

Seven West Media Limited
Appendix 4E
Preliminary Final Report
Year Ended 29 June 2013

Results for announcement to the market

	2013 \$'000	2012 \$'000	Movement
Reported			
Revenue	1,866,457	1,937,107	-3.6%
Loss from ordinary activities after tax attributable to members	(69,758)	226,889	-130.7%
Net loss for the period attributable to members	(69,758)	226,889	-130.7%
Additional information			
Significant items before tax (refer note 5)	(308,374)	-	
Profit before tax excluding significant items (refer note 2)	319,563	325,183	-1.7%
Profit after tax excluding significant items net of tax (refer note 13)	225,175	226,889	-0.8%

The current reporting period relates to the period from 1 July 2012 to 29 June 2013 and the previous reporting period relates to the period from 26 June 2011 to 30 June 2012.

Dividends	Amount per security	Franked amount per security
Final dividend 2012 (paid during current reporting period)	6 cents	6 cents
Interim dividend 2013 (paid during current reporting period)	6 cents	6 cents
Final dividend 2013 (not yet paid)	6 cents	6 cents

The record date for determining entitlements to the final 2013 dividend is 6/9/2013 and the payment date is 11/10/2013. The final dividend for 2013 has not been recognised as a liability at year end. Refer note 12 for additional information on dividends.

Audit

This report is based on financial statements which have been audited by KPMG. Refer to the 29 June 2013 Seven West Media Limited and controlled entities Financial Report for the independent auditor's report to the members of Seven West Media Limited.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 29 June 2013

	Notes	2013 \$'000	2012 \$'000
Revenue	3	1,866,457	1,937,107
Other income	3	260	227
Revenue and other income		1,866,717	1,937,334
Expenses	3	(1,479,600)	(1,483,995)
Share of net profit of equity accounted investees	7	15,251	20,084
Impairment of intangible assets	5	(227,274)	-
Impairment of equity accounted investees	5	(61,453)	-
Profit before net finance costs and tax		113,641	473,423
Net finance costs	4	(102,452)	(148,240)
Profit before tax		11,189	325,183
Tax expense	6	(80,947)	(98,294)
(Loss) profit for the year		(69,758)	226,889
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		(1,839)	(6,192)
Tax relating to items that may be reclassified subsequently to profit or loss		551	1,858
Other comprehensive expense for the year, net of tax		(1,288)	(4,334)
Total comprehensive (expense) income for the year attributable to owners of the Company		(71,046)	222,555
Earnings per share for (loss) profit attributable to the ordinary equity holders of the Company			
Basic earnings per share	13	-7.1 cents	33.3 cents
Diluted earnings per share	13	-6.1 cents	26.7 cents

Consolidated Statement of Financial Position

As at 29 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	257,316	75,052
Trade and other receivables		278,105	329,865
Program rights and inventories		117,508	116,442
Other assets		5,105	7,862
Total current assets		658,034	529,221
Non-current assets			
Program rights and inventories		-	4,035
Equity accounted investees	7	304,394	351,766
Other investments		777	777
Property, plant and equipment		241,357	262,410
Intangible assets	8	3,632,015	3,865,545
Deferred tax assets		26,270	22,040
Other assets		3,191	2,795
Total non-current assets		4,208,004	4,509,368
Total assets		4,866,038	5,038,589
LIABILITIES			
Current liabilities			
Trade and other payables		321,875	339,281
Provisions		76,838	64,352
Deferred income		20,044	19,096
Current tax liabilities		25,308	6,230
Total current liabilities		444,065	428,959
Non-current liabilities			
Trade and other payables		35,937	39,557
Borrowings	10	1,498,106	1,929,799
Provisions		16,513	16,350
Deferred income		7,539	4,531
Total non-current liabilities		1,558,095	1,990,237
Total liabilities		2,002,160	2,419,196
Net assets		2,863,878	2,619,393
EQUITY			
Share capital	9	3,090,405	2,656,017
Reserves		(5,263)	(4,893)
Accumulated deficit		(221,264)	(31,731)
Total equity		2,863,878	2,619,393

