# 2016

## ANNUAL REPORT & ACCOUNTS

INM

Independent
News & Media

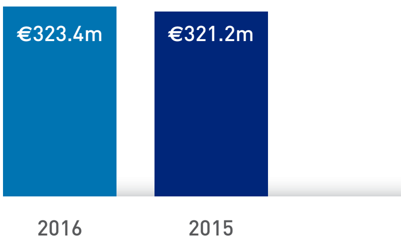
# HIGHLIGHTS OF THE YEAR*

- Total revenue of €323.4m, up 0.7% on the prior year, driven by digital revenue growth of 20.4% and increased revenue from distribution;
- Profit before tax growth of 11.8% to €41.8m (including a 53rd week) driven by the strong digital revenue growth, a significant reduction in pre-distribution costs and a year on year improvement in net interest costs;
- Operating margin increasing by 60bps to 12.4%;
- Basic Earnings Per Share growth of 0.5c to 2.9c;
- Net increase in cash and cash equivalents of €25.1m, with a resulting net cash position of €84.8m up from €59.7m in 2015; and
- INM net assets of €62.3m at year end 2016, compared with net assets of €44.5m at year end 2015.

## Revenue

**€323.4m**

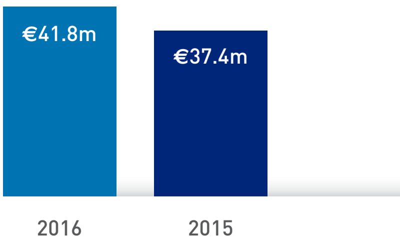
▲ 0.7%




## Profit before tax

**€41.8m**

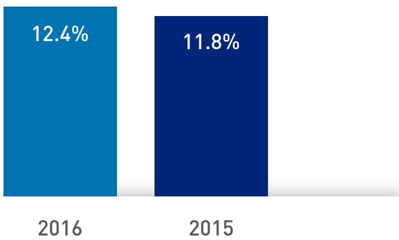
▲ 11.8%




## Operating Margins

**12.4%**

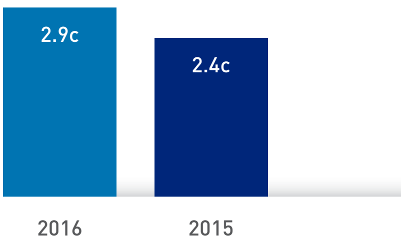
▲ 60 bps




## Basic EPS

**2.9 cent**

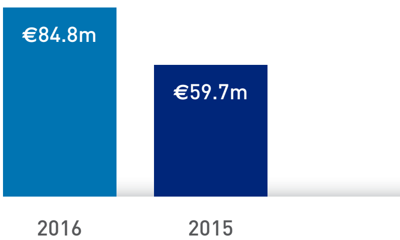
▲ 0.5 cent




## Net Cash (debt)

**€84.8m**

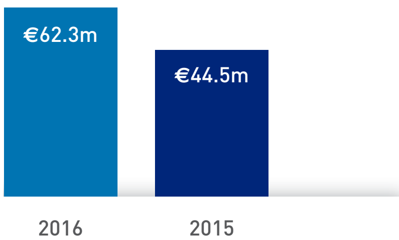
▲ €25.1m




## Net Assets

**€62.3m**

▲ €17.8m




** All references to "Profit before tax", "Operating margin" and "Basic earnings per share" included in the Strategic Report are stated pre-exceptional. Results to 31 December 2016 include an extra (53rd) week and exclude the results of APN - sold in H1 2015.*

# INDEPENDENT NEWS & MEDIA PLC AT A GLANCE

## Independent News & Media PLC ("INM") is a market-leading media Group in the Republic of Ireland and Northern Ireland, with a strong newspaper and digital presence.

INM is the largest newspaper contract printer, leading online news publisher and wholesale newspaper distributor on the island of Ireland. It manages gross assets of €218.6m and employs approximately 800 people.

The company is headquartered in Dublin, Ireland and its shares are listed on the Irish and London Stock Exchanges.

## Contents

# CHAIRMAN'S MESSAGE


"INM is now in an optimum position to look to opportunities that will create a positive future for the company and deliver shareholder value."

## Dear Shareholder

## Results and financial performance

I am pleased to report that the Group performed strongly in 2016. Profit before tax increased significantly by 11.8%. Overall revenue increased by 0.7% and it is important to note that the previous year saw the first revenue increase in eight years. This is a modest increase, but within the context of the consistently challenged sector in which we operate, it is a good achievement.

The key drivers of the increase in revenue were growth in digital advertising and in our distribution business. Profit has been further enhanced by a significant decrease in pre-distribution operating costs.

It is satisfying to report that the Group again concluded the year with a strengthened balance sheet. The cash balance has risen to €84.8m, up €25.1m year-on-year. INM is now in an optimum position to look to opportunities that will create a positive future for the company and deliver shareholder value.

A number of measures have been taken to manage the cost in the business and going forward, INM will look to continually monitor cost efficiency across the Group. This is essential to successfully operate in a sector that is continually challenged.

You will note that the Company has been addressing the matter of pensions in an era when the defined benefit model is no longer working for the vast majority of companies and their employees. At the time of writing, the Group is involved in ongoing discussions with the Trustees of two of its Republic of Ireland defined pension schemes with a view to achieving sustainable pension arrangements for their members.

You will also have noted that the Company has established a formal independent review to examine and inquire into matters concerning the possible acquisition of Newstalk and related matters.

In addition, the Company has been notified by the Office of the Director of Corporate Enforcement ("ODCE") to produce certain records identified by the ODCE. The Company is taking appropriate steps to comply with the ODCE request which is a procedural matter and does not involve any conclusion that there has been breach of law by the Company or its officers. See page 39 for further information.

## Strategy

The strategy for INM is threefold and encompasses: maintaining the Group's strong position in the print and news publishing sector in Ireland; developing INM's digital offering to position the Group in order to generate strong revenue streams and profit growth; and utilising our considerably strengthened balance sheet to acquire new businesses that will provide for further growth and diversification of the Group's activities.

Combined with the major financial restructuring that was very necessary for the business, and continued management of cost, this strategy has brought INM to a much improved position. The financial performance of the business has been significantly enhanced and the company has cash reserves to enable it to look for opportunities to successfully grow the business.

The aim of the Board is the continued successful delivery of the Group's strategy that will result in the creation of shareholder value. The Company's print and distribution operations are important to the strategy and INM is focused on maximising the return from this cornerstone of the business, thus ensuring that it continues to contribute to overall Group results. Producing great newspapers is at the core of what we do.

In pursuing acquisitions, the Company will continue to carefully analyse suitable opportunities that fit with the Company strategy, grow the business and add shareholder value. Looking at suitable acquisitions for the business is essential against the backdrop of the consistent, continued decline in the news publishing sector.

## Looking to the Future

A key issue facing the newspaper sector in Ireland and abroad is the sustained decline in circulation and readership, resulting in reduced sales and advertising revenues. INM is the best-performing printed news publisher in Ireland, yet it too is impacted by circulation and advertising decreases. It is an inevitable reality that newspapers will continue to decline.

Against this backdrop, innovation and investment in digital is essential to help to mitigate the Company against the losses in print.

However, digital alone is not sufficient. The fact is that the increases experienced in digital do not bridge the deficit caused by the decline in print circulation and advertising revenues.

It is essential, therefore, that there is greater co-operation within the sector that will optimise the opportunity that exists to maintain the strong tradition of news-publishing in Ireland. To this end, INM has worked with some of its main competitors in the areas of distribution and printing and this is in the interest of all concerned. Such initiatives will serve to protect the great legacy of printed newspapers into the future, and most importantly, the jobs that go with them.

Newspapers are a part of who we are; they form part of both our national and local identity. They make an immeasurable positive contribution to communities across the towns and villages of Ireland. Newspapers remain a central pillar of any democratic society. We all have a responsibility to do what is right in protecting the printed word. To this end, INM is ready to assist in any way it can and to fulfil its role in the ever-changing landscape of media, to ensure that newspapers remain part of the future.

# Chairman's Message - continued

## The Board

I would like to thank the Board for its continued strong support for the business and for its consistent hard work and commitment to the success of the INM Group. During the year, the Board members served INM over and above what can normally be expected and I would like to thank each of them very sincerely for this effort on behalf of the Company.

## Our People

On behalf of the Board, I would like to sincerely thank each employee in INM for their huge contribution to the successful outcome for 2016. Their continuing commitment is an essential ingredient as the Group progresses, in a challenged sector, with the implementation of its strategy.

# Chairman's Message - continued

## Outlook

While the business environment in the print and publishing industry will continue to remain challenged, the Company strategy will be pursued with the simple and clear objective of delivering shareholder value. Significant progress has been made but there is a lot to do to secure a positive future for INM.

I would like to thank you, our shareholders, for your continued support.

Leslie Buckley
*Chairman*
27 April 2017

# CHIEF EXECUTIVE'S REVIEW

## Structural challenges accelerating across traditional print publishing industry, but a strong performance from all colleagues.


The results delivered in 2016 are due to the hard work, creativity and dedication of all colleagues in the INM Group. The second year of revenue growth and a strong performance in Profit before Tax are a testament to that.

2016 saw the challenges faced by our industry accelerate, particularly with declines in print advertising and in circulation. The challenges we face, as the customer moves from a printed newspaper towards spending more time consuming content on a digital device, were accentuated by the impact of events such as Brexit. It is still too early to understand the long term effects of Brexit on our national economy and on our sector.

Against a backdrop of continued decline in the contribution from print, it is imperative that we look to bring solutions to INM to protect the future of the quality and trusted journalism that we produce. The business is working hard to realise that and apart from the continued growth in digital advertising, 2016 also saw INM open new revenue streams in events, motor classifieds, sponsorships and affiliate revenue.

The balance sheet was further strengthened in 2016 which will help INM face its challenges and look to future growth, allowing the Company to plan for its own future, as well as provide for future needs of all stakeholders.

INM will continue to reshape itself so that it can continue to produce great journalism in both print and digital while developing attractive and creative advertising solutions. In order to do so, we need to work to realise synergies and to deliver operational excellence across the Group.

The Group also believes that both it and other stakeholders within the domestic Irish media industry will need to examine consolidation and collaboration as a way forward to protect the value within the industry, as well as the Irish people's right to receive their news from a local, trusted and relevant source.

The alternative to not having open, constructive and realistic remedies to this question will result in the virtual disappearance of a recognisable Irish media industry and its replacement with generic, international and less reliable sources. That would be a shameful outcome for a country as uniquely placed as Ireland.

## Financial Performance

Performance was strong in 2016 considering the increasing headwinds the Group faces.

- Profit before tax and before exceptional items grew by 11.8%, to €41.8m.
- Operating expenses (pre-distribution) reduced by c.9%.
- The cash balance has risen to €84.8m, up €25.1m year on year. Net assets currently stand at €62.3m, versus net assets of €44.5m as at 31 December 2015.
- INM's titles continue to have a leading position in the newspaper market in Ireland, holding the top positions in the quality daily and popular Sunday markets. In Northern Ireland, the *Belfast Telegraph* continues to hold prime position in the daily market and the *Sunday Life* has increased market share. The *Irish Independent* is the only native Irish daily quality paper on offer in the mainland of the United Kingdom.
- Digital audience numbers continue to grow across all of our platforms, with particularly Independent.ie growing strongly by 25%. The shift in behaviours towards consuming news on a mobile device accelerated in 2016 with a 38% increase in traffic on mobile devices alone. The digital newsroom is now well equipped to respond to these consumer demands with virtually 24-hour coverage of breaking news from around the globe.

## Strategy

INM's history and tradition is of creating quality and trusted journalism, which customers value and beside which advertisers aspire to have their brands placed. In the constantly changing world of digital and where "Fake News" is a fundamental threat to the industry and wider society, our ability to continue creating that content is key. At the heart of our strategy are our newsrooms. Our audience trusts us to deliver content in an accurate, timely and insightful manner through channels, print or digital, as they require. In this respect, our three core objectives as further outlined in the strategy report on page 10 are to maximise print publishing profitability, grow the Group's existing digital offering and identify acquisitions in digital and new channels to de-risk from long-term print trends.

# Chief Executive's review - continued

## Strategic Initiatives

2016 saw some further changes to the Group which aligned with strategy and were designed to enhance operational capability, achieve cost efficiency and make progress against the objectives above, including:

- The acquisition of Greer Publications, a magazine group. This business has since been successfully integrated into the Northern Ireland publishing division and is performing ahead of expectations.
- INM acquired the remaining 50% of CarsIreland.ie, a digital classifieds vertical. INM now has executive management of this business and, with its strengthened management team and closer integration into the Group, plans to dramatically accelerate its growth.
- The Group's proposed acquisition of Celtic Media Newspapers Limited (subject to regulatory approval) will add further quality regional titles to the Group, a channel where we have seen that quality, trusted and relevant journalism remains very popular with customers.
- The outsourcing of the newsroom production functions to a Press Association facility in York, England.
- Launching of INM into the events business with hugely successful consumer events such as House (held in the RDS in May 2016 and 7,000 visitors), specialist events like InfoSec and continued growth in the Fit event calendar helping INM grow its relationship with advertisers and consumers through a new channel.
- Accelerated diversification of the ranges offered by Newspread, our distribution business, where the decline in print volumes is being offset by the work of management there to widen the offer into other more resilient categories. During 2016, the management team in that business brought to market new offers in fresh food consumables, books and stationery.
- The development of data and insight tools, across both our print and digital estate which inform us how to drive loyalty and engagement and where opportunities for growth exist, continues. This data allows the benchmarking of performance against KPIs and also provides insight into progress in reaching important strategic goals.
- In November 2016, the Group derecognised the net defined benefit obligation relating to two Republic of Ireland defined benefit pension schemes. As a consequence, future payments will be made to the Group's defined contribution pension scheme. The Group (at time of writing) is involved in ongoing discussions with the Trustees of the two pension schemes affected by its decision and is intent on achieving a satisfactory outcome for all concerned, including pension members, employees and shareholders.

