APN Outdoor Group Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	APN Outdoor Group Limited
ABN:	57155848589
Reporting period:	For the year ended 31 December 2016
Previous period:	For the year ended 31 December 2015

2. Results for announcement to the market

	2016 $'000	2015 $'000	Movement $'000	%
Revenues from ordinary activities	**330,938**	300,820	30,118	10%
Profit from ordinary activities after tax attributable to the owners of APN Outdoor Group Limited	**48,446**	41,049	7,397	18%
Profit for the year attributable to the owners of APN Outdoor Group Limited	**48,446**	41,049	7,397	18%

	Amount per security (Cents)	Franked amount per security (Cents)
Dividends paid during the year		
Final dividend - year ended 31 December 2015 (paid 22 April 2016)	11.0	11.0
Interim dividend - half year ended 30 June 2016 (paid 21 October 2016)	6.5	6.5

On 21 February 2017 the Board recommended the payment of a final, fully franked dividend of 12.5 cents per share ($20,826,814). Proposed dividends on ordinary shares are not recognised as a liability as at 31 December 2016. This dividend will be paid on 21 April 2017. The record date for the dividend is 10 March 2017.

Comments
The profit for the Group after providing for income tax amounted to $48,446,000 (31 December 2015: $41,049,000).

3. Net tangible assets

	Reporting period (Cents)	Previous period (Cents)
Net tangible assets per ordinary security	7.65	15.15

4. Control gained over entities

Name of entities (or group of entities)	iOM Pty Limited
Date control gained	1 August 2016

5. Audit qualification or review

The financial statements have been audited and an unqualified opinion has been issued.

6. Attachments

The 2016 Annual Report of APN Outdoor Group Limited for the year ended 31 December 2016 is attached.

7. Signed

Doug Flynn
Chairman

22 February 2017
Sydney

APN Outdoor Group Limited

ABN 57155848589

2016 Annual Report - 31 December 2016

Directors	Doug Flynn Independent Non-Executive Chairman Pat O'Sullivan Independent Non-Executive Director Lisa Chung Independent Non-Executive Director Jack Matthews Independent Non-Executive Director Richard Herring Chief Executive Officer and Executive Director
Company secretary	Wayne Castle
Notice of annual general meeting	The details of the annual general meeting of APN Outdoor Group Limited are: Doltone House – Hyde Park 3/181 Elizabeth Street Sydney NSW 2000 11:00am on 20 April 2017
Registered office and principal place of business	Level 4 33 Saunders Street Pyrmont New South Wales 2009
Share register	Link Market Services Limited Level 12 680 George Street Sydney, NSW, 2000 Share registry telephone: 1300 554 474
Auditor	PricewaterhouseCoopers One International Towers Watermans Quay Barangaroo Sydney NSW 2000
Bankers	Commonwealth Bank of Australia Westpac Banking Corporation National Australia Bank ASB Bank Limited Bankwest
Stock exchange listing	APN Outdoor Group Limited shares are listed on the Australian Securities Exchange (ASX code: APO)
Website	http://investors.apnoutdoorcorporate.com/

Dear Shareholder

2016 delivered a record result for our shareholders after three consecutive years of solid growth which is a testament to management's execution of our strategy against a positive market backdrop for Out-Of-Home advertising.

Underlying EBITDA was up 18% to $86.7 million, on revenues of $330.9 million in 2016.

Underlying NPATA was up 20% to $51.8 million.

APN Outdoor benefitted from investment in digital innovation and acquisitions, including the successful integration of iOM Pty Ltd and Metrospace Advertising.

Dividend

As APN Outdoor's performance has improved over the last few years, shareholders have benefitted through the payment of higher dividends, consistent with our policy of paying, between 50-65% of full year underlying NPATA. Based on this year's underlying NPATA, we have resolved to pay a final, fully franked dividend of 12.5 cents per share, up 14% compared to the prior corresponding period. This brings the full year, fully franked dividend to 19 cents per share, up 23% on last year and represents a payout ratio of 61% of underlying NPATA.

Continued investment in digital and technology

We continue to invest in innovative digital and technology solutions aligned to our core strategy.

We now offer advertisers the most expansive large format digital network across Australia and New Zealand. During the year, we commissioned a record 35 new Large Format Digital (Elite) screens, taking our overall inventory levels to 87 screens at 31 December 2016.

Digital revenues were 37% of total revenue in the second half of 2016.

CATCH trial – the digitisation of our Transit network

In December 2016, we launched the trial of "CATCH" an innovative digital solution in conjunction with Sydney Buses.

CATCH is a mobile application offering bus commuters news, sport, weather and entertainment via free Wi-Fi on an initial 50 buses in Sydney.

The CATCH trial is yielding positive initial results indicating a potential to be developed into an advertising asset. Decisions in relation to the next steps are expected to be taken in the coming months

Transformational merger with oOh!media

On 14 December 2016, APN Outdoor announced that it had entered a Scheme Implementation Deed with ASX-listed oOh!media Limited to merge the two businesses together in an all-scrip transaction (the Merger). Subject to satisfaction of the outstanding conditions, the Merger is expected to be completed in the coming months.

The Merger represents a compelling opportunity for both sets of shareholders as it will combine two highly complementary businesses to create a leading media group with diversified Out-Of-Home product offerings in Australia and New Zealand.

The Merger is also expected to deliver shareholders attractive accretive returns, extracting at least $20 million of pre-tax annualised cost synergies on a run-rate basis within two years of implementation of the Merger.

Subject to the Merger being completed, I will assume the role of Chairman of the Merged Group and Brendon Cook (CEO, oOh!media) will become the Chief Executive Officer for the Merged Group. Mr Cook will be supported by APN Outdoor's Wayne Castle as Chief Financial Officer and Andrew Hines as Chief Operating Officer. The Merged Group will have eight directors, four from APN Outdoor and four from oOh!media.

This team has a shared vision for the future of out-of-home advertising and a plan to deliver long-term, sustainable growth for shareholders in the Merged Group.

Conclusion

2016 was a record year of achievement for APN Outdoor at both the corporate and operational level. On behalf of the Board, I would like to extend our thanks to the management team and our employees for their contribution and ongoing commitment to the future success of your company.

Doug Flynn
Chairman

22 February 2017
Sydney

Key Highlights

2016 has been a transformational year for APN Outdoor with a record result for the Company across all key metrics.

The year saw continued financial growth driven by investment in digital screens, the acquisitions of assets from iOM Pty Ltd and Metrospace Advertising and successful tender wins, both new and retained. Operationally APN Outdoor maintained a clear leadership position in large format digital billboards (Elite Screens). An additional 35 Elite Screens were added bringing the total to 87 active Elite screens at the end of the year.

On 14 December 2016, APN Outdoor agreed to a merger of equals with oOh!media Limited (oOh!media) which will position the Merged Group as one of Australia's leading out-of-home and online media companies. The Merged Group will have an enhanced geographical presence across Australia and New Zealand with almost 9,000 digital and over 63,000 classic screens. The combination of portfolios will create an attractive offering for advertisers with expanded audience and reach.

The proposed merger is subject to regulatory and oOh!media shareholder approvals which are in process at the date of this report.

Financial Highlights

Revenue	↑	10% to $330.9m
Underlying EBITDA[1]	↑	18% to $86.7m
Underlying NPATA[1]	↑	20% to $51.8m
Statutory NPAT	↑	18% to $48.4m
Operating Cash flow	↑	19% to $66.3m
FY16 Dividend	↑	23% to 19.0 cps
Leverage		Leverage remains low at 1.0x Underlying EBITDA

(1) Underlying results before non-recurring items (NRIs)

The management team continue to deliver growth through a strategy underpinned by a focus on maximising returns from classic assets, digital investment, corporate activity and acquisitions.

Revenue of $330.9m in 2016 represented an increase of 10% over the prior year. Underlying EBITDA of $86.7m was a market leading result and was above the top end of the guidance issued in November 2016.

A fully franked final dividend of 12.5 cents per share has been approved by the Board bringing the full year payout ratio to 61% of Underlying FY16 NPATA.

Digital formats generated 34% of revenues in 2016 (2015: 23%) and 37% of revenues in the second half.

Business Review

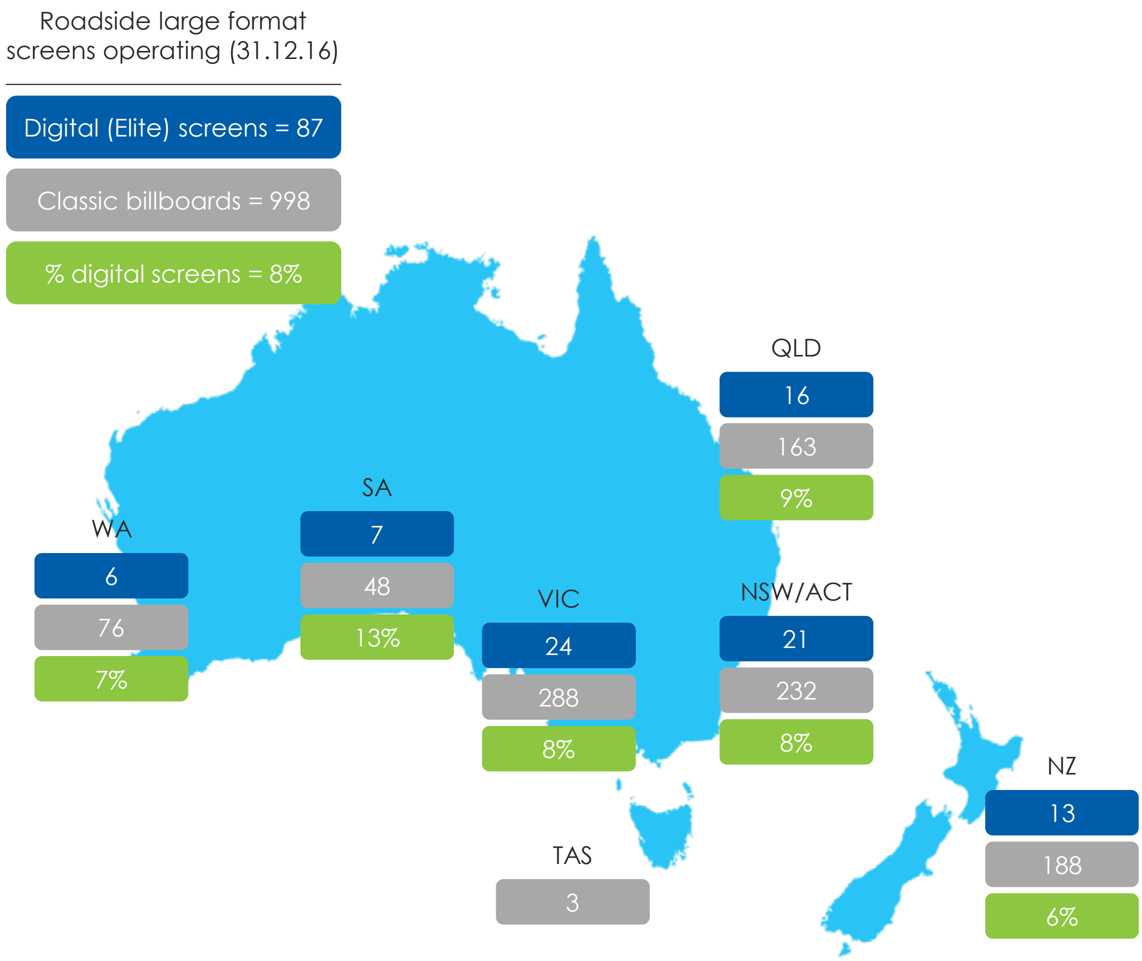
APN Outdoor supplies Out-Of-Home media and advertising services at sites in Australia and New Zealand. Publicly listed on ASX (ASX: APO), APN Outdoor is a member of the ASX 200.