Consolidated Statement of Changes in Equity

For the year ended 29 June 2013

	Notes	Share capital \$'000	Cash flow hedge reserve \$'000	Equity compensation reserve \$'000	Reserve for own shares \$'000	Retained earnings/ (accumulated deficit) \$'000	Total equity \$'000
Balance at 25 June 2011		2,489,061	(58)	217	-	22,259	2,511,479
Profit for the year		-	-	-	-	226,889	226,889
Cash flow hedge losses taken to equity		-	(6,192)	-	-	-	(6,192)
Tax on other comprehensive expense		-	1,858	-	-	-	1,858
Other comprehensive expense for the year, net of tax		-	(4,334)	-	-	-	(4,334)
Total comprehensive (expense) income for the year		-	(4,334)	-	-	226,889	222,555
Transactions with owners in their capacity as owners							
Shares issued pursuant to executive and employee							
share plans	9	394	-	-	-	-	394
Dividend reinvestment plan share issues	9	166,203	-	-	-	-	166,203
Deferred tax recognised directly in equity	9	359	-	-	-	-	359
Payments made for own shares		-	-	-	(1,300)	-	(1,300)
Dividends paid	12	-	-	-	-	(280,879)	(280,879)
Share based payment expense		-	-	582	-	-	582
Total transactions with owners		166,956	-	582	(1,300)	(280,879)	(114,641)
Balance at 30 June 2012		2,656,017	(4,392)	799	(1,300)	(31,731)	2,619,393
Loss for the year		-	-	-	-	(69,758)	(69,758)
Cash flow hedge losses taken to equity		-	(1,839)	-	-	-	(1,839)
Tax on other comprehensive expense		-	551	-	-	-	551
Other comprehensive expense for the year, net of tax		-	(1,288)	-	-	-	(1,288)
Total comprehensive expense for the year		-	(1,288)	-	-	(69,758)	(71,046)
Transactions with owners in their capacity as owners							
Shares issued pursuant to 1-for-2 entitlement offer							
	9	439,633	-	-	-	-	439,633
Shares issued pursuant to executive and employee							
share plans	9	10	-	-	-	-	10
Transaction costs arising on share issues	9	(7,508)	-	-	-	-	(7,508)
Deferred tax recognised directly in equity	9	2,253	-	-	-	-	2,253
Payments made for own shares		-	-	-	(217)	-	(217)
Dividends paid	12	-	-	-	-	(119,775)	(119,775)
Share based payment expense		-	-	1,135	-	-	1,135
Total transactions with owners		434,388	-	1,135	(217)	(119,775)	315,531
Balance at 29 June 2013		3,090,405	(5,680)	1,934	(1,517)	(221,264)	2,863,878

Consolidated Statement of Cash Flows

For the year ended 29 June 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows related to operating activities			
Receipts from customers		2,115,106	2,083,033
Payments to suppliers and employees		(1,611,068)	(1,588,420)
Dividends received from equity accounted investees	7	4,270	17,333
Interest and other items of similar nature received		9,496	7,436
Interest and other costs of finance paid		(111,937)	(194,965)
Income taxes paid		(63,295)	(108,452)
Net operating cash flows		342,572	215,965
Cash flows related to investing activities			
Payments for purchases of property, plant and equipment		(19,980)	(25,995)
Proceeds from sale of property, plant and equipment		524	428
Payments for software	8	(9,089)	(5,611)
Payments for equity accounted investees		(1,900)	-
Loans issued		(488)	(650)
Net investing cash flows		(30,933)	(31,828)
Cash flows related to financing activities			
Proceeds from shares issued pursuant to 1-for-2 entitlement offer	9	439,633	-
Proceeds from shares issued pursuant to executive and employee share plans	9	10	394
Payments made for own shares		(217)	(1,300)
Payments for transaction costs arising on share issues	9	(7,508)	-
Proceeds from borrowings		-	1,993,000
Repayment of borrowings		(441,518)	(2,105,070)
Dividends paid		(119,775)	(114,676)
Net financing cash flows		(129,375)	(227,652)
Net increase (decrease) in cash and cash equivalents		182,264	(43,515)
Cash and cash equivalents at beginning of year		75,052	118,567
Cash and cash equivalents at end of year	11	257,316	75,052

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This preliminary final report is for the Group consisting of Seven West Media Limited (the “Company” or “Parent Entity”) and its subsidiaries. Prior to 12 April 2011, the Group consisted of West Australian Newspapers Holdings Limited and its subsidiaries.

Basis of preparation

This preliminary final report is for the year ended 29 June 2013 and has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the Corporations Act 2001.

It does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The accounting policies and methods of computation adopted in the preliminary final report are consistent with those applied by the Group in the consolidated financial statements for the year ended 30 June 2012.

This preliminary final report has been prepared on the basis of historical cost except for derivative financial instruments which are stated at their fair value.

Use of estimates and judgements

The preparation of the preliminary final report requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the preliminary final report, are disclosed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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 assets within the remainder of this financial year are discussed below.

Recoverable amounts of intangible assets

The Group tests annually whether goodwill and intangibles with indefinite useful lives have suffered any impairment in accordance with the group accounting policy. In addition, the group also tests intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value in use calculations and fair value less costs to sell. These calculations require the use of assumptions. Refer note 8 for details of these assumptions.

Other assets

The Group also tests other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

Comparatives

Comparative information is reclassified where appropriate to enhance comparability.

