INTERIM REPORT 2016

FOR THE SIX MONTHS ENDED 30 JUNE 2016

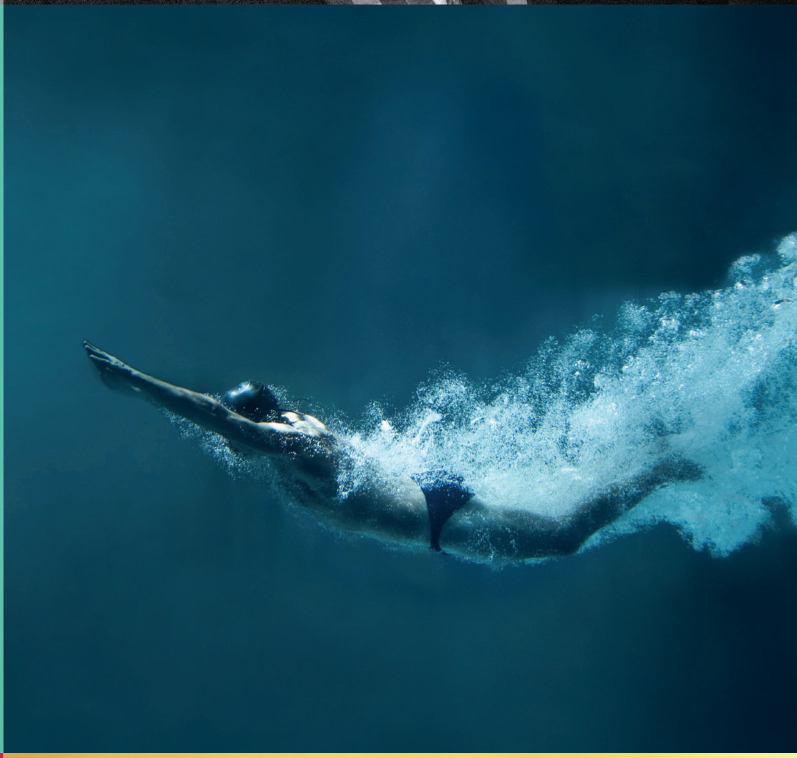
NZME
LIMITED

NZME.
NEWS

OUR NEWS BRANDS REACH 2.4M KIWIS

NZME.
SPORT

OUR SPORTS BRANDS REACH 1M KIWIS



NZME.
ENTERTAINMENT

OUR ENTERTAINMENT BRANDS REACH 2.5M KIWIS

3.2 MILLION KIWIS CONNECT WITH NZME

CONTENTS

SOURCE: NEILSEN CMI Q2 15–Q1 16 TV/ONLINE FUSED JULY 2016. AP 10+.

LETTER FROM THE CHAIRMAN & CEO

29 SEPTEMBER 2016

NZME delivered stable earnings and declared an inaugural dividend of 3.5 cents per share.


SIR JOHN ANDERSON


MICHAEL BOGGS

In our first interim report as a listed company, NZME achieved a stable result from its integrated media and entertainment business including Print, Radio and Experiential, and Digital and e-Commerce channels.

The successful listing of NZME on the NZX Main Board and as a foreign exempt listing on the ASX on 27 June 2016, followed by the demerger from APN News & Media Limited completed on 29 June 2016, were significant milestones for the company. The Board welcomes all shareholders to NZME.

Net profit after tax for the six months ended 30 June 2016 (H1 2016) was $60.8 million compared to $21.9 million for the six months ended 30 June 2015 (H1 2015). The H1 2016 result was impacted by tax and the gain on sale of NZME's interest in the Australian Radio Network business.

Trading EBITDA was $32.5 million, slightly ahead of $32.4 million in H1 2015. This was as a result of cost savings of 9.4% stemming from the ongoing transformation benefits in H1 2016, which offset the 7.9% lower revenues of $197.8 million.

Pro forma NPAT was $10.4 million and on 26 August 2016 the Board declared an unimputed dividend of 3.5 cents per share in line with the dividend policy of 60-80% of underlying (Pro forma) NPAT as detailed in the Explanatory Memorandum for the Demerger of NZME by APN.

During the first half of the year we:

- Grew overall audience reach across our news, sport and entertainment brands by 5.0% year on year to 3.2 million[1] through new product launches and brand redesigns;
- Completed the integration of NZME's regional print, digital and radio sales teams under singular General Managers to maximise cross-selling opportunities;
- Completed 13 regional co-locations;
- Continued product optimisation, including the sale of the Wairarapa Times Age;
- Launched CreateMe to grow revenue via video, branded content and Experiential products;
- Continued to innovate:
  - Developed RestaurantHub.co.nz, a JV restaurant booking portal
  - Launched *Driven*, a user generated online classifieds platform
  - Launched *NZ Herald Focus*, a digital news video brand
  - Developed a JV with *Chinese Herald* for a Chinese language version of nzherald.co.nz.

On 23 June 2016, NZME reached a binding heads of agreement with the IRD to settle all historical tax disputes. The settlement amount was $33.9 million; shared equally with APN. NZME's share of $17.0 million was paid in August and accrued in the 30 June 2016 current liabilities.

$32.5M
↑ 0.5%
TRADING EBITDA

Net debt as at 30 June 2016 was $97.8 million and capital expenditure was $6.3 million for the half year. The business retains a sound liquidity position with undrawn bank facilities of $48.0 million. Net tangible assets per share as at 30 June 2016 was $(0.27) compared with $0.18 as at 30 June 2015.

Fairfax merger update

As noted in the combined NZME and Fairfax Media Limited announcement dated 22 August 2016, Fairfax New Zealand Limited ('Fairfax NZ') and NZME received and agreed to a request from the New Zealand Commerce Commission ('NZCC') to extend the date for the NZCC's decision on the proposed merger of the two businesses until 15 March 2017.

1 Source: Nielsen CMI, fused database: Last twelve months Q2 14 – Q1 16 (most recent release) (based on population 10 years +). Based on unduplicated weekly reach of NZME newspapers, radio stations, and monthly domestic unique audience of NZME's digital channels.

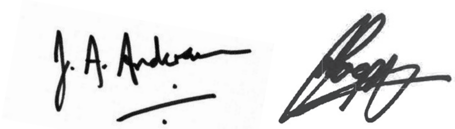
On 7 September 2016, we announced the signing of a merger implementation agreement to effect the merger of NZME and Fairfax NZ. Overseas Investment Office ('OIO') consent to the merger was obtained on 22 September 2016. An explanatory memorandum and notice of meeting is expected to be distributed to shareholders in November following the release of the NZCC draft determination, with the shareholder vote to be held later this year. The transaction will remain subject to NZCC approval.