APN Outdoor derives its income from the sale of advertising space primarily to advertising agencies and direct clients across its inventory of approximately 470 digital screens and 50,000 classic panels.

Outdoor Format Leadership

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

Roadside large format screens by location



Format	Highlights	FY16 revenue	Change YoY	Digital screens and classic panels
Roadside billboards 	Metro focus Broad range including large and small format options Focus on high quality displays	$160 million	12%	87 digital screens 2,309 classic panels
Transit 	Variety of differentiated panel options Expertise in complex logistic operations Internal and external rights New mobile customer offering	$100 million	(1%)	45,916 classic panels
Airport 	Highly desirable advertiser location Multiple consumer contact points Variety of digital and classic opportunities External and internal rights	$44 million	32%	302 digital screens 641 classic panels
Rail 	Unique commuter audience Long commuter dwell time High demand network in Sydney, Melbourne, Brisbane, Adelaide and Perth Newly launched digital platform	$27 million	18%	83 digital screens 768 classic panels

APN Outdoor recently launched its CATCH product on a trial basis on 50 buses in Sydney. CATCH is a technology offering designed to interactively engage bus commuters through their mobile devices. The CATCH trial is yielding positive initial results indicating a potential to be developed into an advertising asset. Decisions in relation to the next steps are expected to be taken in the coming months.

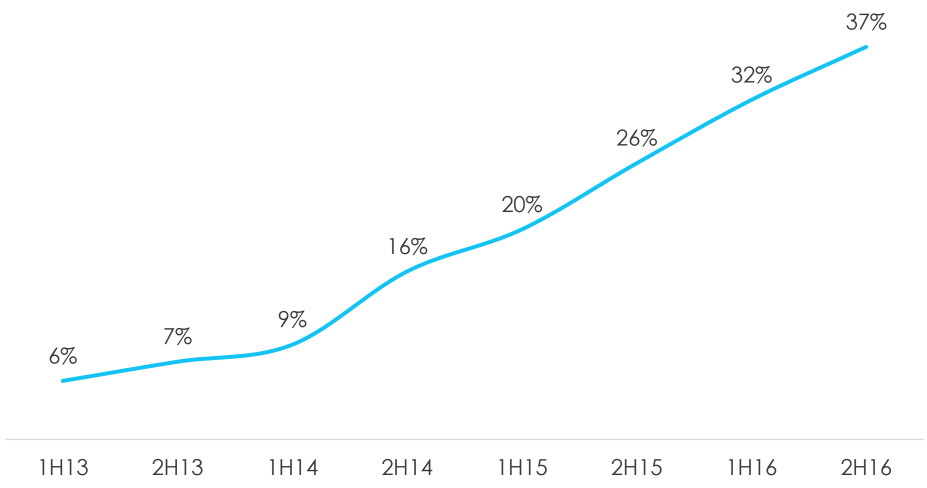
Continued growth in digital

$ millions	FY16	FY15	*Growth*
Classic	**216.9**	231.4	*(6%)*
Digital	**114.0**	69.4	*64%*
Total	**330.9**	300.8	*10%*

The growth in digital revenue remains strong and was 37% of total revenues for 2H16. Growth in digital revenues included the full year impact of Brisbane and Adelaide XTrack rollouts in FY15 and major asset upgrades at Sydney and Auckland Airports in FY15 and FY16.

The conversion to digital and resulting transition of revenue from classic is driving lower overall classic revenue. Underlying performance for classic is in line with expectations. Production and installation revenue trends in line with respective classic media revenues.

Digital % of total revenue



Successful integration of both iOM and Metrospace

In 2H16, the Company acquired the assets of iOM Pty Ltd and Metrospace Advertising.

The sites acquired have been well received by advertisers resulting in revenue performance ahead of expectations.

Three digital conversions have been completed, including the iconic Story Bridge site in Brisbane. The portfolio of assets acquired includes a healthy pipeline of further conversion opportunities which are being progressed.

Financial performance and position

The outstanding financial result for the 2016 year is a product of a number of years of sustained business initiatives designed to deliver growth.

These initiatives varied from investment in digital screens, strategic acquisitions and contract wins, but also include a knowledgeable, experienced and consistent management team whose ability to execute our growth plans is unequalled.

Summary financial information

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

$ millions	FY16	FY15	*Growth*
Revenue	**330.9**	300.8	*10%*
EBITDA[1]	**86.7**	73.3	*18%*
EBIT[1]	**73.9**	63.1	*17%*
NPAT[1]	**49.2**	41.4	*19%*
NPATA[1]	**51.8**	43.3	*20%*
Statutory NPAT	**48.4**	41.0	*18%*
Diluted EPSA (underlying) (cps)	**31.0**	26.0	*19%*
DPS (cps)	**19.0**	15.5	*23%*
Net debt	**84.0**	57.5	*46%*

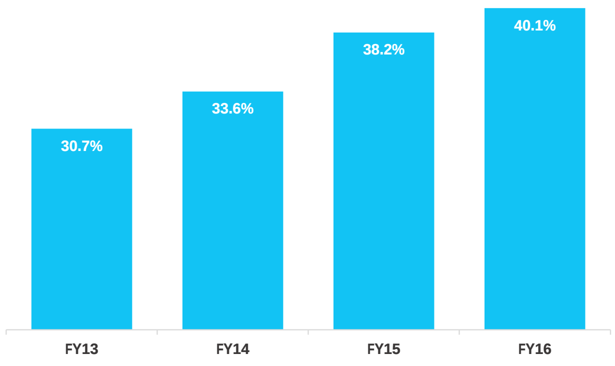
(1) Underlying results before non-recurring items (NRIs)

A reconciliation of Underlying NPAT to statutory NPAT is outlined below.

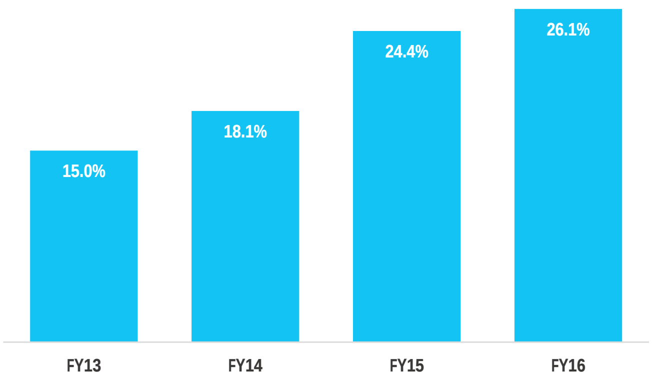
$ millions	FY16	FY15
Statutory NPAT	**48.4**	41.0
Proposed merger and transaction costs, net of tax	**0.8**	-
Net interest adjustments, net of tax	**-**	0.4
Underlying NPAT	**49.2**	41.4

Gross and EBITDA margin

Gross margin



EBITDA Margin



APN Outdoor's business model continues to provide strong operating leverage.

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

Cost management

$ millions	FY16	FY15	*Change*
Rental	**134.7**	121.8	*11%*
Agency commissions and rebates	**31.3**	28.0	*12%*
Staff costs	**5.7**	6.7	*(15%)*
Other	**26.6**	29.5	*(10%)*
Direct Costs	**198.3**	186.0	*7%*
Staff costs	**26.7**	25.2	*6%*
Marketing	**2.4**	2.4	*-*
Other	**16.8**	13.9	*21%*
Overheads	**45.9**	41.5	*11%*
Total expenses	**244.2**	227.5	*7%*

Direct costs were up 7% but were below revenue growth of 10%, leading to improved gross margin.

Overheads were up 11% due to increased digital operating costs of $1.1m and investment in new sales and digital roles of $1.1m.

Rental of ad space held at 41% of revenues.

Capital Management

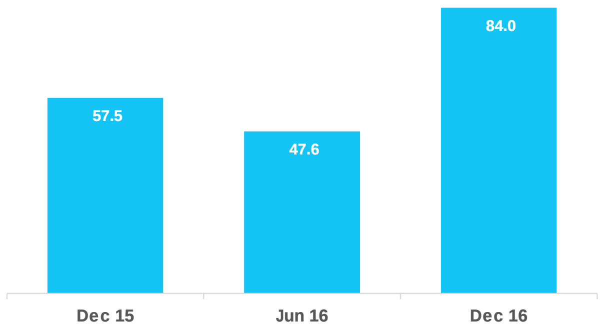
$ millions	FY16	FY15	*Change*
Underlying EBITDA	**86.7**	73.3	18%
Working capital & non-cash items	**5.5**	(12.2)	145%
OCF before interest and tax	**92.2**	61.1	51%
Cash conversion ratio	**106%**	83%	
Interest	**(2.5)**	(3.3)	
Tax payments	**(23.4)**	(2.0)	
Operating cash flow (OCF)	**66.3**	55.8	19%

Our business model generates strong cash flows. In 2016 operating cash flows funded investment activities, acquisitions and dividends.

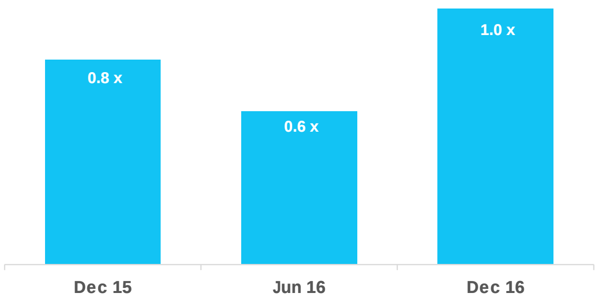
The cash conversion ratio off Underlying EBITDA was 106%. Tax payments in FY16 increased and reflect normal tax instalment rates.

