) Sources OMANZ data – December 2017

Operational highlights

Operational highlights in 2017 were:

- The continued rollout and leadership in elite, large format, digital billboards with 125 across Australia and New Zealand at the end of 2017;
- We have renewed a number of significant contracts that have brought down the contract maturity profile to single digits in 2018 and 2019;
- The rollout of XtrackTV network to Perth means a compelling medium for commuters now has a fully national reach;
- Important Digital campaign post-analysis reporting for our clients providing our customers with the confidence and transparency over what we deliver;
- Investing in crucial campaign reporting systems for both digital and classic formats, as well as our digital delivery system and inventory management.
- Implementation of the Calibre audience measurement and campaign planning tool in New Zealand – offering unmatched visibility and transparency into audiences of our assets; and
- Ground breaking neuroscience research for Transit, which has supported a turnaround in the transit business.

Financial highlights

Revenue	▲	4% to $342.9m
Underlying EBITDA(1)	▲	4% to $90.3m
Underlying NPATA(1)	▲	2% to $53.0m
Statutory NPAT	▼	9% to $44.0m
Operating cash flow	▼	28% to $48.0m
FY17 Dividend	▲	1% to 19.2 cps
Leverage	▲	Leverage remains low at 1.1x Underlying EBITDA[1]

(1) Underlying results before non-recurring items (NRIs) see page 14 for further details.

Out-of-Home large format digital leadership

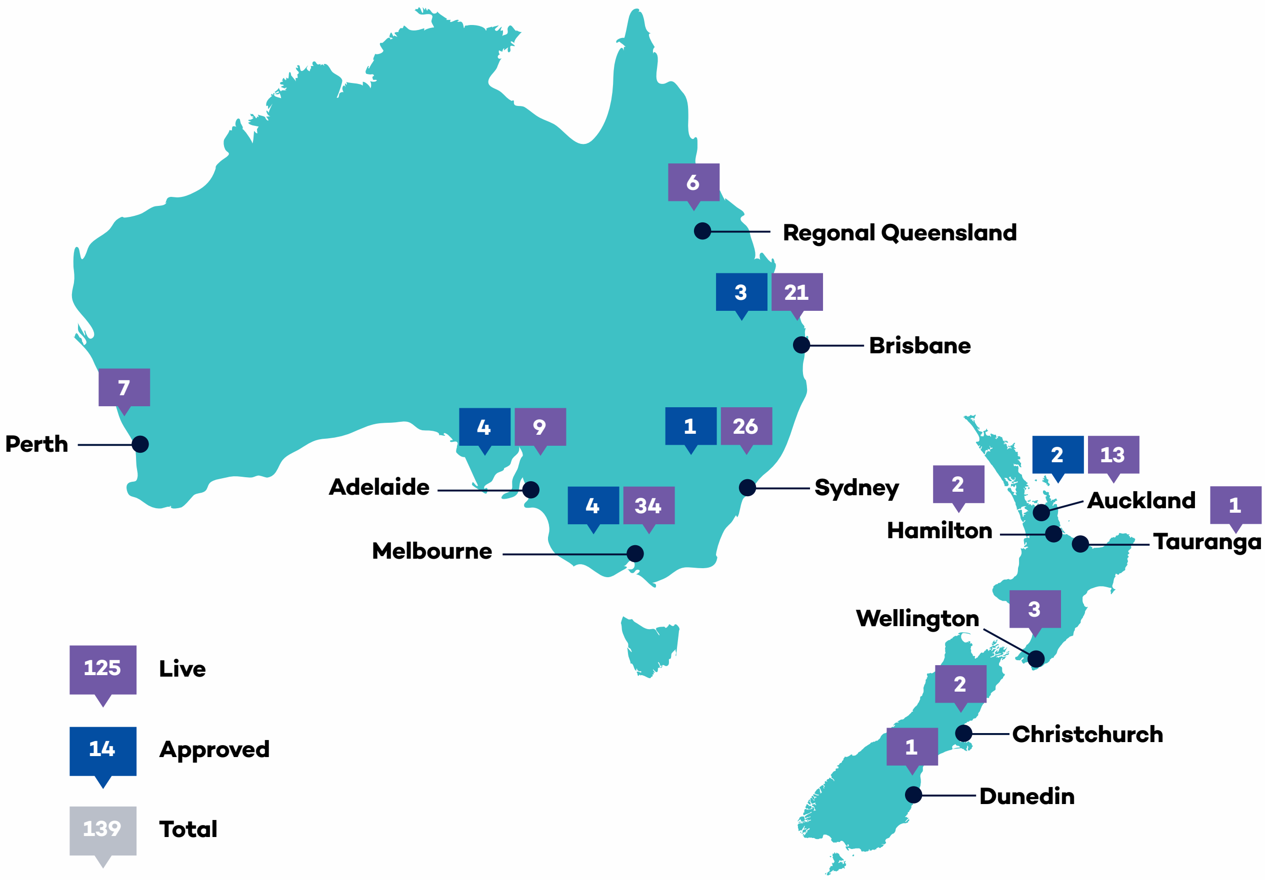
APN Outdoor has a geographically diversified outdoor advertising network which operates in New South Wales, Victoria, Queensland, Western Australia, South Australia and New Zealand.

APN Outdoor continue to have the best elite digital large format screens across Australia and New Zealand.

In the large format segment, our leadership is not just demonstrated by the number and quality of locations but also the quality of the screens we build. Quality is important to our business, and we see that long-term this will allow us to maintain yield in what has been a very competitive market over the last 12 months.

Airport, Billboard, Sydney Airport, Sydney

Digital coverage[1]



(1) As at 31 December 2017

	Built – 31 Dec 17	Approved	Total
AU Only	103	12	**115**
NZ Only	22	2	**24**
ANZ Total	**125**	**14**	**139**
ANZ LFD	101	11	**112**
ANZ Super 8	24	3	**27**
ANZ Total	**125**	**14**	**139**

APN Outdoor's FY18 digitisation programme will have an increasingly targeted approach focusing on:

- **Geo pockets**: to ensure the elite screen portfolio is appropriately balanced across the major cities and regions of Australia and NZ to provide reach and quality in each market.
- **Contract delivery**: When APN Outdoor partners with our landlords, we commit to investing in their Out-of-Home assets, which benefits both parties. A current example of this is the Tullamarine Drive contract in Melbourne which includes a number of superior digitisation opportunities along this heavily trafficked arterial road.
- **Iconic sites**: Continuing to develop iconic sites in Metropolitan areas. The Young & Jackson site in Melbourne being the premier site in the CBD and the digital on Story Bridge in Brisbane are examples of how exceptional our assets really are.
- **Extension of our footprint**: Extending our regional footprint which provides our advertisers with further reach to access their audiences.

The Group entered the year with 125 large format digital screens and a further 14 sites already approved for development. We expect to build approximately 10 new sites in 1H18.

Revenue by format

Format	Highlights	2017 revenue	Change YoY
Roadside Billboards	› Metro focus › Broad range including large & small format options › Focus on high quality displays › Iconic sites.	$176.7 million	10%
Transit	› Variety of differentiated panel options › Proven expertise in quality delivery of complex logistic operations › Internal and external rights.	$100.2 million	1%
Airport	› Highly desirable advertiser location › Multiple consumer contact points › Variety of digital and classic opportunities › External and internal rights.	$40.6 million	(7%)
Rail	› Unique commuter audience › Long commuter dwell time › High demand network in Sydney, Melbourne, Brisbane, Adelaide and Perth.	$25.4 million	(5%)
Total revenue		**$342.9 million**	**4%**
	Classic	$214.3 million	(1%)
	Digital	$128.6 million	13%
Total revenue		**$342.9 million**	

Billboard revenue growth of 10% continues to be a strong result. Highlighting our continued leadership in elite, digital large format screens.

Digital yields dropped in 2H17, which reflects the increased supply in the market. We see the quality of our assets and being more audience focused rather than asset led will allow us to continue our market leadership in this area and hold yields in the longer term.

Classic revenues were relatively flat year on year, which is a strong result, given the fact that we converted 27 large format panels to digital in the year.

Our Transit business continued to over perform against the digital investment of our competitors, which is a good outcome considering transit is not a capital intensive format.

Airport under performed. Airport revenue suffered from larger advertisers moving spend to other formats.

Rail revenues also under performed. The finalisation of our XtrackTV network, with the panels built in Perth during the year, is expected to improve rail results going forward.

The growth in digital revenue remains strong and was 38% of total revenues for 2017. APN Outdoor built 38 new large format, digital screens during the year.

Underlying performance for classic was relatively flat, which is a robust result given the transfer of revenue to digital when a site is converted.

Production and installation revenue trends in line with respective classic media revenues.

Summary financial information

The financial information below is presented on an underlying basis unless otherwise stated.

$ Millions	2017	2016	Growth
Revenue	**342.9**	330.9	4%
Underlying EBITDA(1)	**90.3**	86.7	4%
Underlying EBIT(1)	**75.1**	73.9	2%
Underlying NPAT(1)	**50.0**	49.2	2%
Underlying NPATA(1)	**53.0**	51.8	2%
Statutory NPAT	**44.0**	48.4	(9%)
Diluted EPSA(1) (underlying) (cps)	**31.8**	31.0	3%
DPS (cps) – full year	**19.2**	19.0	1%
Net debt	**98.9**	84.0	17.7%

(1) Underlying results before non-recurring items (NRIs) see page 14 for further details.

Profit and loss

Revenue increased 4% against an Australian Out-of-Home media market that grew 6%.

Underlying EBITDA for the year was $90.3m, up 4% on the prior year.

The Group improved gross margin, with the margin percentage increasing to 39%.

Rent as a percentage of total revenue stabilised at 41%, consistent with 2016 – which was a strong result given the number of significant contracts we renewed during the year.

Throughout the year, cost management was disciplined. Overheads continue to be low relative to our industry peers as evidenced by our underlying EBITDA margin of 26%.

Higher depreciation and amortisation reflects the capital spend on digital screens and the full year impact of the iOM and Metrospace acquisitions effected in August and September 2016 respectively.

On a blended basis, the useful life of a digital screen approximates 12 years, with the screen depreciated over 6 years and the structure over 20 years. This compares to classic panels, which have a useful life of 20 years.

The increase in interest expense reflects the full year impact of higher leverage.

Combined with an increasing digital portfolio and a focus on cost control, margin expansion was achieved at both the gross margin and EBITDA level.

In December 2017, we restructured the point of sale business within our printing operations to allow management to focus on core activities. The business was EBITDA neutral.

Reconciliation of Underlying to Statutory Results

A reconciliation of Underlying Net Profit after Tax to Statutory Net Profit after Tax is outlined below.

$ Millions	2017	2016
Underlying Net Profit after Tax	**50.0**	**49.2**
Merger transaction costs (1)	3.4	1.1
CEO retirement and other related costs (2)	1.7	–
Point of sale business restructure (3)	0.9	–
Impairment of assets (4)	2.2	–
Gross non-recurring items	**8.2**	**1.1**
Tax on non-recurring items	(2.2)	(0.3)
Net non-recurring items	**6.0**	**0.8**
Statutory Net Profit after Tax	**44.0**	**48.4**

(1) Transaction costs relate to the terminated merger with oOh!media (May 2017).

(2) CEO retirement costs, associated legal and other related costs have been expensed in 2017.

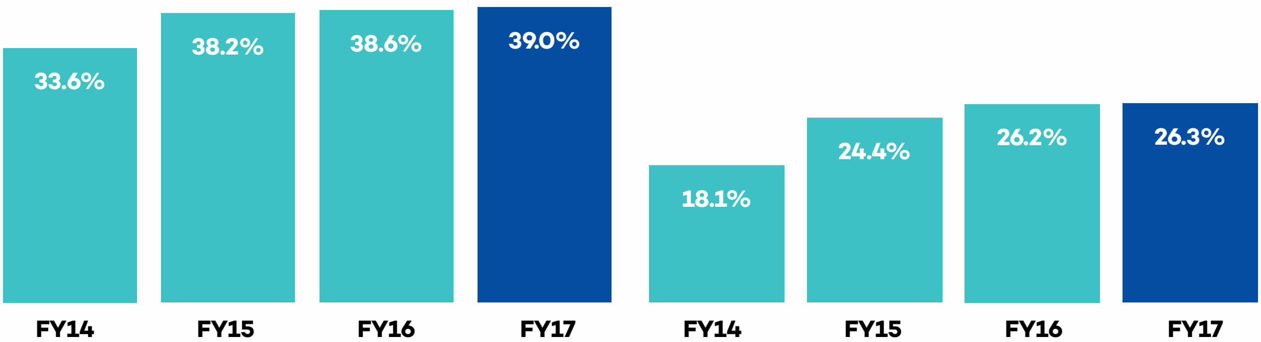
(3) Point of sale business restructured at the APN Outdoor printing facility – negligible ongoing EBITDA impact.

(4) Impairment of assets relate to investment associated with Catch technology trial and investment in associate.

Underlying Gross and EBITDA margin

Underlying gross margin

Underlying EBITDA margin



Cost management

$ Millions	2017	2016	Change
Rental	139.8	134.7	4%
Sales and marketing	31.1	31.3	(1%)
Other (1)	38.3	37.3	3%
Direct costs	**209.2**	**203.3**	**3%**
Staff costs	27.1	26.7	1%
Marketing	2.7	2.4	13%
Other (1)	13.6	11.8	15%
Overheads	**43.4**	**40.9**	**6%**
Total expenses	**252.6**	**244.2**	**3%**

(1) Electricity and other direct costs related to digital assets are included in other direct costs (comparative period restated).

Direct costs were up 3% in line with revenue growth, leading to improved gross margin.

Overheads increased 6%. One third of the 6% overhead cost growth relates to tender and contract renewals, noting that the Group had a significant contract renewal concentration in 2017.

Capital management and cash flow

$ Millions	2017	2016
Underlying EBITDA	**90.3**	**86.7**
Non-recurring items	(3.8)	(0.4)
Working capital	(4.6)	5.9
OCF before interest and tax	**81.9**	**92.2**
Cash conversion ratio	**91%**	**106%**
Interest	(3.4)	(2.5)
Tax payments	(30.5)	(23.4)
Operating cash flow	**48.0**	**66.3**

The cash conversion ratio of 91% was down on last year and reflects the payment of non-recurring expenses and working capital movements. The 106% cash realisation achieved in 2016 was an abnormal result, and we would generally expect cash realisation, going forward, approximating 95%.

The Group paid $13m in 2017 related to our FY16 tax returns in Australia and New Zealand, and is now on full rate tax instalments in both jurisdictions. The Group is carrying a much lower tax provision as at December 2017 as a result and expects FY18 tax payments to return to normal levels.

The Group's net debt, excluding borrowing cost, continues to sit at a very comfortable 1.1 times underlying EBITDA. Net debt increased $14.9m during the year due to a combination of increased tax payment and working capital.

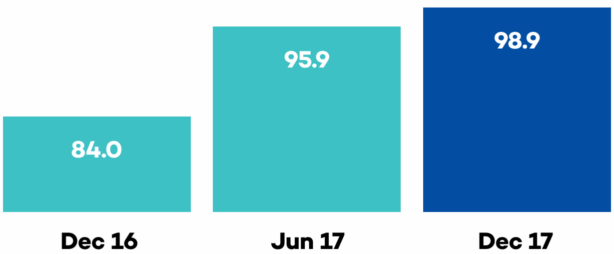
In September 2017, the Company refinanced its debt facilities increasing the facility limit to $200m from $150m. Cash available and undrawn is $75.1m with approximately $58.2m available under the facilities at 31 December 2017 and $16.9m cash and cash equivalents.