Outlook

Against a sector backdrop of revenue pressures, NZME continues to deliver on its strategic imperatives; growing audience engagement, optimising integration opportunities, and diversifying revenue. The NZME Executive Team has developed the following priorities for H2 2016 to support these strategies and to deliver shareholder value:

1. Growing our audience reach;
2. Continuing focus on retaining print revenues;
3. Returning radio to growth;
4. Growing digital and new revenue streams;
5. Continuing focus on cost out and capital management;
6. Developing our people and retaining our talent; and
7. Continuing to progress the proposed merger with Fairfax NZ.

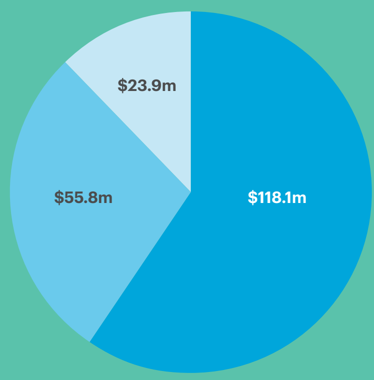
NZME has a prudent and sustainable capital structure and the Executive team are well placed to deliver on these strategic imperatives. The Board would like to acknowledge the hard work and contribution of NZME's extremely talented pool of people, who continue to innovate and to generate premium content for New Zealanders.



Sir John Anderson
Chairman

Michael Boggs
CEO

TRADING REVENUE BY CHANNEL



DIGITAL & E-COMMERCE
RADIO & EXPERIENTIAL
PRINT

3.5CPS
INTERIM DIVIDEND

$M	NZME H1 TRADING RESULT[2]	ACQUIRED AND NON-TRADING ITEMS	STATUTORY ACCOUNTS[3]	H1 PRO-FORMA RESULT[5]	TRADING H1 2015	% CHANGE H1 TRADING/ 2015
Revenue	**197.8**	(1.2)	196.6	197.8	214.9	(7.9%)
Costs	**(165.3)**	(0.3)	(165.6)	(165.3)	(182.5)	(9.4%)
EBITDA[4]	**32.5**	(1.5)	31	32.5	32.4	0.5%
Pro-forma standalone cost[5]				(3.7)		
Depreciation and amortisation	**(12.1)**	(0.1)	(12.2)	(12.1)		
EBIT	**20.4**	(1.6)	18.8	16.7		
Exceptional items[6]	**(3)**	(11.7)	(14.7)			
EBIT after exceptionals	**17.4**	(13.3)	4.1			
Net interest expense[7]			(6.8)	(2)		
NPBT			(2.8)	14.6		
Tax[8]			(61.5)	(4.2)		
Profit from discontinued operations[9]			125.1			
NPAT			60.8	10.4		178.3%[10]

2 The NZME Trading Result includes the Educational Media business, which is not reported as part of the Statutory Accounts, the business is part of NZME and as a result of the demerger this business will be reported in the Statutory Accounts going forward. The NZME Trading EBITDA excludes exceptional items, and also pro forma standalone costs of $3.7m for H1 16 that were outlined in the Explanatory Memorandum for the Demerger of NZME by APN, as these costs were not incurred in H1 16.

3 The Statutory Accounts for H1 16 include the Australian Radio Network, NZME's remaining interest in which was sold on 24 June 2016 as part of the demerger, and a number of demerger related adjustments that are unrelated to the NZME business going forward.

4 EBITDA is a non-GAAP measure and is NZME's earnings before interest, tax, depreciation and amortisation, before exceptional items. Management and the Board monitor Trading EBITDA and Pro forma NPAT as key indicators of company performance and believe they provide a better comparable measure of NZME's operating performance.

5 The NZME Pro forma Result excludes exceptional items, but includes the pro forma standalone costs of $3.7m for H1 16.

6 Exceptional items consist of redundancies of $3.1m, costs in relation to one off projects of $1.3m and business divestments of $1.4m.

7 Net interest expense for the pro forma result has been calculated at NZME's current interest rate payable of 4.0% p.a., net of H1 16 interest income of $0.2m.

8 Tax of $61.5m comprises a $17.0m cash payment (being NZME's share of the $33.9m total being shared equally with APN) to fully settle historical tax disputes with IRD, a release of historical losses utilising deferred tax assets and a release of other deferred tax balances related to the demerged business. Tax payable for the pro forma result has been calculated indicatively utilising NZME's current effective tax rate of 29%.

9 Profit from discontinued operations relates to the disposal of the Australian Radio Network as part of the demerger from APN in June 2016.

10 Percentage increase for statutory NPAT for H1 16 of $60.8m compared to H1 15 of $21.9m.

FINANCIALS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NZME Limited
for the six months ended 30 June 2016

CONTENTS:

NZME.

Consolidated Income Statement

FOR THE PERIOD ENDED 30 JUNE 2016

	NOTE	JUNE 2016 $'000	JUNE 2015 $'000
Revenue from continuing operations	2.1	**196,634**	213,596
Other revenue and income	2.1	**1,677**	698
Total revenue and other income	2.1	**198,311**	214,294
Expenses from continuing operations before finance costs, depreciation and amortisation		**(182,014)**	(200,178)
Finance costs		**(6,829)**	(9,980)
Depreciation and amortisation		**(12,240)**	(11,981)
Loss before income tax	2.2	**(2,772)**	(7,845)
Income tax (expense) / credit	5.1	**(61,522)**	1,888
Loss from continuing operations		**(64,294)**	(5,956)
Profit from discontinued operations	7.1	**125,095**	27,806
Profit for the period		**60,801**	21,850
Profit is attributable to:			
Owners of the parent entity		**46,876**	12,437
Non-controlling interests		**13,925**	9,413
Profit for the period		**60,801**	21,850
		CENTS	**CENTS**
Earnings per share from continuing operations			
Basic/diluted earnings per share	2.3	**(35.0)**	(3.7)
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	2.3	**23.9**	6.3

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

FOR THE PERIOD ENDED 30 JUNE 2016

	NOTE	JUNE 2016 $'000	JUNE 2015 $'000
Profit for the period		**60,801**	21,850
Items that may be reclassified subsequently to profit or loss			
Net exchange differences on translation of foreign operations		**44,844**	17,879
Items that will not be reclassified to profit or loss			
Exchange and other differences applicable to non-controlling interest		**(14,683)**	36,963
Other comprehensive income, net of tax		**30,161**	54,842
Total comprehensive income		**90,962**	76,692
Total comprehensive income is attributable to:			
Owners of the parent entity		**91,720**	30,316
Non-controlling interests		**(758)**	46,376
		90,962	76,692
Total comprehensive income attributable to owners of the parent entity arises from:			
Continuing operations		**(23,782)**	10,657
Discontinued operations	7.1	**115,502**	19,659
		91,720	30,316

