# MACQUARIE MEDIA LIMITED

# ANNUAL REPORT 2016

MACQUARIE MEDIA LIMITED | 2GB 873AM | 2UE 954 NEWS TALK | 3AW 693 NEWS TALK | 4BC 1116 NEWS TALK | 6PR 882 NEWS TALK

Magic 2CH 1170 The songs you know and love | Magic 1278 The songs you know and love | Magic 882 The songs you know and love | MACQUARIE MEDIA SYNDICATION | SMA entertainment | MAP Map and Page.

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# CHAIRMAN'S REPORT

Dear Shareholders,

In Macquarie Media Limited's first full financial year since its formation in April 2015 following the merger of Macquarie Radio Network and Fairfax Radio Network, the Company has reported Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of $25.456 million for the year ended 30 June 2016, exceeding the guidance range provided at the start of the year of $20 - $25 million. Reported Profit after Tax was $14.372 million.

The following results comparison for FY2016 reflects a full 12 months of consolidated Macquarie Media Limited, but prior year (FY2015) figures reflect 12 months of Fairfax Radio Network and only 3 months of the consolidated Macquarie Media Limited as a result of the merger transaction being treated as a reverse acquisition in accordance with Australian Accounting Standards.

| | Reported | | |
|---|---|---|---|
| **$000s** | **FY2016** | **FY2015** | **Variance %** |
| Revenue | 135,862 | 96,836 | 40% |
| Expenses | (114,503) | (92,198) | 24% |
| EBITDA | 25,456 | 7,554 | 237% |
| EBIT | 23,021 | 5,489 | 319% |
| Profit before tax | 21,359 | 4,638 | 361% |
| Profit after tax | 14,372 | 5,711 | 152% |

**Notes:**
- Reported figures exclude discontinued operations
- FY2015 results were restated to reflect the move of 2CH to discontinued operations

A more meaningful comparison of our first full year's financial performance as a merged Company is against the combined individual results of Macquarie Radio Network and Fairfax Radio Network for FY2014, when the companies last operated separately for the full year.

| | Reported | | |
|---|---|---|---|
| **$000s** | **FY2016** | **FY2014*** | **Variance %** |
| Revenue | 135,862 | 141,896 | -4 % |
| Expenses | (114,503) | (131,031) | -13 % |
| EBITDA | 25,456 | 14,949 | 70 % |
| EBIT | 23,021 | 12,053 | 91 % |
| Profit before tax | 21,359 | 10,865 | 97 % |
| Profit after tax | 14,372 | 7,459 | 93 % |

**Notes:**
- Reported figures exclude discontinued operations
* FY2014 results reflect the seperately audited results of MRN and FRN for that period. MRN 2014 results are as per the 2014 MRN Annual Report and FRN 2014 results are as per the prior year comparative in the 2015 Annual Report of MRN.

This comparison clearly demonstrates the economic benefits of the merger, and in particular the combination efficiencies we have been able to realise. Directors have declared a final dividend of 2 cents per share fully franked, payable on 15 September 2016 to all shareholders registered at 1 September 2016. Total dividends for FY2016 are 4 cents per share, fully franked.

The 2016 financial year has obviously been a year of massive change throughout our business as we brought together two previously fiercely competitive businesses into one, and set about adopting best practices from each into a single culture. Across the board our management and staff have worked incredibly hard to build new infrastructure and introduce new systems, procedures and reporting. Through all the disruption, our key on-air presenters and their teams have maintained overall audience shares and continued the Company's outright domination of the Sydney and Melbourne markets, and national leadership in the increasingly significant 45 - 69 demographic. On behalf of the Board, I want to thank every one of our 500 staff for their contribution in FY2016.

In FY2017 we will bring more positive changes as we look to realise further cost efficiencies, launch a new program format for 2UE in Sydney, and shift our primary commercial focus to driving sustainable revenue growth through a restructured sales management team and aggressive growth strategies and targets.

**Russell Tate**

# DIRECTORS' REPORT

Your Directors submit their report on the consolidated entity (referred to hereinafter as the 'Group' or the 'consolidated entity') consisting of Macquarie Media Limited (formerly Macquarie Radio Network Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2016.

On 10 November 2015, the parent entity of the Group, formerly known as Macquarie Radio Network Limited, changed its name to Macquarie Media Limited.

On 31 March 2015, the Group acquired 100% of the share capital of Macquarie Media Operations Pty Limited (formerly Fairfax Radio Network Pty Limited) from Fairfax Media Limited in exchange for shares in Macquarie Media Limited. The acquisition of Macquarie Media Operations Pty Limited was considered a reverse acquisition, with Macquarie Media Operations Pty Limited being considered the parent for accounting purposes and the transaction was treated as a business combination under AASB 3 'Business Combinations'.

The financial statements for 30 June 2016 are for the first full year after the transaction. The comparative financial statements for the year ended 30 June 2015 include the results of Macquarie Media Operations Pty Ltd for the year and Macquarie Media Limited for the three months from 31 March 2015.

## DIRECTORS

The following persons were Directors of Macquarie Media Limited during the financial year and up to the date of this report:

Russell Tate

Gregory Hywood

James Millar AM

Louise McCann

Monique Marks (appointed 4 September 2015)

Jack Singleton (resigned 1 September 2015)

Refer to Directors details on page 16 to 17.

## PRINCIPAL ACTIVITIES

The consolidated entity operates in radio and associated media activities in a sole geographical location being Australia. No significant change in the nature of these activities occurred during the year.

## OPERATING AND FINANCIAL REVIEW

**Group overview**

The Group owns and operates the following commercial radio stations:

- Sydney – 2GB, 2UE and 2CH
- Melbourne – 3AW and Magic 1278
- Brisbane – 4BC and Magic 882
- Perth – 6PR

In addition to the above, the Group owns a public relations agency, a company responsible for syndicating programming content, a music distribution business and also produces digital and online media through its websites.

On 30 October 2015, the Group completed the sale of its eight radio stations based in regional Queensland, Macquarie Regional Radio, to Resonate Broadcasting for proceeds of $2.3 million. The business of Radio 2CH Pty Ltd is being actively marketed and the sale is considered to be highly probable at the year end. Both businesses are therefore presented as discontinued operations. At 30 June 2016, 2CH is classified within assets held for sale.

**Group financial performance**

Total revenues and other income of $135.862 million were 40% ahead of prior year. Operating revenues were up 40% on the prior year.

Reported Earnings before Interest, Tax and Depreciation and Amortisation (EBITDA) of $25.456 million represents a 237% increase on the previous corresponding period. Underlying EBITDA, which excludes a net loss of $1.500 million in discontinued operations and significant items as detailed in this Report, increased by 180% to $26.320 million.

The Group's net assets increased by 6% compared with the previous year. Compared with the prior year, the Group's borrowings increased by 4% to $40.791 million with undrawn debt facilities of $0.209 million.

**Strategy and future performance**

The broad areas of strategic focus for future financial years will be:

- Continue to drive improved returns from the Group's core radio broadcasting operations.
- Maintain the Group's strong market presence and lead in the Sydney and Melbourne ratings.
- Engage emerging distribution channels that facilitate the syndication of existing and new content.

The material financial risks faced by the Group, and how the Group manages these risks, include:

- Significant decline in ratings – given our strong market position, any significant downturn in ratings could potentially impact our advertising revenue and our financial results. We address this risk by employing well known and professional presenters in addition to considering succession plans that capture and retain our target audience.
- Non-compliance with media regulation – this risk is addressed by conducting regular training and providing pre-publication advice.

To the extent that the disclosure of information regarding likely developments in the activities of the consolidated entity in future financial years and the expected results of those activities is likely to result in unreasonable prejudice to the consolidated entity, it has not been disclosed in this report.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

## MEETINGS OF DIRECTORS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year were as follows:

| | Directors' Meetings | | Audit Committee | | Nomination and Remuneration Committee | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| Russell Tate | 6 | 6 | 4 | 4 | 2 | 2 |
| Gregory Hywood | 5 | 6 | 3 | 4 | 1 | 2 |
| James Millar (AM) | 6 | 6 | 4 | 4 | 2 | 2 |
| Jack Singleton | - | 1 | - | 2 | - | 1 |
| Louise McCann | 6 | 6 | 4 | 4 | 2 | 2 |
| Monique Marks | 4 | 5 | 2 | 2 | 1 | 1 |

**Notes:**

A = number of meetings attended.

B = number of meetings held during the time the Director held office during the year or was a member of the committee during the year.

Each Director is invited to attend the sub-committee meetings of the Board.

## REMUNERATION REPORT

Remuneration is referred to as compensation throughout this report.

Key management personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

The key management personnel of the Group are the Directors of Macquarie Media Limited and the executive officers as follows:

- Russell Tate – Executive Chairman
- Adam Lang – Chief Operating Officer
- Lisa Young – Chief Financial Officer

2015 comparative remuneration information for Macquarie Media Limited Directors and key management personnel is provided from 1 April 2015 to 30 June 2015. Adam Lang is considered key management personnel both under Macquarie Media Operations Pty Limited and Macquarie Media Limited. Accordingly his remuneration is for the period 1 July 2014 to 30 June 2015.

## REMUNERATION POLICY

### Objectives and policies

The Company has established processes to ensure that the level and composition of remuneration are sufficient, reasonable, and explicitly linked to performance. The objectives of the Company's remuneration policies are to attract, motivate and retain appropriately qualified and experienced executives and other employees capable of discharging their respective responsibilities to enable the Company to achieve its business strategy.

### Remuneration structure

The Nomination and Remuneration Committee is primarily responsible for the review and making of recommendations in relation to issues that impact executive remuneration and development, including remuneration packages and other terms of employment for Directors.

### Non-executive Directors

The Nomination and Remuneration Committee is responsible for recommending to the Board fees applicable to Non-executive Directors. Directors are remunerated at market rates for their services to the Company. Non-executive Directors are paid a fixed annual fee for their services.

### Executive Directors and Management

The Nomination and Remuneration Committee is responsible for recommending to the Board remuneration policies, fees, salaries, short-term and long-term incentives applicable to Executive Directors and management of the Company.

The remuneration policies are designed to drive a performance culture, and to ensure that the way in which employees are recognised and rewarded through remuneration is in the best interests of the shareholders, the Company and the individual. The remuneration policies achieve this by:

- providing remuneration that is market competitive to ensure the Company has the ability to retain and motivate strong performing employees and attract high calibre employees;
- implementing an incentive scheme to ensure the most senior executive remuneration is linked to both individual performance and Company performance; and
- undertaking an annual evaluation process on the performance of all executives, the results of which contribute to the determination of any salary adjustment an individual executive may receive.

Compensation levels for key management personnel of the Company are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment's performance; and
- the Group's earnings performance.

Compensation packages include a mix of fixed and variable compensation and short and long-term performance-based incentives. In addition to their salaries, the Group also makes statutory contributions to a post-employment superannuation plan on behalf of the key management personnel.

Performance linked compensation includes short-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

## Non-executive Directors

The Board seeks to set remuneration of Non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The remuneration of Non-executive Directors is determined within an aggregate Non-executive Directors' remuneration pool limit. The maximum currently stands at $300,000 per annum. The remuneration of Non-executive Directors does not incorporate any bonus or incentive element.

The Company does not currently have a retirement benefit scheme for Non-executive Directors, other than their individual statutory superannuation benefits which are included as part of their total Non-executive Directors' fee compensation.

Details of the nature and amount of each major element of remuneration of each Director of the Company and other key management personnel are set out on the following six pages.

## Share appreciation rights plan of Macquarie Media Limited

During the 2016 financial year the Company revisited its long term incentive (LTI) arrangements to ensure that it continued to reward, retain and motivate certain employees and senior executives in a manner aligned with Shareholders. After exploring a number of equity incentive vehicles, it was decided that a share appreciation rights (SAR) plan was the most appropriate incentivisation mechanism for senior executives and the relevant employees. Economically, SARs are similar to an option with an exercise price equal to the market value at the grant date. That is, a SAR rewards the Participant if Share price growth is achieved after the relevant grant date.

Under the Plan, the Board may grant SARs to Eligible Participants. Vesting of any SAR granted under the Plan is subject to the satisfaction of performance hurdles, vesting conditions, and/or other conditions as determined by the Board. Each SAR represents a right to receive an Award (payable in cash or Ordinary Shares in Macquarie Media Limited or a combination of both in the absolute discretion of the Board) with a value equal to the positive difference between the Subsequent Market Value and the Base Price. The Board expects that it will typically settle a vested SAR in Shares. If all applicable Vesting Conditions and Performance Hurdles are satisfied or otherwise waived by the Board, a Vesting Notice will be provided to the Participant. Unless and until the Vesting Notice is provided to the Participant, the relevant SARs will not be considered to have vested. The Plan enables the Company to make annual grants to Eligible Participants so that LTIs form a key component of their total annual remuneration. This better aligns the remuneration packages of certain employees and senior executives of the Company with the interests of Shareholders and current market practice.