Nature	Facility size $'000	Drawn – 31 Dec. 2017 $'000	Expiry
General | working capital	125,000	108,451	7 September 2020
General | working capital	75,000	33,315	7 September 2022
	200,000	**141,766**	

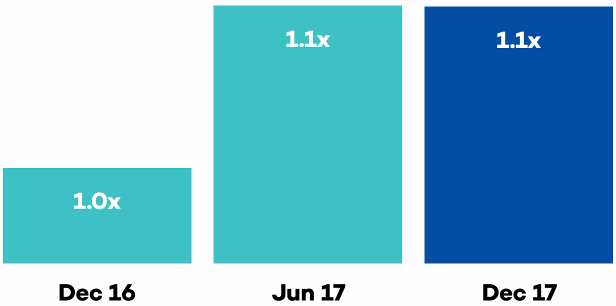
Included in the drawn amount above is $26.0m of bank guarantees and other credit facilities.

The new senior debt facilities include both three-year and five-year maturities with CBA, Bank of China and Westpac as banking partners.

Net debt $m



Leverage



Transit, Portrait Side and Megaside, George St, Sydney

Contract renewals

We have renewed a number of significant contracts that have brought down the contract maturity profile to single digits in 2018 and 2019. Renewals for 2017 are summarised below:

Tullamarine Freeway	RETAINED	› Elite Screen development opportunities › The key arterial between Melbourne CBD and airport reaching 1.5 million commuters a week › 14 high quality bridge sites
Sydney Buses (State Transit)	RETAINED	› ~ 2,000 buses › 5 year contract term › Improved financial terms
Adelaide Metro	RETAINED	› Further 6 year term › 900 buses | 24 trams | 136 trains
PTA (Perth rail and billboards)	EXTENDED	› Largest billboard contract in WA › Includes classic and digital rail assets › Roadside digital development opportunities
Yarra Trams	LOST	› Landlord decided to consolidate the contract to have one operator across trams and street furniture
Canberra Airport	LOST	› Not renewed based on financial metrics
Metro Trains Melbourne	RETAINED	› Roadside and Cross Track billboards – APN Outdoor retained its current assets under the contract

Post year end, APN Outdoor extended the Sydney Trains contract under a multi-year agreement including key billboard and rail assets in the Sydney market.

Managing the risks to our strategy

Business risk management is a core focus of the senior management team.

The Audit and Risk Committee and management have identified the following as being the most relevant risks to the business achieving its operational and financial targets.

Risk	Response
Advertising revenues can be impacted by changing economic conditions	The outdoor advertising industry has recently outperformed the advertising industry as a whole and has continued to grow strongly in 2017. Out-of-Home advertising is expected to continue to take market share from traditional media. If there were to be a downturn in economic conditions in one or more of the regions in which APN Outdoor conducts its business activities, it is likely that its revenues would be reduced, possibly by a significant amount. Because a substantial portion of APN Outdoor's costs will be fixed and will not vary with revenues, a reduction in revenues due to a deterioration in economic conditions would be likely to have a significant impact on operating profit. With a premium asset base owned and operated by APN Outdoor, management believes that our exposure to downward market trends is mitigated compared to other media formats and our competitors.
Reliance on customers	The performance of APN Outdoor relies on its relationships with media agencies. Loss of relationships with media agencies or a change in the size and/or structure of the media agency market may impact the Group's revenues and profitability in the future. In addition, the loss of relationships with key customers could impact on the Group's future operating and business performance. APN Outdoor has productive relationships with a large number of media agencies of various sizes and actively works on building relationships to drive business growth. No individual customer is material to APN Outdoor revenue.
Inability to retain key contracts and sites on favourable terms	APN Outdoor holds leases/licences to various site locations. Many of these contracts require APN Outdoor to participate in competitive bidding processes at each renewal. APN Outdoor is disciplined in its approach to contract renewals and have a proven track record of successful and economically viable contract renewals.
Government regulation of outdoor advertising	APN Outdoor has extensive experience in dealing with regulatory authorities and is committed to complying with all legislation and guidelines.
Changes in technology and impact on consumer and advertiser behaviour	The Australian and New Zealand media sector will continue to be affected by changes in technology. Newer technologies are increasing the number of media and entertainment choices available to audiences. These technological developments and new ways for advertisers to reach consumers may cause changes in consumer behaviour and may make APN Outdoor's product offering less attractive to customers or reduce the level of advertising spend that is directed to Out-Of-Home and online advertising. APN Outdoor is trialling a number of different technology offerings and constantly monitors the market for developments that mean it may need to adapt to new technology offerings.

Airport, General Departures Wall, Sydney Airport, Sydney

Risk	Response
Cyber and technology risk	APN Outdoor relies on significant IT infrastructure and systems to operate the Group's business. Core technologies and other systems and operations could be exposed to damage or interruption from system failures, computer viruses, cyber-attack, power or telecommunication providers' failure, fire, natural disasters, terrorist acts, war or human error. These events may cause one or more of the core technologies to become unavailable. Additionally, APN Outdoor will use technologies that involve the collection of individual personal information. Through the ordinary course of its business, the Group may be exposed to cyber-attacks. There is a risk that, if a cyber-attack is successful, any data security breaches or the Group's inadvertent failure to protect confidential information could result in a loss of information integrity, breaches of the Group's obligations under applicable laws or client agreements, system outages and the hacking of the Group's digital assets and/or systems, each of which may potentially have a material adverse impact on the Group's reputation and financial performance. The Group conducts external reviews of system security, data protection and IT infrastructure and acts on the recommendations put forward following the external review. A review of cyber risks was conducted in 2016 and will be reviewed again in 2018. APN Outdoor has a disaster recovery plan and tests back up procedures to ensure minimal business interruption in the event that a technology failure were to occur.

Directors' report

Directors

The following persons were Directors of APN Outdoor Group Limited during the entire current financial period and up to the date of this report, unless otherwise stated:

- Doug Flynn – Chairman
- Pat O'Sullivan
- Lisa Chung
- Jack Matthews
- Richard Herring (resigned: 29 September 2017)
- James Warburton (appointed: 22 January 2018)

Principal activities

During the year, the principal continuing activities of the Group consisted of the provision of advertising services.

Dividends

Dividends paid during the financial year were as follows:

	2017 $'000	2016 $'000
Final dividend for the year ended 31 December 2016 of 12.5 cents (31 December 2015: 11 cents) per ordinary share, fully franked paid on 21 April 2017 (2015: 22 April 2016)	20,827	18,328
Interim dividend for the half year ended 30 June 2017 of 6.7 cents (30 June 2016: 6.5 cents) per ordinary share, fully franked paid on 22 September 2017 (2016: 21 October 2016)	11,163	10,830
	31,990	**29,158**

In addition to the above dividends, on 20 February 2018 the Board recommended the payment of a final, fully franked dividend of 12.5 cents per share ($20,826,814). This dividend will be paid on 20 April 2018. The record date for the dividend is 13 March 2018.

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and not recognised as a liability as at 31 December 2017.

Airport, Spectacular, Domestic & International Terminals, Auckland Airport, New Zealand

Review of operations

The profit for the Group after providing for income tax was $44,046,000 (2016: $48,446,000).

A review of operations of the Group is set out in the Operating Financial Review on pages 8 to 19.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Doug Flynn

Title:	Independent non-executive Chairman
Qualifications:	Bachelor of Engineering from the University of Newcastle, New South Wales and received a MBA with distinction from the University of Melbourne
Experience:	› Doug has over 30 years of international experience in the media and information and communication technology industries, including holding various senior management and board positions. › Previously, Doug was Chief Executive of newspaper publisher Davies Brothers Limited, which was acquired by News Corporation in 1989 and in 1994 was appointed the Managing Director of News International Plc based in London. After leaving News International in 1998, Doug joined Aegis Group Plc and was appointed as CEO in 1999, where he was instrumental in doubling the size of the company and established a global market research business Synovate and internet services business Isobar. From 2005 to 2008, Doug served as the Chief Executive of facilities management provider Rentokil Initial Plc. Doug returned to Australia in 2008 and from April 2008 to April 2012 was a consultant to and a director of Qin Jia Yuan Media Services Ltd, the leading private television company in China. › Doug's other current directorships include: Chairman of NextDC Limited and Konekt Limited. › Doug was formerly a Director of Seven West Media Limited and Isentia Group Limited. › Doug is the Chair of the Board, as well as a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.
Interests in shares:	250,000 ordinary shares

Pat O'Sullivan

Title:	Independent non-executive Director
Qualifications:	Graduate of the Harvard Business School's Advanced Management Program. Chartered Accountant in Australia and Ireland
Experience:	› Pat has over 30 years of international commercial and business management experience, including holding various senior management and board positions. › Previously, Pat was Chief Operating Officer and Finance Director of Nine Entertainment Co., as well as serving as Chairman of NineMSN. Previous to this, Pat was the CFO of Optus, and has also held a number of positions at Goodman Fielder, Burns, Philp & Company, and PricewaterhouseCoopers. › Pat's other current directorships include iSentia Group Limited, Carsales.com.au and Little Company of Mary Healthcare. Pat is also Chairman of HealthEngine Pty Ltd. Pat was formerly a Director of iSelect Limited, iiNet Limited and Lux Group Limited. › Pat is the Chair of the Audit and Risk Management Committee and a member of the Remuneration and Nomination Committee.
Interests in shares:	29,412 ordinary shares

Airport, Pier C Atrium Screen, Sydney Airport, Sydney

Lisa Chung

Title:	Independent non-executive Director
Qualifications:	Bachelor of Laws University of Tasmania, graduate of Advanced Management Program INSEAD France, FAICD
Experience:	› Lisa was formerly a commercial property partner of law firms, Blake Dawson (now Ashurst) and Maddocks. › Lisa brings more than 25 years of legal experience in a wide range of commercial property transactions acting for major government and corporate clients. Her areas of legal expertise include sales and acquisitions of industrial and commercial real estate, commercial leasing, real estate development and the real estate aspects of infrastructure projects. › Whilst a partner of Blake Dawson, Lisa spent several years serving on the firm's board and in senior management roles, including as Sydney Managing Partner and as the Executive Partner with responsibility for the Property Projects and Government Group and for strategy relating to People and Culture. › Lisa's other current directorships include: Australian Unity Limited and Lifeplan Australia Friendly Society Limited and Artspace Visual Arts Centre Limited. Lisa is also Chair of Urbis Pty Ltd and The Benevolent Society and Deputy President of Trustees of the Museum of Applied Arts and Sciences. › Lisa is the Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee.
Interests in shares:	9,804 ordinary shares

Jack Matthews

Title:	Independent non-executive Director
Qualifications:	B.A. Philosophy, College of William and Mary
Experience:	› Jack brings extensive knowledge of the evolving digital media landscape, strong commercial networks and experience in executing and successfully integrating digital business acquisitions. › Jack has held a number of senior leadership positions within the digital media and subscription television industries in Australia and New Zealand. › Since 2006, Jack played an integral role in the success of Fairfax's digital strategy – first as CEO of Fairfax Digital and most recently as CEO of Fairfax Metropolitan Media. Jack has also held senior positions in the USA and Japan. › Jack's other current directorships include: Chairman of MediaWorks NZ and Director of Network for Learning Limited, Chorus Limited and Trilogy International Limited. › Jack was formerly a Chairman of Rewardle Holdings Limited and Director of Crown Fibre Holdings Limited. › Jack is a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee.
Interests in shares:	29,412 ordinary shares

Rail, Crosstrack, Hawthorn Station, Victoria

James Warburton

Title:	Chief Executive Officer and Managing Director
Qualifications:	MBA from Monash University in Melbourne
Experience:	› James Warburton commenced as Chief Executive Officer of APN Outdoor on 22 January 2018. › James is a world-class senior executive with vast expertise in the media, marketing, sports administration and advertising sectors. › Most recently, James was the Chief Executive Officer of V8 Supercars, where he drove significant growth in the sport and delivered unprecedented broadcast, sponsorship and funding deals. › James has held senior leadership roles at media buying company Universal McCann, the Seven Media Group and Network Ten. › James was formerly a director of Ten Network Holdings.
Interests in shares:	Nil

Company secretaries

David Watkins (appointed: 8 January 2018)

David Watkins is APN Outdoor's Company Secretary responsible for the corporate governance, finance and systems across the business.

David joined APN Outdoor in 2015. Prior to working with APN Outdoor, David worked in senior finance roles for ASX listed mining and print companies.

David has a Bachelor of Commerce with Merit from UNSW in Finance and Accounting. He is also a certified member of the Governance Institute.

Wayne Castle (resigned: 8 January 2018)

Wayne Castle has more than 30 years of experience in professional and commercial accounting roles. Prior to joining APN Outdoor, Wayne worked in APN News & Media's corporate office for eight years in a role spanning all of the Group's various media interests. During this period Wayne was actively involved in corporate reporting, treasury management and debt refinancing and various M&A activities.

Prior to that, Wayne held various senior finance roles across a variety of industries after 10 years with Ernst & Young in audit, technical and education roles.

Wayne has a Bachelor of Commerce with Merit (UNSW) and is a member of the Institute of Chartered Accountants in Australia.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2017 and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Management Committee	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Doug Flynn	12	12	3	3	3	3
Pat O'Sullivan	12	12	3	3	3	3
Lisa Chung	12	12	3	3	3	3
Jack Matthews	12	12	3	3	3	3
Richard Herring	9	9	–	–	–	–

During the period, there were two finance sub-committee meetings which were attended by Pat O'Sullivan and Richard Herring to finalise and approve the Half Yearly and Annual reports.

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Unissued shares under option

Unissued ordinary shares of APN Outdoor Group Limited under option at the date of this report are as follows:

Grant date	Vesting date	Expiry date	Exercise price	Number under option
18 November 2014	31 December 2017	31 December 2018	$2.55	943,940
9 March 2016	31 December 2018	31 December 2019	$5.95	564,186
27 April 2016	31 December 2018	31 December 2019	$5.95	263,747
				1,771,873

Options do not carry any voting or dividend rights and do not confer any right to participate in the issue of new shares or any other securities in APN Outdoor Group Limited.

Shares issued on the exercise of options

There were no ordinary shares of APN Outdoor Group Limited issued on the exercise of options during the years ended 31 December 2017 and 31 December 2016 and up to the date of this report.

Unissued shares under performance rights

Grant date	Vesting date	Expiry date	Fair value at grant date	Number of rights
12 December 2016	31 December 2019	31 December 2020	$3.53	303,815
20 April 2017	31 December 2019	31 December 2020	$3.02	77,337
				381,152

Transit, Full Back, Sydney

Indemnity and insurance of officers

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company continued to pay a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Remuneration report

APN Outdoor's remuneration report is set out in pages 30 to 49.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of PricewaterhouseCoopers

There are no officers of the Company who are former partners of PricewaterhouseCoopers.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this Directors' Report.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Corporate Governance Statement

A copy of our Corporate Governance Statement can be found on our website at www.apnoutdoor.com.au/corpgovernace.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Doug Flynn
Chairman

20 February 2018 | Sydney

Auditor's Independence Declaration

As lead auditor for the audit of APN Outdoor Group Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of APN Outdoor Group Limited and the entities it controlled during the period.