## People

INM's value as a business is in the skills and capabilities of its people. The Group is committed to retaining, supporting and developing employees as well as attracting new talent to strengthen our operations. As the challenges the industry faces grow, INM's team need to be prepared and to that end, the following was achieved in 2016:

- Cormac McNulty was appointed as the Head of M&A. Cormac joined from HSBC Investment Bank, where he was an Associate Director, and brings over ten years corporate finance and investment experience with HSBC, JP Morgan and Eisvogel Capital. He holds an MBA from UCD's Michael Smurfit Graduate Business School.
- Brendan Hughes was appointed Chief Digital Officer and oversees the management of INM's digital platforms including Independent.ie, Ireland's largest news website with over 10 million unique visitors per month. Prior to joining INM, Brendan was Commercial Director of BoyleSports with a track record in overseeing digital growth. He previously held roles with Intuition, VHI, FBD, Ubiquity and Etruvian in Gibraltar and he holds a Master of Science in Multimedia Systems and a Higher Diploma in Education from Trinity College Dublin.

# Chief Executive's review - continued

- Ross Conlon was appointed Managing Director, New Business Ventures with complete responsibility for CarsIreland.ie among other duties and responsibilities. Before joining INM, Ross was CEO at Zamano PLC. Ross held senior roles in Red Circle Technologies and had co-founded Suka Technologies after he graduated from DCU in 2000.
- Continuation of INM's bespoke programmes with the National College of Ireland, where employees upskill in contemporary digital, innovation, people and business competencies with formal accreditation.
- Enhanced maternity and paternity leave was implemented as standard for all employees so that INM can be sure to not only retain its best talent but attract the skills it needs in the new digital economy, while also aligning with the Group's people values.
- INM's Editorial Graduate Programme continues with academic training through the Press Association in London using their certified syllabus.

I would like to sincerely thank all of our colleagues for their contribution throughout the Group to these strong results in 2016 and to thank them for their hard work and commitment to the success of the business. Their continuing flexibility, innovation and loyalty to the Group are integral to what has been achieved and also in surmounting the challenges we face and exploiting the opportunities that are presented to us.

Robert Pitt
*Chief Executive*
27 April 2017

# STRATEGY

The strategy for INM is threefold and encompasses: maximising the Group's print publishing profitability; growing INM's existing digital offering to position the Group to generate strong revenue streams and profit growth; and utilising the Group's considerably strengthened balance sheet to fund acquisitions in Digital and New Channels to de-risk from long-term print trends.

| Strategic Priorities | Progress in 2016 | 2017 Targets |
|---|---|---|
| Maximise print publishing profitability | • The ***Irish Independent*** continues to lead the quality daily market with an ABC* of 97,104 maintaining its No.1 position. The title also experienced a 59% increase in its digital edition subscriptions and has 50.2% of the daily quality market in the Republic of Ireland.<br>• The ***Sunday Independent***, which recorded an ABC* of 191,594, has c.64% of the Sunday quality market and remains by far the biggest selling quality Sunday newspaper. Additionally its digital edition subscriptions also saw an increase of 47%. The ***Sunday Independent*** has the largest regular audience on the island of Ireland across any advertising platform.<br>• In Northern Ireland the ***Belfast Telegraph***, which recorded an ABC* of 40,042, continues to hold a strong No.1 position within the local daily newspaper market, while the ***Sunday Life*** recorded an ABC* of 36,467, performing ahead of local competitors. The Group also completed the acquisition of Greer Publications during the year.<br>• Newspread, the Group's wholesale distribution business, experienced strong year on year growth due to new lines of business.<br>• Significant decrease in pre-distribution operating costs of c.9%, due to the closure of the printing operation in Belfast, the continued integration of the Group's operations, the wind up of GrabOne and operational savings. | • Customer insight to improve reader experience and make product more "sticky".<br>• Focus on cost control - by increasing efficiency in terms of volume/scale, rate and operating model.<br>• Leverage vertical integration to maximise availability.<br>• Continue to grow Newspread's non-print revenues and increase profitability of distribution network.<br>• Proposed acquisition of Celtic Media Newspapers Limited, currently in a Phase 2 Review by the Broadcast Authority of Ireland, (subject to regulatory approval) will add further quality regional titles to the Group. |

** ABC Jul to Dec 2016.*

# Strategy - continued

| Strategic Priorities | Progress in 2016 | 2017 Targets |
|---|---|---|
| Grow digital revenue and profitability | • Digital revenues grew by 20.4% year on year driven by the combined growth in advertising, classifieds and the acquisition of CarsIreland.ie.<br>• The Group's major publishing portal, Independent.ie, continued to extend its reach throughout 2016, with 25% year on year growth in traffic.<br>• The relaunch of the mobile app mid-year, helped to deliver a 33% increase in active users in H2. Over 2.2 million unique users are now consuming content from Independent.ie via their mobile phone each week.<br>• Continued innovation focused on meeting niche audience needs including, for example, the FarmIreland (farmireland.ie) platform.<br>• belfasttelegraph.co.uk, Northern Ireland's leading commercial news website, continues to enjoy strong audience and commercial success. Mobile usage continues to grow with new users on mobile up 11.3%. Despite the entrance of new competition in Northern Ireland, propertynews.com grew visits to the site by 20% and introduced new features such as call tracking, which enabled the business to grow and track lead delivery to estate agents. | • Continue to out-perform the Republic of Ireland and Northern Ireland markets. Meet the needs of brands through our unique creative solutions and audience-targeting capabilities within trusted brand-safe environments.<br>• Build upon existing strengths in important classified verticals (motors, property, farming and jobs) to introduce additional marketplace solutions to the SME sector.<br>• In addition to growing e-paper sales, develop paid-for digital content services for niche audiences. |

# Strategy - continued

| Strategic Priorities | Progress in 2016 | 2017 Targets |
|---|---|---|
| Acquisitions in Digital and New Channels to de-risk from long-term print trends | • Acquisition of the remaining 50% shareholding in CarsIreland.ie.<br>• Diversification strategy by the Group's distribution business into adjacent categories, including entering the Fresh Food Packaging market through its Reach Retail Services division.<br>• The Group's cash balance has risen to €84.8m, up €25.1m year on year providing the Group with significant financial capacity to pursue its growth strategy. | • Use existing cash together with future FCF to invest in propositions which leverage existing INM reach, yet are insulated from industry impacts particularly on print circulation.<br>• Spread risk by identifying opportunities where positive EBIT is already visible and volume of traffic will lead to higher returns. Strong management teams are also crucial. |


NEWSPREAD
APPRENTICE
LABOURER

# OPERATING REVIEW

INM is a market-leading media Group in the Republic of Ireland and Northern Ireland, with a strong newspaper and digital presence.

INM is the largest newspaper publisher and contract printer, leading online news publisher and wholesale newspaper distributor on the island of Ireland. It manages gross assets of €218.6m and employs approximately 800 people.

## Print and Publishing

### Markets and market position

The Group's titles continue to lead the Irish newspaper market, topping the quality daily, quality Sunday and popular Sunday newspaper markets. INM's titles offer extensive reach to advertisers, both current and potential, and provide a platform from which the Group's brands can target more readers than any competitor.

INM's brands are household names in Ireland, with the *Irish Independent*, *Sunday Independent*, *The Herald*, *Sunday World*, *Belfast Telegraph*, *Sunday Life* and *The Star*, all market leaders in their segments.

Independent.ie is Ireland's largest digital news platform and is gaining the same brand loyalty as the printed publications. INM's other digital platforms such as CarsIreland.ie, NIjobfinder.co.uk and Propertynews.com are also standing out in their own markets.

INM Regional Newspapers are market leaders in every region they publish (Kerry, Wexford, Sligo and Drogheda/Dundalk). Advertising revenue locally has remained strong throughout 2016. Top quality local journalism allied to quality editorial content continues to drive circulation numbers. The Group's proposed acquisition of Celtic Media Newspapers Limited (subject to regulatory approval) will add further quality regional titles to the Group.

[1] *ABC figures - July to December 2016*

### Operating highlights

INM's publications, including the *Irish Independent*, *Sunday Independent*, *Sunday World* and *The Herald*, achieved an average sale of 1,128,105 copies per week[1].

The *Irish Independent* continues to lead the quality daily market with an ABC[1] of 97,104, exceeding the sales of its two main competitors combined and maintaining its strong position as number one. The publication has a 50.2% market share of the daily quality market. This performance is driven by enhancements in the reader proposition with special supplements, which include EPIC Ireland, Guide to Cycling, 24 Hours Ireland 2016, Your Money and Dublin Heroes.

The *Sunday Independent* remains by far the biggest selling quality Sunday newspaper with 64% of market share and holds its lead position in the quality Sunday newspaper market with an ABC[1] of 191,594 (over twice that of its nearest competitor). Improvements and investment in the paper have driven its performance and it has become a stand-out title in its value for money rating. *The Herald* is Ireland's largest all-day paper with an ABC[1] of 40,847 and holds 17.9%[1] of the daily popular market.

The *Sunday World* performed strongly with a market share of 44.7% and an ABC[1] of 149,652.

In Northern Ireland, the *Belfast Telegraph* recorded an ABC[1] of 40,042 and continues to hold a strong number one position within the local daily newspaper market place, while the *Sunday Life* recorded an ABC[1] of 36,467, performing ahead of local competitors.

The strong revenue performance of Newspread, the Group's wholesale distribution business continued during 2016. Newspread's diversification strategy into adjacent categories continues apace, entering the Fresh Food Packaging market through its Reach Retail Services division while also entering into book wholesaling and distribution.

INM continued to cut costs in 2016 in line with declining revenues in its print and publishing business.

# Operating Review - continued

## Digital Platforms

### Markets and market position

Independent.ie, the Group's online portal which complements INM's national and regional newspaper titles, retains its position as the leading mobile destination for news consumption on the island of Ireland in 2016 with a 25% year-on-year growth in traffic. The shift in consumer behaviours towards always-on mobile news consumption accelerated in 2016 with a 38% increase in traffic on mobile devices alone.

The digital newsroom is now well positioned to respond to consumer demands with virtually 24-hour coverage of breaking news from around the globe.

The relaunch of the mobile app, in the second half of 2016 helped to deliver a 33% increase in active users of the app. Over 2.2 million unique users are now consuming content from Independent.ie via their mobile phone each week.

Digital revenues grew by 20.4% (from €12.5m to €15.1m) year-on-year, which was driven by the combined growth in advertising and classified adverts. As consumers increasingly shift to news consumption on mobile devices, INM's newsrooms and technology platforms are well equipped to meet the always-on expectations of its audiences. Revenue lines are becoming increasingly diversified with less dependency on display advertising revenues and growth fuelled by a combination of native, programmatic audience targeting and commercial partnerships. INM will continue to focus on improving its capabilities to address the needs of niche audience segments with several innovations and systems launched during the year to improve capabilities to respond to the rapidly changing market dynamics.

belfasttelegraph.co.uk continued to enjoy strong audience and commercial success, with an audience increase of 13% and page views up 8% year-on-year. Mobile usage continued to grow with new users on mobile devices up 11.3%, which delivered growth in mobile visits of 30% year-on-year. The Group's recruitment sites in Northern Ireland nijobfinder.co.uk and recruitni.com continued to deliver strong audiences and traffic figures.

# Operating Review - continued

### Operating highlights

In line with INM's strategy to develop its digital platforms and services to position the Group to leverage these assets to generate strong revenue streams and profit growth, there was a strong focus on developing and continuing the momentum of the Group's digital offering throughout 2016. This included investing in technology, in order to deliver market-leading online products that increase user-engagement and provide platforms to drive revenue growth.

The Group further invested in digital capabilities with a continued emphasis on improving social and mobile engagement. INM has built a significant data science capability, which is being used to understand readers' news consumption patterns to shape the publishing agenda. This investment has translated into significant advertising growth, driven by traffic increases and new advertising formats. Investment in building transactional revenues which are not advertising related has commenced, with some successes in Independent Travel, photo archives, event ticketing and reader survey services.

The FarmIreland (farmireland.ie) platform emerged from the Innovation Hub which is becoming a central driver of new product development. In October 2016, the Irish Independent added to its existing dedicated hubs of motoring, property and jobs with FarmIreland.ie. This is Ireland's leading digital agri news portal. The website and app of FarmIreland.ie were launched in direct response to an appetite from INM readers for quality content, reflecting real life, and the real business of farming. FarmIreland is quickly achieving weekly audiences in excess of 250,000. Further product launches are planned for 2017.

Following the Group's acquisition of the remaining 50% of the business, CarsIreland.ie has increased its traffic, engagement rate and its offering and continues to grow as one of the leading online classified platforms in the Republic of Ireland for motor vehicles. 2017 plans for the platform centre on increased investment in data analytics and trend analysis to provide an enhanced consumer experience. Consumers are increasingly turning to online to inform themselves about the purchase of a car and CarsIreland.ie is well positioned to benefit from this trend throughout 2017.

## Our People

In February 2016, there were further appointments to the editorial team, with Dearbhail McDonald appointed as Group Business Editor at INM and Donal O'Donovan announced as Business Editor at the Irish Independent. In September 2016, Samantha McCaughren was announced as the business editor of the *Sunday Independent*.

Further appointments are outlined in the Chief Executive's review on pages 8 and 9.

# Operating Review - continued

## Acquiring new businesses for growth and diversification

A key element of the INM Group strategy is to utilise the strengthened balance sheet to acquire new businesses that will further grow and diversify the Group. In pursuit of this strategic objective, financial advisers were appointed early in 2016 to assist in the identification of suitable acquisition opportunities that fit the INM designated profile. In addition, a new Acquisitions function was created within the management structure and Cormac McNulty appointed to the position of Head of Acquisitions.