On 10 November 2015 Shareholders approved the proposed SAR Plan – a summary of the principal terms of the Plan are set out in the following table:

| Key term | Description |
|---|---|
| **Instrument** | Share Appreciation Right (SAR). Each SAR is a right to an Award which is calculated in the following manner:<br>*Subsequent Market Value – Base Price*<br>Consequently, the Participant's Total Award is calculated in the following manner:<br>*(Subsequent Market Value – Base Price) x Number of vested SARs*<br>At the Board's discretion, the Participant's Total Award (if any) may be settled in cash, via a transfer and/or issue of Shares (rounded down to the nearest whole number) or a combination of both, the number of Shares to be calculated in the follow manner:<br>*Total Awards / Subsequent Market Value* |
| **Vesting conditions/ performance hurdles** | The Performance Hurdles applicable to the SARs to be granted:<br>▪ (1 July 2015 - 30 June 2016) (Year One) - 50% of the proposed grant of SARs will vest at the end of Year One if the Company achieves EBITDA of $32 million and the Company achieves revenue growth year on year of at least 10% from FY2015 (Year One Performance Hurdles). Performance against the Year One Performance Hurdles will be determined having regard to the FY2016 audited accounts. If these Performance Hurdles are not satisfied, no SARs will vest at the end of Year One, however the SARs will be retained and may vest at the end of Year Two if the Year Two Performance Hurdles (as defined below) or the Year Two EBITDA Hurdle (as defined below) are satisfied.<br>▪ (1 July 2016 – 30 June 2017) (Year Two) – the remaining 50% of the proposed grant of SARs (or 100% of the SARs if none vested at the end of Year One) will vest at end of Year Two provided that the Company achieves EBITDA of $45 million and the Company achieves revenue growth year on year of at least 7.5% (Year Two Performance Hurdles). Performance against the Year Two Performance Hurdles will be determined having regard to the FY2017 audited accounts.<br>If the Year Two Performance Hurdles are not satisfied, 50% of unvested SARs at that time will vest if the Company's EBITDA (as set out in the FY2017 audited accounts) exceeds $40 million (Year Two EBITDA Hurdle). The remaining 50% of unvested SARs at that time will lapse.<br>All unvested SARs will lapse if the Year Two Performance Hurdles are not satisfied or the Year Two EBITDA Hurdle is not satisfied. |
| **Vesting notification and exercise** | Once the Board determines whether or not the Vesting Conditions and Performance Hurdles and/or other conditions have been met, it will notify Participants of the number of SARs that have vested and/or lapsed via the issue of a Vesting Notice. The date of the Vesting Notice will be the Vesting Date.<br>No SARs will vest until a Vesting Notice has been issued.<br>Participants will be able to exercise any rights from the date of the relevant Vesting Notice until the SARs lapse. |
| **Exercise price** | Nil – Participants will not have to pay any amount to exercise the SARs. |

| | |
|---|---|
| **Life of Awards / Expiry Date** | The SARs will expire on the date that is 15 years from the Grant Date, or any other date determined by the Board and as specified in the invitation letter. SARs that are not exercised before the Expiry Date will lapse. |
| **Lapsing / forfeiture** | *Leaver:* Where a Participant ceases to be an Eligible Participant (e.g. ceases employment), all unvested SARs will lapse and be forfeited unless the Board determines otherwise in its discretion.<br>*Fraudulent or dishonest actions:* Unvested SARs will also lapse where, in the opinion of the Board, a Participant:<br>▪ acts fraudulently or dishonestly; or<br>▪ wilfully breached their duties.<br>*Failure to satisfy Vesting Conditions and/or Performance Hurdles:* SARs which do not vest (as provided for in the Vesting Notice) will automatically lapse.<br>*Insolvency Event:* Unvested SARs will lapse where an Insolvency Event (e.g. bankruptcy) occurs in relation to a Participant.<br>The Board will have overriding discretion to determine in the above circumstances that some or all unvested SARs will not lapse and be forfeited. |
| **Quantum of Award** | Each SAR is a right to an award (Award) which is calculated in the following manner:<br>*Subsequent Market Value – Base Price*<br>The Board has determined:<br>Base Price = $1.00 per SAR<br>Performance Qualification Date = the date the Board determines that the relevant Vesting Conditions and Performance Hurdles have been satisfied (or the date that the Board waives those conditions or hurdles)<br>Subsequent Market Value = the 30-day value weighted average price (VWAP) of Shares immediately preceding the Performance Qualification Date<br>The Total Award, depending on the number of SARs that vest will be calculated in the following manner:<br>*Total Award ($) = (Subsequent Market Value – Base Price) x Number of vested SARs*<br>At the Board's discretion, the Total Award (if any) may be settled in cash, via a transfer and/or issue of Shares (rounded down to the nearest whole number) or a combination of both. If the Board determines to settle the vested SARs by way of Shares, the number of Shares will be calculated in the following manner:<br>*Total Award (Shares) = (Total Award ($) / Subsequent Market Value)* |

| | | Short-term | | | | | Post-employment | Other long-term | | Share-based payments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Salary & Fees $ | Annual leave movement $ | STI cash bonus $ | Non-monetary benefits $ | Total $ | Super-annuation benefits $ | $ | Termination benefits $ | Options and rights $ | Total $ | Proportion of remuneration performance related % | Value of options as proportion of remuneration % |
| **DIRECTORS Non-executive directors** | | | | | | | | | | | | | |
| Gregory Hywood | 2016 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2015 | - | - | - | - | - | - | - | - | - | - | - | - |
| James Millar AM | 2016 | 68,493 | - | - | - | 68,493 | 6,507 | - | - | - | 75,000 | - | - |
| | 2015 | 17,123 | - | - | - | 17,123 | 1,627 | - | - | - | 18,750 | - | - |
| Jack Singleton (resigned 1 September 2015) | 2016 | 8,669 | - | - | - | 8,669 | - | - | - | - | 8,669 | - | - |
| | 2015 | 18,750 | - | - | - | 18,750 | - | - | - | - | 18,750 | - | - |
| Louise McCann | 2016 | 68,493 | - | - | - | 68,493 | 6,507 | - | - | - | 75,000 | - | - |
| | 2015 | 5,708 | - | - | - | 5,708 | 542 | - | - | - | 6,250 | - | - |
| Monique Marks (appointed 4 September 2015) | 2016 | 56,374 | - | - | - | 56,374 | 5,356 | - | - | - | 61,730 | - | - |
| **Executive directors** | | | | | | | | | | | | | |
| Russell Tate (Chairman) | 2016 | 1,000,000 | - | - | - | 1,000,000 | 6,840 | - | - | - | 1,006,840 | - | - |
| | 2015 | 250,000 | - | - | - | 250,000 | 1,710 | - | - | - | 251,710 | - | - |
| **EXECUTIVES** | | | | | | | | | | | | | |
| Adam Lang, Chief Operating Officer | 2016 | 494,225 | (2,367) | - | - | 491,858 | 19,308 | 14,342 | - | - | 525,508 | - | - |
| | 2015 | 475,216 | 20,624 | - | - | 495,840 | 18,783 | 1,188 | - | 393,262 | 909,073 | - | - |
| Lisa Young, Chief Financial Officer | 2016 | 147,997 | 3,755 | - | - | 151,752 | 11,450 | 5,186 | - | - | 168,388 | - | - |
| | 2015 | 48,750 | 905 | - | - | 49,655 | 4,631 | 5,796 | - | - | 60,082 | - | - |
| **Total compensation: key management personnel (group)** | **2016** | **1,844,251** | **1,388** | **-** | **-** | **1,845,639** | **55,968** | **19,528** | **-** | **-** | **1,921,135** | **-** | **-** |
| | **2015** | **815,547** | **21,529** | **-** | **-** | **837,076** | **27,293** | **6,984** | **-** | **393,262** | **1,264,615** | **-** | **-** |

- Information for the year ended 30 June 2015 has been prepared as follows:
  - Remuneration details for Macquarie Media Limited Directors and key management personnel are provided from 1 April 2015 to 30 June 2015.
  - Adam Lang is considered key management personnel both under Macquarie Media Operations Pty Limited and Macquarie Media Limited. Accordingly his remuneration is for the period 1 July 2014 to 30 June 2015.
- Information for the year ended 30 June 2016 has been prepared as follows:
  - Remuneration details for Macquarie Media Limited Directors and key management personnel are provided from 1 July 2015 to 30 June 2016.

## Service Agreements and Bonus Schemes

Notes in relation to the table of Directors' and executive officers remuneration:

The following Directors and key management personnel have service agreements with Macquarie Media Limited in place at June 2016:

**Russell Tate** *(Executive Chairman)*

- Base salary is $498,000 p.a.
- Retention fee of $430,000 p.a.
- Directors' fees of $72,000 are paid in respect of his capacity as Chairman.
- Macquarie Media Limited share appreciation rights totalling 750,000. These vest over a 2 year period.

**Adam Lang** *(Chief Operating Officer)*

- Base salary is $510,000 p.a. including superannuation.
- The agreement may be terminated with 16 weeks' written notice by the executive and 52 weeks' notice by the Company.
- Mr Lang was part of the Fairfax Media Limited share based payment arrangements. The 2013 scheme has a 3 year vesting period and is linked to the Total Shareholder Return and Earnings Per Share of Fairfax Media Limited. The 2014 and 2015 schemes granted options with vesting hurdles linked to the absolute total shareholder return over 3 years from the issue, with a retest in the fourth year. Under both the 2014 and 2015 scheme he is also entitled to receive performance shares for no consideration subject to the achievement of certain performance hurdles. Half of those shares granted are deferred for one year and the other half for two years. Mr Lang was treated as a good leaver in respect of the 2014 scheme and the 2015 scheme has been modified, therefore the expense for both the 2014 and 2015 schemes was accelerated in the 2015 year in accordance with the requirements of AASB 3.
- Macquarie Media Limited share appreciation rights totalling 600,000. These vest over a 2 year period.

**Lisa Young** *(Chief Financial Officer)*

- Base salary is $250,000 p.a.
- The agreement may be terminated with 8 weeks' written notice by either party.
- Macquarie Media Limited share appreciation rights totalling 300,000. These vest over a 2 year period.

## Details of performance related compensation

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 7 and 8.

## Key management personnel equity holdings

**Fully paid ordinary shares of Macquarie Media Limited**

The number of shares in the company held during the financial year by each director of Macquarie Media Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

**2016**

| Name | Balance at the start of the year | Received during the year on the exercise of options | Other changes during the year (i) | Balance at the end of the year |
|---|---|---|---|---|
| **Directors of Macquarie Media Limited Ordinary shares** | | | | |
| Russell Tate | 552,628 | - | - | 552,628 |
| Gregory Hywood | - | - | - | - |
| James Millar AM | - | - | 100,000 | 100,000 |
| Jack Singleton (resigned 1/9/15) | - | - | - | - |
| Louise McCann | - | - | - | - |
| Monique Marks (appointed 4/9/15) | n/a | - | 10,000 | 10,000 |
| **Other key management personnel of the Group Ordinary shares** | | | | |
| Adam Lang | - | - | - | - |
| Lisa Young | - | - | - | - |

(i) Ordinary shares purchased during the year

**2015**

| Name | Balance at 1 April 2015 | Received during the year on the exercise of options | Other changes during the year | Balance at the end of the year |
|---|---|---|---|---|
| **Directors of Macquarie Media Limited Ordinary shares** | | | | |
| Russell Tate | 552,628 | - | - | 552,628 |
| Gregory Hywood | - | - | - | - |
| James Millar AM | - | - | - | - |
| Jack Singleton (resigned 1/9/15) | - | - | - | - |
| Louise McCann | - | - | - | - |
| Monique Marks (appointed 4/9/15) | n/a | - | - | n/a |
| **Other key management personnel of the Group Ordinary shares** | | | | |
| Adam Lang | - | - | - | - |
| Lisa Young | - | - | - | - |

## Loans to key management personnel

The Group has not provided any loans to key management personnel in the current or previous financial year.

## Other transactions with key management personnel

There were no other transactions.

## DIRECTORS' RELEVANT INTERESTS IN THE SHARES OF THE COMPANY

The Directors' interests in shares in the Company are shown above.

There have been no changes to the Directors' interests between balance date and the date of this report.

## NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for audit services provided during the year are set out in Note 33 to the financial statements. There were no non-audit services provided during the year.

## REMUNERATION CONSULTANTS

The Nomination and Remuneration Committee appointed PricewaterhouseCoopers (PwC) as its principal remuneration consultant to provide specialist advice on executive remuneration matters. PwC provided information to the Committee in respect of its long term incentive arrangements including the share appreciation rights (SAR) plan. This information was used by the Committee in the development of the SAR plan which was ultimately approved by Shareholders in October 2015.

## ENVIRONMENTAL ISSUES

The consolidated entity's operations are not regulated by any significant law of the Commonwealth or a State or Territory relating to the environment.

## DIVIDENDS

Dividends paid to members of the parent entity, Macquarie Media Limited, during the financial year were as follows:

- Interim franked dividend for the half year ended 31 December 2015 of 2.0 cents per fully paid ordinary share — $3,420,055

## INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Constitution permits the Company to indemnify each Director and officer of the Company against any liabilities (to the extent permitted by law) in or arising out of the conduct of the business of the Company or a subsidiary of the Company or the discharge of the duties of its officers. It is the Company's policy to indemnify its officers against any claims or from any expenses or costs they incur in carrying out their role, to the extent permitted by law.

The Company has provided Deeds of Access and Indemnity to each of the Directors, the Company Secretary and the Executive Chairman. Under the Deeds of Access and Indemnity, the Company has agreed to indemnify these officers against any claim or for any expenses or costs which may arise as a result of work performed in their capacity as officers, to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

During the financial year, the Company paid a premium for an insurance policy for the benefit of its officers. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

## INDEMNIFICATION OF AUDITORS

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

## SUBSEQUENT EVENTS

As at the date of this report, no subsequent events have occurred.

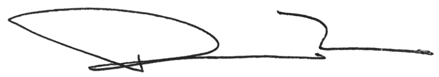
## AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

## ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Company is an entity to which Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission applies and, accordingly, amounts in the Financial Statements and the Directors' Report have been rounded off to the nearest thousand dollars in accordance with this Corporations Instrument, unless otherwise stated.