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

AS AT 30 JUNE 2016

	NOTE	JUNE 2016 $'000	DECEMBER 2015 $'000
Current assets			
Cash and cash equivalents		**13,805**	11,065
Trade and other receivables	6.2	**55,079**	409,870
Inventories		**2,172**	2,956
Income tax receivable		**770**	770
Total current assets		**71,826**	424,661
Non-current assets			
Other financial assets	4.3	**2,590**	128,386
Property, plant and equipment	3.2	**76,779**	99,216
Intangible assets	3.1	**330,764**	597,100
Deferred tax assets	5.1	**–**	46,065
Total non-current assets		**410,133**	870,767
Total assets		**481,959**	1,295,428
Current liabilities			
Trade and other payables	6.2	**47,297**	414,775
Interest bearing liabilities	4.1	**162**	1,257
Current tax liabilities	5.1	**16,968**	1,620
Provisions		**7,956**	11,422
Total current liabilities		**72,383**	429,074
Non-current liabilities			
Leases	6.2	**13,242**	12,859
Interest bearing liabilities	4.1	**111,600**	184,500
Provisions		**–**	1,075
Deferred tax liabilities		**6,203**	36,096
Total non-current liabilities		**131,045**	234,530
Total liabilities		**203,428**	663,604
Net assets		**278,531**	631,824
Equity			
Contributed equity	4.4	**360,363**	360,363
Reserves		**(5,324)**	(34,992)
Retained profits / (accumulated losses)		**(76,508)**	104,584
Total parent entity interest		**278,531**	429,955
Non-controlling interests	6.1	**–**	201,869
Total equity		**278,531**	631,824

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

The interim financial statements were approved for issue by the Board on 26 August 2016.

J. A. Anderson

Sir John Anderson
Chairman

Carol Campbell

Carol Campbell
Director

Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 30 JUNE 2016

	NOTE	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED PROFITS $'000	TOTAL $'000	NON-CONTROLLING INTEREST $'000	TOTAL EQUITY $'000
Balance at 1 January 2015		360,363	(38,616)	79,511	401,258	190,736	591,994
Profit for the period		–	–	12,437	12,437	9,413	21,850
Other comprehensive income		–	17,879	–	17,879	36,963	54,842
Transfers within equity		–	(338)	338	–	–	–
Transactions with non-controlling interests		–	–	–	–	(3,053)	(3,053)
Total equity at 30 June 2015		360,363	(21,075)	92,286	431,574	234,059	665,633
Balance at 1 January 2016		**360,363**	**(34,992)**	**104,584**	**429,955**	**201,869**	**631,824**
Profit for the period		**–**	**–**	**46,876**	**46,876**	**13,925**	**60,801**
Other comprehensive income		**–**	**44,844**	**–**	**44,844**	**(14,683)**	**30,161**
Transfers within equity		**–**	**(15,176)**	**15,176**	**–**	**–**	**–**
Dividends paid	7.1	**–**	**–**	**(191,258)**	**(191,258)**	**–**	**(191,258)**
Transactions with non-controlling interests		**–**	**–**	**–**	**–**	**(3,630)**	**(3,630)**
Acquisitions and divestments of subsidiaries and operations	7.1	**–**	**–**	**(51,886)**	**(51,886)**	**(197,481)**	**(249,367)**
Total equity at 30 June 2016		**360,363**	**(5,324)**	**(76,508)**	**278,531**	**–**	**278,531**

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

Consolidated Statement of Cash Flows

FOR THE PERIOD ENDED 30 JUNE 2016

	NOTE	JUNE 2016 $'000	JUNE 2015 $'000
Cash flows from operating activities			
Receipts from customers		**369,157**	359,483
Payments to suppliers and employees		**(316,473)**	(314,792)
Dividends received		**110**	119
Interest received		**141**	180
Interest paid		**(6,779)**	(5,671)
Income taxes paid		**(3,926)**	(1,634)
Net cash inflows from operating activities	4.2	**42,230**	37,685
Cash flows from investing activities			
Payments for property, plant and equipment		**(4,842)**	(7,632)
Payments for intangibles including software		**(1,474)**	(1,640)
Acquisition of controlled entities		**–**	(81,120)
Proceeds from sale of property, plant & equipment		**2,271**	840
Proceeds from divestment of subsidiaries, net of their cash, as part of the internal restructure		**95,936**	–
Net loans repaid by/(advanced to) other entities		**2,278**	2,581
Net cash inflows/(outflows) from investing activities		**94,169**	(86,971)
Cash flows from financing activities			
Loans advanced / repaid by related parties		**(55,958)**	61,226
Proceeds from borrowings		**54,000**	6,500
Repayments of borrowings		**(127,595)**	(13,981)
Payments for borrowing costs		**(400)**	–
Payments to non-controlling interests		**(3,630)**	(3,597)
Net cash (outflows)/inflows from financing activities		**(133,583)**	50,148
Change in cash and cash equivalents		**2,816**	862
Cash and cash equivalents at the beginning of the period		**11,065**	16,367
Effects of exchange rate changes		**(76)**	341
Cash and cash equivalents at the end of the period		**13,805**	17,570

The Consolidated Statement of Cash Flows includes cash flows from continuing and discontinued operations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

General information

NZME Limited (NZX:NZM, ASX:NZM), formerly "Wilson and Horton Limited", is a for profit company limited by ordinary shares which are publicly traded on the New Zealand Exchange Main Board and the Australian Securities Exchange as a Foreign Exempt Listing. NZME Limited is incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993.

The Company is a Financial Markets Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

Basis of preparation

The consolidated interim financial statements for NZME Limited ("the Company) and its subsidiaries (together the Group) for the six months ended 30 June 2016, have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34: *Interim Financial Reporting* and International Accounting Standard 34: *Interim Financial Reporting*.

The interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the most recent annual report and any public announcements made by NZME Limited and APN News & Media Limited during the interim reporting period and up to the date of this report.

These consolidated interim financial statements are presented in New Zealand Dollars, which is the Company's functional currency, and rounded to the nearest thousand, except where otherwise stated.

The accounting policies adopted and methods of computation are consistent with those detailed in the 2015 Wilson & Horton Limited financial statements.

Significant changes in the current reporting period

Demerger
NZME Limited completed its demerger from APN News & Media Limited (APN) on 29 June 2016, marking the creation of a standalone NZ Group focused on operating some of New Zealand's most recognisable publishing, radio and digital brands.

NZME shares were distributed to eligible APN shareholders at a ratio of one NZME share for every one APN share.

Refer to note 7.1 and NZME NZX announcements on 27 June 2016 and 29 June 2016 for further details.

Taxation
On 23 June 2016, the Company and APN reached a binding heads of agreement with the Inland Revenue Department (IRD) to settle the MCN transaction, the Branch financing transaction non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD.

Refer to note 5.1 for further details.

