

PRIME MEDIA GROUP



PAGE 1

Chairman's Report

PAGE 2

Chief Executive Officer's Report

PAGE 4

Directors' Report

PAGE 21

Financial Statements

CORPORATE INFORMATION

ABN 97 000 764 867

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

DIRECTORS

John K. Hartigan (Chair)
15 May 2014 – Present

Ian R. Neal
6 June 2008 – Present

Peter J. Macourt
1 September 2014 – Present

Cass O'Connor
21 April 2015 – Present

Ian C. Audsley (Chief Executive Officer)
24 June 2010 – Present

REGISTERED OFFICE

363 Antill Street
Watson ACT 2602
Ph: 02 6242 3700

SHARE REGISTER

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Ph: 1300 554 474

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

BANK

Australia and New Zealand Banking Group Limited (ANZ)

AUDITORS

Ernst & Young



CHAIRMAN'S REPORT

On behalf of the directors of Prime Media Group I am pleased to present the Annual Report for the 2018 financial year.

The company's financial result for the 2018 financial year demonstrates the degree of disruption and change that Australia's traditional media companies are experiencing. There is no doubt that market dynamics are moving rapidly with both audiences and advertisers now enjoying far greater choice of entertainment and information platforms – many of which are provided by international tech giants.

It is apparent that regional Australia's traditional media companies have experienced the greatest impact from the participation of these international players in the domestic market. When viewed through the prism of this dramatic change, Prime's result at the higher end of market guidance was a solid result.

Prime has not been idle in the midst of this disruption, announcing to the market in September 2017 that it had held discussions with Seven West Media over combining the companies. While we saw merit in the possible combination, the parties were not able to agree terms.

Your Board continues to pursue and understand opportunities for the company.

In August this calendar year, Prime completed a new program supply arrangement with the Seven Network. Prime has been the regional affiliate of the Seven Network for 29 years and, under this new agreement, will remain so until 2023. While the new program supply agreement with Seven comes at an increased cost, Prime will continue to broadcast Australia's best performing program schedule that will, for the first time, include test cricket and the Big Bash League.

The difficult decision to suspend our dividend program in December 2017 is a matter that has been raised by many shareholders. There has been mixed support for the suspension and the allocation of funds to reducing Prime's interest bearing debt. Your Board acknowledges these challenges for shareholders and will continue to review the position at each reporting period.

The next twelve months might see dramatic changes for metropolitan media companies, which may have a flow on effect for regional Australia. Prime will continue to engage with industry participants to ensure that it is part of a consolidated media landscape. Prime led the push for media regulation reform to shake up a complacent industry. We believe that, in time, a plethora of deals will present themselves as media industry economics will dictate so.

Securing this reform and entering into a new program supply agreement secures Prime's medium term prospects.

I thank the management and staff of Prime for their unwavering commitment to industry leadership, my fellow board members and also thank our advertising partners for their ongoing support.

John Hartigan
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REPORT

OVERVIEW

Prime's financial results for the 2018 Financial Year reflects an absence of the Olympic Games and persistent headwinds in regional television advertising spends at both national and local levels.

Despite the challenges, Prime maintained its lead in audience and revenue shares in the 3 aggregated television markets of Northern New South Wales, Southern New South Wales and Victoria with a 40.5 audience share and a 41.9 share of total advertising revenue.

Prime's 45.4 share of agency revenue share in the 3AGG market and Western Australia combined was back 1.9 share points on the prior year – caused by the absence of the Rio Olympic Games, as well as improved audience and revenue performance of direct competitors.

Prime's Western Australian television business GWN7 maintained its tight grip on audience and revenue with a 53.2 audience share and a 66.8 agency revenue share.

COMMONWEALTH GAMES

The Gold Coast Commonwealth Games in April 2018 provided the company with good audience and revenue momentum in the second half of the financial year. However, with fewer days of competition than the Olympics, and fewer events each day, it could not replace the advertising opportunities from Rio.

The Commonwealth Games delivered a 56.7 audience share in Prime's 3 aggregated markets and a 55.9 audience share in Western Australia.

LOCAL NEWS & CURRENT AFFAIRS

PRIME7 Local News services continue to win their respective markets across News South Wales and GWN7 continues its stranglehold on news audiences in Western Australia with a 72.6 share at 5:30pm.

During the financial year Prime produced its third Ray Martin public affairs special to highlight the issue of the growing

number of middle-aged males losing their life in road accidents across regional Australia.

The program won its timeslot attracting 55% of the available audience and winning every audience demographic. These public affairs specials helped to consolidate Prime's leadership in local news television and have contributed to our becoming the number one news service on the North Coast of New South Wales for the first time.

REGIONAL TELEVISION LEADERSHIP

The business continued its leadership in the regional television industry delivering the best revenue shares of any television business in Australia along the way.

Much of that success is due to the strong programming Prime acquires from the Seven Network, which we have turned into good fortune through a focused and proactive service orientation to advertisers and a disciplined approach to managing business fundamentals. Tight expenditure control included a fifty percent reduction in senior executive positions. Positions affected included General Counsel, General Manager Operations and General Manager Television. I thank Emma McDonald, Shane Wood and Tony Hogarth for their exemplary service to the company over the term of their respective tenures.

RENEWED AFFILIATION

Prime is a very good business operating in a challenged sector. Shoring up our programming supply through an early renewal of our arrangements with the Seven Network was the single option to securing advertiser support and audience continuity into the medium term.

With the addition to the program schedule of Test Cricket and the Big Bash League, Seven's schedule has greater continuity and so greater opportunity across the year and we look forward to working with our advertising partners to make the cricket coverages a great success.

With that deal behind us and our debt reduced to historically low levels, the core business is set for the next five years

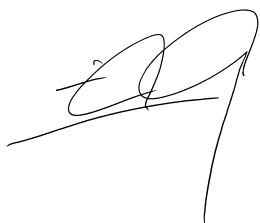
and the company is now well positioned to make decisions about its future with certainty; to have done so prior to locking in a new program supply agreement may have been misdirected.

The media industry has been slow to take advantage of the opportunities presented by regulatory reform, but it is fair to say that the only panacea to traditional media sector challenges is to achieve greater scale through consolidation. Accordingly we believe opportunity still exists for Prime to participate, but we are not complacent.

COMMUNITY PARTICIPATION

In the 2018 financial year Prime allocated airtime to promote community initiatives across NSW and the Gold Coast, the ACT, Victoria and Western Australia including Angel Flight, Australian Red Cross and Guide Dogs Australia.

In closing I extend my thanks to the management and staff of Prime and GWN for their outstanding effort in maintaining the company's leadership position in the sector, and to the Board for its support and stewardship during a period of strong headwinds.



Ian Audsley
CHIEF EXECUTIVE OFFICER

HIGHLIGHTS

\$219.2m
REVENUE

\$45.2m
EBITDA

\$25.3m
CORE NET PROFIT AFTER TAX[^]

[^] Excludes non-core specific items.

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2018.



JOHN K. HARTIGAN

**Non-Executive Chair
(appointed 15 May 2014)**

Mr Hartigan headed News Corporation's Australian operations as Chairman and Chief Executive Officer of News Limited (now known as News Corp Australia). He was also a director of FOXTEL and Chairman of Australian News Channel, which owns and operates Sky News. He has worked in advisory positions for the American Australian Association and the NSW Export and Investment Advisory Board. Mr Hartigan is a trustee of the Sydney Cricket and Sports Ground Trust, a Lifetime Member of The Bradman Foundation, a director of the Australian Paralympic Committee and until earlier this year was Chairman of Destination NSW.



IAN R. NEAL

**Non-Executive Director
(appointed 6 June 2008)**

Mr Neal is a Chair for the Executive Connection and consults on business strategy and implementation from a perspective of maximising shareholder value. Mr Neal was co-founder and managing director of Nanyang Ventures Pty Limited from 1993 to 2004. Mr Neal's professional background is in financial markets, commencing as an equities analyst and moving to various banking positions until establishing Nanyang Ventures. Mr Neal is a life member of the Financial Services Institute of Australia, a previous National President of The Securities Institute of Australia and was a member of the first Corporate Governance Council which established the Corporate Governance Guidelines. Mr Neal is Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.



PETER J. MACOURT

Non-Executive Director
(appointed 1 September 2014)

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



CASS A. O'CONNOR

Non-Executive Director
(appointed 21 April 2015)

Ms O'Connor has over 30 years' experience as a director of ASX listed companies, Federal and State government and unlisted entities. For the past 18 years she has managed her own corporate advisory company. Ms O'Connor is currently Chair of Audit and Risk Committee and non-executive director of Carriageworks Limited, a shareholder and director of multi-award winning independent television and film production entity Goalpost Pictures and a non-executive director of TRIBE, a leading influencer marketing and content platform. Ms O'Connor has previously worked for Bain & Co, Deutsche Bank, Turnbull & Partners, Goldman Sachs (Australia) and Carnegie, Wylie & Company. Ms O'Connor is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.



IAN C. AUDSLEY

Chief Executive Officer
(appointed 16 June 2010)

Executive Director
(appointed 24 June 2010)

Mr Audsley has had over 30 years' experience in the television industry. He has held various senior roles at the Seven Network, Nine Network, TV3 New Zealand and Southern Cross Television.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and performance rights issued by the Company at the date of this report is as follows:

NAME	ORDINARY SHARES	RIGHTS OVER ORDINARY SHARES
J.K. Hartigan	–	–
I.R. Neal	40,000	–
P.J. Macourt	–	–
C.A. O'Connor	75,000	–
I.C. Audsley	865,456	750,000

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

No director has any interest in any contract or proposed contract with the Company other than as disclosed elsewhere in this report.

DIRECTORSHIPS IN OTHER LISTED ENTITIES

Directorships of other listed entities held by directors of the Company during the three years immediately before the end of the year are as follows:

DIRECTOR	COMPANY	PERIOD OF DIRECTORSHIP	
		FROM	TO
I.R. Neal	Dyesol Limited (Non-Executive Chair)	September 2006	Present
P.J. Macourt	Sky Network Television Limited (Non-Executive Chair)	August 2002	Present
	Virtus Health Limited (Non-Executive Chair)	June 2013	Present
C.A. O'Connor	PS&C Limited (Non-Executive Director)	October 2013	May 2017
	McGrath Limited (Chair and Non-Executive Director)	December 2015	February 2018

COMPANY SECRETARY

Emma McDonald was Company Secretary during the reporting period up to the date of her resignation on 28 June 2018. She has been a solicitor for over 20 years, having worked in a number of large companies and for a major law firm. John Palisi, Prime's Chief Financial Officer, was appointed Company Secretary at that time. He has been a Chartered Accountant for over 20 years and is a graduate of the Australian Institute of Company Directors.

EARNINGS PER SHARE

	CENTS
Basic earnings per share – Profit from Statutory earnings	(3.4)
Diluted earnings per share – Profit from Statutory earnings	(3.4)
Basic earnings per share – Profit from Core earnings	6.9
Diluted earnings per share – Profit from Core earnings	6.9

DIVIDENDS

	CENTS	\$'000
Final dividend recommended:		
– on ordinary shares	–	–
Dividends paid in the year:		
<i>Interim for the year</i>		
– on ordinary shares	–	–
<i>Final for 2017 shown as recommended in the 2017 financial report</i>		
– on ordinary shares	1.7	6,228

PRINCIPAL ACTIVITIES

The principal activities of Prime Media Group Limited during the year were the broadcast of free-to-air commercial television services in regional New South Wales, the Australian Capital Territory, regional Victoria, the Gold Coast area of Southern Queensland and regional Western Australia.

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

OPERATING AND FINANCIAL REVIEW

STATUTORY RESULTS

The Company's consolidated loss after tax attributable to the members for the year ended 30 June 2018 was \$12,275,000, which represents a decrease of \$48,519,000 or 133.9% on the previous corresponding period.

Included in the consolidated loss is a non-cash impairment of television broadcast licences of \$51,690,000 (2017: Nil), of which \$20,674,000 was recognised in June 2018 and \$31,016,000 was recognised in December 2017. The impairment reflects the ongoing decline of regional free-to-air television advertising markets and increasing programming costs.

Revenue of \$219,158,000 decreased 8.7% or \$20,901,000 on the previous corresponding period, in part due to one-off advertising revenue arising from the 2016 Olympic Games broadcast being included in the prior year result.

During the financial year, the Company maintained its lead revenue share of 41.9% in the aggregated regional market of New South Wales and Victoria, which represented a 1.8 share point reduction compared to the prior corresponding period. The Company's television advertising revenue in the aggregated regional market of New South Wales and Victoria decreased by \$15,952,000 or 8.1% on the previous corresponding period (noting the prior year included one-off advertising revenue associated with the 2016 Olympic Games broadcast), compared to the market, which declined 4.1% in the same period.

Other income of \$1,044,000 declined 58.1% on the prior corresponding period which included a one-off gain on sale of surplus property located in Tamworth New South Wales of \$1,005,000.

The Company's gross profit margin declined from 47.5% to 45.8% as a result of increased content costs.

Total operating expenses of \$55,021,000 were \$5,075,000 or 10.2% unfavourable to the previous corresponding period, primarily due to the introduction of spectrum licensing fees in this financial year. The Federal Government waived free-to-air television broadcast licence fees in the previous corresponding reporting period.

The Company's share of associate losses of \$43,000 relates to joint ventures that broadcast Nine Entertainment programming in regional Western Australia and Mildura.