Cash conversion in the current year was assisted by favourable timing differences which will reverse in FY17 resulting in a lower cash conversion rate.

Net debt



Leverage



During the year net debt increased to $84.0m (excluding unamortised borrowing costs) following the acquisition of assets from iOM and Metrospace.

Leverage remains low at 1.0x and provides substantial headroom to fund future growth activities.

At 31 December 2016, we have $48m of funding available from undrawn banking facilities and cash.

A $400m debt facility to support the Merged Group is now confirmed. This facility will be utilised when the merger with oOh!media completes in order to consolidate the debt of the Merged Group and provide funds for future investment.

Managing the risks to our strategy

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

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

Risk	Response
Advertising revenues can be impacted by changing economic conditions	Recently the outdoor advertising industry has outperformed the advertising industry as a whole and has continued to grow strongly in 2016. Out-of-Home advertising is expected to continue this growth trajectory. If there were to be a downturn in economic conditions in one or more of the regions in which APN Outdoor conducts its business activities, it is likely that its revenues would be reduced, possibly by a significant amount. Because a substantial portion of APN Outdoor's costs will be fixed and will not vary with revenues, a reduction in revenues due to a deterioration in economic conditions would be likely to have a significant impact on operating profit. With a premium asset base owned and operated by APN Outdoor we believe our exposure to downward market trends is mitigated compared to other media formats and our competitors.
Reliance on customers	The performance of APN Outdoor is reliant on its relationships with media agencies. Loss of relationships with media agencies or a change in the size and/or structure of the media agency market may impact the Group's revenues and profitability in the future. In addition, the loss of relationships with key customers could impact on the Group's future operating and business performance.
Inability to retain key contracts and sites on favourable terms	APN Outdoor holds leases/licences to various site locations. Many of these contracts require APN Outdoor to participate in competitive bidding processes at each renewal. APN Outdoor are disciplined in its approach to contract renewals and have a proven track record of successful and economically viable contract renewals.
Government regulation of outdoor advertising	APN Outdoor has extensive experience in dealing with regulatory authorities and is committed to complying with all legislation and guidelines.
Reliance of Key Management Personnel	Failure to appropriately recruit and retain employees may adversely affect the APN Outdoor's ability to develop and implement its business strategies. Success depends to a significant extent on key personnel, in particular, the senior management team. Loss of key management, operating or sales personnel may result in loss of customers and this may adversely affect the APN Outdoor's operating and financial performance. We provide a motivating environment for key managers through the setting of clear objectives, providing feedback and recognition. We actively maintain and discuss succession planning to mitigate the risk of unforeseen changes in management.
Changes in technology and impact on consumer and advertiser behaviour	The Australian and New Zealand media sector will continue to be affected by changes in technology. Newer technologies are increasing the number of media and entertainment choices available to audiences. These technological developments and new ways for advertisers to reach consumers may cause changes in consumer behaviour and may make APN Outdoor's product offering

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

Directors

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

Doug Flynn - Chairman
Pat O'Sullivan
Lisa Chung
Jack Matthews
Richard Herring

Principal activities

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

Dividends

Dividends paid during the financial year were as follows:

	2016 $'000	2015 $'000
Final dividend for the year ended 31 December 2015 of 11 cents (31 December 2014 special dividend: 1 cent) per ordinary share, fully franked paid on 22 April 2016 (2014: 17 April 2015)	18,328	1,666
Interim dividend for the half year ended 30 June 2016 of 6.5 cents (30 June 2015: 4.5 cents) per ordinary share, fully franked paid on 21 October 2016 (2015: 21 September 2015)	10,830	7,498
	29,158	9,164

In addition to the above dividends, on 22 February 2017 the Board recommended the payment of a final, fully franked dividend of 12.5 cents per share ($20,826,814). This dividend will be paid on 21 April 2017. The record date for the dividend is 10 March 2017.

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and not recognised as a liability as at 31 December 2016.

Review of operations

The profit for the Group after providing for income tax amounted to $48,446,000 (31 December 2015: $41,049,000).

A review of operations of the Group is set out in pages 7 to 15.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Subsequent to year end, the Company received credit approved term sheets from a banking syndicate for a new $400,000,000 debt facility to be established when the proposed merger with oOh!media completes.

No other matters or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have been included in the review of operations set out in pages 7 to 15.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law. The Group has issued an Environmental, Social & Governance report for the 2016 year which can be accessed at www.apnoutdoor.com.au/corpgovernance.

Information on Directors

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

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

Lisa Chung Independent non-executive Director	• Lisa was formerly a commercial property partner of law firms, Blake Dawson (now Ashurst) and Maddocks. Lisa has more than 25 years of legal experience in a wide range of commercial property transactions acting for major government and corporate clients. • While a partner of Blake Dawson, Lisa spent several years serving on the firm's board and in senior management roles, including as Sydney Managing Partner and as the Executive Partner with responsibility for the Property Projects and Government Group and for strategy relating to People and Culture. • Lisa is currently also Chairman of Urbis Pty Ltd and The Benevolent Society and Deputy President of Trustees of the Museum of Applied Arts and Sciences. • Lisa is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee.
Qualifications:	Bachelor of Laws University of Tasmania, graduate of Advanced Management Program INSEAD France, FAICD
Interests in shares:	9,804 ordinary shares

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

Richard Herring Chief Executive Officer, Executive Director	• Richard has been the CEO of APN Outdoor since 2004. He commenced at Cody Outdoor in 1995 as General Manager of Sales and Marketing, and was subsequently appointed CEO. • Cody Outdoor was acquired by APN News & Media and became part of APN Outdoor in 2004 • Prior to this Richard held a variety of roles at Channel 9, Austereo, Network Ten and Ogilvy and Mather (London). • Richard is currently also Director of Outdoor Media Association and MOVE
Qualifications:	MBA from Monash University in Melbourne
Interests in shares:	971,445 ordinary shares
Interests in options:	660,224 options

The Board of APN Outdoor has resolved to issue 77,337 performance rights to Richard Herring, the Chief Executive Officer. The issue of these performance rights is subject to shareholder approval at the APN Outdoor Annual General Meeting in April 2017.

Company secretary

Wayne Castle has more than 30 years of experience in professional and commercial accounting roles. Prior to joining APN Outdoor, Wayne worked in APN News & Media's corporate office for eight years in a role spanning all of the Group's various media interests. During this period Wayne was actively involved in corporate reporting, treasury management and debt refinancing and various M&A activities. Prior to that, Wayne held various senior finance roles across a variety of industries after 10 years with Ernst & Young in audit, technical and education roles. Wayne holds a Bachelor of Commerce with Merit (UNSW) and is a member of the Institute of Chartered Accountants in Australia.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2016, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended
Doug Flynn	11	11	4	4	3	3
Pat O'Sullivan	11	11	4	4	3	3
Lisa Chung	11	11	4	4	3	3
Jack Matthews	11	11	4	4	3	3
Richard Herring	11	11	-	-	-	-

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

Unissued shares under option

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

Grant date	Expiry date	Exercise price	Number under option
18 November 2014	31 December 2017	$2.55	943,940
9 March 2016	31 December 2018	$5.95	614,187
27 April 2016	31 December 2018	$5.95	263,747
			1,821,874

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

Shares issued on the exercise of options

There were no ordinary shares of APN Outdoor Group Limited issued on the exercise of options during the years ended 31 December 2015 and 31 December 2016 and up to the date of this report.

Unissued Shares under performance rights

Grant date	Expiry date	Fair value at grant date	Number of rights
12 December 2016	31 December 2019	$3.53	334,552

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 25 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of PricewaterhouseCoopers

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

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

Corporate Governance Statement

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

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

On behalf of the Directors

Doug Flynn
Chairman

22 February 2017
Sydney

Auditor's Independence Declaration

As lead auditor for the audit of APN Outdoor Group Limited for the year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

David Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
22 February 2017

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Remuneration Report

Dear Shareholder,

On behalf of the Board of Directors I am pleased to present APN Outdoor's Remuneration Report for the 2016 financial year.

APN Outdoor's remuneration framework is designed to support and reinforce its business strategy. Linking remuneration to the drivers that support the business strategy ensures that remuneration outcomes for senior executives are aligned with the creation of sustainable value for shareholders.

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

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

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

APN Outdoor's 2016 remuneration policy is substantially unchanged. It remains designed to reward for the execution of the Company strategy, which is to be at the forefront of the outdoor advertising industry in Australia and New Zealand through innovation and capitalising on growth markets. We have a strategic focus on building our digital offering along with targeted capital investment for our panel development pipeline and to upgrade existing inventory.

The changes which were applied are summarised as follows:

- The 2016 STI structure included a gateway of 95% achievement of budgeted EBITDA. No STI was payable unless 95% of the EBITDA budget was achieved. This STI gateway ensures that any annual bonus payment is contingent upon the achievement of strong financial performance; and
- For the 2016 LTI grant, the vesting range applied to the earnings per share (EPS) portion increased from a range of 6% to 16% to a revised range of 8% to 18% compound annual growth over three years.

The Board conducted a full review of KMP remuneration during the second half of 2016 facilitated by Mercer Consulting (Australia) Pty Limited. This external review included advice and benchmarking against a comparator group as well as a review of the overall remuneration structure, including the comparative weighting of fixed and 'at-risk' elements. The results of this external benchmarking process were considered in adjusting KMP remuneration effective 1 January 2017.

APN Outdoor remains committed to the ongoing review of its remuneration framework with emphasis upon retaining and motivating our senior executive team in support of the execution of our strategy for the benefit of long term shareholder value creation. As part of its commitment to Australian corporate governance best practice, the Board welcomes feedback from external stakeholders in respect of its remuneration practices and disclosures.

Yours sincerely,

Lisa Chung
Chair of Remuneration and Nomination Committee

22 February 2017
Sydney

2016 Remuneration Report (Audited)

This Remuneration Report for the year ended 31 December 2016 outlines key aspects of our remuneration framework, and has been audited in accordance with the Corporations Act 2001.