Going concern

As at 30 June 2016 the Group's current liabilities exceeded its current assets by $557,000 (31 December 2015: current liabilities exceeded current assets by $4,413,000). Based on the Group's operating performance, the working capital forecasts in the 12 months from the date of signing these financial statements and its available facilities, the Directors consider that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due and to carry on its business in the foreseeable future, which is not less than 12 months from the date of signing these financial statements.

Significant accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

(i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment. The recoverable amounts the cash generating unit has been determined based on value in use calculations. These calculations require the use of assumptions around future cash flows and a suitable discount rate.

(ii) Valuations of other financial assets

The Group periodically revalues other financial assets. These valuations are based on available information at the time the valuation is conducted but is subject to estimation.

(iii) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

Comparatives

Certain prior period information has been presented to provide more meaningful comparison.

The comparatives for the current period have been presented for the effects of the application of IFRS 5/NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* following the disposal of Australian Radio Network (including Brisbane FM Radio Pty Ltd, Radio Perth 96FM Pty Limited and Emotive Pty Limited), The Level 3 Partnership and The Level 4 Partnership (disposed entities). Refer to note 7.1 'Discontinued operations'. The nature of presentation is as follows:

- All income and expense items relating to the disposed entities have been removed from the individual line items in the income statement. The post-tax profit/(loss) of the disposed entities is presented as a single amount in the line item entitled 'Profit/(loss) after taxation from Discontinued operations'; and
- The net cash flows attributable to the operating, investing and financing activities of the disposed entities are each disclosed in the notes to the financial statements.

Standards and interpretations issued but not yet effective

NZ IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 *Revenue* and NZ IAS 11 *Construction contracts* and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is still assessing the impact of the new rules on its revenue recognition policies and at this stage is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact during the second half of the year.

In January 2016, the XRB (External Reporting Board) issued NZ IFRS 16 *Leases*, a new standard for the accounting of leases, replacing NZ IAS 17 *Leases*. The new standard will predominantly affect lessees, with almost all leases brought onto the balance sheet. It applies to annual reporting periods commencing on or after 1 January 2019. The Group has yet to fully assess the impact of the new standard on the financial statements when applied to future periods.

There are no other standards and interpretations that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. GROUP PERFORMANCE

2.1 REVENUE AND OTHER INCOME

	JUNE 2016 $'000	JUNE 2015 $'000
From continuing operations		
Advertising revenue	**142,228**	156,558
Circulation and subscription revenue	**43,947**	48,164
Services revenue	**5,232**	5,845
Other revenue	**5,227**	3,029
Revenue from continuing operations	**196,634**	213,596
Dividends	**110**	119
Gain on disposal of properties and businesses	**1,359**	441
Other income	**1,469**	560
Interest income – related parties	**91**	–
Interest income – other entities	**117**	138
Finance income	**208**	138
Total other revenue and income	**1,677**	698
Total revenue and other income	**198,311**	214,294
From discontinuing operations (refer to note 7.1)		
Total revenue and other income	**127,542**	114,497

2.2 SEGMENT INFORMATION

(a) Products and services from which reportable segments derive their revenues

Following the demerger and internal restructure which resulted in NZME Limited listed as a separate standalone entity, the segmental reporting had been revised to align to the format that will be used to report to the Chief Operating Decision Maker. NZME has one reportable segment – being "Integrated Media and Entertainment". Integrated Media and Entertainment incorporates the sale of advertising, goods and services generated from the audiences generated from the media platform.

All significant operating decisions are based upon analysis of NZME as one operating segment. The Executive Team and the Board of Directors have been identified as the Chief Operating Decision Maker.

NZME's major products and services are split by channel at the revenue level into Print, Radio and Digital which is the way in which revenue is reported to the Chief Operating Decision Maker. Although NZME operates in many different markets within New Zealand, for management reporting purposes NZME operates in one principle geographical area being New Zealand as a whole.

Discontinued operations have been presented in Note 7.1.

2. GROUP PERFORMANCE CONTINUED

(b) Segment revenues and results

The segment information provided to the Directors and senior management team for the period ended 30 June 2016 is as follows:

	JUNE 2016 $'000	JUNE 2015 $'000
Revenues from external customers by channel		
Print	**116,893**	131,281
Radio	**55,824**	59,456
Digital	**23,917**	22,859
Total revenues from external customers	**196,634**	213,596
Dividend income	**110**	119
Expenses from operations before finance costs, depreciation and amortisation	**(165,912)**	**(185,350)**
Total Segment Adjusted EBITDA[F]	**30,832**	**28,365**
Depreciation and amortisation	**(12,240)**	(11,981)
Net finance costs	**(6,621)**	(9,842)
Exceptional items		
Gain on disposal of properties[A]	**1,359**	441
Masthead royalty charges[B]	**(12,216)**	(11,300)
Redundancies and associated costs[C]	**(3,097)**	(366)
Costs in relation to one off projects[D]	**(789)**	(1,579)
Asset write downs[E]	**–**	(1,583)
Loss before tax from continuing operations	**(2,772)**	(7,845)

Explanation of exceptional items:

A Gains on disposal of properties is the gain on sale of property in Wairarapa offset by loss on sale of property in Nelson in 2016, and the gain on sale of an NZME property in Invercargill, New Zealand in 2015.

B Costs charged from a subsidiary company of APN for use of NZ publishing mastheads. On 24 June 2016, NZME acquired certain NZ publishing mastheads on normal commercial terms from this subsidiary company of APN (refer to note 3.1). As a result, masthead royalty charges are not expected to be incurred by NZME from 24 June 2016 onwards.

C The redundancies and associated costs relate to the restructuring and integration of the New Zealand operations.

D The costs related to one off projects refers primarily to costs of external consultants assisting with the listing, integration and co-location of NZME.

E The asset write downs includes a write off of leasehold improvements in NZME as a result of the office co-location.

F Adjusted Earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA) from continuing operations and before exceptional items, represents the Group's total segment result.

2.3 EARNINGS PER SHARE

	JUNE 2016 $'000	JUNE 2015 $'000
Reconciliation of earnings used in calculating basic earnings per share (EPS)		
Loss from continuing operations attributable to owners of the parent entity	**(68,626)**	(7,222)
Profit from discontinuing operations attributable to owners of the parent entity	**115,502**	19,659
Profit attributable to owners of the parent entity used in calculating basic EPS	**46,876**	12,437
Weighted average number of shares	**NUMBER**	**NUMBER**
Weighted average number of shares in the denominator in calculating basic EPS[1]	**196,011,282**	196,011,282
Adjusted for calculation of diluted EPS	**–**	–
Weighted average number of shares in the denominator in calculating diluted EPS	**196,011,282**	196,011,282

1 Due to the share split in the current period (refer to note 4.3), the number of ordinary shares outstanding during the period ended 30 June 2015 was retrospectively adjusted.

