

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited and the entities it controlled at the end of, or during, the year ended 31 December 2016. Throughout this report, the consolidated entity is also referred to as the Group.

1. DIRECTORS

The Directors of APN News & Media Limited during the financial year and up to the date of this report were:

Peter Cosgrove (Chairman)

Paul Connolly

Peter Cullinane

Christine Holman

Anne Templeman-Jones

Ciaran Davis (CEO & Managing Director) (appointed to the Board on 24 August 2016)

Ted Harris AC (Deputy Chairman) (retired from the Board on 11 May 2016)

Sir John Anderson (resigned from the Board on 30 June 2016).

Details of the current Directors' qualifications, experience and responsibilities are set out on pages 22 and 23.

2. QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY

Refer to page 20 for the qualifications and experience of the Group General Counsel and Company Secretary, Yvette Lamont.

3. PRINCIPAL ACTIVITIES

APN News & Media Limited (APN) is a media and entertainment company with assets in Australia, New Zealand and Hong Kong.

APN owns Australian Radio Network (ARN), one of Australia's leading metropolitan radio broadcasters and home to the national KIIS and Pure Gold networks, youth radio network The Edge and Emotive content creation business. ARN also operates music streaming, digital entertainment and live events brand iHeartRadio.

In October 2016, APN moved to full ownership of Australian and New Zealand street furniture and digital outdoor advertising business, Adshel, through the acquisition of the remaining 50 per cent interest in the Adshel joint venture with Clear Channel Outdoor. Adshel is a leading out-of-home media company, with over 23,500 static and digital advertising faces in street furniture, rail and petro-convenience environments.

APN also owns Cody Out-of-Home in Hong Kong, which has a network of over 300 outdoor advertising panels and currently maintains in-bus multimedia advertising solutions across 1,200 buses.

In October 2016, APN acquired 100 per cent of Conversant Media, a pure play digital media company focused on video, mobile, native and innovative advertising formats and content creation. Conversant Media produces engaging premium websites for Australians, including Australia's leading sports opinion website, The Roar, the global culture website, Lost At E Minor, and tech and lifestyle website, Techly.

In December 2016, APN completed the sale of Australian Regional Media to a subsidiary of News Corp for \$36.6 million, enabling APN to pursue its strategic priorities and focus on its growth assets.

4. DIVIDENDS

Dividends paid to owners of APN News & Media Limited during the financial year were as follows:

	2016 \$'000	2015 \$'000
No final dividend for the year ended 31 December 2015 (2014: nil)	-	-
No interim dividend for the year ended 31 December 2016 (2015: nil)	-	-
Total dividends	-	-

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.0 cents per ordinary share in respect of the year ended 31 December 2016. This dividend is payable on 26 April 2017.

5. CONSOLIDATED RESULT AND REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's Report, the Chief Executive Officer's Report and the Operating and Financial Review on pages 4 to 15.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 29 June 2016, APN completed the demerger of its New Zealand business NZME, by way of a capital reduction, with an in-specie distribution of shares in NZME Limited as consideration.

APN raised equity of \$181.8 million, through an accelerated Renounceable Pro-rata Entitlement Offer completed in June 2016. Proceeds from the equity raising were used to establish the new capital structures for APN and NZME Limited on the demerger of NZME.

On 21 June 2016, APN undertook a consolidation of share capital through the conversion of every seven APN shares into one APN share.

On 21 June 2016, APN also announced that it had entered into binding documentation to divest Australian Regional Media (ARM) to a subsidiary of News Corp for \$36.6 million. APN announced the completion of the ARM sale on 28 December 2016.

On 23 June 2016, APN and NZME reached a binding heads of agreement with the New Zealand Inland Revenue Department (IRD) to settle various taxation matters.

On 25 October 2016, APN acquired the remaining 50 per cent of Adshel for \$268.4 million, through the acquisition of the remaining interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited. APN raised equity of \$273.1 million through an institutional placement and an accelerated Renounceable Pro-rata Entitlement Offer completed in November 2016, with proceeds from the equity raising used to fund the Adshel acquisition.

On 31 October 2016, APN acquired 100 per cent of Conversant Media for upfront cash of \$11.6 million.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity during the financial year under review not otherwise disclosed in this Directors' Report or the consolidated financial statements.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 21 February 2017, APN delisted from the Main Board of the New Zealand Stock Exchange.

Since the end of the financial year, the Directors have declared the payment of a fully franked final dividend of 4.0 cents.

Other than the matters noted above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Overall strategic direction and prospects are discussed in the Chairman's and Chief Executive Officer's Reports on pages 4 to 7 and the Operating and Financial Review on pages 8 to 15.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this Directors' Report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

9. ENVIRONMENTAL REGULATION

The Directors recognise the importance of environmental and occupational health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the consolidated entity are not subject to any particular and significant environmental regulation under the law of Australia, New Zealand or Hong Kong.