Our Remuneration Report contains the following sections:

(a) Who this report covers

(b) Overview of our remuneration framework

(c) How reward was linked to performance

(d) Remuneration expenses for Directors and executive KMP

(e) Contractual arrangements with executive KMP

(f) Share based remuneration

(g) Non-executive Director arrangements

(h) Directors and executive KMP shareholdings in APN Outdoor

(i) Other statutory disclosures

(a) Who this report covers

This report covers non-executive Directors and executive Key Management Personnel (KMP) and includes:

	Role
Non-executive Directors	
Doug Flynn	Independent non-executive Chairman
Pat O'Sullivan	Independent non-executive Director
Lisa Chung	Independent non-executive Director
Jack Matthews	Independent non-executive Director
Executive Key Management Personnel	
Richard Herring	Chief Executive Officer
Andrew Hines	Chief Operating Officer
Wayne Castle	Chief Financial Officer

(b) Overview of our remuneration framework

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

The annual short term incentive opportunity for senior executives is set at a target of 30% (maximum of 60%) of fixed remuneration. It is designed to reward executives for their performance against KPIs that are specifically selected to drive performance without encouraging undue risk-taking. A deferral component is also applied to assist with retention whereby 20% of the 2016 STI paid to executives is deferred for a period of 12 months.

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

Over time the Committee intends to move towards a remuneration mix that is more heavily weighted to performance based pay, having regard to executive employment contracts, retaining key senior executives and what is in the interests of the Company and shareholders.

Description	Implementation	Market level/Opportunity	Change
Total Fixed remuneration (TFR)			
TFR comprises base salary and superannuation contributions.	Fixed remuneration is set at a level which is commensurate with the skills required for and responsibilities associated with the role, and within the context of external market levels. Superannuation is paid at the statutory rate. This is currently 9.5%. In certain elected cases, executive KMP pay additional superannuation via salary sacrifice. Fixed remuneration is reviewed annually and accounts for market movements and individual performance outcomes. There are no guaranteed fixed remuneration increases.	Fixed remuneration is targeted at the median of the comparator group. In October 2016, the Board engaged Mercer Consulting (Australia) Pty Limited (Mercer) to conduct remuneration benchmarking in respect of the CEO, COO and CFO. The analysis and observations in the report were applied by the Board in its determination of 2017 remuneration. The comparator group included listed Australian organisations of a similar size and complexity (excluding financial services, resources, materials, energy and healthcare companies). APN Outdoor does not typically source senior management roles from the excluded sectors noted above.	In 2016, the average increase to TFR for reported KMP was approximately 2% TFR for both the COO and CFO have been increased to better align with competitive market remuneration. In determining these increases the Board had regard to the external benchmarking review conducted by Mercer in addition to other considerations.
Short-term Incentive (STI)			
STIs are annual bonuses based on performance over a 12 month period. STIs are designed to recognise and reward for performance against annual metrics, while providing a retention mechanism for senior executives through the deferral component.	The STI for 2016 is based on a more holistic assessment of performance. Performance metrics for 2016 KMP included: Financial (80%): • Revenue; • EBITDA; and • NPAT Non-financial (20%): • Workplace Health & Safety; • People; and • Strategy Performance against STI hurdles is assessed post financial year close. 80% of any STI award is delivered as cash. 20% of the 2016 STI is deferred for a period of 12 months and will be satisfied by cash.	Executive KMP (including the CEO) are eligible to receive: • 30% of TFR at target levels of performance; and • 60% of TFR at maximum levels of performance; as defined by the STI performance scorecard.	The 2016 STI structure included a gateway of 95% achievement of budgeted EBITDA. No STI was payable unless 95% of the EBITDA budget was achieved. This STI gateway ensures that any annual bonus payment is contingent upon the achievement of strong financial performance. The 2017 STI structure increases the gateway from 95% to 98% achievement of budgeted EBITDA.

Long-term Incentive (LTI)			
LTIs are long-term incentives designed to ensure alignment with shareholders through share ownership and are strictly performance based. LTIs assist in the motivation, retention and reward of senior executives. The LTI plan rules allow for LTIs to be delivered as options and / or performance rights. LTIs for 2016 were comprised of option grants. Eligibility is determined by the Board and is targeted at senior executives.	50% of the award is assessed against relative Total Shareholder Return (TSR) and 50% of the award is assessed against Earnings Per Share growth, over a three year performance period. Relative TSR is measured against the ASX200 index (excluding Financials and Resources).	Maximum of 35% of TFR.	The EPS vesting criteria have been increased from a range of 6% to 16% Compound annual growth rate (CAGR) to a revised range of 8% to 18% CAGR. 2017, LTI grants to senior executives will be in the form of performance rights. This change was made to better align with best market practice.

2016 LTI vesting schedule			
Relative TSR performance	Percentage of TSR options that vest	EPS performance	Percentage of EPS options that vest
• 50% or less relative TSR growth	• 0%	• Less than 8% EPS growth*	• 0%
• 51% relative TSR growth	• 50%	• At 8% EPS growth*	• 30%
• 51% to 75% relative TSR growth	• Pro-rata vesting between 50% and 100%	• Between 8% and 18% EPS growth*	• Pro-rata vesting between 30% and 100%
• 76% or greater relative TSR growth	• 100% vesting	• 18% or greater EPS growth*	• 100% vesting

* Compound annual growth rate

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

Performance Assessment

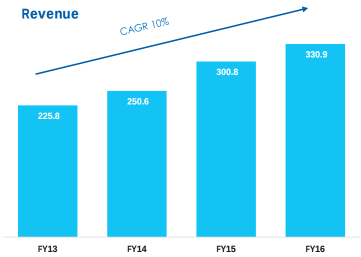
The CEO assesses each Senior Executive's performance considering actual outcomes relative to agreed targets. Based on this assessment, the CEO makes a recommendation to the Remuneration Committee for Board approval of the amount of STI to award to each Senior Executive.

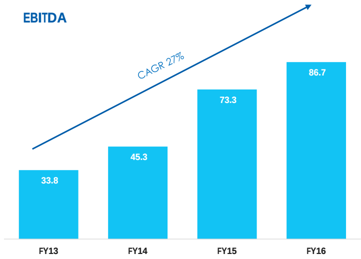
The Remuneration Committee assesses the actual performance of the Group and the CEO against agreed targets and recommends the amount of the STI to be paid to the CEO for approval by the Board. These assessment methods have been chosen as they provide the Committee with an objective assessment of each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

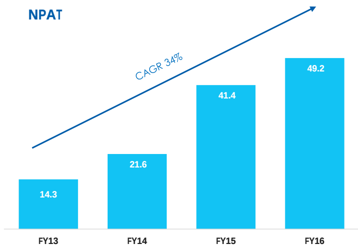
(c) How reward was linked to performance

Statutory performance indicators

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







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

Performance and impact on remuneration

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

Achievement is measured on three tiers described as threshold STI, target STI and maximum STI for financial KPIs, and effective, superior and outstanding for non-financial KPIs.

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

The tiers and the impact on the STI payment amount for the 2016 year are summarised below:

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

Performance against the financial metrics for the year ended 31 December 2016 are as follows:

Financial metric	Actual performance	Performance vs prior year	Outcome	Portion of entitlement earned
Revenue	$330.9m	+10%	Threshold	75%
EBITDA	$86.7m	+18%	Above target	117%
NPAT	$49.2m	+19%	Above target	114%

Financial metrics above exclude non-recurring items.

The remaining 20% of the 2016 STI opportunity was linked to work health and safety, people and strategy KPIs as defined below.

Non-financial metric	Description
Work, health and safety	Measured improvement in safety culture and reduction in workplace injuries
People	Employee engagement and retention and effective people performance management
Strategy	Development and implementation of strategic initiatives

This assessment was determined based upon:

- Our safety record during the year including performance better than industry averages and a 90% reduction in high hazard risks
- Further improvements in Workplace Health and Safety governance systems
- A full revision of all Human Resources policies
- Results of employee engagement surveys
- Staff turnover
- Support of the proposed merger with oOh!media including completion of financial, legal and commercial due diligence and well advanced preparation of the Scheme of Arrangement materials
- The rollout of 35 new large format digital panels
- Completed acquisitions of earnings accretive assets from Metrospace and iOM

(d) Remuneration expenses for Directors and executive KMP

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

2016	Fixed remuneration			Variable remuneration			
Name	**Cash salary and Fees**	**Super-annuation**	**Non-monetary benefits**	**Long-service leave and annual leave**	**Short term incentive**	**Fair value of LTI award**	**Total**
Non-executive Directors							
Doug Flynn	189,132	17,968	-	-	-	-	**207,100**
Pat O'Sullivan	109,132	10,368	-	-	-	-	**119,500**
Lisa Chung	109,132	10,368	-	-	-	-	**119,500**
Jack Matthews	99,132	9,418	-	-	-	-	**108,550**
Executive key management personnel							
Richard Herring	734,236	19,464	-	(3,057)	230,709	161,254	**1,142,606**
Andrew Hines	438,274	19,464	-	(5,569)	153,800	70,168	**676,137**
Wayne Castle	384,705	19,464	-	16,392	123,716	61,956	**606,233**
Total	**2,063,743**	**106,514**	-	**7,766**	**508,225**	**293,378**	**2,979,626**

20% of the 2016 short term incentive is deferred for a period of 12 months and will be satisfied by cash.

2015	Fixed remuneration			Variable remuneration			
Name	**Cash salary and Fees**	**Super-annuation**	**Non-monetary benefits**	**Long-service leave and annual leave**	**Short term incentive**	**Fair value of LTI award**	**Total**
Non-executive Directors							
Doug Flynn	180,000	17,100	-	-	-	-	**197,100**
Pat O'Sullivan	100,000	9,500	-	-	-	-	**109,500**
Lisa Chung	100,000	9,500	-	-	-	-	**109,500**
Jack Matthews	90,000	8,550	-	-	-	-	**98,550**
Executive key management personnel							
Richard Herring	719,874	19,046	-	(17,981)	440,789	29,380	**1,191,108**
Andrew Hines	429,714	19,046	-	7,280	267,700	17,843	**741,583**
Wayne Castle	377,195	19,046	-	(3,214)	236,370	15,755	**645,152**
Total	**1,996,783**	**101,788**	**-**	**(13,915)**	**944,859**	**62,978**	**3,092,493**

20% of the 2015 short term incentive was deferred for a period of 12 months and will be satisfied by cash.