Rod Dring
Partner
PricewaterhouseCoopers

Sydney
20 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Remuneration report

Letter from the chair of the Remuneration and Nomination Committee

Dear Shareholder,

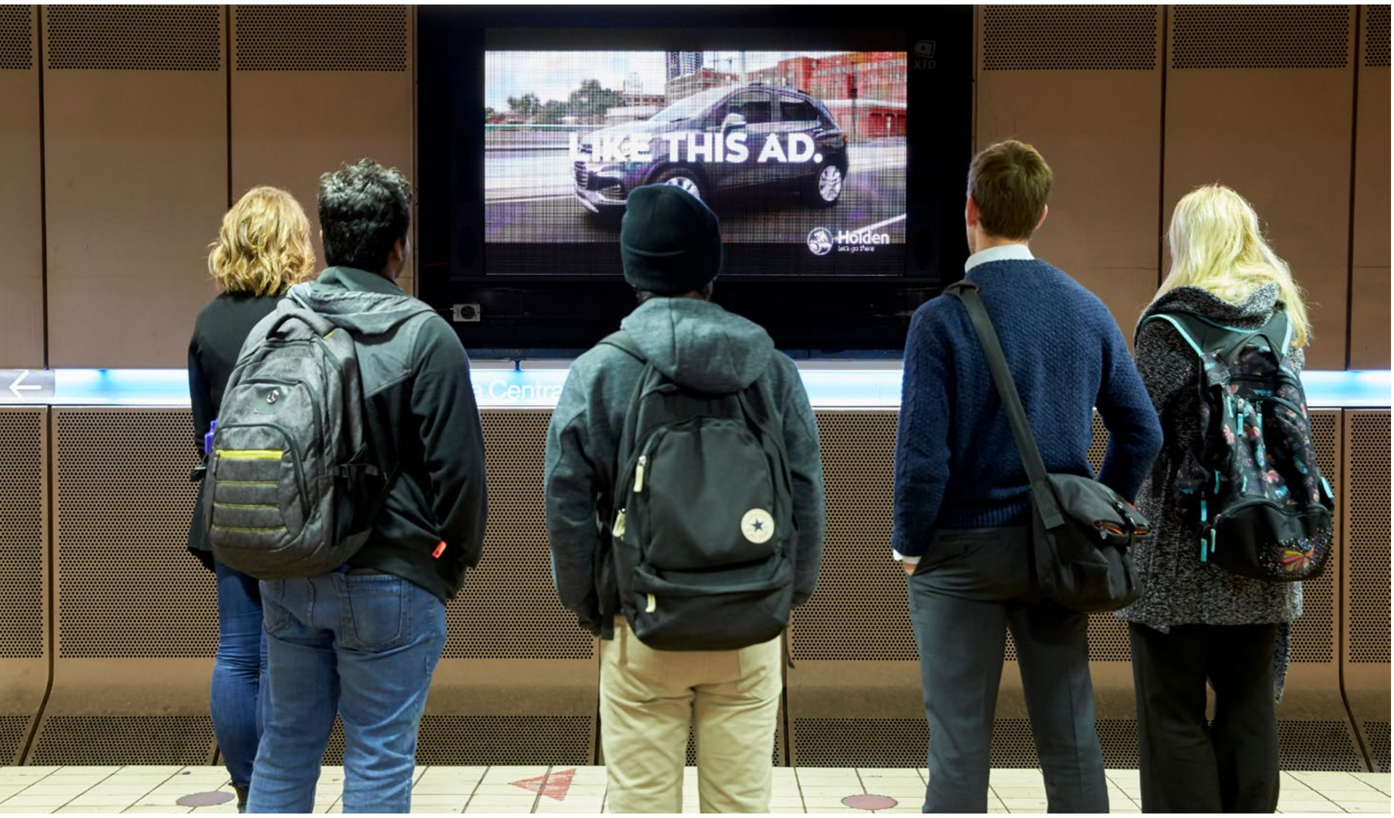
On behalf of the Board of Directors, I am pleased to present APN Outdoor's Remuneration report for the 2017 financial year.

In establishing our remuneration framework, our objective is to align remuneration to the endeavours that support the execution of the business strategy. This ensures that remuneration outcomes for our senior executives are aligned with the creation of sustainable value for shareholders.

The remuneration framework has been developed with four guiding principles in mind:

- Motivation of senior executive behaviour to execute the Company's strategy through an appropriate mix of fixed and 'at risk' remuneration elements;
- Alignment of our executive pay remuneration with shareholder interests and wealth outcomes, including an appropriate balance of short-term and long-term components;
- Delivery of a competitive remuneration framework that assists with attracting and retaining high calibre executive talent; and
- Provision of a simple and transparent framework that is clear to participants and external stakeholders.

Our executive remuneration packages are competitive and the framework provides for a strong link between company performance and executive remuneration. We believe that our evolving remuneration framework is also transparent and free of undue complexity.



Rail, XtrackTV, Melbourne Central Station, Melbourne

During 2017, we saw the resignation of Richard Herring and the appointment of a new Chief Executive Officer (CEO), James Warburton who commenced on 22 January 2018. The Company engaged a third-party provider to determine an appropriate remuneration structure and value, including the comparative weighting of fixed and 'at-risk' elements, for the newly appointed CEO.

In 2017, the structure of short-term incentives required a gateway of 98% achievement of budgeted EBITDA. We see EBITDA as a key metric to align our short-term incentive (STI) structure with the interests of shareholders. The EBITDA gateway was not achieved for the 2017 year and as such no payments were made under the STI plan for the 2017 financial year.

Although no annual STI was paid, both Andrew Hines and Wayne Castle received a retention bonus, which was put in place as part of the proposed merger transaction with oOh!media Limited which we subsequently terminated. The retention bonus was designed to ensure the continuity of key senior management through the unsettled period during and following the terminated merger and the subsequent resignation of Richard Herring as CEO. Andrew Hines also received a specific non-financial key performance indicator (KPI) bonus related to the successful renewal of a number of key material lease contracts during the year.

Long-term incentives (LTI) are issued to senior management in an effort to align the Company's sustainable long-term performance with executive remuneration. Senior management are provided with LTI rewards in the form of performance rights. Executives are eligible to receive up to 35% of their fixed remuneration as LTI.

Since listing in 2014 and up until 31 December 2017, the Company has provided a total shareholder return of 99.6% to shareholders and underlying earnings per share has increased from 12.9cps to 30.0cps. As a result of this performance, the 2014 option grant vested on 31 December 2017. These options will be available for exercise following the release of the Company's 2017 financial results.

APN Outdoor remains committed to the ongoing review of its remuneration framework with emphasis upon retaining and motivating our senior executive team in support of the execution of our strategy for the benefit of long-term shareholder value creation.

As part of its commitment to Australian corporate governance best practice, the Board welcomes feedback from external stakeholders in respect of its remuneration practices and disclosures.

On behalf of the Board, I would like to thank our executives for delivering the strategic priorities of the business to drive long-term performance.

Yours sincerely,

Lisa Chung
Chair of Remuneration and Nomination Committee

20 February 2018 | Sydney

2017 Remuneration report (Audited)

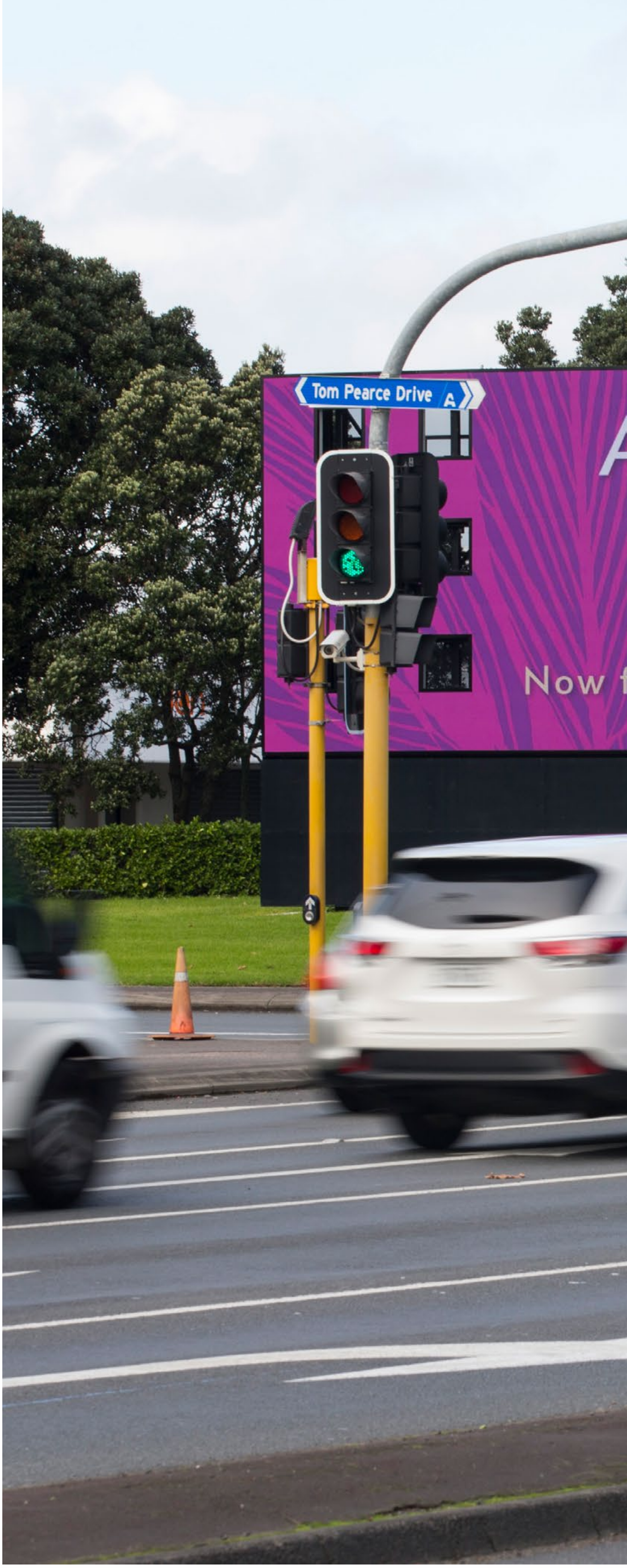
Overview

This Remuneration report for the year ended 31 December 2017 outlines key aspects of our remuneration framework for Key Management Personnel (KMP) and has been audited in accordance with the Corporations Act 2001.

Accounting standards define KMP as those executives and non-executive directors with the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

Our Remuneration Report contains the following sections:

(a) Who this report covers
(b) Overview of our remuneration framework
(c) How reward was linked to performance
(d) Remuneration expenses for Directors and executive KMP
(e) Contractual arrangements with executive KMP
(f) Share-based remuneration
(g) Non-executive Director arrangements
(h) Directors and executive KMP shareholdings in APN Outdoor
(i) Other statutory disclosures



Elite Screens, Landmark, Domestic & International Terminals, Auckland Airport, New Zealand

(a) Who this report covers

This report covers non-executive Directors and executive KMP and includes:

	Role
NON-EXECUTIVE DIRECTORS	
Doug Flynn	Independent non-executive Chairman
Pat O'Sullivan	Independent non-executive Director
Lisa Chung	Independent non-executive Director
Jack Matthews	Independent non-executive Director
EXECUTIVE KEY MANAGEMENT PERSONNEL	
Richard Herring (1)	Former Chief Executive Officer
James Warburton (2)	Chief Executive Officer
Andrew Hines	Chief Operating Officer
Wayne Castle (3)	Chief Financial Officer

(1) Mr Herring resigned as a Director on 29 September 2017 and CEO on 30 September 2017 but remains an employee of the Company until 2 August 2018. Further information in respect to Mr Herring's termination arrangements are provided at Section (d) of this Remuneration report.

(2) Mr Warburton commenced as CEO on 22 January 2018. He received no remuneration in the 2017 financial year.

(3) Mr Castle resigned as CFO and acting CEO on 8 January 2018 and will serve his three month notice period with the Company until 8 April 2018.

Transit, Showcase bus, Sydney

(b) Overview of our remuneration framework

APN Outdoor Board

- Overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors.
- Reviews and, as appropriate, approves recommendations from the Remuneration and Nomination Committee.

Remuneration and Nomination Committee

Reviews and recommends for approval to the APN Outdoor Board

- Remuneration strategy and framework for executives and non-executive directors
- Contractual arrangements for the CEO and other executives
- Fixed and 'at-risk' remuneration for the CEO and other executives.

Reviews and approves

- Reward structures and incentive schemes
- Executive termination payments
- Major human resources policies relating to incentive schemes, equity schemes and superannuation plans.

Oversees and monitors

- The executive succession planning framework
- Compliance with statutory remuneration reporting disclosures
- Board composition and performance
- Diversity and inclusion
- Annual statutory reporting.

CEO

Makes recommendations to the Remuneration and Nomination Committee on:

- Incentive targets and outcomes
- Balanced scorecard measures and assessment for direct reports
- Remuneration policy for all employees
- LTI participation
- Individual remuneration and contractual arrangements for executives.

People, Performance and Culture

Makes recommendations to the Remuneration and Nomination Committee on:

- Remuneration practices across the business
- Ongoing compliance with regulatory remuneration requirements
- Individual remuneration and contractual arrangements for senior employees reporting to the Executive Team and any other employees specified by the relevant regulations.

External advisors

Provide independent advice to the Remuneration and Nomination Committee and People, Performance and Culture team on:

- Management proposals
- Benchmark data and market practice.

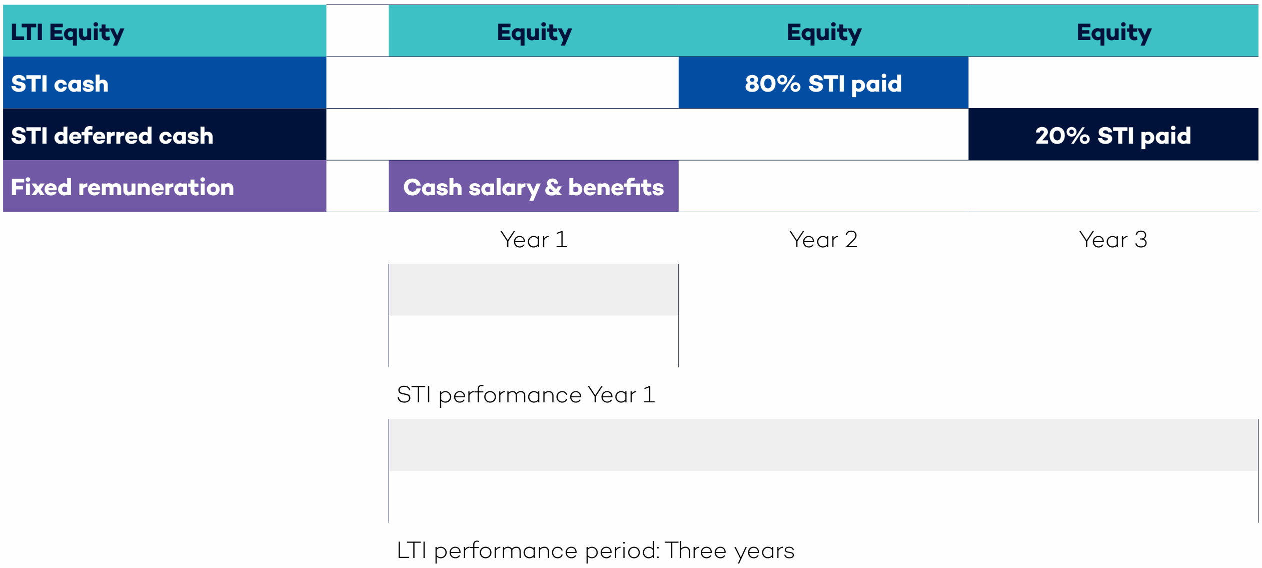
Remuneration framework

Overview

APN Outdoor's remuneration strategy is designed to provide market competitive remuneration that motivates and retains the Company's KMPs, aligned with the creation of long term shareholder value.

Our remuneration framework includes both fixed and 'at risk' remuneration. The performance-based remuneration components incorporate a balance of elements that reward executives for individual outperformance against both short-term and long-term KPIs that are linked to the Company's strategy.

The diagram below illustrates the payment profile of the total remuneration framework for senior executives.



The annual STI opportunity for senior executives is set at a target of 30% (maximum of 60%) of fixed remuneration. It is designed to reward executives for their performance against KPIs that are specifically selected to drive performance without encouraging undue risk-taking. A deferral component is also applied to assist with retention, whereby 20% of the STI paid to executives is deferred for a period of 12 months.