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



**Russell Tate**
Chairman

Dated this 8th day of August 2016

# BOARD OF DIRECTORS

**Russell Tate** *Executive Chairman (appointed 21 November 2008)*

Mr Tate has over 30 years' experience in senior executive and consulting roles in marketing and media. He was Chief Executive Officer of ASX listed STW Communications Group Limited, Australia's largest marketing communications group, from 1997 to 2006, Executive Chairman from 2006 to 2008 and Deputy Chairman (Non-executive) from 2008 to 2011. He is currently a Director of One Big Switch Pty Ltd and Collins Foods Limited. During the past three years Mr Tate has been Chairman of both Collins Foods Limited (since 2011) and One Big Switch Pty Ltd (since 2012). Mr Tate holds a Bachelor of Commerce (Econ.) from the University of New South Wales.

**Gregory Hywood** *Non-executive Director (appointed 31 March 2015)*

Mr Hywood has enjoyed a long career in the media and government. Mr Hywood was appointed to the Board of Directors of Fairfax Media Limited in October 2010 and to the position of Chief Executive and Managing Director on 7 February 2011. A Walkley Award winning journalist, he held a number of senior management positions at Fairfax Media Limited including Publisher and Editor-in-Chief of each of The Australian Financial Review, The Sydney Morning Herald / Sun Herald and The Age. Mr Hywood was Executive Director in the Victorian Premier's Department between 2004 and 2006, Chief Executive of Tourism Victoria from 2006 to 2010 and a Director of The Victorian Major Events Company from 2006 until June 2016.

**James Millar AM** *Non-executive Director (appointed 31 March 2015)*

Mr Millar is the former Chief Executive Officer of Ernst & Young (EY) in the Oceania Region and was a Director on their Global Board. Mr Millar commenced his career in the Insolvency and Reconstruction practice at EY, conducting some of the largest corporate workouts of the early 1990's. He has qualifications in both business and accounting. Mr Millar is a Non-executive Director of Mirvac Limited, Slater & Gordon and Fairfax Media Limited. He is Chairman of both the Export Finance and Insurance Corporation and Forestry Corporation of NSW. Mr Millar serves a number of charities. He is a former Chairman of Fantastic Holdings Limited and The Smith Family and a former Director of Helloworld Limited.

**Louise McCann** *Non-executive Director (appointed 10 June 2015)*

Ms McCann is a Non-executive Director with a diverse portfolio including technology, media, health, education, accounting and professional services. Ms McCann's executive career was as a Chief Executive Officer and senior executive in the media and commercial market research and brand and communications sectors in Australia, New Zealand and across Asia. Ms McCann's current Non-executive Director portfolio comprises, CUA (Credit Union Australia), Grant Thornton Australia Limited, University of Notre Dame, Australian Physiotherapy Association and Chartered Accountants Australia and New Zealand. From April 2011 until August 2015 Ms McCann was a Non-executive Director with ASX iiNet Limited and Chaired the Remuneration and Nominations committee.

**Monique Marks** *Non-executive Director (appointed 4 September 2015)*

Ms Marks has over 20 years' experience in senior management roles specialising in business management, venue management, development and business transformation projects. Ms Marks is the Chief Executive Officer of the John Singleton Group, overseeing the operation of the Groups portfolio and has held senior roles with companies owned by John Singleton for over 15 years. Ms Marks is a graduate of the Australian Institute of Company Directors and sits on numerous boards. Ms Marks holds an Advanced Diploma of Management, Business Administration, Hospitality, Venue and Events. Prior to joining Mr Singleton's Group, Ms Marks held senior positions in the hospitality Industry for over 12 years.

**Jack Singleton** *Non-executive Director (resigned 1 September 2015)*

Mr Singleton has 25 years' experience in advertising and marketing. Mr Singleton is a director and shareholder of his own advertising agency and has also founded three additional successful businesses in the online marketing, telecommunications, and online retail categories.

**Lisa Young** *Company Secretary (appointed 28 March 2014)*

Ms Young was appointed Financial Controller of Macquarie Media Limited (MML) in April 2011 and progressed to the role of Chief Financial Officer in July 2013. On 28 March 2014 she was appointed Company Secretary. Before joining MML, she held financial positions in a number of media organisations in the United Kingdom including Daily Mail and General Trust plc and British Sky Broadcasting Group plc. Prior to this she worked for PricewaterhouseCoopers in Brisbane. Ms Young is a Chartered Accountant and holds a Bachelor of Commerce and a Bachelor of Arts degree from the University of Queensland.

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Macquarie Media Limited ("the Company") is committed to responsible corporate governance. In accordance with the Australian Securities Exchange Limited Corporate Governance Council's *Corporate Governance Principles and Recommendations* ("the Recommendations"), the Board has established and approved a sound framework of corporate governance practices that it considers appropriate for the Company. The Board recognises that it is accountable to shareholders for the performance of the Company and, to that end, is responsible for instituting a system of corporate governance that operates in the best interests of shareholders while also addressing the interests of other key stakeholders.

The Board considers the Company's corporate governance practices are consistent with the Recommendations. However, the Board recognises that the full adoption of the Recommendations may not be practical or appropriate given the particular circumstances of the Company. Where the Company's current practices do not comply with the Recommendations, the differences are identified in this Statement.

This Statement describes the Company's main corporate governance practices in place during 2016 and continues to be in place at the date of this Report.

## BOARD OF DIRECTORS

The Board guides and monitors the performance and management of the Company on behalf of the shareholders, by whom it is elected and to whom it is accountable.

### Board role and responsibility

The principal responsibilities of the Board include:

- contributing to the development and implementation of corporate strategy;
- monitoring the corporate and financial performance of the Company;
- approving the Company's financial reporting including annual and half-year reports;
- appointing Board members and the Chief Executive Officer;
- delegating clear responsibility and authority to the committees of the Board, the Chief Executive Officer and management;
- monitoring and reviewing the performance of those who hold delegated powers;
- monitoring and reviewing processes and systems of risk management and internal compliance and control;
- overseeing the Company's corporate governance framework;
- overseeing the Company's processes for disclosure and communications; and
- reviewing and authorising major investments.

During the 2016 financial year, the Board delegated responsibility for the day-to-day management and administration of the Company principally to the Chairman of the Company, working with the senior management team. The Recommendations recommend the roles of Chair and Chief Executive Officer should not be exercised by the same individual. Notwithstanding the Recommendations, the existing management structure is considered appropriate for the Company.

### Composition of the Board

The Company seeks to have a Board comprising Directors with relevant knowledge, experience and expertise to deal with the current and emerging issues of the business, to review and challenge the performance of management, and to exercise independent judgment.

The Board currently comprises five Directors, including the Chairman.

Details of the background and particular expertise of each Director is set out on page 16 to 17.

The Recommendations recommend that a majority of the Board be independent. In summary, a Director is considered to be independent if he/she is not a member of management and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder;
- is not, and has not in the last three years been, a principal of a material professional adviser or a material consultant to the Company;
- is not associated with a material supplier or customer of the Company;
- has no material contractual relationship with the Company; and
- does not have any interest or business relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is assessed on a case-by-case basis having regard to the Company and the relevant Director's circumstances, including the significance of the relationship to the Director in the context of their activities as a whole.

Having regard to these criteria, there is one Non-executive Director who is independent (Louise McCann). Three Non-executive Directors (Gregory Hywood, James Millar AM and Monique Marks) and one Executive Director (Chairman Russell Tate) are considered non-independent.

The Recommendations also recommend that the Chairman be an independent Director. The Chairman, Russell Tate, is not considered by the Board to be independent.

Notwithstanding the Recommendations, the existing Board structure is considered appropriate for the Company at its current size and stage of growth.

## Nomination and appointment of new Directors

It is the responsibility of the Nomination and Remuneration Committee to formulate procedures and policies for the selection, appointment and remuneration of new Directors. The Committee is also responsible for reviewing the performance of the Board, its committees and individual Directors.

Where the Board determines there is a need to appoint a Director, whether due to the retirement of a Director, growth of the Company, or changed circumstances of the Company, the Nomination and Remuneration Committee has responsibility for proposing candidates for consideration by the Board. Where appropriate, the services of external consultants may be engaged.

All new Directors receive an appointment letter setting out the terms of their appointment including details of their role, Committee memberships (if any), re-election requirements and their expected time commitments.

## Retirement and re-election of Directors

In accordance with the Company's Constitution, one third of the Board (other than the Managing Director or Chief Executive Officer) must stand for re-election on a rotational basis at each Annual General Meeting. All retiring Directors are eligible for re-election.

The Company does not have a policy in relation to the retirement or tenure of Directors. The Board believes that maintaining flexibility in relation to the appropriate term for each Director allows it to attract and retain Directors of the highest standard with the most appropriate skills and experience.

The Board does not consider that any existing Director has served on the Board for a period which could materially interfere with their ability to act in the best interests of the Company.

# corporate governance statement
## continued

### Independence of Directors

Directors have an overriding responsibility to perform their duties in the best interests of the Company. Directors are required to disclose, on an ongoing basis, any interest that could potentially conflict with those of the Company. In accordance with the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must declare the possible conflict of interest. They must not be present when the matter is being considered and may not vote on the matter.

### Operation of the Board

The Board and its committees meet regularly to review strategies and operational performance. The Chairman and senior management communicate regularly to discuss issues relating to the business and to set Board agendas. In addition, Directors receive regular updates from management on key issues between Board meetings.

### Board access to information and independent advice

Directors have unrestricted access to Company records and information, and receive regular detailed financial and operational reports from management.

Individual Directors and Board committees may seek independent professional advice at the Company's expense in order to assist them in carrying out their duties. The process for obtaining such advice requires the Director to notify the Chairman in advance. The Chairman will be provided with a copy of the final advice which may, if appropriate, be circulated to the other Directors.

## BOARD COMMITTEES

To assist in the effective execution of its responsibilities, the Board has established the following committees:

- Audit Committee; and
- Nomination and Remuneration Committee.

The general role of the Board committees is to review and analyse policies and strategies that are within their respective areas of responsibility. The Board committees may not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so. The role of each committee is described in more detail below.

### Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. The Audit Committee currently comprises the following Directors:

| | |
|---|---|
| James Millar AM | Committee Chairman, Non-executive Director |
| Russell Tate | Executive Chairman |
| Gregory Hywood | Non-executive Director |
| Louise McCann | Non-executive Director |
| Jack Singleton | Non-executive Director (resigned 1 September 2015) |
| Monique Marks | Non-executive Director (appointed 4 September 2015) |

The role of the Audit Committee is to monitor and review the effectiveness of the Company's controls in the areas of operational and statement of financial position risk, legal and regulatory compliance, and financial reporting. The Audit Committee discharges these responsibilities by:

- overseeing the existence and maintenance of internal controls and accounting systems;
- overseeing the management of risk within the Company;
- overseeing the financial reporting processes to ensure compliance with statutory requirements and accounting standards;
- reviewing the annual and half year financial reports and recommending them for approval by the Board;
- reviewing and making recommendations to the Board regarding the appointment or dismissal of external auditors;
- reviewing the performance of the external auditors and existing audit arrangements;
- overseeing the processes used by management to ensure compliance with laws, regulations and other statutory or professional requirements;
- reviewing, annually, the requirement for an internal audit function; and
- providing written advice to the Board, endorsed by a resolution of the Committee, that the Committee is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Audit Committee is required to meet at least twice a year. Additional meetings may be held as the work of the Committee demands. Members of management and the external auditors attend meetings of the Audit Committee by invitation. The Committee assesses annually the performance of the auditor, as well as the relationships between the external auditor and the Company, to ensure independence is maintained.

## Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises the following Directors:

| | |
|---|---|
| Louise McCann | Committee Chairman, Non-executive Director |
| Russell Tate | Executive Chairman |
| James Millar AM | Non-executive Director |
| Gregory Hywood | Non-executive Director |
| Jack Singleton | Non-executive Director (resigned 1 September 2015) |
| Monique Marks | Non-executive Director (appointed 4 September 2015) |

The Nomination and Remuneration Committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and the Chief Executive Officer. It is also responsible for overseeing succession planning, selection and appointment practices and remuneration packages for senior management and employees of the Company. The objectives of the Committee include:

- reviewing, assessing and making recommendations to the Board on the desirable competencies of the Board;
- assessing the performance of the members of the Board;
- overseeing the selection and appointment practices for Non-executive Directors and senior management of the Company;
- developing succession plans for the Board and overseeing the development of succession planning in relation to senior management; and
- assisting the Board in determining appropriate remuneration policies.

The Committee is required to meet at least twice a year. Additional meetings may be held as the work of the Committee demands. Senior management may be invited to the Committee meetings to provide input on management performance and salary packages.

## COMPANY SECRETARY

The Company Secretary is accountable to the Board through the Chairman on all matters relating to the proper functioning of the Board. The qualifications and experience of the Company Secretary are set out on page 17.

## CORPORATE CONDUCT AND RESPONSIBILITY

The Company seeks to maintain a high standard of ethical behaviour to ensure that its business is conducted with integrity, honesty and fairness at all times.

### Continuous disclosure and shareholder communication

The Company is committed to providing timely, open and accurate information to shareholders and the market in general.

The Board is committed to keeping shareholders fully informed of all major developments affecting the Company by:

- preparing detailed half-yearly and annual financial reports, and making these available to all shareholders;
- informing shareholders of the key issues affecting the Company; and
- holding an Annual General Meeting which enables shareholders to ask questions of the Board.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The Company's management and auditors attend the Annual General Meeting to answer questions of shareholders as required.

The Company has developed a corporate website to enable broader access to Company information by shareholders and stakeholders. Amongst other things, the website will contain all relevant announcements made to the market, and related information (e.g. information provided to analysts or media during briefings) after they have been released to the ASX.

### Share trading policy

In addition to the provisions of the Corporations Act 2001 which apply to all employees, the Company has developed specific written guidelines that prohibit Directors and employees (collectively referred to as "Designated Officers") from acquiring, selling or otherwise trading in the Company's shares while in possession of information about the Company that is not in the public domain and is price sensitive. Price sensitive information is information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Under the guidelines, Designated Officers must not deal in the Company's securities at any time if they are in possession of unpublished price sensitive information in relation to those securities.