INM acquired four market-leading business and consumer titles from Belfast based Greer Publications. *Ulster Business*, *Ulster Grocer*, *Northern Woman* and *Hospitality Review NI* will join the portfolio of print and online titles managed by INM Ltd in Belfast. These titles have a robust online presence, consistent with the forward strategy across all of INM's titles.

The Group also acquired the remaining 50% of CarsIreland.ie and now has complete executive control over the business and is aggressively accelerating its growth.

In September 2016, INM agreed the purchase of seven regional papers belonging to Celtic Media Newspapers Limited. The deal is currently undergoing a review by the BAI and is subject to approval.

# FINANCIAL REVIEW

## A strong financial performance against challenging industry conditions with growth in profit before tax and continued cashflow generation.

We are pleased to report a strong financial performance in 2016 with key highlights including:

- Total revenue growth of 0.7% to €323.4m.
- Strong profit before tax growth of 11.8% to €41.8m.
- Significant decrease in pre-distribution operating costs of c.9%.
- Earnings per share increased during the year by 0.5c to 2.9c.
- Balance sheet strength maintained.
- Net increase in cash and cash equivalents of €25.1m, with a resulting net cash position of €84.8m.
- De-recognition of the net defined benefit obligation relating to two Republic of Ireland pension schemes and as a consequence future payments will be made to the Group's defined contribution pension scheme.
- Completion of both the acquisition of the remaining 50% shareholding in CarsIreland.ie and the acquisition of Greer Publications.
- Approval by shareholders of the Capital Reduction resolution at an EGM on 5 December 2016.

This Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2016 and of the Group's financial position at that date.

*Note: Results to 31 December 2016 include an extra (53rd) week and exclude the results of APN - sold in H1 2015.*

## Overview of Results

| | Year Ended 31 December 2016 Before Exceptional Items €m | Year Ended 31 December 2016 Exceptional Items €m | Year Ended 31 December 2016 Total €m | Year Ended 31 December 2015 Before Exceptional Items €m | Year Ended 31 December 2015 Exceptional Items €m | Year Ended 31 December 2015 Total €m |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| **Revenue** | **323.4** | **-** | **323.4** | 321.2 | - | 321.2 |
| **Operating Costs** | **(283.2)** | **12.0** | **(271.2)** | (283.2) | (5.2) | (288.4) |
| **Operating Profit/(Loss)** | **40.2** | **12.0** | **52.2** | 38.0 | (5.2) | 32.8 |
| Share of results of associates and joint ventures | **1.2** | **-** | **1.2** | 1.2 | (0.1) | 1.1 |
| Net Finance Income/(Charges) | **0.4** | **1.4** | **1.8** | (1.8) | (0.9) | (2.7) |
| **Profit/(Loss) Before Tax** | **41.8** | **13.4** | **55.2** | 37.4 | (6.2) | 31.2 |
| Taxation Charge | **(1.6)** | **(3.3)** | **(4.9)** | (5.2) | (0.5) | (5.7) |
| Profit/(Loss) from continuing operations | **40.2** | **10.1** | **50.3** | 32.2 | (6.7) | 25.5 |
| Discontinued operations | **-** | **-** | **-** | 0.5 | 47.4 | 47.9 |
| **Profit for the year** | **40.2** | **10.1** | **50.3** | 32.7 | 40.7 | 73.4 |

## Revenue

Total revenue of €323.4m was up €2.2m (+0.7%) on 2015. This increase was driven by strong year on year growth in distribution and commercial printing revenue and increased digital revenue offset by a decline in newspaper advertising revenue, a decline in circulation revenue and the wind down of GrabOne.

Total advertising and digital revenue of €79.0m declined by €3.9m (-4.7%) driven by the publishing advertising revenue decrease in the year of €6.5m (-9.2%). Digital revenues including CarsIreland.ie, continued to grow, increasing by €2.6m (+20.4%) year on year.

Circulation revenues of €95.8m declined by €5.3m (-5.2%) on 2015. However the Group's leading titles continue to maintain their No. 1 positions in each of their respective markets, reflecting ongoing investment into the quality of INM's titles.

Total distribution and commercial printing revenue of €148.6m increased by €13.2m (+9.7%) with the strong revenue performance driven by new business initiatives in Newspread, the Group's wholesale distribution business. The diversification strategy into adjacent categories continues apace, including entering the Fresh Food Packaging market through its Reach Retail Services division.

# Financial Review - continued

## Operating Profit

Group operating profit from continuing activities (before exceptionals) increased by 5.8% to €40.2m, reflecting the revenue increase outlined above combined with prudent management of the cost base. The Group achieved a significant reduction in pre-distribution operating expenses of c.9% driven by the closure of the printing operation in Belfast, the continued integration of the Group's operations, the wind down of GrabOne and operational cost savings.

Operating margin on a continuing basis (before exceptionals) increased by 60bps to 12.4%.

## Finance Costs (net)

With Group debt cleared in 2015, no interest charge was incurred in 2016 and the Group instead generated net finance income (pre-exceptionals) of €0.4m, compared to a net finance charge of €1.8m in the prior year, resulting in a year on year improvement of €2.2m.

Net exceptional finance income of €1.4m comprises a gain of €2.9m from remeasurement to fair value of the Group's pre-existing 50% interest in CarsIreland.ie following acquisition of the remaining 50% interest in that entity, offset by a charge of €1.5m for the write-down of two available-for-sale financial assets deemed not recoverable.

## Profit before Tax, discontinued operations and exceptional items

Profit before tax (and before discontinued operations and exceptional items) increased by 11.8% to €41.8m. This performance was driven by the digital revenue and distribution revenue growth, the continued focus on prudent cost management and the year on year improvement in interest costs as outlined above.

** The net exceptional charge of €7.5m include tax, impairments, restructuring and acquisition related expenses in the Group, partly offset by the €2.9m accounting gain relating to the acquisition of the remaining 50% interest in CarsIreland.ie.*

## Exceptional Items

The Group recorded a total net exceptional gain of €10.1m in 2016 as follows:

| | **2016 €m** |
|---|---|
| Retirement benefits accounting adjustment | **11.8** |
| Gain on disposal of property, plant & equipment | **5.8** |
| Other* | **(7.5)** |
| **Total** | **10.1** |

## Taxation

The tax charge of €4.9m relates to current taxation of €2.0m payable for 2016, offset by an adjustment for prior year of €1.1m, and deferred taxation of €4.0m. The deferred tax primarily comprises a tax charge of €2.1m on the release of a deferred tax asset arising from a change in accounting estimate (the deferred tax assets recognised represent approximately five years (2015: seven years) of taxable profits in the relevant entities) and a tax charge of €1.5m arising due to the retirement benefit accounting adjustment.

The Group's effective tax rate is lower than the standard rate of corporation tax in Ireland primarily due to the €1.1m adjustment for tax overprovided in the prior year combined with tax losses forward, partly offset by the deferred tax charge.

## Discontinued Operations

Discontinued Operations relate to the Group's APN shareholding which was disposed of in 2015.

# Financial Review - continued

## Basic Earnings per Share

Basic earnings per share (before exceptional items) on a continuing basis increased by 20.8% to 2.9 cent.

| | **2016 Continuing** | **2016 Discontinued** | **2016 Total** | 2015 Continuing | 2015 Discontinued | 2015 Total |
|---|---|---|---|---|---|---|
| **Basic earnings per share** | **3.6c** | **-** | **3.6c** | 1.8c | 3.5c | 5.3c |
| **Basic earnings per share before exceptional items** | **2.9c** | **-** | **2.9c** | 2.4c | - | 2.4c |
| **Diluted earnings per share** | **3.6c** | **-** | **3.6c** | 1.8c | 3.4c | 5.2c |
| **Diluted earnings per share before exceptional items** | **2.9c** | **-** | **2.9c** | 2.3c | - | 2.3c |

## Dividend

The Board is not proposing a dividend for 2016 (2015: €nil).

## Cash Flow

The Group continued to generate operating and free cash flow during the year, as summarised in the table below:

| | **2016 €m** | 2015 €m |
|---|---|---|
| **EBITDA from Continuing Operations** | **46.6** | 45.4 |
| Retirement benefit obligations deficit repair payments | **(7.7)** | (8.1) |
| Exceptional expenditure | **(8.2)** | (0.8) |
| Other (including provisions/working capital/tax etc) | **(3.0)** | (1.6) |
| **Cash generated by operating activities** | **27.7** | 34.9 |
| **Cashflows from investing activities** | | |
| Disposal of APN shareholding | - | 119.3 |
| Movement in restricted cash | - | 10.0 |
| Proceeds from sale of PPE | 7.6 | 0.1 |
| Acquisition of subsidiary, net of cash acquired | (3.0) | - |
| Miscellaneous (including purchases of assets) | (4.6) | (2.6) |
| | **27.7** | 161.7 |
| **Cashflows from financing activities** | | |
| Interest Paid | **-** | (2.1) |
| Repayment of Borrowings | **-** | (125.5) |
| **Increase in cash and cash equivalents in the year** | **27.7** | 34.1 |
| Foreign exchange losses | **(2.6)** | (0.6) |
| **Net Increase in cash and cash equivalents in the year** | **25.1** | 33.5 |

# Financial Review - continued

The Group ended the year with a cash balance of €84.8m, up €25.1m year on year. This result was generated primarily from a strong EBITDA performance, partly offset by cash outflows from exceptional expenditure (primarily restructuring) and acquisition expenditure (including CarsIreland.ie and Greer Publications) and a negative foreign exchange impact.

Cash generated by operating activities in 2016 was €27.7m compared to €34.9m in 2015. This comprises EBITDA growth of €1.2m to €46.6m, more than offset by an increase in other outflows and cash exceptionals of €8.2m (primarily restructuring payments).

Cash inflow from investing activities in 2016 netted to zero, with proceeds from disposal of property, plant and equipment offset by costs incurred in the acquisition of the remaining 50% interest in CarsIreland.ie and other expenditure including purchases of assets. Cash inflow from investing activities in the prior year comprises mainly the proceeds from divestment of the Group's APN stake of €119.3m and release of escrow cash of €10.0m.

No cashflow from financing activities was incurred in 2016 as the Group is currently debt-free. Cash outflow from financing activities in the prior year represents the repayment of borrowings using proceeds from the sale of APN, together with interest payable on the debt up to the date of repayment.

The foreign exchange losses are as a result of the weakening of Sterling versus the Euro.

## Balance Sheet

INM net assets were €62.3m at year end 2016 compared with €44.5m at year end 2015.

The strengthened balance sheet was driven by the increase in cash and cash equivalents of €25.1m year on year, partly offset by an increase in the net retirement benefit obligation of €11.2m.

The reduction in provisions year on year primarily relates to reduced onerous contracts and restructuring provision.

## Share Price and Market Capitalisation

The Company's shares traded in the range €0.110 to €0.178 during the year. The share price at 31 December 2016 was €0.128 (31 December 2015: €0.169) giving a market capitalisation of €178.2m (2015: €235.7m).

Ryan Preston
*Chief Financial Officer*
27 April 2017

# BUSINESS MODEL

## How we create and share value

INM's portfolio of print and digital businesses includes two of Ireland's most read paid-for newspapers, the *Irish Independent* and the *Sunday Independent*, and Ireland's most visited digital news site across desktop and mobile, Independent.ie.

Revenues are generated from advertising and circulation, with an increasing proportion from digital revenue streams. The newspaper businesses continue to generate the significant proportion of profits whilst the digital businesses continue to deliver revenue growth.

INM also generates revenues from its print business which provides internal and external print services and from its distribution business, trading as Newspread Ltd, which is the largest wholesale distributor for newspapers, magazines and other related products on the island of Ireland.

## What's important to us

- Responsibility to inform on civic and public matters
- Commitment to quality journalism
- Truth and fairness
- Adherence to ethical standards
- Excellence in all that we do
- Responsibility to our stakeholders

## Attributes of our businesses

- Top quality journalism
- Operating efficiency and effectiveness
- Best-practice management
- Financial management expertise
- Prudent investment
- Training and development of our people
- High standards of corporate governance

## Value creation

- Market leading media products
- Financial performance
- Shareholder value
- Growth through investments and acquisitions
- Salaries and employment
- Taxes

# RISK REPORT

## Effective management of risk

The Board of INM is responsible for setting the Group's risk appetite and ensuring that appropriate risk management and internal control systems, designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives, are in place.

## Risk Management

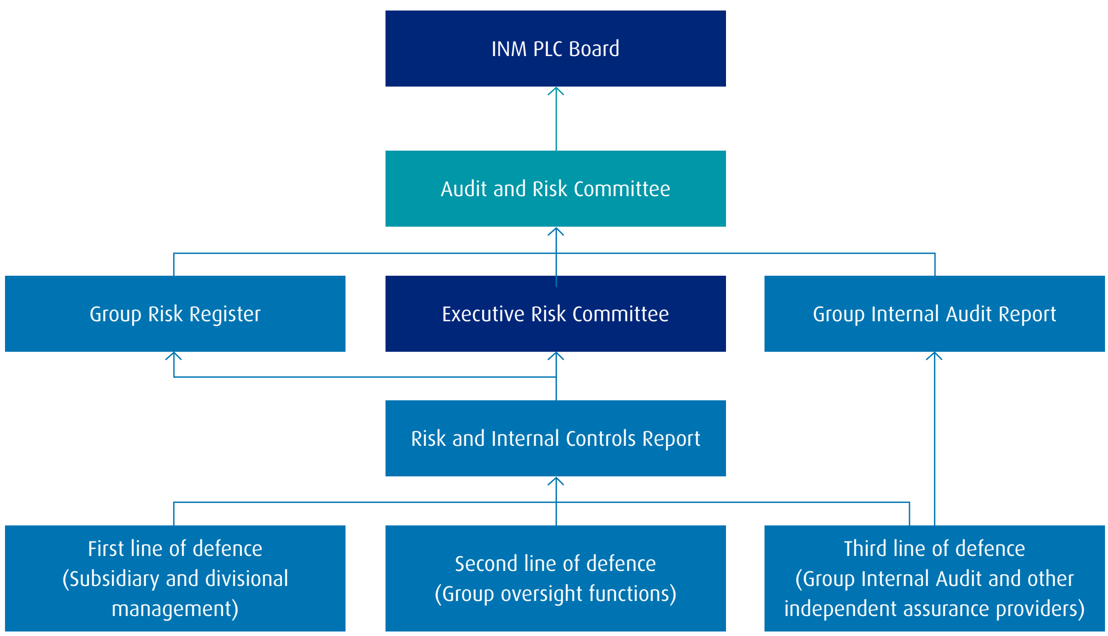
The Board has approved a Risk Appetite Statement specifying the levels of risk that the Group is prepared to accept in key areas of activity in order to achieve its strategy and goals. This Statement also informs the internal controls that are maintained in those areas.