	JUNE 2016 CENTS	JUNE 2015 CENTS
Continuing operations		
Basic/diluted earnings per share	**(35.0)**	(3.7)
Continuing and discontinued operations		
Basic/diluted earnings per share	**23.9**	6.3

3. OPERATING ASSETS AND LIABILITIES

3.1 INTANGIBLE ASSETS

	GOODWILL $'000	SOFTWARE $'000	MASTHEAD BRANDS $'000	RADIO LICENCES $'000	BRANDS $'000	TOTAL $'000
31 December 2015						
Cost	177,006	45,036	–	479,500	59,079	760,621
Accumulated amortisation and impairment	(95,614)	(33,765)	–	(34,142)	–	(163,521)
Net book value	81,392	11,271	–	445,358	59,079	597,100
Period ended 30 June 2016						
Opening net book amount	**81,392**	**11,271**	**–**	**445,358**	**59,079**	**597,100**
Additions	**–**	**1,353**	**146,976**	**–**	**–**	**148,329**
Divestment of subsidiaries and operations[1]	**(10,804)**	**–**	**–**	**(390,454)**	**–**	**(401,258)**
Amortisation	**–**	**(2,275)**	**–**	**(1,947)**	**–**	**(4,222)**
Foreign exchange differences	**195**	**34**	**–**	**(9,414)**	**–**	**(9,185)**
Closing net book amount	**70,783**	**10,383**	**146,976**	**43,543**	**59,079**	**330,764**
At 30 June 2016						
Cost	**166,397**	**46,600**	**146,976**	**77,457**	**59,079**	**496,509**
Accumulated amortisation and impairment	**(95,614)**	**(36,217)**	**–**	**(33,914)**	**–**	**(165,745)**
Closing net book amount	**70,783**	**10,383**	**146,976**	**43,543**	**59,079**	**330,764**

1 NZME Limited completed its demerger from APN News & Media Limited (APN) on 29 June 2016.
Prior to the implementation of the demerger, NZME acquired certain NZ publishing Masthead Brands on normal commercial terms from a subsidiary company of APN. These Masthead Brands were purchased for consideration of $146,976,000 together with a termination amount in regard to the masthead license of $2,065,575, which was incurred as NZME early terminated the masthead licences agreement with APN.
Refer to Note 7.1 for further details around assets disposed and acquired as part of the Internal Restructure.

3.2 PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
31 December 2015				
Cost[1]	2,990	480	404,483	407,953
Accumulated depreciation and impairment	–	–	(308,737)	(308,737)
Net book value	2,990	480	95,746	99,216
Period ended 30 June 2016				
Opening net book amount	**2,990**	**480**	**95,746**	**99,216**
Additions	**–**	**430**	**4,659**	**5,089**
Disposals	**(745)**	**(23)**	**(231)**	**(999)**
Divestment of subsidiaries and operations[2]	**(1,133)**	**(714)**	**(14,928)**	**(16,775)**
Depreciation	**–**	**(42)**	**(10,323)**	**(10,365)**
Transfers and other adjustments	**338**	**658**	**(18)**	**978**
Foreign exchange differences	**(26)**	**(17)**	**(322)**	**(365)**
Closing net book amount	**1,424**	**772**	**74,583**	**76,779**
At 30 June 2016				
Cost[1]	**1,424**	**814**	**344,337**	**346,575**
Accumulated depreciation and impairment	**–**	**(42)**	**(269,754)**	**(269,796)**
Closing net book amount	**1,424**	**772**	**74,583**	**76,779**

1 Freehold land and Buildings are held at fair value, which are based on independent valuations. Refer to Note 4.3 for further details.
2 NZME Limited completed its demerger from APN News & Media Limited (APN) on 29 June 2016.
Refer to Note 7.1 for details around assets acquired and disposed as part of the Internal Restructure.

4. CAPITAL MANAGEMENT

4.1 INTEREST BEARING LIABILITIES

	JUNE 2016 $'000	DECEMBER 2015 $'000
Current interest bearing liabilities		
Loan payable	**162**	1,257
Total current interest bearing liabilities	**162**	1,257
Non-current interest bearing liabilities		
Bank loans – secured	**112,000**	184,500
	112,000	184,500
Deduct:		
Capitalised borrowing costs	**400**	–
Total non-current interest bearing liabilities	**111,600**	184,500
Net debt		
Current interest bearing liabilities	**162**	1,257
Non-current interest bearing liabilities	**112,000**	184,500
Capitalised borrowing costs	**(400)**	–
Cash and cash equivalents	**(13,805)**	(11,065)
Total debt less cash and cash equivalents	**97,957**	174,692

Prior to the Demerger, NZME was funded by a combination of internal cash flows and external financing arrangements. Following the Demerger, funding is from a combination of its own cash reserves, internal cash flows and NZ$160 million bilateral bank loan facility, which NZME entered into on 29 June 2016, of which NZ$112 million is drawn as at 30 June 2016. The facility expires 1 January 2020.

The interest rate for the drawn facility is the applicable bank screen rate plus credit margin.

The NZME Bilateral Facilities contain undertakings which are customary for a facility of this nature including, but not limited to, provision of information, negative pledge and restrictions on priority indebtedness and disposals of assets.

In addition, NZME must comply with financial covenants (a net debt to EBITDA ratio and an EBITDA to net interest expense ratio) for each 12 month period ending on 30 June and 31 December.

Capitalised borrowing costs related to the refinancing was $0.4 million.

Consideration received on the sale of the Partnership Interests (refer to note 7.1) to APN prior to Demerger, was used to pay down secured bank loans. This is the main reason for the decrease in interest bearing liabilities from 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. CAPITAL MANAGEMENT CONTINUED

4.2 CASH FLOW INFORMATION

	JUNE 2016 $'000	JUNE 2015 $'000
The below reconciliation relates to both continued and discontinued operations		
Reconciliation of profit for the period to net cash inflows from operating activities:		
Profit for the period:	**60,801**	21,850
Depreciation and amortisation expense	**14,587**	14,214
Net gain on sale of non-current assets	**13**	(442)
Gain on sale of businesses[1]	**(192,519)**	–
Reclassification of foreign currency translation reserves to the income statement	**65,326**	
Change in current / deferred tax payable	**31,520**	(4,304)
Current tax funded through related party balances	**(12,842)**	14,893
Foreign exchange losses / (gains)	**1,086**	(3,341)
Asset write offs and business closure	**(149)**	98
Change in fair value of financial instrument[2]	**31,481**	–
Revaluation of investments	**(2,245)**	(3,827)
Changes in assets and liabilities net of effect of acquisitions and disposals:		
Trade and other receivables	**49,859**	(9,466)
Inventories	**785**	434
Prepayments	**514**	1,017
Trade and other payables and employee benefits	**(5,987)**	6,559
Net cash inflows from operating activities	**42,230**	37,685

1 Refer to note 7.1

2 Change in fair value of financial instruments relates to the Level 4 Partnership's investments in a debenture issued by Nathco Holdings Pty Ltd, a member of the APN News & Media Limited Group. NZME's interest in the Level 4 Partnership was subsequently sold to APN, prior to Demerger.