Designated Officers may only deal in the Company's securities in the following circumstances:

- from not less than one full trading day after, to a maximum of 30 days after, the Company's half-year results announcement, full year results announcement and the Company's Annual General Meeting;
- where the securities are offered under the Company's dividend reinvestment plan or an approved executive or employee share plan;
- to take up entitlements under a rights issue or other offer;
- for the purposes of participating in any share buy-back;
- undertakings to accept, or the acceptance of, a takeover offer; or
- where otherwise required by law or the order of any court or regulatory authority.

Designated Officers may deal in the Company's securities outside the designated trading windows specified above where neither the Designated Officers nor the Company are in possession of unpublished price sensitive information in relation to those securities, and the Designated Officer obtains the approval of:

- the Chief Executive Officer (where the Designated Officer is not a Director); or
- the Chairperson of the Board (where the Designated Officer is a Director); or
- the Chairperson of the Audit Committee (where the Designated Officer is the Chairperson of the Board).

Any Designated Officer who deals in the Company's securities must notify the Company Secretary (or in the case of dealings by the Company Secretary, the Chairman) once the dealing has occurred. The obligation to notify will not apply to dealings under the dividend reinvestment plan or an approved executive or employee share plan. Prohibitions on dealing in securities apply not only to the acquisition and disposal of shares, but also to acquiring, taking, assigning and releasing of options traded in the options market.

## RISK MANAGEMENT

The Board has in place a number of arrangements and internal controls intended to identify, assess, monitor and manage areas of significant business risk. These include the maintenance of:

- Board committees;
- appropriate policies and procedures that are widely disseminated to, and understood by, employees;
- detailed and regular budgetary, financial and management reporting;
- clearly defined management responsibilities, organisational structures, and strong management reporting systems;
- external audit functions; and
- comprehensive insurance programs.

Management is ultimately responsible to the Board for the Company's system of internal control and risk management. The Audit Committee assists the Board in monitoring this function.

The Executive Chairman and Chief Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- The Company's financial reports present a true and fair view of the consolidated entity's financial condition and operation results and are in accordance with relevant accounting standards; and
- The Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

## GENDER DIVERSITY

The Company is focusing on maintaining an appropriate level of diversity across all levels of its workforce. The Company's actions will be guided by maintaining its current high standard of competence and performance.

The levels of gender diversity as at 30 June 2016 are set out below:

| **Gender Diversity** | 30 Jun 16 Male | 30 Jun 16 Female |
|---|---|---|
| Total employees | 52% | 48% |
| Senior Managers | 62% | 38% |
| Board | 60% | 40% |

The Board has set a target to maintain a strong level of gender diversity across the Group. It is the responsibility of the Nomination and Remuneration Committee to review on an annual basis the objectives in relation to achieving gender diversity and to measure the achievement of these objectives.

## REMUNERATION POLICIES AND PROCEDURES

### Objectives and policies

The Company has established processes to ensure that the level and composition of remuneration are sufficient, reasonable, and explicitly linked to performance. The objectives of the Company's remuneration policies are to attract, motivate and retain appropriately qualified and experienced executives and other employees capable of discharging their respective responsibilities to enable the Company to achieve its business strategy.

### Remuneration structure

The Nomination and Remuneration Committee is primarily responsible for the review and making of recommendations in relation to issues that impact executive remuneration and development, including remuneration packages and other terms of employment for Directors.

### Non-executive Directors

The Nomination and Remuneration Committee is responsible for recommending to the Board fees applicable to Non-executive Directors. Directors are remunerated at market rates for their services to the Company. Non-executive Directors are paid a fixed annual fee for their services.

## Executive Directors and Management

The Nomination and Remuneration Committee is responsible for recommending to the Board remuneration policies, fees, salaries, short-term and long-term incentives applicable to Executive Directors and senior management of the Company.

The remuneration policies are designed to drive a performance culture, and to ensure that the way in which employees are recognised and rewarded through remuneration is in the best interests of the shareholders, the Company and the individual. The remuneration policies achieve this by:

- providing remuneration that is market competitive to ensure the Company has the ability to retain and motivate strong performing employees and attract high calibre employees;
- implementing an incentive scheme to ensure the most senior executive remuneration is linked to both individual performance and Company performance; and
- undertaking an annual evaluation process on the performance of all executives, the results of which contribute to the determination of any salary adjustment an individual executive may receive.

## Incentive plans

Full details of the benefits and remuneration for Executive and Non-executive Directors are set out in the Remuneration Report.

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Sydney NSW 2000 Australia
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# Auditor's Independence Declaration to the Directors of Macquarie Media Limited

As lead auditor for the audit of Macquarie Media Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Douglas Bain
Partner
8 August 2016

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 5 | 133,770 | 95,808 |
| Other income | 5 | 2,092 | 1,028 |
| Employee benefits | 6 | 74,352 | 59,504 |
| Depreciation and amortisation | 6 | 2,435 | 2,065 |
| Legal, professional and consulting | | 1,806 | 2,248 |
| Rent | 6 | 4,901 | 3,351 |
| Royalties, licences and commissions | | 6,723 | 5,552 |
| Programming content | | 7,606 | 6,419 |
| Utilities and telephone | | 2,323 | 2,034 |
| Marketing and promotions | | 2,429 | 2,478 |
| Insurances | | 918 | 283 |
| Share of net losses/(profits) of associates | 14 | 2 | (4) |
| Redundancy and restructuring costs | | 370 | 2,239 |
| Other | | 8,931 | 5,178 |
| Finance costs | 6 | 1,707 | 851 |
| **Profit before tax** | | 21,359 | 4,638 |
| Income tax (expense)/benefit | 7 | (6,987) | 1,073 |
| **Profit for the year from continuing operations** | | **14,372** | **5,711** |
| **Discontinued Operations** | | | |
| (Loss)/Profit for the year after tax from discontinued operations | 17 | (1,054) | 39,138 |
| **Profit for the year** | 30 | **13,318** | **44,849** |
| **Other comprehensive income** | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Loss on available-for-sale financial assets | | (729) | (241) |
| Actuarial gains and losses on defined benefit scheme | | - | 28 |
| Impairment loss on revalued property, plant and equipment | | - | (785) |
| Income tax relating to these items | | 219 | 299 |
| Other comprehensive loss for the year, net of income tax | | (510) | (699) |
| **Total comprehensive income for the year** | | **12,808** | **44,150** |
| **Earnings per share** | | | |
| Basic earnings per share (cents per share) | 27 | 7.79 | 39.83 |
| Diluted earnings per share (cents per share) | 27 | 7.79 | 39.83 |
| **Earnings per share from continuing operations** | | | |
| Basic earnings per share (cents per share) | 27 | 8.40 | 5.07 |
| Diluted earnings per share (cents per share) | 27 | 8.40 | 5.07 |

The accompanying notes form part of these financial statements.

| | Notes | 2016 $'000 | Restated (i) 2015 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 16,606 | 1,357 |
| Trade and other receivables | 10 | 28,130 | 28,053 |
| Assets held for sale | 20 | 4,686 | 2,732 |
| Current tax asset receivable | 23 | - | 1,817 |
| Inventories | | 84 | 93 |
| Other assets | 11 | 2,020 | 3,194 |
| TOTAL CURRENT ASSETS | | 51,526 | 37,246 |
| **NON-CURRENT ASSETS** | | | |
| Other receivables | 12 | 707 | 624 |
| Investments accounted for using the equity method | 14 | 1,295 | 1,297 |
| Available-for-sale financial assets | 13 | 1,540 | 2,269 |
| Property, plant and equipment | 18 | 20,834 | 12,944 |
| Radio licences | 21 | 108,066 | 112,069 |
| Other intangible assets | 21 | 64,207 | 63,735 |
| Other assets | 11 | 319 | 383 |
| TOTAL NON-CURRENT ASSETS | | 196,968 | 193,321 |
| **TOTAL ASSETS** | | 248,494 | 230,567 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 22 | 20,444 | 15,092 |
| Deferred tax liability | 19 | 1,511 | 1,573 |
| Current tax liabilities | 23 | 1,382 | - |
| Liabilities directly associated with held for sale assets | 20 | 456 | 187 |
| Provisions | 24 | 8,157 | 8,276 |
| TOTAL CURRENT LIABILITIES | | 31,950 | 25,128 |
| **NON-CURRENT LIABILITIES** | | | |
| Borrowings | 25 | 40,791 | 39,391 |
| Other payables | | 287 | 46 |
| Provisions | 24 | 882 | 806 |
| TOTAL NON-CURRENT LIABILITIES | | 41,960 | 40,243 |
| **TOTAL LIABILITIES** | | 73,910 | 65,371 |
| **NET ASSETS** | | **174,584** | **165,196** |
| **EQUITY** | | | |
| Issued capital | 26 | 85,587 | 85,587 |
| Reserves | 29 | 72 | 582 |
| Retained earnings | 30 | 88,925 | 79,027 |
| **TOTAL EQUITY** | | **174,584** | **165,196** |

(i) Refer to Note 3(a)

The accompanying notes form part of these financial statements.

| | Fully Paid Ordinary Share Capital $'000 | Asset Revaluation Reserve $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Balance at 1 July 2014 | - | 1,281 | 136,494 | 137,775 |
| Profit for the year | - | - | 44,849 | 44,849 |
| Other comprehensive loss | - | (699) | - | (699) |
| Total comprehensive income/(loss) for the year | - | (699) | 44,849 | 44,150 |
| Fair value of consideration on acquisition of Macquarie Media Limited | 85,587 | - | - | 85,587 |
| Payment of dividends | - | - | (102,316) | (102,316) |
| **Balance at 30 June 2015** | **85,587** | **582** | **79,027** | **165,196** |
| Balance at 1 July 2015 | 85,587 | 582 | 79,027 | 165,196 |
| Profit for the year | - | - | 13,318 | 13,318 |
| Other comprehensive loss | - | (510) | - | (510) |
| Total comprehensive income/(loss) for the year | - | (510) | 13,318 | 12,808 |
| Payment of dividends | - | - | (3,420) | (3,420) |
| **Balance at 30 June 2016** | **85,587** | **72** | **88,925** | **174,584** |

The accompanying notes form part of these financial statements.

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers (inclusive of GST) | | 147,943 | 119,620 |
| Payments to suppliers (inclusive of GST) | | (118,122) | (115,538) |
| Income taxes paid | | (3,240) | (5,431) |
| Related party funding | | - | - |
| Interest received | | 45 | 22 |
| Dividends received | | 194 | 171 |
| Royalties received | | 1,547 | - |
| Finance costs | | (1,714) | (647) |
| Net cash generated by/(used in) operating activities | 36(b) | 26,653 | (1,803) |
| | | | |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payment for property, plant and equipment | | (10,667) | (1,132) |
| Payment for intangible assets | | (767) | (199) |
| Net cash arising from purchase of business | | - | 18,700 |
| Proceeds from sales of property, plant and equipment | | - | 8,593 |
| Proceeds from sale of subsidiary | | 2,300 | 76,104 |
| Repayments of loans by related parties | | - | - |
| Net cash (used in)/provided by investing activities | | (9,134) | 102,066 |
| | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | 1,400 | 3,000 |
| Dividends paid | | (3,420) | (102,316) |
| Net cash used in financing activities | | (2,020) | (99,316) |
| | | | |
| **Net increase in cash held** | | 15,499 | 947 |
| Reclassification to held for sale | | (250) | (38) |
| Cash at beginning of year | | 1,357 | 448 |
| | | | |
| **Cash at the end of the year** | 36(a) | 16,606 | 1,357 |

The accompanying notes form part of these financial statements.

## NOTE 1 CORPORATE INFORMATION

Macquarie Media Limited ('the Company') is a listed public company, incorporated in Australia and operating in Australia. The consolidated financial statements were authorised for issue by the directors on 8 August 2016.

On 10 November 2015, the parent entity of the Group, formerly known as Macquarie Radio Network Limited, changed its name to Macquarie Media Limited.

Macquarie Media Limited's registered office and its principal place of business are as follows:

Level 1, Building C
33-35 Saunders Street
Pyrmont, NSW 2009

## NOTE 2 ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

### a) Changes in accounting policy and disclosure

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

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

### b) Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Group has elected not to early adopt these new standards or amendments in the financial statements. The Group has yet to fully assess the impact the following accounting standards and amendments to accounting standards will have on the financial statements, when applied in future periods. They include:

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

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

## NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The ultimate parent entity of the group is Fairfax Media Limited.

*Compliance with International Financial Reporting Standards (IFRS)*
The financial statements also comply with IFRS as issued by the International Accounting Standards Board.

The financial statements comprise the consolidated financial statements of Macquarie Media Limited and its subsidiaries, collectively 'The Group'. For the purposes of preparing the consolidated financial statements, the entity is a 'for-profit' entity.

The financial report has been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

## a) Reverse acquisition

On 31 March 2015 Macquarie Media Limited completed the legal acquisition of Macquarie Media Operations Pty Limited (formerly Fairfax Radio Network Pty Limited) and its controlled subsidiaries from Fairfax Media Limited. Under the Australian Accounting Standards, Macquarie Media Operations Pty Limited was deemed to be the accounting acquirer in this transaction. The acquisition was accounted for as a business combination under AASB 3 Business Combinations whereby Macquarie Media Operations Pty Limited acquires the business including the net assets of Macquarie Media Limited.

Accordingly the consolidated comparative financial statements for the 12 months ended 30 June 2015 of Macquarie Media Limited were prepared as a continuation of the business and operations of Macquarie Media Operations Pty Limited. As the deemed accounting acquirer, Macquarie Media Operations Pty Limited has accounted for the acquisition of Macquarie Media Limited from 31 March 2015. Refer to Note 16 for further details of the transaction.