The Board has also approved a Risk Management Policy which sets out delegated responsibilities and procedures for the management of risk across the Group.

The Risk Appetite Statement and the Risk Management Policy are reviewed at least annually to ensure that they remain current. The Board recognises that the effective management of risk requires the involvement of people at every level of the organisation and seeks to encourage this through a culture of open communication in addition to the operation of formal risk management processes.

The risk management framework in place in the Group and the roles and responsibilities of the key elements of the framework are set out below.

## Risk Management Framework



## Risk Management Framework

The risk management framework has been designed using a 'three lines of defence' model. The first line comprises business unit and functional management, who have day-to-day responsibility for designing, implementing and maintaining effective internal controls within the individual business units and functions. The second line comprises Group oversight functions that provide expertise in regard to the management of specific risks, for example security, health, safety and environmental ('HSE') and compliance. The third line of defence principally comprises Group Internal Audit and also includes the external auditor and specialist third party auditors.

The detailed roles and responsibilities assigned under the risk management framework are summarised below:

### Board

The Board is responsible for determining the Group's Risk Appetite Statement and for the Risk Management Policy. The Board is also required to report on the annual review of the effectiveness of the Group's risk management and internal control systems.

The Board has delegated responsibility for the ongoing monitoring of the effectiveness of the Group's system of risk management and internal control to the Audit and Risk Committee.

The Chairman of the Audit and Risk Committee reports to the Board on the Committee's activities in regard to the Group's risk management and internal control systems. The Board also receives and reviews a summary Group Risk Register and a Risk and Internal Controls Report, prepared by the Chief Financial Officer on an annual basis.

### Audit and Risk Committee

The Audit and Risk Committee is responsible for assisting the Board by taking delegated responsibility for risk identification and assessment and for reviewing the Group's risk management and internal control systems and making recommendations to the Board thereon.

It fulfils its responsibilities by reviewing regular reports from Group Internal Audit and from second line providers, in particular the Executive Risk Committee.

The Chairman of the Audit and Risk Committee reports to the Board on its activities, both in regard to audit matters and risk management.

The Audit and Risk Committee also reports to the Board on the detailed work done by management in respect of the Group Risk Register and the Risk and Internal Controls Report on the operation of the Group's system of risk management and internal control.

The activities of the Audit and Risk Committee are set out in detail in its report on page 55.

### Executive Risk Committee

The Executive Risk Committee is chaired by the Chief Executive and comprises executive Group management. Its responsibilities are to analyse on a continuous basis the principal risks facing the Group, the controls in place to manage those risks and the related monitoring procedures and to consider any changes in business strategy which impact on the Group's risk environment and material risks and controls.

The Executive Risk Committee maintains the Group Risk Register and reports on changes to this to the Audit and Risk Committee.

### Group Internal Audit

Group Internal Audit, is responsible for reviewing the risk management and internal control processes and identifying areas for improvement and providing independent and objective assurance on risk matters to senior management and the Audit and Risk Committee. Group Internal Audit develops an annual, risk-based internal audit programme, which is approved by the Audit and Risk Committee.

# Risk Report - continued

## Risk Register Process

The Group's risk register process is based on a consistent, Group wide approach to the identification and assessment of risks and the manner in which they are managed and monitored.

A risk register template, pre-populated with the most relevant risks covering commercial strategic, operational, financial and compliance areas, has been developed. These risk registers are completed at all levels of the Group, with the impact and probability of occurrence for each risk determined and scored at both a gross (before mitigation) and net (after mitigation) basis. A risk scoring matrix is used to ensure a consistent approach is taken when completing the probability and impact assessments. New or emerging risks are added to the risk register as they are identified and the template is formally reviewed and updated at least annually.

### Business Units

Each business unit is required to maintain a risk register, which is reviewed and updated for submission to the Executive Risk Committee quarterly.

### Group

The Group Risk Register is coordinated by the Chief Risk Officer and maintained by the Executive Risk Committee. This is updated to reflect any significant changes noted in the reviews of business unit risk registers.

The 'bottom up' risk register process is complemented by the Executive and Group-wide review of the top risks.

This provides 'top down' confirmation of the completed risk registers.

The Group Risk Register is then reviewed and formally approved by the Audit and Risk Committee and the Board.

## Reporting

Formal risk reporting timetables and structures are in place across the Group and in particular from the Executive Risk Committee to the Audit and Risk Committee and Board, and from Group Internal Audit to the Audit and Risk Committee.

This facilitates full, comprehensive reporting by the Audit and Risk Committee to the Board.

# Risk Report - continued

## Principal Risks and Uncertainties

The principal risks and uncertainties which have the potential, in the short to medium term, to have a significant impact on the Group's strategic objectives are set out hereafter, together with the principal mitigation measures and an indication of the particular strategic priorities to which the risks relate.

These represent the Board's view of the principal risks at this point in time. However, this is not an exhaustive statement of all relevant risks and uncertainties.

Matters which are not currently known to the Board or events which the Board considers to be of low likelihood could emerge and give rise to material consequences.

The mitigation measures that are maintained in relation to these risks are designed to provide a reasonable and not an absolute level of protection against the impact of the events in question.

| Risk | Impact | Principal Mitigation Measures |
|---|---|---|
| **Market Disruption (Print Media)** | Maximising profitability is increasingly challenging due to market disruption (i.e. shift from print media to digital / mobile) negatively affecting newspaper circulation and print advertising revenues giving rise to an increased need to achieve cost reductions to offset this contraction. | Advertising and circulation volumes and revenue are closely monitored against budgets and industry benchmarks by senior management during weekly management meetings.<br><br>INM operates a continuous programme of product development and refinement, and periodic readership reviews that are carried out by third party specialists and which produce a series of actions or identify potential initiatives. Marketing budgets are then aligned to target these initiatives.<br><br>Several initiatives have been undertaken to drive more effective relationship management between advertising sales representatives, agents and key customers, including targeted product and sales training, introduction of campaign sales teams focused on delivering value to advertising customers and investment in a cross platform advertising booking and customer relationship management (CRM) system.<br><br>Cost containment across all areas of the business to protect and grow margin remains a key priority of the Group and is monitored closely by senior management and finance. |

# Risk Report - continued

## Principal Risks and Uncertainties - continued

| Risk | Impact | Principal Mitigation Measures |
|---|---|---|
| **Acquisitions/ Change management** | A failure to identify, execute or properly integrate acquisitions, change management programmes or other growth opportunities could impact on profit targets and impede the strategic development of the Group. | INM senior management are focused on continuous and active review of potential acquisitions.<br><br>All potential acquisitions are subject to an assessment of their ability to generate a return on capital employed well in excess of the cost of capital, and for their strategic fit within the Group.<br><br>The Group conducts a stringent internal evaluation process and external due diligence prior to completing any acquisition.<br><br>Projects and change management programmes are resourced by dedicated and appropriately qualified internal personnel, supported by external expertise. |
| **Digital Revenue Growth** | A failure to achieve anticipated growth in digital and e-commerce revenues, and failure to adequately monitor the return on investment of the current and future digital investment could significantly impact revenue and profit targets and impede the strategic development of the Group. | INM senior management closely monitors performance of digital and e-commerce through a series of digital specific key performance indicators, such as revenue per thousand impressions, weekly online advertising spend reporting, number of unique visitors, page impressions and average time on site. In addition, weekly and monthly revenue /cost reporting is submitted to Group Finance to support monitoring of investment performance. |

# Risk Report - continued

## Principal Risks and Uncertainties - continued

| Risk | Impact | Principal Mitigation Measures |
|---|---|---|
| **Cyber and Information Security** | Maintaining adequate IT systems and infrastructure to support growth and development may be affected by:<br>• accidental exposure or deliberate theft of sensitive information;<br>• loss of service or system availability;<br>• significant system changes or upgrades; and<br>• cybercrime. | Dedicated IT personnel with the appropriate technical expertise are in place in the INM Group to oversee IT security.<br><br>IT standards and policies are subject to internal audit and external audit reviews yearly to ensure they are in line with appropriate best practices.<br><br>Cybersecurity reviews, including penetration testing and vulnerability assessments are performed throughout the year by specialist third party technical experts to provide independent assurance. |
| **IT Disaster Recovery and Business Continuity** | A significant loss of production capability during a disaster scenario could severely impact revenue and lead to increased costs. | Business continuity (BCP) and IT disaster recovery plans (IT DRP) are in place and tested throughout the year. These plans are subject to review by internal and external auditors on an annual basis.<br><br>Also, individual BCP and IT DRP's are in place for individual businesses and locations where appropriate. These individual plans and testing feed into the overall Group plan. |

# Risk Report - continued

## Principal Risks and Uncertainties - continued

| Risk | Impact | Principal Mitigation Measures |
|---|---|---|
| **Libel / Litigation** | Libel action or other types of litigation taken against the INM Group or producing published content that lacks trust and credibility could result in financial loss or reputational damage. | Libel action claims are actively managed by Editorial senior management in conjunction with legal support. Rigorous investigations and disciplinary processes are carried out following any proven errors (e.g. factual errors, photo errors). In addition, several functions exist to mitigate the risk of libel actions occurring.<br><br>These include for example:<br>• A detailed Editorial Code of Practice was published and issued to all staff with specific reference to libel and factual accuracy;<br>• Introduction of libel training and exam requirements for all graduates, as well as training rolled-out to all existing journalists and contributors; and<br>• Introduction of in-house legal support with service level targets specifically related to libel actions. |
| **Data Protection Legislation** | A breach in data protection legislation could lead to fines as well as reputational and operational damage to INM. | INM's data protection readiness and processes were subjected to detailed review in 2015 by third party subject matter specialists. Several actions and initiatives were undertaken in 2015 and 2016 following on from this review, including the designation of a Group Data Protection Officer, designation and training of a data protection champion's network consisting of individuals from each function and business unit, and the development and implementation of an updated suite of INM Group data protection policies and procedures. Also, continuous assessment of INM's data protection programme is underway in 2017 to ensure preparedness with enactment of the General Data Protection Regulation in May 2018. |

# Risk Report - continued

## Principal Risks and Uncertainties - continued

| Risk | Impact | Principal Mitigation Measures |
|---|---|---|
| **Economic and Geopolitical uncertainty** | General economic conditions can positively or negatively affect the performance of the Group's businesses. The main geographies which the Group are directly exposed to are the Republic of Ireland and Northern Ireland. Following the UK vote to leave the EU, there is uncertainty surrounding the nature, timing and associated trade conditions of the UK exit. Given its proximity and close trading relationship with the Republic of Ireland, the UK exit from the EU is certain to affect the Irish domestic economy. Other events in 2016, including changes in US economic policy are likely to impact the global economy, the affects of which could be felt locally. A weakening of the Irish economy could accelerate the decline in print advertising revenue. | INM executives monitor the macroeconomic and geopolitical environment by way of regular analysis of business performance through financial results and KPI's to highlight early trends and impacts from economic and geopolitical uncertainty. |

# Risk Report - continued

## Principal Risks and Uncertainties - continued

| Risk | Impact | Principal Mitigation Measures |
|---|---|---|
| **Compliance with laws and regulations** | Failure to comply with all relevant laws and regulations could result in financial penalties and reputational damage. | Increasing regulation, including in the areas of Corporate Governance such as director's duties and director's compliance statement requires increased focus and resources to ensure the Group is compliant with all applicable laws and regulations.<br><br>The Group manages compliance with laws and regulations through the following:<br>• Changes in laws and regulations are monitored and potential impacts discussed with relevant management team members, Board, or sub-committees as appropriate.<br>• Professional services are retained to support the Group in key compliance areas, such as Tax, Company Law, Corporate Governance and Company Secretarial duties.<br>• Developments in the legal and regulatory landscape are reviewed by the Audit and Risk Committee.<br>• Group-wide policies are implemented where required to address new legislation and regulation. |

# Risk Report - continued

## Principal Risks and Uncertainties - continued

| Risk | Impact | Principal Mitigation Measures |
|---|---|---|
| **Talent management** | A failure to attract, retain or develop high quality staff and management throughout the Group could impact on the attainment of strategic objectives. | The Group maintains a constant focus on this area with structured succession planning, management development and remuneration programmes in place. Several talent initiatives launched in 2015 were carried through 2016, including a graduate recruitment programme, increased focus on and budget for targeted staff training, and the INM Business Manager Programme and Digital Journalist Programme in association with National College of Ireland aiming to further develop management and editorial capability across the Group. These programmes are reviewed regularly by Group Human Resources, the Group Chief Executive Officer and the Board. |

# CORPORATE SOCIAL RESPONSIBILITY

## A responsible company

At INM, our values are at the core of everything that we do. By living these values, all employees are contributing to the long term success of the Company and we ensure that we operate in an ethical and safe manner. By doing so, we enhance our reputation with stakeholders and protect the value we create over the longer term.