LTIs are assessed over a three year period and are designed to promote long-term, sustainable, shareholder returns while facilitating the alignment of interests between senior executives and long-term shareholders. The value of LTI allocations to senior management represents 35% of the recipient's annual fixed remuneration and, from the 2017 grant, are provided in the form of performance rights. This change to the LTI instrument from options to performance rights was introduced to better align the Company's remuneration framework with Australian market practice.

<table>
<thead>
<tr><th>Description</th><th>Implementation</th><th>Market level/ Opportunity</th><th>Change</th></tr>
</thead>
<tbody>
<tr><td colspan="4">TOTAL FIXED REMUNERATION (TFR)</td></tr>
<tr>
<td>TFR comprises base salary and superannuation contributions.</td>
<td> Fixed remuneration is set at a level that is commensurate with the skills required for and responsibilities associated with the role and within the context of external market levels. Superannuation is paid at the statutory rate. This is currently 9.5%. In certain elected cases, executive KMP pay additional superannuation via salary sacrifice. Fixed remuneration is reviewed annually and accounts for market movements and individual performance outcomes. There are no guaranteed fixed remuneration increases. </td>
<td> Fixed remuneration is targeted at the median of the comparator group. In October 2016, the Board engaged Mercer Consulting (Australia) Pty Limited (Mercer) to conduct remuneration benchmarking in respect of the CEO, COO and CFO. The analysis and observations in the report were applied by the Board in its determination of 2017 remuneration. The comparator group included listed Australian organisations of a similar size and complexity (excluding financial services, resources, materials, energy and healthcare companies). </td>
<td> In 2017, TFR for both the COO and CFO was increased to better align with competitive market remuneration. In determining these increases, the Board had regard to the external benchmarking review conducted by Mercer and the fact the Company has become a member of the ASX 200. </td>
</tr>
<tr><td colspan="4">SHORT-TERM INCENTIVE (STI)</td></tr>
<tr>
<td> STIs are annual bonuses based on performance over a 12 month period. STIs are designed to recognise and reward for performance against annual metrics, while providing a retention mechanism for senior executives through the deferral component. Payment of STIs is at the discretion of the Board. </td>
<td> The STI for 2017 is based on a more holistic assessment of performance. Performance metrics for 2017 KMP included: Financial (80%):
Revenue;
EBITDA; and
NPAT
Non-financial (20%):
Workplace Health & Safety;
People; and
Strategy Specific KPIs are set at the start of each year. Detail of these is provided at section (d) of this report. Performance against STI KPIs is assessed following the financial year close. </td>
<td> Executive KMP (including the CEO) are eligible to receive: 30% of TFR at target levels of performance; and 60% of TFR at maximum levels of performance; as defined by the STI performance scorecard. 80% of any STI award is delivered as cash. 20% of the 2017 STI is deferred for a period of 12 months and will be satisfied by cash. </td>
<td>The 2017 STI structure increased the gateway from 95% to 98% achievement of budgeted EBITDA. If the gateway is not achieved, no STI is payable to eligible recipients irrespective of achievement against KPIs within the STI scorecard.</td>
</tr>
</tbody>
</table>

Description	Implementation	Market level/ Opportunity	Change
LONG-TERM INCENTIVE (LTI)			
LTIs are long-term incentives designed to ensure alignment with shareholders through share ownership and are strictly performance based. LTIs assist in the motivation, retention and reward of senior executives. The LTI plan rules allow for LTIs to be delivered as options and/or performance rights. Eligibility is determined by the Board and is targeted at senior executives.	50% of the award is assessed against relative Total Shareholder Return (TSR) and 50% of the award is assessed against Earnings Per Share (EPS) growth, over a three year performance period. Relative TSR is measured against the ASX200 index (excluding financial services and resources companies).	Maximum of 35% of TFR.	Since the plan was established, the EPS vesting criteria have been increased from a range of 6% to 16% Compound Annual Growth Rate (CAGR) to a revised range of 8% to 18% CAGR. In 2017, LTI grants to senior executives were provided in the form of performance rights. This change was made to better align with best market practice.

LTI vesting schedule

Relative TSR performance	Percentage of TSR options that vest	EPS performance	Percentage of EPS options that vest
› 50% or less relative TSR growth	› 0%	› Less than 8% EPS growth*	› 0%
› 51% relative TSR growth	› 50%	› At 8% EPS growth*	› 30%
› 51% to 75% relative TSR growth	› Pro-rata vesting between 50% and 100%	› Between 8% and 18% EPS growth*	› Pro-rata vesting between 30% and 100%
› 76% or greater relative TSR growth.	› 100% vesting.	› 18% or greater EPS growth*.	› 100% vesting.

* Compound annual growth rate.

The Board retains the ultimate discretion regarding remuneration outcomes. The Board may make, cancel or claw back awards where it believes it is appropriate to do so, to align with remuneration policy and/or company strategic outcomes. Such instances may include, amongst others, fraud, misconduct, misrepresentation or financial misstatement.

Performance assessment

The CEO assesses each Senior Executive's performance considering actual outcomes relative to agreed targets. Based on this assessment, the CEO makes a recommendation to the Remuneration Committee for Board approval of the amount of STI to award to each Senior Executive.

The Remuneration Committee assesses the actual performance of the Group and the CEO against agreed targets and recommends the amount of the STI to be paid to the CEO for approval by the Board. These assessment methods have been chosen as they provide the Committee with an objective assessment of each individual's performance.

(c) How the remuneration framework is linked to performance

Overview

This section explains the link between our reward framework and the key financial profit drivers that encourage achievement of the Group strategy and create long term shareholder value.

The incentive structures and financial targets are reviewed annually by the Remuneration and Nomination Committee.

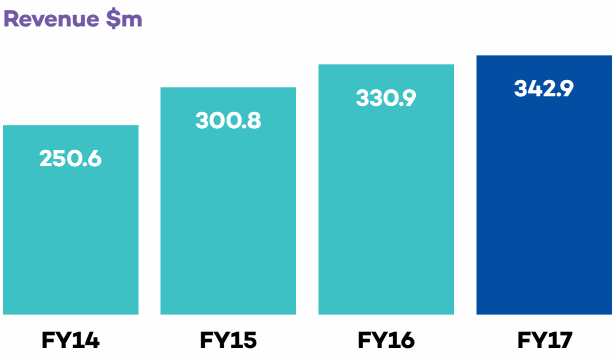
The Key Financial Metrics used by the Company for the 'at risk' elements of the Remuneration Framework include:

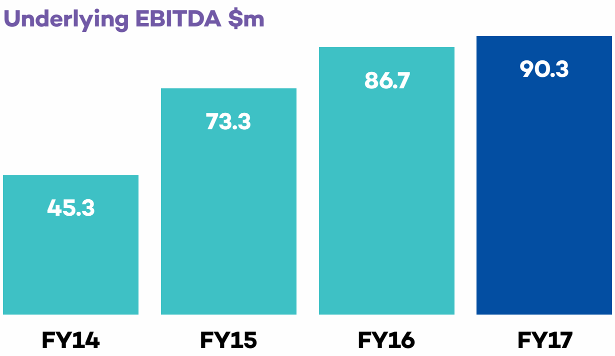
- Revenue
- Underlying EBITDA
- Underlying NPAT
- Underlying EPS
- Total Shareholder Return

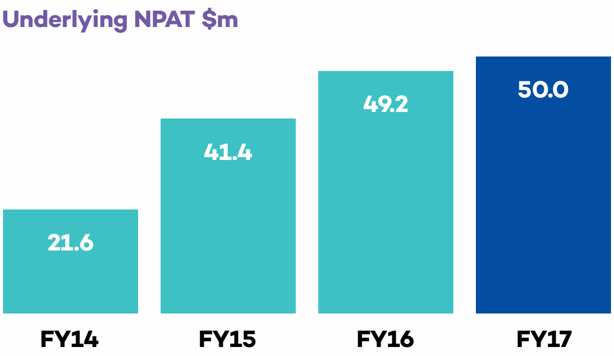
The basis for using Underlying measures is further explained later in this report.

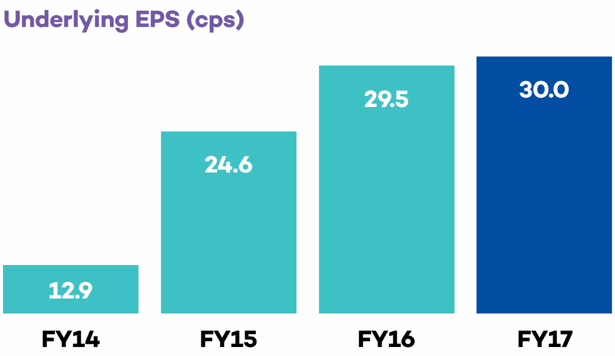
Statutory performance indicators

Key financial metrics over the last four years are shown below:









The above results are prepared on an underlying basis excluding impairment and non-recurring items.

Performance and impact on remuneration

STI KPIs for executive KMP are based on a combination of financial and non-financial opportunities and payable as an annual cash payment and a deferred cash payment.

To be eligible to receive an STI, the EBITDA gateway of 98% of target must be achieved.

Once the gateway is passed, achievement is measured on three tiers described as threshold STI, target STI and maximum STI for financial KPIs, and effective, superior and outstanding for non-financial KPIs.

Performance between threshold and target STI and between target and maximum STI are rewarded on a pro-rata basis. Achievement of the non-financial KPIs and level of performance against targets are determined by the Board.

The tiers and the impact on the STI payment amount for the 2017 year are summarised below:

Metric	Threshold	Target	Maximum
STI payment amount	50%	100%	200%
Financial metrics			
Revenue	98% of target	100% of target	106% of target
EBITDA	95% of target (1)	100% of target	115% of target
NPAT	95% of target	100% of target	115% of target
Non-financial metrics	Effective	Superior	Outstanding

(1) All STIs are subject to an EBITDA gateway of 98% of target. For example at 95% of target EBITDA no EBITDA STI would be payable.

Digital and **Static Billboards**, Young & Jackson, Cnr Flinders and Swanston Streets, Melbourne

Impact of normalisation of non-recurring items on incentives

The Board sees it as appropriate to apply normalisation to financial measures for the purposes of incentive calculations and in line with external reports so as to ensure the right behaviours are motivated. The Board has discretion to determine which adjustments will be appropriate given the circumstances and business plans.

Detail of the impairment and non-recurring items adjusted for in the 2017 and 2016 years is disclosed in the Operating and Financial Review of the Company.

How performance related to remuneration outcomes in 2017

The 98% of Target EBITDA gateway was not achieved for the 2017 year, and as such no annual STIs are payable to KMP for the year ended 31 December 2017.

Contract retention and renewal has been a key strategic objective for the management team. During the year, APN Outdoor renewed the State Transit contract for Sydney Buses for a further five year term on improved financial terms and the Department of Planning, Transport and Infrastructure's Adelaide Metro contract for a further six years, both of which were strategically significant to the Company's transit network.

A discretionary payment of $125,000 was paid to Andrew Hines in relation to his successful efforts associated with the retention of these two key contracts as well as general contract management performance. The Company's contract win and renewal performance in the year is summarised below:

Tullamarine Freeway	RETAINED	› Elite Screen development opportunities › The key arterial between Melbourne CBD and airport reaching 1.5 million commuters a week › 14 high quality bridge sites
Sydney Buses (State Transit)	RETAINED	› ~ 2,000 buses › 5 year contract term › Improved financial terms to APO
Adelaide Metro	RETAINED	› Further 6 year term › 900 buses | 24 trams | 136 trains
PTA (Perth rail and billboards)	EXTENDED	› Largest billboard contract in WA › Includes classic and digital rail assets › Roadside digital development opportunities
Yarra Trams	LOST	› Landlord decided to consolidate the contract to have one operator across trams and street furniture
Canberra Airport	LOST	› Not renewed based on financial metrics
Metro Trains Melbourne	RETAINED	› Roadside and Cross Track billboards – APN Outdoor retained its current assets under the contract

Performance against the financial metrics for the year ended 31 December 2017 was as follows:

Financial metric	Actual performance	Performance vs prior year	Outcome	Portion of entitlement earned
EBITDA gateway	$90.3m	4%	Not achieved	0%
Revenue	$342.9m	4%	n/a as gateway not achieved	0%
Underlying EBITDA	$90.3m	4%	n/a as gateway not achieved	0%
Underlying NPAT	$50.0m	2%	n/a as gateway not achieved	0%

Financial metrics above exclude impairment and non-recurring items.

The remaining 20% of the 2017 STI opportunity was linked to work health and safety, people and strategy KPIs, as defined below.

Non-financial metric	Description
Work, health and safety	Measured improvement in safety culture and reduction in workplace injuries – measured by number of high hazard risks in the long-term
People	Employee engagement and retention and effective people performance management measured by staff turnover and employee engagement surveys
Strategy	Development and implementation of strategic initiatives

The non-financial STI opportunities are not payable due to the EBITDA gateway not being achieved.

Details of retention bonuses paid to KMP

Andrew Hines and Wayne Castle each received a retention bonus of $200,000, which was put in place following the terminated merger transaction with oOh!media Limited.

The retention bonus was designed to facilitate the continuity of senior management through the unsettled period following the terminated merger and the resignation of Richard Herring as CEO.

Mr Castle was the acting CEO during the year for the period 1 October 2017 to 8 January 2018.

Both individuals contributed to the implementation of strategy in the period up and until a new CEO commenced in 2018.

Billboards, Supersite, Cnr Victoria Rd & Robert St, Sydney

(d) Remuneration expenses for Directors and executive KMP

Details of the Directors and executive KMP remuneration are set out in the table below.

2017	Fixed remuneration			Variable remuneration				
NAME	CASH SALARY AND FEES	SUPER-ANNUATION	NON-MONETARY BENEFITS	LONG-SERVICE LEAVE AND ANNUAL LEAVE	SHORT TERM INCENTIVE	FAIR VALUE OF LTI AWARD	TERMINATION	TOTAL
Non-executive Directors								
Doug Flynn	189,132	17,968	–	–	–	–	–	**207,100**
Pat O'Sullivan	109,132	10,368	–	–	–	–	–	**119,500**
Lisa Chung	109,132	10,368	–	–	–	–	–	**119,500**
Jack Matthews	99,132	9,418	–	–	–	–	–	**108,550**
Executive key management personnel								
Richard Herring – CEO Remuneration [1, 4]	570,180	14,822	–	13,936	–	–	–	**598,938**
Richard Herring – Remaining Notice Period [2, 4]	636,964	17,087	–	59,505	–	184,506	–	**898,062**
Richard Herring – Post-Employment Restraint [3, 4]	–	–	–	–	–	–	390,000	**390,000**
Richard Herring – Subtotal	1,207,144	31,909	–	73,441	–	184,506	390,000	1,887,000
Andrew Hines [5]	500,168	19,834	–	21,945	325,000	134,080	–	**1,001,027**
Wayne Castle [6, 7, 8]	530,166	19,834	39,495	(21,485)	200,000	18,620	–	**786,630**
Total	**2,744,006**	**119,699**	**39,495**	**73,901**	**525,000**	**337,206**	**390,000**	**4,229,307**

1 Mr Herring's remuneration for the period from 1 January 2017 through 30 September 2017, when he stepped down from the CEO role. In accordance with Mr Herring's employment agreement and the announcement to the market on 2 August 2017, Mr Herring has a 12 month notice period and will remain an employee until 2 August 2018.

2 Mr Herring's remuneration for the remaining 10 months of his notice period, from 1 October 2017 (he stepped down from the CEO role on 30 September 2017) until 2 August 2018 when his notice period ends.

3 Mr Herring will receive monthly payments in relation to a post-employment restraint obligation for a further six months following expiry of his notice period on 2 August 2018.