2. SEGMENT INFORMATION

Description of segments

The chief operating decision makers consider the business from both a product and a geographical perspective and have identified the following reportable segments:

- Television (operation of commercial television stations).
- Newspapers (The West Australian newspaper and insert magazines and The Countryman and other newspapers published in regional areas of Western Australia).
- Magazines (publisher of magazines).
- Other includes Quokka (a weekly classified advertising publication), Radio (radio stations broadcasting in regional areas of Western Australia), ColourPress (commercial printing operation), digital publishing, West Australian Publishers, equity accounted investees including Yahoo!7 and Community Newspapers, corporate costs and other minor operating segments.

2. SEGMENT INFORMATION (CONTINUED)

Information about reportable segments (i), (ii), (iii)

	Television \$'000	Newspapers \$'000	Magazines \$'000	Other \$'000	Total \$'000
Year ended 29 June 2013					
Total segment revenue	1,267,788	302,931	256,163	60,166	1,887,048
Inter-segment revenue	-	-	-	(20,591)	(20,591)
Revenue from continuing operations	1,267,788	302,931	256,163	39,575	1,866,457
Other income	50	210	-	-	260
Share of net profit of equity accounted investees	-	-	-	15,251	15,251
Revenue, other income and share of equity accounted profits	1,267,838	303,141	256,163	54,826	1,881,968
Profit before significant items, net finance costs, tax, depreciation and amortisation	319,616	107,461	36,306	16,621	480,004
Depreciation and amortisation (iv)	(29,209)	(20,845)	(7,056)	(879)	(57,989)
Profit before significant items, net finance costs and tax	290,407	86,616	29,250	15,742	422,015
Year ended 30 June 2012					
Total segment revenue	1,262,305	348,231	287,196	61,788	1,959,520
Inter-segment revenue	-	-	-	(22,413)	(22,413)
Revenue from continuing operations	1,262,305	348,231	287,196	39,375	1,937,107
Other income	47	180	-	-	227
Share of net profit of equity accounted investees	-	-	-	20,084	20,084
Revenue, other income and share of equity accounted profits	1,262,352	348,411	287,196	59,459	1,957,418
Profit before significant items, net finance costs, tax, depreciation and amortisation	331,485	137,166	48,713	17,620	534,984
Depreciation and amortisation (iv)	(30,656)	(20,958)	(8,877)	(1,070)	(61,561)
Profit before significant items, net finance costs and tax	300,829	116,208	39,836	16,550	473,423

- (i) Revenue from external sales is predominantly to customers in Australia and total segment assets are predominantly held in Australia.
- (ii) Total assets and liabilities by segment are not regularly provided to the chief operating decision maker and as such, are not required to be disclosed.
- (iii) The comparative numbers have been restated for a \$9,623,000 reallocation of costs between Television and Corporate to be consistent with current operating segments.
- (iv) Excludes program rights amortisation which is treated consistently with other media content (refer note 3).

The chief operating decision makers assess the performance of the operating segments based on a measure of earnings before net finance costs and tax. This measurement basis excludes the effects of significant items from the operating segments.

A reconciliation of profit before significant items, net finance costs and tax to profit before tax is provided as follows:

	Notes	2013 \$'000	2012 \$'000
Reconciliation of profit before significant items, net finance costs and tax			
Profit before significant items, net finance costs and tax		422,015	473,423
Finance income	4	13,297	7,243
Finance costs	4	(115,749)	(155,483)
Profit before tax excluding significant items		319,563	325,183
Significant items	5	(308,374)	-
Profit before tax		11,189	325,183

	2013	2012
	\$'000	\$'000
3. REVENUE AND EXPENSES		
Sales revenue		
Advertising revenue (i)	1,445,071	1,520,117
Circulation revenue	240,438	250,544
Rendering of services	23,085	24,038
Other revenue	157,863	142,408
Total revenue	1,866,457	1,937,107
Other income		
Net gain on disposal of property, plant and equipment and computer software	260	227
Expenses (i)		
Depreciation and amortisation (excluding program rights amortisation)	57,989	61,561
Advertising & marketing expenses	60,350	63,767
Printing, selling & distribution (including newsprint and paper)	131,881	145,854
Media content (including program rights amortisation)	583,776	565,527
Employee benefits expense (excluding significant items)	403,488	414,234
Raw materials and consumables used (excluding newsprint and paper)	9,904	10,354
Repairs and maintenance	17,383	17,787
Licence fees (excluding significant items)	71,716	71,929
Licence fees change in estimate (significant item - refer note 5)	(7,386)	-
Redundancy and restructure costs (significant item - refer note 5)	27,033	-
Other expenses from ordinary activities	123,466	132,982
Total expenses	1,479,600	1,483,995
<i>Depreciation and amortisation</i>		
Property, plant and equipment	40,769	46,465
Intangible assets	17,220	15,096
Depreciation and amortisation per expenses itemised above	57,989	61,561
Television program rights amortisation	132,350	139,950
Total depreciation and amortisation	190,339	201,511

(i) The current year includes \$23,562,000 of contra and advertorial revenue and expenses (2012 \$23,400,000).

