

PRIME MEDIA GROUP



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19

Annual Report



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On behalf of the directors of Prime Media Group, I am pleased to present the Annual Report for the 2019 financial year.

Corporate Information

ABN 97 000 764 867

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

DIRECTORS

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

Ian R. Neal
6 June 2008 – Present

Peter J. Macourt
1 September 2014 – Present

Cass O'Connor
21 April 2015 – Present

Robbie L. Sefton
8 April 2019 – Present

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

REGISTERED OFFICE

363 Antill Street
Watson ACT 2602
Ph: 02 6242 3700

SHARE REGISTER

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

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

BANK

Australia and New Zealand Banking Group Limited (ANZ)

AUDITORS

Ernst & Young

Chairman's Report



I am pleased that the company has delivered a result in line with market guidance and in the face of now well-established television audience and advertiser disruption. Your Board's decision to suspend distributions and prioritise the reduction of interest bearing debt, was in response to our early recognition of these dramatic changes to market fundamentals.

Net interest bearing debt at 30 June 2019 was \$9.6 million, down \$5.2 million compared to the same time last year. On current forecast, Prime will have extinguished interest-bearing debt before the end of this new financial year.

Prime's program costs increased in the reporting period through renewal of its program supply arrangements with the Seven Network. A second increase in program costs will occur in the 2020 financial year and then remain flat for the remainder of the term of the agreement. The increase in program costs has been dramatic, but includes important sports such as AFL franchises, The Big Bash League and the Tokyo 2020 Summer Olympics. Live sport is the most valuable sporting commodity on television and through the new deal with the Seven Network, Prime will now have eleven months of live sports on its annual schedule.

During the reporting period, Prime approached its regional media contemporaries to create a new media-marketing platform called Boomtown. Boomtown aims to educate media buyers and advertisers on the value of regional media advertising and the spending power of people living outside the capital cities. The advertising market's reaction to Boomtown has been overwhelmingly positive and Prime is now seeing a number of dormant advertisers returning to TV, along with new advertisers looking to reach the nine million Australians that metropolitan television does not deliver.

Boomtown has been created in response to declining regional media advertising spends. The Boomtown partners stretch across regional television, radio and press. Collectively we believe that over time, a material shift in advertising spend to regional media platforms will occur. Prime will be a recipient of that share shift.

Doubling up on that effort is Prime's engagement with government regarding the increasing power and influence of international and national media and entertainment companies, who use the internet to reach regional Australians but without many of the regulations, restrictions or obligations required of Prime. We welcome the ACCC Digital Inquiry and its findings, but more needs to be done, and quickly, to provide a level playing field for small regional companies such as Prime who are now directly exposed to competition from some of the largest and most powerful news and entertainment platforms on the globe.

The regional television advertising market continues to decline in the face of this onslaught of competition, though Prime sees Boomtown as an opportunity to mitigate, if not stem the decline over the medium term.

I thank the management and staff of Prime for their continuing efforts and commitment to Prime's market leadership, my fellow board members for their prudence and also Prime's advertising partners for their continued support.

A handwritten signature in black ink, appearing to read 'John Hartigan', written over a horizontal line.

John Hartigan
CHAIRMAN

Highlights

Revenue

\$191.9
million

EBITDA

\$38.5
million

Core net profit
after tax[^]

\$17.2
million

[^] Excludes non-core specific items.

Although advertising revenue and audience volume was down on the prior year, Prime maintained its industry leadership in advertising revenue share and audience share for the seventh year straight.

I am pleased that in a turbulent market where audience and advertisers are now exposed to an increasing array of entertainment options, that Prime has maintained its position as the number one option for audiences and advertisers in the markets we serve across regional Australia.

In response to the changing profile of regional advertising spends, Prime brought regional media companies together to create a new marketing platform to extol the consumer attributes of the thirty six percent of Australians living and working in regional Australia. Now known as Boomtown, this industry initiative targets the re-allocation of media spends across Australia. With our Boomtown partners, we are working hard to deliver a greater share of national advertising revenue to regional media companies.

However, Prime continues to weather the effects of increasing competition from national and international entertainment, news and information platforms. Most of these platforms do not have the same regulatory obligations that Prime does, such as fees for broadcast spectrum, local content quotas, advertising time and category restrictions, drama and children's programming quotas and captioning for the hearing impaired. These regulatory obligations are increasingly expensive to meet and maintain at a time when advertising revenue is falling – demonstrated by other regional broadcasters closing eight local TV newsrooms and bureaux in Queensland and southern New South Wales this year.

Prime's regional sales force now competes against Google and Facebook at street level, vying for every local ad dollar. Their presence in small local advertising markets is a demonstration of the substantial and sustained disruption brought to bear on the traditional regional media sector. A government review of regional television regulation is underway as part of the federal government's agenda to harmonise traditional and digital media regulatory

Chief Executive Officer's Report



frameworks. Prime has been at the forefront of informing the debate along with its regional television counterparts. The ability for companies like Prime to remain competitive and continue delivering unique services to regional Australia will be dependent upon a considered response by government to market realities and the striking imbalance in regulatory obligations.

The arguments put forward for urgent reform are compelling. Prime is encouraged by the Federal Government's level of engagement and we look forward to guidance on its proposed reforms later this calendar year.

In response to the decline in advertising revenue, management reduced operating costs by 5.9 percent on the prior year or \$3.2 million, with employee expenses down \$1.4 million or 3.8 percent. The result was a fifty percent reduction in key management personnel and other cost savings across the business.

The fall in advertising revenue resulted in a \$14 million impairment charge which included the write-down of Prime's television broadcast licence and other intangible assets.

Shareholders would be aware that the company has made the reduction of interest bearing debt a priority. The strategy has enabled Prime to meet the market expectation for content pricing without carrying an onerous debt load forward in an advertising market that is clearly in disruption and yet to reveal its landing point. Prime is on track to extinguish interest bearing debt prior to the end of the 2020 financial year.

Prime continues to build on its strong community ties. Prime and GWN remain the number one local TV news option in their broadcast markets – enjoying audience shares that are mostly well above fifty-percent of the available audience and provide strong audience continuity into the evenings programming.

Cementing our ongoing success and reputation with audiences, advertisers and the communities we serve is the company's significant investment in community airtime sponsorships to support and assist community endeavours.

Prime, including GWN, is a significant employer of regional Australians with offices stretching from the Gold Coast, throughout many major cities and towns in regional NSW and Victoria, and across regional Western Australia. We invest in, and support the following community partnerships:

- Regional Achievement and Community Awards – NSW/ACT, Victoria and Western Australia
- Young Achiever Awards – NSW/ACT, Victoria and Western Australia
- Camp Quality
- Variety The Children's Charity
- Regional Australia Institute
- Royal Far West
- RCH Good Friday Appeal
- Victorian Tourism Industry Council
- Channel 7 Telethon (WA)
- Dowerin GWN7 Machinery Field Days
- WA Top Tourism Awards
- Scitech
- Angelhands Inc
- Western Australian Regional Small Business Awards
- Leukemia Foundation
- Tourism Council of Western Australia
- Relay For Life

Maintaining our industry leadership position takes commitment and professionalism and I extend my thanks and appreciation to Prime and GWN staff for their continued contribution to that success.

A handwritten signature in black ink, appearing to read 'Ian Audsley'. The signature is stylized and fluid, written over a white background.

Ian Audsley
CHIEF EXECUTIVE OFFICER

Your directors submit their report for the year ended 30 June 2019.

Directors

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



Hartigan

John K. Hartigan

Non-Executive Chair
(appointed 15 May 2014)

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



Neal

Ian R. Neal

Non-Executive Director
(appointed 6 June 2008)

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



Macourt

Peter J. Macourt

Non-Executive Director
(appointed 1 September 2014)

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

Director's Report



Cass A. O'Connor

Non-Executive Director
(appointed 21 April 2015)

Ms O'Connor has over 30 years' experience as a director of ASX listed companies, Federal and State government and unlisted entities. For the past 20 years she has managed her own corporate advisory company. Ms O'Connor is currently Chair of Audit and Risk Committee and non-executive director of Carriageworks Limited, a shareholder and director of multi-award winning independent television and film production entity Goalpost Pictures and a non-executive director of TRIBE, a leading influencer marketing and content platform. Ms O'Connor has previously worked for Bain & Co, Deutsche Bank, Turnbull & Partners, Goldman Sachs (Australia) and Carnegie, Wylie & Company. Ms O'Connor is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.



Robbie L. Sefton

Non-Executive Director
(appointed 8 April 2019)

Ms Sefton is a wool, meat and grain farmer, and managing director of Seftons, a national strategic marketing communications company based in Tamworth, NSW. Ms Sefton has been a member on the Reserve Bank of Australia's Small Business Finance Panel. She is currently the Deputy Chair of the National Australia Day Council and a board member of the newly created Cooperative Research Centre for High Performing Soils. Recently, the federal government's Minister for Water Resources, Drought, Rural Finance, Natural Disaster and Emergency Management appointed Ms Sefton as Chair of the Independent Panel for the Assessment of Social and Economic Conditions in the Murray-Darling Basin. Prior to that Ms Sefton served as a committee member reviewing telecommunications services in regional, rural and remote parts of Australia, as appointed by the federal Minister for Regional Services. Ms Sefton's achievements include being named a Westpac/Australian Financial Review Woman of Influence, AgriFutures Australia NSW Rural Woman of the Year and she is a graduate of the Australian Rural Leadership Program and was also a board member of the Foundation for six years.



Ian C. Audsley

Chief Executive Officer
(appointed 16 June 2010)

Executive Director
(appointed 24 June 2010)

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

Directors' report

Directors' Interests

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

NAME	ORDINARY SHARES
J.K. Hartigan	42,750
I.R. Neal	40,000
P.J. Macourt	–
C.A. O'Connor	75,000
R.L. Sefton	–
I.C. Audsley	974,300

Interests In Contracts Or Proposed Contracts With The Company

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

Directorships In Other Listed Entities

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

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

Company Secretary

John Palisi was Company Secretary during the reporting period. He has been a Chartered Accountant for over 20 years and is a graduate of the Australian Institute of Company Directors.

Earnings Per Share

	CENTS
Basic earnings per share – Profit from Statutory earnings	2.0
Diluted earnings per share – Profit from Statutory earnings	2.0
Basic earnings per share – Profit from core earnings	4.7
Diluted earnings per share – Profit from core earnings	4.7

Dividends

	CENTS	\$'000
Final dividend recommended:		
– on ordinary shares	–	–
Dividends paid in the year:		
<i>Interim for the year</i>		
– on ordinary shares	–	–
<i>Final for 2018 shown as recommended in the 2018 financial report</i>		
– on ordinary shares	–	–

Principal Activities

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

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

Operating and Financial Review

Statutory Results

The Company's consolidated profit after tax attributable to the members for the year ended 30 June 2019 was \$7,348,000, which represents an increase of \$19,623,000 or 159.9% on the previous corresponding period. Included in the consolidated profit is a non-cash impairment of television broadcast licences and software of \$14,018,000 (2018: \$51,690,000). The impairment reflects the ongoing decline of regional free-to-air television advertising and the increasing cost of programming.

Revenue for the period has been reported in accordance with the new accounting standard AASB 15 *Revenue from Contracts with Customers*. The Group has historically recognised revenue from advertising inclusive of agency commissions and brought to account the cost of commission as a cost of sale. Under the new standard, the Group is required to recognise revenue net of agency commission. As set out in Note 1 to the financial statements, this treatment has been applied to the prior year comparatives reducing revenue recognised and cost of sales by the amount of agency commissions. The Group's net profit after tax remained unchanged.