Earnings before interest, tax and depreciation and amortisation of \$45,157,000 decreased by \$18,903,000 or 29.5%.

Net cash flow from operating activities of \$32,113,000 declined \$11,858,000 or 27.0% compared to the prior corresponding period. The decline in operating cash flows is consistent with the decline in regional television advertising markets in the period and the 2016 Olympic Games broadcast revenues being collected in the previous corresponding period.

Net interest bearing debt reduced by \$22,157,000 during the period to \$14,793,000 at 30 June 2018. The Company continues to operate within bank covenants. Finance costs of \$1,584,000 were 37.7% favourable to the previous corresponding period due to lower average interest bearing debt levels.

DIVIDEND

The Company has suspended dividend payments until further notice and will apply all surplus funds to reduce interest bearing debt. This decision has been taken due to the continued decline in regional audiences and regional television advertising revenues and increasing content costs.

CORE NET PROFIT AFTER TAX

Core net profit after tax (non-IFRS measure) and before specific items was \$25,259,000 (2017: \$35,592,000), declined \$10,333,000 or 29.0% on the previous corresponding period.

	2018 \$'000	2017 \$'000
Reported (loss)/profit after tax	(12,275)	36,244
Impairment of television broadcast licences (non-cash)	51,690	–
Release of deferred tax liability arising from impairment	(15,507)	–
Non-recurring legal and consulting expenses	911	–
Redundancies	1,019	504
Gain on sale of surplus assets	–	(1,005)
Income tax benefit related to specific items	(579)	(151)
Core net profit after tax and before specific items	25,259	35,592

SHAREHOLDER RETURNS

Core Earnings Per Share (cents per share) ¹		6.9	9.7
Statutory Earnings Per Share (cents per share)		(3.4)	9.9
Core Return on Assets (ROA) ¹	%	25.1	22.9
Statutory Return on Assets (ROA)	%	(12.2)	23.3
Weighted Average Cost of Capital (pre-tax)	%	12.96	11.74
Core Return on Equity (ROE) (%) ^{1,2}		52.5	53.0
Statutory Return on Equity (ROE)	%	(25.5)	53.9
Net Debt/Net Debt + Equity Ratio	%	23.5	35.5
Share price	\$	0.29	0.38
Dividends per share	cents	1.7	3.4
Total Shareholder Return	%	(19.2)	29.4

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

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

STATEMENT OF FINANCIAL POSITION AND CASH FLOW

During the reporting period, the Group's operating cash flows decreased by \$11,858,000 to \$32,113,000 primarily due to the decrease in television advertising revenue in the current year and one-off cash inflows in the prior year associated with the 2016 Olympic Games broadcast, and the timing of payments.

Net cash flows used in investing activities of \$3,120,000 (2017: \$2,428,000) relate to capital expenditure, mainly for broadcast and computer equipment totalling \$3,080,000. Net cash flows from investing activities in the prior year included the proceeds from the sale of surplus property in Tamworth, New South Wales of \$1,611,000.

DIRECTORS' REPORT CONTINUED

CAPITAL STRUCTURE

The Group's secured bank loan facility decreased to \$25,696,000 as at 30 June 2018 (30 June 2017: \$43,540,000). The Group continues to operate within the terms of its debt facility, which matures April 2020. During the reporting period, the debt facility limit was reduced by \$20 million to \$60 million.

	2018 \$'000	2017 \$'000
Interest-bearing loan	25,696	43,540
Cash and short term deposits	(10,903)	(6,590)
Net debt	14,793	36,950
Total equity	48,153	67,206
Total capital employed	62,946	104,156
Gearing	23.5%	35.5%

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

	2018 \$'000	2017 \$'000
Non-current		
Secured bank loan facility	25,696	43,540
Total interest bearing liabilities	25,696	43,540

RISK MANAGEMENT

The Group's approach to risk management is addressed in the Corporate Governance Statement, which is available on the Company's website www.primemedia.com.au/investors. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of strategic plans designed to meet stakeholders' needs and manage business risk; and
- implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including monitoring of financial and non-financial key performance indicators ('KPIs').

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

- fluctuations in consumer demand that impact advertising revenues, which the Company manages by ensuring it continues to maintain a strong advertising sales team and strong relationships with advertisers and agencies;
- the impact on audiences as a result of new media platforms and technologies and the resultant impact on television advertising revenues;
- the increasing cost of content and continued access to quality programming; and
- the ability to attract and retain employees with relevant media experience.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the Group's state of affairs other than the significant event after the balance date referred to in this Directors' report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 20 August 2018 the Company executed an extension to its program supply agreement with the Seven Network, effective from 1 July 2018 for a period of 5 years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board and Executive consider that the future performance of the Group will be influenced by the outlook for television advertising in regional Australia and the increasing cost of content to broadcast free-to-air television.

PERFORMANCE RIGHTS (EQUITY)

UNISSUED SHARES

At the date of this report there were 1,377,753 (FY17: 3,495,191) performance rights over unissued ordinary shares under the Prime Media Group Limited Performance Rights Plan that are yet to vest. Refer to Note 26 of the financial statements for further information. Performance rights holders do not have any right, by virtue of the performance right, to participate in any share issue of the Company or any related body corporate.

As reported at the Company's 2017 Annual General Meeting, the Prime Media Group Limited Performance Rights Plan has been suspended, with no new issue of performance rights in this reporting period. A new cash settled long term incentive plan has been introduced, details of which are provided in the Remuneration Report.

SHARES ISSUED OR ACQUIRED AS A RESULT OF THE EXERCISE OF PERFORMANCE RIGHTS

During the financial year, 1,211,926 (FY17: 1,142,091) ordinary shares were acquired on market by the Trustee of the Prime Media Group Limited Performance Rights Plan as a result of the vesting and exercise of rights issued in 2014.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with the *Corporations Act 2001*, the directors disclose that the Company has a Directors' and Officers' Liability policy covering each of the directors and certain executive officers for liabilities incurred in the performance of their duties and as specifically allowed under the *Corporations Act 2001*. During the year, the Company paid premiums totalling \$276,425 (2017: \$164,315) in relation to the Directors' and Officers' Liability policy. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy. The Company has also executed a deed of access, indemnity and insurance with Directors and Officers in their capacity for the Company, its subsidiaries and related parties.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' MEETINGS AND COMMITTEE MEMBERSHIP

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

	BOARD MEETINGS	AUDIT AND RISK COMMITTEE MEETINGS	REMUNERATION AND NOMINATION COMMITTEE MEETINGS
Number of meetings held:	13	2	2
Number of meetings attended:			
J.K. Hartigan	13	–	–
I.R. Neal	13	2	2
P.J. Macourt	12	2	2
C.A. O'Connor	13	2	2
I.C. Audsley	13	–	–

MESSAGE FROM THE CHAIR OF THE REMUNERATION AND NOMINATION COMMITTEE

Dear Shareholder

On behalf of the Board of Prime Media Group I am pleased to present the Company's Remuneration Report for the financial year to 30 June 2018 in accordance with section 300A of the Corporations Act, outlining the nature and amount of remuneration for non-executive directors and key management personnel.

CHANGES TO KEY MANAGEMENT PERSONNEL (KMP)

The 2018 financial year marked the passing of media ownership laws, which has been a key strategy of Prime's over the past 5 years. Operationally the Company has maintained a lead revenue share in its key markets of New South Wales and Victoria while maintaining a tight rein on operating costs. Nevertheless, the Company has continued to experience declines in audiences across regional Australia, which has resulted in overall revenue declines. During the year, your Board made the difficult decision to suspend the dividend program in favour of reducing the Company's interest bearing debt. Consistent with this approach, your Board also made the decision to reduce the size of the Company's executive management team to reduce the total amount of executive remuneration having regard for current industry trends and Company performance. This resulted in the departure of three long-serving KMP whom I would personally like to thank for their service and valuable contribution over the years.

REMUNERATION OUTCOMES

This financial year was highlighted by gains from the successful monetisation of the Commonwealth Games broadcast in what was otherwise a soft advertising market. As a result the Group did not achieve its core net profit target, resulting in STI awards being reduced to between 34% and 60% of short term incentives depending on each executive's individual incentive plan.

As previously reported at Prime's 2017 Annual General Meeting, the Prime Media Group Performance Rights Plan is in run off mode with no new grant of performance rights to KMP in this reporting period. During this reporting period, 79.8% of performance rights granted in 2014 vested in November 2017. Departing KMP forfeited their remaining unvested performance rights and received termination payments in accordance with their employment contracts.

In keeping with this approach, non-executive director fees also remained flat for a third consecutive year.

CHANGES TO REMUNERATION

The Company has introduced a new cash-settled long term incentive plan for key management personnel which is directly linked to movements in share price, aligning KMP long term incentives to shareholder wealth outcomes. Key management personnel received their first allocation under the new plan this financial year, with vesting to occur over the next three financial years.

As Chair of the Remuneration and Nomination Committee, I invite you to review the remuneration report and welcome your continued feedback and engagement.

Yours sincerely



Mr. Ian Neal

Non-Executive Director and Chair of Remuneration and Nomination Committee

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2018 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

1. Introduction
2. Remuneration Governance
 - a. Remuneration and Nomination Committee
3. Executive Remuneration Arrangements
 - a. Remuneration Principles and Strategy
 - b. Remuneration Mix
4. Detail of Incentive Plans
 - a. Short Term Incentive Entitlements and Outcomes
 - b. Long Term Incentives
 - i. Prime Media Group Limited Performance Rights Plan approved November 2014
 - ii. Prime Media Group Limited Cash Settled Performance Plan introduced November 2017
 - c. Executive Remuneration Outcomes (including link to performance)
5. Executive Contracts
6. Non-Executive Director Remuneration

1. INTRODUCTION

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise).

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), executive directors, senior executives, and secretaries of the Company and the Group. KMP for the year ended 30 June 2018 were:

KMP	POSITION	TERM AS KMP
Non-Executive Directors		
J.K. Hartigan	Chair; Director	Full Year
I.R. Neal	Director	Full Year
P.J. Macourt	Director	Full Year
C.A. O'Connor	Director	Full Year
Executive KMP		
I. Audsley	CEO and Executive Director	Full Year
D. Walker	Group General Manager Sales and Marketing	Full Year
J. Palisi	Chief Financial Officer	Full Year
E. McDonald	General Counsel & Company Secretary	To 29 June 2018
S. Wood	Group General Manager Operations	To 16 February 2018
A. Hogarth	General Manager Television	To 15 December 2017

2. REMUNERATION GOVERNANCE

A. REMUNERATION AND NOMINATION COMMITTEE

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

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

During the financial year, the Remuneration and Nomination Committee held 2 meetings which were attended by all committee members.

The CEO and Company Secretary also attended the Remuneration and Nomination Committee meetings by invitation, where management input was required. The CEO and Company Secretary were not present during any discussions relating to their own remuneration arrangements. Further information on the Remuneration and Nomination Committee's role, responsibilities and membership is available at www.primemedia.com.au/investors.

3. EXECUTIVE REMUNERATION ARRANGEMENTS

A. REMUNERATION PRINCIPLES AND STRATEGY

The Company's executive remuneration strategy aims to attract, motivate and retain high performing individuals and align the interests of executives and shareholders. The Remuneration and Nomination Committee reviews total remuneration packages annually.

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

- Are aligned to Prime Media Group's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Group performance and rewards; and
- Align the interest of executives and shareholders.

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice. When referencing the external market, the Company has regard for media sector wages and remuneration offered amongst the pool of candidates for which it must compete for talent. KMP remuneration is therefore benchmarked against industry peers and with regard for market data, insights into remuneration trends, the performance of the Company and individual, and the broader economic environment.

B. REMUNERATION MIX

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

NAME	FIXED REMUNERATION	AT RISK STI	AT RISK LTI	TOTAL	TOTAL AT RISK
CEO and Executive Director					
I. Audsley	56%	34%	10%	100%	44%
Other KMP					
D. Walker	55%	35%	10%	100%	45%
J. Palisi	70%	19%	11%	100%	30%

44% of the CEO's total remuneration package is 'at risk' and therefore subject to the achievement of both short term and long term performance requirements that are linked to the Company's strategy and driving long term shareholder wealth creation.

REMUNERATION COMPONENT	VEHICLE	PURPOSE	LINK TO PERFORMANCE
Fixed remuneration	Represented by total employment cost: comprises base salary, superannuation contributions and other discretionary and non-discretionary benefits.	To provide competitive fixed remuneration set with reference to the median of comparable external market roles.	Company and individual performance are considered during the annual review process.
STI component	Paid in cash.	Rewards KMP for their contribution to achievement of Group and business unit outcomes, as well as individual Key Performance Indicators (KPIs).	Core NPAT; Operational performance; Power ratio linking revenue and audience share; and Risk management including commitment to Work Health Safety.
LTI component	Performance rights granted in prior years up to 30 June 2016 that vest in this reporting period. Refer to 4.B.II) of this report for details of the cash settled LTI plan that was introduced this reporting period.	Rewards KMP for their contribution to the creation of shareholder value over the longer term.	Performance rights vest subject to achieving core EPS and power ratio targets.

DIRECTORS' REPORT CONTINUED

4. DETAIL OF INCENTIVE PLANS

A. SHORT TERM INCENTIVE ENTITLEMENTS AND OUTCOMES

The Group operates an annual STI program that is available to key management personnel and awards a cash bonus subject to attainment of clearly defined Group wide, business unit and individual measures.