Includes all metro and regional advertising revenue from the placement of advertisements derived under broadcast licence agreements.

4. NET FINANCE COSTS

Finance costs	(115,749)	(151,964)
Ineffective portion of changes in fair value of cash flow hedges	-	(3,519)
Total finance costs	(115,749)	(155,483)
Finance income	9,606	7,243
Ineffective portion of changes in fair value of cash flow hedges	3,691	-
Total finance income	13,297	7,243
Net finance costs	(102,452)	(148,240)

	2013	2012
	\$'000	\$'000
5. SIGNIFICANT ITEMS		
Profit before tax expense includes the following specific expenses for which disclosure is relevant in explaining the financial performance of the Group:		
Impairment of Magazine mastheads, licences and goodwill (i)	(220,774)	-
Impairment of other mastheads (ii)	(6,500)	-
Total impairment of intangible assets	(227,274)	-
Impairment of equity accounted investees (iii)	(61,453)	-
Impairment of intangible assets and equity accounted investees	(288,727)	-
Redundancy and restructure costs (iv)	(27,033)	-
Change in estimate of Television licence fee(v)	7,386	-
Total significant items before tax	(308,374)	-
Tax benefit	13,441	-
Significant items net of tax	(294,933)	-

- (i) Impairment losses on Magazine intangible assets were recognised during the year following assessments of their recoverable amounts. The impairments largely reflected the continuing subdued nature of the advertising market and structural challenges facing the publishing industry. The total impairment comprises amounts of \$69,783,000 for mastheads, \$18,793,000 for licences and \$132,198,000 for goodwill. Refer note 8 for additional information on intangible assets.
- (ii) An impairment loss on Quokka masthead (a weekly classified advertising publication) was recognised during the year following an assessment of its recoverable amount. The impairment largely reflected the difficult advertising market and increasing digital competition.
- (iii) An impairment loss of \$60,203,000 on SWM's investment in Yahoo!7 was recognised during the year following an assessment of its recoverable amount. The impairment largely reflected the deterioration in the results of Spreets, its group buying business. An impairment loss of \$1,250,000 was recognised in relation to other equity accounted investees.
- (iv) The redundancy and restructure costs are related to the cost reduction programs which are addressing efficiencies in operating procedures and processes across the group.
- (v) In March 2013 The Television Licence Fees Amendment Act 2013 provided for the 50 per cent reduction in the licence fees paid by commercial television broadcasters to be made permanent in legislation on an ongoing basis. The television licence accrual, which is based on estimates, was reduced in line with the amended legislation.

6. TAX EXPENSE

Reconciliation of tax expense to prima facie tax payable		
Profit before tax	11,189	325,183
Tax at the Australian tax rate of 30% (2012 – 30%)	(3,357)	(97,555)
Tax effect of amounts which are not (deductible) taxable in calculating taxable income:		
Share of net profit of equity accounted investees	4,575	6,025
Deferred tax benefit (expense) related to equity accounted investees	5,902	(4,742)
Deferred tax assets not recognised in relation to impairment of assets	(86,618)	-
Other changes in recognition of deferred tax assets and liabilities	(1,097)	(1,655)
Other non-assessable (non-deductible) items	(2,350)	(974)
Adjustments for current tax of prior periods	1,998	607
Tax expense	(80,947)	(98,294)

7. EQUITY ACCOUNTED INVESTEEES

Name of entity	Principal activities	Reporting date	2013	2012
			Ownership interest	
			%	%
Airline Ratings Pty Limited (i)	Ratings service provider	30 June	50.0	-
Australian News Channel Pty Limited	Pay TV channel operator	30 June	33.3	33.3
Bloo (WA) Pty Limited	Online business directory	30 June	27.8	27.8
Community Newspaper Group Limited	Newspaper publishing	30 June	49.9	49.9
Coventry Street Properties Pty Limited	Property management	30 June	50.0	50.0
Health Engine Pty Limited (ii)	Online health directory	30 June	22.3	-
Hybrid Television Services (ANZ) Pty Limited (iii)	TiVo distributor	30 June	66.7	66.7
Impact Merchandising Pty Limited (iv)	Visual merchandising services	30 June	50.0	100.0
Oztam Pty Limited	Ratings service provider	31 December	33.3	33.3
Perth Translator Facility Pty Limited	Transmitter facilities provider	30 June	33.3	33.3
TX Australia Pty Limited	Transmitter facilities provider	30 June	33.3	33.3
Yahoo! Australia and New Zealand (Holdings) Pty Limited	Internet content provider	31 December	50.0	50.0

The above entities are incorporated in Australia.