4 Amounts presented above have been paid in 2017 or are payable in the 2018 and 2019 years in accordance with Mr Herring's contractual arrangements. Further detail in respect to the timing of the above payments is described below.

5 Mr Hines was paid a retention bonus of $200,000 in recognition of the proposed merger with oOh!media Limited during the year and a short-term incentive related to significant contract renewal performance of $125,000 during the year.

6 Mr Castle was paid a retention bonus of $200,000 in recognition of the proposed merger with oOh!media Limited during the year.

7 Mr Castle was acting CEO during the year for the period 1 October 2017 to 8 January 2018, during which time he received an additional $50,000 in his fixed remuneration for the last quarter of 2017.

8 Given Mr Castle resigned on 8 January 2018, the LTI grants of 9 March 2016 and 12 December 2016 will not vest. The share-based payment expense previously reported for these grants has been reversed in the year.

2016	Fixed remuneration			Variable remuneration			
NAME	CASH SALARY AND FEES	SUPER-ANNUATION	NON-MONETARY BENEFITS	LONG-SERVICE LEAVE AND ANNUAL LEAVE	SHORT TERM INCENTIVE	FAIR VALUE OF LTI AWARD	TOTAL
Non-executive Directors							
Doug Flynn	189,132	17,968	–	–	–	–	**207,100**
Pat O'Sullivan	109,132	10,368	–	–	–	–	**119,500**
Lisa Chung	109,132	10,368	–	–	–	–	**119,500**
Jack Matthews	99,132	9,418	–	–	–	–	**108,550**
Executive key management personnel							
Richard Herring	734,236	19,464	–	(3,057)	230,709	161,254	**1,142,606**
Andrew Hines	438,274	19,464	–	(5,569)	153,800	70,168	**676,137**
Wayne Castle	384,705	19,464	–	16,392	123,716	61,956	**606,233**
Total	**2,063,743**	**106,514**	**–**	**7,766**	**508,225**	**293,378**	**2,979,626**

20% of the 2016 STI was deferred for a period of 12 months and will be satisfied by cash and will be settled in March 2018.

Richard Herring – retirement arrangements

On 2 August 2017, APN Outdoor announced that Mr Herring was to retire from the role of CEO and Director at the end of September 2017. Consistent with the 12-month notice period in his employment agreement, Mr Herring will remain an employee until 2 August 2018.

The presentation of Mr Herring's arrangements has been split into three components:

- CEO Remuneration, which represents his remuneration for the nine months to 30 September 2017 (being the date he stepped down from the CEO role and which includes two months of his notice period).
- The remaining notice period to 2 August 2018, which represents the remuneration he will receive as an employee for the remaining 10 months of his notice period, being from 1 October 2017 to 2 August 2018, as per his employment agreement. The cash payment for this element (which has not been paid as at 31 December 2017) has been accrued by the Company at 31 December 2017.
- The post-employment restraint period that reflects six months of fixed remuneration that Mr Herring is entitled to in accordance with his employment agreement. The post-employment restraint is to be paid monthly from 3 August 2018, after the end of the 12 month notice period and for a period of six months. The cash payment for this element has been accrued by the Company at 31 December 2017.

The table below details the key terms of Mr Herrings' retirement arrangements, in line with the Board's assessment of Mr Herring as a 'good leaver'.

Key terms	Details
Salary	During the 12-month notice period leading up to the cessation of his employment on 2 August 2018, Mr Herring will receive fixed remuneration paid monthly.
Termination payments	On or after 2 August 2018, Mr Herring will receive the following payments as contemplated by his employment agreement: › Six months' fixed remuneration in consideration for an additional 6 month post-employment restraint, to be paid monthly from 3 August 2018; and › Statutory leave entitlements (including annual leave and long service leave) accrued through to 2 August 2018. No other payments will be made to Mr Herring in connection with his retirement.
2018 STI	Mr Herring will not be entitled to any STI for the 2018 calendar year.
2017 STI	In accordance with the terms of the STI offer to Mr Herring and the Board's discretion in connection with his retirement, Mr Herring is entitled to an STI award in respect of the 2017 calendar year, subject to the achievement of Company and role specific performance measures. Mr Herring did not receive an STI for the 2017 calendar year, as the performance criteria were not met.
2017 LTI	In 2017, Mr Herring received a grant of 77,337 Performance Rights under the APN Outdoor Group Limited LTI Plan. The Board has exercised its discretion under rule 19.3 of the LTI Plan to treat Mr Herring has a 'good leaver', and as a result Mr Herring is entitled to retain a pro rata portion of the Performance Rights (based on the proportion of the relevant vesting period elapsed prior to 2 August 2018) with the balance of Performance Rights lapsing. Those retained Performance Rights remain subject to the same vesting and performance conditions of the original offer, and there will be no acceleration or automatic vesting of equity awards previously made to Mr Herring in connection with his retirement.
2016 deferred STI and LTI performance rights	The deferred component of Mr Herring's 2016 STI will be paid at the same time as all other deferred 2016 STI awards in March 2018. In 2016, Mr Herring received a grant of 263,747 Options under the LTI Plan. As outlined in rule 19.3 of the LTI Plan, as a 'good leaver' Mr Herring is entitled to retain a pro rata portion of the Options (based on the proportion of the relevant vesting period elapsed prior to 2 August 2018) with the balance of Options lapsing. The retained 2016 Options remain subject to the same vesting and performance conditions of the original offer, and there will be no acceleration or automatic vesting of equity awards previously made to Mr Herring in connection with his retirement.
2014 LTI performance rights	The 396,477 Options described in sections 6.3.2.4 and 6.3.4.3 of the replacement prospectus dated 27 October 2014 vested on 31 December 2017 in accordance with their terms.

The termination benefits provided to Mr Herring in connection with his retirement did not exceed the level that would require shareholder approval under the Corporations Act 2001 (Cth).

Fixed and variable remuneration

The relative proportions of fixed versus variable pay received by reported KMP during the current and previous financial periods based on actual paid amounts during the year are as follows:

	Fixed remuneration		At risk – STI (on target)		At risk – LTI	
NAME	2017	2016	2017	2016	2017	2016
Richard Herring [(a)]	90%	66%	0%	20%	10%	14%
Andrew Hines	54%	67%	32%	23%	13%	10%
Wayne Castle [(b)]	72%	69%	26%	21%	2%	10%

(a) Fixed remuneration for Mr Herring includes contractual arrangements in association with his retirement from the Company.

(b) Wayne Castle's 'At Risk – LTI' was reversed in 2017, reflecting his resignation in January 2018 and that certain grants will now no longer vest.

Fixed remuneration increase – Wayne Castle Interim CEO

Mr Castle was the Interim CEO during the year for the period 1 October 2017 to 8 January 2018 and received an increase of $50,000 in his fixed remuneration for the last quarter of 2017.

The value of LTI allocations to senior management is equivalent to 35% of the recipient's annual fixed remuneration and, from the 2017 grant, will be provided in the form of performance rights.

(e) Contractual arrangements with executive KMP

Remuneration and other conditions of employment are set out in each executive's employment contract. The key elements of these employment contracts are summarised below:

Component	James Warburton – Chief Executive Officer	Approach for other executive KMP
Full-time/part-time	Full-time	Full-time
Notice by individual/ company	12 months	6 months
Termination of employment (with cause)	For all executive KMP the STI incentive is forfeited, and unvested LTI options are forfeited.	
Termination of employment (without cause)	For all executive KMP, if termination occurs prior to 31 March each year, the STI is forfeited. If termination occurs after 31 March, (subject to eligibility) the STI will be paid pro-rata for the period between the beginning of the year and the date of termination. In the event that a termination without cause arises, the unvested LTI options will be subject to 'good leaver provisions' as per the plan rules.	
Redundancy	In the event of a CEO redundancy, APN Outdoor must pay an amount equal to 12 months' fixed remuneration.	Redundancy payment on termination equivalent to four weeks' remuneration for every year of service up to a maximum of 12 months.
Restraint of trade	6 months	6 months

(f) Share based remuneration

Overview

LTI are granted in the form of Performance Rights.

A performance right is a contractual right to receive a given number of ordinary shares if a nominated performance milestone is achieved. The performance milestones used under the APN Outdoor plan are equally weighted across TSR and EPS growth metrics over the three-year vesting period. Participants must remain in employment during the vesting period.

The Company operates an LTI plan for eligible senior executives. The vesting of awards is subject to the achievement of performance conditions as set out in the LTI description in section (b) of this report. LTI awards do not carry dividend or voting rights. No options were exercised during the year.

Options and performance rights granted to KMP and which remain outstanding are detailed below:

Name	Grant date	Vesting and/or exercise date	Expiry date	Exercise price	Number of instruments granted	Value per instrument at grant date	% vested
Richard Herring	18-Nov-14	31-Dec-17	31-Dec-18	$2.55	396,477	$0.25	100%
	27-Apr-16	31-Dec-18	31-Dec-19	$5.95	263,747	$1.50	0%
	20-Apr-17	31-Dec-19	31-Dec-20	n/a	77,337	$3.02	0%
Andrew Hines	18-Nov-14	31-Dec-17	31-Dec-18	$2.55	240,788	$0.25	100%
	9-Mar-16	31-Dec-18	31-Dec-19	$5.95	160,178	$0.98	0%
	12-Dec-16	31-Dec-19	31-Dec-20	n/a	51,558	$3.53	0%
Wayne Castle	18-Nov-14	31-Dec-17	31-Dec-18	$2.55	212,608	$0.25	100%

There are no rights to deferred share options or deferred shares.

On 14 February 2018, a grant of performance rights was approved for KMP and senior management in respect of the 2018–2020 performance period. The grant was issued subsequent to year end.

A summary of the grant is provided below:

The Board of APN Outdoor has resolved to issue 116,667 performance rights to James Warburton, the CEO. The issue of these performance rights is subject to shareholder approval at the APN Outdoor Annual General Meeting in April 2018.

Name	Grant date	Issue date	Vesting date	Expiry date	Number of rights granted(1)	% vested
James Warburton	Subject to approval(2)	Subject to approval(2)	31 Dec 2020	31 Dec 2021	133,038	0%
Andrew Hines	14 Feb 2018	27 Feb 2018	31 Dec 2020	31 Dec 2021	82,483	0%

(1) The number of rights granted have been updated from the Appendix 4E released by the company on 20 February 2018 to reflect the final number of rights granted by the board.

(2) Subject to shareholder approval at the Annual General Meeting on 20 April 2018.

How performance related to remuneration outcomes in 2017

Since listing, the Company has provided a TSR of 99.6% to shareholders and underlying EPS has increased from 12.9cps to 30.0cps.

This ranks APO as the 15th highest in the Comparator Group of 116 companies (including APO) or the 88th percentile in TSR performance.

As a result of this performance the 2014 option grant vested on 31 December 2017. These options will be available for exercise following the release of the Company's 2017 financial results.

(g) Non-executive Director arrangements

Non-executive Directors enter into service agreements through a letter of appointment. Non-executive Directors receive a fee for their services to the Company. Fees are determined with reference to the demands of the role and the responsibilities carried out by Directors. The fee setting process also considers market levels and the need to attract high quality Directors. There was no change in the remuneration paid to Directors in the 2017 year.

Directors receive fees for their role as members of the Board and, where applicable, for additional responsibilities relating to Board committees. Non-executive Directors do not receive any variable or performance-based remuneration. Where Directors are required to provide additional services, these are paid on a fixed fee basis or determined on an hourly basis depending on the nature of the service.

No fees for additional services were paid to non-executive Directors in 2017 or 2016.

The non-executive director fee pool has a maximum value of $1,400,000 per annum as approved by shareholders at the Company's AGM in April 2017.

The annual fees provided to non-executive Directors, inclusive of superannuation, are shown below:

Role	Chair fee $	Member fee $
Board	196,150	97,600
Audit and Risk Management Committee	16,425	5,475
Remuneration and Nomination Committee	16,425	5,475

(h) Director and executive KMP shareholding in APN Outdoor

The number of shares in the company held by each Director and executive KMP during the year, including their related parties, is summarised below:

2017	Balance at start of year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Doug Flynn	**250,000**	–	–	**250,000**
Pat O'Sullivan	**29,412**	–	–	**29,412**
Lisa Chung	**9,804**	–	–	**9,804**
Jack Matthews	**29,412**	–	–	**29,412**
Richard Herring	**971,455**	–	(971,455)	**–**
Andrew Hines	**28,796**	–	(18,796)	**10,000**
Wayne Castle	**28,796**	–	(13,796)	**15,000**
Total	**1,347,675**	**–**	**(1,004,047)**	**343,628**

2016	Balance at start of year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Doug Flynn	**500,000**	–	(250,000)	**250,000**
Pat O'Sullivan	**29,412**	–	–	**29,412**
Lisa Chung	**9,804**	–	–	**9,804**
Jack Matthews	**29,412**	–	–	**29,412**
Richard Herring	**1,943,455**	–	(972,000)	**971,455**
Andrew Hines	**728,796**	–	(700,000)	**28,796**
Wayne Castle	**728,796**	–	(700,000)	**28,796**
Total	**3,969,675**	**–**	**(2,622,000)**	**1,347,675**

(i) Other statutory disclosures

External remuneration consultants
In October 2016, the Board engaged Mercer Consulting (Australia) Pty Limited (Mercer) to conduct remuneration benchmarking in respect of the CEO, COO and CFO. The analysis and observations in the report delivered by Mercer were applied by the Board in its determination of 2017 remuneration. The fee payable to Mercer was $9,000.

During 2017, in determining the remuneration of James Warburton, CEO, the Company worked with Egon Zehnder to determine an appropriate remuneration structure and value for the role. This activity and advice were included in the consulting fee for the CEO role.

All advice from remuneration consultants is carefully considered by the Remuneration and Nomination Committee. The committee is satisfied that all advice received from remuneration consultants has been given free of undue influence by APN Outdoor executives.

Financial Report

For the year ended 31 December 2017

Financial Report contents

Airport, FID, T1 Sydney International Terminal, Sydney

Billboards, Cnr Wellington St and Barrack St, Perth

General information

The financial statements cover APN Outdoor Group Limited (APN Outdoor) as a Group consisting of APN Outdoor Group Limited and the entities it controlled (collectively referred to as the Group) at the end of, or during, the year. The financial statements are presented in Australian dollars, which is APN Outdoor Group Limited's functional and presentation currency.

APN Outdoor Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4
33 Saunders Street
Pyrmont NSW 2009

A description of the nature of the Group's operations and its principal activities is included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 20 February 2018. The Directors have the power to amend and reissue the financial statements.

The Group presents reclassified comparative information where required, for consistency with the current financial period's presentation.