### Introduction

Corporate Social Responsibility ("CSR") is a focus area for INM. It aims to actively involve employees and demonstrates to all our stakeholders how we contribute ethically, economically and socially to local communities as a responsible employer. Our CSR programme also demonstrates how we actively work to raise funds for worthy causes in our community, improve safety and reduce any negative impact on the environment.

This section explains how we manage the wellbeing and development of our people, our involvement in national and local communities and how we are reducing our environmental impact. Further details on each of these areas are provided below. Individual subsidiaries also have additional business specific areas which are fundamental to their ongoing sustainability, for example relationships with customers, suppliers, regulators and local communities, procurement of raw materials and supply chain integrity.

### Our People

Our people are the lifeblood of our continued and growing success as Ireland's largest news and media organisation. Our continued success and our commitment to sustainable long term performance is wholly dependent on the empowerment of our people and their engagement in our business.

#### Diversity and Equal Opportunity

INM recognises the variety of characteristics which make individuals unique and we embrace the benefits of a workforce with diverse skills, qualities and experience. In line with our commitment to create an inclusive workplace, all recruitment, selection and promotion decisions are made on individual merit and personal contribution.

#### Talent Development

In support of our growth plans, we have in place extensive organisational Talent Development Programmes which provides INM with a bespoke education, training and personal development framework to select, assess and grow talent internally, providing us with a competitive edge while nurturing potential business and media leaders for the future.

#### Graduate Programme

The Talent Development Programme is complemented by the INM Graduate Programme, with an objective to create and develop a pipeline of potential, emerging editorial and media professionals. This programme offers our graduates an exceptional opportunity to participate in placements across the multi platform editorial function.

The INM Graduate Programme is differentiated by the content, academic training with the London Press Association and an opportunity for placements which enables graduates to participate and work on complex, critical and demanding projects. This, along with the diverse industry nature of the placements and regular learning modules, provides significantly accelerated development.

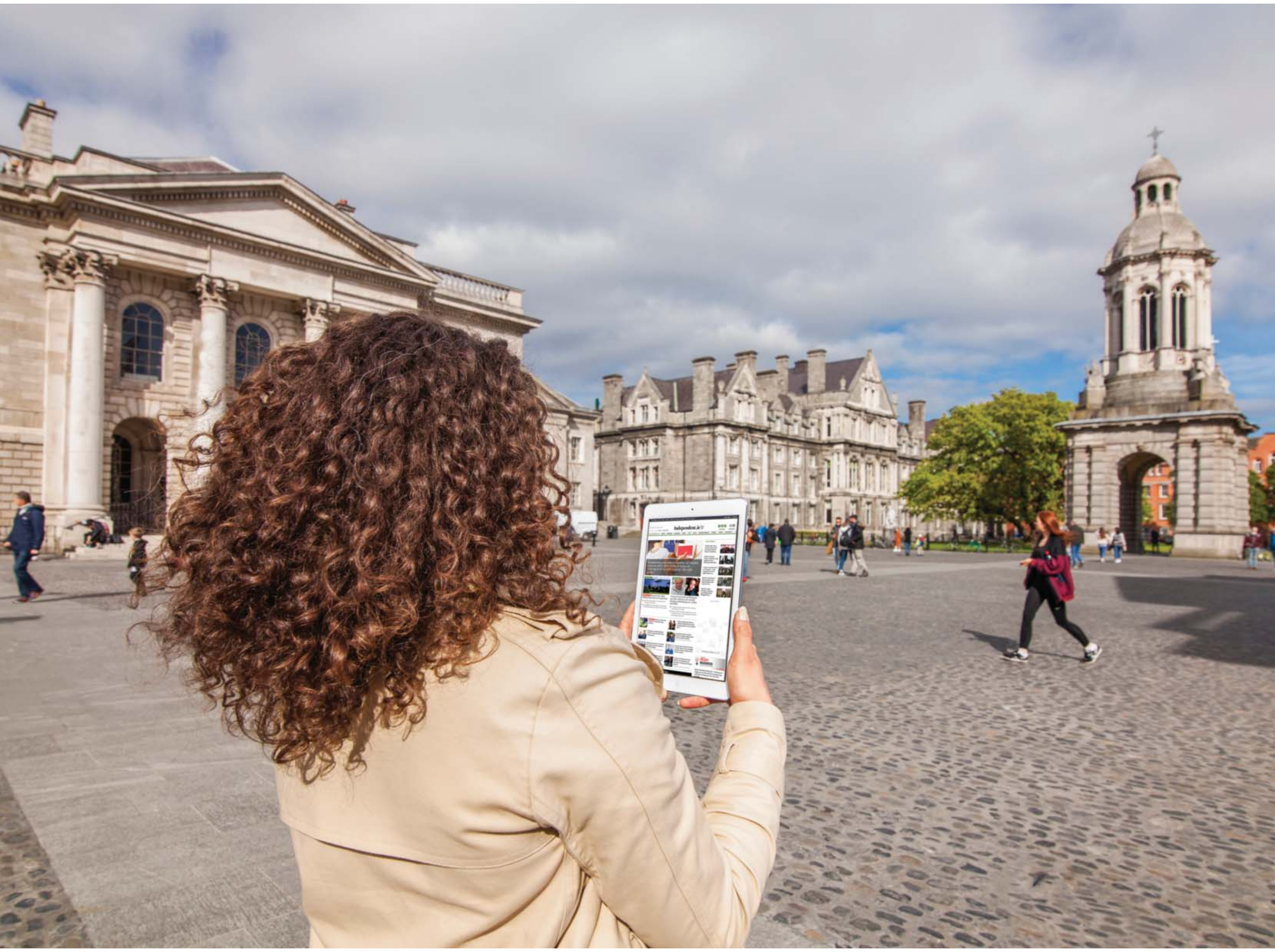
### National College of Ireland

We recognise the importance of providing the opportunity to our people to strengthen their digital, commercial and innovation skills and have established two bespoke programmes for this purpose with the National College of Ireland. This initiative is in its second year and the net benefit to INM is to develop a cohort of employees and teams who understand and can meet the challenges of the digital age.

### Ethics and Compliance

INM seeks to achieve the highest standards of business ethics and compliance in all our activities. Ensuring that these standards are met is the responsibility of the leadership team in each business within the Group.

The key message of our Compliance Programme is that managers and employees across the Group should be 'Doing the Right Thing' at all times. This means not merely following the laws and policies that apply to their work, but also exercising good judgement to ensure that their actions are seen as fair and reasonable.



# Corporate Social Responsibility - continued

### Business Conduct Guidelines

Our Group Business Conduct Guidelines, which are available on our website, set out the standards that are expected of employees across the Group in a range of areas, including conflicts of interest, bribery and corruption and dealings with customers and suppliers.

### Compliance Policies and Training

The Group also maintains detailed policies on a range of relevant areas, complementing the general requirements set out in the Business Conduct Guidelines. The areas covered by more detailed policies include health and safety, anti-bribery and corruption, competition law, data protection, IT security, diversity and equal opportunities and share dealing.

### Whistleblowing

Employees across the Group are encouraged to raise a concern if any of our activities are being undertaken in a manner that may not be legal or ethical. Concerns can be raised with a member of management in the business where the employee works or with the Company Secretary. Our internal policies make clear that retaliation against any employee who raises a concern is prohibited.

The Audit and Risk Committee has oversight responsibility for the whistleblowing policy and how it operates.

## Charities and local communities

Across INM, subsidiaries support charities and local communities by direct financial contributions, fundraising or the provision of particular skills and training. INM is proud of its track record in supporting humanitarian causes on a local, national and international basis.

Our media assets allow us to create and promote awareness and we support, both directly and indirectly, dozens of causes every year.

Our individual titles, both national and regional, have always recognised the importance of championing their local communities. This connection with our immediate societies remains a key pillar going forward.

## Health & Safety

The INM Health & Safety Policy sets out the Board's commitment to continually improving management systems and safety cultures - viewed as positive drivers of business performance. The policy is reinforced in our Business Conduct Guidelines.

Each Group business maintains appropriate health, safety and environmental management systems. Risk control measures - technical, procedural and behavioural - are implemented and monitored to confirm their effectiveness and to identify improvement opportunities.

Process safety management is a key focus within the print and distribution businesses, reflecting the nature of the work being carried out in these locations. Process safety performance indicators are used to monitor the integrity of the safety critical assets, technology, competence and procedures that are in place to prevent a major accident/incident occurring.

# Corporate Social Responsibility - continued

## Environment

We acknowledge that our activities impact the environment and we are committed to identifying and minimising negative impacts across all of our operations.

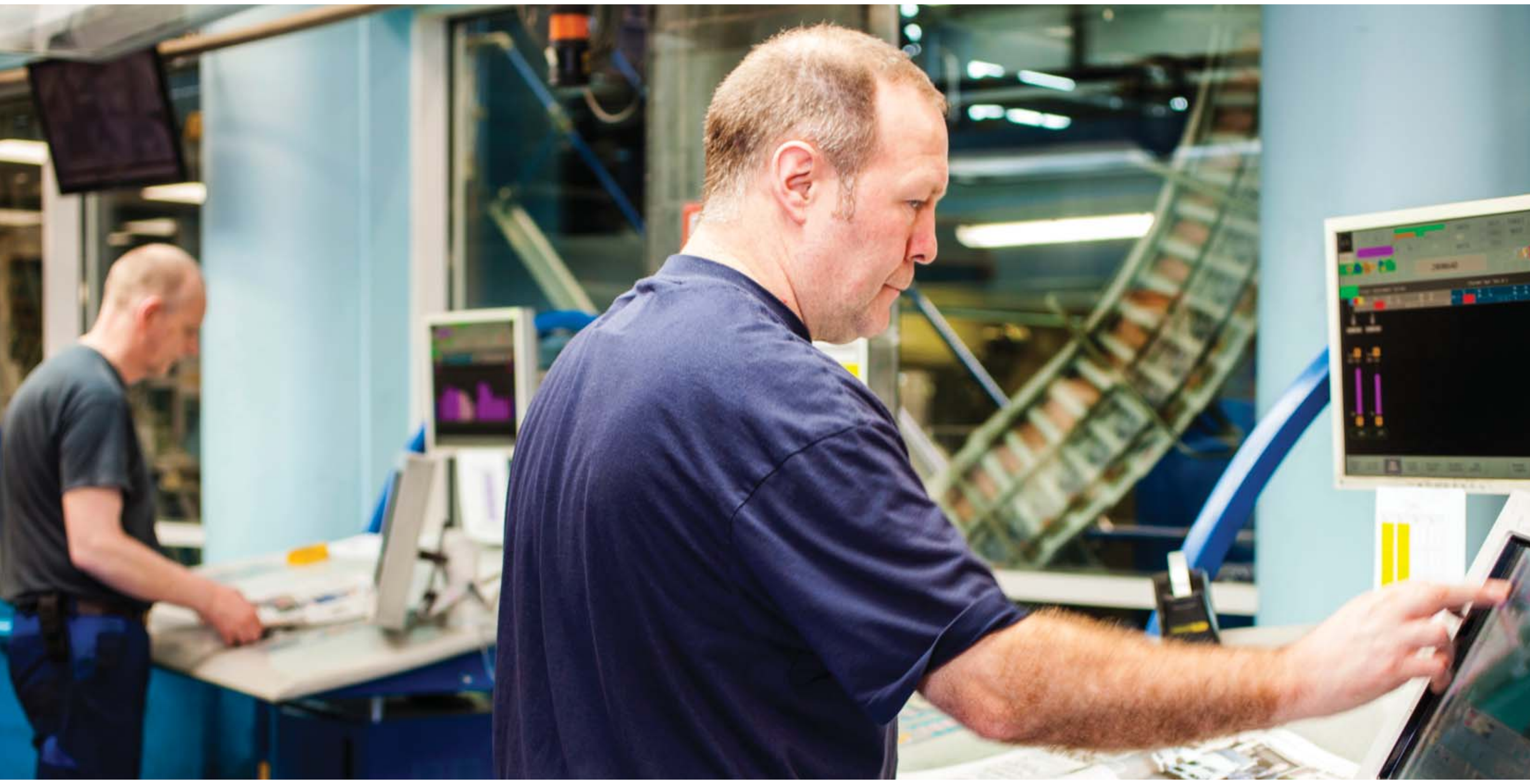
It is our policy to understand the environmental impact of our activities and those of our suppliers and to develop strategies to reduce these impacts, particularly in the areas of energy, natural resources and materials. We continuously consider aspects of our supply chain to increase the percentage of recycled materials we use.

A number of our key newsprint providers supply 100% recycled materials and we are working with the others to increase the recycled fibre content. Producer responsibility for waste packaging and waste electronic and electrical equipment is regulated in all EU member states and all INM businesses meet their obligations through membership of national compliance schemes. All paper waste from our plants is reprocessed through the recycling channel.

The print and distribution businesses operate under the strict conditions set out in their waste management licences and are subject to routine compliance inspections by the national regulators. All INM businesses have comprehensive, environmental management systems to ensure robust controls are in place to minimise negative impacts on the environment.

### Energy and Climate Change

The global challenge of climate change continues to drive policy and legislation at both EU and national level. Member states have implemented various mechanisms to support the achievement of targets including direct carbon taxes, levies on operational carbon emissions, subsidies for generation of renewable energy and the requirement for energy providers to part-fund investment in energy efficiency projects in domestic markets. INM continues to focus on supporting these efforts through its media assets and to implement energy-efficient processes where possible.



# GOVERNANCE



# CHAIRMAN'S INTRODUCTION

The stewardship and governance of our Company continues to be a high priority for the Board.

## Dear Shareholder

The Board continues to be committed to high standards of corporate governance. The following pages detail the structures, processes and procedures which support the principle of good corporate governance and the Board strives to ensure that these high standards are maintained throughout the Group.

On behalf of the board of INM, I am pleased to report our compliance with the 2014 version of the UK Corporate Governance Code ("the Code") which applied to INM for the year ended 31 December 2016 save for the exceptions outlined in the Corporate Governance Statement on pages 44 to 52.