Revenue of \$191,862,000 decreased \$9,389,000 or 4.7% on the previous corresponding period. During the financial year, the Company maintained its lead revenue share of 41.5% in the aggregated regional market of New South Wales and Victoria. The Group's television advertising revenue in the aggregated regional market of New South Wales and Victoria decreased by 5.0% on the prior year, compared to the market, which declined 4.1% in the same period.

During the financial year, the Group entered a new program supply agreement with the Seven Network from 1 July 2018 for a period of 5 years. As previously reported, the Group's program affiliation fees increased under the new agreement. The Group also adopted AASB 9 *Financial Instruments: Recognition and Impairment* during the financial year, which resulted in an increase in allowance for expected credit losses of \$493,000. As a result of these changes, the Group's gross profit margin declined from 49.8% to 47.1%.

Total operating expenses of \$51,788,000 decreased by \$3,233,000 or 5.9% on the prior year. Employee benefit expense of \$34,421,000 declined by \$1,369,000 or 3.8% on the prior year. The reduction in employee costs was largely attributable to a reduction in key management personnel costs in the current reporting period. The prior period included non-recurring legal and consultancy expenses of \$911,000.

The Group's share of associate profits of \$156,000 relates to joint ventures that broadcast Nine Entertainment programming in regional Western Australia and Mildura.

Earnings before interest, tax and depreciation and amortisation of \$38,469,000 decreased by \$6,688,000 or 14.8% on the prior year.

Net interest bearing debt reduced by \$5,237,000 during the period to \$9,556,000 at 30 June 2019. The Company continues to operate within bank covenants. Finance costs of \$1,310,000 were 17.3% favourable to the previous corresponding period due to lower average interest bearing debt levels.

Dividend

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

Core Net Profit After Tax

Core net profit after tax (non-IFRS measure) and before specific items was \$17,161,000 (2018: \$25,259,000), declining \$8,098,000 or 32.1% on the previous corresponding period.

	2019 \$'000	2018 \$'000
Reported profit/(loss) after tax	7,348	(12,275)
Impairment of television broadcast licences and software (non-cash)	14,018	51,690
Release of deferred tax liability arising from impairment	(4,205)	(15,507)
Non-recurring legal and consulting expenses	–	911
Redundancies	–	1,019
Income tax benefit related to specific items	–	(579)
Core net profit after tax and before specific items	17,161	25,259

SHAREHOLDER RETURNS

Core Earnings Per Share (cents per share) ¹	4.7	6.9
Statutory Earnings Per Share (cents per share)	2.0	(3.4)
Core Return on Assets (ROA) ¹	% 19.8	25.9
Statutory Return on Assets (ROA)	% 8.5	(12.6)
Weighted Average Cost of Capital (pre-tax)	% 12.96	12.96
Weighted Average Cost of Capital (post-tax)	% 12.64	12.64
Core Return on Equity (ROE) ^{1,2}	31.3	52.5
Statutory Return on Equity (ROE)	% 13.4	(25.5)
Net Debt/Net Debt + Equity Ratio	% 14.9	23.5
Share price	\$ 0.21	0.29
Dividends per share	cents –	1.7
Total Shareholder Return	% (27.6)	(19.2)

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

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

Statement of Financial Position and Cash Flow

Net cash flow from operating activities of \$22,466,000 declined \$9,647,000 or 30.0% compared to the prior corresponding period. The decrease in operating cash flows is in part due to the continued decline in advertising revenues, the increase in affiliate fee rate under the new program supply agreement with the Seven Network and the initial payment of spectrum licence fees totalling \$6,215,000 under the new licensing regime. Included in the spectrum licence fee payments in this reporting period were spectrum licence fees accrued in the 2018 financial year and paid in this reporting period of \$4,518,000. No spectrum licence fees were paid in the prior period.

Net cash flows used in investing activities of \$16,731,000 (2018: \$3,120,000) relate to the purchase of program rights from the Seven Network for \$15,000,000 on execution of the program supply agreement and capital expenditure of \$2,581,000 for the purchase of broadcast and computer equipment. During the reporting period, the Group received a repayment of loan funds from Associates of \$850,000.

Directors' Report continued

Capital Structure

The Group's secured bank loan facility decreased to \$16,000,000 as at 30 June 2019 (30 June 2018: \$25,696,000). The Group continues to operate within the terms of its debt facility, which matures April 2023. During the reporting period, the debt facility limit was reduced to \$30 million.

	2019 \$'000	2018 \$'000
Interest-bearing loan	16,000	25,696
Cash and short term deposits	(6,443)	(10,903)
Net debt	9,557	14,793
Total equity	54,784	48,153
Total capital employed	64,341	62,946
Gearing	14.9%	23.5%

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

	2019 \$'000	2018 \$'000
Non-current		
Secured bank loan facility	16,000	25,696
Total interest bearing liabilities	16,000	25,696

Risk management

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

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

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

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

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

Significant changes in the state of affairs

There were no significant changes in the Group's state of affairs.

Significant events after the balance date

There were no significant events after balance date.

Likely developments and expected results

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

Performance rights (equity)

Unissued shares

At the date of this report, there were no unvested performance rights (2018: 1,377,753) over unissued ordinary shares under the Prime Media Group Limited Performance Rights Plan.

As reported at the Company's 2018 Annual General Meeting, the Prime Media Group Limited Performance Rights Plan has ended, with no new issue of performance rights in this reporting period. A new cash settled long-term incentive plan has been introduced, details of which are provided in the Remuneration Report.

Shares issued or acquired as a result of the exercise of performance rights

During the financial year, 826,284 (2018: 1,211,926) ordinary shares were acquired on market by the Trustee of the Prime Media Group Limited Performance Rights Plan as a result of the vesting and exercise of rights granted in 2015.

Indemnification and insurance of directors and officers

In accordance with the *Corporations Act 2001*, the directors disclose that the Company has a Directors' and Officers' Liability policy covering each of the directors and certain executive officers for liabilities incurred in the performance of their duties and as specifically allowed under the *Corporations Act 2001*. During the year, the Company paid premiums totalling \$563,974 (2018: \$276,425) in relation to the Directors' and Officers' Liability policy. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy. The Company has also executed a deed of access, indemnity and insurance with Directors and Officers in their capacity for the Company, its subsidiaries and related parties.

Indemnification of auditors

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

Directors' meetings and committee membership

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

	BOARD MEETINGS	AUDIT AND RISK COMMITTEE MEETINGS	REMUNERATION AND NOMINATION COMMITTEE MEETINGS
Number of meetings held:	15	2	3
Number of meetings attended:			
J.K. Hartigan	15	–	–
I.R. Neal	15	2	3
P.J. Macourt	15	2	3
C.A. O'Connor	14	2	3
R.L. Sefton (appointed 8 April 2019) ¹	3	–	–
I.C. Audsley	15	–	–

¹ Indicates the maximum number of meetings the director was eligible to attend during the period.

Message from the Chair of the Remuneration and Nomination Committee

Dear Shareholder

On behalf of the Board of Prime Media Group I am pleased to present the Company's Remuneration Report for the financial year to 30 June 2019 in accordance with section 300A of the Corporations Act, outlining the nature and amount of remuneration for non-executive directors and key management personnel.

The 2019 financial year was once again a difficult year in which audiences and revenues continued their declining trend for both regional markets and for Prime. Despite the difficult trading environment, the Company continued to maintain a market leading revenue share of 41.5% in key markets, while also reducing operating costs by 5.9% below the prior year. Significantly, in August 2018 the Company announced a new five year program supply agreement with the Seven Network. The new agreement secured Prime's future with the Seven Network as the No.1 broadcaster in regional Australia.

Remuneration Outcomes

As reported last financial year, in keeping with the requirement to continue reducing costs, the Company reduced the size of the executive team and this resulted in an overall reduction in key executive management remuneration in excess of \$1.3 million for this financial year. Remuneration outcomes for the smaller team were aligned to revenue targets and cost management, while also maintaining a focus on governance and culture. Accordingly, STI and LTI awards range between 33% and 80% of short term incentives depending on each executive's individual incentive plan.

Finally, commensurate with the focus on costs, non-executive director fees remained flat for a fourth consecutive year.

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

Yours sincerely



Mr. Ian Neal

Non-Executive Director and Chair of Remuneration and Nomination Committee

Directors' Report continued

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 30 June 2019 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The Remuneration Report is presented under the following sections:

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

1. REMUNERATION REPORT OVERVIEW

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

For the purposes of this report, the term 'executive' includes the Chief Executive Officer (CEO), executive directors, senior executives, and secretaries of the Company and the Group. KMP for the year ended 30 June 2019 were:

KMP	POSITION	TERM AS KMP
Non-Executive Directors		
J.K. Hartigan	Chair; Director	Full Year
I.R. Neal	Director	Full Year
P.J. Macourt	Director	Full Year
C.A. O'Connor	Director	Full Year
R.L. Sefton	Director	From 8 April 2019
Executive KMP		
I. Audsley	CEO and Executive Director	Full Year
D. Walker	Group General Manager Sales and Marketing	Full Year
J. Palisi	Chief Financial Officer	Full Year

2. REMUNERATION GOVERNANCE

A. Remuneration and Nomination Committee

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

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

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

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

3. EXECUTIVE REMUNERATION ARRANGEMENTS

A. Remuneration Principles and Strategy

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

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

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

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and aligned with market practice. When referencing the external market, the Company has regard for media sector wages and remuneration offered amongst the pool of candidates for which it must compete for talent.

3. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

B. Remuneration Mix

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

NAME	FIXED REMUNERATION %	AT RISK STI %	AT RISK LTI %	TOTAL %	TOTAL AT RISK %
CEO and Executive Director					
I. Audsley	53%	34%	13%	100%	47%
Other KMP					
D. Walker	55%	36%	9%	100%	45%
J. Palisi	65%	25%	10%	100%	35%

47% of the CEO's total remuneration package is 'at risk' and therefore subject to the achievement of both short term and long term performance requirements that are linked to the Company's strategy and driving long term shareholder wealth creation.

REMUNERATION COMPONENT	VEHICLE	PURPOSE	LINK TO PERFORMANCE
Fixed remuneration	Represented by total employment cost: comprises base salary, superannuation contributions and other discretionary and non-discretionary benefits.	To provide competitive fixed remuneration set with reference to the median of comparable external market roles.	Company and individual performance are considered during the annual review process.
STI component	Paid in cash.	Rewards KMP for their contribution to achievement of Group and business unit outcomes, as well as individual Key Performance Indicators (KPIs).	Core Net Profit After Tax (NPAT); Operational performance; A positive power ratio, which is a measure of the Company's share of revenue to the Company's share of audience; and Risk management including commitment to Work Health Safety.
LTI component	Prime Media Group Limited Performance Rights Plan: The final tranche granted in 2015 and vested in this reporting period. Prime Media Group Limited Cash Settled Performance Plan introduced to replace the performance rights plan.	Rewards KMP for their contribution to the creation of shareholder value over the longer term.	Performance rights vest subject to achieving core EPS and power ratio targets. Performance is linked to achievement of STI targets over three financial years.