4.3 FAIR VALUE MEASUREMENTS

Fair value hierarchy

NZ IFRS 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. CAPITAL MANAGEMENT CONTINUED

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2016. All of the Group's financial assets and liabilities are measured under Level 3, as there is no observable market data available:

	JUNE 2016 $'000	DECEMBER 2015 $'000
Recurring fair value measurements		
Financial assets		
Financial assets at fair value through profit or loss		
Shares in other corporations[1]	–	31,701
Financial Instruments[2]	–	94,095
Total financial assets[3]	–	125,796
Non-financial assets		
Freehold land and buildings		
Freehold land	**1,424**	2,990
Buildings	**772**	480
Total non-financial assets	**2,196**	3,470

1 Shares in other companies represent ownership interests in companies that are not consolidated or equity accounted. This was disposed as part of the sale of Australian Radio Network on 24 June 2016. Refer to Note 7.1 for further details.
2 Financial instrument held by Level 4 Partnership refers to an investment in a debenture issued by Nathco Holdings Pty Ltd (Nathco), a member of the APN News and Media Group. The terms of debenture entitle the Level 4 Partnership to receive 95% of the profits of Nathco. This was disposed of on 24 June 2016, refer to note 7.1.
3 Other financial assets of $2,590,000 (Dec 2015: $2,590,000) are held at cost and therefore have been excluded from this table.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 30 June 2016 (level 3).

The level 3 inputs used by the Group are derived and evaluated as follows:

The fair value of non-current borrowings disclosed in note 4.1 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ended 30 June 2016, the borrowing rates were determined to be between 4.7% and 5% per annum, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other corporations which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included in level 3.

4.4 CONTRIBUTED EQUITY

Issued and paid up share capital

	JUNE 2016 NO. OF SHARES	DECEMBER 2015 NO. OF SHARES	JUNE 2016 $'000	DECEMBER 2015 $'000
Balance at beginning of the period	**378,550,000**	378,550,000	**360,363**	360,363
Shares consolidated as part of the NZME Demerger[1]	**(182,538,718)**	–	**–**	–
Balance at end of the period	**196,011,282**	378,550,000	**360,363**	360,363

1 On Demerger, NZME shares were distributed to eligible APN shareholders at a ratio of one NZME share for every one APN share.

4.5 DIVIDENDS

(a) Dividends Paid

On 24 June 2016, NZME Limited declared and settled a dividend of $191,257,897 to APN International Pty Limited. This occurred as part of the Internal Restructure. Refer to Note 7.1 for further details.

(b) Dividends declared after balance date

On 25 August 2016, the Board declared an interim dividend of 3.5 cents per share, to be paid 28 October 2016, per fully paid ordinary share.

5. TAXATION

5.1 INCOME TAX

Income tax expense on continuing operations is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The tax rate used for the six months to 30 June 2016 is 29%, compared to 32% for the six months to 30 June 2015. The tax expense of NZ$61.5 million comprises a NZ$17 million cash payment to fully settle historical tax disputes with the New Zealand Inland Revenue Department (IRD), the utilisation of historically recognised tax losses and other deferred tax balances related to the demerged business.

The Company has previously disclosed that the IRD was auditing or reviewing several taxation matters, including the dispute with the IRD regarding the Mandatory Convertible Note (MCN) transaction. These matters were disclosed in previous financial statements and in an Explanatory Memorandum dated 11 May 2016 relating to the demerger of NZME from APN.

On 23 June 2016, the Company and APN reached a binding heads of agreement with the IRD to settle the MCN transaction, the Branch financing transaction non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD. This settlement closes off all current areas of audit and dispute between the IRD and the Company. The settlement was for the total sum of NZ$33.9 million, with the cost of settlement to be shared between the Company and a subsidiary of APN on a near equal basis. Payment is expected to occur on 26 August 2016. The settlement utilised NZ$56 million of tax losses.

The Company's portion of the settlement amount NZ$17 million has been accrued for in current tax liabilities during the period ended 30 June 2016.

6. GROUP STRUCTURE

6.1 INTERESTS IN OTHER ENTITIES

Material subsidiaries with non-controlling interests

Set out below are the Group's principal subsidiaries with material non-controlling interests. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

On 24 June 2016, as part of the pre-Demerger restructure, the Australian Radio Network (including Brisbane FM Radio Pty Ltd and Emotive Pty Limited) was sold to APN on normal commercial terms. NZME Radio Limited, which was previously owned by the Australia Radio Network, was acquired by an entity within the NZME Group on 24 June 2016. Refer to Note 7.1 for further details.

			OWNERSHIP INTEREST HELD BY THE GROUP		OWNERSHIP INTEREST HELD BY THE NON-CONTROLLING INTERESTS		
NAME OF ENTITY	PLACE OF BUSINESS	COUNTRY OF INCORPORATION	JUNE 2016	DECEMBER 2015	JUNE 2016	DECEMBER 2015	PRINCIPAL ACTIVITIES
Australian Radio Network Pty Ltd[1]	Australia and New Zealand	Australia	–	50%	–	50%	Commercial radio

1 The Australian Radio Network owned 100% of NZME Radio Limited as at 31 December 2015. As at 30 June 2016, NZME Group owns 100% of NZME Radio Limited.

Transactions with non-controlling interests

Refer to Note 7.1 for details.

6.2 RECEIVABLES AND PAYABLES INCLUDING RELATED PARTIES

(a) Receivables

	JUNE 2016 $'000	DECEMBER 2015 $'000
Current receivables		
Trade receivables	**49,282**	96,382
Provision for doubtful debts	**(1,162)**	(2,146)
Net trade receivables	**48,120**	94,236
Amount due from related parties (refer (c) below)	–	304,931
Other receivables and prepayments	**6,959**	10,703
Total current receivables	**55,079**	409,870

6. GROUP STRUCTURE CONTINUED

(b) Payables

	JUNE 2016 $'000	DECEMBER 2015 $'000
Current payables		
Trade and other payables	**46,464**	91,638
Lease liability[1]	**833**	833
Amount due to related entities (refer (c) below)	–	322,304
Total current payables	**47,297**	414,775
Leases[1]	**13,242**	12,859
Total non-current payables	**13,242**	12,859

1 Leases includes lease incentives received in relation to certain operating leases.

(c) Related Parties

NZME Limited was, until the 29 June 2016, a wholly owned subsidiary of the APN News & Media Limited group.