10. REMUNERATION REPORT

The Remuneration Report is set out on pages 36 to 49 and forms part of this Directors' Report.

11. DIRECTORS' MEETINGS

The number of meetings of the full Board of Directors and Board Committees held in the period each Director held office during the financial year and the number of those meetings attended by each Director in their capacity as a member of the Board or Board Committee were:

Director	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nomination and Governance Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Cosgrove	13	13	-	-	-	-	2	2
Paul Connolly	13	12	3	3	3	3	2	2
Peter Cullinane	13	13	-	-	3	3	-	-
Christine Holman	13	13	6	5	-	-	1	1
Anne Templeman-Jones	13	13	6	6	3	3	-	-
Ciaran Davis	5	5	-	-	-	-	-	-
Ted Harris	6	4	3	3	-	-	1	0
Sir John Anderson	8	6	3	2	-	-	-	-

Committees formed for purposes including reviewing and approving the half-year and annual financial statements, 2015 Annual Report and Shareholder Review, and Notice of Meeting met five times and were attended by Peter Cosgrove (3), Ted Harris (1), Anne Templeman-Jones (1) and Ciaran Davis (5).

In addition, Due Diligence Committee meetings were held during the reporting period in relation to the demerger of NZME attended by Sir John Anderson (5), Peter Cullinane (5) and Anne Templeman-Jones (5) and in relation to the accelerated Renounceable Pro-rata Entitlement Offer relating to this transaction and the placement and accelerated Renounceable Pro-rata Entitlement Offer associated with the acquisition of the remaining 50 per cent interest in the Adshel joint venture attended by Anne Templeman-Jones (9), Paul Connolly (10) and Christine Holman (10).

12. DIRECTORS' INTERESTS

The Remuneration Report on page 36 to 49 of this Annual Report contains details of shareholdings of the Directors and Executive Key Management Personnel as at 31 December 2016.

13. SHARES UNDER OPTION

There were no unissued shares of APN News & Media Limited under option at 31 December 2016 and no shares issued during the financial year as a result of the exercise of options. No options have been granted since the end of the financial year.

14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The parent entity's Constitution provides for an indemnity for officers of the Company against any liability incurred by an officer of the Company in their capacity as an officer. Under the *Corporations Act 2001*, this indemnity does not extend to a liability to the parent entity or a related body corporate of the parent entity, a liability for a pecuniary penalty or compensation order under certain provisions of the *Corporations Act 2001* or a liability that is owed to someone other than the parent entity or a related body corporate of the parent entity which did not arise out of conduct in good faith.

An Access, Indemnity and Insurance Deed is also provided to each Director and officer who serves as a director of the Company, a subsidiary or associated entity. The Deed is consistent with the Constitution and indemnifies these persons to the extent permitted by law for liabilities and legal costs incurred as a director of these entities (subject to some limitations).

15. INSURANCE OF DIRECTORS AND OFFICERS

The parent entity has paid for an insurance policy for the benefit of all persons who are or have been directors or officers of the parent entity or any other company in the consolidated entity against liabilities incurred during any one policy period. The insured persons include current and former directors, officers and company secretaries of the parent entity and any other company in the consolidated entity. The insurance policy specifically prohibits the disclosure of the nature of the liability covered and the premium paid.

16. PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the Company with leave of a court under section 237 of the *Corporations Act 2001*.

17. NON-AUDIT SERVICES

The Group may decide to employ its auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive \$3,827,000 for the provision of non-audit services. Full details of the amounts paid or payable to the auditors for audit and non-audit services provided during the financial year are set out on page 102 in the consolidated financial statements.

The Company auditor has provided the Directors with an Auditor's Independence Declaration in relation to the audit, a copy of which follows immediately after this Directors' Report. The auditor has also confirmed to the Directors that it has in place independence quality control systems which support its assertions in relation to its professional and regulatory independence as auditor of the consolidated entity (including the requirements of APES 110 *Code of Ethics for Professional Accountants*).

The Audit & Risk Committee has reviewed the fees provided to the auditor for non-audit services in the context of APES 110, the requirements of the Audit & Risk Committee Charter, the Audit Firm Service Provider Policy and general corporate governance practices adopted by the consolidated entity.

Based on the above factors, the Audit & Risk Committee has no reason to believe that there has been any compromise in the independence of the auditor due to the provision of these non-audit services and has advised the Board accordingly.

In accordance with the advice of the Audit & Risk Committee, the Directors are therefore satisfied that the provision of non-audit services during the financial year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that the provision of non-audit services during the financial year did not compromise the auditor independence requirements of the *Corporations Act 2001*.

18. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, follows immediately after this Directors' Report.

19. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in this Directors' Report and the financial report. Amounts in this Directors' Report and the financial report have been rounded off to the nearest thousand dollars, or in certain cases to the nearest dollar, in accordance with that Instrument.

This Directors' Report is issued in accordance with a resolution of the Directors.



Peter Cosgrove
Chairman

Sydney
17 March 2017