The implications of the acquisition by Macquarie Media Operations Pty Limited on the comparative financial statements are as follows:

**(i) Statement of Comprehensive Income**

- The Statement of Comprehensive Income comprises the total comprehensive income for the financial year, being the 12 months from Macquarie Media Operations Pty Limited for the year ended 30 June 2015 and the period from 31 March 2015 until 30 June 2015 for Macquarie Media Limited.

**(ii) Statement of Financial Position**

- The Statement of Financial Position as at 30 June 2015 represents the combination of Macquarie Media Operations Pty Limited and Macquarie Media Limited.

**(iii) Statement of Changes in Equity**

- The Statement of Changes in Equity comprises:
  - The equity balance of Macquarie Media Operations Pty Limited as at the beginning of the financial year (1 July 2014).
  - The total comprehensive income for the financial year and transactions with equity holders, being the 12 months from Macquarie Media Operations Pty Limited for the year ended 30 June 2015 and the period from 31 March 2015 until 30 June 2015 for Macquarie Media Limited.
  - The equity balance of the combined Macquarie Media Operations Pty Limited and Macquarie Media Limited at the end of the financial year (30 June 2015).

**(iv) Statement of Cash Flows**

- The Statement of Cash flows comprises:
    - The cash balance of Macquarie Media Operations Pty Limited at the beginning of the financial year (1 July 2014).
    - The transactions for the financial year for the 12 months of Macquarie Media Operations Pty Limited ended 30 June 2015 and from 31 March 2015 until 30 June 2015 for Macquarie Media Limited.
    - The cash balance of the combined Macquarie Media Operations Pty Limited and Macquarie Media Limited at the end of the period (30 June 2015).

**Reclassification of comparative information**

AASB 3 Business Combinations allows a measurement period after a business combination to provide the acquirer a reasonable time to obtain the information necessary to identify and measure all of the various components of the business combination as at the acquisition date. The period cannot exceed one year from the acquisition date. The Macquarie Media Limited reverse acquisition occurred on 31 March 2015 and therefore, the acquisition accounting remained provisional as at 30 June 2015. During the year, the purchase price allocations were finalised. As a result, licence values were reduced by $3.142 million and deferred tax assets reduced by $0.758 million. The provisional amount of goodwill was correspondingly increased. Comparative amounts at 30 June 2015 have been revised accordingly.

## b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ('its subsidiaries'). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Contingent consideration transferred is recognised initially at fair value. Contingent consideration classified as a liability is remeasured to fair value each period until settlement with changes recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised at their fair value less costs to sell. Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit and loss. There is a twelve month period in which Goodwill can be remeasured.

## e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

## f) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of estimated future cash outflows to be made by the Group in respect of services provided by the employees up to the reporting date.

## g) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

**(i) Available-for-sale financial assets**

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

**(ii) Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

**(iii) Impairment of financial assets**

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

## h) Financial liabilities

**(i) Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

**(ii) Financial liabilities**

Financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## i) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## j) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

**(i) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**(ii) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**(iii) Current and deferred tax for the period**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

## k) Property, plant and equipment

Land and buildings held for use in the supply of services are stated in the consolidated statement of financial position at their cost less accumulated depreciation and accumulated impairment losses. Plant and equipment and leasehold improvements are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight line method. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items. Freehold land is not depreciated. The depreciation rates used are as follows:

| Fixed Asset Class | Rates | Basis |
|---|---|---|
| Plant and equipment | 7 - 33% | Straight Line |
| Leasehold improvements | 6 - 25% | Straight Line |

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the items of plant and equipment to which they relate.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing sales proceeds with the carrying amount. These are included in profit or loss.

## l) Intangible assets

**(i) Licences**
The radio licences are recognised upon consolidation of the controlled entities. The licences are carried at cost, less accumulated impairment. The radio licenses have indefinite useful lives and are therefore not amortised. Instead, they are tested annually for impairment as stated in Note 3(i).

**(ii) Website and software development expenditure**
Costs incurred in acquiring, developing and implementing new websites and software are recognised as intangibles only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and licenses.

Website and software developments have a finite life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of website and software development over its estimated useful life, which is 2 to 6 years.

**(iii) Other contractual relationships**
Intangible assets acquired through contractual rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the first and last fee over its estimated useful life.

## m) Leased assets

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## n) Provisions

Provision for legal claims are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligation may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting period date.

## o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

**(i) Advertising revenue**
Revenue from rendering of a service is recognised in the month that the advertisement is broadcast.

**(ii) Dividend and interest revenue**
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

**(iii) Royalty revenue**
Revenue from royalties is recognised upon receipt as it is not possible to measure the revenue appropriately until that point.

**(iv) Commission revenue**
Revenue from commission is recognised on an accruals basis in accordance with the substance of the relevant agreement.

**(v) Programming and cost recoveries**
Revenue from programming and cost recoveries, including syndicated programming content, is recognised in the month that it is broadcast.

## p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

**(i)** Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

**(ii)** For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## q) Issued capital

Ordinary shares are classified as equity.

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

## r) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

## s) Earnings per share

**(i) Basic Earnings per share**
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

**(ii) Diluted Earnings per share**
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-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.

## t) Assets held for sale and discontinued operations

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

## NOTE 4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## a) Critical judgements in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of radio licenses.
- Business combination accounting and fair value of radio licences.

## b) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year:

**(i) Impairment of radio licenses**
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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Determining whether radio licences is impaired requires an estimation of the value in use of the radio licence cash flows. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the licence, a suitable discount rate and a terminal growth rate in order to calculate present value.

Details of the value in use calculation are set out in Note 21.

**(ii) Impairment of goodwill**
Goodwill is not amortised but is tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Determining whether goodwill is impaired requires an estimation of the value in use of the Company cash flows. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the Company, a suitable discount rate and a terminal growth rate in order to calculate present value.

Details of the value in use calculation are set out in Note 21.

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| **NOTE 5 REVENUE** | | |
| **Sales revenue** | | |
| - advertising revenue | 117,228 | 83,512 |
| - programming and cost recoveries | 15,905 | 12,259 |
| - commission revenue from related party (refer Note 35(c)) | 637 | 37 |
| | 133,770 | 95,808 |
| **Other income** | | |
| - royalties | 1,743 | 421 |
| - dividends | 194 | 171 |
| - representation fees | 110 | 116 |
| - interest | 45 | 22 |
| - profit on sale of property, plant and equipment | - | 298 |
| | 2,092 | 1,028 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 6 EXPENSES** | | |
| **Profit before income tax includes the following specific expenses:** | | |
| Finance costs paid or payable to: | | |
| - other persons | 1,707 | 851 |
| Total finance costs | 1,707 | 851 |
| | | |
| Depreciation of property, plant and equipment | 1,843 | 1,684 |
| Amortisation of non-current assets: | | |
| - leasehold improvements | 347 | 122 |
| - intangible assets | 245 | 259 |
| Total depreciation and amortisation | 2,435 | 2,065 |
| | | |
| Rental expense on operating leases | 4,901 | 3,351 |
| | | |
| Employee benefits expense: | | |
| Post employment benefits | | |
| - Defined contribution plans | 3,698 | 3,170 |
| | | |
| Other employee benefits | 70,654 | 56,334 |
| | | |
| Total employee benefits expense | 74,352 | 59,504 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 7 INCOME TAX EXPENSE/BENEFIT** | | |
| a) Income tax expense/(benefit) | | |
| Current tax | 6,106 | 966 |
| Deferred tax (Note 19(a)) | 368 | (234) |
| | 6,474 | 732 |
| Tax expense/(benefit) – continuing operations | 6,987 | (1,073) |
| Tax (benefit)/expense – discontinued operations (Note 17) | (513) | 1,805 |
| | 6,474 | 732 |
| b) Numerical reconciliation of income tax benefit to prima facie tax payable | | |
| Accounting profit before income tax – continuing operations | 21,359 | 4,638 |
| Accounting (loss)/profit before income tax – discontinued operations (Note 17) | (1,567) | 40,943 |
| Total accounting profit before tax | 19,792 | 45,581 |
| Tax at the Australian tax rate of 30% (2015: 30%) | 5,938 | 13,674 |
| Tax effect of differences: | | |
| - Entertainment | 224 | 232 |
| - Non-assessable dividends | - | (51) |
| - Share of net losses/(profits) of associates and joint ventures | 1 | (1) |
| - Other income not taxable | - | (715) |
| - Capital gains not taxable | 42 | (11,122) |
| - Adjustments in respect of deferred income tax of previous years | 779 | - |
| - Adjustments in respect of current income tax of previous years | (529) | - |
| - Non-deductible items | 19 | 191 |
| - Other temporary differences | - | (1,476) |
| Effective income tax rate of 33% (2015: 2%) | 6,474 | 732 |

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore treated as a single entity. The head entity of the tax-consolidated group is Macquarie Media Limited. The members of the tax-consolidated group are listed in Note 15. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the group are recognised in the separate financial statements of the members of the group, using the 'separate taxpayer within group' approach. This approach is by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses are recognised by the Company, as head entity of the tax-consolidated group.

## NOTE 8 SIGNIFICANT ITEMS

The following significant items are items of income or expense which are, either individually or in aggregate, material to the Company and are part of the ordinary activities of the business but unusual due to their size or nature.

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| Redundancy and restructuring costs | 375 | 2,239 |
| Loss/(profit) on sale of property, plant and equipment | 489 | (409) |
| Profit on sale of subsidiary * | - | (36,666) |
| | 864 | (34,836) |

* included in discontinued operations

## NOTE 9 CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash at bank and on hand | 16,606 | 1,357 |

## NOTE 10 CURRENT TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| Trade receivables | 27,477 | 26,093 |
| Less: allowance for doubtful receivables | (957) | (931) |
| | 26,520 | 25,162 |
| Receivable from related party (refer Note 35) | 986 | 2,748 |
| Other receivables | 624 | 143 |
| | 28,130 | 28,053 |
| Age of receivables that are past due but not impaired: | | |
| - 60-90 days | 715 | 1,976 |
| - 90 + days | 1,230 | 2,312 |
| - Total | 1,945 | 4,288 |
| | | |
| Movement in the allowance for doubtful debts: | | |
| Balance at the beginning of the year | 931 | 1,691 |
| Acquisition of controlled entity | - | 980 |
| Receivables written off as uncollectable | (180) | (844) |
| Amounts reversed during the year – discontinued operations | (110) | (130) |
| Amounts provided/(reversed) during the year – continuing operations | 316 | (766) |
| Balance at the end of the year | 957 | 931 |

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

### a) Bad and doubtful trade receivables

An allowance has been made for estimated irrecoverable trade receivable amounts arising from past rendering of services determined by reference to past default experience. Before accepting any new customers, the Group will obtain third party references to assess the potential customer's credit quality and define customer limits by the customer. All amounts included in the provision for doubtful debts are aged greater than 90 days.

### b) Credit terms

The average credit period on sale of air-time is 30-45 days. No interest is charged on the trade receivables for the first 30-45 days from the date of the invoice.

### c) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. They are interest free and repayable at call.

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| **NOTE 11 OTHER ASSETS** | | |
| Current – prepayments | 2,020 | 3,194 |
| Non-current – prepayments | 319 | 383 |
| | 2,339 | 3,577 |
| **NOTE 12 OTHER RECEIVABLES** | | |
| Loans advanced to employees – interest bearing | 707 | 624 |
| | 707 | 624 |
| **NOTE 13 AVAILABLE-FOR-SALE FINANCIAL ASSETS** | | |
| Listed securities at fair value | | |
| - Equity securities | 1,540 | 2,269 |
| | 1,540 | 2,269 |
| **a) Movements in available-for-sale financial assets** | | |
| Balance at the beginning of the year | 2,269 | 2,459 |
| Financial assets acquired | - | 51 |
| Valuation loss recognised | (729) | (241) |
| | 1,540 | 2,269 |

### b) Listed Securities

The fair value of listed investments are based on observable market prices.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 14 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD** | | |
| Shares in associates | 1,295 | 1,297 |
| Total investments accounted for using the equity method | 1,295 | 1,297 |

| | | | Ownership Interest | |
|---|---|---|---|---|
| Name of Company | Principal Activity | Country of Incorporation | 2016 % | 2015 % |
| Digital Radio Broadcasting Sydney Pty Ltd (i) | Digital audio broadcasting | Australia | 11.7 | 11.7 |
| Digital Radio Broadcasting Melbourne Pty Ltd (i) | Digital audio broadcasting | Australia | 18.2 | 18.2 |
| Digital Radio Broadcasting Brisbane Pty Ltd | Digital audio broadcasting | Australia | 25.0 | 25.0 |
| Digital Radio Broadcasting Perth Pty Ltd (i) | Digital audio broadcasting | Australia | 16.7 | 16.7 |

(i) The Group has significant influence in the entity due to its right to participate in policy setting for the entity.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **(i) Share of associates' profits/(losses)** | | |
| Revenue | 1,064 | 1,007 |
| Profit before income tax expense | 50 | 22 |
| Income tax expense | (52) | (29) |
| **Net profit/(loss) after income tax expense** | (2) | (7) |
| | | |
| Share of associates' profits – continuing operations | (2) | 4 |
| Share of associates' profits – discontinued operations | - | (11) |
| **Net profit/(loss) after income tax expense** | (2) | (7) |
| | | |
| **(ii) Share of associates' assets and liabilities** | | |
| Current assets | 855 | 798 |
| Non-current assets | 513 | 564 |
| **Total assets** | 1,368 | 1,362 |
| Current liabilities | 73 | 60 |
| Non-current liabilities | - | 5 |
| **Total liabilities** | 73 | 65 |
| **Net assets** | 1,295 | 1,297 |

## NOTE 15 CONTROLLED ENTITIES

Details of the Company's subsidiaries at 30 June 2016 are as follows:

| | | Ownership Interest | |
|---|---|---|---|
| | Country of | 2016 | 2015 |
| Name of Company | Incorporation | % | % |
| Buyradio Pty Limited | Australia | 100 | 100 |
| Macquarie Media Operations Pty Limited | Australia | 100 | 100 |
| Macquarie Media Syndication Pty Limited | Australia | 100 | 100 |
| Harbour Radio Pty Limited | Australia | 100 | 100 |
| Macquarie Media Network Pty Limited | Australia | 100 | 100 |
| Macquarie Regional Radio Pty Limited* | Australia | - | 100 |
| Map and Page Pty Limited | Australia | 100 | 100 |
| Radio 1278 Melbourne Pty Limited | Australia | 100 | 100 |
| Radio 2CH Pty Limited | Australia | 100 | 100 |
| Radio 2UE Pty Limited | Australia | 100 | 100 |
| Radio 3AW Melbourne Pty Limited | Australia | 100 | 100 |
| Radio 4BC Brisbane Pty Limited | Australia | 100 | 100 |
| Radio 6PR Perth Pty Limited | Australia | 100 | 100 |
| Radio Magic 882 Brisbane Pty Limited | Australia | 100 | 100 |
| Satellite Music Australia Pty Limited | Australia | 100 | 100 |

The principal activities of the subsidiaries are outlined in the Director's Report on page 4.