Directors' Report continued

4. DETAIL OF INCENTIVE PLANS

A. Short Term Incentive Entitlements and Outcomes

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

STI Performance Criteria

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

PERFORMANCE MEASURES	GROUP FINANCIAL PERFORMANCE MEASURES: CORE NPAT	DIVISIONAL FINANCIAL PERFORMANCE MEASURES: POWER RATIO REVENUE YIELD EXPENSE MANAGEMENT REVENUE GENERATION	NON-FINANCIAL MEASURES: GROUP STRATEGY OPERATIONAL PERFORMANCE INCLUDING: AUDIENCE SHARE COMMITMENT TO RISK MANAGEMENT AND WORK HEALTH SAFETY
Chief Executive Officer	40%	–%	60%
Group GM Sales and Marketing	9%	84%	7%
Chief Financial Officer	20%	60%	20%

KEY PERFORMANCE OBJECTIVES	OUTCOMES	COMMENTARY
Financial results	Not achieved Not achieved	Statutory net profit after tax of \$7,348,000. Core net profit after tax of \$17,161,000.
Maximising advertising revenue share and yield	Partially achieved	Prime reported a power ratio of 1.012, which demonstrates that Prime's revenue share of 41.5% exceeded its audience share of 41.0% in the aggregated regional market of New South Wales and Victoria.
Strategic priorities:	Achieved	Renewal of Program Supply Agreement with the Seven Network.
Risk management culture including promotion of work health safety	Achieved	The Executive Risk Management Committee continued to promote a companywide culture of risk management and work health safety.

After consideration of performance against KPIs, the Remuneration and Nomination Committee considers and recommends to the Board, on an annual basis, the amount, if any, of STI to be paid to each executive. This process usually occurs within three months after the reporting date at which time a cash bonus is paid equivalent to achievement.

B. Long Term Incentives

i) Prime Media Group Limited Performance Rights Plan approved November 2014

The Prime Media Group Limited Performance Rights Plan ended this financial year, with no new issue of performance rights since 2015. As set out at table 4, a final tranche of 826,284 granted in 2015 vested and 551,469 performance rights lapsed during the year. The vesting was subject to continuous service and achievement of the following targets:

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

The Trustee of the Prime Media Group Limited Performance Rights Plan acquired 826,284 (2018: 1,211,927) ordinary shares on market for performance rights that vested under the Plan in September and November 2018 formally ending the November 2014 Performance Rights Plan.

4. DETAIL OF INCENTIVE PLANS (CONTINUED)

ii) Prime Media Group Limited Cash Settled Performance Plan introduced November 2017

The Company introduced the Prime Media Group Limited Cash Settled Performance Plan to replace The Prime Media Group Performance Rights Plan for KMP. The plan is a cash-based plan which has been designed to reward KMP performance over a three year period by offering a potential entitlement to cash payments linked to the Group's share price performance and STI achievement over the same period.

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

		ENTITLEMENT NOTIONAL SHARE UNITS	GRANT DATE	SHARE PRICE AT GRANT	MAXIMUM VALUE AT GRANT DATE
Director					
I. Audsley	2019	2,007,135	12/12/2018	\$0.2242	450,000
	2018	1,000,000	23/1/2018	\$0.4200	420,000
Executive					
D. Walker	2019	843,015	12/12/2018	\$0.2242	189,000
	2018	450,000	23/1/2018	\$0.4200	189,000
J. Palisi	2019	702,503	12/12/2018	\$0.2242	157,500
	2018	375,000	23/1/2018	\$0.4200	157,500

Under the cash-settled performance plan, eligible KMP will be granted notional share units, the value of which will vary with the Company's share price over a three year vesting period. The amount of notional share units that vest will be linked to the employee's STI performance measures as set by your Board at the beginning of each financial year. The value of notional share units at vesting will be equivalent to the Company's share price at the date of vesting. At the reporting date, \$423,000 (2018: \$144,000) had been accrued under the cash-settled performance plan in relation to the notional share units which are yet to vest.

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

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

No cash-settled benefits were paid to KMP in this reporting period (2018: nil).

C. Executive Remuneration Outcomes (including link to performance)

Company performance and its link to Short Term Incentives

The financial performance measures driving STI payment outcomes are:

- NPAT before specific non-core items; and
- A power ratio greater than one. The power ratio is a measure of the Company's share of revenue to the Company's share of audience. A power ratio greater than one indicates that the Company is performing ahead of its audience share. The Company achieved a power ratio of 1.012.

The Remuneration and Nomination Committee will consider the STI payments for the 2019 financial year in the first quarter of the 2020 financial year. 100% of the STI cash bonus pool accrued for 2018 financial performance was paid in the 2019 financial year to key management personnel. As demonstrated in the table below, STI payments have been accrued at between 33.4% and 80.0% of the maximum cash bonus available to ongoing executives for the 2019 financial year. Any adjustments between the actual amounts to be paid as determined by the Remuneration and Nomination Committee and the amounts accrued will be adjusted in the 2020 financial year.

EXECUTIVE	FY19 STI ACCRUED	FY19 STI AWARD POOL	%	FY18 STI PAID IN CASH	FY18 STI AWARD POOL	PAID %
I. Audsley	330,000	550,000	60.0%	262,500	525,000	50.0%
D. Walker	106,124	317,500	33.4%	101,003	299,990	33.7%
J. Palisi	128,000	160,000	80.0%	66,150	110,250	60.0%
E. McDonald	-	-	-%	-	107,835	-%
S. Wood	-	-	-%	-	110,250	-%
T. Hogarth	-	-	-%	-	115,550	-%
Total	564,124	1,027,500	54.9%	429,653	1,268,875	33.9%

Directors' Report continued

4. DETAIL OF INCENTIVE PLANS (CONTINUED)

C. Executive Remuneration Outcomes (including link to performance) (continued)

Company performance and its link to Long Term Incentives

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

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

The following table shows the Company's performance over the period 1 July 2015 to 30 June 2018. The performance rights that vested in this reporting period were issued in 2015.

CORE EARNINGS PER SHARE (60%)	FY16	FY17	FY18
Target	9.0	5.6	7.2
Actual	7.5	9.7	6.9
Percentage achieved	-%	100.0%	-%
POWER RATIO (40%)			
Total revenue share: 3AGG Market	41.70%	43.75%	41.94%
All People 06:00 to 23:59	41.80%	40.60%	40.40%
Power Ratio	0.998	1.078	1.038
Percentage achieved	99.8%	100.0%	100.0%

LTI awards under the former performance rights plan

The Trustee of the Prime Media Group Limited Performance Rights Plan acquired 826,284 (2018: 1,211,927) ordinary shares on market for performance rights that vested under the Plan in September and November 2018. The LTI remuneration for each KMP is set out within Table 1 and 2 of this section.

Directors' Report Continued

4. DETAIL OF INCENTIVE PLANS (CONTINUED)

Table 1: Remuneration for the year ended 30 June 2019

	SHORT-TERM BENEFITS			NON-CASH BENEFIT	POST-EMPLOYMENT SUPER-ANNUATION	LONG-TERM BENEFITS	EQUITY SETTLED SHARE BASED PAYMENTS EXPENSE ³	CASH SETTLED PERFORMANCE PLAN EXPENSE ⁴	TOTAL	PERFORMANCE RELATED
	SALARY & FEES	ANNUAL LEAVE ¹	CASH BONUS							
Non-executive directors										
J.K. Hartigan (Chair)	91,324	-	-	-	8,676	-	-	-	100,000	0.0%
I.R. Neal	95,000	-	-	-	-	-	-	-	95,000	0.0%
P.J. Macourt	86,758	-	-	-	8,242	-	-	-	95,000	0.0%
C.A. O'Connor	86,758	-	-	-	8,242	-	-	-	95,000	0.0%
R.L. Sefton (Appointed 8 April 2019)	21,690	-	-	-	2,061	-	-	-	23,751	0.0%
Total non-executive directors	381,530	-	-	-	27,221	-	-	-	408,751	0.0%
Executive directors										
I. Audsley	855,613	27,401	330,000	10,428	20,531	78,841	37,577	162,750	1,523,141	34.8%
Key management personnel										
D. Walker	483,055	6,843	106,124	7,428	20,531	19,040	12,033	63,788	718,842	25.3%
J. Palisi	414,260	7,670	128,000	9,635	20,531	27,719	7,964	53,165	668,944	28.3%
Total executive KMP	1,752,928	41,914	564,124	27,491	61,593	125,600	57,574	279,703	2,910,927	31.0%
TOTAL	2,134,458	41,914	564,124	27,491	88,814	125,600	57,574	279,703	3,319,678	27.2%

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

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

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

4 Cash settled performance plan expense represents amounts accrued for under the performance plan that have not vested and do not represent payments made to KMP.

Directors' Report Continued

4. DETAIL OF INCENTIVE PLANS (CONTINUED)

Table 2: Remuneration for the year ended 30 June 2018

	SHORT-TERM BENEFITS			POST EMPLOYMENT	LONG TERM BENEFITS	EQUITY SETTLED SHARE BASED PAYMENTS EXPENSE ³	CASH SETTLED PERFORMANCE PLAN EXPENSE ⁴	TERMINATION PAYMENTS ⁶	TOTAL	PERFORMANCE RELATED
	SALARY & FEES \$	ANNUAL LEAVE ¹ \$	CASH BONUS \$							
Non-executive directors										
J.K. Hartigan (Chair)	91,725	-	-	8,275	-	-	-	-	100,000	0.0%
I.R. Neal	95,000	-	-	-	-	-	-	-	95,000	0.0%
P.J. Macourt	86,758	-	-	8,242	-	-	-	-	95,000	0.0%
C.A. O'Connor	86,758	-	-	8,242	-	-	-	-	95,000	0.0%
Total non-executive directors	360,241	-	-	24,759	-	-	-	-	385,000	0.0%
Executive directors										
I. Audsley	855,613	64,773	262,500	20,049	28,319	75,574	78,750	-	1,385,578	30.1%
Key management personnel										
D. Walker	474,048	19,925	101,003	20,049	10,189	27,239	35,438	-	687,891	23.8%
J. Palisi	414,260	(2,623)	66,150	20,049	13,842	11,235	29,531	-	552,444	19.4%
E. McDonald (departed 29 June 2018) ⁵	415,317	(5,565)	-	20,049	45,241	(87,243)	-	203,751	591,550	(14.7%)
S. Wood (departed 16 February 2018) ⁵	251,158	(11,784)	-	14,498	43,163	(87,243)	-	262,709	472,501	(18.5%)
A. Hogarth (departed 15 December 2017) ⁵	173,895	(5,164)	-	10,024	22,483	(37,318)	-	421,411	585,331	(6.4%)
Total executive KMP	2,584,291	59,562	429,653	104,718	163,237	(97,756)	143,719	887,871	4,275,295	11.1%
TOTAL	2,944,532	59,562	429,653	129,477	163,237	(97,756)	143,719	887,871	4,660,295	10.2%

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

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

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

4 Cash settled performance plan introduced in November 2017. Cash settled performance plan expense represents amounts accrued for under the performance plan that have not vested and do not represent payments made to KMP.

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

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

4. DETAIL OF INCENTIVE PLANS (CONTINUED)

Table 3: Prime Media Group Limited Performance Rights Plan Approved November 2014

No performance rights were granted during the 2019 financial year. The following performance rights vested and/or lapsed during the 2019 financial year:

2019	GRANT DATE	VESTING DATE	VESTED NUMBER	LAPSED NUMBER
Director				
I. Audsley	10/11/2015	10/11/2018	449,800	300,200
Executive				
D. Walker	21/9/2015	21/09/2018	226,551	151,202
J. Palisi	21/9/2015	21/09/2018	149,933	100,067
TOTAL			826,284	551,469

Table 4: Performance rights holdings of KMP

As demonstrated in the table below, the Prime Media Group Limited Performance Rights Plan has ended and there are no outstanding rights to shares at the balance date.