- (i) Seven West Media acquired 50% of Airline Ratings Pty Limited during the year for \$500,000. \$300,000 was paid in cash and \$200,000 is outstanding at 29 June 2013.
- (ii) Seven West Media acquired 22.3% of Health Engine Pty Limited during the year for \$2,600,000. The consideration consists of \$1,600,000 cash and \$1,000,000 in support and services. A further \$2,600,000 is payable for additional shares if agreed targets are met.
- (iii) Under the shareholder agreement, Seven West Media and the other shareholders have equal voting rights and Board representation. As a result, the investment in Hybrid Television Services (ANZ) Pty Ltd is equity accounted.
- (iv) In the comparative period the entity was accounted for as a controlled entity.

	\$'000	\$'000
Share of investees' profit		
Profit before tax	21,661	28,689
Tax expense	(6,410)	(8,605)
Share of net profit of investees disclosed in the consolidated statement of comprehensive income	15,251	20,084
Impairment of equity accounted investees (refer note 5)	(61,453)	-
Movements in carrying amounts		
Carrying amount at beginning of year	351,766	346,815
Acquisitions/other movements	3,100	2,200
Share of profit of investees after tax	15,251	20,084
Impairment of equity accounted investee	(61,453)	-
Dividends received	(4,270)	(17,333)
Carrying amount at end of year	304,394	351,766

	2013	2012
	\$'000	\$'000
8. INTANGIBLE ASSETS		
Television licences - at cost	2,300,000	2,300,000
Magazine licences - at cost	38,080	38,080
Magazine licences - accumulated amortisation and impairment losses	(29,602)	(6,811)
Radio licences - at cost	17,316	17,316
Total licences	2,325,794	2,348,585
Magazine mastheads - at cost	129,731	129,731
Magazine mastheads - impairment losses	(69,783)	-
Newspaper mastheads - at cost	82,497	82,497
Other mastheads - at cost	18,061	18,061
Other mastheads - impairment losses	(6,500)	-
Total mastheads	154,006	230,289
Television program copyrights - at cost	20,848	20,848
Accumulated amortisation	(8,848)	(4,848)
Total television program copyrights	12,000	16,000
Software - at cost	41,314	40,589
Accumulated amortisation	(18,951)	(19,968)
Total software	22,363	20,621
Goodwill	1,250,050	1,250,050
Impairment losses	(132,198)	-
Total goodwill	1,117,852	1,250,050
Total intangible assets	3,632,015	3,865,545

	Licences \$'000	Mastheads \$'000	Program copyrights \$'000	Computer software (i) \$'000	Goodwill \$'000	Total \$'000
Year ended 30 June 2012						
Opening net book amount	2,354,102	230,289	20,000	20,589	1,250,050	3,875,030
Additions	-	-	-	5,611	-	5,611
Amortisation charge (ii)	(5,517)	-	(4,000)	(5,579)	-	(15,096)
Closing net book amount	2,348,585	230,289	16,000	20,621	1,250,050	3,865,545
Year ended 29 June 2013						
Opening net book amount	2,348,585	230,289	16,000	20,621	1,250,050	3,865,545
Additions	-	-	-	10,964	-	10,964
Amortisation charge (ii)	(3,998)	-	(4,000)	(9,222)	-	(17,220)
Impairment loss (iii)	(18,793)	(76,283)	-	-	(132,198)	(227,274)
Closing net book amount	2,325,794	154,006	12,000	22,363	1,117,852	3,632,015

- (i) Software additions for the year include \$10,638,000 (2012: \$4,110,000) which were acquired separately and \$326,000 (2012: \$1,501,000) which were internally generated. Software additions include \$1,875,000 for which cash payments have not yet been made.
- (ii) Amortisation of \$17,220,000 (2012: \$15,096,000) is included in depreciation and amortisation expense in the comprehensive income statement.
- (iii) Impairments of \$220,774,000 for Magazine intangible assets and \$6,500,000 for other intangible assets were recognised during the year (refer note 5).

Impairment of cash generating units (CGU) including goodwill and indefinite life assets

Management and the Directors reviewed the carrying values of all intangible assets at reporting date to ensure that no amounts were in excess of their recoverable amounts. Total impairments of \$227,274,000, as detailed above, were recognised during the current year (refer note 5). No other impairment losses for intangible assets have been incurred or reversed during the current or prior years.

8. INTANGIBLE ASSETS (CONTINUED)

The estimated recoverable amounts of the cash generating units (CGUs) were performed using the following methodologies:

Television

Discounted cash flow projections over the assets' useful lives based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management which are in line with the announced cost management programs;
- Average annual revenue growth rate over the 5 year forecast period of 3.4% (June 2012: 4.0%);
- Pre-tax discount rate of 13.56% (June 2012: 13.47%);
- Terminal growth rate of 3.0% (June 2012: 4.0%);

Newspapers and Other WA

Discounted cash flow projections over the assets' useful lives based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management;
- Pre-tax discount rate of 17.0% (June 2012: 14.0%);
- Terminal growth rate of 1.0% (June 2012: 2.0%).