Fixed and variable remuneration

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

	Fixed remuneration		At risk – STI (on target)		At risk – LTI	
	2016	2015	2016	2015	2016	2015
Richard Herring	66%	61%	20%	37%	14%	2%
Andrew Hines	67%	61%	23%	36%	10%	2%
Wayne Castle	69%	61%	21%	37%	10%	2%

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

(e) Contractual arrangements with executive KMP

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

Component	Approach for CEO	Approach for other executive KMP
Full-time/part-time	All executive KMP are appointed on a full-time basis.	
Notice by individual / company	12 months	3-6 months
Termination of employment (with cause)	For all executive KMP the STI incentive is forfeited, and unvested LTI options are forfeited.	
Termination of employment (without cause)	For all executive KMP, if termination occurs prior to 31 March each year, the STI is forfeited. If termination occurs after 31 March, (subject to eligibility) the STI will be paid pro-rata for the period between the beginning of the year and the date of termination. In the event that a termination without cause arises, the unvested LTI options will be subject to 'good leaver provisions' as per the plan rules.	
Redundancy	In the event of a CEO redundancy, APN Outdoor must pay an amount equal to 12 months fixed remuneration	Redundancy payment on termination equivalent to four weeks' remuneration for every year of service up to a maximum of 12 months
Restraint of trade	6 months restraint of trade subject to payment of 6 months' remuneration	3-6 months

(f) Share based remuneration

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

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

Name	Grant date	Vesting and/or exercise date	Expiry date	Exercise price	Number of options granted	Value per option at grant date	% vested
Richard Herring	18 Nov 2014	31 Dec 2017	31 Dec 2018	$2.55	396,477	$0.245	0%
	27 Apr 2016	31 Dec 2018	31 Dec 2019	$5.95	263,747	$1.500	0%
Andrew Hines	18 Nov 2014	31 Dec 2017	31 Dec 2018	$2.55	240,788	$0.245	0%
	9 Mar 2016	31 Dec 2018	31 Dec 2019	$5.95	160,178	$0.981	0%
Wayne Castle	18 Nov 2014	31 Dec 2017	31 Dec 2018	$2.55	212,608	$0.245	0%
	9 Mar 2016	31 Dec 2018	31 Dec 2019	$5.95	141,432	$0.981	0%

The value per option of the 2014 grant has been adjusted to reflect probability of achievement of hurdles at grant date.

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

On 12 December 2016, a grant of performance rights was made to KMP in respect of the 2017-2019 performance period. The grant was issued subsequent to year end. A summary of the grant is provided below:

Name	Grant date	Issue date	Vesting date	Expiry date	Fair value per right	Number of rights granted	% vested
Andrew Hines	12 Dec 2016	27 Jan 2017	31 Dec 2019	31 Dec 2020	$3.53	51,558	0%
Wayne Castle	12 Dec 2016	27 Jan 2017	31 Dec 2019	31 Dec 2020	$3.53	49,575	0%

The Board of APN Outdoor has resolved to issue 77,337 performance rights to Richard Herring, the Chief Executive Officer. The issue of these performance rights is subject to shareholder approval at the APN Outdoor Annual General Meeting in April 2017.

The value per right of the grant has been adjusted to reflect probability of achievement of hurdles at grant date.

(g) Non-executive Director arrangements

Non-executive Directors enter into service agreements through a letter of appointment. Non-executive Directors receive a fee for their services to the Company. Fees are determined with reference to the demands of the role and the responsibilities carried out by Directors. The fee setting process also takes into account market levels and the need to attract high quality Directors.

Directors receive fees for their role as members of the Board and, where applicable, for additional responsibilities relating to Board committees. Non-executive Directors do not receive any variable or performance-based remuneration. Where Directors are required to provide additional services, these are paid on a fixed fee basis or determined on an hourly basis depending on the nature of the service. No fees for additional services were paid to non-executive Directors in 2016.

The non-executive director fee pool has a maximum value of $900,000 per annum. It is intended that the Board of APN Outdoor will be expanded in order to adequately service the needs of a significantly expanded Group following the proposed Merger with oOh!media and, as a result, the agenda at the 2017 AGM will include a voting resolution seeking an increase to the non-executive director fee pool .

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

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

Fees paid to non-executive directors in 2016 were increased by $10,000 per annum in recognition of each of the non-executive directors' additional committee duties and the increased compliance and governance responsibilities and obligations inherent with those committees.

(h) Director and executive KMP Shareholding in APN Outdoor

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

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

2015	Balance at start of year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Doug Flynn	**500,000**	-	-	**500,000**
Pat O'Sullivan	**29,412**	-	-	**29,412**
Lisa Chung	**9,804**	-	-	**9,804**
Jack Matthews	**29,412**	-	-	**29,412**
Richard Herring	**1,943,455**	-	-	**1,943,455**
Andrew Hines	**728,796**	-	-	**728,796**
Wayne Castle	**728,796**	-	-	**728,796**
Total	**3,969,675**	**-**	**-**	**3,969,675**

(i) Other statutory disclosures

External remuneration consultants

PricewaterhouseCoopers were engaged in 2015 to provide operational remuneration support. No recommendations in relation to the remuneration of executive KMP were provided as part of this engagement.
In October 2016, the Board engaged Mercer Consulting (Australia) Pty Limited (Mercer) to conduct remuneration benchmarking in respect of the CEO, COO and CFO. The analysis and observations in the report delivered by Mercer were applied by the Board in its determination of 2017 remuneration. The fee payable to Mercer was $9,000.
All advice from remuneration consultants is carefully considered by the Remuneration Committee. The committee is satisfied that all advice received from remuneration consultants has been given free of undue influence by APN Outdoor executives.

General information

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

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

Level 4
33 Saunders Street
Pyrmont
New South Wales 2009

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 22 February 2017. The Directors have the power to amend and reissue the financial statements.

APN Outdoor Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Revenue	1	**330,938**	300,820
Expenses			
Rental of advertising space		**(134,716)**	(121,771)
Sales and marketing		**(36,015)**	(31,582)
Employee benefits		**(32,404)**	(31,907)
Production and installation		**(19,002)**	(20,849)
Depreciation and amortisation		**(12,861)**	(10,216)
Raw materials and consumables used		**(6,626)**	(7,973)
Transaction and other proposed merger expenses		**(1,132)**	-
Finance expenses	2	**(3,229)**	(4,057)
Other expenses		**(15,426)**	(13,439)
Total expenses		**(261,411)**	(241,794)
Profit before income tax expense		**69,527**	59,026
Income tax expense	5	**(21,081)**	(17,977)
Profit after income tax expense for the year attributable to the owners of APN Outdoor Group Limited		**48,446**	41,049
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		**(8)**	(6)
Net change in foreign currency translation, net of tax		**1,422**	(124)
Other comprehensive income/(loss) for the year, net of tax		**1,414**	(130)
Total comprehensive income for the year attributable to the owners of APN Outdoor Group Limited		**49,860**	40,919
		Cents	Cents
Basic earnings per share	3	**29.08**	24.64
Diluted earnings per share	3	**28.98**	24.61

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

APN Outdoor Group Limited
Statement of financial position
As at 31 December 2016

	Note	2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents		**18,977**	9,020
Trade and other receivables	6	**69,213**	62,777
Inventories		**716**	677
Prepayments		**5,561**	12,286
Total current assets		**94,467**	84,760
Non-current assets			
Investments accounted for using the equity method		**678**	546
Property, plant and equipment	10	**96,643**	77,858
Intangibles	11	**256,445**	222,862
Deferred tax	5	**387**	462
Other		**2,750**	2,750
Total non-current assets		**356,903**	304,478
Total assets		**451,370**	389,238
Liabilities			
Current liabilities			
Trade and other payables	7	**30,585**	22,728
Derivative financial instruments		**44**	-
Income tax		**12,595**	14,716
Employee benefits	13	**2,556**	2,134
Provisions	12	**1,975**	1,005
Other	14	**1,870**	3,984
Total current liabilities		**49,625**	44,567
Non-current liabilities			
Borrowings	15	**102,677**	65,926
Derivative financial instruments		**-**	17
Deferred tax	5	**24,493**	24,896
Employee benefits	13	**214**	339
Provisions	12	**1,433**	1,929
Other	14	**3,729**	3,469
Total non-current liabilities		**132,546**	96,576
Total liabilities		**182,171**	141,143
Net assets		**269,199**	248,095
Equity			
Issued capital	17	**222,334**	222,334
Reserves	20	**5,569**	3,753
Retained profits		**41,296**	22,008
Total equity		**269,199**	248,095

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

APN Outdoor Group Limited
Statement of changes in equity
For the year ended 31 December 2016

	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2015	222,334	3,817	(9,877)	**216,274**
Profit after income tax expense for the year	-	-	41,049	**41,049**
Other comprehensive income for the year, net of tax	-	(130)	-	**(130)**
Total comprehensive income/(loss) for the year	-	(130)	41,049	**40,919**
Transactions with owners in their capacity as owners:				
Share base payment expense	-	66	-	**66**
Dividends paid (note 18)	-	-	(9,164)	**(9,164)**
Balance at 31 December 2015	**222,334**	**3,753**	**22,008**	**248,095**

	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 January 2016	222,334	3,753	22,008	**248,095**
Profit after income tax expense for the year	-	-	48,446	**48,446**
Other comprehensive income for the year, net of tax	-	1,414	-	**1,414**
Total comprehensive income for the year	-	1,414	48,446	**49,860**
Transactions with owners in their capacity as owners:				
Share base payment expense	-	402	-	**402**
Dividends paid (note 18)	-	-	(29,158)	**(29,158)**
Balance at 31 December 2016	**222,334**	**5,569**	**41,296**	**269,199**

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

APN Outdoor Group Limited
Statement of cash flows
For the year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**324,352**	293,748
Payments to suppliers and employees (inclusive of GST)		**(232,178)**	(232,682)
		92,174	61,066
Interest received		**-**	236
Interest and other finance costs paid		**(2,523)**	(3,525)
Income taxes paid		**(23,351)**	(1,961)
Net cash from operating activities	9	**66,300**	55,816
Cash flows from investing activities			
Payments for property, plant and equipment		**(28,762)**	(13,507)
Payments for intangibles	11	**(34,973)**	(12,002)
Payments for other non-current assets		**-**	(2,750)
Net cash used in investing activities		**(63,735)**	(28,259)
Cash flows from financing activities			
Proceeds from borrowings		**61,981**	11,886
Repayment of borrowings		**(25,480)**	(31,386)
Payment of borrowing costs		**(61)**	-
Dividends paid	18	**(29,158)**	(9,164)
Net cash from/(used in) financing activities		**7,282**	(28,664)
Net increase/(decrease) in cash and cash equivalents		**9,847**	(1,107)
Cash and cash equivalents at the beginning of the financial year		**9,020**	9,865
Effects of exchange rate changes on cash and cash equivalents		**110**	262
Cash and cash equivalents at the end of the financial year		**18,977**	9,020

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

Section A – Group Performance

Note 1. Revenue

	2016 $'000	2015 $'000
Advertising revenue	**330,378**	300,212
Sundry revenue	**560**	608
	330,938	300,820

Accounting Policy for revenue recognition

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

Note 2. Finance expenses

	2016 $'000	2015 $'000
Interest and finance expenses	**2,535**	3,229
Borrowing cost amortisation	**311**	306
Interest - onerous lease	**383**	522
	3,229	4,057

Accounting Policy for finance expenses

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

Note 3. Earnings per share

	2016 $'000	2015 $'000
Profit after income tax attributable to the owners of APN Outdoor Group Limited	**48,446**	41,049
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**166,614,509**	166,614,509
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	**545,020**	214,966
Weighted average number of ordinary shares used in calculating diluted earnings per share	**167,159,529**	166,829,475
	Cents	**Cents**
Basic earnings per share	**29.08**	24.64
Diluted earnings per share	**28.98**	24.61

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of APN Outdoor Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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

Note 4. Operating segments

APN Outdoor Group Limited operates in one market segment, being Out-of-Home advertising.