2019	BALANCE 1 JULY 2018	GRANTED AS REMUNERATION	PERFORMANCE RIGHTS EXERCISED	PERFORMANCE RIGHTS LAPSED	PERFORMANCE RIGHTS FORFEITED	BALANCE 30 JUNE 2019	EXERCISABLE	NOT EXERCISABLE
Director								
I. Audsley	750,000	–	449,800	300,200	–	–	–	–
Executive								
D. Walker	377,753	–	226,551	151,202	–	–	–	–
J. Palisi	250,000	–	149,933	100,067	–	–	–	–
TOTAL	1,377,753	–	826,284	551,469	–	–	–	–

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

	VALUE OF PERFORMANCE RIGHTS GRANTED DURING THE YEAR ¹ \$	VALUE OF PERFORMANCE RIGHTS EXERCISED DURING THE YEAR ² \$	VALUE OF PERFORMANCE RIGHTS LAPSED DURING THE YEAR ¹ \$	VALUE OF PERFORMANCE RIGHTS CANCELLED DURING THE YEAR \$
I. Audsley	–	102,349	124,883	–
D. Walker	–	36,901	64,377	–
J. Palisi	–	55,757	42,605	–
TOTAL	–	195,007	231,865	–

1 Determined at the time of grant per AASB 2.

2 Determined at the time of exercise.

There were no alterations to the terms and conditions of performance rights granted as remuneration since their grant date. The maximum grant payable assuming that all service and performance criteria were met, was equal to the number of rights granted multiplied by the fair value at the grant date.

Directors' Report continued

4. DETAIL OF INCENTIVE PLANS (CONTINUED)

Table 6: Equity holdings and transactions

	BALANCE AT START OF THE YEAR	SHARES GRANTED ON EXERCISE OF RIGHTS	PURCHASES AND OTHER CHANGES DURING THE YEAR	BALANCE AT THE END OF THE YEAR
Non-Executive Director				
J.K. Hartigan	–	–	42,750	42,750
I.R. Neal	40,000	–	–	40,000
P.J. Macourt	–	–	–	–
C.A. O'Connor	75,000	–	–	75,000
R.L. Sefton	–	–	–	–
Executive Director				
I. Audsley	865,456	449,800	(340,956)	974,300
Key Management Personnel				
D. Walker	–	226,551	(226,551)	–
J. Palisi	19,058	149,934	–	168,992

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

5. EXECUTIVE CONTRACTS

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

NAME	NOTICE PERIOD	TERMINATION PAYMENT
CEO And Executive Director		
I. Audsley	12 months	12 months (fixed remuneration)
Other KMP		
D. Walker	End of contract	Maximum of 6 months
J. Palisi	6 months	6 months (fixed remuneration)

Under the November 2017 cash settled long term incentive plan where a participant leaves before all Notional Share Units vest and becomes a good leaver the Board determines in its sole and absolute discretion to allow some or all of those notional share units to vest. Under other leaver circumstances, such as termination for cause, all unvested Notional Share Units will lapse and be forfeited.

6. NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration Policy

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

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

The amount of the aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed from time to time against fees paid to NEDs of comparable companies. The Board also considers advice from external consultants when undertaking the review process. The aggregate fees paid to NEDs in the 2019 financial year were \$381,530 (excluding superannuation).

NED fees in the 2020 financial year are estimated to be \$474,521, which is less than the determination made at the Annual General Meeting held in November 2007 when shareholders approved an aggregate fee pool of \$750,000 per annum (excluding superannuation).

Structure

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

The rates and fees (inclusive of superannuation contributions) for the NEDs in 2019 financial year is as follows:

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

6. NON-EXECUTIVE DIRECTOR REMUNERATION (CONTINUED)

Remuneration Consultants

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

Having undertaken a significant review of KMP remuneration during the 2018 financial year, the Committee did not engage remuneration consultants in this financial year. The Committee is satisfied that the advice received from Ernst & Young in the prior year for services totalling \$12,360 was free from undue influence from members of the KMP.

Additional statutory disclosures

Rounding

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

Auditor Independence and Non-Audit Services

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

Non-Audit Services

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

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

	\$
Tax compliance services	34,607
Assurance services	9,880
Total	44,487

Corporate governance

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

Signed in accordance with a resolution of the directors.



P. J Macourt
Director

Sydney, 22 August 2019



**Building a better
working world**

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

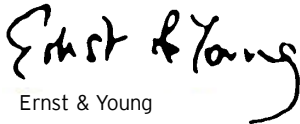
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of the financial report of Prime Media Group Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

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

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


Ernst & Young


Michael Wright
Partner
22 August 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	NOTES	CONSOLIDATED	
		2019 \$'000	2018 RESTATED \$'000
Revenue and other income			
Revenue from contracts with customers	2	190,674	200,073
Interest income	2	141	134
Other income	2	1,047	1,044
Total revenue and other income		191,862	201,251
Cost of sales		(101,465)	(100,939)
Gross profit		90,397	100,312
Broadcasting and transmission expenses		(41,546)	(42,238)
Administration and marketing expenses		(10,398)	(12,740)
Depreciation and amortisation		(11,879)	(9,618)
Impairment expense	7	(14,018)	(51,690)
Operating Profit/(Loss)		12,556	(15,974)
Finance costs	3	(1,310)	(1,584)
Share of associate profits/(losses)	20	156	(43)
Profit/(Loss) before income tax		11,402	(17,601)
Income tax (expense)/benefit	24	(4,054)	5,326
Profit/(Loss) for the year		7,348	(12,275)
Profit/(Loss) for the year		7,348	(12,275)
Total comprehensive income for the year		7,348	(12,275)
Profit/(Loss) attributable to owners of the parent		7,348	(12,275)
Total comprehensive income attributable to owners of the parent		7,348	(12,275)
Basic Earnings per share (cents per share)	5	2.0	(3.4)
Diluted Earnings per share (cents per share)	5	2.0	(3.4)

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

Consolidated Statement of Financial Position

As at 30 June 2019

	NOTES	CONSOLIDATED	
		2019 \$'000	2018 \$'000
ASSETS			
Current Assets			
Cash and short term deposits	6	6,443	10,903
Trade and other receivables	8	37,323	38,030
Intangible assets	7	3,000	1,667
Current tax asset	24	1,594	690
Other assets	9	4,711	1,943
		53,071	53,233
Assets classified as held for sale	19	645	645
Total Current Assets		53,716	53,878
Non-Current Assets			
Investment in associates	20	377	1,071
Property, plant and equipment	12	22,358	25,301
Intangible assets	7	9,878	16,593
Other assets	9	501	646
Total Non-Current Assets		33,114	43,611
Total Assets		86,830	97,489
LIABILITIES			
Current Liabilities			
Trade and other payables	10	15,429	21,340
Total Current Liabilities		15,429	21,340
Non-Current Liabilities			
Interest-bearing loans and borrowings	13	16,000	25,696
Provisions	11	600	479
Deferred income tax Liabilities	24	17	1,821
Total Non-Current Liabilities		16,617	27,996
Total Liabilities		32,046	49,336
Net Assets		54,784	48,153
EQUITY			
Equity attributable to equity holders of the parent interest			
Contributed equity	15	310,262	310,262
Reserves	17	3,722	4,091
Accumulated losses	17	(259,200)	(266,200)
Parent Interests		54,784	48,153
Total Equity		54,784	48,153

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

Consolidated Statement of Changes in Equity

As at 30 June 2019

	ISSUED CAPITAL \$'000	ACCUMULATED LOSSES \$'000	EMPLOYEE BENEFITS RESERVE \$'000	TOTAL PARENT ENTITY INTEREST \$'000
At 1 July 2018	310,262	(266,200)	4,091	48,153
Effect of adoption of new accounting standards (refer Note 1)	–	(348)	–	(348)
At 1 July 2018 (restated)	310,262	(266,548)	4,091	47,805
Profit for the period	–	7,348	–	7,348
Other comprehensive income	–	–	–	–
Total comprehensive income and expense for the period	–	7,348	–	7,348
Transactions with equity holders in their capacity as equity holders:				
Exercise of performance rights	–	–	(195)	(195)
Share-based payments (credit)/expense	–	–	(174)	(174)
Dividends on ordinary shares	–	–	–	–
At 30 June 2019	310,262	(259,200)	3,722	54,784

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

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	NOTES	CONSOLIDATED	
		2019 \$'000	2018 \$'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		212,072	223,721
Payments to suppliers and employees (inclusive of GST)		(182,195)	(174,369)
Interest received		141	134
Borrowing costs paid		(940)	(1,569)
Income tax paid		(6,612)	(15,804)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6	22,466	32,113
INVESTING ACTIVITIES			
Purchase of property, plant & equipment and intangible assets		(2,581)	(3,080)
Purchase of program rights	7	(15,000)	–
Proceeds from sale of financial assets		–	3
Loan funds received from/(paid to) related entities		850	(43)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(16,731)	(3,120)
FINANCING ACTIVITIES			
Proceeds from borrowings		95,000	114,000
Repayments of borrowings		(105,000)	(132,000)
Share-based payments – performance rights exercised		(195)	(452)
Dividends paid	18	–	(6,228)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(10,195)	(24,680)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		10,903	6,590
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	6,443	10,903

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

Notes to the financial statements

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report of Prime Media Group Limited (the "Company") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 22 August 2019.

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

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

A. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements from the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

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

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

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

B. Compliance with Australian accounting standards and international financial reporting standards

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

C. Changes in accounting policies, disclosures, standards and interpretations

Changes in accounting policy and disclosures

The Group adopted all new and amended Australian Accounting Standards and Interpretations that became applicable during the current financial year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply from 1 July 2018, but do not have an impact on the consolidated financial statements of the Group.

All other accounting policies adopted are consistent with those of the previous financial year.

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

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR GROUP
AASB 16	Leases	1 January 2019	1 July 2019
AASB 2018-1	Amendments to Australian Accounting Standards – Further Annual Improvements 2015-2017 cycle	1 January 2019	1 July 2019
AASB Interpretation 23, and relevant amending standards	Uncertainty over Income Tax Treatments	1 January 2019	1 July 2019
Conceptual Framework AASB 2019-1	Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to the Conceptual Framework	1 January 2020	1 July 2020
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	1 July 2020

The Group has elected not to early adopt any of the new standards or amendments in these financial statements. The Group has yet to fully assess the impact AASB 16 *Leases* will have on the financial statements, when applied in future periods.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 16 Leases

AASB 16 was issued in January 2016 and it replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

AASB 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under AASB 117.

Transition to AASB 16

The Group has categorised its leases into four main groups: Transmission Sites, Buildings, Equipment and Motor Vehicles. The Group currently plans to adopt the standard retrospectively with the cumulative effect recognised in retained earnings at the date of initial application (e.g. 1 July 2019), without restating the comparative period.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has not finalised the financial impact of the new standard.

The Group's balance sheet is expected to be grossed up for future lease payments (both receivable and payable, at their discounted values) and for the unamortised portion of right to use assets. Net rental expense in the income statement will be replaced by a 'front-loaded' interest expense and a straight-line depreciation expense.

AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* supersedes AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15 *Revenue from Contracts with Customers* revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 *Revenue from Contracts with Customers* using the full retrospective method of adoption. The impact on adoption is as follows:

a) Advertising revenue

The Group derives its primary source of revenue from the sale of advertising on its television services, recognising revenue when advertisements are broadcast. Under AASB 118 *Revenue*, revenue was recognised when the commercial advertisement had been broadcast. Under AASB 15 *Revenue from Contracts with Customers*, an element of revenue is required to be deferred until all specific viewer metrics have been met where this is part of the performance obligation in a contract. For the current reporting period the impact of the change in revenue recognition policy is not material and no adjustment has been made.

b) Principal versus agent considerations

As a television broadcaster, the Group contracts with media buyers and media agencies for the sale of advertising airtime to third party advertisers. Prime has historically recognised revenue from advertising inclusive of agency commissions and brought to account the cost of commission as a cost of sale. Under AASB 15, the Group must determine whether its performance obligation is to provide the good or service to media buyers and media agencies as the Group's customers, or whether the Group's customers are the third party advertisers. Under the new standards five-step model, the Group's relationship is with media buyers and media agencies and accordingly advertising revenue is to be recognised net of agency commission since this is to be treated as a payment made to a customer.

This treatment decreases the amount of advertising revenue recognised and the associated cost of sales by the amount of agency commissions, but does not change the Group's net profit after tax. There was no impact on retained earnings. The statement of profit or loss for the year ended 30 June 2018 was also restated resulting in a decrease in revenue from contracts with customers and a corresponding decrease in cost of sales of \$17,907,000.

Notes to the financial statements continued

For the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impact on the statement of profit or loss for financial year ended 30 June 2018 is as follows:

	\$'000
Decrease in Revenue from contracts with customers	(17,907)
Decrease in Cost of sales	(17,907)
Profit for the period	-
Attributable to owners of the parent	-

Certain comparative figures in the consolidated statement of financial position and consolidated statement of cash flows have been adjusted where necessary to conform to current year presentation.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The areas of impact on adoption for the Group are as follows:

a) Classification and measurement

Under AASB 9 *Financial Instruments*, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 *Financial Instruments*, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through Other Comprehensive Income. The classification is based on two criteria: the Group's business model for managing the financial assets and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model for managing financial assets was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 *Financial Instruments* did not have a significant impact to the Group.

b) Financial Assets: Carrying value and impairment

The adoption of AASB 9 *Financial Instruments* has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach under AASB 139 *Financial Instruments: Recognition and Measurement* with a forward-looking expected credit loss (ECL) approach.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of AASB 9 *Financial Instruments* resulted in increases in impairment allowances of the Group's trade and other receivables. The increase in allowance resulted in an adjustment to retained earnings.

As a consequence of the adjustments described above, deferred taxes were adjusted to retained earnings as necessary upon adoption of AASB 9 *Financial Instruments* as at 1 July 2018.

The Group applied AASB 9 with an initial application date of 1 July 2018. The adjustment to impairment allowances is applied prospectively and comparative information has not been restated. Differences arising from the adoption of AASB 9 have been recognised directly in retained earnings.

The effect of adopting AASB 9 as 1 July 2018 was as follows:

	ADJUSTMENTS	1 JULY 2018 \$'000
Assets		
Decrease in Trade and other receivables	a)	(497)
Total assets		(497)
Liabilities		
Decrease in Deferred tax liabilities	a)	(149)
Total liabilities		(149)
Total adjustment to equity		
Decrease in Retained earnings	a)	(348)
Total Equity		(348)

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

2. REVENUE

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Advertising and other external revenue	190,674	200,073
Finance income	141	134
Other income	1,047	1,044
Total	191,862	201,251
<i>Breakdown of finance income:</i>		
Interest received	141	134
Total	141	134
<i>Breakdown of other income:</i>		
Government grants	139	421
Other revenues	908	623
Total	1,047	1,044

ACCOUNTING POLICY

Revenue from contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. As a television broadcaster, the Group contracts with media buyers and media agencies for the sale of advertising airtime to third party advertisers. Under AASB 15, the Group determines whether its performance obligation is to provide the good or service to media buyers and media agencies as the Group's customers, or whether the Group's customers are the third party advertisers. The Group's customers are media buyers and media agencies and accordingly advertising revenue is recognised net of agency commission since this is treated as a payment made to a customer. The specific recognition criteria described below must also be met before revenue is recognised:

REVENUE CLASS	RECOGNITION CRITERIA
Advertising revenue	Revenue is recognised when the commercial advertisement has been broadcast. Where the Company has committed to delivering a specific viewer metric for an advertising campaign, then revenue for this performance obligation will be recognised when the viewer metric has been achieved. Advertising revenue is recognised net of agency commission.
Advertising production revenue	Revenue is recognised when the production is complete and the customer invoiced.
Sales representation revenue	The performance obligation is satisfied when the advertising airtime is broadcast.
Other Revenue	
Government grants	Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions have been complied with.
i) Reimbursement of expense	Recognised in profit or loss on a systematic basis over the periods the related costs, which it is intended to compensate, are expensed.
ii) Reimbursement for cost of asset	Recognised in profit or loss over the useful life of the related asset on a systematic basis. When the Group receives grants of non-monetary assets, the assets and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments.
Rental income	Rental income is recognised on a straight-line basis over the term of the lease.
Interest income	Interest revenue is recognised as it accrues, based on the effective yield of the financial asset.

Notes to the financial statements continued

For the year ended 30 June 2019

3. EXPENSES

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Finance Expenses		
Interest on debt and borrowings	1,310	1,584
	1,310	1,584
Employee Benefit Expense		
Wages and salaries	27,211	28,688
Sales commissions and bonuses	3,496	3,208
Superannuation expense	2,511	2,469
Share-based payments (release)/expense	(174)	(98)
Other employee benefits expense	1,377	1,523
	34,421	35,790
Other Expenses		
Bad debts and expected credit losses and credit notes – trade debtors	114	139
Minimum lease payments – operating leases	8,100	8,555

ACCOUNTING POLICY

Borrowing Costs

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

Operating Leases

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

4. OPERATING SEGMENTS

ACCOUNTING POLICY

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

Identification of reportable segments

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

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

5. EARNINGS PER SHARE

	CONSOLIDATED	
	2019	2018
Basic earnings per share (cents per share)	2.0	(3.4)
Diluted earnings per share (cents per share)	2.0	(3.4)

ACCOUNTING POLICY

Basic Earnings Per Share

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

Diluted Earnings Per Share

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

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Earnings used in calculating basic and diluted earnings per share	7,348	(12,275)

	2019 NUMBER OF SHARES	2018 NUMBER OF SHARES
Weighted average number of ordinary shares used in calculating basic EPS:	366,330,303	366,330,303
Weighted average number of ordinary shares used in calculating diluted EPS:	366,330,303	366,330,303

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the completion of the financial statements.

Notes to the financial statements continued

For the year ended 30 June 2019

6. CASH AND SHORT-TERM DEPOSITS

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Cash balance comprises:		
Cash at bank and on hand	6,443	10,903
Closing cash balance	6,443	10,903

ACCOUNTING POLICY

Cash and short-term deposits

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

RECONCILIATION OF THE NET PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Profit/(Loss) after tax	7,348	(12,275)
<i>Non-cash adjustment for:</i>		
Depreciation and amortisation	7,212	7,951
Amortisation of program rights	4,667	1,667
Provision for expected credit loss	(184)	(55)
Net loss on disposal of property, plant and equipment	8	19
Gain on sale of financial asset	-	2
Impairment of intangible assets	14,018	51,690
Gain on foreign currency translation	3	17
Share of associate (profits)/losses	(156)	43
Share based payments (benefit)/expense	(174)	(98)
Working capital adjustments		
Decrease in trade and other receivables	541	1,490
(Increase) in prepayments	(2,623)	(90)
Increase/(Decrease) in provisions	120	(39)
(Decrease)/Increase in trade and other payables	(5,911)	2,764
Cash flows from operating activities	24,869	53,086
Decrease in deferred tax liabilities	(1,801)	(15,897)
Decrease in tax provision	(906)	(5,233)
Increase in borrowing costs	304	157
Net cash flow from operating activities	22,466	32,113

7. INTANGIBLE ASSETS

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Television broadcast licences	–	11,823
Program rights	12,000	1,667
Infrastructure access licence	–	391
Business software, development costs including websites	878	4,379
Total	12,878	18,260

ACCOUNTING POLICY

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

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

Television Broadcast Licences

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

Program Rights

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

Infrastructure Access Licences

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

Business Software and development costs including websites

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

Notes to the financial statements continued

For the year ended 30 June 2019

7. INTANGIBLE ASSETS (CONTINUED)

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

	BROADCAST LICENCES \$'000	PROGRAM RIGHTS \$'000	INFRASTRUCTURE ACCESS LICENCE \$'000	BUSINESS SOFTWARE AND DEVELOPMENT COSTS INCL WEBSITES \$'000	TOTAL \$'000
Cost					
At 1 July 2017	182,963	14,000	4,634	17,418	219,015
Additions	–	–	237	545	782
Disposals	–	–	(107)	(40)	(147)
Classification transfer	–	–	214	–	214
At 30 June 2018	182,963	14,000	4,978	17,923	219,864
Additions	–	15,000	160	381	15,541
Disposals	–	(14,000)	–	–	(14,000)
Classification transfer	–	–	–	–	–
At 30 June 2019	182,963	15,000	5,138	18,304	221,405
Amortisation and impairment					
At 1 July 2017	(119,450)	(10,667)	(3,686)	(11,792)	(145,595)
Amortisation charges	–	(1,666)	(687)	(1,792)	(4,145)
Impairment charges	(51,690)	–	–	–	(51,690)
Disposals	–	–	–	40	40
Classification transfer	–	–	(214)	–	(214)
At 30 June 2018	(171,140)	(12,333)	(4,587)	(13,544)	(201,604)
Amortisation charges	–	(4,667)	(551)	(1,685)	(6,903)
Impairment charges	(11,823)	–	–	(2,195)	(14,018)
Disposals	–	14,000	–	–	14,000
Classification transfer	–	–	–	–	–
At 30 June 2019	(182,963)	(3,000)	(5,138)	(17,424)	(208,525)
Net Book Value					
At 30 June 2019	–	12,000	–	878	12,878
Total Current	–	3,000	–	–	3,000
Total Non-Current	–	9,000	–	878	9,878
At 30 June 2018	11,823	1,667	391	4,379	18,260
Total Current	–	1,667	–	–	1,667
Total Non-Current	11,823	–	391	4,378	16,593

7. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of intangible assets with indefinite lives

ACCOUNTING POLICY

Impairment of non-financial assets

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

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

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

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

Key assumptions used in value-in-use calculations and sensitivity to changes in assumptions

In accordance with the Group's accounting policies, the Group performed its annual impairment tests as at 30 June 2019 and 30 June 2018. At 30 June 2019 this resulted in an impairment charge of \$11,823,000 against television broadcast licences and \$2,195,000 against definite life intangible assets.

In performing the review at 30 June 2019, management identified:

- the forecast decline in the compound annual growth rate for regional free-to air advertising revenues over five financial years was 2.6% at 30 June 2019 (2018: 2.2%);
- the long term terminal growth rate is forecast to be negative 3.2% (2018: negative 3.2%); and
- the cost of content as agreed in the program supply agreement entered into with the Seven Network on 20 August 2018.

The Group also considers the relationship between its market capitalisation and its book value, in addition to other factors, when reviewing for indicators of impairment. As at 30 June 2019, the market capitalisation of the Group, based on the volume weighted average share price for the 30 day period to the reporting date, was above the book value of its equity.