Magazines

Relief from Royalty Method over magazine mastheads' useful lives based on the following assumptions:

- Future maintainable revenue forecasts which are based on historical actual results as well as financial budgets and forecasts approved by management;
- Royalty rates between 1.5% and 11.0% (June 2012: 1.5% and 11.0%);
- Earnings multiples between 4x and 6x (June 2012: 8x and 10x).

Multi Period Excess Earnings Methodology over magazine licences' useful lives based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management;
- Discount rates between 14.0% and 16.0% (June 2012: 14.0% and 16.0%);
- Terminal growth rate of 2.0% (June 2012: 2.0%).

The recoverable amount of the overall Magazine CGU that includes goodwill is determined based on value in use and using discounted cash flow projections based on the following assumptions:

- Five year forecast based on financial budgets and forecasts approved by management;
- Pre-tax discount rate of 15.0% (June 2012: 15.2%);
- Terminal growth rate of 2.0% (June 2012: 2.5%).

The values assigned to the key assumptions represent management's assessment of future performance in each CGU based on historical experience and internal and external sources.

Sensitivities to key assumptions

The estimated recoverable amount of the Television CGU, based on value in use, exceeds its carrying amount by approximately \$2.4 million. Accordingly, currently no impairment is required. Any adverse movements in key assumptions would result in an impairment.

The recoverable amount for Newspapers and Other WA overall business is significantly higher than the carrying value, and as such, is not sensitive to reasonably foreseeable changes in key assumptions.

Following impairments to the individual and overall Magazine CGUs, the recoverable amounts are equal to the carrying amounts. Therefore any adverse movements in key assumptions would lead to further impairments.

Seven West Media does not consider that there are any reasonably possible changes to key assumptions of other significant intangible assets with indefinite useful lives and goodwill which would cause the carrying amounts to exceed recoverable amounts.

For the purpose of impairment testing, intangible assets with indefinite lives, including goodwill, are allocated to the Group's operating divisions which represent the lowest level within the Group at which the assets are monitored for internal management purposes. Intangible assets with indefinite useful lives of \$3,260,875,000, including \$960,875,000 goodwill, relate to the Television operating division, \$84,055,000, including \$1,558,000 goodwill, relate to the Newspapers operating division, \$214,441,000, including \$154,493,000 goodwill, (June 2012 \$416,422,000, including \$286,691,000 goodwill), relate to the Magazines operating division and \$29,803,000, including \$926,000 goodwill (June 2012 \$36,303,000, including \$926,000) relate to other WA intangible assets.

	2013	2012
	\$'000	\$'000
9. SHARE CAPITAL		
997,832,422 (June 2012: 664,733,554) Ordinary shares fully paid	2,840,405	2,406,017
2,500 (June 2012: 2,500) Convertible preference shares fully paid	250,000	250,000
	3,090,405	2,656,017

Ordinary shares

	2013	2012	2013	2012
	Shares	Shares	\$'000	\$'000
Balance at the beginning of the year	664,733,554	608,792,249	2,406,017	2,239,061
Movements during the year:				
Shares issued pursuant to executive and employee share plans	43,050	164,150	10	394
Shares issued pursuant to 1-for-2 entitlement offer (i)	333,055,818	-	439,633	-
Dividend reinvestment plan share issues	-	55,777,155	-	166,203
Transaction costs arising on share issues	-	-	(7,508)	-
Deferred tax recognised directly in equity	-	-	2,253	359
	333,098,868	55,941,305	434,388	166,956
Balance at the end of the year	997,832,422	664,733,554	2,840,405	2,406,017

	2013	2012
	Shares	Shares
The total number of shares issued by the Company is 999,160,872 and differs from the amount included in share capital as follows:		
Total shares issued by the Company	999,160,872	666,105,054
Executive and employee share plans treated as options (ii)	(1,328,450)	(1,371,500)
Balance included in share capital	997,832,422	664,733,554

(i) On 16 July 2012, Seven West Media Limited announced a fully underwritten 1-for-2 accelerated renounceable entitlement offer of new Seven West Media Limited shares to raise approximately \$440 million. Approximately 333 million shares were issued at a price of \$1.32. The net proceeds after transaction costs, of approximately \$432 million, together with existing funds were used to repay debt. The total amount of debt repaid was \$441.5 million.

(ii) Outstanding loans pursuant to the executive and employee share plans are treated as options.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Convertible preference shares (CPS)

	2013	2012	2013	2012
	Shares	Shares	\$'000	\$'000
Balance at the end of the year	2,500	2,500	250,000	250,000

There were no movements during the year.

The full terms and conditions of the CPS are set out in Appendix C of the Explanatory Memorandum in the Proposal to Acquire Seven Media Group issued by Seven West Media Limited (SWM) on 8 March 2011. A summary of these terms is described below and should be read in conjunction with the full CPS Terms of Issue set out in Appendix C of the Proposal.