Since 31 December 2015, amounts due from related parties of $304,931,000 and amounts due to related parties of $322,304,000 have been settled during the half year ended 30 June 2016, with a significant portion of the settlement occurring as part of the Internal Restructure (refer to Note 7.1 for further details).

During the period, the Group charged interest of $358,780 (2015: $396,972) to Biffin Pty Ltd a member of the APN News & Media Limited Group. Biffin Pty Ltd charged management fees to APN Holdings NZ Limited of $611,056 (2015: $1,679,000). A Group company, APN Holdings NZ Limited charged shared services fees totalling $1,456,000 (2015: $1,299,000) to related parties. The Group purchased print services worth $2,247,000 (2015: $2,579,000) from Beacon Print Ltd, a company in which the Group holds an interest in.

Biffin Pty Ltd repaid loans of $5,012,246 (2015: $89,797,018) to Group companies and borrowed $nil (2015: $3,452,707) from group companies.

Wilson & Horton Finance Pty Ltd, New Zealand Branch, charged royalty fees of $12,216,000 (2015: $11,300,000), advanced $13,200,000 (2015: $11,463,000), repaid loans of $539,000 (2015: $209,000) and charged interest of $2,765,000 (2015: $3,087,000) to the Group. The Group charged Wilson & Horton Finance Pty Ltd, New Zealand Branch, office rental and service fees of $78,000 (2015: $84,000).

New Zealand entities within the Group received tax losses from New Zealand entities outside the Group of $nil (2015: $18,437,826) for consideration of $nil (2015: $5,162,591). New Zealand entities in the Group offset tax losses to New Zealand entities outside the Group of $20,001,378 (2015: $650,905) for consideration of $5,600,386 (2015: $182,253).

	RECEIVABLES DECEMBER 2015 $'000	PAYABLES DECEMBER 2015 $'000
Biffin Pty Limited	**25,807**	37,785
Media Tek Pty Limited	**53,434**	1,068
APN Newspapers Pty Limited	**225,184**	55,206
NZME Educational Media Limited[1]	**216**	1,428
Wilson & Horton Finance Pty Limited – New Zealand Branch	–	153,224
APN News and Media Limited	–	67,898
Other related party balances	**290**	5,695
Total related party receivables and payables	**304,931**	322,304

1 This entity was acquired by NZME from the APN News & Media Limited group on 24 June 2016 as part of the Internal Restructure. Refer to note 7.1 for further details.

7. OTHER

7.1 NZME LIMITED DEMERGER

On 11 May 2016, APN News and Media Limited ('APN'), the ultimate parent entity announced a Demerger of 100% of NZME Limited Group to APN shareholders ('Demerger'), subject to a majority shareholder vote held on 16 June 2016. The Demerger was approved by the requisite majority of APN Shareholders and all other conditions precedent to the Demerger were satisfied or waived. The Demerger was completed on 29 June 2016.

On 27 June 2016 NZME Limited was listed as a separate standalone entity on the NZX Main Board and ASX under the ticker code NZM on a deferred settlement basis (on a post consolidation basis). Trading of NZME shares commenced on a normal settlement basis on 1 July 2016.

Prior to the Demerger, APN initiated an Internal Restructure, being an internal restructure to separate and align the relevant businesses, assets and liabilities of APN with the appropriate entity prior to the Demerger.

The Demerger Implementation Deed provided for the Internal Restructure to be completed so that:

- NZME is created as an identifiable and separate corporate group under NZME Limited, capable of operating on a standalone basis; and
- All subsidiaries, assets and liabilities which do not relate directly to the NZME business are held by APN upon the Demerger.

Broadly, the Restructure entailed the following:

- Certain subsidiaries, business, assets and liabilities relating to the NZME business were aligned or transferred to entities that would be subsidiaries of NZME following the Demerger;
- Certain subsidiaries, business, assets and liabilities relating to the APN business which are held by subsidiaries of NZME Limited were aligned or transferred to entities that would be subsidiaries of APN following the Demerger;
- Various intercompany loans, receivables and payables were repaid (other than ordinary trading receivables and payables which will be settled on normal commercial terms) so that upon the Demerger there were no loans across the APN and NZME businesses outstanding; and
- Various distributions were made between the subsidiaries of NZME and subsidiaries of APN.

On 24 June 2016, NZME Limited declared and settled a dividend of $191,257,897 to APN International Pty Limited.

In order to give effect to the share and asset transfers forming part of the Internal Restructure, a series of share and asset sale agreements were entered into between APN and NZME. These sale agreements were on standard terms for intra-group share and asset sales, including limited title and capacity warranties given by both parties.

Acquisition of businesses

The acquisition of the entities have been recognised as common control transactions. The Group applies the predecessor values method, without any step up to fair value. All the assets and liabilities acquired were recognised at book values per the consolidated financial statements of the highest entity that had common control (i.e. APN News & Media Limited) immediately prior to the Internal Restructure. The difference between the consideration established under the Internal Restructure and the adjusted carrying value of the assets and liabilities (at the date of the transaction) acquired totalling $51.9 million has been recognised in equity. No goodwill was created or recognised. The Group financial statements incorporate the acquired entity's results only from the date of acquisition. The corresponding amounts of the previous period are not restated.

Disposal of businesses

Upon the disposal of entities, where there was a loss of control, the Group has derecognised the assets and liabilities of the subsidiary, any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in the income statement. The Australian Radio Network, The Level 3 Partnership and The Level 4 Partnership were acquired by a subsidiary company of APN on normal commercial terms.

7. OTHER CONTINUED

Asset acquisition

On 24 June 2016, NZME acquired certain NZ publishing masthead brands (refer to note 3.1) on normal commercial terms from a subsidiary company of APN.

(a) Businesses disposed

The results of the Australian Radio Network, The Level 3 Partnership and The Level 4 Partnership prior to disposal are reported as discontinued operations. Information relating to the discontinued operations for the period to the date of disposal is set out below.

As a result of the Internal Restructure, the disposals resulted in a recognition of a gain of $192,519,000 (tax impact: $nil).

For the entities disposed where there was a loss of control, the Group has derecognised the assets and liabilities of the subsidiary, any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in the income statement. Balances in the foreign currency translation reserve in respect of NZME's net investment in entities disposed have been recycled through the income statement.

NZME's 98% interest in The Level 3 Partnership was sold to a subsidiary of APN on normal commercial terms. This APN subsidiary had previously held a 1% interest in The Level 3 Partnership. The consideration received was $119,937,000. This transaction, alongside the sale of the Australian Radio Network (ARN), resulted in a decrease in non-controlling interests in ARN. The carrying amount of the non-controlling interests in ARN on the date of the transaction was $180,520,000. The Group recognised a decrease in non-controlling interests of $180,520,000.