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

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

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

VALUE-IN-USE ASSUMPTIONS	2019	2018
5 year compound annual growth rate for free-to-air advertising revenue	(2.6%)	(2.2%)
Long-term growth rate – terminal	(3.2%)	(3.2%)
Discount rate (pre-tax)	12.96%	12.96%
Discount rate (post-tax)	12.64%	12.64%

Notes to the financial statements continued

For the year ended 30 June 2019

7. INTANGIBLE ASSETS (CONTINUED)

The discounted cash flow valuation of the intangibles assets gives a recoverable amount which is less than the current carrying value resulting in an impairment charge of \$14,018,000 during the period. Following the impairment the recoverable amount is equal to the current carrying value.

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

VALUE-IN-USE ASSUMPTIONS – SENSITIVITY	SURPLUS/(DEFICIT) SENSITIVITY \$'000
5 year compound annual growth rate for free-to-air advertising revenue ('CAGR')	
An increase in the 5 year CAGR of 0.5% will reduce impairment by:	5,017
A decrease in the 5 year CAGR of 0.5% will increase impairment by:	(13,121)
Long-term growth rate – terminal ('TGR')	
A further decline in the TGR of 1.0% will increase impairment by:	(1,282)
An improvement in the TGR of 1.0% will reduce impairment by:	1,455
Discount rate (pre-tax)	
An increase in the discount rate (pre-tax) of 2.0% will increase impairment by:	(4,796)
A decrease in the discount rate (pre-tax) of 2.0% will reduce impairment by:	6,024

8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Current		
Trade receivables	33,637	33,914
Other receivables	3,522	3,880
Related party receivables	980	559
	38,139	38,353
Allowance for expected credit losses	(816)	(323)
Carrying amount of trade and other receivables	37,323	38,030

ACCOUNTING POLICY

Trade Receivables

Trade receivables are carried at original invoice amount less an allowance charge for expected credit losses (ECL). Trade receivables are generally settled within 30 to 45 days and are not interest bearing. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The collectability of trade receivables is reviewed on an ongoing basis and bad debts are written off when identified.

Having adopted AASB 9 *Financial Instruments*, the Group applies a forward-looking ECL approach to account for impairment losses for financial assets, including trade and other receivables. The ECL approach is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to trade and other receivables and the economic environment. An impairment provision equivalent to the expected credit loss is recorded without regard for evidence of an actual loss event.

The maximum exposure to credit risk is the fair value of receivables (refer to Note 14 regarding information on the Group's exposure to credit and market risk).

Refer to Note 25 for details on related parties.

Provision for expected credit loss

Set out below is the movement in the provision for expected credit losses of trade receivables:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
At July 1	323	449
Effect of adoption of new accounting standards (refer Note 1)	497	–
Charge for the year	293	67
Amounts written off	(297)	(193)
At June 30	816	323

Information about the credit exposures are disclosed in Note 14.

9. OTHER ASSETS

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Current		
Prepayments	4,711	1,943
Non-current		
Prepayments	501	646
Total	5,212	2,589

ACCOUNTING POLICY

Prepayments

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

10. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Current		
Trade payables	961	916
Accrued expenses	7,265	14,231
Accrued employee entitlements	7,203	6,193
Total	15,429	21,340

ACCOUNTING POLICY

Trade Payables and Other Accrued Expenses

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

Due to the short-term nature of these payables, their carrying value is considered to approximate their fair value.

Accrued employee entitlements

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

11. PROVISIONS

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Non-current		
Long service leave	600	479
Total	600	479

ACCOUNTING POLICY

Provisions

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

Notes to the financial statements continued

For the year ended 30 June 2019

12. PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS ¹ \$'000	LEASEHOLD IMPROVEMENTS \$'000	PLANT AND EQUIPMENT \$'000	TOTAL \$'000
Cost or valuation				
At 1 July 2017	11,815	1,726	84,726	98,267
Additions	42	206	2,139	2,387
Disposals	–	–	(498)	(498)
At 30 June 2018	11,857	1,932	86,367	100,156
Additions	46	15	1,974	2,035
Disposals	(1)	–	(1,912)	(1,913)
Classification transfer	3	–	(3)	–
At 30 June 2019	11,905	1,947	86,426	100,278
Depreciation and amortisation				
At 1 July 2017	(4,774)	(1,042)	(64,061)	(69,877)
Depreciation charges	(284)	(171)	(5,019)	(5,474)
Disposals	–	–	496	496
At 30 June 2018	(5,058)	(1,213)	(68,584)	(74,855)
Depreciation charges	(286)	(160)	(4,529)	(4,975)
Disposals	–	–	1,910	1,910
At 30 June 2019	(5,344)	(1,373)	(71,203)	(77,920)
Net Book Value				
At 30 June 2019	6,561	574	15,223	22,358
At 30 June 2018	6,799	719	17,783	25,301

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

ACCOUNTING POLICY

Property, plant and equipment

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

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

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

Major depreciation periods are:

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

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

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

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

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

13. INTEREST BEARING LOANS AND BORROWINGS

	MATURITY	CONSOLIDATED	
		2019 \$'000	2018 \$'000
Non-current			
\$30 million secured bank loan facility (2018: \$60 million)	2023	16,000	25,696
		16,000	25,696

ACCOUNTING POLICY

Borrowing Costs

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

Subsequent Measurement

Loans and borrowings

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

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

Derecognition

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

Terms and conditions

Secured Bank Loan Facility

During the reporting period the Company executed another Amendment and Restatement Deed reducing the facility limit to \$30 million. The facility is secured by a charge over the assets of the borrower group comprising all wholly owned entities, but excluding Broadcast Production Services Pty Limited and its subsidiaries. Interest is charged at the BBSY rate plus a margin of 1.80%.

Fair values

The carrying amount of the Group's current and non-current borrowings approximates their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 3.1% to 3.9% (2018: 3.2% to 3.9%) depending on the type of borrowing.

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 23. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors' estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors' estimate of amounts that will be payable by the Group.

Details regarding interest rate risk are disclosed in Note 14.

Defaults and breaches

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

Notes to the financial statements continued

For the year ended 30 June 2019

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Financial Assets		
Cash and short-term deposits	6,443	10,903
	6,443	10,903
Financial Liabilities		
Secured bank loan facility	(16,000)	(25,696)
	(16,000)	(25,696)
Net exposure	(9,557)	(14,793)

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date. At 30 June 2019, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Consolidated				
+0.25% (25 basis points)	(17)	(26)	-	-
-0.25% (25 basis points)	17	26	-	-

Credit risk

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

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure lifetime expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group does not hold collateral as security.

A small number of media buying agencies account for approximately 56.1% of Prime's revenue. Three media buying agencies individually contribute more than 10% of the Group's revenue and collectively account for \$64,153,000 or 33.4% of the Group's revenue and are in compliance with agreed payment terms. Agency clients operate with strict credit terms of 45 days and are required to provide detailed financial information as part of their credit approval process. Late payments are closely monitored and followed up if the 45 day terms are not met.

14. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's receivables using a provision matrix:

YEAR ENDED 30 JUNE 2019	TRADE RECEIVABLES DAYS PAST DUE					TOTAL \$'000
	CURRENT \$'000	< 30 DAYS \$'000	30-60 DAYS \$'000	61-90 DAYS \$'000	> 91 DAYS \$'000	
Expected credit loss rate	0.74%	0.95%	26.7%	46.8%	56.2%	
Estimated total gross carrying amount at default	21,955	15,000	439	268	477	38,139
Expected credit loss	162	143	117	129	265	816

YEAR ENDED 30 JUNE 2018	TRADE RECEIVABLES DAYS PAST DUE					TOTAL \$'000
	CURRENT \$'000	< 30 DAYS \$'000	30-60 DAYS \$'000	61-90 DAYS \$'000	> 91 DAYS \$'000	
Expected credit loss rate	0.71%	0.77%	15.9%	99.4%	97.9%	
Estimated total gross carrying amount at default	22,135	14,634	1,225	166	193	38,353
Expected credit loss	158	113	196	164	189	820

Liquidity risk

The Group manages its liquidity risk by monitoring the total cash inflows and outflows expected on a daily or weekly basis. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and other financial arrangements as required. The Group currently has funding through a \$30 million secured bank loan facility (2018: \$60 million), which is currently drawn to 53% of the facility limit (2018: 43%).

In addition to maintaining sufficient liquid assets to meet short-term payments, at balance date, the Group has available approximately \$14 million of undrawn committed borrowing facilities, subject to continued compliance with the bank loan covenants. The facility is repayable on expiry in April 2023. The contractual maturities of the Group's financial assets and liabilities are:

YEAR ENDED 30 JUNE 2019	≤ 6 MONTHS \$'000	6-12 MONTHS \$'000	1-5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000
Financial assets					
Cash and cash equivalents	6,443	–	–	–	6,443
Trade and other receivables	37,323	–	–	–	37,323
	43,766	–	–	–	43,766
Financial liabilities					
Trade and other payables	(15,429)	–	–	–	(15,429)
Interest bearing loans (refer note 13)	–	–	(16,000)	–	(16,000)
Interest bearing loans – finance charges	(110)	–	–	–	(110)
	(15,539)	–	(16,000)	–	(31,539)
Net inflow/(outflow)	28,227	–	(16,000)	–	12,227
YEAR ENDED 30 JUNE 2018					
Financial assets					
Cash and cash equivalents	10,903	–	–	–	10,903
Trade and other receivables	38,030	–	–	–	38,030
	48,933	–	–	–	48,933
Financial liabilities					
Trade and other payables	(21,340)	–	–	–	(21,340)
Interest bearing loans (refer note 13)	–	–	(25,696)	–	(25,696)
Interest bearing loans – finance charges	(88)	–	–	–	(88)
	(21,428)	–	(25,696)	–	(47,124)
Net inflow/(outflow)	27,505	–	(25,696)	–	1,809

Fair values

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

Notes to the financial statements continued

For the year ended 30 June 2019

15. CONTRIBUTED EQUITY

ISSUED AND PAID UP CAPITAL

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Ordinary shares fully paid 366,330,303 shares (2018: 366,330,303 shares)	310,262	310,262

ACCOUNTING POLICY

Contributed Equity

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

Movements in shares on issue

ORDINARY	2019		2018	
	NUMBER OF SHARES	NUMBER OF SHARES	NUMBER OF SHARES	\$'000
Beginning of the financial year	366,330,303	366,330,303	366,330,303	310,262
End of the financial year	366,330,303	366,330,303	366,330,303	310,262

Equity settled share-based payments

Prime Media Group Limited Performance Rights Plan

The Prime Media Group Limited Performance Rights Plan ended this financial year, with no new issue of performance rights since 2015. As set out in the Remuneration Report, the Trustee of the Prime Media Group Limited Performance Rights Plan acquired shares on-market for performance rights exercised during the reporting period.

At the end of the year there were no un-issued ordinary shares in respect of which performance rights were outstanding (2018: 1,377,753).

Terms and conditions of contributed equity

Ordinary shares

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

16. CAPITAL MANAGEMENT

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

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

The Company suspended its dividend payments in December 2017 until further notice and applies all surplus funds to reduce interest bearing debt.