* Macquarie Regional Radio Pty Limited was sold on 30 October 2015.

## NOTE 16 BUSINESS COMBINATIONS

**Acquisition of Fairfax Radio Network from Fairfax Media Limited**

On 31 March 2015, Macquarie Media Limited acquired 100% of the share capital of Macquarie Media Operations Pty Limited (formerly Fairfax Radio Network Pty Ltd) from Fairfax Media Limited in exchange for shares in Macquarie Media Limited. Macquarie Media Operations Pty Ltd own six radio stations across Australia in addition to a content syndication and music distribution business. The acquisition will deliver significant benefits including revenue and costs synergies.

The acquisition of Macquarie Media Operations Pty Limited was considered a reverse acquisition, with Macquarie Media Operatons Pty Limited being considered the accounting acquirer for reporting purposes and the business combination being accounted for under AASB 3 'Business Combinations'.

*Assets acquired and liabilities assumed*

The provisional fair value of the identifiable assets and liabilities of the accounting acquiree as at the date of acquisition as reported at 30 June 2015 were:

| | Macquarie Media Limited $'000 |
|---|---|
| **Assets** | |
| Cash and cash equivalents | 18,700 |
| Trade receivables | 13,651 |
| Property, plant and equipment | 4,167 |
| Available-for-sale financial assets | 51 |
| Other assets | 10 |
| Current tax asset receivable | 1,038 |
| Deferred tax assets | 1,756 |
| Intangible assets | 39,574 |
| **Total assets** | 78,947 |
| | |
| **Liabilities** | |
| Trade payables | 7,429 |
| Other liabilities | 266 |
| Borrowings | 36,391 |
| Provisions | 4,322 |
| Deferred tax liabilities | 5,512 |
| **Total liabilities** | 53,920 |
| | |
| Total identifiable net assets at fair value | 25,027 |
| Goodwill arising on acquisition | 60,560 |
| **Purchase consideration transferred** | 85,587 |

*Purchase consideration*

Purchase consideration is calculated as follows:

| | |
|---|---|
| Fair value of consideration | 85,587 |
| Total purchase consideration | 85,587 |

From the date of acquisition to 30 June 2015, Macquarie Media Limited contributed $14.2 million of revenue and $0.8 million to the net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the financial year ended 30 June 2015, revenue from continuing operations would have been $56.2 million and the loss from continuing operations for the period would have been $1.6 million.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the entities.

In December 2015 the fair value consideration of Macquarie Media Limited was finalised leading to a decrease in radio licences of $3.142 million, an increase in deferred tax assets of $0.758 million and a corresponding increase in goodwill of $2.384 million. The 2015 comparatives have been restated to reflect these final amounts.

Adjustments during the measurement period were as follows:

| | Final fair value at end of measurement period $'000 | Initial fair value at acquisition date $'000 |
|---|---|---|
| Goodwill | 62,944 | 60,560 |
| Intangible assets | 36,432 | 39,574 |
| Deferred tax assets | 2,514 | 1,756 |

## NOTE 17 DISCONTINUED OPERATIONS

The following businesses were classified as discontinued operations during the year:

- On 30 October 2015, the Group completed the sale of its eight regional Queensland radio stations Macquarie Regional Radio Pty Ltd for proceeds of $2.3 million.
- The business of Radio 2CH Pty Ltd is being actively marketed and the sale is highly probable. Accordingly, this business has been disclosed as a discontinued operation.

The discontinued results for the period ended 30 June 2016 include the operations of Macquarie Regional Radio Pty Ltd until 30 October 2015 and Radio 2CH Pty Ltd. For the year ended 30 June 2015, the operations of Macquarie Regional Radio Pty Ltd, Radio 2CH Pty Ltd and 96FM were classified as discontinued.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Total revenue and income | 2,888 | 11,775 |
| Expenses | (4,314) | (7,498) |
| Net (loss)/profit before income tax expense | (1,426) | 4,277 |
| (Loss)/gain on sale of discontinued operations | (141) | 36,666 |
| Income tax benefit/(expense) | 513 | (1,805) |
| Net (loss)/profit after income tax expense | (1,054) | 39,138 |

| | 2016 | 2015 |
|---|---|---|
| **Earnings per share** | | |
| Basic earnings per share from discontinued operations (cents per share) | (0.62) | 34.76 |
| Diluted earnings per share from discontinued operations (cents per share) | (0.62) | 34.76 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Cash flows of discontinued operations** | | |
| The net cash flows incurred by discontinued operations are as follows: | | |
| Operating | (942) | 3,888 |
| Investing | 900 | - |
| Financing | - | - |
| Net cash (outflow)/inflow | (42) | 3,888 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 18 PROPERTY, PLANT & EQUIPMENT** | | |
| Freehold land and buildings – at cost | 5,902 | 5,895 |
| Accumulated amortisation | (946) | (830) |
| | 4,956 | 5,065 |
| Leasehold improvements – at cost | 7,655 | 5,433 |
| Accumulated amortisation | (2,214) | (3,156) |
| | 5,441 | 2,277 |
| Plant and equipment – at cost | 28,165 | 22,480 |
| Accumulated depreciation | (17,728) | (16,878) |
| | 10,437 | 5,602 |
| Net book amount | 20,834 | 12,944 |

## a) Movements in property, plant and equipment

| | Freehold Land & Buildings $'000 | Leasehold Improvements $'000 | Plant and Equipment $'000 | Total $'000 |
|---|---|---|---|---|
| Opening net book amount at 1 July 2014 | 12,957 | 1,929 | 5,375 | 20,261 |
| Additions | - | 537 | 3,100 | 3,637 |
| Disposals | (6,862) | (67) | (1,419) | (8,348) |
| Impairment | (800) | - | - | (800) |
| Depreciation and amortisation charge – continuing operations | (230) | (122) | (1,454) | (1,806) |
| **Closing net book amount at 30 June 2015** | **5,065** | **2,277** | **5,602** | **12,944** |
| Additions | 8 | 3,782 | 6,865 | 10,655 |
| Disposals | - | (185) | (304) | (489) |
| Reclassified as held for sale | - | (86) | - | (86) |
| Depreciation and amortisation charge – continuing operations | (117) | (347) | (1,726) | (2,190) |
| **Closing net book amount at 30 June 2016** | **4,956** | **5,441** | **10,437** | **20,834** |

## NOTE 19 DEFERRED TAX ASSETS/LIABILITIES

**Deferred tax assets and liabilities are attributable to the following:**

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| **Consolidated** | | | | | | |
| Property, plant and equipment | 441 | 869 | (40) | - | 401 | 869 |
| Intangible assets | - | - | (5,800) | (6,292) | (5,800) | (6,292) |
| Investments | 157 | - | - | - | 157 | - |
| Other assets | - | - | (330) | - | (330) | - |
| Provisions | 3,931 | 3,004 | (30) | - | 3,901 | 3,004 |
| Payables | 27 | 201 | - | - | 27 | 201 |
| Other liabilities | - | - | - | (106) | - | (106) |
| Expenses deductible over 5 years | 133 | 630 | - | - | 133 | 630 |
| Other | - | 121 | - | - | - | 121 |
| Net tax assets/(liabilities) | 4,689 | 4,825 | (6,200) | (6,398) | (1,511) | (1,573) |
| Set-off of deferred tax assets/liabilities | (4,689) | (4,825) | 4,689 | 4,825 | - | - |
| Net deferred tax assets/liabilities | - | - | (1,511) | (1,573) | (1,511) | (1,573) |

| | Notes | 2016 $'000 | 2015 [(i)] $'000 |
|---|---|---|---|
| **a) Movements in temporary differences:** | | | |
| Opening balance 1 July | | (1,573) | 1,026 |
| Acquisitions | | - | (3,132) |
| Transfer to assets held for sale | | 211 | - |
| Charged to the profit or loss | 7 | (368) | 234 |
| Charged to other comprehensive income | | 219 | 299 |
| **Closing balance at 30 June** | | (1,511) | (1,573) |

(i) See Note 3(a)

## NOTE 20 ASSETS AND LIABILITIES HELD FOR SALE

| | | |
|---|---|---|
| **Assets held for sale** | | |
| Cash | 250 | 38 |
| Trade and other receivables | 359 | 353 |
| Property, plant and equipment and intangible assets | 4,077 | 2,341 |
| | 4,686 | 2,732 |
| **Liabilities held for sale** | | |
| Trade and other payables | 391 | 81 |
| Provisions | 65 | 106 |
| | 456 | 187 |

Assets held for sale comprise the business of Radio 2CH Pty Ltd that is being actively marketed and for which the sale is highly probable. Prior to being transferred to held for sale, the business was remeasured at the lower of carrying amount and fair value less costs to sell.

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **NOTE 21 INTANGIBLES** | | | |
| Radio licences - at cost | (a) | 137,729 | 141,732* |
| Less: accumulated impairment | | (29,663) | (29,663) |
| | | 108,066 | 112,069 |
| **Other Intangible Assets** | | | |
| Website and software - at cost | (b) | 2,899 | 2,133 |
| Less: accumulated amortisation and impairment | | (2,086) | (1,842) |
| | | 813 | 291 |
| Goodwill | (c) | 62,944 | 62,944* |
| Other contractual relationships - at cost | (d) | 450 | 500 |
| | | 64,207 | 63,735 |

*Restated – refer Note 16

## a) Movement in Radio Licences

| | $'000 |
|---|---|
| Balance at 1/7/14 | 114,037 |
| Additions | 36,432 |
| Disposals | (38,400) |
| Balance at 30/6/15 | 112,069 |
| Reclassified as held for sale | (4,003) |
| Balance at 30/6/16 | 108,066 |

Radio licenses consist of commercial radio licences which have been acquired through business combinations. They have been assessed as indefinite life as there is no foreseeable limit to which they are expected to generate cash inflows. Radio licences are tested for impairment whenever an indicator of impairment is identified, or at least on an annual basis. As the recoverable amount of the radio licences can be estimated, the radio licences are tested for impairment separately.

**Impairment testing**

The radio licences were individually valued during the period using a discounted cashflow analysis over a five year period. The key assumptions used within the discounted cash flow calculations are the FY17 EBITDA, future growth rates, terminal growth rate and the discount rate.

- The Year 1 cashflows are based on the annual Board approved budget adjusted for potential risk, being the competitive trading environment, legislation and economic growth. The cash flow projections in subsequent years are based on management's forecasts using assumptions around market growth and market share by station and take into account past performance and market trends.
- The post-tax discount rate of 14.0% (2015: 10.5% - 14.3%) reflects the market assessment of the time value of money and specific risk within the cashflow projections applicable to the relevant licence. The discount rate is market driven and is calculated following the input of the following variables: target capital structure, equity beta, market risk premium, risk-free rate of return and debt risk premium.
- The terminal growth rate of 2.5% (2015: 2.5%) applied to cashflows beyond the five year projection period has been determined based on industry specific forecasts.

Based on the assessment, no impairment or reversal of previous impairments of radio licences was identified.

**Sensitivity to changes in assumptions**

The following sensitivity changes may lead to an impairment charge. Each sensitivity assumes that all other assumptions are unchanged:

- If the Year 1 cashflow is reduced by 5% this will result in an impairment charge to the radio licences of $7.9m
- A 0.5% reduction in the terminal growth rate from 2.5% to 2.49% will result in an impairment charge of $6.1m
- A 0.5% increase in the discount rate from 14% to 14.07% will result in an impairment charge of $9.321m

## b) Movements in Website and Software assets

| | $'000 |
|---|---|
| Balance at 1/7/14 | 369 |
| Additions | 197 |
| Disposals | (16) |
| Amortisation expense (i) | (259) |
| Balance at 30/6/15 | 291 |
| Additions | 767 |
| Amortisation expense (i) | (245) |
| Balance at 30/6/16 | 813 |

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the statement of comprehensive income.

## c) Movement in Goodwill

| | $'000 |
|---|---|
| Balance at 1/7/14 | - |
| Additions | 62,944 |
| Balance at 30/6/15 | 62,944 |
| Balance at 30/6/16 | 62,944 |

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Goodwill is not amortised but is tested for impairment annually. Goodwill is allocated to the lowest level at which it is monitored, being one cash generating unit (CGU), and impairment testing has been performed at that level.

**Impairment testing**

The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections covering a five-year period. The key assumptions used within the discounted cash flow calculations are the FY17 EBITDA, future growth rates, terminal growth rate and the discount rate.