9. SHARE CAPITAL (CONTINUED)

The total of 2,500 CPS were issued to Seven Group Holdings (SGH) at an issue price of \$100,000 per CPS. These may be converted by SGH into a fixed number of fully paid ordinary shares in SWM (SWM Shares) at any time after the release of SWM's accounts for the half-year ending 31 December 2013.

Earlier conversion by SGH of the CPS into SWM Shares is permitted where:

- A third party, other than SGH and its associates, makes a takeover bid for SWM that is unanimously recommended by the SWM Directors, or is to acquire all SWM Shares under a scheme of arrangement that has become effective;
- To enable SGH to maintain a shareholding in SWM of no less than 29.6% (less an adjustment for any SWM Shares sold by SGH) in the event of any issue of SWM Shares; and
- To the extent permitted by the SWM Board in writing.

At conversion by SGH, SWM may at its discretion elect whether to settle in SWM Shares or in cash. If SWM elects to settle in shares, the number of SWM Shares into which each CPS will be converted will be calculated by multiplying the number of CPS being converted by the "conversion ratio." The conversion ratio is equal to the issue price adjusted by 7.143% per annum (compounded on a semi-annual basis) up to the fifth anniversary of the date of issue of the CPS and then adjusted by 9.143% per annum (compounded on a semi-annual basis) thereafter (the "adjusted issue price") divided by the fixed conversion price of \$6.68.

The conversion price is adjusted following any reconstruction, consolidation, division, reclassification, securities issue or rights offer (subject to customary exceptions) to ensure that CPS holders are placed in a similar economic position prior to the occurrence of the event that gave rise to the adjustment. Following the 1-for-2 rights issue the fixed conversion price was adjusted from \$6.68 to \$6.31.

The conversion price is also adjusted downwards for any dividends paid to SWM Shareholders over and above an annual reference yield of 6.5% (excluding franking credits), initially calculated with reference to the first full year of ordinary dividends for the 2012 financial year. The final dividend for the 2012 financial year was paid in October 2012 (refer note 12) at which time the fixed conversion price was adjusted to \$5.59.

There have been no further adjustments to the fixed conversion price during the financial year.

If SWM elects to settle in cash, SWM will pay a cash amount for each CPS equal to the number of SWM Shares into which the CPS would have been converted multiplied by the average of the daily VWAPs (volume weighted average prices) of the SWM shares over the 10 trading days commencing on the date of service of the conversion notice.

The CPS are otherwise redeemable by SWM at the adjusted issue price five years from the date of issue, and on every half-year anniversary thereafter, at the sole discretion of SWM with the form of settlement also at the discretion of SWM, in either SWM Shares or cash. The CPS are also redeemable at any time on the occurrence of standard tax and regulatory events. If SWM elects to settle in SWM Shares, the number of SWM Shares into which each CPS will be converted will be calculated by dividing the adjusted issue price by the average of the daily VWAPs of the SWM shares over five trading days prior to the date of conversion (calculated at a 5% discount). If SWM elects to settle in cash, SWM will pay a cash amount for each CPS equal to the adjusted issue price. In the case of tax and regulatory events, SWM's obligations to settle in SWM Shares or in cash will be calculated using 103% of the adjusted issue price.

SWM may not issue any preferred securities ranking ahead of the CPS without consent of the holders of 75% of the CPS. Voting rights are limited to those set out in Listing Rule 6.3. The CPS do not confer any dividend rights, although the conversion price may be adjusted as described above. Unless the CPS are redeemed, repurchased or exchanged by the fifth anniversary of their date of issue, SWM may not pay dividends, return capital or otherwise distribute value to any equal or lower ranking security holders until all CPS have been redeemed, repurchased or exchanged (subject to certain limited exceptions).

	2013	2012
	\$'000	\$'000
10. BORROWINGS		
NON-CURRENT		
Bank loans – unsecured (i)	1,498,106	1,929,799
Total non-current borrowings	1,498,106	1,929,799

(i) The unsecured bank loans are net of \$10.4 million (June 2012 \$20.2 million) unamortised refinancing costs.

In August 2012 Seven West Media repaid \$441.5 million of bank loans mostly funded out of proceeds from the issue of new shares. Refer note 9.

11. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of cash at the end of the year (as shown in the consolidated statement of cash flows) comprises:		
Cash at bank, on hand and at call	257,316	75,052
Total cash and cash equivalents at end of the year	257,316	75,052

Reconciliation of operating profit after tax to net cash provided by operating activities		
(Loss) profit for the year	(69,758)	226,889
Non-cash items		
Depreciation and amortisation of property, plant and equipment and intangible assets	57,989	61,561
Amortisation of television program rights	132,350	139,950
Impairment of intangible assets and equity accounted investees	288,727	-
Net gain on disposal of property, plant and equipment and computer software	(260)	(227)
Share based payment expense	1,135	582
Dividend received from equity accounted investees less share of profit of equity accounted investees	(10,981)	(2,751)
Movement in unamortised finance costs	9,825	(20,201)
Movement in:		
Receivables	48,727	(14,700)
Inventories	5,478	519
Program rights	(134,859)	(125,205)
Other operating assets	2,849	(4,024)
Payables	(27,113)	(42,310)
Program liabilities	5,206	4,231
Provisions	12,649	3,328
Other operating liabilities	2,956	(1,519)
Tax balances	17,652	(10,158)
Net cash inflows from operating activities	342,572	215,965