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

	TARGET	AT BALANCE DATE
Total Debt to EBITDA	< 1.5 times	0.4
Interest Cover to EBITDA	> 3.0 times	29.3

17. RETAINED EARNINGS AND RESERVES

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Employee benefits equity reserve	3,722	4,091
Accumulated losses	(259,200)	(266,200)

Employee benefits equity reserve

Movements in reserve

Balance at beginning of year	4,091	4,641
Exercise of performance rights	(195)	(452)
Share based payment (release)/expense	(174)	(98)
Balance at end of year	3,722	4,091

Accumulated losses

Balance at the beginning of year	(266,200)	(247,697)
Effect of adoption of new accounting standards (refer Note 1)	(348)	–
Balance at the beginning of year (restated)	(266,548)	(247,697)
Net profit/(loss) attributable to members of Prime Media Group Limited	7,348	(12,275)
Total accumulated losses	(259,200)	(259,972)
Dividends provided for or paid	–	(6,228)
Balance at end of year	(259,200)	(266,200)

ACCOUNTING POLICY

Employee Benefits Reserve

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

Notes to the financial statements continued

For the year ended 30 June 2019

18. DIVIDENDS PAID AND PROPOSED

Recognised amounts

DECLARED AND PAID DURING THE YEAR	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Current year interim franked dividends – Nil cents per share (2018: Nil)	–	–
Previous year final franked dividends Nil cents per share (2018: 1.7 cents)	–	6,228
	–	6,228

Franking credit balance

	THE GROUP	
	2019 \$'000	2018 \$'000
Franking account balance as at the end of the financial year at 30% (2018: 30%)	67,072	60,460
Franking credits that will arise from the payment of income tax (refundable)/payable as at the end of the financial year	(1,594)	(690)
	65,478	59,770

Tax rates

The tax rate at which paid dividends have been franked is 30% (2018: 30%).

19. ASSETS HELD FOR SALE

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Total current assets held for sale	–	–
Property, plant and equipment	645	645
Total non-current assets held for sale	645	645
Assets classified as held for sale	645	645

During the period the Board resolved to continue to market for sale the property located in Bunbury, Western Australia, as it was considered surplus to requirements and the funds received would be applied to pay down interest bearing debt. A third party agent has been engaged to sell the surplus property, with the intention to complete the sale within the next six to 12 months. The carrying value has been reclassified as held for sale. As at 30 June 2019 there have been no gains or losses recognised.

ACCOUNTING POLICY

Non-current assets held for sale

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

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

20. INVESTMENTS IN ASSOCIATES

UNLISTED	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Mildura Digital Television Pty Limited	-	-
West Digital Television Pty Limited	377	1,071
West Digital Television No2 Pty Limited	-	-
West Digital Television No3 Pty Limited	-	-
West Digital Television No4 Pty Limited	-	-
WA SatCo Pty Limited	-	-
Broadcast Transmission Services Pty Limited	-	-
Total Investment in Associates	377	1,071

ACCOUNTING POLICY

Investments in Associates

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

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

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

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

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

The consolidated entity has a material interest in the following entities

UNLISTED	OWNERSHIP INTEREST		CONTRIBUTION TO NET PROFIT/(LOSS)	
	2019 %	2018 %	2019 \$'000	2018 \$'000
Mildura Digital Television Pty Limited	50%	50%	(150)	(43)
West Digital Television Pty Limited	50%	50%	306	-
West Digital Television No2 Pty Limited	50%	50%	-	-
West Digital Television No3 Pty Limited	50%	50%	-	-
West Digital Television No4 Pty Limited	50%	50%	-	-
WA SatCo Pty Limited	50%	50%	-	-
Broadcast Transmission Services Pty Limited	33%	33%	-	-
			156	(43)

Movements in the carrying amount of the Group's investment in associates

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
At July 1	1,071	1,071
(Loan repayment received)/Contributions made	(850)	43
Share of profits after income tax	594	400
Provision for impairment of investment	(438)	(443)
At June 30	377	1,071

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

Notes to the financial statements continued

For the year ended 30 June 2019

21. INVESTMENTS IN SUBSIDIARIES

Closed Group Class Order disclosures

Entities subject to Class Order relief

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

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

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2019 %	2018 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television Investments Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	100	100
Prime Digital Media Pty Limited	Australia	100	100
Prime Digitalworks Pty Limited	Australia	100	100
Prime Media Broadcasting Services Pty Limited	Australia	100	100
Prime Media Group Services Pty Limited	Australia	100	100
Prime New Media Investments Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Prime Media Communications Pty Limited ¹	Australia	–	100
Prime Growth Media Pty Limited ¹	Australia	–	100
Prime Television Digital Media Pty Limited ¹	Australia	–	100

1 Indicates that these companies were deregistered on 29 May 2019.

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

Consolidated statement of comprehensive income

	CLOSED GROUP	
	2019 \$'000	2018 \$'000
Operating profit/(loss) before income tax	14,565	(69,124)
Income tax (expense)/benefit attributable to operating profit	(4,316)	5,328
Operating profit/(loss) after tax	10,249	(63,796)
Retained losses at beginning of the financial year	(268,198)	(198,174)
Effect of adoption of new standards (Note 1)	(348)	–
Dividends provided for or paid	–	(6,228)
Retained losses at end of the financial period	(258,297)	(268,198)

21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Consolidated statement of financial position

	CLOSED GROUP	
	2019 \$'000	2018 \$'000
Assets		
Current assets	51,900	56,117
Non-current assets	41,440	47,669
Total assets	93,340	103,786
Liabilities		
Current liabilities	13,835	23,799
Non-current liabilities	25,668	35,683
Total liabilities	39,503	59,482
Equity	53,837	44,304

22. COMMITMENTS

Capital expenditure commitments

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:		
– not later than one year	250	1,204

Lease expenditure commitments – Group as lessee

Operating leases (Group as lessee):

Minimum lease payments		
– not later than one year	6,133	6,579
– later than one year and not later than five years	13,402	15,680
– later than five years	3,210	3,000
Aggregate lease expenditure contracted for at reporting date	22,745	25,259

ACCOUNTING POLICY

Leases

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

Group as a Lessee

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

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

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

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

Operating leases have an average lease term of three years for motor vehicles, three to five years for building leases, and up to 10 years for transmission site access agreements. Motor Vehicle leases are fixed monthly rentals for the term of the lease. Building leases are generally fixed for the initial lease term, then subject to Consumer Price Index (CPI) adjustments if options are taken up. The majority of the transmission site leases are rentals that are subject to annual CPI adjustment. There are no restrictions placed upon the lessee by entering into these leases.

Notes to the financial statements continued

For the year ended 30 June 2019

22. COMMITMENTS (CONTINUED)

Lease expenditure commitments – Group as lessor

Certain assets owned or under operating leases with excess capacity have been sub-let to third parties. These non-cancellable leases have remaining terms up to 10 years. All leases include clauses to enable upward revision of the rental charges on an annual basis according to increases in the Consumer Price Index.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Operating leases (non-cancellable Group as lessor):		
Minimum lease payments receivable		
– not later than one year	1,175	1,290
– later than one year and not later than five years	1,994	2,685
– later than five years	410	591
Aggregate lease income contracted for at reporting date	3,579	4,566

Other commitments covering the use of technical equipment under a long term agreement

Other commitments relate to technical communications equipment that is fundamental to the distribution of the television programming and data communications.

– not later than one year	4,200	4,200
– later than one year and not later than five years	5,250	9,450
– later than five years	–	–
	9,450	13,650

Other commitments covering transmission maintenance, site installation and management services

The Company entered into a contract with Broadcast Transmission Services Pty Limited (refer to Note 27) for the provision of site maintenance services over a five year period at an annual cost of \$1,200,000 per annum. The Company also entered into a contract with MediaHub Australia Pty Limited for the provision of playout services over a five year period.

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
– not later than one year	4,626	4,566
– later than one year and not later than five years	8,210	12,690
– later than five years	–	–
	12,836	17,256

ACCOUNTING POLICY

Group as a Lessor

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

23. CONTINGENT LIABILITIES

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Maximum potential contingent commitment arising from the above mentioned guarantee:		
– not later than one year	2,346	2,346
– later than one year and not later than five years	–	2,346
Maximum contingent commitments	2,346	4,692

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

24. INCOME TAX

The major components of income tax expense are:

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Consolidated Statement of Profit or Loss		
<i>Current income tax</i>		
– Current income tax charge	5,813	10,738
– Adjustments in respect of current income tax of previous years	(105)	(166)
<i>Deferred income tax</i>		
– Relating to origination and reversal of temporary differences	(1,762)	(16,074)
– Adjustments in respect of deferred income tax of previous years	108	176
Income tax expense/(benefit) in the Consolidated Statement of Profit or Loss	4,054	(5,326)

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

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Accounting profit/(loss) before income tax	11,402	(17,601)
Prima facie tax expense/(benefit) at 30% (2018: 30%)	3,421	(5,280)
– Expenses not deductible for tax	404	107
– Income not assessable for tax	(202)	(163)
– Adjustments in respect of tax of previous years	3	10
– Derecognition of DTA	428	–
Income tax expense/(benefit) reported in the Statement of Profit or Loss	4,054	(5,326)
Effective tax rate	35.6%	30.3%

Notes to the financial statements continued

For the year ended 30 June 2019

24. INCOME TAX (CONTINUED)

Deferred tax assets and liabilities

	CONSOLIDATED			
	2019 \$'000 CURRENT INCOME TAX	2019 \$'000 DEFERRED INCOME TAX	2018 \$'000 CURRENT INCOME TAX	2018 \$'000 DEFERRED INCOME TAX
Opening balance	690	(1,821)	(4,543)	(17,718)
Effect of adoption of new standards (Note 1)	–	149	–	–
Charged to income	(5,708)	1,655	(10,571)	15,897
Other payments and utilisation of tax losses	6,612	–	15,804	–
Closing balance	1,594	(17)	690	(1,821)
Tax expense/(benefit) in statement of comprehensive income		4,054		(5,326)
Amounts recognised in the statement of financial position:				
Deferred tax asset		–		–
Deferred tax liability		(17)		(1,821)
		(17)		(1,821)

	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	2019 \$'000	2018 \$'000
Deferred income tax as at 30 June relates to the following:		
<i>Deferred tax liabilities</i>		
Accelerated depreciation for tax	(25)	(963)
Prepaid expenses deductible for tax	(359)	(359)
Income not yet assessable for tax	(3)	(4)
Intangible assets – Program Rights deductible for tax	(3,600)	(500)
Intangible assets – Television broadcast licences	–	(3,547)
	(3,987)	(5,373)
Set-off of deferred tax assets	3,970	3,552
Net deferred tax liabilities	(17)	(1,821)
Deferred income tax as at 30 June relates to the following:		
<i>Deferred tax assets</i>		
Expenses not yet deductible for tax	3,439	3,022
Difference between accounting and tax write off	531	449
Tax losses	–	81
	3,970	3,552
Set-off of deferred tax liabilities	(3,970)	(3,552)
Net deferred tax assets	–	–

Income tax losses

	2019 \$'000	2018 \$'000
(a) Deferred tax assets arising from tax losses of a controlled entity which at balance date are recognised as being highly probable of recovery. These losses relate to the Australian Tax Consolidated Group.	–	81

Tax consolidation

(i) Members of the tax consolidated group and the tax sharing arrangements

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

24. INCOME TAX (CONTINUED)

(ii) Tax effect accounting by members of the consolidated group

Measurement method adopted under UIG 1052 Tax Consolidation Accounting

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

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

Nature of the tax funding agreement

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

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

	PRIME MEDIA GROUP LIMITED	
	2019 \$'000	2018 \$'000
Prime Media Group Limited has recognised the following amounts as tax consolidation contribution adjustments:		
Total increase to inter-company assets of Prime Media Group Limited	19,946	11,460

ACCOUNTING POLICY

Current Income Taxes

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

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

Deferred Income Taxes

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

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

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

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

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

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

Goods and Services Tax

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

Notes to the financial statements continued

For the year ended 30 June 2019

25. RELATED PARTY DISCLOSURES

A. Subsidiaries

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

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2019 %	2018 %
Prime Television (Holdings) Pty Limited	Australia	100	100
Prime Media Group Services Pty Limited	Australia	100	100
Prime New Media Investments Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television Investments Pty Limited	Australia	100	100
Golden West Network Pty Limited	Australia	100	100
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
Mid-Western Television Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Zamojill Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	100	100
Prime Media Broadcasting Services Pty Limited	Australia	100	100
Prime Digitalworks Pty Limited	Australia	100	100
Broadcast Production Services Pty Limited	Australia	100	100
Screenworld Pty Limited	Australia	100	100
Prime Growth Media Pty Limited ¹	Australia	-	100
Prime Media Communications Pty Limited ¹	Australia	-	100
Production Strategies Pty Limited as trustee for Production Strategies Discretionary Trust ¹	Australia	-	100
Wastar International Pty Limited ¹	Australia	-	100
Prime Television Digital Media Pty Limited ¹	Australia	-	100
Prime Digital Media Pty Limited ¹	Australia	-	100
OSB Holdings Pty Limited as trustee for the OSB Unit Trust ¹	Australia	-	100
On Site Broadcasting Pty Limited ¹	Australia	-	100
OSB Australia Pty Limited ¹	Australia	-	100
OSB Corporation Pty Limited ¹	Australia	-	100
On Corporation Pty Limited ¹	Australia	-	100
Broadcast Rentals Pty Limited ¹	Australia	-	100

¹ Indicates that these companies were deregistered on 29 May 2019.