STI PERFORMANCE CRITERIA

The actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of KPIs covering financial and non-financial, corporate and individual measures of performance. A summary of the measures and weightings is set out below:

PERFORMANCE MEASURES	GROUP FINANCIAL PERFORMANCE MEASURES: CORE NPAT	DIVISIONAL FINANCIAL PERFORMANCE MEASURES: POWER RATIO REVENUE YIELD EXPENSE MANAGEMENT REVENUE GENERATION	NON-FINANCIAL MEASURES: GROUP STRATEGY OPERATIONAL PERFORMANCE INCLUDING: AUDIENCE SHARE COMMITMENT TO RISK MANAGEMENT AND WORK HEALTH SAFETY
Chief Executive Officer	50%	–%	50%
Group GM Sales and Marketing	9%	84%	7%
Chief Financial Officer	40%	40%	20%

KEY PERFORMANCE OBJECTIVES	OUTCOMES	COMMENTARY
Financial results	Not achieved Not achieved	Statutory net loss after tax of \$12,275,000. Core net profit after tax of \$25,259,000.
Maximising advertising revenue share and yield	Partially achieved	Prime reported a power ratio of 1.038, which demonstrates that Prime's revenue share significantly exceeded its audience share in the aggregated regional market of New South Wales and Victoria.
Strategic priorities	Achieved	Lead role in advocating for the removal of media laws that regulate the ownership and control of traditional media companies.
Risk management culture including promotion of work health safety	Achieved	The Executive Risk Management Committee continued to promote a company-wide culture of risk management and work health safety.

After consideration of performance against KPIs, the Remuneration and Nomination Committee considers and recommends to the Board, on an annual basis, the amount, if any, of STI to be paid to each executive. This process usually occurs within three months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period.

B. LONG TERM INCENTIVES

I) PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN APPROVED NOVEMBER 2014

The Prime Media Group Limited Performance Rights Plan, as approved by shareholders at the 2014 Annual General Meeting, provided for the annual grant of performance rights to key management personnel for the period November 2014 to November 2017. The performance rights are measured over a three-year performance period. Vesting is subject to continuous service and achievement of the following targets:

- 60% of the rights will be subject to achievement of annual core earnings per share (EPS) targets; and
- 40% of the rights will be subject to achievement of annual power ratio targets (revenue share: audience share).

If the LTI performance targets are met or exceeded at the point of testing, 100% of that portion of the award will vest. The exercise price of the performance rights is nil. The rights will lapse 30 days after vesting date. As at 30 June 2018, 1,377,753 performance rights granted in prior years are yet to vest. No performance rights were granted in the current reporting period. The cumulative allocation of unvested performance rights represents 1.0% of the undiluted capital of the Company with a maximum income cost of \$579,278 (2017: \$1,974,183).

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

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

II) PRIME MEDIA GROUP LIMITED CASH SETTLED PERFORMANCE PLAN INTRODUCED NOVEMBER 2017

On 3 November 2017, the Company implemented a new Prime Performance Plan for key management personnel. The new plan is a cash-based plan which has been designed to reward KMP performance over a 3 year period by offering a potential entitlement to cash payments linked to the Group's share price performance over the same period.

The maximum long term incentives under the plan for the following key management personnel are as follows:

2018	ENTITLEMENT	GRANT DATE	SHARE PRICE AT GRANT	MAXIMUM VALUE AT GRANT DATE
Director				
I. Audsley	1,000,000	23/1/2018	\$0.42	420,000
Executive				
D. Walker	450,000	23/1/2018	\$0.42	189,000
J. Palisi	375,000	23/1/2018	\$0.42	157,500

Under the new cash-settled performance plan, eligible KMP will be granted notional share units, the value of which will vary with the Company's share price over a three year vesting period. The amount of notional share units that vest will be linked to the employee's STI performance measures as set by your Board at the beginning of each financial year. The value of notional share units at vesting will be equivalent to the Company's share price at the date of vesting.

An employee will forfeit their entitlement to unvested notional share units if their employment ends prior to the vesting date.

In the event of a change of control of the Company, an employee's notional share units will vest on a pro-rata basis at the share price value on the date of change of control.

No cash-settled benefits were paid to KMP under the new plan in this reporting period.

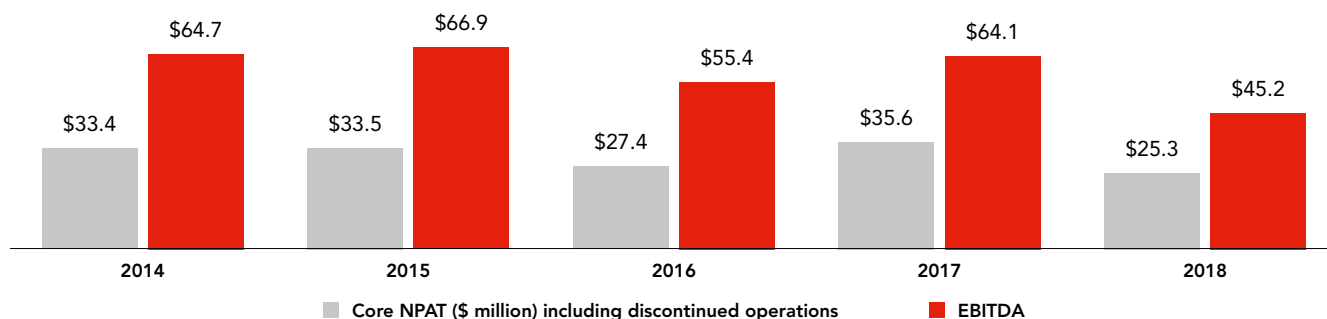
C. EXECUTIVE REMUNERATION OUTCOMES (INCLUDING LINK TO PERFORMANCE)

COMPANY PERFORMANCE AND ITS LINK TO SHORT TERM INCENTIVES

The financial performance measures driving STI payment outcomes are:

- NPAT before specific non-core items; and
- A power ratio greater than 1. The power ratio is a measure of the Company's share of revenue to the Company's share of audience. A power ratio greater than 1 indicates that the Company is performing ahead of its audience share. The Company achieved a power ratio of 1.038.

The following chart shows the Group's core NPAT (\$million) and EBITDA for the five year period ended 30 June 2018. Core NPAT is defined as statutory net profit after tax and before non-core items.



The Remuneration and Nomination Committee will consider the STI payments for the 2018 financial year in the first quarter of the 2019 financial year. 100% of the STI cash bonus pool accrued for 2017 financial performance was paid in the 2018 financial year to key management personnel. As demonstrated in the table below, STI payments have been accrued at between 33.7% and 60.0% of the maximum cash bonus available to ongoing executives for the 2018 financial year. Any adjustments between the actual amounts to be paid as determined by the Remuneration and Nomination Committee and the amounts accrued will be adjusted in the 2019 financial year.

EXECUTIVE	FY18 STI ACCRUED	FY18 STI AWARD POOL	%	FY17 STI PAID IN CASH	FY17 STI AWARD POOL	PAID %
I. Audsley	262,500	525,000	50.0%	500,000	500,000	100.0%
D. Walker	101,003	299,990	33.7%	295,867	299,915	98.7%
J. Palisi	66,150	110,250	60.0%	102,875	105,000	100.0%
E. McDonald	–	107,835	–%	102,700	102,700	100.0%
S. Wood	–	110,250	–%	105,000	102,875	100.0%
T. Hogarth	–	115,550	–%	107,360	110,000	97.6%
Total	429,653	1,268,875	33.9%	1,213,802	1,220,490	99.5%

DIRECTORS' REPORT CONTINUED

4. DETAIL OF INCENTIVE PLANS (CONTINUED)

C. EXECUTIVE REMUNERATION OUTCOMES (INCLUDING LINK TO PERFORMANCE) (CONTINUED)

COMPANY PERFORMANCE AND ITS LINK TO LONG TERM INCENTIVES

The 2014 Prime Media Group Limited Performance Rights Plan has adopted the following performance measures for the vesting of LTI performance rights:

- Core EPS (defined as statutory EPS before specific non-core items); and
- Maintenance or growth of the power ratio greater than 1.

The following table shows the Company's performance over the 4 year period from 1 July 2014 to 30 June 2018.

CORE EARNINGS PER SHARE (60%)	FY15	FY16	FY17	FY18
Target	9.1	9.0	5.6	7.2
Actual	9.1	7.5	9.7	6.9
Percentage Achieved	100.0%	-%	100.0%	-%

POWER RATIO (40%)	FY15	FY16	FY17	FY18
Total revenue share: 3AGG Market	42.16%	41.70%	43.75%	41.94%
All People 06:00 to 23:59	41.70%	41.80%	40.60%	40.40%
Power Ratio	1.011	0.998	1.078	1.038
Percentage Achieved	100.0%	99.8%	100.0%	100.0%

LTI awards under current performance rights plan

During the 2018 financial year 1,211,927 (FY17: 1,142,091) ordinary shares were acquired on market by the Trustee of the 2014 Prime Media Group Limited Performance Rights Plan as a result of performance rights that were issued in 2014 and vested under the Plan in November 2017. The LTI remuneration for each KMP is set out within Table 1 and 2 of this section. The equity-settled share based payments expense, referenced in Tables 1 and 2 of this section, represents amounts accrued for performance rights that have not vested and do not represent payments made to any KMP.

DIRECTORS' REPORT CONTINUED

Table 1: Remuneration for the year ended 30 June 2018

	SHORT-TERM BENEFITS		EMPLOYMENT	POST SUPER-ANNUATION	LONG TERM BENEFITS	EQUITY SETTLED SHARE BASED PAYMENTS EXPENSE ³	CASH SETTLED PERFORMANCE PLAN EXPENSE ⁴	TERMINATION PAYMENTS ⁶	TOTAL		PERFORMANCE RELATED
	ANNUAL LEAVE ¹	CASH BONUS							\$	\$	
Non-executive directors											
J.K. Hartigan (Chair)	91,725	-	-	8,275	-	-	-	-	100,000		0.0%
I.R. Neal	95,000	-	-	-	-	-	-	-	95,000		0.0%
P.J. Macourt	86,758	-	-	8,242	-	-	-	-	95,000		0.0%
C.A. O'Connor	86,758	-	-	8,242	-	-	-	-	95,000		0.0%
Total non-executive directors	360,241	-	-	24,759	-	-	-	-	385,000		0.0%
Executive directors											
I. Audsley	855,613	262,500	20,049	28,319	75,574	78,750	-	-	1,385,578		30.1%
Key management personnel											
D. Walker	474,048	101,003	20,049	10,189	27,239	35,438	-	-	687,891		23.8%
J. Palisi	414,260	66,150	20,049	13,842	11,235	29,531	-	-	552,444		19.4%
E. McDonald (departed 29 June 2018) ⁵	415,317	-	20,049	45,241	(87,243)	-	203,751	-	591,550		(14.7%)
S. Wood (departed 16 February 2018) ⁵	251,158	-	14,498	43,163	(87,243)	-	262,709	-	472,501		(18.5%)
A. Hogarth (departed 15 December 2017) ⁵	173,895	-	10,024	22,483	(37,318)	-	421,411	-	585,331		(6.4%)
Total executive KMP	2,584,291	429,653	104,718	163,237	(97,756)	143,719	887,871	887,871	4,275,295		11.1%
TOTAL	2,944,532	429,653	129,477	163,237	(97,756)	143,719	887,871	887,871	4,660,295		10.2%

1 The amounts disclosed under this category represent amounts that accrued to each KMP during the year, by virtue of their service, less amounts for annual leave taken.

2 The amounts disclosed under this category represents amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made to KMP.

3 Equity settled share-based payments expense represents amounts accrued for performance rights that have not vested and do not represent payments made to KMP.

4 Cash settled performance plan introduced in November 2017.

5 On ceasing employment all outstanding performance rights and STIs were forfeited. Any share based payment expense previously recognised under AASB 2 in respect of the performance rights has been reversed.

6 Termination payments were made in accordance with each employees' contract of employment.

DIRECTORS' REPORT CONTINUED

Table 2: Remuneration for the year ended 30 June 2017

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

1 The amounts disclosed under this category represent amounts that accrued to each KMP during the year, by virtue of their service, less amounts for annual leave taken.

2 Grossed Up Reportable Value.

3 The amounts disclosed under this category represents amounts that accrued to each KMP during the year by virtue of their service and do not represent payments made to KMP.

4 Equity settled share-based payments expense represents amounts accrued for performance rights that have not vested and do not represent payments made to KMP.