The Company established in December 2016 a formal confidential independent review to examine and inquire into matters concerning the possible acquisition of Newstalk and related matters. Discussions on the possible acquisition ended at a very preliminary stage and the acquisition was never considered by the Board. The confidential, independent review is being carried out on behalf of the Board by senior counsel and a senior independent governance expert who have been mandated to report to the Board.

The Company has been notified by the Office of the Director of Corporate Enforcement ("ODCE") to produce certain records identified by the ODCE. The Company is taking all appropriate steps to comply as necessary with the ODCE's request.

A requirement from the ODCE to produce books and records is a procedural matter that does not involve any conclusion that there has been a breach of law by the Company or its officers.

The Company takes its corporate governance responsibilities very seriously, and seeks to comply at all times with all relevant laws and regulations.

# Chairman's Introduction - continued

## Board Composition and Diversity

The Board keeps its composition under continuous review and we seek to ensure we have the right balance of skills, experience and diversity that are required to lead the Company. Mr. Robert Pitt was appointed to the Board as an executive Director on 29 January 2016, having joined the Group as Chief Executive Officer in October 2014.

The Board currently comprises of eight non-executive Directors (including the Chairman) and one executive Director. Detailed biographies of current Directors are set out on pages 42 and 43 together with a detailed description of the breadth and depth of experience that each of the Directors bring to the Board.

## Board Effectiveness

In 2016, the performance evaluation of the Board and its Committees was internally facilitated by Terry Buckley, Chairman of the Nomination and Corporate Governance Committee. This followed on from the externally facilitated process in 2015.

I am pleased to report that the results of the review were positive. A number of actions were agreed which will be implemented during the current year. More information on this process can be found on page 51 of the Corporate Governance Statement.

## Board Development

Director training needs are kept under review to ensure that those needs are matched with appropriate internal presentations and external events.

As part of their ongoing training and development, the non-executive Directors made a number of visits to Group subsidiaries during the year ended December 2016.

## Independence and Re-Election

There are eight non-executive Directors and one executive Director on our Board.

In accordance with the Code and our practice, all of the Directors seeking re-election will be presenting themselves for re-election at the forthcoming Annual General Meeting.

The independence of each non-executive Director is reviewed on an annual basis taking into account the criteria of the Code as well as guidance provided by a number of shareholder voting agencies. This year the Board engaged Deloitte to conduct an independent review of the independence of each non-executive Director under the criteria set out in the Code.

The results of that review and details on the independence of non-executive Directors are set out on pages 47 to 48.

## Board Meeting Balance

The intention at Board meetings is to achieve an appropriate balance between strategic, operational and financial, regulatory/governance and shareholder/stakeholder matters. I regularly monitor the amount of time devoted to each category of business to ensure that we maintain the required balance.

## Board Committees

Our Board Committees have continued to perform effectively. You will find on pages 53 to 91 a detailed report, introduced by the Chairman of each Committee, setting out its membership and an overview of its activities during the year.

I hope that the detailed information included in the following pages clearly demonstrates our commitment to ongoing high standards in corporate governance.

Leslie Buckley
*Chairman*

# BOARD OF DIRECTORS AND OTHER INFORMATION

## Board of Directors

Leslie Buckley (Chairman)
Terry Buckley
Paul Connolly
David Harrison
Jerome Kennedy (Senior Independent Director)
Allan Marshall
Triona Mullane
Len O'Hagan
Robert Pitt (appointed 29 January 2016)

## Board Committees and Company Secretary

### Audit and Risk Committee
Jerome Kennedy (Chairman)
Terry Buckley
Triona Mullane (resigned 26 April 2017)
Len O'Hagan

### Remuneration Committee
Len O'Hagan (Chairman)
Terry Buckley (appointed 26 April 2017)
Jerome Kennedy (appointed 26 April 2017)
Paul Connolly (resigned 26 April 2017)
Allan Marshall (resigned 26 April 2017)
Triona Mullane (resigned 26 April 2017)

### Nomination and Corporate Governance Committee
Terry Buckley (Chairman)
Jerome Kennedy
Triona Mullane
Len O'Hagan (appointed 26 April 2017)

## Advisors

### Solicitors
McCann FitzGerald
Riverside One
Sir John Rogerson's Quay
Dublin 2
Ireland

### Stockbrokers
Davy Group
Davy House
49 Dawson Street
Dublin 2
Ireland

### Registrars
Capita Registrars (Ireland) Limited
2 Grand Canal Square
Dublin 2
Ireland

### Statutory Auditor
KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

### Principal Bankers
Bank of Ireland
Allied Irish Banks, p.l.c.

## Secretary and Registered Office

Michael Doorly
Independent News & Media PLC
Independent House
27-32 Talbot Street
Dublin 1
Ireland

# BOARD OF DIRECTORS

**Leslie Buckley,**
**MSc**
**Non-executive Chairman**
Age: 72
Nationality: Irish

**Terry Buckley,**
**MBA, C Dir**
**Non-executive Director; Chairman, Nomination & Corporate Governance Committee; Member, Audit and Risk Committee; Member, Remuneration Committee**
Age: 56
Nationality: Irish

**Paul Connolly,**
**B Comm, FCA**
**Non-executive Director**
Age: 57
Nationality: Irish

**David Harrison,**
**FCCA**
**Non-executive Director**
Age: 49
Nationality: Irish

**Jerome Kennedy,**
**FCA**
**Non-executive Director and Senior Independent Director; Chairman, Audit and Risk Committee; Member, Nomination and Corporate Governance Committee; Member, Remuneration Committee**
Age: 68
Nationality: Irish

## Joined Board

Mr. Buckley was previously a non-executive Director of INM from March 2009 until June 2011. He was reappointed as a non-executive Director and Chairman of the Board in 2012.

Mr. Buckley joined the Board in 2012.

Mr. Connolly joined the Board in 2009.

Mr. Harrison joined the Board in 2012.

Mr. Kennedy joined the Board in 2012.

## Experience

Mr. Buckley is a graduate of UCC and he established his own consultancy business in 1990 and was retained on a number of key public and private sector appointments. He was the nominee of the Minister for Transport on the Board of Aer Lingus Group plc from 2009 to 2012.

Mr. Buckley is a founding Director and Vice Chairman of Digicel Group Limited, a Caribbean-based telecommunications company. Previously he was involved in the start-up of Esat Telecom Group plc and Esat Digifone Limited and held the position of acting Chief Operating Officer of Esat Telecom during 1996 and 1997. He is a Director and shareholder of a number of other Irish companies including Actavo Limited and Nualtra. Mr. Buckley is also founder and Chairman of the NGO Haven and sits on the Commercial Board of Munster Rugby.

Mr. Buckley is Managing Director of Clear Channel Ireland.

A graduate of University College Dublin, he also holds a Masters in Business Administration from Trinity College, Dublin. He was Group Marketing Director of Allegro Group from 1995 to 1997 and prior to that he held a number of senior positions with United Drug plc including the position of Executive Director from 1991 to 1995. Mr. Buckley worked in marketing roles for Unilever Ireland and sales roles for Procter & Gamble during the eighties.

Mr. Buckley is a founder and Chairman of Rockall Technologies. He was a Board member of the Advertising Standards Authority of Ireland from 2000 to 2014.

He is a qualified Chartered Director.

Mr. Connolly has 25 years' experience advising on mergers and acquisitions, takeovers, disposals, fundraising and initial public offerings. A graduate of University College Dublin, Ireland, he is a Fellow of The Institute of Chartered Accountants in Ireland.

Mr. Connolly is Chairman of Connolly Capital Limited, a Dublin based corporate finance advisory firm focused on the telecom, media and technology sectors. Mr. Connolly also serves on the Boards of Communicorp Group and APN News and Media. He is Chairman of the Irish media group Business & Finance, Tetrarch Capital and UNICEF Ireland, and an external Senior Advisor to Credit Suisse. Previous directorships include Esat Telecommunications Limited, Digicel Limited and Melita plc and previous employments include Hibernia Meats Limited and KPMG.

Mr. Harrison is Chief Executive of Intuition Publishing Limited ('Intuition'). Intuition is a publisher of specialised online education and knowledge management products to the investment banking and financial markets sectors. He is a Fellow of the Association of Chartered Certified Accountants and completed the Leadership 4 Growth Chief Executive Programme with Stanford University Graduate School of Business. He was Chief Financial Officer of Intuition from 1998 to 1999 and prior to that he held a senior management position with Irish Food Processors from 1994 to 1998. Mr. Harrison trained in public practice with BDO Simpson Xavier.

Mr. Harrison is a director of Intuition Publishing Limited and a number of private companies.

Mr. Kennedy is an experienced non-executive Director. He had a long executive career as a Partner in KPMG for 24 years including 9 years as managing partner of KPMG Ireland until 2004 and a non-executive directorship portfolio since 2004 in a number of sectors including property, foods, media and financial services. He is currently a non-executive Director of Total Produce Plc, Green REIT Plc, Caulfield McCarthy Group Retail and a number of other private companies. He served on the board of New Ireland Assurance Company Plc from 2004 to 2010 and on the Court of Bank of Ireland from 2007 to 2012.

## Allan Marshall,

**Non-executive Director**
Age: 64
Nationality: Australian

## Triona Mullane, BSC Computer Systems

**Non-executive Director; Member, Nomination and Corporate Governance Committee**
Age: 51
Nationality: Irish

## Dr. Len O'Hagan, CBE

**Non-executive Director; Chairman, Remuneration Committee; Member, Audit and Risk Committee; Member, Nomination and Corporate Governance Committee**
Age: 62
Nationality: Irish

## Robert Pitt,

**Chief Executive**
Age: 46
Nationality: Irish

## Joined Board

Mr. Marshall joined the Board in 2012.

Ms. Mullane joined the Board in 2012.

Dr. O'Hagan joined the Board in 2012.

Mr. Pitt joined the Board on 29 January 2016.

## Experience

Mr. Marshall has considerable media experience, having previously sat on the Board of Associated Newspapers Ltd (1994-2005) and Chairman of the Advisory Council to the international newspaper body IFRA (2003-2006).

Mr. Marshall is a graduate of the Harvard Business School's Program for Management Development.

He is a founder of iMedia, a leading international advisory service to the publishing industry.

Previous directorships include Associated Newspapers Ltd and previous employments include a senior editorial position at The West Australian Newspaper, Chief Operations and Technology Director at Associated Newspapers Ltd and Head of Technology Transformation at the Telegraph Media Group.

Ms. Mullane has occupied a number of senior roles across technology companies. She was formerly Chief Technology Officer for NewBay Software from 2007 to 2011 (acquired by Blackberry) and previously Chief Technology Officer for ANAM Mobile Limited (from 2003 to 2006). From 1995 to 2003 she was Director of Engineering and subsequently Vice President of Technology for Logica.

Ms. Mullane is currently CEO and Founder of mAdme Technologies Limited.

Dr. O'Hagan has extensive national and international management, governance and directorial experience in both the public and private sectors.

Dr. O'Hagan is Chairman of Northern Ireland Water, Chairman All-island Congenital Heart Disease Network Board and a director of a number of private companies. He is a Fellow of the Institute of Directors.

Dr. O'Hagan is a former Chairman of Belfast Harbour Commissioners and has held senior positions in a number of international public companies including Fitzwilton Plc, Jefferson Smurfit Group, Independent News & Media (Northern Ireland) and Safeway Ireland of which he was Chairman. He has also been Vice President of Royal College of Physicians.

Mr. Pitt has worked across a broad range of sectors and businesses during his career to date. He brings extensive business and retail experience to the Board.

Prior to joining INM as Chief Executive in late 2014, Mr. Pitt held senior management positions in the retail sector in Eastern Europe. From May 2012 he was Chief Operating Officer of Tesco Czech Republic, prior to which he held the positions of Managing Director, Tesco Franchise Stores in the Czech Republic; and Operations Director, Hypermarkets Tesco, Czech Republic and Slovakia.

# CORPORATE GOVERNANCE STATEMENT

## This statement describes INM's governance principles and practices.

For the financial year ended 31 December 2016, INM's corporate governance practices were subject to the 2014 version of the UK Corporate Governance Code, which was issued by the FRC on September 2014 ('the 2014 Code') and to the Irish Corporate Governance Annex.

This statement details how INM has applied the principles and complied with the provisions set out in the 2014 Code. Copies of the 2014 Code can be obtained from the FRC's website, www.frc.org.uk.

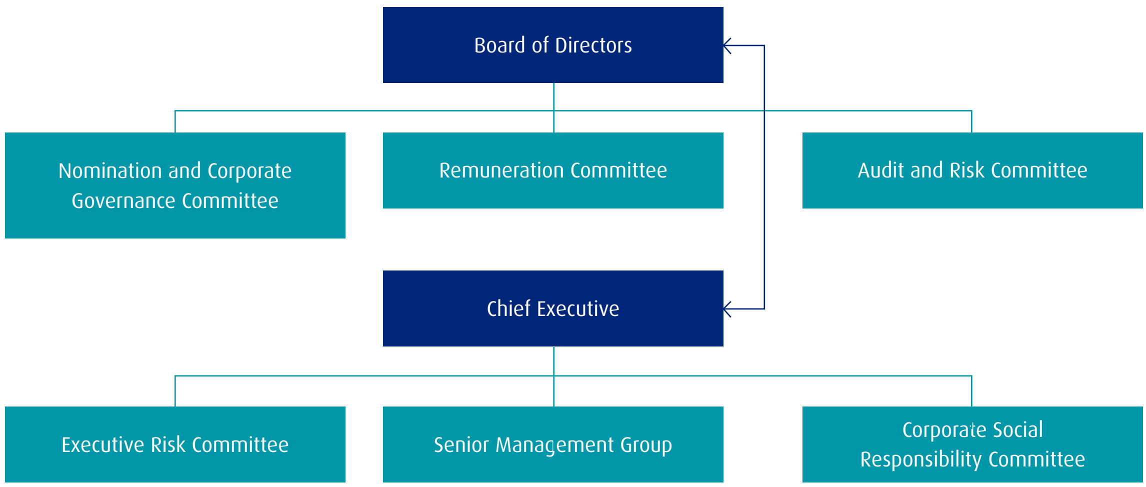
## The Board of Directors

### Role

The Board of INM comprises the non-executive Chairman, seven other non-executive Directors and one executive Director, namely, the Chief Executive. The Board is collectively responsible for the long term success of the Company. Its role is to provide leadership, to oversee management and to ensure that the Company provides its stakeholders with a balanced and understandable assessment of the Company's current position and prospects.