	2013	2012
	\$'000	\$'000
12. DIVIDENDS		
Final ordinary dividend for the year ended 30 June 2012 of 6 cents per share (25 June 2011: 26 cents), fully franked based on tax paid at 30%, paid on 12 October 2012 (2011: 14 October 2011)	59,887	158,389
Interim ordinary dividend for the year ended 29 June 2013 of 6 cents per share (30 June 2012: 19 cents), fully franked based on tax paid at 30%, paid on 2 April 2013 (2012: 2 April 2012)	59,888	122,490
	119,775	280,879
<i>Dividends not recognised at year end</i>		
In addition to the above dividends, since 29 June 2013 the directors have declared a 2013 final dividend of 6 cents per ordinary share, fully franked based on tax paid at the rate of 30%.		
The aggregate amount of the dividend payable on 11 October 2013, but not recognised as a liability at year end, is estimated at	59,889	

Dividend reinvestment plan

Seven West Media had a dividend reinvestment plan in operation. Upon completion of the Entitlement Offer in July 2012 Seven West Media suspended the dividend reinvestment plan.

13. EARNINGS PER SHARE

Basic earnings per share		
(Loss) profit attributable to the ordinary equity holders of the Company (i)	-7.1 cents	33.3 cents
Diluted earnings per share		
(Loss) profit attributable to the ordinary equity holders of the Company (i)	-6.1 cents	26.7 cents
	\$'000	\$'000
Earnings used in calculating earnings per share		
(Loss) profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share.	(69,758)	226,889
	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share (i)	977,492,423	680,493,816
Adjustments for calculation of diluted earnings per share:		
- Convertible Preference Shares (CPS) (ii)	159,614,658	167,618,838
- Shares issued pursuant to the suspended executive and employee share plans treated as options deemed to have been converted into ordinary shares at the beginning of the financial year	1,349,975	1,548,648
- Share rights issued pursuant to equity incentive plan	1,017,068	113,310
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,139,474,124	849,774,612

- (i) AASB 133: Earnings per Share requires the calculation of basic and diluted earnings per share for all periods presented to be adjusted retrospectively for shares issued under a rights issue. Accordingly, the weighted average number of ordinary shares includes an adjustment relating to the shares issued pursuant to the 1-for-2 entitlement offer completed in August 2012, for the period from 1 July 2012 to the dates when the shares were issued. The June 2012 calculations also included the appropriate adjustments for the entitlement offer.
- (ii) For the purpose of calculating diluted earnings per share, a notional CPS amount has been calculated. At 29 June 2013 the notional CPS amount is \$291.7 million. This is divided by the conversion price to calculate the notional number of shares. Under the terms of the CPS there is more than one basis of conversion. For the calculation of diluted EPS the "Redemption Conversion Price" based on an average weighted share price has been used as the conversion price since this results in the most advantageous position for the holder of the CPS. This is in line with requirements of AASB 133: Earnings per Share. Refer note 9 for further details relating to the CPS.

13. EARNINGS PER SHARE (CONTINUED)

	2013	2012
Additional information:		
Earnings per share based on net profit excluding significant items net of tax		
Basic earnings per share	23.0 cents	33.3 cents
Diluted earnings per share	19.8 cents	26.7 cents
	\$'000	\$'000
Earnings used in calculating earnings per share based on profit excluding significant items		
Profit attributable to the ordinary equity holders of the Company	(69,758)	226,889
Add back significant items net of tax (refer note 5)	294,933	-
Profit after tax excluding significant items net of tax	225,175	226,889

14. NET TANGIBLE ASSET (NTA) BACKING

Net tangible asset backing per ordinary share (cents)	-	-
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15. CONTINGENT LIABILITIES

Seven West Media's tax liabilities have been calculated based on currently enacted legislation. Any changes to the tax law or interpretations (including proposed changes already announced) may require changes to the calculation of the tax balances shown in the financial statements.

Participation in media involves particular risks associated with defamation litigation and litigation to protect media rights. The nature of the Group's activities is such that, from time to time, claims are received or made by the Group. The directors are of the opinion that there are no material claims that require disclosure of such a contingent liability.

16. SUBSEQUENT EVENTS

No matters or circumstances have occurred since 29 June 2013 which would significantly affect the results of operations in the financial period or in subsequent periods.

The preliminary final report was approved by resolution of the Board of Directors on 22 August 2013.

Warren Coatsworth
Company Secretary

22 August 2013