Table 3: Prime Media Group Limited Performance Rights Plan

No performance rights were granted during the 2018 financial year. The following performance rights vested and/or lapsed during the 2018 financial year:

2018	GRANT DATE	VESTING DATE	VESTED NUMBER	LAPSED NUMBER
Director				
I. Audsley	20/11/2014	20/11/2017	479,200	120,800
Executive				
D. Walker	19/9/2014	27/08/2017	173,660	43,778
S. Wood	19/9/2014	27/08/2017	159,733	40,267
E. McDonald	19/9/2014	27/08/2017	159,733	40,267
J. Palisi	19/9/2014	27/08/2017	159,733	40,267
A. Hogarth	19/9/2014	27/08/2017	79,867	20,133
TOTAL			1,211,926	305,512

Table 4: Performance rights holdings of KMP

2018	BALANCE 1 JULY 2017	GRANTED AS REMUNERATION	PERFORMANCE RIGHTS EXERCISED	PERFORMANCE RIGHTS LAPSED	PERFORMANCE RIGHTS FORFEITED	BALANCE 30 JUNE 2018	EXERCISABLE	NOT EXERCISABLE
Director								
I. Audsley	1,350,000	–	479,200	120,800	–	750,000	–	750,000
Executive								
D. Walker	595,191	–	173,660	43,778	–	377,753	–	377,753
S. Wood	450,000	–	159,733	40,267	250,000	–	–	–
E. McDonald	450,000	–	159,733	40,267	250,000	–	–	–
J. Palisi	450,000	–	159,733	40,267	–	250,000	–	250,000
A. Hogarth	200,000	–	79,867	20,133	100,000	–	–	–
TOTAL	3,495,191	–	1,211,926	305,512	600,000	1,377,753	–	1,377,753

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

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

	VALUE OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR ¹ \$	VALUE OF PERFORMANCE RIGHTS EXERCISED DURING THE YEAR ² \$	VALUE OF PERFORMANCE RIGHTS LAPSED DURING THE YEAR ¹ \$	VALUE OF PERFORMANCE RIGHTS CANCELLED DURING THE YEAR \$
I. Audsley	–	179,390	79,607	–
D. Walker	–	65,010	35,504	–
S. Wood	–	59,797	32,656	–
E. McDonald	–	59,797	32,656	–
J. Palisi	–	59,797	32,656	–
A. Hogarth	–	29,898	16,328	–
TOTAL	–	453,689	229,407	–

1 Determined at the time of grant per AASB 2.

2 Determined at the time of exercise.

For details on the valuation of the performance rights, including models and assumptions used, please refer to Note 26. There were no alterations to the terms and conditions of performance rights granted as remuneration since their grant date. The maximum grant payable assuming that all service and performance criteria were met, was equal to the number of rights granted multiplied by the fair value at the grant date. The minimum payable assuming that service and performance criteria were not met was nil.

DIRECTORS' REPORT CONTINUED

Table 6: Equity holdings and transactions

	BALANCE AT START OF THE YEAR	SHARES GRANTED ON EXERCISE OF RIGHTS	PURCHASES AND OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Non-Executive Director				
J.K Hartigan	–	–	–	–
I.R Neal	40,000	–	–	40,000
P.J Macourt	–	–	–	–
C.A O'Connor	75,000	–	–	75,000
Executive Director				
I. Audsley	621,756	479,200	(235,500)	865,456
Key Management Personnel				
D. Walker	–	173,660	(173,660)	–
J. Palisi	188,542	159,733	(329,217)	19,058

5. EXECUTIVE CONTRACTS

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

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

Under the 2014 Performance Rights Plan where a participant holds performance rights and becomes a good leaver, all unvested performance rights will automatically lapse unless the Board determines in its sole and absolute discretion to allow some or all of those performance rights to vest. Under other leaver circumstances, such as termination for cause, all unvested performance rights will automatically lapse.

Under the 2018 cash settled long term incentive plan where a participant leaves before all Notional Share Units vest and becomes a good leaver the Board determines in its sole and absolute discretion to allow some or all of those notional share units to vest. Under other leaver circumstances, such as termination for cause, all unvested Notional Share Units will lapse and be forfeited.

6. NON-EXECUTIVE DIRECTOR REMUNERATION

REMUNERATION POLICY

The Board seeks to aggregate remuneration at the level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

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

The amount of the aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed from time to time against fees paid to NEDs of comparable companies. The Board also considers advice from external consultants when undertaking the review process. The aggregate fees paid to NEDs in the 2018 financial year were \$360,242 (excluding superannuation and retirement benefits).

NED fees in the 2019 financial year are estimated to be \$360,242, which is less than the determination made at the Annual General Meeting held in November 2007 when shareholders approved an aggregate fee pool of \$750,000 per annum (excluding superannuation and retirement benefits arising from the Directors' remuneration plan).

STRUCTURE

NED remuneration consists of fixed annual directors' fees only and therefore NED's are not entitled to receive performance-based remuneration or any other entitlements that may be perceived to compromise their independence.

The rates and fees (inclusive of superannuation contributions) for the NEDs in 2018 financial year are as follows:

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

REMUNERATION CONSULTANTS

To ensure the Board is fully informed when making decisions, the Remuneration and Nomination Committee has formalised policies that govern arrangements to engage independent remuneration consultants to provide independent advice and, where required, to make remuneration recommendations, free from the undue influence by members of the KMP.

Ernst & Young was engaged during the reporting period to provide advice on various remuneration issues arising from the Prime Media Group Performance Rights Plan. The Committee is satisfied that the advice received from Ernst & Young is free from undue influence from members of the KMP. Ernst & Young's fees in the current reporting period totalled \$12,360 (2017: \$20,000).

ADDITIONAL STATUTORY DISCLOSURES

ROUNDING

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors have received and are satisfied with the 'Auditor's Independence Declaration' provided by the Company's external auditors, Ernst & Young, which is included on page 20.

Non-Audit Services

The following non-audit services were provided by the Group's auditor, Ernst & Young. The directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that the auditor's independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	\$
Income tax return and indirect tax compliance services	28,881
Advisory services	384,332
Total	413,213

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Prime Media Group Limited support and have, unless otherwise disclosed in the corporate governance statement, adhered to the principles of corporate governance. The Company's corporate governance statement is available on the Company website www.primemedia.com.au/investors.

Signed in accordance with a resolution of the directors.



P. J Macourt
Director

Sydney, 28 August 2018

AUDITOR'S INDEPENDENCE DECLARATION



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

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

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

As lead auditor for the audit of Prime Media Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Christopher George
Partner
28 August 2018

FINANCIAL STATEMENTS CONTENTS

FINANCIAL STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income	22
Consolidated Statement of Financial Position	23
Consolidated Statement of Changes in Equity	24
Consolidated Statement of Cash Flows	25

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies	26
---	----

GROUP PERFORMANCE

2. Revenue	27
3. Expenses	28
4. Operating segments	28
5. Earnings per share	29

OPERATING ASSETS AND LIABILITIES

6. Cash and short-term deposits	30
7. Intangible assets	31
8. Receivables	34
9. Prepaid financial assets	35
10. Payables	35
11. Provisions	36
12. Property, plant and equipment	37

CAPITAL STRUCTURE AND FINANCIAL COSTS

13. Interest bearing loans and borrowings	38
14. Financial risk management objectives and policies	39
15. Contributed equity	41
16. Capital management	41
17. Retained earnings and reserves	42
18. Dividends paid and proposed	42

GROUP STRUCTURE

19. Assets held for sale	43
20. Financial assets	43
21. Investments in associates	45
22. Investments in subsidiaries	46

UNRECOGNISED ITEMS

23. Commitments	47
24. Contingent liabilities	49

OTHER

25. Income tax	49
26. Share-based payments expense	53
27. Related party disclosures	55
28. Parent entity information	57
29. Subsequent events	58
30. Auditor's remuneration	58
31. Other accounting policies	58
32. Significant judgments and estimates	59

FINANCIALS

Directors' Declaration	60
Independent Auditor's Report	61

ASX INFORMATION

Shareholder information	66
-------------------------	----

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	CONSOLIDATED	
		2018 \$'000	2017 \$'000
Revenue and other income			
Revenue from services	2	217,980	237,426
Interest income	2	134	141
Other income	2	1,044	2,492
Total revenue and other income		219,158	240,059
Cost of sales		(118,846)	(125,912)
Gross profit		100,312	114,147
Broadcasting and transmission expenses		(42,238)	(36,814)
Administration and marketing expenses		(12,740)	(13,233)
Depreciation and amortisation		(9,618)	(9,971)
Impairment expense	7	(51,690)	–
Operating (Loss)/Profit		(15,974)	54,129
Finance costs	3	(1,584)	(2,542)
Share of associate (losses)/profit	21	(43)	101
Profit before income tax		(17,601)	51,688
Income tax benefit/(expense)	25	5,326	(15,444)
(Loss)/Profit for the year		(12,275)	36,244
(Loss)/Profit for the year		(12,275)	36,244
Total comprehensive income for the year		(12,275)	36,244
(Loss)/Profit attributable to owners of the parent		(12,275)	36,244
Total comprehensive income attributable to owners of the parent		(12,275)	36,244
Basic Earnings per share (cents per share)	5	(3.4)	9.9
Diluted Earnings per share (cents per share)	5	(3.4)	9.9

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	CONSOLIDATED	
		2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and short term deposits	6	10,903	6,590
Trade and other receivables	8	41,179	42,908
Intangible assets	7	1,667	1,667
Current tax asset	25	690	–
Other assets	9	1,943	1,698
		56,382	52,863
Assets classified as held for sale	19	645	645
Total Current Assets		57,027	53,508
Non-Current Assets			
Investment in associates	21	1,071	1,071
Non-current financial assets	20	–	9
Property, plant and equipment	12	25,301	28,390
Intangible assets	7	16,593	71,753
Other assets	9	646	801
Total Non-Current Assets		43,611	102,024
Total Assets		100,638	155,532
LIABILITIES			
Current Liabilities			
Trade and other payables	10	24,489	22,007
Current tax liabilities	25	–	4,543
Total Current Liabilities		24,489	26,550
Non-Current Liabilities			
Interest-bearing loans and borrowings	13	25,696	43,540
Provisions	11	479	518
Deferred income tax Liabilities	25	1,821	17,718
Total Non-Current Liabilities		27,996	61,776
Total Liabilities		52,485	88,326
Net Assets		48,153	67,206
EQUITY			
Equity attributable to equity holders of the parent interest			
Contributed equity	15	310,262	310,262
Reserves	17	4,091	4,641
Accumulated losses	17	(266,200)	(247,697)
Parent Interests		48,153	67,206
Total Equity		48,153	67,206

The above Consolidated Statement of Financial Position should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2018

	ISSUED CAPITAL \$'000	ACCUMULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	TOTAL PARENT ENTITY INTEREST \$'000
At 1 July 2017	310,262	(247,697)	4,641	67,206
Loss for the period	–	(12,275)	–	(12,275)
Other comprehensive income	–	–	–	–
Total comprehensive income and expense for the period	–	(12,275)	–	(12,275)
Transactions with equity holders in their capacity as equity holders:				
Exercise of performance rights	–	–	(452)	(452)
Share-based payments (credit)/expense	–	–	(98)	(98)
Dividends on ordinary shares	–	(6,228)	–	(6,228)
At 30 June 2018	310,262	(266,200)	4,091	48,153

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

The above Consolidated Statement of Changes in Equity should be read in conjunction with accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	CONSOLIDATED	
		2018 \$'000	2017 \$'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		241,908	265,799
Payments to suppliers and employees (inclusive of GST)		(192,556)	(205,980)
Interest received		134	141
Borrowing costs paid		(1,569)	(2,328)
Income tax paid		(15,804)	(13,661)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	32,113	43,971
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		–	1,611
Purchase of property, plant & equipment and intangible assets		(3,080)	(3,996)
Proceeds from sale of financial assets		3	–
Loan funds to related entities		(43)	(43)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(3,120)	(2,428)
FINANCING ACTIVITIES			
Proceeds from borrowings		114,000	82,000
Repayments of borrowings		(132,000)	(112,000)
Finance lease liability payments		–	(402)
Share-based payments – performance rights exercised		(452)	(330)
Dividends paid		(6,228)	(12,456)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(24,680)	(43,188)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,313	(1,645)
Cash and cash equivalents at beginning of period		6,590	8,235
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	10,903	6,590

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of Prime Media Group Limited (the "Company") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 28 August 2018.

Prime Media Group Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

A. BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements from the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for available-for-sale investments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under the Australian Securities and Investment Commission (ASIC) Legislative Instrument 2016/191. The Company is an entity to which this Legislative Instrument applies.

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

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

B. COMPLIANCE WITH AUSTRALIAN ACCOUNTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

C. CHANGES IN ACCOUNTING POLICIES, DISCLOSURES, STANDARDS AND INTERPRETATIONS

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group adopted all new and amended Australian Accounting Standards and Interpretations that became applicable during the current financial year. The adoption of these Standards and Interpretations did not have a significant impact on the Group's financial results or statement of financial position. All other accounting policies adopted are consistent with those of the previous financial year.

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

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 9	Financial Instruments	1 January 2018	1 July 2018
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018
AASB 16	Leases	1 January 2019	1 July 2019
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	1 July 2018
AASB 2018-1	Amendments to Australian Accounting Standards – Further Annual Improvements 2015–2017 cycle	1 January 2019	1 July 2019
AASB Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019

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

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

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

AASB 15 *Revenue from Contracts with Customers* is effective for financial years commencing on or after 1 January 2018. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control replaces the existing notion of risks and rewards. An assessment of the impact on all of the Group's material revenue streams is at an advanced stage. The impact on the Group's revenues and results is not expected to be material.