The Board's leadership responsibilities, in the interest of delivering long term value to shareholders, involve working with management to set corporate values and to develop strategy, including decisions on which risks it is prepared to take in pursuing its strategic objectives. The Board's oversight responsibilities involve it in constructively challenging the management team in relation to operational aspects of the business, including approval of budgets, and probing whether risk management and internal controls are appropriate. It is also responsible for ensuring that accurate, timely and understandable information is provided about the Company to shareholders, regulators and other stakeholders.

## INM PLC - Corporate Governance Framework



The Board has delegated responsibility for management of the Group to the Chief Executive and his executive management team. The main areas where decisions remain with the Board are summarised below.

The Board has delegated some of its responsibilities to Committees of the Board. The composition and activities of these Committees are detailed in their individual reports on pages 53 to 91. The Board receives regular reports from the Chairmen of each of the Committees on their current activities.

A clear division of responsibility exists between the Chairman, who is non-executive, and the Chief Executive. Each of their responsibilities is set out in writing and has been approved by the Board.

There is an established procedure for Directors to take independent professional advice in the furtherance of their duties, if they consider this necessary.

### Schedule of Matters Reserved for the Board

The Schedule of Matters Reserved for the Board has been reviewed during the year. The Board believes that this schedule meets with current best practice.

The schedule includes the matters set out below:

- Approval of Group strategy.
- Approval of annual budget.
- Approval of Interim and Statutory Financial Statements.
- Oversight of the Group's operations.
- Approval of major acquisitions and disposals.
- Approval of significant capital expenditure proposals.
- Approval of material contracts.
- Approval of changes to the Group's capital structure.
- Appointment of Directors.
- Approval of dividend policy.
- Approval of treasury policy.
- Approval of risk management strategy.
- Approval of terms of reference of Chairman, Chief Executive, and other executive Directors.
- Approval of terms of reference and membership of Board Committees.

### Chairman

The Chairman's primary responsibility is to lead the Board, to ensure that it has a common purpose, is effective as a group and at individual Director level. He must also ensure that the Board upholds and promotes high standards of integrity, probity and corporate governance.

The Chairman is the link between the Board and the Company. He has responsibility for maintaining an effective working relationship with the Chief Executive, for ensuring effective and appropriate communications with shareholders and for ensuring that members of the Board develop and maintain an understanding of the views of shareholders.

Before the beginning of the financial year, and following consultation with the Directors and Company Secretary, a schedule of Board and Committee meetings is set for the following year. This schedule includes the key agenda items for each meeting. Further details on these agenda items are outlined under 'Board Meetings' on page 46.

### Senior Independent Director

The responsibilities of the Senior Independent Director are formally approved by the Board.

The Senior Independent Director is available to shareholders who may have concerns that cannot be addressed through the Chairman or Chief Executive.

### Company Secretary

The Directors have access to the advice and services of the Company Secretary, whose responsibilities include ensuring that Board procedures are followed, assisting the Chairman in relation to corporate governance matters and ensuring compliance by the Company with its legal and regulatory requirements.

# Corporate Governance Statement - continued

## Board Meetings

A schedule of Board and Committee meetings is circulated to the Board for the following year, which includes the key agenda items for these meetings.

Board papers are circulated electronically in the week preceding the meeting. During the year ended 31 December 2016, the Board held 16 meetings.

Individual attendance at Board meetings and at Committee meetings is set out in the table below and there is regular contact between meetings in order to progress the business of the Group.

The key recurrent Board agenda themes are divided into strategy, operations and finance, regulatory/governance and shareholder/stakeholder matters.

### Board of Directors: Attendance at meetings during the year ended 31 December 2016:

| | Board | | Audit & Risk Committee | | Remuneration Committee | | Nomination & Corporate Governance Committee | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| **Continuing Directors** | | | | | | | | |
| Leslie Buckley | 16 | 13 | | | | | | |
| Terry Buckley | 16 | 16 | 7 | 5 | | | 4 | 4 |
| Paul Connolly | 16 | 14 | | | 3 | 0* | | |
| David Harrison | 16 | 16 | | | | | | |
| Jerome Kennedy | 16 | 16 | 7 | 7 | | | 4 | 4 |
| Allan Marshall | 16 | 16 | | | 3 | 3 | | |
| Triona Mullane | 16 | 16 | 7 | 7 | 3 | 3 | 4 | 4 |
| Len O'Hagan | 16 | 16 | 7 | 7 | 3 | 3 | | |
| Robert Pitt | 16 | 16 | | | | | | |

*Notes: The attendance statistics are outlined above in the format 'A/B' where 'A' represents the total number of meetings held during the period for which the Director was in place and 'B' represents the number of meetings attended by the Director.*
** Although Paul Connolly was unable to attend, he provided a valuable contribution to the Committee and its Chairman throughout the year.*

## Appointment of Directors

The Nomination and Corporate Governance Committee formally agrees criteria for new non-executive Director appointments, including experience of the industry in which the Group operates, professional background, and having regard to the need for a balance in relation to diversity, including gender.

Subject to the annual election or re-election of all Directors as required under the 2014 Code, it is the Company's expectation that non-executive Directors would serve for an initial three-year period, extendable by a further three-year term. A non-executive Director may be invited to serve an additional period thereafter, generally not extending beyond nine years in total.

After three years' service, and again after six years' service, each non-executive Director's performance is reviewed by the Nomination and Corporate Governance Committee, with a view to recommending to the Board whether a further period of service is appropriate, subject to the usual annual approval by shareholders at the AGM.

# Corporate Governance Statement - continued

The Board, however, does not consider that the policy of annual re-election is appropriate for executive Directors and accordingly executive Directors will be subject to re-election once every three years in accordance with the Company's Articles of Association.

The terms upon which each of the non-executive Directors are appointed are set out in letters of appointment and are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

Details of the length of tenure of each Director on the Board are set out in the Nomination and Corporate Governance Committee Report on page 89.

## Induction and Development of Directors

New non-executive Directors undertake a structured induction process which includes a series of meetings with Group and divisional management, detailed divisional presentations, visits to key subsidiary locations and a briefing with the external auditor.

The Chairman and Company Secretary review Directors' training needs, in conjunction with individual Directors, and match those needs with appropriate internal and external seminars and speakers. Non-executive Directors are expected to meet individually during the year, outside of Board meetings, with members of the executive and senior management teams and to visit the Group's business units in order to familiarise themselves with the business in more detail than is possible during Board meetings.

## Independence

The independence of each non-executive Director is reviewed on an annual basis taking into account the criteria of the 2014 Code as well as guidance provided by a number of shareholder voting agencies. This year, the Board engaged Deloitte to conduct an independent review of the independence of each non-executive Director under the criteria set out in the 2014 Code.

Following this review, the Board performed an assessment of each Director's position and considered, in line with the 2014 Code, whether each non-executive Director is independent in character and judgement, notwithstanding the existence of relationships or circumstances and application of the criteria set out on the 2014 Code. The Board considered the following factors for each non-executive Director as part of this process:

- the Director's integrity and objectivity;
- the Director's ability to provide constructive challenge to existing views within Board discussions and to hold management to account for performance;
- whether the Director demonstrates that he or she is acting at all times in the best interests of the Company, its shareholders and other key stakeholders; and
- the Director's overall contribution to the Board and its Committees.

In scrutinising the independence of the non-executive Directors, the Board took into consideration the following in relation to Mr. Terry Buckley, Mr. Paul Connolly, Mr. David Harrison, Mr. Allan Marshall and Ms. Triona Mullane:

- Mr. Terry Buckley is a member of the Council of Patrons for Special Olympics (the 'Council') of which Mr. Denis O'Brien, a major shareholder of INM, is Chairman. Mr. Buckley is also the Managing Director for Clear Channel Ireland, an outdoor advertising media company. The total value of advertising space booked by INM through its advertising agency was €1,500 in 2016 (2015: €33,500) which is less than 1% of Clear Channel Ireland's annual income. The Board concluded that this association with the Council, a non-profit organisation which meets 6 times per year and has approximately 40 members serving on the Council, would not be a sufficiently close link to compromise Mr.Buckley's independence, and that the value of the transactions with Clear Channel is not considered significant enough to amount to a material business relationship, and has determined that Mr. Buckley is an independent non-executive Director.
- Mr. Paul Connolly has a business relationship and interests with a major shareholder, Mr. Denis O'Brien. Mr. Connolly also serves on the board of Communicorp Ltd, a company controlled by Mr. O'Brien. Accordingly, the Board has determined that Mr. Connolly should not be considered independent given these links with a major shareholder.

# Corporate Governance Statement - continued

- **Mr. David Harrison** has a business relationship and interests with a major shareholder, Mr. Dermot Desmond. Mr. Harrison serves as the Chief Executive of Intuition Publishing, which is owned and controlled by Mr. Desmond. Accordingly, the Board has determined that Mr. Harrison should not be considered independent given these links with a major shareholder.
- **Mr. Allan Marshall** provided consultancy services to INM from 2013 to 2016 through a company called ComputerCall UK Ltd from whom he received additional remuneration. Details of the fees paid to ComputerCall UK Limited are disclosed as related party transactions in note 34 to the Group financial statements. The Board is satisfied that Mr. Marshall has always demonstrated independence at Board and Committee but has determined that Mr. Marshall should not be considered independent for the purpose of the Code due to the materiality of this additional remuneration.
- **Ms. Triona Mullane** provided consultancy services to INM in 2013 through a company called Glenanaar Technologies Limited, receiving additional remuneration of €9,248, as disclosed in the 2014 financial statements as a related party transaction. Ms. Mullane is also co-founder, CEO and the largest shareholder of mAdme Technologies Limited, a technology company that has received an investment of €280,000 for a minority shareholding (less than 5%) from a company introduced to mAdme by a relation of Mr. Denis O'Brien. Digicel Group (of which Mr. O'Brien is the principal shareholder and board member) is a customer of mAdme Technologies Limited with a current license and support renewal which represents approximately 6% of the company's projected annual revenue for FY2017. The Board is satisfied that Ms Mullane has always demonstrated independence at Board and Committee but considers that, collectively, the existence of these relationships or circumstances could be seen to affect independence and has determined that Ms. Mullane should not be considered independent for the purpose of the 2014 Code.

Following this formal review of the Directors' independence, Mr. Terry Buckley, Mr. Jerome Kennedy and Dr. Len O'Hagan are considered to be independent by the Board.

The Board believes that all of the non-executive Directors have consistently demonstrated independent behaviour and thought in fulfilling their duties as Directors. Despite the Board concluding that Mr. Connolly, Mr. Harrison, Mr. Marshall and Ms. Mullane should not be considered independent for the purpose of the 2014 Code for the reasons explained above, the Board is of the view that their skills, knowledge, experience and attributes are valuable to the organisation and believes that these Directors exercise independent judgement when contributing to Board discussions and making decisions.

Under the 2014 Code the test for independence does not apply to the Chairman. As previously disclosed, the Chairman, Mr. Leslie Buckley, was not considered independent upon his appointment as he had previously served as a non-executive Director of INM and as a representative of Mr. Denis O'Brien, a major shareholder.

Following this formal review of the Directors' independence, the Board has reconstituted the composition of the Audit and Risk, Remuneration and Nomination and Corporate Governance Committees for compliance with the Code.

As at the date of this Annual Report the Board is non-compliant with provision B.1.2 of the 2014 Code which requires that at least half of the Board, excluding the Chairman, comprise non-executive Directors determined by the Board to be independent. As noted on page 39, INM is committed to high standards of corporate governance and will take actions to address this area of non-compliance in the next four months.

### Audit and Risk Committee

The primary function of the Audit and Risk Committee is to assist the Board in fulfilling its financial and risk oversight responsibilities. Further details of the activities of the Audit and Risk Committee are set out in its report on pages 53 to 64.

# Corporate Governance Statement - continued

### Remuneration Committee
The Remuneration Committee is responsible for determining the Remuneration Policy and conditions of employment for executive Directors and senior management. Further details of the activities of the Remuneration Committee are set out in its report on pages 65 to 86.

### Nomination and Corporate Governance Committee
The Nomination and Corporate Governance Committee is responsible for considering the size, composition and structure of the Board, succession planning and for monitoring the Company's compliance with corporate governance, legal and best practice requirements. Further details of the activities of the Nomination and Corporate Governance Committee are set out in its report on pages 87 to 91.

### Chief Executive
The Chief Executive has day to day management responsibility for the running of the Company's operations and for the implementation of Company strategy and policies agreed by the Board. The Chief Executive also has a key role in the process for the setting and review of strategy. The Chief Executive instils the Company's culture and standards, which include appropriate corporate governance throughout the Company. In executing his responsibilities, the Chief Executive is supported by the Chief Financial Officer and the Company Secretary, who, together with the Chief Executive, are responsible for ensuring that high quality information is provided to the Board on the Company's financial and strategic performance.

### Executive Risk Committee
The responsibilities of the Executive Risk Committee are set out in the Risk Report on page 25.

### Senior Management Group
The Senior Management Group reports to the Chief Executive at weekly management meetings.

### Remuneration
It has been the Company's practice since 2010 to put the Annual Report on Remuneration to an advisory, non-binding shareholder vote at the AGM. Accordingly, the Annual Report on Remuneration will be put to an advisory, non-binding shareholder vote at the 2017 AGM.