Revenues are generated by sales to external customers in Australia (2016: $298,313,000, 2015: $271,380,000) and New Zealand (2016: $32,625,000, 2015: $29,440,000). The geography is based upon the location of the advertising provided. No individual customer is material to the revenues reported.

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

Accounting policy for operating segments

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

Section B - Taxes

Note 5. Taxes

Income tax expense

	2016 $'000	2015 $'000
Current tax	**20,887**	16,932
Deferred tax - origination and reversal of temporary differences	**245**	965
Under/(over) provision in prior year	**(51)**	80
Aggregate Income tax expense	**21,081**	17,977
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	**75**	693
Increase in deferred tax liabilities	**170**	272
Deferred tax - origination and reversal of temporary differences	**245**	965

Reconciliation of income tax expense and tax at the statutory rate

	2016 $'000	2015 $'000
Profit before income tax expense	**69,527**	59,026
Tax at the statutory tax rate of 30%	**20,858**	17,708
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	**446**	280
Share of loss from associates	**(36)**	(29)
	21,268	17,959
Difference in overseas tax rates	**(136)**	(62)
Under provision in prior year	**(51)**	80
Income tax expense	**21,081**	17,977

Note 5. Taxes (continued)

Deferred tax asset comprises temporary differences attributable to:

	2016 $'000	2015 $'000
Property, plant and equipment	**10**	96
Intangibles	**86**	274
Accrued expenses and provisions	**291**	92
	387	462

Movements:

	2016 $'000	2015 $'000
Opening balance	**462**	1,155
(Charged) to profit or loss	**(75)**	(693)
Closing balance	**387**	462

Deferred tax liability comprises temporary differences attributable to:

	2016 $'000	2015 $'000
Property, plant and equipment	**2,295**	2,989
Intangibles	**27,645**	28,414
Other	**-**	885
Accrued expenses and provisions	**(3,581)**	(3,654)
Proposed merger and transaction costs	**(264)**	-
IPO transaction costs (excluding share issue costs)	**(694)**	(2,083)
	25,401	26,551
Amounts recognised in equity:		
Share issue costs	**(890)**	(1,645)
Derivative financial instruments	**(18)**	(10)
	(908)	(1,655)
Closing balance	**24,493**	24,896

Movements:

	2016 $'000	2015 $'000
Opening balance	**24,896**	24,624
Charged to profit or loss	**170**	272
(Credited) to equity	**(573)**	-
Closing balance	**24,493**	24,896

Note 5. Taxes (continued)

Accounting policy for income tax

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

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

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

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

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

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

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

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

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

Section C – Working Capital

Note 6. Trade and other receivables

	2016 $'000	2015 $'000
Trade receivables	**64,551**	63,099
Less: Provision for impairment of receivables	**(1,041)**	(749)
	63,510	62,350
Sundry receivables	**5,703**	427
	69,213	62,777

Impairment

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

	2016 $'000	2015 $'000
Opening balance	**749**	1,061
Additional provisions recognised	**306**	(127)
Receivables written off during the year as uncollectable	**(14)**	(185)
Closing balance	**1,041**	749

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

	2016 $'000	2015 $'000
Past due 1-30 days	**5,129**	4,786
Past due 31-60 days	**2,948**	501
Past due 60+ days	**331**	119
	8,408	5,406

Accounting policy for trade and other receivables

Trade receivables are recognised at fair value less any provision for impairment. Trade receivables are generally due for settlement within 45 days.

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

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

Note 7. Trade and other payables

	2016 $'000	2015 $'000
Trade payables	**2,122**	2,017
Accruals	**28,463**	20,711
	30,585	22,728

Refer to note 16 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 8. Commitments and contingent liabilities

	2016 $'000	2015 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	**5,872**	3,746
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	**100,164**	106,274
One to five years	**193,353**	227,281
More than five years	**68,606**	72,262
	362,123	405,817

Not included above is contingent consideration of up to $9,480,000 arising from agreements to acquire lease portfolios entered into during 2015.

In addition there are $10,800,000 of other contingent liabilities related to potential amounts payable when the proposed merger with oOh!media Limited completes.

Note 9. Reconciliation of profit after income tax to net cash from operating activities

	2016 $'000	2015 $'000
Profit after income tax expense for the year	**48,446**	41,049
Adjustments for:		
Depreciation and amortisation	**12,861**	10,216
Option charge for the period	**402**	66
Onerous contract	**(1,396)**	(1,373)
Other	**275**	199
Non-cash interest	**709**	532
Change in operating assets and liabilities:		
Increase in trade and other receivables	**(5,166)**	(4,548)
Increase in inventories	**(39)**	(92)
Decrease/(increase) in accrued revenue	**(3,274)**	3,355
Decrease/(increase) in prepayments	**6,740**	(5,080)
Increase/(decrease) in trade and other payables	**8,670**	(4,868)
Increase in employee benefits	**290**	345
Movement in tax provisions	**(2,218)**	16,015
Net cash from operating activities	**66,300**	55,816

Section D – Capital Employed

Note 10. Property, plant and equipment

	2016 $'000	2015 $'000
Plant and equipment - at cost	**131,262**	101,801
Less: Accumulated depreciation	**(40,784)**	(31,470)
	90,478	70,331
Capital works in progress	**6,165**	7,527
	96,643	77,858

Reconciliations

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

	Plant and equipment $'000	Capital works in progress $'000	Total $'000
Balance at 1 January 2015	**67,746**	**4,097**	**71,843**
Additions	1,824	12,519	**14,343**
Digital development costs expensed	-	(499)	**(499)**
Static billboard spares expensed	-	(113)	**(113)**
Exchange differences	(193)	(3)	**(196)**
Transfers from capital works in progress	8,474	(8,474)	**-**
Depreciation expense	(7,520)	-	**(7,520)**
Balance at 31 December 2015	**70,331**	**7,527**	**77,858**
Additions	8,810	19,427	**28,237**
Disposals	(53)	-	**(53)**
Exchange differences	85	10	**95**
Transfer to intangibles (note 11)	(668)	-	**(668)**
Transfers from capital works in progress	20,799	(20,799)	**-**
Depreciation expense	(8,826)	-	**(8,826)**
Balance at 31 December 2016	**90,478**	**6,165**	**96,643**

Note 10. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment

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

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

Static billboards	20 years
Digital billboards - structure	20 years
Digital billboards - screen	6 years
Transit assets	4 years
Office equipment	4 years
Manufacturing equipment	6 years

Digital Billboards are predominantly large format and comprise a screen (a typical large format digital screen is $40m^2$) as well as supporting infrastructure and as such have different useful lives.10 year maintenance contracts are effected for all large format digital screens.
The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

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

Note 11. Intangibles

	2016 $'000	2015 $'000
Goodwill - at cost	**117,078**	116,176
Software - at cost	**4,512**	80
Less: Accumulated amortisation	**(3,582)**	(63)
	930	17
Licences, systems and processes	**152,454**	116,829
Less: Accumulated amortisation	**(14,017)**	(10,160)
	138,437	106,669
	256,445	222,862

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

Note 11. Intangibles (continued)

	Goodwill $'000	Software $'000	Licences, systems and processes $'000	Total $'000
Balance at 1 January 2015	**116,521**	**24**	**97,356**	**213,901**
Additions	-	6	11,996	**12,002**
Exchange differences	(345)	-	-	**(345)**
Amortisation expense	-	(13)	(2,683)	**(2,696)**
Balance at 31 December 2015	**116,176**	**17**	**106,669**	**222,862**
Additions	-	637	35,203	**35,840**
Exchange differences	438	-	208	**646**
Other	464	-	-	**464**
Transfer from plant and equipment (note 10)	-	668	-	**668**
Amortisation expense	-	(392)	(3,643)	**(4,035)**
Balance at 31 December 2016	**117,078**	**930**	**138,437**	**256,445**

Accounting policy for intangible assets

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

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised and is carried at cost less accumulated impairment losses.

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

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.
Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Note 11. Intangibles (continued)

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

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

Goodwill	2016 $'000	2015 $'000
Australia	**99,513**	99,056
New Zealand	**17,565**	17,120
	117,078	116,176

The recoverable amount of a CGU is determined based on a value-in-use calculation. These calculations use cash flow projections based on financial forecasts covering a 5 year period. Cash flows beyond the projected period are extrapolated using estimated growth rates which reflect market consensus on growth for the Out-of-Home industry. In performing the value-in-use calculations for each CGU, a pre-tax discount rate to discount the forecast future attributable cash flows of 13% has been applied (2015: 13%).

Cash flows of each CGU have been projected based on the budget for FY17. This budget reflects current market conditions and the immediate outlook. The forecast has been extended for 4 years using EBITDA growth assumptions as applicable to each CGU. Terminal cash flows beyond 5 years forecast of each CGU were extrapolated using a long term growth rate of 3.5% (2015: 3%). Growth rates used do not exceed the long-term average growth rate for the markets in which each of the CGU's operate.

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

Note 12. Provisions

	2016 $'000		2015 $'000	
	Current	Non-Current	Current	Non-Current
Onerous lease	**1,269**	**1,433**	1,005	1,929
Other	**706**	**-**	-	-
	1,975	**1,433**	1,005	1,929

Onerous lease
A provision has been made for an onerous lease contract. The majority of the provision relates to an asset development contract which was discontinued in 2014 following receipt of a feasibility study which concluded that the project was not commercially viable.

Accounting policy for provisions

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

Note 13. Employee benefits

	2016 $'000 Current	2016 $'000 Non-Current	2015 $'000 Current	2015 $'000 Non-Current
Annual leave	**1,269**	**-**	1,147	-
Long service leave	**1,287**	**214**	987	339
	2,556	**214**	2,134	339

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

Note 14. Other liabilities

	2016 $'000 Current	2016 $'000 Non-Current	2015 $'000 Current	2015 $'000 Non-Current
Straight-lining of site rents	**527**	**3,729**	149	3,469
Deferred revenue	**561**	**-**	3,835	-
Other current liabilities	**782**	**-**	-	-
	1,870	**3,729**	3,984	3,469

Accounting policy for leases

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

Section E – Capital Management

Note 15. Borrowings

	2016 $'000	2015 $'000
Bank loans - secured	**103,000**	66,500
Borrowing costs	**(976)**	(916)
Less: accumulated amortisation	**653**	342
	102,677	65,926

Refer to note 16 for further information on financial instruments.