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

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

2. REVENUE

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Advertising and other external revenue	217,980	237,426
Finance income	134	141
Other income	1,044	2,492
	219,158	240,059
<i>Breakdown of finance income:</i>		
Interest received	134	141
	134	141
<i>Breakdown of other income:</i>		
Government grants	421	667
Other revenues	623	1,825
	1,044	2,492

ACCOUNTING POLICY

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised:

REVENUE CLASS	RECOGNITION CRITERIA
Advertising revenue	Revenue is recognised when the commercial advertisement has been broadcast.
Advertising production revenue	Revenue is recognised when the production is complete and the customer invoiced.
Rendering of services	Revenue from the provision of production facilities is brought to account after services have been rendered and the fee is receivable.
Sales representation revenue	Sales representation revenue is brought to account as the service is provided.
Government grants	Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been complied with.
i) Reimbursement of expense	Recognised in profit or loss on a systematic basis over the periods the related costs, which it is intended to compensate, are expensed.
ii) Reimbursement for cost of asset	Recognised in profit or loss over the useful life of the related asset on a systematic basis. When the Group receives grants of non-monetary assets, the assets and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.
Rental income	Rental income is recognised on a straight-line basis over the term of the lease.
Dividends	Dividend revenue is recognised when the Group's right to receive the payment is established.
Interest income	Interest revenue is recognised as it accrues, based on the effective yield of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

3. EXPENSES

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Finance Expenses		
Interest on debt and borrowings	1,584	2,524
Finance charges payable under finance leases	–	18
	1,584	2,542
Employee Benefit Expense		
Wages and salaries	28,688	29,468
Sales commissions and bonuses	3,208	5,205
Superannuation expense	2,469	2,619
Share-based payments (release)/expense	(98)	571
Other employee benefits expense	1,523	1,195
	35,790	39,058
Other Expenses		
Bad and doubtful debts and credit notes – trade debtors	139	237
Minimum lease payments – operating leases	13,290	12,113

ACCOUNTING POLICY

Borrowing Costs

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

Operating Leases

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

4. OPERATING SEGMENTS

ACCOUNTING POLICY

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

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group operates as a single regional free-to-air television broadcasting segment. The Group holds commercial television licences to broadcast in regional New South Wales, the Australian Capital Territory, regional Victoria, the Gold Coast area of Southern Queensland and regional Western Australia. The majority of the Group's television programming is supplied through an affiliation agreement with the Seven Network and broadcast in regional areas under the PRIME7 brand on the east coast of Australia and the GWN7 brand in regional Western Australia.

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

5. EARNINGS PER SHARE

	CONSOLIDATED	
	2018	2017
Basic earnings per share (cents per share)	(3.4)	9.9
Diluted earnings per share (cents per share)	(3.4)	9.9

ACCOUNTING POLICY

Basic Earnings Per Share

Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted Earnings Per Share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Earnings used in calculating basic and diluted earnings per share	(12,275)	36,244

	2018 NUMBER OF SHARES	2017 NUMBER OF SHARES
Weighted average number of ordinary shares used in calculating basic EPS:	366,330,303	366,330,303
Weighted average number of ordinary shares used in calculating diluted EPS:	366,330,303	366,330,303

All performance rights are anti-dilutive, as service and performance conditions are not met when tested at 30 June 2018. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the completion of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

6. CASH AND SHORT-TERM DEPOSITS

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Cash balance comprises:		
Cash at bank and on hand	10,903	6,590
Closing cash balance	10,903	6,590

ACCOUNTING POLICY

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand. For the purpose of the consolidated statement of cash flows, cash and short term deposits consist of cash and short-term deposits.

	2018 \$'000	2017 \$'000
RECONCILIATION OF THE NET PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS		
(Loss)/profit after tax	(12,275)	36,244
<i>Non-cash adjustment for:</i>		
Depreciation and amortisation	7,951	8,304
Amortisation of program rights	1,667	1,667
Provision for doubtful debts	(55)	197
Net loss/(gain) on disposal of property, plant and equipment	19	(891)
Gain on sale of financial asset	2	–
Impairment of television broadcast licences	51,690	–
Gain on foreign currency translation	17	6
Share of associate losses/(profits)	43	(101)
Share based payments (benefit)/expense	(98)	571
Working capital adjustments		
Decrease in trade and other receivables	1,769	4,658
(Increase)/Decrease in prepayments	(90)	2,380
(Decrease)/Increase in provisions	(39)	11
Increase/(Decrease) in trade and other payables	2,485	(10,995)
Cash flows from operating activities	53,086	42,051
Decrease in deferred tax liabilities	(15,897)	(275)
(Decrease)/Increase in tax provision	(5,233)	2,058
Increase in borrowing costs	157	137
Net cash flow from operating activities	32,113	43,971

7. INTANGIBLE ASSETS

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Television broadcast licences	11,823	63,513
Program rights	1,667	3,333
Infrastructure access licence	391	948
Business software, development costs including websites	4,379	5,626
Total	18,260	73,420

ACCOUNTING POLICY

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

	TELEVISION BROADCAST LICENCES	PROGRAM RIGHTS, INFRASTRUCTURE ACCESS LICENCES, BUSINESS SOFTWARE AND DEVELOPMENT COSTS
Useful lives	Indefinite	Finite
Amortisation method used	Not amortised or revalued	Amortised on a straight-line basis over the period of the expected future benefit
Internally generated or acquired	Acquired	Internally generated/Acquired

TELEVISION BROADCAST LICENCES

Television broadcast licences have been acquired through business combinations and consist of the right to broadcast television to specific market areas. The licences are carried at cost less accumulated impairment losses. The licences are subject to renewal by the Australian Communications and Media Authority at no significant cost to the Company. The directors have no reason to believe the licences will not be renewed at the end of their current legal terms and have not identified any factor that would affect their useful life. These assets are not amortised but are tested for impairment annually.

PROGRAM RIGHTS

Consists of television program rights arising from the Group's program supply agreement with the Seven Network. Program Rights represent the purchased rights to broadcast certain programs at some time in the future. These program rights are amortised to the profit and loss over the term of the contract to which the rights relate. The carrying value of the rights is cost less accumulated amortisation and impairment losses.

INFRASTRUCTURE ACCESS LICENCES

Infrastructure access licenses represent licences acquired to use transmission facilities for periods up to 10 years. The licences are amortised to the profit and loss over the term of the licence.

BUSINESS SOFTWARE AND DEVELOPMENT COSTS INCLUDING WEBSITES

Business software and development costs represent the cost to implement a television sales and traffic software system and a newsroom management system. Amortisation of the asset begins when the development is complete and the asset is available for use. It will be amortised over the period of the expected future benefit. The carrying value of the software and development costs is cost less accumulated amortisation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

7. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of carrying amounts at the beginning and end of the period.

	BROADCAST LICENCES \$'000	PROGRAM RIGHTS \$'000	INFRA- STRUCTURE ACCESS LICENCE \$'000	BUSINESS SOFTWARE AND DEVELOPMENT COSTS INCL WEBSITES \$'000	TOTAL \$'000
Cost					
At 1 July 2016	182,963	14,000	4,245	16,906	218,114
Additions	–	–	389	531	920
Disposals	–	–	–	(19)	(19)
At 30 June 2017	182,963	14,000	4,634	17,418	219,015
Additions	–	–	237	545	782
Disposals	–	–	(107)	(40)	(147)
Classification transfer	–	–	214	–	214
At 30 June 2018	182,963	14,000	4,978	17,923	219,864
Amortisation and impairment					
At 1 July 2016	(119,450)	(9,000)	(2,999)	(9,964)	(141,413)
Amortisation charges	–	(1,667)	(687)	(1,847)	(4,201)
Impairment charges	–	–	–	–	–
Disposals	–	–	–	19	19
At 30 June 2017	(119,450)	(10,667)	(3,686)	(11,792)	(145,595)
Amortisation charges	–	(1,666)	(687)	(1,792)	(4,145)
Impairment charges	(51,690)	–	–	–	(51,690)
Disposals	–	–	–	40	40
Classification transfer	–	–	(214)	–	(214)
At 30 June 2018	(171,140)	(12,333)	(4,587)	(13,544)	(201,604)
Net Book Value					
At 30 June 2018	11,823	1,667	391	4,379	18,260
Total Current	–	1,667	–	–	1,667
Total Non-Current	11,823	–	391	4,378	16,593
At 30 June 2017	63,513	3,333	948	5,626	73,420
Total Current	–	1,667	–	–	1,667
Total Non-Current	63,513	1,666	948	5,626	71,753

IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE LIVES

ACCOUNTING POLICY

Impairment of non-financial assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at the end of each reporting period. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. When an asset is tested for impairment, the Group estimates the assets recoverable amount. An assets recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the markets assessment of the time value of money and the risks specific to the asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses should be reversed. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been calculated in prior years. A reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

In accordance with the Group's accounting policies, the Group performed its annual impairment tests as at 30 June 2018 and 30 June 2017. At 30 June 2018 this resulted in a television broadcast licence impairment charge of \$20,674,000. In addition, the Group performed an impairment test at 31 December 2017 on the basis that there were indicators of impairment and recorded an impairment of television broadcast licences of \$31,016,000. The total impairment charge for the period recorded against television broadcast licences was \$51,690,000.

In performing the review at 30 June 2018, management identified:

- The forecast decline in the compound annual growth rate for regional free-to air advertising revenues over 5 financial years was 2.2% at 30 June 2018 (2017: 2.2%).
- The long term terminal growth rate is forecast to be negative 3.2% (2017: negative 2.2%).
- The cost of content under Prime's program supply agreement was amended to reflect the rates as agreed in the program supply agreement entered into with the Seven Network on 20 August 2018.

The Group also considers the relationship between its market capitalisation and its book value, in addition to other factors, when reviewing for indicators of impairment. As at 30 June 2018, the market capitalisation of the Group, based on the volume weighted average share price for the 30 day period to the reporting date, was above the book value of its equity, indicating no evidence of impairment.

The Group is considered to be the sole CGU and includes television broadcasting intangible assets. The Group has completed a value-in-use assessment of the carrying value of television broadcast intangible assets, to test for impairment.

VALUE-IN-USE CASH FLOWS	APPROACH
Year 1	Based on the annual budget as approved by the Board and as amended for current advertising trading conditions and reasonably foreseeable changes to operating conditions.
Years 2–5 cash flows	Free-to-air television advertising revenue has been assumed to decline consistent with the forecast decline in regional television advertising audiences. Expenses have been forecast to increase in line with long term CPI and/or agreed contractual increases.
Long-term growth rate – terminal	The rate is consistent with industry forecasts specific to the CGU in which the industry operates.
Discount rate	Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

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

VALUE-IN-USE ASSUMPTIONS	2018	2017
5 year compound annual growth rate for free-to-air advertising revenue	(2.2%)	(2.2%)
Long-term growth rate – terminal	(3.2%)	(2.2%)
Discount rate (pre-tax)	12.96%	11.74%
Discount rate (post-tax)	12.64%	11.14%

The discounted cash flow valuation of the intangibles assets gives a recoverable amount which is less than the current carrying value resulting in an impairment charge of \$51,690,000 during the period. Following the impairment the recoverable amount is equal to the current carrying value.

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Carrying amount of Intangibles allocated to the cash generating units		
Television Broadcasting Licences	11,823	63,513
Television Broadcast Licences	11,823	63,513

The Group recognises that the speed of technological change and the impact of new viewing platforms can have a significant impact on growth rate assumptions. The value-in-use calculation is most sensitive to changes in the following assumptions, which would result in either a surplus or deficit between the recoverable amount and the carrying amount:

VALUE-IN-USE ASSUMPTIONS – SENSITIVITY	SURPLUS/(DEFICIT) SENSITIVITY \$'000
5 year compound annual growth rate for free-to-air advertising revenue ('CAGR')	
An increase in the 5 year CAGR of 0.5% will reduce impairment by:	6,059
A decrease in the 5 year CAGR of 0.5% will increase impairment by:	(11,823)
Long-term growth rate – terminal ('TGR')	
A further decline in the TGR of 1.0% will increase impairment by:	(1,541)
An improvement in the TGR of 1.0% will reduce impairment by:	1,773
Discount rate (pre-tax)	
An increase in the discount rate (pre-tax) of 2.0% will increase impairment by:	(7,711)
A decrease in the discount rate (pre-tax) of 2.0% will reduce impairment by:	2,800

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

8. RECEIVABLES

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Current		
Trade receivables	37,063	39,719
Allowance for impairment loss	(323)	(449)
	36,740	39,270
Other receivables	3,880	2,813
Related party receivables	559	825
Carrying amount of trade and other receivables	41,179	42,908

ACCOUNTING POLICY

Trade Receivables

Trade receivables are carried at original invoice amount less an allowance for any uncollectible debts. Trade receivables are generally settled within 30 to 45 days and are not interest bearing. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The collectability of trade receivables is reviewed on an ongoing basis and bad debts are written off when identified. An allowance for impairment loss is made when there is objective evidence that the Group will not be able to collect a debt. The maximum exposure to credit risk is the fair value of receivables (refer to Note 14 regarding information on the Group's exposure to credit and market risk).

Refer to Note 27 for details on related parties.