- The Year 1 cashflows are based on the annual Board approved budget adjusted for potential risk, being the competitive trading environment, legislation and economic growth. The cash flow projections in subsequent years are based on management's forecasts using assumptions around market growth and market share by station and take into account past performance and market trends.
- The post-tax discount rate of 14.0% (2015: 10.5% - 14.3%) reflects the market assessment of the time value of money and specific risk within the cashflow projections applicable to the relevant licence. The discount rate is market driven and is calculated following the input of the following variables: target capital structure, equity beta, market risk premium, risk-free rate of return and debt risk premium.
- The terminal growth rate of 2.5% (2015: 2.5%) applied to cashflows beyond the five year projection period has been determined based on industry specific forecasts.

Based on the assessment, there is headroom of $36 million and no impairment or reversal of previous impairments of goodwill was identified.

**Sensitivity to changes in assumptions**

The following sensitivity changes may lead to an impairment charge. Each sensitivity assumes that all other assumptions are unchanged:

- If the Year 1 cashflow is reduced by 19% this will result in an impairment charge to goodwill
- A 120% reduction in the terminal growth rate from 2.5% to -0.5% will result in an impairment charge to goodwill
- A 14% increase in the discount rate from 14% to 15.96% will result in an impairment charge to goodwill

## d) Movement in other contractual relationships

| | $'000 |
|---|---|
| Balance at 1/7/14 | - |
| Additions | 500 |
| Balance at 30/6/15 | 500 |
| Amortisation expense | (50) |
| Balance at 30/6/16 | 450 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 22 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES** | | |
| Unsecured liabilities | | |
| Trade payables (i) | 3,105 | 2,069 |
| Payable to related party | 4,711 | - |
| Accruals and other payables | 12,628 | 13,023 |
| | 20,444 | 15,092 |

(i) The average credit period on purchases is 30 days. No interest is charged on overdue payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **NOTE 23 CURRENT TAX RECEIVABLE/LIABILITY** | | | |
| Current tax (liability)/receivable | | (1,382) | 1,817 |

| | | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **NOTE 24 PROVISIONS** | | | |
| **Current provisions** | | | |
| Employee benefits – long service leave | | 4,043 | 4,054 |
| Employee benefits – annual leave | | 3,264 | 3,242 |
| Provision for claims/defamations | (a) | 850 | 980 |
| | | 8,157 | 8,276 |
| **Non-current provisions** | | | |
| Employee benefits – long service leave | | 782 | 706 |
| Make good provision | | 100 | 100 |
| | | 882 | 806 |

## a) Movements in provision for claims/defamations

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Movements in the provision for claims/defamations during the financial year are set out below: | | |
| Carrying amount at start of year | 980 | 286 |
| Additional provision recognised | 585 | 995 |
| Amount reversed out of the provision during the year | (715) | (301) |
| Carrying amount at end of year | 850 | 980 |

The amount represents a provision for certain defamation claims brought against the Group. In the directors' opinion, after taking appropriate legal advice, the outcome of these claims are unlikely to give rise to any significant loss beyond the amounts provided for at 30 June 2016. Certain entities in the consolidated entity are party to various other legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such legal actions and claims are not expected to have a material adverse effect on the consolidated entity.

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **NOTE 25 BORROWINGS** | | | |
| Secured liabilities | | | |
| Non-current – Bank loans | (b) | 40,791 | 39,391 |

## a) Bank Facility Security

**(i)** The bank facility is secured by a Cross Deed of Covenant ('Covenant') between the Company and its controlled entities including:

- Harbour Radio Pty Limited
- Macquarie Media Limited
- Buyradio Pty Limited
- Map and Page Pty Limited
- Macquarie Media Network Pty Limited
- Macquarie Media Operations Pty Limited
- Macquarie Media Syndication Pty Limited
- Radio 1278 Melbourne Pty Limited
- Radio 2UE Sydney Pty Limited
- Radio 3AW Melbourne Pty Limited
- Radio 4BC Brisbane Pty Limited
- Radio 6PR Perth Pty Limited
- Radio Magic 882 Brisbane Pty Limited
- Satellite Music Australia Pty Limited

The Covenant is supported by a first registered fixed and floating charge over all the present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of Macquarie Media Limited.

**(ii)** The carrying amount of assets pledged as security is as follows:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| - total current assets | 51,526 | 37,246 |
| - total non-current assets | 196,968 | 193,321 |
| - total assets | 248,494 | 230,567 |

## b) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

| **Bank loan facilities** | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Total facilities | 41,000 | 50,000 |
| Used at balance date | 40,791 | 39,391 |
| Unused at balance date | 209 | 10,609 |

On 24 June 2016 the ANZ loan facility was renegotiated - a $41 million revolving cash advance facility is available to Macquarie Media Limited until March 2019. Subject to continuous compliance with the terms of the facility agreement with the bank, the loan facilities may be drawn down at any time. The current interest rate on the bank loan facility is 3.80% (2015: 3.79%).

| | Notes | Parent Entity 2016 Shares | Parent Entity 2015 Shares |
|---|---|---|---|
| **NOTE 26 CONTRIBUTED EQUITY** | | | |
| a) Shares | | | |
| Ordinary shares – fully paid | (b) | 171,002,774 | 171,002,774 |
| Total shares on issue | | 171,002,774 | 171,002,774 |
| $ value of shares on issue | | $85,587,000 | $85,587,000 |

## b) Ordinary shares

Ordinary shares entitle the shareholders to participate in dividends and each share is entitled to one vote at shareholders' meetings. On the winding up of the Company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

| | 2016 | 2015 |
|---|---|---|
| **NOTE 27 EARNINGS PER SHARE** | | |
| a) Basic earnings per share (cents per share) | | |
| Net profit attributable to owners of the parent | 7.79 | 39.83 |
| Net profit from continuing operations attributable to owners of the parent | 8.40 | 5.07 |
| b) Diluted earnings per share (cents per share) | | |
| Net profit attributable to owners of the parent | 7.79 | 39.83 |
| Net profit from continuing operations attributable to owners of the parent | 8.40 | 5.07 |
| | $ | $ |
| c) Reconciliation of earning used in calculating earnings per share | | |
| **Basic earnings per share** | | |
| Net profit attributable to owners of the parent | 13,318,000 | 44,849,000 |
| Net profit from continuing operations attributable to owners of the parent | 14,372,000 | 5,711,000 |
| **Diluted earnings per share** | | |
| Net profit attributable to owners of the parent | 13,318,000 | 44,849,000 |
| Net profit from continuing operations attributable to owners of the parent | 14,372,000 | 5,711,000 |
| | No. | No. |
| d) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 171,002,774 | 112,594,786 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | 171,002,774 | 112,594,786 |

## NOTE 28 SHARE BASED PAYMENTS

**Share Appreciation Rights**

During the 2016 financial year Shareholders approved a share appreciation rights (SAR) plan that enabled the Board to grant SARs to Eligible Participants. Vesting of any SAR granted under the Plan is subject to the satisfaction of performance hurdles, vesting conditions, and/or other conditions as determined by the Board. Each SAR represents a right to receive an Award (payable in cash or Shares or a combination of both in the absolute discretion of the Board) with a value equal to the positive difference between the Subsequent Market Value and the Base Price. The Board expects that it will typically settle a vested SAR in Shares. A summary of the principal terms of the Plan are set out in the Remuneration Report. The weighted average fair value of the share options granted during the financial year is $0.29 (2015: nil). Options were priced using a binomial option pricing model with the following key assumptions:

| | SAR assumption |
|---|---|
| Dividend yield | 5.5% |
| Expected volatility | 42% |
| Risk-free interest rate | 2.74%-2.80% |
| Expected life of the options | 7-8 years |
| Spot Price | $0.96 |
| Exercise Price | $1.00 |

The expense recognised in the year ended 30 June 2016 is $nil on the basis that it is not expected that the SARs will vest.

The following table shows the number of SARs during the year:

| | Balance at 1 July No. | Granted as compensation No. | Exercised No. | Balance at 30 June No. | Balance vested at 30 June No. | Vested but not exercisable No. | Vested and exercisable No. | Options vested during year No. |
|---|---|---|---|---|---|---|---|---|
| **2016** | | | | | | | | |
| Share appreciation rights | - | 3,250,000 | - | 3,250,000 | - | - | - | - |

| | Notes | 2016 $'000 | 2015 $'000 |
|---|---|---|---|
| **NOTE 29 RESERVES** | | | |
| **Asset revaluation reserve** | (a) | | |
| Balance at the beginning of the year | | 582 | 1,281 |
| Other comprehensive income, net of income tax | | (510) | (699) |
| Balance at the end of the financial year | | 72 | 582 |

**Nature of reserves**

### (a) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. From 1 July 2014, changes in the fair value of investments classified as available for sale investments are recognised in the asset revaluation reserve, as described in Note 3.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 30 RETAINED EARNINGS** | | |
| **Movements in retained earnings were as follows**: | | |
| Balance at the beginning of the year | 79,027 | 136,494 |
| Net profit for the year | 13,318 | 44,849 |
| Dividends | (3,420) | (102,316) |
| Balance at the end of the financial year | 88,925 | 79,027 |
| **NOTE 31 DIVIDENDS** | | |
| a) Macquarie Media Operations Pty Ltd | | |
| Dividends during the financial year – declared and paid | - | 102,316 |
| | - | 102,316 |
| b) Macquarie Media Limited (parent entity) | | |
| Final franked dividend for the year ended 30 June 2014 of 5.0 cents (2013: 5.0 cents) per fully paid ordinary share paid on 15 September 2014 | - | 3,890 |
| Interim franked dividend for the half year ended 31 December 2015 of 2.0 cents (2014: $nil cents) per fully paid ordinary share paid on 8 March 2016 | 3,420 | - |
| | 3,420 | 3,890 |
| Dividends proposed but not declared or recognised until after year end | 3,420 | - |
| c) Franking credits | | |
| Franking credits of Macquarie Media Limited available for subsequent financial years based upon a tax rate of 30% | 7,411 | 5,635 |

| | 2016 $ | 2015 $ |
|---|---|---|
| **NOTE 32 KEY MANAGEMENT PERSONNEL COMPENSATION** | | |
| The aggregate compensation made to Directors and other members of key management personnel of the Company and the Group is set out below: | | |
| Short-term employee benefits | 1,845,639 | 837,076 |
| Post-employment benefits | 55,968 | 27,293 |
| Other long term benefits | 19,528 | 6,984 |
| Share based payments | - | 393,262 |
| | 1,921,135 | 1,264,615 |

| | 2016 $ | 2015 $ |
|---|---|---|
| **NOTE 33 AUDITOR'S REMUNERATION** | | |
| During the year, the following remuneration was paid or payable to the auditor of the parent entity: | | |
| **Assurance Services** | | |
| Audit and review of financial reports under the Corporations Act 2001 and other regulatory assurance services | 300,425 | 165,500 |

The auditor of Macquarie Media Limited is Ernst & Young.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 34 CAPITAL AND LEASING COMMITMENTS** | | |
| a) Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements: | | |
| Payable | | |
| - not longer than one year | 4,358 | 4,267 |
| - longer than one year but not longer than five years | 13,674 | 15,015 |
| - greater than five years | 1,536 | 1,809 |
| | 19,568 | 21,091 |

**Leasing Arrangements**

Operating leases relate to office and transmitter facilities with lease terms of between 1 to 15 years, with potential options to extend for a further 5 years on some of these leases. All operating lease contracts contain market review clauses in the event the company/Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

**Financial Guarantees**

The Group has issued a number of financial guarantees to third parties for various operational and financing purposes. To the extent that the Directors expect these third party guarantees to be called upon, a provision has been recorded in the consolidated statement of financial position as at 30 June 2016.

**Capital Commitments**

At 30 June 2016 the Group had capital commitments of $1.114million (2015: $2.267million) relating to construction projects.

## NOTE 35 RELATED PARTY TRANSACTIONS

### a) Parent entities

The parent entity within the Group is Macquarie Media Limited.

### b) Key management personnel

Disclosures relating to key management personnel are set out in Note 32 and in the Remuneration Report.

### c) Commission revenue

The Company has a marketing service arrangement with One Big Switch Pty Ltd in relation to the marketing and delivery of products, including insurance, to persons aged 50 years and over. The Company and One Big Switch share the commission revenue derived from this arrangement on an equal basis. One Big Switch Pty Ltd is considered a related party of the Company as the Executive Chairman, Russell Tate, is also Chairman of One Big Switch Pty Ltd. Revenue in relation to the marketing arrangement has been recognised as revenue in Note 5. Amounts receivable at the year end in respect of the arrangement are included within receivables in Note 10.

### d) Transactions with related parties

The following transactions for the sale and purchase of goods and services occurred with related parties on normal market terms and conditions:

| | | Sales to related parties $'000 | Purchases from related parties $'000 | Amount owed by related parties $'000 | Amount owed to related parties $'000 |
|---|---|---|---|---|---|
| Ultimate Parent | 2016 | - | 837 | - | 4,711 |
| | 2015 | 4 | 4,014 | 1,992 | - |
| Associate | 2016 | - | 784 | 132 | 419 |
| | 2015 | - | 685 | 398 | 335 |
| Joint Venture | 2016 | - | 251 | 986 | - |
| | 2015 | - | 244 | 719 | - |
| Other related entities | 2016 | 637 | 916 | 474 | - |
| | 2015 | 128 | 805 | 37 | - |
| Total transactions | 2016 | 637 | 2,788 | 1,592 | 5,130 |
| | 2015 | 132 | 5,748 | 3,146 | 335 |

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **NOTE 36 CASH FLOW INFORMATION** | | |
| a) Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows: | | |
| Cash on hand and at bank | 16,606 | 1,357 |
| b) Reconciliation of cash flow from operations | | |
| Profit from ordinary activities after income tax | 13,318 | 44,849 |
| **Non-cash flows in operations:** | | |
| Depreciation and amortisation – continuing operations | 2,435 | 2,065 |
| Depreciation and amortisation – discontinued operations | 61 | 113 |
| Contractual relationships amortisation | 50 | - |
| Bad debts expense | 180 | 242 |
| Loss/(profit) on sale of subsidiary | 141 | (36,666) |
| Share of losses/(profits) of associates | 2 | (4) |
| Revaluation of investments | - | 43 |
| Profit on sale of plant and equipment | 489 | 299 |
| **Changes in assets and liabilities:** | | |
| Increase in receivables | (1,508) | (12,416) |
| Increase/(Decrease) in doubtful debt provision | 136 | (760) |
| Decrease/(Increase) in other assets | 72 | (3,885) |
| Increase to provisions | 24 | 928 |
| Movement in income tax balances | 3,233 | (1,940) |
| Increase in trade payables and accruals | 8,020 | 5,329 |
| Cash flows generated by/(used in) operations | 26,653 | (1,803) |

**NOTE 37 FINANCIAL INSTRUMENTS**

## a) Capital risk management

The Group manages its capital to ensure the entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 25, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Operating cash flows are used to maintain and expand the Group's broadcasting and new media assets, as well as to make the routine outflows of tax and dividends.