The combined results of discontinued operations included in profit or loss and cash flows for the period are set out below.

The comparative profit or loss has been re-presented to include those operations classified as discontinued in the current year.

Financial performance and cash flow information of disposed businesses

	JUNE 2016 $'000	JUNE 2015 $'000
Revenue and other income	**127,542**	114,497
Expenses from operations before finance costs, depreciation & amortisation	**(83,606)**	(72,237)
Finance costs	**(599)**	(211)
Depreciation and amortisation	**(2,348)**	(2,234)
Change in fair value of financial instruments[1]	**(31,481)**	–
Profit before income tax	**9,508**	39,815
Income tax expense	**(11,606)**	(12,009)
Profit/(loss) after income tax of discontinued operations	**(2,098)**	27,806
Gain on sale of businesses after income tax	**192,519**	–
Reclassification of foreign currency translation reserves to the income statement	**(65,326)**	–
Gain after income tax from discontinued operations	**125,095**	27,806
Gain from discontinued operations is attributable to:		–
Owners of the parent entity	**115,502**	19,659
Non-controlling interests	**9,593**	8,147
Gain from discontinued operations	**125,095**	27,806
Net cash inflows from operating activities	**37,322**	34,089
Net cash outflows from investing activities	**(1,120)**	(83,823)
Net cash inflows/(outflows) from financing activities	**(37,277)**	49,396
Net decrease in cash generated by the businesses	**(1,075)**	(338)

1 Change in fair value of financial instruments relates to the Level 4 Partnership's investments in a debenture issued by Nathco Holdings Pty Ltd, a member of the APN News & Media Limited Group. NZME's interest in the Level 4 Partnership was subsequently sold to APN, prior to Demerger.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. OTHER CONTINUED

(a) Businesses disposal (continued)

Carrying value of net assets derecognised

	JUNE 2016 $'000
Cash and cash equivalents	2,564
Trade and other receivables	230,754
Intangible assets	401,258
Property, plant and equipment	16,775
Other financial assets	91,294
Other assets	324
Trade and other payables	(34,365)
Current tax payable	(82)
Provisions	(3,996)
Deferred tax liabilities	(33,778)
Net assets derecognised	670,748
Less: net assets attributable to non-controlling interests	(180,520)
Net assets derecognised attributable to equity holders of NZME Limited	490,228
Consideration received	682,747
Gain on sale	192,519
Income tax expense on gain	–
Gain on sale after income tax	192,519

(b) Businesses and net assets acquired

As part of the Internal Restructure undertaken by NZME pursuant to the Implementation Deed with APN, several entities, assets and liabilities have been acquired by the NZME group.

The acquisition of the non-controlling interest in NZME Radio has been treated as a common control transaction. Any gain or loss on acquisition of an ownership interest held by a non-controlling party is recognised directly in equity. The difference between the consideration transferred and the carrying value of APN's non-controlling interest in NZME. Radio Limited at 24 June 2016 resulted in an adjustment of $45,776,000 being recognised directly within equity.

The acquisition of the NZME Education Media Limited has been recognised as common control transaction. The difference between the consideration established under the internal restructure and the carrying value of the assets and liabilities (at the date of the transaction) acquired totalling $6,110,000 has been recognised in equity.

NZME also acquired certain NZ publishing masthead brands (refer to note 3.1) on normal commercial terms from a subsidiary company of APN.

The total carrying value of the assets and liabilities that were acquired by the NZME Group as part of the Internal Restructure that occurred prior to the demerger were as follows:

Net assets acquired

	JUNE 2016 $'000
Trade and other receivables	579
Masthead brands	146,976
Other	17
Total assets	147,572
Trade and other payables	216
Current tax payable	425
Total liabilities	641
Net assets attributable to equity holders of NZME Limited	146,931

7. OTHER CONTINUED

(c) Net cash flow

The net cash flow from the sale of businesses, acquisitions of businesses and net assets and the settlement of dividends was NZ$96 million and has been presented within investing activities in the cash flow statement. This is made up as follows:

Net cash flow

	JUNE 2016 $'000
Cash consideration received	**98,500**
Cash and cash equivalents disposed of	**(2,564)**
Net cash inflow of internal restructure	**95,936**

7.2 CONTINGENT LIABILITIES

Guarantees

The Group has provided guarantees in respect of banking facilities. As at 30 June 2016, the facilities had been drawn to the extent of $112,000,000.

Other contingent liabilities and capital commitments

The Group did not have other contingent liabilities and capital commitments as at 30 June 2016 or 31 December 2015.

Claims

Claims for damages are made against the Group from time to time in the ordinary course of business. The Directors are not aware of any claim that is expected to result in material costs or damages.

7.3 EVENTS AFTER BALANCE DATE

The Directors are not aware of any significant events subsequent to the balance sheet date.

INDEPENDENT REVIEW REPORT

TO THE SHAREHOLDERS OF NZME LIMITED

REPORT ON THE INTERIM FINANCIAL STATEMENTS

We have reviewed the accompanying financial statements of NZME Limited, ("the Company") and its controlled entities ("the Group") on pages 5 to 23, which comprise the consolidated balance sheet as at 30 June 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible on behalf of the Group for the preparation and presentation of these financial statements in accordance with New Zealand equivalent to International Accounting Standard 34 Interim Financial Reporting ("NZ IAS 34") and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

OUR RESPONSIBILITY

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Group NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of taxation, advisory and other assurance services. The provision of these other services has not impaired our independence.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Group, are not prepared, in all material respects, in accordance with NZ IAS 34.

RESTRICTION ON USE OF OUR REPORT

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

PricewaterhouseCoopers.

Chartered Accountants, Auckland
26 August 2016

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Phone: +64 9 379 5050

Website: www.nzme.co.nz

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AUDITORS

PricewaterhouseCoopers

PRINCIPAL BANKERS

Westpac

PRINCIPAL SOLICITORS

Chapman Tripp

SHARE REGISTRY

Link Market Services

JOINT VENTURES AND ASSOCIATES

Chinese New Zealand Herald Limited (50%)

Eveve New Zealand Limited (40%)

KPEX Limited (25%)

New Zealand Press Association Limited (38.82%)

The Beacon Printing & Publishing Company Limited (21%)

The Gisborne Herald Company Limited (49%, held through a trust)

The Newspaper Publishers Association of New Zealand Incorporated

The Wairoa Star Limited (40.41%)

Restaurant Hub Limited (40%)

SHARE REGISTRY CONTACT DETAILS

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Postal Address:
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Phone: 09 375 5998

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WHO DO I CONTACT WITH INQUIRIES ABOUT THE SHARES?

Inquiries about the Shares may be made to the Registrar:

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PO Box 91976,
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NZME.