25. RELATED PARTY DISCLOSURES (CONTINUED)

B. Ultimate parent

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

C. Key management personnel (KMP)

	CONSOLIDATED	
	2019 \$'000	2018 \$'000
Short-term employee benefits	2,767	3,434
Post-employment benefits	89	129
Long-term benefits	126	163
Share based expense – 2014 Performance Rights Plan	58	(98)
Cash settled expense – 2017 Performance Plan	280	144
Termination payments	–	888
Total	3,320	4,660

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

D. Transactions with related parties

Wholly owned group transactions

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

RBA Holdings Pty Limited

This company is owned by regional television operators. This company operates as a provider of transmission facilities under the Digital Black Spots Infill licence. The Company has entered into agreements under normal commercial terms and conditions with this company to use these transmission facilities for periods up to 10 years. The cost of these services in the current financial year was \$621,000 (2018: \$748,000).

WIN Corporation Pty Limited and associated entities

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

Regional TAM Pty Limited

This company is owned by regional television operators to facilitate and manage the audience metering services for the regional television markets. The Company is party to a commercial agreement in which it purchases ratings services from Regional TAM Pty Limited at an annualised cost of \$1,700,000 (2018: \$1,557,000). This agreement is under normal commercial terms and conditions.

WA SatCo Pty Limited

WA SatCo Pty Limited is owned by the Company and WIN Television Pty Limited and has been engaged by the Commonwealth Government to provide the WA Vast Service until 30 June 2020. The shareholders of the company provide services to WA SatCo to enable its operations. In the current financial year services of \$673,000 (2018: \$367,000) were recovered from WA SatCo Pty Limited on a cost recovery basis.

Broadcast Transmission Services Pty Limited (BTS)

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

Notes to the financial statements continued

For the year ended 30 June 2019

26. PARENT ENTITY INFORMATION

	PRIME MEDIA GROUP LIMITED	
	2019 \$'000	2018 \$'000
Current assets	1,705	803
Total assets	157,233	86,805
Current liabilities	80	14
Total liabilities	103,404	35,405
Issued capital	310,262	310,262
Employee benefits reserve	3,722	4,091
Accumulated losses	(277,218)	(277,218)
Retained profits – 2018 reserve	14,265	14,265
Retained profits – 2019 reserve	2,798	–
Total shareholders' equity	53,829	51,400
Profit of the parent entity	2,798	14,265
Total comprehensive profit of the parent entity	2,798	14,265

Guarantees entered into by Prime Media Group Limited in relation to the debts of its subsidiaries

As a condition of the Class Order, Prime Media Group Limited and its 100% owned Australian resident subsidiaries (the "Closed Group") entered into a Deed of Cross Guarantee on 17 October 2006 as amended from time to time by assumption deed for the addition and removal of controlled entities. The effect of the deed is that Prime Media Group Limited has guaranteed to pay any deficiency in the event that a controlled entity within the Closed Group is wound up. The controlled entities within the Closed Group have also given a similar guarantee in the event that Prime Media Group Limited is wound up (refer Note 21).

Contingent liabilities of Prime Media Group Limited

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

27. SUBSEQUENT EVENTS

There were no significant events subsequent to balance date.

28. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2019 \$	2018 \$
Amounts received or due and receivable by Ernst & Young Australia for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	392,764	312,684
– other services in relation to the entity and any other entity in the consolidated entity:	44,487	413,213
– amounts received or due and receivable by related practices of Ernst & Young	–	–
	437,251	725,897

29. OTHER ACCOUNTING POLICIES

A. Basis of consolidation

The consolidated financial statements comprise the financial statements of Prime Media Group Limited and its subsidiaries (as outlined in Note 25) as at and for the year ended 30 June 2019. Interests in associates are equity accounted and are not part of the consolidated Group (see Note 20).

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

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

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

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

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

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

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

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

B. Current versus non-current classification

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

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

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

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

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

Notes to the financial statements continued

For the year ended 30 June 2019

30. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessee

The Group has entered into operating leases that have an average lease term of three years for motor vehicles, three to five years for building leases, and up to 10 years for transmission site access agreements. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it does not retain all the significant risks and rewards of ownership of these sites and equipment and accounts for the contracts as operating leases.

Operating lease commitments – Group as lessor

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

Revenue from contracts with customers

The Group contracts with media buyers and media agencies for the sale of advertising airtime to third party advertisers. Under the five-step model, based on an evaluation of the terms and conditions of the contracts, the Group's relationship has been determined to be with media buyers and media agencies and accordingly advertising revenue is to be recognised net of agency commission since this is to be treated as a payment made to a customer.

Estimates and assumptions

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

Impairment of non-financial assets

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

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

30. SIGNIFICANT JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment of investments in financial assets (including associates)

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

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

Renewal of Broadcasting Licences

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

Classification of assets and liabilities as held for sale

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

Taxes

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

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


Directors' Declaration

For the year ended 30 June 2019

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

1. In the opinion of the directors:
 - a. the financial statements and notes of Prime Media Group Limited for the financial year ended 30 June 2019 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001;
 - b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b);
 - c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
 - d. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

On behalf of the Board



P.J Macourt
Director

Sydney, 22 August 2019

Independent Auditor's Report



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

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Prime Media Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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Independent Auditor's Report



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

Recoverability of Property, Plant and Equipment and Intangible Assets

Why Significant to the Audit

At 30 June 2019, Property, Plant and Equipment and Intangible Assets have a net book value of \$22.4 million, and \$9.9 million respectively and represent 37% of total assets of the Group.

The Group recorded an impairment charge of \$14 million during the year against the carrying value of its Television Broadcast Licenses and definite life intangibles, both a component of Intangible Assets.

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

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

Given these factors, we considered this to be a Key Audit Matter.

How our Audit Addressed the Matter

Our procedures included the following:

- ▶ Assessed whether the methodology used by the Group to test for impairment met the requirements of Australian Accounting Standards.
- ▶ Tested whether the model used was mathematically accurate.
- ▶ Assessed whether the cash flows used in the impairment testing model accurately reflected the Board approved 2020 budget.
- ▶ Considered the historical reliability of the Group's cash flow forecasting process and financial performance relative to budget.
- ▶ Evaluated the external inputs and assumptions within the cash flow forecasting model, in particular growth rates and discount rates by comparing them to assumptions and estimates and benchmarked them against market observable external data. In addition, we assessed the impact of the Group's renewed programming arrangements and associated costs on the impairment model.
- ▶ Considered the impact of a range of assumption sensitivities to the model.
- ▶ Considered the adequacy of the financial report disclosures contained in Note 7, in particular those regarding the impairment charges taken during the year and the assumptions to which the outcome of the impairment test is most sensitive.
- ▶ As impairment testing relies upon business valuation principles we involved our valuation specialists to assist in the work outlined above where we considered such expertise was required.

Independent Auditor's Report



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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Independent Auditor's Report



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

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

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

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

Independent Auditor's Report



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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Prime Media Group Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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


Ernst & Young


Michael Wright
Partner
Sydney
22 August 2019

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ASX Additional Information

For the year ended 30 June 2019

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 August 2019.

A. Distribution of Equity Securities

Ordinary shares

As at 16 August 2019, total number of fully paid up shares on issue is 366,330,303.

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

	NUMBER OF HOLDERS
1–1,000	509
1,001–5,000	712
5,001–10,000	438
10,001–100,000	904
100,001 and over	179
	2,742
The number of shareholders holding less than a marketable parcel of shares:	830

B. Twenty Largest Registered Shareholders

The names of the twenty largest registered holders of quoted shares at 16 August 2019 are:

	LISTED ORDINARY SHARES		
	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES	
1	J P Morgan Nominees Australia Pty Limited	58,370,769	15.93
2	HSBC Custody Nominees (Australia) Limited	50,210,695	13.71
3	Citicorp Nominees Pty Limited	49,303,936	13.46
4	BNP Paribas Nominees Pty Ltd	15,992,662	4.37
5	UBS Nominees Pty Ltd	14,787,626	4.04
6	Buttonwood Nominees Pty Ltd	13,700,000	3.74
7	CVC Limited	12,339,916	3.37
8	Birketu Pty Ltd	11,906,553	3.25
9	Brispot Nominees Pty Ltd	11,032,756	3.01
10	National Nominees Limited	7,594,427	2.07
11	CS Fourth Nominees Pty Limited	6,010,220	1.64
12	Mr George Walter Mooratoff	5,000,000	1.36
13	Sojourn Services Pty Ltd	5,097,000	1.39
14	Mr John Alex Rumble & Mrs Sonja Rumble	4,903,000	1.34
15	BNP Paribas Noms Pty Ltd	3,170,864	0.87
16	Ecapital Nominees Pty Limited	3,000,000	0.82
17	Morgan Stanley Australia Securities (Nominee) Pty Limited	2,579,680	0.70
18	Ms Lin Bai	1,352,658	0.37
19	S M & R W Brown Pty Ltd	1,300,000	0.35
20	Miss Kate Imogen Leaver	1,300,000	0.35
		278,952,762	76.15

C. SUBSTANTIAL SHAREHOLDERS

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

	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
Spheria Asset Management Pty Limited	52,842,534	14.42%
Bruce Gordon, Birketu Pty Ltd, WIN Corporation Pty Limited and associates of WIN	11,906,553	3.25%

The Form 604 Notice of Change of Interests of Substantial Holder filed by Bruce Gordon, Birketu Pty Ltd, WIN Corporation Pty Limited and associates of WIN lodged 29 May 2019 included the following disclosures:

- entry into a cash-settled equity swap transaction with Deutsche Bank in relation to a further 10,900,000 fully-paid ordinary shares in the company (representing approximately 2.98% of ordinary shares); and
- entry into a cash-settled equity swap transaction with Bank of Vontobel in relation to a further 42,474,289 fully-paid ordinary shares in the company (representing approximately 11.59% of ordinary shares).

D. Voting rights

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

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