Statement of profit or loss and other comprehensive Income

For the year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	1	**342,912**	330,938
Expenses			
Rental of advertising space		**(139,846)**	(134,716)
Sales and marketing		**(36,259)**	(36,015)
Employee benefits		**(34,953)**	(32,404)
Production and installation		**(17,833)**	(19,002)
Impairment of assets	2	**(2,126)**	–
Restructuring expenses		**(900)**	–
Depreciation and amortisation		**(15,224)**	(12,861)
Raw materials and consumables used		**(6,689)**	(6,626)
Costs associated with proposed merger		**(3,432)**	(1,132)
Finance expenses	3	**(4,172)**	(3,229)
Other expenses		**(18,754)**	(15,426)
Total expenses		**(280,188)**	(261,411)
Profit before income tax expense		**62,724**	69,527
Income tax expense	6	**(18,678)**	(21,081)
Profit after income tax expense for the year attributable to the owners of APN Outdoor Group Limited		**44,046**	48,446
Other comprehensive income			
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Net change in the fair value of cash flow hedges taken to equity, net of tax		**31**	(8)
Foreign currency translation, net of tax		**(2,620)**	1,422
Other comprehensive income/(loss) for the year, net of tax		**(2,589)**	1,414
Total comprehensive income for the year attributable to the owners of APN Outdoor Group Limited		**41,457**	49,860
		CENTS	CENTS
Basic earnings per share	4	**26.44**	29.08
Diluted earnings per share	4	**26.33**	28.98

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

Statement of financial position

For the year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents		**16,872**	18,977
Trade and other receivables	7	**63,818**	69,213
Inventories		**646**	716
Income tax		**169**	–
Prepayments		**6,733**	5,561
Total current assets		**88,238**	94,467
Non-current assets			
Investments accounted for using the equity method		**–**	678
Property, plant and equipment	12	**106,838**	96,643
Intangibles	13	**255,480**	256,445
Deferred tax	6	**–**	387
Other		**2,750**	2,750
Total non-current assets		**365,068**	356,903
Total assets		**453,306**	451,370
Liabilities			
Current liabilities			
Trade and other payables	8	**23,238**	30,585
Derivative financial instruments		**–**	44
Income tax		**1,418**	12,595
Employee benefits	14	**2,695**	2,556
Provisions	15	**1,489**	1,975
Other	16	**2,056**	1,870
Total current liabilities		**30,896**	49,625

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

Statement of financial position (continued)

31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Non-current liabilities			
Borrowings	17	**114,812**	102,677
Deferred tax	6	**23,899**	24,493
Employee benefits	14	**176**	214
Provisions	15	**582**	1,433
Other	16	**3,591**	3,729
Total non-current liabilities		**143,060**	132,546
Total liabilities		**173,956**	182,171
Net assets		**279,350**	269,199
Equity			
Issued capital	19	**222,334**	222,334
Reserves	22	**3,664**	5,569
Retained profits		**53,352**	41,296
Total equity		**279,350**	269,199

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

Elite Screens, Tonkin Hwy, Perth

Statement of change in equity

For the year ended 31 December 2017

	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2016	222,334	3,753	22,008	248,095
Profit after income tax expense for the year	–	–	48,446	48,446
Other comprehensive income for the year, net of tax	–	1,414	-	1,414
Total comprehensive income for the year	–	1,414	48,446	49,860
Transactions with owners in their capacity as owners:				
Share base payment expense	–	402	–	402
Dividends paid (note 20)	–	–	(29,158)	(29,158)
Balance at 31 December 2016	**222,334**	**5,569**	**41,296**	**269,199**

	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2017	222,334	5,569	41,296	269,199
Profit after income tax expense for the year	–	–	44,046	44,046
Other comprehensive income for the year, net of tax	–	(2,589)	–	(2,589)
Total comprehensive income for the year	–	(2,589)	44,046	41,457
Transactions with owners in their capacity as owners:				
Share base payment expense	–	684	–	684
Dividends paid (note 20)	–	–	(31,990)	(31,990)
Balance at 31 December 2017	**222,334**	**3,664**	**53,352**	**279,350**

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

Statement of cash flows

For the year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**350,241**	324,352
Payments to suppliers and employees (inclusive of GST)		**(268,312)**	(232,178)
		81,929	92,174
Interest and other finance costs paid		**(3,413)**	(2,523)
Income taxes paid		**(30,492)**	(23,351)
Net cash from operating activities	10	**48,024**	66,300
Cash flows from investing activities			
Payments for property, plant and equipment		**(24,796)**	(28,762)
Payments for intangibles	13	**(4,534)**	(34,973)
Net cash used in investing activities		**(29,330)**	(63,735)
Cash flows from financing activities			
Proceeds from borrowings		**41,651**	61,981
Repayment of borrowings		**(28,886)**	(25,480)
Payment of borrowing costs		**(1,281)**	(61)
Dividends paid	20	**(31,990)**	(29,158)
Net cash (used in)/from financing activities		**(20,506)**	7,282
Net (increase)/decrease in cash and cash equivalents		**(1,812)**	9,847
Cash and cash equivalents at the beginning of the financial year		**18,977**	9,020
Effects of exchange rate changes on cash and cash equivalents		**(293)**	110
Cash and cash equivalents at the end of the financial year		**16,872**	18,977

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

Notes to the Financial Statements

31 December 2017

Section A – Group Performance

1. Revenue

Revenue	2017 $'000	2016 $'000
Advertising revenue	**342,212**	330,378
Sundry revenue	**700**	560
	342,912	330,938

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable and is recognised over the period of display. Production and installation revenues are recognised at the time of initial display. Revenues are reported on a gross basis with agency commissions being included in sales and marketing expenses.

2. Impairment of assets

Impairment of assets	2017 $'000	2016 $'000
Impairment of associate	**666**	–
Catch technology trial costs	**1,460**	–
	2,126	–

3. Finance expenses

Profit before income tax includes the following specific expenses:	2017 $'000	2016 $'000
Interest and finance expenses	**3,526**	2,535
Borrowing cost amortisation	**431**	311
Interest – onerous lease	**215**	383
	4,172	3,229

Finance expenses are expensed in the period in which they are incurred, including interest on short-term and long-term borrowings. Borrowing costs are amortised over the term of the borrowings.

4. Earnings per share

	2017 $'000	2016 $'000
Profit after income tax attributable to the owners of APN Outdoor Group Limited	**44,046**	48,446
	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	**166,614,509**	166,614,509
Adjustments for calculation of diluted earnings per share: Options over ordinary shares	**652,420**	545,020
Weighted average number of ordinary shares used in calculating diluted earnings per share	**167,266,929**	167,159,529
	CENTS	CENTS
Basic earnings per share	**26.44**	29.08
Diluted earnings per share	**26.33**	28.98

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of APN Outdoor Group Limited, excluding any costs of servicing equity other than ordinary shares, 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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

5. Operating segments

The Group operates in one market segment, being Out-of-Home advertising.

Revenues are generated by sales to external customers in Australia (2017: $305,384,000, 2016: $298,313,000) and New Zealand (2017: $37,528,000, 2016: $32,625,000). The geography is based on the location of the advertising provided. No individual customer is material to the revenues reported.

Given the similar economic characteristics of the markets, products and customers, these businesses have been aggregated for the purposes of presentation of this report.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The CODM is the APN Outdoor Board of Directors.

Section B – Taxes

6. Taxes

	2017 $'000	2016 $'000
Income tax expense		
Current tax	**19,488**	20,887
Deferred tax – origination and reversal of temporary differences	**(778)**	245
Over provision in prior year	**(32)**	(51)
Aggregate income tax expense	**18,678**	21,081
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	**387**	75
(Decrease)/Increase in deferred tax liabilities	**(1,165)**	170
Deferred tax – origination and reversal of temporary differences	**(778)**	245
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	**62,724**	69,527
Tax at the statutory tax rate of 30%	**18,817**	20,858
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**381**	446
Share of loss/(profit) from associates	**200**	(36)
Difference in overseas tax rates	**(164)**	(136)
Over provision in prior year	**(32)**	(51)
Deferred tax asset not previously recognised	**(524)**	–
Income tax expense	**18,678**	21,081

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised as deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously. Prior year Deferred tax amounts were disclosed in accordance to the relevant jurisdiction.

APN Outdoor Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

6. Taxes (continued)

Non-current assets – deferred tax

	2017 $'000	2016 $'000
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	**–**	10
Accrued expenses and provisions	**–**	291
Intangible assets	**–**	86
Closing balance	**–**	387
Movements:		
Opening balance	**387**	462
Charged to profit or loss	**(387)**	(75)
Closing balance	**–**	387

Non-current liabilities – deferred tax

	2017 $'000	2016 $'000
Deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	**2,142**	2,295
Intangibles	**27,393**	27,645
Accrued expenses and provisions	**(4,399)**	(3,581)
Transaction costs	**(1,448)**	(958)
	23,688	25,401
Amounts recognised in equity:		
Share issue cost	**(343)**	(890)
Derivative financial instruments	**–**	(18)
Other	**554**	–
	211	(908)
Closing balance	**23,899**	24,493
Movements:		
Opening balance	**24,493**	24,896
Charged/(credited) to profit or loss	**(1,165)**	170
Charged/(credited) to equity	**571**	(573)
Closing balance	**23,899**	24,493

Billboards, M4 Motorway Overpass, Sydney

Section C – Working Capital

7. Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	**62,346**	64,551
Less: Provision for impairment of receivables	**(1,014)**	(1,041)
	61,332	63,510
Sundry receivables	**2,486**	5,703
	63,818	69,213

Impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	2017 $'000	2016 $'000
Opening balance	**1,041**	749
Additional provisions recognised	**27**	306
Receivables written off during the year as uncollectable	**(54)**	(14)
Closing balance	**1,014**	1,041

Past due but not impaired

The ageing of the past due but not impaired receivables are as follows:

	2017 $'000	2016 $'000
Past due 1–30 days	**5,343**	5,129
Past due 31–60 days	**979**	2,948
Past due 60+ days	**392**	331
	6,714	8,408

These relate to a number of independent customers for whom there is no recent history of default.

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 45 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

8. Trade and other payables

	2017 $'000	2016 $'000
Trade payables	**4,572**	2,122
Accruals	**18,666**	28,463
	23,238	30,585

Refer to note 18 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of month end.

9. Commitments and contingent liabilities

	2017 $'000	2016 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities payable:		
Property, plant and equipment	**7,336**	5,872
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities payable:		
Within one year	**105,425**	100,164
One to five years	**252,055**	193,353
More than five years	**81,937**	68,606
	439,417	362,123

During the year, the company renewed a number of material lease agreements.

10. Reconciling of profit after income tax to net cash from operating activities

	2017 $'000	2016 $'000
Profit after income tax expense for the year	**44,046**	48,446
Adjustments for:		
Depreciation and amortisation	**15,224**	12,861
Impairment of assets	**2,126**	–
Share-based payment expense	**685**	402
Other	**(15)**	275
Non-cash interest expense	**431**	709
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**4,891**	(5,166)
Decrease/(increase) in inventories	**70**	(39)
Increase in accrued revenue	**(387)**	(3,274)
(Decrease)/increase in prepayments	**(1,196)**	6,740
(Increase)/decrease in trade and other payables	**(4,504)**	8,670
Increase in employee benefits	**106**	290
Decrease in provisions	**(1,379)**	(1,396)
Decrease in income tax	**(11,292)**	(2,496)
(Decrease)/increase in deferred tax	**(782)**	278
Net cash from operating activities	**48,024**	66,300

11. Changes in liabilities arising from financing activities

	Bank loans $'000
Balance at 1 January 2016	66,500
Net cash from financing activities	36,500
Balance at 31 December 2016	103,000
Net cash from financing activities	12,765
Balance at 31 December 2017	115,765

Section D – Capital Employed

12. Property, plant and equipment

	2017 $'000	2016 $'000
Plant and equipment – at cost	**150,891**	131,262
Less: accumulated depreciation	**(51,015)**	(40,784)
	99,876	90,478
Capital works in progress	**6,962**	6,165
	106,838	96,643

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Total $'000
Balance at 1 January 2016	**77,858**
Additions	**28,237**
Disposals	**(53)**
Exchange differences	**95**
Transfer to Intangibles	**(668)**
Depreciation expense	**(8,826)**
Balance at 31 December 2016	**96,643**
Additions	**23,193**
Impairment	**(1,460)**
Exchange differences	**(578)**
Depreciation expense	**(10,960)**
Balance at 31 December 2017	**106,838**

12. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Static Billboards	20 years
Digital Billboards – structure	20 years
Digital Billboards – screen	6 years
Transit assets	4 years
Office equipment	4 years
Manufacturing equipment	6 years

Digital Billboards are predominantly large format and comprise a screen (a typical large format digital screen is $40m^2$) as well as supporting infrastructure. As such, they have different useful lives.

Ten-year maintenance contracts are effected for all large format digital screens. The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Plant and equipment is required to be maintained on a regular basis. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses are incurred.

13. Intangibles

	2017 $'000	2016 $'000
Goodwill – at cost	**116,206**	117,078
Software and technology – at cost	**5,858**	4,512
Less: accumulated amortisation	**(4,032)**	(3,582)
Total software and technology	**1,826**	930
Licences, systems and processes	**155,207**	152,454
Less: accumulated amortisation	**(17,759)**	(14,017)
Total licences, systems and processes	**137,448**	138,437
Total intangibles	**255,480**	256,445

13. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill $'000	Software $'000	Licences, systems and processes $'000	Total $'000
Balance at 1 January 2016	116,176	17	106,669	222,862
Additions	–	637	35,203	35,840
Exchange differences	438	–	208	646
Other	464	–	–	464
Transfer from plant and equipment	–	668	–	668
Amortisation expense	–	(392)	(3,643)	(4,035)
Balance at 31 December 2016	117,078	930	138,437	256,445
Additions	–	1,379	3,155	4,534
Exchange differences	(872)	–	(363)	(1,235)
Amortisation expense	–	(483)	(3,781)	(4,264)
Balance at 31 December 2017	116,206	1,826	137,448	255,480

Elite Screens, General Holmes Dr & M5 Mwy Junction, Sydney

13. Intangibles (continued)

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and it is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Licences, systems and processes

Licences, systems and processes are brought to account at cost. These assets represent capitalised future income streams and other value attributable to site licences and the Group's systems and processes. Systems and processes are not separate identifiable assets, as they are not able to be valued individually. Their value is embedded in the site licences. Licences, systems and processes are being amortised over 40 years.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use.
- Management intends to complete the software and use or sell it.
- There is an ability to use or sell the software.
- It can be demonstrated how the software will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available.
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads if appropriate.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over three to five years.

Impairment of non-financial assets

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

Recoverable amount is the higher of an fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

13. Intangibles (continued)

Goodwill

For the purpose of impairment testing, goodwill is allocated to the APN Outdoor's cash generating units ('CGU') which represent the lowest level that independent cash flows are generated (as at the reporting date).

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Goodwill	2017 $'000	2016 $'000
Australia	**99,513**	99,513
New Zealand	**16,693**	17,565
	116,206	117,078

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use discounted cash flow projections based on financial forecasts covering a five-year period. Cash flows beyond the projected period are extrapolated using estimated growth rates which reflect market consensus on growth for the Out-of-Home industry. In performing the value-in-use calculations for each CGU, a pre-tax discount rate to discount the forecast future attributable cash flows of 12.9% has been applied (2016: 13.1%).

Cash flows of each CGU have been projected based on the budget for FY18. This budget reflects current market conditions and the immediate outlook. The forecast has been extended for four years using EBITDA growth assumptions noted above as applicable to each CGU. Terminal cash flows beyond five years forecast of each CGU were extrapolated using a long-term growth rate of 3.0% (2016: 3.5%). Growth rates used do not exceed the long-term average growth rate for the markets in which each of the CGUs operate.

There is sufficient headroom available in all CGUs. Therefore, there is no reasonably possible change in any of the key assumptions which is likely to cause an impairment.

14. Employee benefits

	2017 $'000		2016 $'000	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Annual leave	**1,343**	**–**	1,269	–
Long service leave	**1,352**	**176**	1,287	214
	2,695	**176**	2,556	214

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave where employees have completed the required period of service. The provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations.

Long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rate with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Elite Screens, City West Link, Sydney

15. Provisions

	2017 $'000		2016 $'000	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Onerous lease	**741**	**582**	1,269	1,433
Other	**748**	**–**	706	–
	1,489	**582**	1,975	1,433

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance expense.

16. Other liabilities

	2017 $'000		2016 $'000	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Straight-lining of site rental leases	**485**	**3,591**	527	3,729
Deferred revenue	**173**	**–**	561	–
Other current liabilities	**1,398**	**–**	782	–
	2,056	**3,591**	1,870	3,729

Accounting policy for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Minimum guaranteed payments are charged to profit or loss on a straight line basis over the period of the lease.