Total secured liabilities
The total secured liabilities are as follows:

	2016 $'000	2015 $'000
Bank loans - secured	**103,000**	66,500

Assets pledged as security
Under the existing borrowing facilities the Group has provided security over all of its assets and undertakings.

The Group has borrowing facilities of $150,000,000 (2015: $130,000,000) and at reporting date $29,029,570 (2015: $46,030,373) was available for working capital requirements and bank guarantees.

APN Outdoor currently has in place total debt facilities of $150,000,000. The facilities are provided by three Australian banks and comprise the following facilities:

Facility	Nature	Facility Size $'000	Drawn - 31 Dec 2016 $'000	Expiry
Facility A	General corporate	$80,000	$80,000	18 Feb 2018
Facility B	Working capital	$50,000	$40,970	18 Feb 2018
Facility C	General corporate	$20,000	-	19 Nov 2017
		$150,000	**$120,970**	

Included in the drawn amount of Facility B is $17,970,000 of bank guarantees.

APN Outdoor has provided security for the above facilities over all of its assets and undertakings.
On 29 December 2016, the repayment date for the Facility A and Facility B was extended to 18 February 2018.

Accounting policy for borrowings

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

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

Note 16. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

Market risk

Foreign currency risk

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

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

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

	Exchange Rates			
	Average		Reporting date	
	2016	2015	2016	2015
New Zealand dollars	**1.067**	1.077	**1.040**	1.067

Interest rate risk

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

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

	2016		2015	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	2.87%	103,000	3.32%	66,500
Interest rate swaps (notional principal amount)	2.06%	(15,000)	2.38%	(70,000)
Net exposure to cash flow interest rate risk		**88,000**		**(3,500)**

Note 16. Financial Instruments (continued)

The 2016 interest rate swap expired in January 2016. A new interest rate swap was executed in November 2015 with a notional amount of $15,000,000 at a fixed rate of 2.06%. This swap commenced from January 2016 and represents 11% to 18% of forecast gross debt for the year ended 31 December 2017. APN Outdoor Group Limited has an overall low exposure to interest rates (largely based on a strong correlation of earnings to the economic cycle providing a reasonable degree of natural hedge) and this range is considered appropriate.

Credit risk

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

Liquidity risk

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

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

Note 16. Financial Instruments (continued)

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

2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,017	-	-	-	2,017
Interest-bearing - variable						
Bank loans	3.32%	2,211	68,445	-	-	70,656
Total non-derivatives		**4,228**	**68,445**	**-**	**-**	**72,673**
Derivatives						
Interest rate swaps inflow	2.32%	16	17	-	-	33
Total derivatives		**16**	**17**	**-**	**-**	**33**

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

Fair value of financial instruments

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

Note 17. Issued capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	**166,614,509**	166,614,509	**222,334**	222,334

Ordinary shares

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

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

Capital risk management

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

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

The gearing ratio at the reporting date was as follows:

	2016 $'000	2015 $'000
Borrowings (note 15)	**102,677**	65,926
Cash and cash equivalents	**(18,977)**	(9,020)
Net debt	**83,700**	56,906
Total equity	**269,199**	248,095
Total capital	**352,899**	305,001
Gearing ratio	**24%**	19%

Accounting policy for issued capital

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

Note 18. Dividends

Dividends

Dividends paid during the financial year were as follows:

	2016 $'000	2015 $'000
Final dividend for the year ended 31 December 2015 of 11 cents (31 December 2014 special dividend: 1 cent) per ordinary share, fully franked paid on 22 April 2016 (2014: 17 April 2015)	**18,328**	1,666
Interim dividend for the half year ended 30 June 2016 of 6.5 cents (30 June 2015: 4.5 cents) per ordinary share, fully franked paid on 21 October 2016 (2015: 21 September 2015)	**10,830**	7,498
	29,158	9,164

In addition to the above dividends, on 22 February 2017 the Board recommended the payment of a final, fully franked dividend of 12.5 cents per share ($20,826,814). This dividend will be paid on 21 April 2017.

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and not recognised as a liability as at 31 December 2016.

Franking credits

	2016 $'000	2015 $'000
Franking credits available at the reporting date based on a tax rate of 30%	**13,903**	645
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	**11,799**	14,901
Franking credits available for subsequent financial years based on a tax rate of 30%	**25,702**	15,546
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	**(8,926)**	(7,855)
Net franking credits available based on a tax rate of 30%	**16,776**	7,691

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

Accounting policy for dividends

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

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

Note 19. Share-based payments

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

Set out below are summaries of options granted under the plan:

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Forfeited	Balance at the end of the year
18/11/2014	31/12/2017	$2.55	943,940	-	-	**943,940**
09/03/2016	31/12/2018	$5.95	-	664,187	(50,000)	**614,187**
27/04/2016	31/12/2018	$5.95	-	263,747	-	**263,747**
			943,940	927,934	(50,000)	**1,821,874**
Weighted average exercise price			$2.55	$5.95	$5.95	$4.88

Performance Rights

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Forfeited	Balance at the end of the year
12/12/2016	31/12/2017	Nil	-	334,552	-	**334,552**
			-	334,552	-	**334,552**

The Board of APN Outdoor has resolved to issue 77,337 performance rights to Richard Herring, the Chief Executive Officer. The issue of these performance rights is subject to shareholder approval at the APN Outdoor Annual General Meeting in April 2017.

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date	Payment Type
09/03/2016	31/12/2018	$5.61	$5.95	35.00%	3.21%	1.73%	$0.980	Option
27/04/2016	31/12/2018	$6.48	$5.95	37.50%	3.34%	1.92%	$1.500	Option
12/12/2016	31/12/2019	$5.36	Nil	47.50%	3.63%	1.95%	$3.530	Performance Right

Note 19. Share-based payments (continued)

Accounting policy for share-based payments

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

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

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

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

Note 20. Reserves

	2016 $'000	2015 $'000
Foreign currency reserve	**5,119**	3,697
Hedging reserve - cash flow hedges	**(31)**	(23)
Share based payments reserve	**481**	79
	5,569	3,753

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

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

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

Section F – Group structure

Note 21. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2016 $'000	Parent 2015 $'000
(Loss)/ profit after income tax	**(2,010)**	144,020
Total comprehensive income	**(2,010)**	144,020

Statement of financial position

	Parent 2016 $'000	Parent 2015 $'000
Total current assets	**36**	12,423
Total assets	**409,077**	392,972
Total current liabilities	**11,899**	197
Total liabilities	**112,992**	66,123
Equity		
Issued capital	**222,334**	222,334
Reserves	**483**	79
Retained profits	**73,268**	104,436
	296,085	326,849

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity provides guarantee in relation to the debts of one of its subsidiaries as at 31 December 2016 and 31 December 2015.

Contingent liabilities
The parent has provided bank guarantees to various landlords of $17,997,930 (2015:$17,469,627) as at December 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2016 and 31 December 2015.

Note 21. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 28, except for the following:

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

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 28:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
APN Outdoor Group Limited	Australia	100%	100%
APNO Group Holdings Pty Limited	Australia	100%	100%
APNO Finance Pty Limited	Australia	100%	100%
APN Outdoor Pty Limited	Australia	100%	100%
Eastcott Investments Pty Limited	Australia	100%	100%
Cody Link Pty Limited	Australia	100%	100%
Valtoff Pty Limited	Australia	100%	100%
Everfact Pty Limited	Australia	100%	100%
Everfact Unit Trust	Australia	100%	100%
APN Outdoor (Trading) Pty Limited	Australia	100%	100%
Adspace Pty Limited	Australia	100%	100%
TMS Outdoor Advertising Pty Limited	Australia	100%	100%
Nettlefold Outdoor Advertising Unit Trust	Australia	100%	100%
Nettlefold Advertising Pty Limited	Australia	100%	100%
National Outdoor Advertising Pty Limited	Australia	100%	100%
Buspak Advertising Group Pty Limited	Australia	100%	100%
Total Cab Media Pty Limited	Australia	100%	100%
Universal Outdoor Pty Limited	Australia	100%	100%
TaxiMedia Pty Limited	Australia	100%	100%
SOL Australia Pty Limited	Australia	100%	100%
Australian Posters Pty Limited	Australia	100%	100%
The Australasian Advertising Company Pty Limited	Australia	100%	100%
GSP Print Pty Limited	Australia	100%	100%
iOM Pty Limited	Australia	100%	-
APN Outdoor Holdings (NZ) Limited	New Zealand	100%	100%
APN Outdoor Limited	New Zealand	100%	100%

Note 23. Deed of cross guarantee

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

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

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

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

Note 23. Deed of cross guarantee (continued)

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

Statement of profit or loss and other comprehensive income	2016 $'000	2015 $'000
Revenue	**295,036**	270,892
Other income	**836**	1,625
Rental of advertising space	**(120,480)**	(109,628)
Sales and marketing	**(29,987)**	(26,492)
Employee benefits	**(29,791)**	(29,417)
Production and installation	**(15,809)**	(17,606)
Depreciation and amortisation	**(11,732)**	(9,658)
Raw materials and consumables used	**(6,957)**	(7,973)
Finance Costs	**(3,132)**	(4,502)
Other expenses	**(15,333)**	(11,963)
Profit before income tax expense	**62,651**	55,278
Income tax expense	**(18,708)**	(17,053)
Profit after income tax expense	**43,943**	38,225
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	**(8)**	(6)
Foreign currency translation	**120**	(237)
Other comprehensive income for the year, net of tax	**112**	(243)
Total comprehensive income for the year	**44,055**	37,982

Equity - retained profits	2016 $'000	2015 $'000
Retained profits/(accumulated losses) at the beginning of the financial year	**17,955**	(11,106)
Profit after income tax expense	**43,943**	38,225
Dividends paid	**(29,146)**	(9,164)
Retained profits at the end of the financial year	**32,752**	17,955

Note 23. Deed of cross guarantee (continued)