ALLOWANCE FOR IMPAIRMENT LOSS

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

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
At July 1	449	248
Charge for the year	67	237
Amounts written off	(193)	(36)
At June 30	323	449

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

	TOTAL	0-30 DAYS	31-60 DAYS	61-90 DAYS PDNI ¹	61-90 DAYS CI ¹	+91 DAYS PDNI ¹	+91 DAYS CI ¹
2018	37,063	19,622	16,382	668	–	68	323
2017	39,719	20,696	18,141	383	–	50	449

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

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

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

9. PREPAID FINANCIAL ASSETS

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Current		
Prepayments	1,943	1,698
Non-current		
Prepayments	646	801
Total	2,589	2,499

ACCOUNTING POLICY

Prepayments

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

10. PAYABLES

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Current		
Trade payables	916	2,375
Accrued expenses	17,380	12,364
Accrued employee entitlements	6,193	7,268
Total	24,489	22,007

ACCOUNTING POLICY

Trade Payables and Other Accrued Expenses

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

Accrued employee entitlements

Liabilities for wages and salaries, including non-monetary benefits and leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

11. PROVISIONS

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Non-current		
Long service leave	479	518
Total	479	518

ACCOUNTING POLICY

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

NATURE AND TIMING OF THE PROVISIONS

LONG SERVICE LEAVE PROVISION	2018 \$'000	2017 \$'000
At 1 July	518	507
Arising during the year	76	119
Utilised	(115)	(108)
At 30 June	479	518

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

12. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS ¹ \$'000	LEASEHOLD IMPROVEMENTS \$'000	PLANT AND EQUIPMENT \$'000	LEASED PLANT AND EQUIPMENT \$'000	TOTAL \$'000
Cost or valuation					
At 1 July 2016	12,396	1,522	83,563	2,242	99,723
Additions	304	215	2,839	–	3,358
Disposals	–	(11)	(2,045)	–	(2,056)
Classification transfer	–	–	2,242	(2,242)	–
Reclassification to asset held for sale	(885)	–	(1,873)	–	(2,758)
At 30 June 2017	11,815	1,726	84,726	–	98,267
Additions	42	206	2,139	–	2,387
Disposals	–	–	(498)	–	(498)
At 30 June 2018	11,857	1,932	86,367	–	100,156
Depreciation and amortisation					
At 1 July 2016	(4,780)	(880)	(60,678)	(1,519)	(67,857)
Depreciation charges	(323)	(173)	(5,190)	–	(5,686)
Amortisation charges	–	–	–	(96)	(96)
Disposals	–	11	1,638	–	1,649
Classification transfer	–	–	(1,615)	1,615	–
Reclassification to asset held for sale	329	–	1,784	–	2,113
At 30 June 2017	(4,774)	(1,042)	(64,061)	–	(69,877)
Depreciation charges	(284)	(171)	(5,019)	–	(5,474)
Disposals	–	–	496	–	496
At 30 June 2018	(5,058)	(1,213)	(68,584)	–	(74,855)
Net Book Value					
At 30 June 2018	6,799	719	17,783	–	25,301
At 30 June 2017	7,041	684	20,665	–	28,390

¹ Includes land located in the Australian Capital Territory, under the ACT legislation, the land has a 99-year lease period, and also includes Leasehold Strata Units located in Sydney, which are held under a 99 year lease.

ASSETS PLEDGED AS SECURITY

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

ACCOUNTING POLICY

Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Land and buildings are measured at cost less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis on all property, plant and equipment, other than freehold and leasehold land, over the estimated useful life of the assets as follows:

Major depreciation periods are:

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale within one year from the date of classification.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

13. INTEREST BEARING LOANS AND BORROWINGS

	MATURITY	CONSOLIDATED	
		2018 \$'000	2017 \$'000
Non-current			
\$60 million secured bank loan facility (2017: \$80 million)	2020	25,696	43,540
		25,696	43,540

ACCOUNTING POLICY

Borrowing Costs

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

Subsequent Measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

TERMS AND CONDITIONS

SECURED BANK LOAN FACILITY

During the reporting period the Company entered into a Third Amendment and Restatement Deed to reduce the facility limit from \$80 million to \$60 million. The facility is secured by a charge over the assets of the borrower group comprising all wholly owned entities, but excluding Broadcast Production Services Pty Limited and its subsidiaries. Interest is charged at the BBSW rate plus a margin of between 1.50% and 1.80% (Level 2).

FAIR VALUES

The carrying amount of the Group's current and non-current borrowings approximates their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 3.2% to 3.9% (2017: 3.2% to 3.6%), depending on the type of borrowing (Level 2).

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 24. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors' estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors' estimate of amounts that will be payable by the Group.

Details regarding interest rate risk are disclosed in Note 14.

DEFAULTS AND BREACHES

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

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Group also holds available-for-sale investments.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group manages its exposure to key financial risks including interest rate risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Board of directors reviews risks in accordance with its approach to risk management as set out in the Directors' Report and the Group's Corporate Governance Statements which are displayed on the Company's website www.primemedia.com.au/investors.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The level of interest bearing debt is disclosed in Note 13.

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

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Financial Assets		
Cash and short-term deposits	10,903	6,590
	10,903	6,590
Financial Liabilities		
Secured bank loan facility	(25,696)	(43,540)
	(25,696)	(43,540)
Net exposure	(14,793)	(36,950)

The Group analyses its interest rate exposure from time to time. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Consolidated				
+0.25% (25 basis points)	(26)	(65)	-	-
-0.25% (25 basis points)	26	65	-	-

CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily for trade receivables and from its financing activities, including deposits with banks and financial institutions.

It is the Group's policy that all customers who trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer and are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

An impairment analysis is performed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed at Note 8. The Group does not hold collateral as security.

A small number of media buying agencies account for approximately 55.7% of Prime's revenue. Three media buying agencies individually contribute more than 10% of the Group's revenue and collectively account for \$77,335,122 or 35.3% of the Group's revenue and are in compliance with agreed payment terms. Agency clients operate with strict credit terms of 45 days and are required to provide detailed financial information as part of their credit approval process. Late payments are closely monitored and followed up if the 45 day terms are not met.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily or weekly basis. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, finance leases and hire purchase agreements. The Group currently has funding through a \$60 million secured bank loan facility (2017: \$80 million), which is currently drawn to 43% of the facility limit (2017: 55%); and

In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Group has available approximately \$34 million of undrawn committed borrowing facilities, subject to continued compliance with the bank loan covenants. The facility is repayable on expiry in April 2020. Interest will be charged at a rate of BBSW plus a margin between 1.50% and 1.80%. At 30 June 2018, 0.0% of the Group's debt will mature in less than one year. The remaining contractual maturities of the Group's financial assets and liabilities are:

YEAR ENDED 30 JUNE 2018	≤ 6 MONTHS \$'000	6-12 MONTHS \$'000	1-5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Financial assets					
Cash and cash equivalents	10,903	-	-	-	10,903
Trade and other receivables	41,179	-	-	-	41,179
	52,082	-	-	-	52,082
Financial liabilities					
Trade and other payables	(24,489)	-	-	-	(24,489)
Interest bearing loans (refer note 13)	-	-	(25,696)	-	(25,696)
Interest bearing loans – finance charges	(88)	-	-	-	(88)
	(24,577)	-	(25,696)	-	(50,273)
Net inflow/(outflow)	27,505	-	(25,696)	-	1,809

YEAR ENDED 30 JUNE 2017	≤ 6 MONTHS \$'000	6-12 MONTHS \$'000	1-5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Financial assets					
Cash and cash equivalents	6,590	-	-	-	6,590
Trade and other receivables	42,908	-	-	-	42,908
	49,498	-	-	-	49,498
Financial liabilities					
Trade and other payables	(22,007)	-	-	-	(22,007)
Interest bearing loans (refer note 13)	-	-	(43,540)	-	(43,540)
Interest bearing loans – finance charges	(437)	-	-	-	(437)
	(22,444)	-	(43,540)	-	(65,984)
Net inflow/(outflow)	27,054	-	(43,540)	-	(16,486)

FAIR VALUES

The carrying amount of the Group's current and non-current financial assets approximates their fair value.

15. CONTRIBUTED EQUITY

ISSUED AND PAID UP CAPITAL	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Ordinary shares fully paid 366,330,303 shares (2017: 366,330,303 shares)	310,262	310,262

ACCOUNTING POLICY

Contributed Equity

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

MOVEMENTS IN SHARES ON ISSUE

ORDINARY	2018		2017	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000
Beginning of the financial year	366,330,303	310,262	366,330,303	310,262
End of the financial year	366,330,303	310,262	366,330,303	310,262

EQUITY SETTLED SHARE-BASED PAYMENTS

PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

During the financial year nil performance rights (2017: Nil) were granted over ordinary shares. The Trustee of the Prime Media Group Limited Performance Rights Plan purchases shares on-market when the performance rights are exercised. Nil performance rights were cancelled by the Company during the year (2017: Nil). KMP that ended their employment forfeited 600,000 performance rights during the period.

At the end of the year there were 1,377,753 (2017: 3,495,191) un-issued ordinary shares in respect of which performance rights were outstanding. The performance rights over ordinary shares are non-dilutive.

TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

ORDINARY SHARES

Holders of ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

16. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise shareholder value.

The Group manages its capital structure and has regard for changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

During 2018, the Company paid dividends of \$6,228,000 (2017: \$12,456,000). As disclosed in the Company's half-year financial report for the period ended 31 December 2017 the Company suspended dividend payments until further notice and will apply all surplus funds to reduce interest bearing debt.

The Board and management monitor capital requirements with regard to its banking covenant requirements as well as comparative guidance to companies of similar size and nature of operations. The key capital management measures that the Company reviews on an ongoing basis are:

	TARGET	AT BALANCE DATE
Total Debt to EBITDA	< 2.5 times	0.6
Interest Cover to EBITDA	> 3.0 times	28.0

As a result of the reduction in the debt facility limit made under the Third Amendment and Restatement Deed executed during the reporting period, the total asset covenant was removed as a requirement under the facility.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

17. RETAINED EARNINGS AND RESERVES

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Employee benefits equity reserve	4,091	4,641
Accumulated losses	(266,200)	(247,697)

EMPLOYEE BENEFITS EQUITY RESERVE

MOVEMENTS IN RESERVE

Balance at beginning of year	4,641	4,400
Exercise of performance rights	(452)	(330)
Share based payment (release)/expense	(98)	571
Balance at end of year	4,091	4,641

ACCUMULATED LOSSES

Balance at the beginning of year	(247,697)	(271,485)
Net (loss)/profit attributable to members of Prime Media Group Limited	(12,275)	36,244
Total accumulated losses	(259,972)	(235,241)
Dividends provided for or paid	(6,228)	(12,456)
Balance at end of year	(266,200)	(247,697)

ACCOUNTING POLICY

Employee Benefits Reserve

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

18. DIVIDENDS PAID AND PROPOSED

RECOGNISED AMOUNTS

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
DECLARED AND PAID DURING THE YEAR		
Current year interim franked dividends – Nil cents per share (2017: 1.7 cents)	–	6,228
Previous year final franked dividends 1.7 cents per share (2017: 1.7 cents)	6,228	6,228
	6,228	12,456

PROPOSED DIVIDENDS ON ORDINARY SHARES NOT RECOGNISED AS A LIABILITY

Final cash dividend fully franked for 2018: Nil cents per share (2017: 1.7 cents)	–	6,228
---	---	-------

	THE GROUP	
	2018 \$'000	2017 \$'000
FRANKING CREDIT BALANCE		
Franking account balance as at the end of the financial year at 30% (2017: 30%)	60,460	47,324
Franking credits that will arise from the payment of income tax (refundable)/payable as at the end of the financial year	(690)	4,543
Franking debits that will arise from the payment of dividends as at the end of the financial year	–	–
	59,770	51,867
Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	–	(2,669)
	59,770	49,198

TAX RATES

The tax rate at which paid dividends have been franked is 30% (2017: 30%).

19. ASSETS HELD FOR SALE

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Total current assets held for sale	–	–
Property, plant and equipment	645	645
Total non-current assets held for sale	645	645
Assets classified as held for sale	645	645

During the period the Board resolved to continue to market for sale the property located in Bunbury, Western Australia, as it was considered surplus to requirements and the funds received would be applied to pay down interest bearing debt. A third party agent has been engaged to sell the surplus property, with the intention to complete the sale within the next 6 to 12 months. The carrying value has been reclassified as held for sale. As at 30 June 2018 there have been no gains or losses recognised.

ACCOUNTING POLICY

Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale within one year from the date of classification.

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

20. FINANCIAL ASSETS

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Investments at fair value:		
Shares in uncontrolled entities (Level 1) (i)	–	6
Investments at cost:		
Shares in uncontrolled entities (Level 3) (ii)	–	3
	–	9

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

(i) QUOTED EQUITY SHARES (LEVEL 1)

The fair value of listed financial assets has been determined directly by reference to published price quotations in an active market. These investments were sold during the period.

(ii) UNQUOTED EQUITY SHARES AT COST (LEVEL 3)

Investments in shares of unlisted entities are carried at cost where fair value cannot be reliably measured. The financial instruments held are shares of an entity that has a small shareholder base and a relatively stable share register with few exchanges of shareholdings. These shares are held in private entities and are unable to be transferred.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

20. FINANCIAL ASSETS (CONTINUED)

ACCOUNTING POLICY

Financial assets

Initial recognition and measurement

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

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

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

Subsequent Measurement

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in reserves until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from reserves to the statement of profit or loss in finance costs.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

21. INVESTMENTS IN ASSOCIATES

UNLISTED	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Mildura Digital Television Pty Limited	-	-
West Digital Television Pty Limited	1,071	1,071
West Digital Television No2 Pty Limited	-	-
West Digital Television No3 Pty Limited	-	-
West Digital Television No4 Pty Limited	-	-
WA SatCo Pty Limited	-	-
Broadcast Transmission Services Pty Limited	-	-
Total Investment in Associates	1,071	1,071

ACCOUNTING POLICY

Investments in Associates

The Group's investments in its associates are accounted for using the equity method. An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of associate losses" in the statement of profit or loss.