The Group's policy is to borrow centrally, using its long-term credit facility, to meet anticipated funding requirements.

**Gearing ratio**

The gearing ratio at year end was as follows:

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| Debt (i) | 40,791 | 39,391 |
| Cash and cash equivalents | (16,606) | (1,357) |
| Net debt | 24,185 | 38,034 |
| Equity (ii) | 174,584 | 165,196 |
| Net debt to equity ratio | 14% | 23% |

(i) Debt is defined as long- and short-term borrowings, as detailed in Note 25.
(ii) Equity includes all capital and reserves.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **b) Categories of financial instruments** | | |
| **Financial assets** | | |
| Trade and other receivables | 28,837 | 28,677 |
| Cash and cash equivalents | 16,606 | 1,357 |
| Available-for-sale financial assets | 1,540 | 2,269 |
| **Financial liabilities** | | |
| Trade and other payables | 20,444 | 15,092 |
| Borrowings | 40,791 | 39,391 |

## c) Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (interest rate 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 Group's performance. Risk management is carried out by the Board of Directors.

## d) Market risk

The Group's activities expose it to the financial risks of changes in interest rates. In the last two financial years the Group has not used any derivative financial instruments to hedge its exposure to interest rate risk. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

## e) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates. The Group does not hedge this risk through derivatives such as interest rate swaps.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on a 50 basis point change in interest rates taking place at the beginning of the financial year and held constant throughout the reporting period, which represents management's assessment of the possible change in interest rates. At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's net profit would increase/ decrease by $204,000 (2015: increase/decrease of $196,000).

## f) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and controlled by counterparty limits that are reviewed and approved by the Chief Financial Officer. Trade receivables consist of a large number of customers, spread across diverse industries throughout Australia. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

## g) Fair value of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| | Fair value as at | | | | | |
|---|---|---|---|---|---|---|
| Financial assets/ financial liabilities | 30 June 2016 $'000 | 30 June 2015 $'000 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
| Equity securities | 1,540 | 2,269 | Level 1 | Quoted bid prices in an active market | N/A | N/A |

**Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

The Directors consider that the carrying amounts of the following financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

| | | 30 June 2016 $'000 | 30 June 2015 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Trade and other receivables | Level 2 | 28,837 | 28,677 |
| Cash and cash equivalents | Level 1 | 16,606 | 1,357 |
| Available-for-sale financial assets | Level 1 | 1,540 | 2,269 |
| **Financial liabilities** | | | |
| Trade and other payables | Level 2 | 20,444 | 15,092 |
| Borrowings | Level 2 | 40,791 | 39,391 |

## h) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table at Note 25 details the company's and the Group's drawn and undrawn facilities.

### Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

**Consolidated Liabilities**

| | Weighted average effective interest rate % | Less than 1 month $'000 | 1 - 3 months $'000 | 3 months - 1 year $'000 | 1 - 5 years $'000 | 5+ years $'000 |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Non-interest bearing | | - | 20,444 | - | - | - |
| Variable interest rate instruments | 3.80% | - | 388 | 1,163 | 42,341 | - |
| | | - | 20,832 | 1,163 | 42,341 | - |
| **2015** | | | | | | |
| Non-interest bearing | | - | 15,092 | - | - | - |
| Variable interest rate instruments | 3.98% | - | 373 | 1,120 | 40,884 | - |
| | | - | 15,465 | 1,120 | 40,884 | - |

## NOTE 38 SEGMENT REPORTING

The consolidated entity operates in a single business segment being radio and associated media activities in a sole geographical location being Australia.

## NOTE 39 PARENT ENTITY DISCLOSURES

Set out below is the supplementary information about the Parent Entity.

### Change in accounting policy

During the year the parent entity, Macquarie Media Limited, has adopted the accounting policy choice allowed under AASB 127 in accounting for its investments in subsidiaries at their fair value (rather than the historic application of the cost model). Following the reverse acquisition performed in 2015, management considers the fair value accounting policy provides more relevant information to the users of the accounts. The impact of this change in accounting policy has been to:

- Increase the investments in subsidiaries as at the date of application, being 1 July 2014, by $25.8 million to $26.5 million;
- Increase the investments in subsidiaries as at 30 June 2015 by $7.4 million to $161.5 million with a gain on revaluation of $7.4 million being presented within the income statement; and
- Increase the investments in subsidiaries as at 30 June 2016 by $58.9 million to $220.3 million with a gain on revaluation of $58.9 million being presented within the income statement.

We note this has not had any impact on the consolidated results or balance sheet of the group.

| | 2016 $'000 | 2015 $'000 |
|---|---|---|
| **Financial Position** | | |
| **Assets** | | |
| Current assets | 203 | 53 |
| Non-current assets | 222,138 | 171,087 |
| Total assets | 222,341 | 171,140 |
| **Liabilities** | | |
| Current liabilities | 1,636 | 851 |
| Non-current liabilities | 40,791 | 39,391 |
| Total liabilities | 42,427 | 40,242 |
| **Equity** | | |
| Issued capital (a) | 107,342 | 107,342 |
| Retained earnings | 78,176 | 29,149 |
| *Reserves* | | |
| General reserve | - | 152 |
| Share buy-back reserve | - | (6,010) |
| Available-for-sale revaluation reserve | (5,604) | - |
| Options reserve | - | 265 |
| Total equity | 179,914 | 130,898 |
| | | |
| **Financial performance** | | |
| Profit for the year | 52,447 | 5,378 |
| Other comprehensive loss | - | - |
| Total comprehensive income | 52,447 | 5,378 |

| | Date | Number of Shares | Issue Price $ | $'000 |
|---|---|---|---|---|
| **a) Movements in ordinary share capital** | | | | |
| Balance as at 1 July 2014 | | 77,806,262 | | 4,827 |
| Issue of ordinary shares to Fairfax Media Limited | 31 March 2015 | 93,196,512 | - | 102,515 |
| Balance at 30 June 2015 & 30 June 2016 | | 171,002,774 | | 107,342 |

**Contingent liabilities**

The Parent Entity had no contingent liabilities at 30 June 2016 and 30 June 2015.

**Significant accounting policies**

The accounting policies of the Parent Entity are consistent with those of the Consolidated Entity, as disclosed in Note 3.

## NOTE 40 SUBSEQUENT EVENTS

As at the date of this report, no subsequent events have occurred.

# directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;

(c) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 3 to the financial statements; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

**Russell Tate**
Chairman

Dated the 8th day of August 2016

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

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

# Independent auditor's report to the members of Macquarie Media Limited

## Report on the financial report

We have audited the accompanying financial report of Macquarie Media Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included by reference in the directors' report.

*Opinion*

In our opinion:

a. the financial report of Macquarie Media Limited is in accordance with the *Corporations Act 2001*, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 3.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 6 to 14 of the directors' report for the year ended 30 June 2016. 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.

*Opinion*

In our opinion, the Remuneration Report of Macquarie Media Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Douglas Bain
Partner
Sydney
8 August 2016

## DISTRIBUTION OF SHAREHOLDINGS

Analysis of numbers of shareholders by size of holding as at 31 August 2016:

**Ordinary Shares**

| Size of Holdings | Number of Holders | Number of Shares | % Issued Capital |
|---|---|---|---|
| 1 – 100 | 21 | 359 | 0.00 |
| 101 – 200 | 1 | 150 | 0.00 |
| 201 – 300 | 2 | 516 | 0.00 |
| 301 – 400 | 4 | 1,438 | 0.00 |
| 401 – 500 | 26 | 12,539 | 0.01 |
| 501 – 1,000 | 165 | 157,648 | 0.09 |
| 1,001 – 5,000 | 265 | 666,104 | 0.39 |
| 5,001 – 10,000 | 69 | 582,605 | 0.34 |
| 10,001 – 100,000 | 83 | 3,129,006 | 1.83 |
| 100,001 and over | 16 | 166,452,409 | 97.34 |
| **Total** | **652** | **171,002,774** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of shares as at 31 August 2016 are listed below:

**Ordinary Shares**

| Rank | Name | Holding | % |
|---|---|---|---|
| 1 | FAIRFAX MEDIA LIMITED | 93,196,512 | 54.50 |
| 2 | JOHN SINGLETON PROMOTIONS PTY LIMITED | 55,356,705 | 32.37 |
| 3 | PEC NOMINEES PTY LTD | 12,151,485 | 7.11 |
| 4 | HADIAC PTY LTD | 2,166,668 | 1.27 |
| 5 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | 787,214 | 0.46 |
| 6 | MR RUSSELL KEITH TATE | 457,628 | 0.27 |
| 7 | DIXSON TRUST PTY LIMITED | 433,652 | 0.25 |
| 8 | MR RICHARD EWAN MEWS | 420,741 | 0.25 |
| 9 | MR RICHARD MEWS + MRS WEE KHOON MEWS <MEWS SUPER FUND A/C> | 273,082 | 0.16 |
| 10 | LOZOTU PTY LIMITED <SUPERANNUATION FUND A/C> | 247,000 | 0.14 |
| 11 | CARINYA INVESTMENT MANAGEMENT PTY LTD | 225,000 | 0.13 |
| 12 | LOZOTU PTY LIMITED | 194,000 | 0.11 |
| 13 | MR PETER JAMES HAYMAN | 160,000 | 0.09 |
| 14 | CANELA HOLDINGS PTY LTD <CHARLES CASKEY SUPERFUND A/C> | 150,000 | 0.09 |
| 15 | ALLEGRA VENTURES PTY LTD <GEE SUPER FUND A/C> | 123,772 | 0.07 |
| 16 | CAMERON WILLIAMS PTY LIMITED <SUPERANNUATION FUND ACCOUNT> | 108,950 | 0.06 |
| 17 | BOND STREET CUSTODIANS LIMITED <STPD - I31218 A/C> | 100,000 | 0.06 |
| 18 | MR GLEN COUTINHO <HAWGOOD P/L SPR B/FUND A/C> | 100,000 | 0.06 |
| 19 | HARLEY N PTY LTD <HARLEY SUPER FUND A/C> | 100,000 | 0.06 |
| 20 | HAWGOOD PTY LTD | 100,000 | 0.06 |
| **Total** | | **166,852,409** | **97.57** |

## SUBSTANTIAL SHAREHOLDERS

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

| | | Ordinary Shares | |
|---|---|---|---|
| Rank | Name | Holding | % |
| 1 | Fairfax Media Limited | 93,196,512 | 54.50 |
| 2 | John Singleton Promotions Pty Limited | 55,356,705 | 32.37 |
| **Total** | | **148,553,217** | **86.87** |

| | Ordinary Shares | |
|---|---|---|
| **UNRESTRICTED SECURITIES** | Number Held | Number of Holders |
| Unrestricted fully paid ordinary shares – quoted on ASX | 171,002,774 | 652 |
| **Total ordinary shares quoted on ASX** | **171,002,774** | **652** |

## VOTING RIGHTS

In relation to 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.

## SECURITIES EXCHANGE LISTING

The shares of the Company are listed under the ASX Company Security Code "MRN" on the Australian Securities Exchange Limited.

## SHAREHOLDER ENQUIRIES

Shareholders wishing to record a change of address or other holder details or have queries regarding their shareholding should contact the office of the share registry as detailed below. Shareholders with any other query are invited to contact the Company's registered office as detailed in the Corporate Directory at the rear of this Annual Report.

# CORPORATE DIRECTORY

DIRECTORS
Russell Tate
Gregory Hywood
James Millar AM
Monique Marks
Louise McCann

COMPANY SECRETARY
Lisa Young

AUDITORS
Ernst & Young

SOLICITORS
Banki Haddock Fiora
Baker and McKenzie
Clayton Utz

BANKER
Australia and New Zealand Banking Group Limited

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

SECURITIES EXCHANGE LISTING
The shares of Macquarie Media Limited are listed on the Australian Securities Exchange Limited.

HEAD OFFICE
Level 1, 33-35 Saunders Street
Pyrmont NSW 2009

REGISTERED OFFICE
Level 1, 33-35 Saunders Street
Pyrmont NSW 2009

ANNUAL GENERAL MEETING
The Annual General Meeting of Macquarie Media Limited is to be held on 15 November 2016 at the offices of Macquarie Media, Ground Floor, Building C, 33-35 Saunders St, Pyrmont, Sydney, NSW commencing at 11am.

MACQUARIE
MEDIA LIMITED

MACQUARIE MEDIA LIMITED | 2GB 873AM | 2UE 954 NEWS TALK | 3AW 693 NEWS TALK | 4BC 1116 NEWS TALK | 6PR 882 NEWS TALK

Magic 2CH 1170 The songs you know and love | Magic 1278 The songs you know and love | Magic 882 The songs you know and love | MACQUARIE MEDIA SYNDICATION | SMA entertainment | MAP Map and Page,