Section E – Capital Management

17. Borrowings

	2017 $'000	2016 $'000
Bank loans – secured	**115,765**	103,000
Borrowing costs	**(1,047)**	(976)
Less: accumulated amortisation	**94**	653
	114,812	102,677

Refer to note 18 for further information on financial instruments.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2017 $'000	2016 $'000
Bank loans – secured	**115,765**	103,000

Assets pledged as security

Under the current borrowing facilities, the Group has provided security over all of its assets and undertakings.

APN Outdoor has borrowing facilities of $200.0m (2016: $150.0m). At the reporting date, $58.2m (2016: $29.0m) was available for working capital requirements and bank guarantees.

The facilities are provided by three banks and comprise the following facilities:

Nature	Facility size $'000	Drawn – 31 Dec. 2017 $'000	Expiry
General | working capital	**125,000**	108,451	7 September 2020
General | working capital	**75,000**	33,315	7 September 2022
	200,000	141,766	

In September 2017, the Company refinanced its debt facilities increasing the facility limit to $200.0m from $150.0m.

Included in the drawn amount above is $26.0m of bank guarantees and other credit facilities.

APN Outdoor has provided security for the above facilities over all of its assets and undertakings.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

18. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market 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 derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk. No derivative instruments were held at 31 December 2017.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Any impact from changes in foreign currency rates would not be significant.

The average exchange rates and reporting date exchange rates applied were as follows:

Exchange Rates

	AVERAGE		REPORTING DATE	
	2017	**2016**	**2017**	**2016**
New Zealand dollars	**1.079**	1.067	**1.099**	1.040

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2017		2016	
	Weighted average interest rate %	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank loans	**3.39%**	**115,765**	2.87%	103,000
Interest rate swaps (notional principal amount)	**–**	**–**	2.06%	(15,000)
Net exposure to cash flow interest rate risk		**115,765**		**88,000**

The interest rate swap expired in November 2017. APN Outdoor Group Limited has an overall low exposure to interest rates (largely based on a strong correlation of earnings to the economic cycle providing a reasonable degree of natural hedge).

18. Financial instruments (continued)

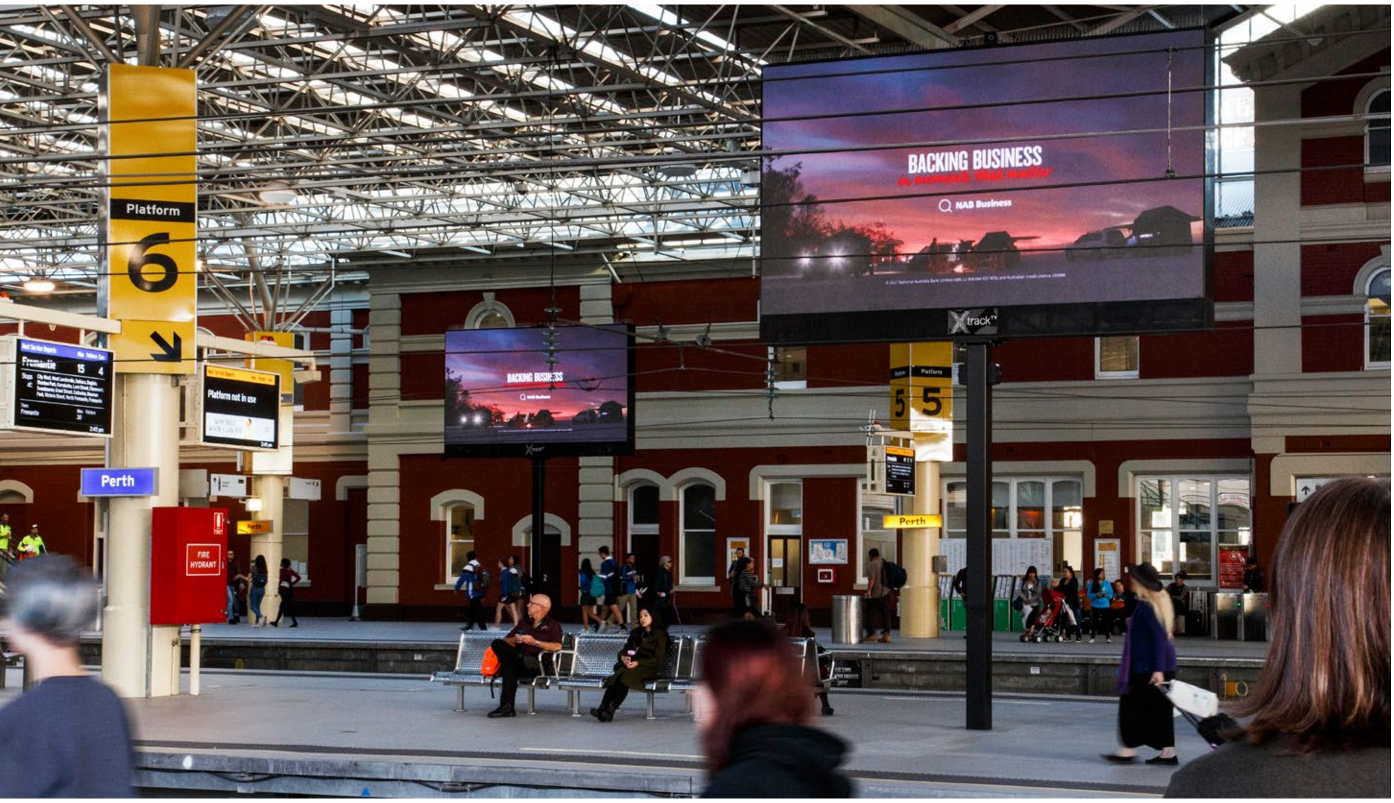
Sensitivity
At balance date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit would have been affected as follows:

	IMPACT OF POST TAX PROFIT	
	2017 $'000	2016 $'000
Interest rates – increase by 100 basis points	**(810)**	(616)
Interest rates – decrease by 100 basis points	**810**	616

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.



Rail, XtrackTV, Perth

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2017	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
NON-INTEREST BEARING						
Trade payables	–	4,572	–	–	–	4,572
INTEREST-BEARING - VARIABLE						
Bank loans	3.39%	3,927	3,926	119,590	–	127,443
Total non-derivatives		**8,499**	**3,926**	**119,590**	**–**	**132,015**

2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
NON-INTEREST BEARING						
Trade payables	–	2,122	–	–	–	2,122
INTEREST-BEARING - VARIABLE						
Bank loans	2.87%	2,956	103,397	–	–	106,353
Total non-derivatives		**5,078**	**103,397**	**–**	**–**	**108,475**
Derivatives						
Interest rate swaps inflow	2.06%	44	–	–	–	44
Total derivatives		**44**	**–**	**–**	**–**	**44**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

19. Equity – Issued capital

	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Ordinary shares – fully paid	**166,614,509**	166,614,509	**222,334**	222,334

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding-up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value, and the Company does not have a limited amount of authorised capital.

On a show of hands, every member present at a meeting in person or by proxy shall have one vote, and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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.

The Group would look to raise capital when a significant opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of investment. The Group continues to focus on the expansion of its core business and considers investment opportunities which complement the existing asset base or enhance the digital proposition.

The Group is subject to certain financing arrangements covenants, and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The Group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

The gearing ratio at the reporting date was as follows:

	2017 $'000	2016 $'000
Borrowings* (note 17)	**114,812**	102,677
Cash and cash equivalents	**(16,872)**	(18,977)
Net debt	**97,940**	83,700
Total equity	**279,350**	269,199
Total capital	**377,290**	352,899
Gearing ratio	**26%**	24%

*Includes unamortised borrowing costs of $953,000 (2016: $323,000).

Accounting policy for issued capital

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.

20. Dividends

Dividends paid during the financial year were as follows:

	2017 $'000	2016 $'000
Final dividend for the year ended 31 December 2016 of 12.5 cents (31 December 2015: 11 cent) per ordinary share, fully franked paid on 21 April 2017 (2015: 22 April 2016)	**20,827**	18,328
Interim dividend for the half year ended 30 June 2017 of 6.7 cents (30 June 2016: 6.5 cents) per ordinary share, fully franked paid on 22 September 2017 (2016: 21 October 2016)	**11,163**	10,830
	31,990	29,158

In addition to the above dividends, on 20 February 2018 the Board recommended the payment of a final, fully franked dividend of 12.5 cents per share ($20,826,814). This dividend will be paid on 20 April 2018. The record date for the dividend is 13 March 2018.

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and not recognised as a liability as at 31 December 2017.

Franking credits

	2017 $'000	2016 $'000
Franking credits available at the reporting date based on a tax rate of 30%	**29,926**	13,903
Franking (debits)/credits that will arise from the (recovery)/payment of the amount of the (asset)/provision for income tax at the reporting date based on a tax rate of 30%	**(169)**	11,799
Franking credits available for subsequent financial years based on a tax rate of 30%	**29,757**	25,702
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	**(8,926)**	(8,926)
Net franking credits available based on a tax rate of 30%	**20,831**	16,776

The above franking account disclosures are for APN Outdoor Limited as the parent company of the Group.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

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

21. Shared-based payments

The Group may, at the discretion of the Nomination and Remuneration Committee, grant options or performance rights over ordinary shares in the Company to certain senior management of the Group, as the grants of long-term incentives are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of options and performance rights granted and proposed to be granted under the plan:

Unissued shares under options

Grant date	Vesting date	Expiry date	Exercise price	Balance at the start of the year	Granted	Forfeited	Balance at the end of the year
18/11/2014	31/12/2017	31/12/2018	$2.55	943,940	–	–	**943,940**
09/03/2016	31/12/2018	31/12/2019	$5.95	614,186	–	(50,000)	**564,186**
27/04/2016	31/12/2018	31/12/2019	$5.95	263,747	–	–	**263,747**
				1,821,873	–	(50,000)	**1,771,873**
Weighted average exercise price				$4.88		$5.95	**$4.14**

Unissued shares under performance rights

Grant date	Vesting date	Expiry date	Balance at the start of the year	Granted	Forfeited	Balance at the end of the year
12/12/2016	31/12/2019	31/12/2020	334,552	–	(30,737)	**303,815**
20/04/2017	31/12/2019	31/12/2020	–	77,337	–	**77,337**
			334,552	77,337	(30,737)	**381,152**

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
20/04/2017	31/12/2019	$5.56	n/a	47.50%	3.61%	1.73%	$3.02

21. Share-based payments (continued)

Accounting policy for share-based payments

Equity-settled, share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Transit, Megaside, Sydney

22. Reserves

	2017 $'000	2016 $'000
Foreign currency reserve	**2,498**	5,119
Hedging reserve – cash flow hedges	**–**	(31)
Share-based payments reserve	**1,166**	481
	3,664	5,569

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Hedging reserve – cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration.

Elite Screens, King Georges Rd overpass, Sydney

Section F – Group structure

23. Parent entity

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	PARENT 2017 $'000	PARENT 2016 $'000
(Loss)/ profit after income tax	**(1,323)**	(2,010)
Total comprehensive income	**(1,323)**	(2,010)

Statement of financial position

	PARENT 2017 $'000	PARENT 2016 $'000
Total current assets	**208**	36
Total assets	**377,402**	409,077
Total current liabilities	**538**	11,899
Total liabilities	**113,947**	112,992
Equity		
Issued capital	**222,334**	222,334
Reserves	**1,166**	483
Retained profits	**39,955**	73,268
Total equity	**263,455**	296,085

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity provides guarantee in relation to the debts of one of its subsidiaries as at 31 December 2017 and 31 December 2016.

Contingent liabilities
The parent has provided bank guarantees to various landlords of $20,381,263 (2016: $17,997,930) as at December 2017.

Capital commitments – property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at December 2017 and December 2016.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 30, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

24. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 30:

		OWNERSHIP INTEREST	
Name	**Principal place of business / Country of incorporation**	**2017 %**	**2016 %**
APNO Group Holdings Pty Limited	Australia	100%	100%
APNO Finance Pty Limited	Australia	100%	100%
APN Outdoor Pty Limited	Australia	100%	100%
Eastcott Investments Pty Limited	Australia	100%	100%
Cody Link Pty Limited	Australia	100%	100%
Valtoff Pty Limited	Australia	100%	100%
Everfact Pty Limited	Australia	100%	100%
Everfact Unit Trust	Australia	100%	100%
APN Outdoor (Trading) Pty Limited	Australia	100%	100%
Adspace Pty Limited	Australia	100%	100%
TMS Outdoor Advertising Pty Limited	Australia	100%	100%
Nettlefold Outdoor Advertising Unit Trust	Australia	100%	100%
Nettlefold Advertising Pty Limited	Australia	100%	100%
National Outdoor Advertising Pty Limited	Australia	100%	100%
Buspak Advertising Group Pty Limited	Australia	100%	100%
Total Cab Media Pty Limited	Australia	100%	100%
Universal Outdoor Pty Limited	Australia	100%	100%
TaxiMedia Pty Limited	Australia	100%	100%
SOL Australia Pty Limited	Australia	100%	100%
Australian Posters Pty Limited	Australia	100%	100%
The Australasian Advertising Company Pty Limited	Australia	100%	100%
GSP Print Pty Limited	Australia	100%	100%
iOM Pty Limited	Australia	100%	100%
APN Outdoor Holdings (NZ) Limited	New Zealand	100%	100%
APN Outdoor Limited	New Zealand	100%	100%

25. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- APN Outdoor Group Limited
- APNO Group Holdings Pty Limited
- APN Outdoor (Trading) Pty Limited
- Australian Posters Pty Limited
- Buspak Advertising Group Pty Limited
- APNO Finance Pty Limited
- APN Outdoor Pty Limited
- Eastcott Investments Pty Limited
- Cody Link Pty Limited
- Valtoff Pty Limited
- Everfact Pty Limited
- Universal Outdoor Pty Limited
- TaxiMedia Pty Limited
- SOL Australia Pty Limited
- GSP Print Pty Limited

By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by APN Outdoor Group Limited, they also represent the 'Extended Closed Group'.

Elite Screens, Kwinana Fwy, Bull Creek, Perth

25. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	2017 $'000	2016 $'000
Revenue	**298,727**	295,036
Other income	**1,042**	836
Dividends received	**3,802**	–
Rental of advertising space	**(124,299)**	(120,480)
Sales and marketing	**(29,057)**	(29,987)
Employee benefits	**(32,100)**	(29,791)
Production and installation	**(14,933)**	(15,809)
Impairment of assets	**(2,126)**	–
Restructuring expenses	**(900)**	–
Depreciation and amortisation	**(12,844)**	(11,732)
Raw materials and consumables used	**(6,769)**	(6,957)
Costs associated with proposed merger	**(3,432)**	–
Finance expenses	**(3,610)**	(3,132)
Other expenses	**(17,232)**	(15,333)
Profit before income tax expense	**56,269**	62,651
Income tax expense	**(15,558)**	(18,708)
Profit after income tax expense	**40,711**	43,943
Other comprehensive income		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Net change in the fair value of cash flow hedges taken to equity, net of tax	**31**	(8)
Foreign currency translation	**4**	120
Other comprehensive income for the year, net of tax	**35**	112
Total comprehensive income for the year	**40,746**	44,055

	2017 $'000	2016 $'000
Equity - retained profits		
Retained profits at the beginning of the financial year	**32,752**	17,955
Profit after income tax expense	**40,711**	43,943
Dividends paid	**(31,990)**	(29,146)
Retained profits at the end of the financial year	**41,473**	32,752

25. Deed of cross guarantee (continued)

Statement of financial position	2017 $'000	2016 $'000
CURRENT ASSETS		
Cash and cash equivalents	**11,488**	13,293
Trade and other receivables	**59,345**	62,627
Inventories	**646**	716
Income tax	**169**	–
Prepayments	**5,973**	4,909
Total current assets	**77,621**	81,545
NON-CURRENT ASSETS		
Investments and related party receivables	**59,739**	48,055
Property, plant and equipment	**89,382**	81,724
Intangibles	**221,388**	221,329
Other	**2,750**	2,750
Total non-current assets	**373,259**	353,858
Total assets	**450,880**	435,403
CURRENT LIABILITIES		
Trade, related party and other payables	**36,785**	28,079
Derivative financial instruments	**-**	44
Income tax	**-**	11,709
Employee benefits	**2,597**	2,465
Provisions	**674**	1,201
Other	**2,599**	2,457
Total current liabilities	**42,655**	45,955
NON-CURRENT LIABILITIES		
Borrowings	**114,829**	102,677
Deferred tax	**23,869**	25,011
Employee benefits	**176**	214
Provisions	**-**	743
Other	**2,466**	2,785
Total non-current liabilities	**141,340**	131,430
Total liabilities	**183,995**	177,385
Net assets	**266,885**	258,018
EQUITY		
Issued capital	**222,334**	222,334
Reserves	**3,078**	2,932
Retained profits	**41,473**	32,752
Total equity	**266,885**	258,018

Section G – Other notes

26. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	2017 $	2016 $
Short-term employee benefits	**3,350,242**	2,571,968
Post employment benefits	**119,699**	106,514
Long-term benefits	**32,160**	7,766
Termination benefits	**390,000**	–
Share-based payments	**337,206**	293,378
	4,229,307	2,979,626

Other information in relation to key management personnel is included in the Remuneration report.

27. Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company, and its network firms:

	2017 $	2016 $
AUDIT SERVICES - PRICEWATERHOUSECOOPERS		
Audit or review of the financial statements	**321,000**	284,043
OTHER SERVICES - PRICEWATERHOUSECOOPERS		
Other audit related services	**26,840**	–
Audit of revenue certificates for landlords	**27,000**	44,600
Accounting system review	**–**	26,583
Transaction consulting fees	**10,236**	145,000
Cyber risk assessment	**–**	40,032
Workers compensation audits	**7,500**	–
	71,576	256,215
	392,576	540,258

28. Related party transactions

Parent entity
APN Outdoor Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 24.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
Sale and purchase of goods and services were conducted on an arms-length basis.

Transit, Megaside Double D, Sydney

29. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

30. Other significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The group presents reclassified comparative information where required, for consistency with the current financial period's presentation.

Compliance with IFRS

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 31.

New accounting standards and interpretations not yet mandatory or early adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 15 Revenue from Contracts with Customers

Nature of change

AASB 15 was issued in October 2015.

This standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard is mandatory for financial years commencing on or after 1 January 2018. The Group has not adopted the standard before its effective date.

Impact

Under the new standard, additional disclosures will need to be made around the timing of revenue recognition for the Group's revenue.

The financial impact is not expected to be significant given current assessments by management; however, it is expected that it may require some minor development of current reporting systems and processes. In forming this assessment, management have considered:

Area of judgement | complexity	Commentary
Whether any disaggregation of revenue streams is required	APN Outdoor already disaggregates revenue into the distinct deliverables in a contract based on the relative fair value of the product and services provided. Management already disaggregate ancillary revenue to comply with the current revenue standard.
Whether the Group is the agent or principal under its revenue contracts	APN Outdoor is generally the principal under its revenue contracts and as a result under the new standard revenue will continue to be presented gross of agency commissions.
The timing of revenue recognition	APN Outdoor's current revenue recognition policy will remain appropriate under the new standard, and there is not expected to be a material adjustment to the timing of revenue recognition on transition.
The recognition of performance obligations	APN Outdoor has reviewed potential performance obligations which may arise under its revenue contracts including additional advertising run on campaigns and bonus spots. This assessment was performed to evaluate any revenue and costs which could be deferred until these obligations are satisfied. Based on an assessment of the full year impact of these items the company does not expect this policy change to have a material impact on reported profit before tax. If the new standard was applied consistently throughout the 2017 year the net impact on reported profit before tax is estimated to have been a reduction of approximately $500,000.

Market developments and any further guidance issued with respect to the Standard will continue to be monitored.

30. Other significant accounting policies (continued)

AASB 16 leases

Nature of change

AASB 16 was issued in February 2016. This standard requires certain lease arrangements to be recognised on the balance sheet. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Status of work plan

APN Outdoor has developed a work plan to assess the impact of the new standard. It is expected that the project will continue for the next 12 to 18 months given the complexity and volume of our leasing arrangements.

Impact

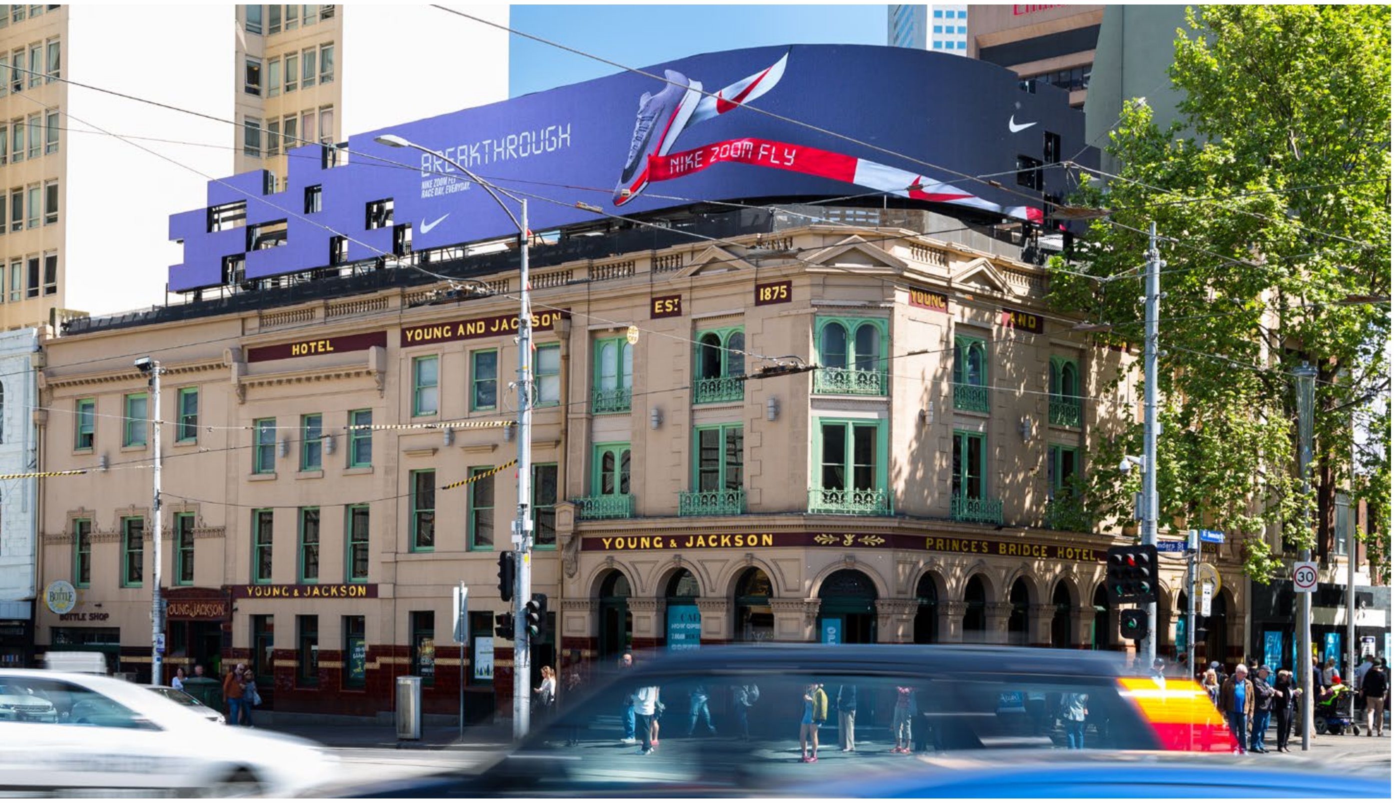
The standard will affect primarily the accounting for operating leases. At the reporting date, APN Outdoor has a number of non-cancellable operating lease commitments which are accounted for as operating expenses.

To accommodate the new standard, APN Outdoor will likely need to undertake system developments to both its financial and internal workflow systems. These changes may include:

- Creating asset registers to record 'right-of-use' assets and calculate amortisation charges
- Determining interest amortisation on lease liabilities

It is expected that AASB 16 will have a material impact on both the balance sheet and the financial results of the Group. Following the implementation of the new standard, APN Outdoor expects to report:

- Higher EBITDA (earnings before interest, depreciation, amortisation and tax) due to 'operating' lease costs being allocated to depreciation and interest, rather than to an 'above the line' expense
- Lower net profit in the early years of a lease due to front-end loaded expenses for interest and higher net profit in the latter years of a lease
- Higher net debt
- Increased reported assets.



Elite Screens, Young & Jackson, Cnr Flinders & Swanston Streets, Melbourne

30. Other significant accounting policies (continued)

Areas of judgement and complexity currently being reviewed and their status are summarised below:

Area of judgement | complexity	Commentary
Scope of standard	In accordance with its work plan, APN Outdoor is still in the process of reviewing its lease portfolio to determine which leases are within the scope of the standard. Some of the Group's commitments may relate to arrangements that will not qualify as leases under AASB 16.
Short-term and low value lease exceptions	Some of APN Outdoor's commitments may be covered by an exception for short-term and low-value leases which are not expected to be material to the Group's results. Management have the option over whether to apply these exceptions and are in the process of reviewing.
Revenue share leasing payments	The revenue share component of the Group's leasing arrangements is not brought on balance sheet under the new standard and is expensed as incurred.
Discount rate	It is likely to be difficult for the Group to determine the interest rate implicit in the lease; and, as a result, it is likely that the Group will use its incremental borrowing rate for a loan of a similar term, with similar security and to obtain an asset of a similar value. Due to the differing lease terms and various asset groups, this may require significant judgement.
Lease term	The lease term is the non-cancellable period of the lease, together with optional renewable periods if there is reasonable certainty of extension and periods after a termination date. APN Outdoor's arrangements include a number of options which may be exercised by either the landlord or the Group or both parties. Assessment of this requires a line by line review by contract to determine whether there is reasonable certainty of renewal.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 23. The accounting policies adopted by the parent entity are the same as those adopted by the Group.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of APN Outdoor Group Limited ('Company' or 'parent entity') as at 31 December 2017 and the results of all subsidiaries for the year then ended. APN Outdoor Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. 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.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Foreign currency translation

The financial statements are presented in Australian dollars, which is APN Outdoor Group Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Investments accounted for using the equity method

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

30. Other significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

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

31. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations, changes in market conditions and adverse changes in contract renewal experience. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of goodwill and other intangible assets
The Group assesses impairment of goodwill and other intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 30 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25 to the financial statements.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Doug Flynn
Chairman

20 February 2018 | Sydney

Transit, Megaside, Sydney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Independent auditor's report

To the members of APN Outdoor Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of APN Outdoor Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the statement of financial position as at 31 December 2017
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $3.1 million, which represents approximately 5% of the Group's profit before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the financial statement benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit-related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The audit team performed audit procedures in respect of the Group's operations in Australia and New Zealand. • The audit team included experts in valuation.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Valuation of intangible assets – Revenue Recognition • These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of intangible assets *Refer to Note 13* Goodwill and other intangible assets that have an indefinite useful life are required to be tested at least annually for impairment. The assessment of impairment is performed separately for Australia and New Zealand. In order to assess the recoverability of these assets, the	We assessed the key assumptions for estimating cash flows, being the related revenue growth rates and operating margins both of which involve significant judgement. We compared the revenue growth rate assumptions used in the cash flow models to the long-term average growth rate for the markets in which each of the CGUs operate and found that they were

Key audit matter	*How our audit addressed the key audit matter*
Group prepares cash flow models to determine if the carrying values of goodwill and other intangible assets are supported by forecast future cash flows, discounted to present value. The valuation of the Australia and New Zealand intangible assets was a key audit matter because of the magnitude of the balance (31 December 2017: $255m) and the nature of judgements made by the Group in preparing the cash flow model used to assess any potential impairment of the intangible assets.	consistent with external market data for the outdoor advertising market. In addition we: - performed sensitivity analyses over the key assumptions used in the models - evaluated the Group's ability to forecast future results for the business by comparing budgets with actual results for the previous accounting periods - engaged PwC Valuations experts to assist in testing managements calculation of the weighted average cost of capital - tested the integrity and mathematical accuracy of the impairment model. We also evaluated the adequacy of the disclosures made in note 13, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. We noted that the market capitalisation of the Company was significantly higher than the Groups net assets of $279.3m as at 31 December 2017.
Revenue recognition *Refer to Note 1*	
Revenue recognition was a key audit matter due to the financial significance of the balance to the Statement of profit or loss and other comprehensive income (31 December 2017: $342m). Although there are no significant judgements involved in the determination of revenue there are high volumes of transactions with advertising agencies and direct customers and revenue recognition is determined over the period of display.	We have performed the following procedures, amongst others: - identified and tested journal entries that impact revenue balances on a risk basis - tested, on a sample basis, that evidence of an underlying arrangement with a customer exists, that amounts have been calculated in line with client ad orders, and that revenue has been recognised in accordance with the company's accounting policy - evaluated the design and performed testing on a selection of key manual controls including allocations of cash receipts - assessed the adequacy of the revenue disclosures in light of the Australia Accounting Standards

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including the CEO Letter, Chairman's letter, Corporate directory, Operating and financial review, the Director's report and Shareholder information, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 49 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of APN Outdoor Group Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Rod Dring
Partner

Sydney
20 February 2018

Shareholder information

31 December 2017

The shareholder information set out below was applicable as at 12 February 2018.

Equity security holders

The names of the 20 largest security holders of quoted equity securities are listed below:

Security holder	Number Held	Issued %
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	58,212,700	34.94
J P MORGAN NOMINEES AUSTRALIA LIMITED	35,578,903	21.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	13,735,126	8.24
CITICORP NOMINEES PTY LIMITED	8,562,421	5.14
NATIONAL NOMINEES LIMITED	6,983,345	4.19
BNP PARIBAS NOMS PTY LTD	3,942,479	2.37
BNP PARIBAS NOMINEES PTY LTD	3,086,264	1.85
MUTUAL TRUST PTY LTD	1,813,562	1.09
BNP PARIBAS NOMS (NZ) LTD	1,787,577	1.07
BNP PARIBAS NOMINEES PTY LTD	1,646,000	0.99
IOOF INVESTMENT MANAGEMENT LIMITED	1,095,293	0.66
UBS NOMINEES PTY LTD	1,089,919	0.65
NATIONAL NOMINEES LIMITED	1,053,835	0.63
WOODROSS NOMINEES PTY LTD	729,906	0.44
IOOF INVESTMENT MANAGEMENT LIMITED	433,804	0.26
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	403,857	0.24
AUST EXECUTOR TRUSTEES LTD	400,000	0.24
UBS NOMINEES PTY LTD	387,214	0.23
CITICORP NOMINEES PTY LIMITED	383,239	0.23
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	291,755	0.18

Substantial holders

Substantial holders of ordinary shares in the Company are set out below:

Substantial shareholder	Number Held	Shareholding %
Ellerston Capital	26,408,502	15.85
Mawer Investment Management Ltd	23,531,870	14.12
Yarra Funds Management Ltd	16,110,413	9.66
HMI Capital	12,128,229	7.28
Macquarie Group Limited	8,606,779	5.16

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands, every member present at a meeting in person or by proxy shall have one vote, and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Corporate Governance Statement

A copy of our Corporate Governance Statement can be found on our website at **http://investors.apnoutdoorcorporate.com/Investor-Centre**