Statement of financial position	2016 $'000	2015 $'000
Current assets		
Cash and cash equivalents	13,293	4,771
Trade and other receivables	62,627	77,791
Inventories	716	677
Prepayments	4,909	10,610
	81,545	93,849
Non-current assets		
Investment properties	48,055	14,520
Property, plant and equipment	81,724	69,632
Intangibles	221,329	200,313
Other	2,750	2,750
	353,858	287,215
Total assets	435,403	381,064
Current liabilities		
Trade and other payables	28,079	20,800
Derivative financial instruments	44	-
Income tax	11,709	14,935
Employee benefits	2,465	1,995
Provisions	1,201	1,005
Other	2,457	3,787
	45,955	42,522
Non-current liabilities		
Borrowings	102,677	65,926
Derivative financial instruments	-	17
Deferred tax	25,011	24,896
Employee benefits	214	339
Provisions	743	1,929
Other	2,785	3,302
	131,430	96,409
Total liabilities	177,385	138,931
Net assets	258,018	242,133
Equity		
Issued capital	222,334	222,334
Reserves	2,932	1,844
Retained profits	32,752	17,955
Total equity	258,018	242,133

Section G – Other notes

Note 24. Key management personnel disclosures

Compensation

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

	2016 $	2015 $
Short-term employee benefits	**2,571,968**	2,941,642
Post-employment benefits	**106,514**	101,788
Long-term benefits	**7,766**	(13,915)
Share-based payments	**293,378**	62,978
	2,979,626	3,092,493

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

Note 25. Remuneration of auditors

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

	2016 $	2015 $
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	**284,043**	270,000
Other services - PricewaterhouseCoopers		
Audit of revenue certificates for landlords	**41,600**	28,000
Accounting system review	**26,583**	-
Deregistration or liquidation of member of the Corporate Group	**-**	5,100
Transaction consulting fees	**145,000**	-
Cyber risk assessment	**40,032**	-
	253,215	13,700
	537,258	283,700
Other services - PWC New Zealand		
Audit of revenue certificates for landlords	**3,000**	-

Note 26. Related party transactions

Parent entity
APN Outdoor Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 22.

Key management personnel
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the Directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	2016 $	2015 $
Sale of goods and services:		
Sale of goods to entity with significant influence	-	-
Payment for goods and services:		
Payment for financial support services from entity with significant influence	-	-

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

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

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

Note 27. Events after the reporting period

Subsequent to year end, the Company has received credit approved term sheets from a banking syndicate for a new $400,000,000 debt facility to be established when the proposed merger with oOh!media completes.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 28. Other significant accounting policies

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

Basis of preparation and other information

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

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

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 29.

New or amended Accounting Standards and Interpretations adopted

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

A number of new accounting standards have been issued or amended but were not effective during the year ended 31 December 2016. None of the issued standards have been early adopted by APN Outdoor Pty Limited.

AASB 15 *Revenue from Contracts with Customers*
Nature of change
This standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard is mandatory for financial years commencing on or after 1 January 2018. At this stage, the group does not intend to adopt the standard before its effective date.

Note 28 Other significant accounting polices (continued)

Impact
The impact of AASB 15 Revenue from Contracts with Customers is not expected to be significant given current assessments by management, however it is expected that it will require some minor development of current reporting systems and processes. Market developments and any further guidance issued with respect to the Standard will continued to be monitored.

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

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

Impact
The standard will affect primarily the accounting for operating leases. As at the reporting date, the group has non-cancellable operating lease commitments as disclosed at Note 8. APN Outdoor is still in the process of reviewing its lease portfolio to determine which leases are within the scope of the standard.

AASB 9 *Financial Instruments*
Nature of change
AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation.

This standard must be applied for financial years commencing on or after 1 January 2018.

Impact
The Group believes AASB 9 will not have a material impact to its financial statements.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 21. The accounting policies adopted by the parent entity are the same as those adopted by the Group.

Note 28 Other significant accounting polices (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of APN Outdoor Group Limited ('Company' or 'parent entity') as at 31 December 2016 and the results of all subsidiaries for the year then ended. APN Outdoor Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

Foreign currency translation

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

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

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

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

Note 28 Other significant accounting polices (continued)

Investments accounted for using the equity method

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

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

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

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

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

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

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

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

Note 29. Critical accounting judgements, estimates and assumptions

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

Note 29 Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

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

Impairment of goodwill and other intangible assets

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

APN Outdoor Group Limited
Directors' declaration
31 December 2016

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 28 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 23 to the financial statements.

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

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

On behalf of the Directors

Doug Flynn
Chairman

22 February 2017
Sydney

Independent auditor's report

To the shareholders of APN Outdoor Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

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

What we have audited

The Group's financial report comprises:

- the Statement of financial position as at 31 December 2016;
- the Statement of profit and loss and other comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of cash flows for the year then ended;
- the notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the Directors' declaration.

Basis for opinion

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

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

Independence

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

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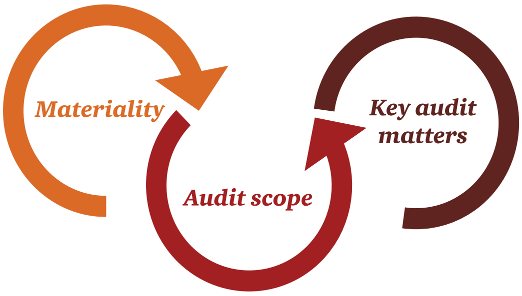
Our audit approach

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

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

The Group's principal activities are the provision of static and digital advertising services in Australia and New Zealand. The operations in Australia and New Zealand are managed from one central location in Sydney, where the Group's accounting processes are also centralised.



Materiality

- For the purpose of our audit we used overall group materiality of $3.6 million, which represents approximately 5% of the Group's profit before tax (exclusive of non-recurring items).
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose profit before tax as the benchmark because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is a generally accepted benchmark.
- We selected 5% based on our professional judgement, noting that it is within the range of commonly accepted profit-related thresholds.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The audit team performed audit procedures in respect of the Group's operations in Australia and New Zealand.
- The audit team included specialists and experts on information technology, valuation and tax.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Valuation of intangible assets
  - Growth strategy execution
- They are further described in the *Key audit matters* section of our report.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets ***See Note 11*** Goodwill and other intangible assets that have an indefinite useful life are required to be tested at least annually for impairment. The assessment of impairment is performed separately for Australia and New Zealand. The valuation of the Australia and New Zealand intangible assets was an area of focus because of the magnitude of the balance (31 December 2016: $256m) and the nature of judgements made by the Group in preparing the cash flow model used to assess any potential impairment of the intangible assets.	We assessed the key assumptions for estimating cash flows, being the related revenue growth rates and operating margins both of which involve significant, judgement. The revenue growth rates used do not exceed the long-term average growth rate for the markets in which each of the CGUs operate and were consistent with external market data for the outdoor advertising market. In addition to the above, we: - tested that forecast cashflows used in the impairment model were consistent with the most up-to-date budgets and business plans formally approved by the Board; - evaluated the Group's ability to forecast future results for the business by comparing budgets with actual results for the previous accounting periods - tested the integrity and mathematical accuracy of the impairment model; and - compared the discount rate components against rates within similar industries that we independently obtained with the assistance of PwC valuation experts. We independently assessed the range of revenue growth and discount rate assumptions that might reasonably be expected to occur based on external market data for the outdoor advertising market. We then recalculated the model using these assumptions. We found that no impairment was indicated by these recalculations. We also evaluated the adequacy of the disclosures made in note 11, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

Growth strategy execution

During the year, the Group acquired IOM Pty Ltd and the assets of Metrospace Advertising Pty Ltd. The Group treated these acquisition`s as being acquisitions of assets, rather than acquisitions of businesses. The accounting treatment required under the Australian Accounting Standards differs between accounting for acquisition of an asset (transaction costs capitalised) and a business (transaction costs expensed and goodwill recognised). Given the judgement involved in determining whether an acquisition should be classed as an asset or business acquisition, these acquisitions have been included as a key audit matter.

In order for an acquisition to be defined as an asset acquisition, certain criteria are required to be met. For example:

- no processes acquired;
- no employees transferred;
- no liabilities transferred; and
- no IT systems transferred.

We read the acquisition contracts to gain a better understanding of the transactions.

We assessed the Group's consideration of the framework within the accounting standards to determine if the acquisitions were asset acquisitions.

We checked that no goodwill was recognised in relation to the two acquisitions and that costs associated with the acquisition were capitalised in order to be in line with the correct accounting policy for asset acquisitions.

An assessment of the disclosure requirements for asset acquisitions was performed to check that adequate disclosures had been presented in line with Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016 including the Chairman's letter, the CEO's report and the Environmental, Social and Governance responsibilities section, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf

Report on the remuneration report

Our opinion on the remuneration report

We have audited the Remuneration Report included in pages 26 to 35 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of APN Outdoor Group Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

D Wiadrowski

David Wiadrowski
Partner

Sydney
22 February 2017

APN Outdoor Group Limited
Shareholder information
31 December 2016

The shareholder information set out below was applicable as at 13 February 2017.

Equity security holders

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

Security Holder	Number Held	Issued %
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	42,831,096	25.71
J P MORGAN NOMINEES AUSTRALIA LIMITED	40,553,467	24.34
CITICORP NOMINEES PTY LIMITED	24,676,121	14.81
NATIONAL NOMINEES LIMITED	13,301,971	7.98
BNP PARIBAS NOMINEES PTY LTD	5,419,709	3.25
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,956,978	2.98
BNP PARIBAS NOMS PTY LTD	4,151,896	2.49
UBS NOMINEES PTY LTD	3,762,097	2.26
BNP PARIBAS NOMS (NZ) LTD	1,599,146	0.96
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	1,266,242	0.76
BNP PARIBAS NOMINEES PTY LTD	1,177,000	0.71
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,054,911	0.63
AMP LIFE LIMITED	993,959	0.60
MARICH NOMINEES PTY LTD	535,240	0.32
MUTUAL TRUST PTY LTD	473,779	0.28
SANDHURST TRUSTEES LTD	415,565	0.25
AUST EXECUTOR TRUSTEES LTD	400,000	0.24
CITICORP NOMINEES PTY LIMITED	394,533	0.24
BAINPRO NOMINEES PTY LIMITED	374,427	0.22
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	254,091	0.15

Substantial holders

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

Substantial shareholder	Number Held	Shareholding %
MAWER INVESTMENT MANAGEMENT LTD	15,959,540	9.58
ELLERSTON CAPITAL	15,951,424	9.57
GOLDMAN SACHS	14,370,928	8.63
AUSTRALIAN SUPER PTY LTD	13,334,961	8.00
YARRA FUNDS MANAGEMENT LTD	10,713,883	6.43
UBS AG AND ITS RELATED BODIES CORPORATE	8,770,520	5.26
JCP INVESTMENT PARTNERS	8,365,381	5.02

Voting rights

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

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

There are no other classes of equity securities.

Corporate Governance Statement

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