THE CONSOLIDATED ENTITY HAS A MATERIAL INTEREST IN THE FOLLOWING ENTITIES

UNLISTED	OWNERSHIP INTEREST		CONTRIBUTION TO NET PROFIT/ (LOSS)	
	2018 %	2017 %	2018 \$'000	2017 \$'000
Mildura Digital Television Pty Limited	50%	50%	(43)	(129)
West Digital Television Pty Limited	50%	50%	-	230
West Digital Television No2 Pty Limited	50%	50%	-	-
West Digital Television No3 Pty Limited	50%	50%	-	-
West Digital Television No4 Pty Limited	50%	50%	-	-
WA SatCo Pty Limited	50%	50%	-	-
Broadcast Transmission Services Pty Limited	33%	33%	-	-
			(43)	101

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

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
At July 1	1,071	927
Contributions made	43	43
Share of profits after income tax	400	280
Provision for impairment of investment	(443)	(179)
At June 30	1,071	1,071

Contributions made reflect loan funds advanced to associates under short term loan arrangement or in accordance with requirements of shareholder agreements. These payments are deemed to be part of the Investment in Associates for the purposes of equity accounting.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

22. INVESTMENTS IN SUBSIDIARIES

CLOSED GROUP CLASS ORDER DISCLOSURES

ENTITIES SUBJECT TO CLASS ORDER RELIEF

Pursuant to by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (previously Class Order 98/1418), relief has been granted to Prime Television (Holdings) Pty Limited, Prime Television (Southern) Pty Limited, Prime Television (Victoria) Pty Limited, Prime Television (Northern) Pty Limited, Golden West Network Pty Limited, and Prime Television Investments Pty Limited from the *Corporations Act 2001* requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Prime Media Group Limited and its 100% owned Australian resident subsidiaries entered into a Deed of Cross Guarantee on 17 October 2006 (the "Closed Group") as amended from time to time by assumption deed for the addition and removal of controlled entities. The effect of the deed is that Prime Media Group Limited has guaranteed to pay any deficiency in the event of winding up of any of the controlled entities within the Closed Group. The controlled entities within the Closed Group, listed below, have also given a similar guarantee in the event that Prime Media Group Limited is wound up.

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2018 %	2017 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television Digital Media Pty Limited	Australia	100	100
Prime Television Investments Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	100	100
Prime Digital Media Pty Limited	Australia	100	100
Prime Digitalworks Pty Limited	Australia	100	100
Prime Media Broadcasting Services Pty Limited	Australia	100	100
Prime Media Communications Pty Limited	Australia	100	100
Prime Growth Media Pty Limited	Australia	100	100
Prime Media Group Services Pty Limited	Australia	100	100
Prime New Media Investments Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	CLOSED GROUP	
	2018 \$'000	2017 \$'000
Operating (loss)/profit before income tax	(69,124)	51,684
Income tax benefit/(expense) attributable to operating profit	5,328	(15,443)
Operating (loss)/profit after tax	(63,796)	36,241
Retained losses at beginning of the financial year	(198,174)	(221,959)
Dividends provided for or paid	(6,228)	(12,456)
Retained losses at end of the financial period	(268,198)	(198,174)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	CLOSED GROUP	
	2018 \$'000	2017 \$'000
Assets		
Current assets	56,117	53,294
Non-current assets	47,669	157,079
Total assets	103,786	210,373
Liabilities		
Current liabilities	23,799	26,549
Non-current liabilities	35,683	68,945
Total liabilities	59,482	95,494
Equity	44,304	114,879

23. COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
– not later than one year	1,204	738

LEASE EXPENDITURE COMMITMENTS – GROUP AS LESSEE

Operating leases (Group as lessee):		
Minimum lease payments		
– not later than one year	6,579	5,513
– later than one year and not later than five years	15,680	15,774
– later than five years	3,000	4,149
Aggregate lease expenditure contracted for at reporting date	25,259	25,436

ACCOUNTING POLICY

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a Lessee

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

Finance leases are capitalised at the lease's inception at the lower of fair value of the leased property or the estimated present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Operating leases have an average lease term of 3 years for motor vehicles, 3 to 5 years for building leases, and 5 to 15 years for transmission site access agreements. Motor Vehicle leases are fixed monthly rentals for the term of the lease. Building leases are generally fixed for the initial lease term, then subject to Consumer Price Index (CPI) adjustments if options are taken up. The majority of the transmission site leases are rentals that are subject to annual CPI adjustment. There are no restrictions placed upon the lessee by entering into these leases.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

23. COMMITMENTS (CONTINUED)

LEASE EXPENDITURE COMMITMENTS – GROUP AS LESSOR

Certain assets owned or under operating leases with excess capacity have been sub-let to third parties. These non-cancellable leases have remaining terms of between 1 to 15 years. All leases include clauses to enable upward revision of the rental charges on an annual basis according to increases in the Consumer Price Index.

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Operating leases (non-cancellable Group as lessor):		
Minimum lease payments receivable		
– not later than one year	1,290	1,334
– later than one year and not later than five years	2,685	3,219
– later than five years	591	572
Aggregate lease income contracted for at reporting date	4,566	5,125

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

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

– not later than one year	4,200	4,456
– later than one year and not later than five years	9,450	15,439
– later than five years	–	–
	13,650	19,895

OTHER COMMITMENTS COVERING TRANSMISSION MAINTENANCE, SITE INSTALLATION AND MANAGEMENT SERVICES

The Company entered into a contract with Broadcast Transmission Services Pty Limited (refer to Note 27) on 1 April 2008, for the provision of site maintenance services over a 10 year period at an annual cost of \$1,200,000 per annum. This agreement was extended a further 5 years at an annual cost of \$1,200,000 at the end of the initial 10 year term. The Company also entered into a contract with MediaHub Australia Pty Limited for the provision of playout services over a 5 year period.

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
– not later than one year	4,566	4,199
– later than one year and not later than five years	12,690	11,556
– later than five years	–	–
	17,256	15,755

ACCOUNTING POLICY

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

24. CONTINGENT LIABILITIES

The Group has guaranteed an unrelated third party the payment of a contractual commitment of WA SatCo Pty Limited, an associate company in which the Group holds 50% of the share capital. WA SatCo Pty Limited has entered into a non-cancellable contract for the purchase of satellite services in WA until 30 June 2020 at the rate of \$2,346,192 per annum. In the event that WA SatCo Pty Limited defaults on any payments under this contract, the Group may be liable for full payment under the guarantee it has provided. WA SatCo Pty Limited has simultaneously entered into an agreement with the Commonwealth Government which provides for 100% funding of this satellite service to 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Maximum potential contingent commitment arising from the above mentioned guarantee:		
– not later than one year	2,346	2,346
– later than one year and not later than five years	2,346	4,692
Maximum contingent commitments	4,692	7,038

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

25. INCOME TAX

The major components of income tax expense are:

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Consolidated Statement of Profit or Loss		
<i>Current income tax</i>		
– Current income tax charge	10,738	16,426
– Adjustments in respect of current income tax of previous years	(166)	(591)
<i>Deferred income tax</i>		
– Relating to origination and reversal of temporary differences	(16,074)	(1,027)
– Adjustments in respect of deferred income tax of previous years	176	636
Income tax (benefit)/expense in the Consolidated Statement of Profit or Loss	(5,326)	15,444

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

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Accounting (loss)/profit before income tax	(17,601)	51,688
Prima facie tax (benefit)/expense at 30% (2017: 30%)	(5,280)	15,507
– Expenses not deductible for tax	107	276
– Income not assessable for tax	(163)	(384)
– Adjustments in respect of current tax of previous years	10	45
Income tax (benefit)/expense reported in the Statement of Profit or Loss	(5,326)	15,444
Effective tax rate	30.3%	29.9%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

25. INCOME TAX (CONTINUED)

DEFERRED TAX ASSETS AND LIABILITIES

	CONSOLIDATED			
	2018 \$'000 CURRENT INCOME TAX	2018 \$'000 DEFERRED INCOME TAX	2017 \$'000 CURRENT INCOME TAX	2017 \$'000 DEFERRED INCOME TAX
Opening balance	(4,543)	(17,718)	(2,485)	(17,992)
Charged to income	(10,571)	15,897	(15,835)	390
Other payments and utilisation of tax losses	15,804	–	13,777	(116)
Closing balance	690	(1,821)	(4,543)	(17,718)
Tax (benefit)/expense in statement of comprehensive income		(5,326)		15,444
Amounts recognised in the statement of financial position:				
Deferred tax asset		–		–
Deferred tax liability		(1,821)		(17,718)
		(1,821)		(17,718)

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	2018 \$'000	2017 \$'000
Deferred income tax as at 30 June relates to the following:		
<i>Deferred tax liabilities</i>		
Accelerated depreciation for tax	(963)	(1,332)
Leased assets	–	(4)
Prepaid expenses deductible for tax	(859)	(1,359)
Income not yet assessable for tax	(4)	(2)
Intangible assets	(3,547)	(19,054)
	(5,373)	(21,751)
Set-off of deferred tax assets	3,552	4,033
Net deferred tax liabilities	(1,821)	(17,718)
Deferred income tax as at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Employee entitlements	1,388	1,492
Provisions	85	101
Expenses not yet deductible for tax	1,549	1,897
Difference between accounting and tax building write off	449	298
Tax losses	81	245
	3,552	4,033
Set-off of deferred tax liabilities	(3,552)	(4,033)
Net deferred tax assets	–	–

INCOME TAX LOSSES

	2018 \$'000	2017 \$'000
Deferred tax assets arising from tax losses of a controlled entity which at balance date are recognised as being highly probable of recovery. These losses relate to the Australian Tax Consolidated Group.	81	245

TAX CONSOLIDATION

(i) MEMBERS OF THE TAX CONSOLIDATED GROUP AND THE TAX SHARING ARRANGEMENTS

Effective 1 July 2002, for the purposes of income taxation, Prime Media Group Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Prime Media Group Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) TAX EFFECT ACCOUNTING BY MEMBERS OF THE CONSOLIDATED GROUP

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group Allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. The nature of the tax funding agreement is discussed further below.

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

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their taxable income for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each half year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Prime Media Group Limited. In accordance with UIG 1052: *Tax Consolidation Accounting*, the Group has applied the "separate taxpayer within group" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

	PRIME MEDIA GROUP LIMITED	
	2018 \$'000	2017 \$'000
Prime Media Group Limited has recognised the following amounts as tax consolidation contribution adjustments:		
Total increase to inter-company assets of Prime Media Group Limited	11,460	17,186

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

25. INCOME TAX (CONTINUED)

ACCOUNTING POLICY

Current Income Taxes

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Taxes

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or favourable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

26. SHARE-BASED PAYMENTS EXPENSE

CONSOLIDATED

	2018 \$'000	2017 \$'000
(Credit)/expense arising from equity-settled share-based payment transactions	(98)	571

ACCOUNTING POLICY

Share-based payments

Key management personnel of the Group receive remuneration in the form of performance rights which are share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

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

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

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

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

The share-based payment plan is described below. During the financial year 305,512 performance rights lapsed (2017: 287,909), 600,000 performance rights were forfeited (2017: Nil) and nil performance rights were cancelled (2017: Nil).

PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

At the 2014 Annual General Meeting, shareholders approved the Prime Media Group Limited Performance Rights Plan for Key Management Personnel. The rights are issued for nil consideration and are granted in accordance with the plan's guidelines established by the Directors of Prime Media Group Limited. The rights vest over a 36 month period subject to continuing service and achieving the following targets:

- 60% of the rights will be subject to achievement of annual core earnings per share (EPS) targets; and
- 40% of the rights will be subject to achievement of annual power ratio targets (revenue share: audience share).

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

As highlighted in the Remuneration Report this plan was superseded. No performance rights were granted in the 2018 financial year.

SUMMARY OF RIGHTS GRANTED UNDER PRIME MEDIA GROUP LIMITED PERFORMANCE RIGHTS PLAN

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

	2018		2017	
	NO.	WAEP	NO.	WAEP
Balance at beginning of year	3,495,191	\$0.00	4,925,191	\$0.00
– granted	–	–	–	–
– exercised	(1,211,926)	–	(1,142,091)	–
– lapsed	(305,512)	–	(287,909)	–
– cancelled	–	–	–	–
– forfeited	(600,000)	–	–	–
Balance at end of year	1,377,753	\$0.00	3,495,191	\$0.00
Exercisable at end of year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

26. SHARE-BASED PAYMENTS EXPENSE (CONTINUED)

PERFORMANCE RIGHTS PRICING MODEL

PRIME MEDIA GROUP PERFORMANCE RIGHTS PLAN

Employees must remain in service for a period of three years from date of grant. The fair value of performance rights granted was estimated at the date of the grant using a Black-Scholes methodology, taking into account the terms and conditions upon which the performance rights were granted.

No performance rights were granted during the period. The fair value of performance rights granted in previous years was estimated on the date of grant using the following inputs to the model:

	2016		2015	
	NOV 15	SEP 15	NOV 14	AUG 14
Expected annual dividends	6.80	7.30	6.80	7.30
Expected volatility (%)	30.60	30.60	26.94	27.45
Expected life (years)	3	3	3	3
Exercise price (\$)	0.00	0.00	0.00	0.00
Share price at grant date (\$)	0.62	0.63	0.86	1.03

The dividend yield reflects the assumed dividend payout at the date of issue. The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life of performance rights outstanding as at 30 June 2018 is 0.3 years (2017: 0.6 years).

RANGE OF EXERCISE PRICE

The range of exercise price for performance rights outstanding at the end of the year was \$0.00 (2017: \$0.00).

WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of performance rights granted during the year was nil (2017: nil).

27. RELATED PARTY DISCLOSURES

A. SUBSIDIARIES

The consolidated financial statements include the financial statements of Prime Media Group Limited and the subsidiaries listed in the following table:

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2018 %	2017 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Prime Television Digital Media Pty Limited	Australia	100	100
Prime Digital Media Pty Limited	Australia	100	100
Prime Media Group Services Pty Limited	Australia	100	100
Prime Media Communications Pty Limited	Australia	100	100
Prime New Media Investments Pty Limited	Australia	100	100
Prime Growth Media Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television Investments Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	100	100
Prime Media Broadcasting Services Pty Limited	Australia	100	100
Broadcast Production Services Pty Limited	Australia	100	100
Production Strategies Pty Limited as trustee for Production Strategies Discretionary Trust	Australia	100	100
Wastar International Pty Limited	Australia	100	100
Screenworld Pty Limited	Australia	100	100
OSB Holdings Pty Limited as trustee for the OSB Unit Trust	Australia	100	100
On Site Broadcasting Pty Limited	Australia	100	100
OSB Australia Pty Limited	Australia	100	100
OSB Corporation Pty Limited	Australia	100	100
On Corporation Pty Limited	Australia	100	100
Prime Digitalworks Pty Limited	Australia	100	100
Broadcast Rentals Pty Limited	Australia	100	100

B. ULTIMATE PARENT

Prime Media Group Limited is the ultimate Australian entity and the ultimate parent entity of the Group.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

27. RELATED PARTY DISCLOSURES (CONTINUED)

C. KEY MANAGEMENT PERSONNEL (KMP)

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
Short-term employee benefits	3,434	4,916
Post-employment benefits	129	145
Long-term benefits	163	59
Share based expense – 2014 Performance Rights Plan	(98)	571
Cash settled expense – 2017 Performance Plan	144	–
Termination payments	888	–
TOTAL	4,660	5,691

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

D. TRANSACTIONS WITH RELATED PARTIES

WHOLLY OWNED GROUP TRANSACTIONS

Sales and purchases are made within the wholly owned group in arm's length transactions both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settled through intercompany accounts.

RBA HOLDINGS PTY LIMITED

This company is owned by regional television operators. This company operates as a provider of transmission facilities under the Digital Black Spots Infill licence. The Company has entered into agreements under normal commercial terms and conditions with this company to use these transmission facilities for periods up to 10 years. The cost of these services was \$748,000 in the 2018 financial year.

WIN CORPORATION PTY LIMITED AND ASSOCIATED ENTITIES

This company is a subsidiary of Birketu Pty Limited, a substantial shareholder of the Group. The Company has entered into transmission facility sharing agreements under normal commercial terms and conditions with this company for periods up to 10 years.

REGIONAL TAM PTY LIMITED

This company is owned by regional television operators to facilitate and manage the audience metering services for the regional television markets. The Company is party to a commercial agreement in which it purchases ratings services from Regional TAM Pty Limited at an annualised cost of \$1,557,000. This agreement is under normal commercial terms and conditions.

WA SATCO PTY LIMITED

WA SatCo Pty Limited is owned by the Company and WIN Television Pty Limited and has been engaged by the Commonwealth Government to provide the WA Vast Service until 30 June 2020. The shareholders of the company provide services to WA SatCo Pty Limited to enable its operations. Services of \$367,000 were recovered from WA SatCo Pty Limited on a cost recovery basis in the 2018 financial year.

BROADCAST TRANSMISSION SERVICES PTY LIMITED (BTS)

The Company has a 33% shareholding in BTS. BTS provides transmission maintenance, site installation and management services to regional broadcasters and other third party customers. The Company entered into a contract with BTS for the provision of site maintenance services for the period to 2023 at an annualised cost of up to \$1,200,000 per annum.

28. PARENT ENTITY INFORMATION

	PRIME MEDIA GROUP LIMITED	
	2018 \$'000	2017 \$'000
Current assets	113	103
Total assets	86,805	220,424
Current liabilities	677	4,877
Total liabilities	35,405	176,209
Issued capital	310,262	310,262
Retained earnings	(263,953)	(270,688)
Employee benefits reserve	4,091	4,641
Total shareholders' equity	51,400	44,215
Profit/(Loss) of the parent entity	14,265	(1,966)
Total comprehensive profit/(loss) of the parent entity	14,265	(1,966)

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

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

As a condition of the Class Order, Prime Media Group Limited and its 100% owned Australian resident subsidiaries (the "Closed Group") entered into a Deed of Cross Guarantee on 17 October 2006 as amended from time to time by assumption deed for the addition and removal of controlled entities. The effect of the deed is that Prime Media Group Limited has guaranteed to pay any deficiency in the event that a controlled entity within the Closed Group is wound up. The controlled entities within the Closed Group have also given a similar guarantee in the event that Prime Media Group Limited is wound up. (Refer Note 22).

CONTINGENT LIABILITIES OF PRIME MEDIA GROUP LIMITED

By virtue of being a member of the Deed of Cross Guarantee mentioned above, the Company has guaranteed to pay any deficiency in the event of winding up Golden West Network Pty Limited (GWN), a wholly owned subsidiary and party to the Deed of Cross Guarantee. GWN has guaranteed an unrelated third party the payment of a contractual commitment on behalf of WA SatCo Pty Limited, an associate company in which GWN holds 50% of the share capital. WA SatCo Pty Limited has entered into a non-cancellable contract for the purchase of satellite services in WA until 30 June 2020 at the rate of \$2,346,192 per annum. In the event that WA SatCo Pty Limited defaults on any payments under this contract, GWN may be liable for full payment under the guarantee it has provided. WA SatCo Pty Limited has simultaneously entered into an agreement with the Commonwealth Government which provides for 100% funding of this satellite service to 30 June 2020. This agreement can be terminated without notice by the Commonwealth Government.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

29. SUBSEQUENT EVENTS

On 20 August 2018 the Company executed an extension to its program supply agreement with the Seven Network, effective from 1 July 2018 for a period of 5 years.

30. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2018 \$	2017 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	312,684	260,590
– other services in relation to the entity and any other entity in the consolidated entity:	413,213	73,983
– amounts received or due and receivable by related practices of Ernst & Young	–	–
	725,897	334,573

31. OTHER ACCOUNTING POLICIES

A. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Prime Media Group Limited and its subsidiaries (as outlined in Note 27) as at and for the year ended 30 June 2018. Interests in associates are equity accounted and are not part of the consolidated Group (see Note 21).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and any other component of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

B. CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

32. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into operating leases that have an average lease term of 3 years for motor vehicles, 3 to 5 years for building leases, and 5 to 15 years for transmission site access agreements. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it does not retain all the significant risks and rewards of ownership of these sites and equipment and accounts for the contracts as operating leases.

OPERATING LEASE COMMITMENTS – GROUP AS LESSOR

The Group has entered into site sharing agreements in relation to transmission sites and equipment it owns. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these sites and equipment and accounts for the contracts as operating leases.

ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment exists when the carrying value of an asset or cash generating unit exceeds the recoverable value amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for next year, plus growth assumptions and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the future cash inflows and the growth rate for extrapolation purposes. The key assumptions used to determine the recoverable amount for different CGUs, including a sensitivity analysis, are further explained at Note 7.

IMPAIRMENT OF INVESTMENTS IN FINANCIAL ASSETS (INCLUDING ASSOCIATES)

The Group assesses impairment of investments in financial assets including associates at each reporting date in accordance with the measurement rules established in the accounting standards.

For financial assets determined to be associates, the Group assesses at each balance date the circumstances and conditions specific to that associate. These include operating performance, market and environmental factors. If management believes that an impairment trigger exists then the recoverable value of the investment in the associate is determined.

RENEWAL OF BROADCASTING LICENCES

The Group's television broadcasting licences consist of the right to broadcast television services to specific market areas. These licences are issued by the relevant broadcasting authority for periods of 5 years. The ownership and renewal processes of these licences is such that in the absence of major breaches of licensing and broadcasting regulations, licence renewal is virtually guaranteed for the existing licence holders.

CLASSIFICATION OF ASSETS AND LIABILITIES AS HELD FOR SALE

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, using the assumptions detailed in Note 26.

TAXES

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent management considers it is probable that future taxable profits will be available to utilise those temporary differences.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.


DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2018

In accordance with a resolution of the directors of Prime Media Group Limited, I state that:

1. In the opinion of the directors:
 - a. the financial statements and notes of Prime Media Group Limited for the financial year ended 30 June 2018 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001;
 - b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b);
 - c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - d. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2018.

On behalf of the Board



P.J Macourt

Director

Sydney, 28 August 2018

INDEPENDENT AUDITOR'S REPORT



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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prime Media Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT



Recoverability of Property, Plant and Equipment, Intangible Assets and Goodwill

Why Significant to the Audit

At 30 June 2018, Property, Plant and Equipment and Intangible Assets and Goodwill have a net book value of \$25.3 million, and \$16.6 million respectively and represent 42% of total assets of the Group.

The Group recorded an impairment charge of \$51.7 million during the year against the carrying value of its Television Broadcast Licenses, a component of Intangible Assets and Goodwill.

As disclosed in Note 7 to the financial report, the Group's assessment of the recoverability of these assets involves critical accounting estimates and assumptions.

These estimates and assumptions relate to future performance, market, regulatory and economic conditions. In particular, the decline in advertising revenues being experienced in the free to air television industry is forecast to continue.

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

How our Audit Addressed the Matter

Our procedures included the following:

- ▶ Assessed whether the methodology and model used by the Group to test for impairment met the requirements of Australian Accounting Standards.
- ▶ Tested whether the model used was mathematically accurate.
- ▶ Assessed whether the cash flows used in the impairment testing model accurately reflected the Board approved 2019 budget.
- ▶ Considered the historical reliability of the Group's cash flow forecasting process and financial performance subsequent to year end relative to budget.
- ▶ Evaluated the external inputs and assumptions within the cash flow forecasting model, in particular growth rates and discount rates by comparing them to assumptions and estimates used elsewhere in the preparation of the financial report and benchmarked them against market observable external data. In addition, we assessed the impact of the Group's renewed programming arrangements and associated costs on the impairment model.
- ▶ Considered the impact of a range of assumption sensitivities to the model.
- ▶ Considered the adequacy of the financial report disclosures contained in Note 7, in particular those regarding the impairment charges taken during the year and the assumptions to which the outcome of the impairment test is most sensitive.

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

INDEPENDENT AUDITOR'S REPORT



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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

INDEPENDENT AUDITOR'S REPORT



- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT



Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Prime Media Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

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

Ernst & Young

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

Christopher George
Partner
Sydney
28 August 2018

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

ASX ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2018

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 23 August 2018.

A. DISTRIBUTION OF EQUITY SECURITIES

ORDINARY SHARES

As at 23 August 2018, total number of fully paid up shares on issue is 366,330,303.

The number of shareholders, by size of holding, in each class of share is:

	NUMBER OF HOLDERS
1–1,000	529
1,001–5,000	831
5,001–10,000	538
10,001–100,000	1,084
100,001 and over	198
	3,180
The number of shareholders holding less than a marketable parcel of shares:	705

B. TWENTY LARGEST REGISTERED SHAREHOLDERS

The names of the twenty largest registered holders of quoted shares at 23 August 2018 are:

	LISTED ORDINARY SHARES	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	76,889,276	20.99
2	BIRKETU PTY LTD	54,906,553	14.99
3	CITICORP NOMINEES PTY LIMITED	45,006,375	12.29
4	BNP PARIBAS NOMINEES PTY LTD	28,623,396	7.81
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	19,647,642	5.36
6	CVC LIMITED	12,457,338	3.40
7	NATIONAL NOMINEES LIMITED	8,645,353	2.36
8	MR GEORGE WALTER MOORATOFF	5,000,000	1.36
9	SOJOURN SERVICES PTY LTD	5,097,000	1.39
10	BUTTONWOOD NOMINEES PTY LTD	3,700,000	1.01
11	NEWECONOMY COM AU NOMINEES PTY LIMITED	2,964,195	0.81
12	BT PORTFOLIO SERVICES LIMITED	1,800,000	0.49
13	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED	1,711,600	0.47
14	S M & R W BROWN PTY LTD	1,500,000	0.41
15	MISS KATE IMOGEN LEAVER	1,300,000	0.35
16	MR DEREK TIN TAK CHU	1,060,000	0.29
17	MRS SARAH CAMERON	1,050,000	0.29
18	MR JOHN ALEX RUMBLE & MRS SONJA RUMBLE	1,003,000	0.27
19	KILCARE HOLDINGS PTY LIMITED	1,000,000	0.27
20	B F A PTY LTD	1,000,000	0.27
		274,361,728	74.88

C. SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
Birketu Pty Ltd	54,906,553	14.99%
Spheria Asset Management Pty Limited ¹	48,530,406	13.25%
Pinnacle Investment Management Group Limited ¹	48,530,406	13.25%
Commonwealth Bank of Australia	18,328,162	5.00%

¹ These substantial shareholdings relate to the same parcel of shares.

D. VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

PRIME
MEDIA GROUP



www.primemedia.com.au