INM is an Irish-incorporated company and is therefore not subject to the UK company law requirement which requires UK companies to submit their directors' remuneration policy report to a binding vote by shareholders. However, we have substantially adopted UK practice in remuneration reporting on a voluntary basis and, at the 2016 AGM, the remuneration policy was submitted to shareholders and approved. The remuneration policy is not required to be approved at this year's AGM. It will be put to shareholders again no later than the Company's AGM in 2019.

### Share Ownership and Dealing
Details of the Directors' interests in INM shares are set out in the Remuneration Committee Report on page 84.

The Board has adopted the INM Share Dealing Policy which applies to dealings in INM shares by the Directors and Company Secretary of INM, Directors of all Group companies and all INM Head Office employees. The policy meets the requirements of the EU Market Abuse Regulation which became effective in July 2016. Under the policy, Directors and relevant executives are required to obtain clearance from the Chairman or Chief Executive before dealing in INM shares and are prohibited from dealing in the shares during prohibited periods as defined by the Market Abuse Regulation.

In addition, the policy specifies preferred periods for share dealing by Directors and relevant executives, being the 21 day periods following the updating of the market on the Company's trading position through the preliminary results announcement in March, the interim results announcement in August and any Interim Management Statement that may be issued.

# Corporate Governance Statement - continued

## Risk Management and Internal Control

The Board is responsible for the Group's system of risk management and internal control. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable but not absolute assurance against material misstatement or loss. Details in relation to the Group's risk management structures are set out in the Risk Report on page 24.

The Board has delegated responsibility for the ongoing monitoring of the effectiveness of this system to the Audit and Risk Committee. Details in relation to the Audit and Risk Committee's work in this regard are set out in the Audit and Risk Committee Report on page 53.

In accordance with the revised guidance, entitled "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" issued by the FRC in September 2014, which applied to the financial year ended 31 December 2016, the Board confirms that there is an ongoing process for identifying, evaluating and managing any significant risks faced by the Group, that it has been in place for the year under review and for the period up to the date of the approval of the financial statements and that this process is reviewed by the Board.

The Board receives regular reports from the Chairman of the Audit and Risk Committee on its activities and considers recommendations from the Audit and Risk Committee on the findings and agreed actions arising from the annual assessment of risk management and internal control.

Further details on this assessment are set out in the Audit and Risk Committee Report on page 53.

The consolidated financial statements are prepared subject to the oversight and control of the Chief Financial Officer, ensuring correct data is captured and that all information required for disclosure in the consolidated financial statements is provided. The consolidated financial statements are reviewed by the Audit and Risk Committee and approved by the Board.

## Compliance

### Tone from the Top

The key message of the Group compliance programme is that Directors, managers and employees should "Do the right thing" at all times. This means not merely following the laws and policies that apply to their work, but also exercising good judgement to ensure that their actions are seen as fair and ethical.

### Business Conduct Guidelines

INM's Code of Conduct, which is available on www.inmplc.com, sets out the general standards that are expected of Directors, managers and employees across the Group in a range of areas.

The Group also maintains more detailed policies on a range of relevant areas, complementing the general requirements set out in the Code of Conduct. The areas covered by more detailed policies include health and safety, anti-bribery and corruption, competition law, information security, equal opportunities and share dealing. Depending on the nature of their role, employees of the Group receive more detailed training on those policies.

### Whistleblowing

Employees across the Group are required to raise a concern if any of INM's activities are being undertaken in a manner that may not be legal or ethical, and are supported if they do so. Concerns can be raised with a member of management in the business where the employee works or with the Company Secretary. Employees may raise concerns anonymously if they wish. Our internal policies make clear that retaliation against any employee who raises a concern is prohibited. Where concerns are raised, they are investigated in an appropriate manner.

The Audit and Risk Committee has oversight responsibility for INM's whistleblowing arrangements and how they operate.

# Corporate Governance Statement - continued

## Board Performance Evaluation

The Board conducts an annual evaluation of its own performance, that of each of its principal committees, namely, the Audit and Risk Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee, and that of Committee Chairmen and individual Directors.

In 2015, the entire performance evaluation was externally defined and conducted by the Institute of Directors, in accordance with the requirement to have it externally facilitated every three years under Provision B.6.2, of the 2014 Code.

In 2016, the entire performance evaluation process was internally conducted. The various phases of the internal performance evaluation process are set out below:

- A questionnaire covering key aspects of Board effectiveness, including Board strategy and remit, the composition of the Board, the content and running of Board and Committee meetings, performance of individual Directors, corporate governance, risk, succession planning and the Directors' continuing education process, was circulated to all Directors.
- Completed questionnaires, including views on performance and recommendations for improvement, were returned to the Company Secretary who prepared a summary report on the Board and its Committees for the Nomination and Corporate Governance Committee. This was subsequently reviewed and then presented by the Chairman of the Nomination & Corporate Governance Committee to the Board.
- Each of the Audit and Risk Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee will consider the summary report as part of its annual review of its own performance and of its terms of reference - and recommend any changes it considers necessary to the Board for approval.

The Board formally concluded that the workings of the Board and its Committees were effective during the year and that they continued to operate at a high level.

Pending the outcome of the independent review and the ODCE request outlined in the Chairman's Introduction on page 39, the performance evaluation of the Chairman and individual Directors, required under Provisions B.6.1. and B.6.3. of the Code has been deferred.

All action items arising from the 2015 evaluation were substantially completed during the year ended 31 December 2016.

## Relations with Shareholders

INM recognises the importance of communications with shareholders. Presentations are made to both existing and prospective institutional shareholders, principally after the release of the interim and annual results. Major news items are also notified to the market and the Company's website www.inmplc.com provides the full text of all press releases. The website also contains annual and interim reports and incorporates investor presentations.

All Directors are kept informed of the views of shareholders through the Chief Executive and Chief Financial Officers' attendance at investor presentations and results presentations. Furthermore, relevant feedback from such meetings, investor relations reports and brokers notes are provided to the entire Board on a regular basis.

The Company's AGM provides shareholders with the opportunity to question the Chairman, the Committee Chairmen and the Board. Further details on the Company's AGM are set out in the Report of the Directors on page 94.

## Report of the Directors

For the purposes of section 1373 of the Companies Act 2014, details of substantial shareholdings in the Company are set out in the Report of the Directors on page 95.

# Corporate Governance Statement - continued

## Going Concern

The Company's business activity are set out in the Chief Executive's Review on page 6. The financial position of the Company is described in the Financial Review on page 18.

As noted in the financial statements, the Company has €84.8m in liquid resources and no borrowings.

Having assessed the relevant business risks and the Company's financial position and products, the Directors believe that the Company is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## Viability Statement

In accordance with provision C.2.2 of the 2014 Code, the Directors have assessed the viability of the Group over the three years to December 2019. This assessment has been made with reference to INM's current position and prospects, the Group strategy, the Board's risk appetite and principal risks, which the Directors review at least annually.

Group revenue, operating profit, EBITDA and cash flow forecasts were subject to robust downside stress testing over the assessment period, which involved modelling the impact of a combination of severe but plausible adverse scenarios. This was focussed on the impact of the Group's principal risks crystallising.

Based on the analysis described above, the Directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for the next three years.

## Compliance Statement

During the year ended 31 December 2016, the Directors consider that the Company has complied with all relevant provisions of the 2014 UK Corporate Governance Code and the Irish Corporate Annex save for the Board composition, re-election, independence and performance evaluation matters disclosed in this Corporate Governance Statement.

Leslie Buckley, Robert Pitt
*Directors*
27 April 2017

# AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee comprises three non-executive Directors, Jerome Kennedy (Chairman), Terry Buckley and Len O'Hagan. The members of the Committee have significant financial and business experience.

## Dear Shareholder

As Chairman of INM's Audit and Risk Committee, I am pleased to present the report of the Committee for the year ended 31 December 2016 which has been prepared by the Committee and approved by the Board.

The responsibilities of the Audit and Risk Committee are summarised in the table on page 54 and are set out in full in its Terms of Reference, which are available on the INM website www.inmplc.com.

This report details how the Audit and Risk Committee has met its responsibilities under its Terms of Reference (page 54), the 2014 UK Corporate Governance Code ('the 2014 Code'), and the provisions of the Irish Corporate Governance Annex which apply to INM's financial year ended 31 December 2016. I have highlighted below a number of key responsibilities.

The Committee is responsible for monitoring the integrity of the Group's financial statements and in assisting the Board in determining that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The work done in this regard is set out on page 55.

The Committee has been delegated responsibility from the Board for the Group's risk management and internal control systems. The work done by the Committee in this regard, encompassing ongoing monitoring and the review of effectiveness, is detailed on page 60.

KPMG is the external auditor for the Group and has been in place since June 2013 (as a result of the tender process completed in that year). Our engagement with the external auditor and with the Group Internal Audit function is detailed on pages 61 and 62 of this report.

The Board, the Audit and Risk Committee and Group management are fully committed to continuous improvement of financial and risk management within the Group.

On behalf of the Audit and Risk Committee

*Jerome Kennedy*
*Chairman, Audit and Risk Committee*
27 April 2017

# Audit and Risk Committee Report - continued

## Role

- Monitor the integrity of the Group's financial statements and any formal announcements relating to the Company's financial performance, including reviewing significant financial reporting judgments contained in them.
- Provide advice on whether the Annual Report and Statutory Financial Statements, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- To assist the Board in its responsibilities in regard to the assessment of the principal risks facing the Company, the monitoring of risk management and internal control systems, including the review of effectiveness, and the going concern and viability statements.
- Oversee the relationship with the external auditor, including remuneration and terms of engagement.
- Review the effectiveness of the external audit process.
- Make a recommendation to the Board on the appointment, re-appointment and removal of the external auditor
- Ensure the external audit is put to tender at least every ten years.
- Develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence.
- Review the operation and effectiveness of the Group Internal Audit function.
- Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- Review annually its own performance and terms of reference to ensure it is operating effectively.
- Report to the Board on how the Committee has discharged its responsibilities.

### Composition

The Audit and Risk Committee comprises three non-executive Directors, Jerome Kennedy (Chairman), Terry Buckley and Len O'Hagan. The members of the Committee have significant financial and business experience. Further biographical details regarding the members of the Audit and Risk Committee are set out on pages 42 and 43. The Board is satisfied that Jerome Kennedy has recent and relevant financial experience, as required by the 2014 Code, and that the members of the Audit and Risk Committee have an excellent mix of skills and expertise in commercial, financial and audit matters arising from the senior positions they hold or held in other organisations.

The Company Secretary is the secretary to the Audit and Risk Committee.

### Meetings

The Committee met seven times during the year ended 31 December 2016 as per the attendance schedule on page 46.

The Chief Financial Officer, the Head of Internal Audit and the Chief Risk Officer were invited to attend each committee meeting. The external auditor also attended these meetings as required.

The Chairman of the Audit and Risk Committee also met with both the Head of Internal Audit and the external audit lead-partner outside of Committee meetings as required throughout the year.

# Audit and Risk Committee Report - continued

## Activities

### Financial Reporting and Significant Financial Judgements

In regard to the Annual Report and Statutory Financial Statements, the Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee obtains support from the external auditor in making these assessments.

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and particularly those which involve a relatively higher level of complexity, judgement or estimation by management.

The table on pages 56 to 58 sets out the significant issues considered by the Committee in relation to the financial statements for the year ended 31 December 2016.

Management confirmed to the Committee that they were not aware of any material misstatements in the financial statements and KPMG confirmed that they had found no material misstatement in the course of their work.

## Fair, Balanced and Understandable

The 2014 Code requires that the Board should present a fair, balanced and understandable assessment of the Company's position and prospects and specifically that they consider that the Annual Report and Statutory Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

At the request of the Board, the Committee considered whether the 2016 Annual Report and Statutory Financial Statements met these requirements.

The Committee considered and discussed with management the established and documented process put in place by management for the preparation of the 2016 Annual Report and Statutory Financial Statements, in particular, timetable, co-ordination and review activities.

This enabled the Committee, and then the Board, to conclude that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess performance, business model and strategy.

# Audit and Risk Committee Report - continued

## Significant issues in relation to the Financial Statements for the year ended 31 December 2016:

**Deferred Taxation**

Significant judgement is exercised by management in arriving at the amounts to be provided for deferred taxation. The final determination of some transactions is uncertain and may not be known for a number of years.

The Group has significant deferred tax assets, largely pension plan deficits and capital allowances. Accounting standards provide guidance on when it is appropriate to recognise such assets in the Statement of Financial Position.

As set out in note 23 to the Group financial statements, the Group Statement of Financial Position reflects a net deferred tax asset of €10.7m at 31 December 2016.

Management has prepared a financial model to support the Group's deferred tax position. Deferred tax assets have been recognised in relation to those items to the extent that their recovery is probable having regard to the projected future taxable profits of the relevant business units. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised, based on tax rates and tax laws substantively enacted at the reporting date.

In considering the recoverability of the net deferred tax asset, the Committee:

- Reviewed reports from management regarding the component parts of the deferred tax asset, future taxable profits and the recoverability of the net deferred tax asset.
- Reviewed the movement in the net deferred tax asset during 2016, noting a reduction from €13.3m at 1 January 2016 to €10.7m at 31 December 2016.
- Reviewed the reasons for the reduction in the net deferred tax asset in 2016.
- Reviewed the reasons supporting the Group's decision to reduce the timeframe of projected profits it can assess from a period of 7 years to 5 years.

Following its review, the Committee is satisfied that the carrying values of the deferred tax asset is appropriate, concurred with management's view that the asset is recoverable and that the correct accounting treatment has been adopted.

Note 23 to the Group financial statements sets out further detail in respect of taxation.

# Audit and Risk Committee Report - continued

## Significant issues in relation to the Financial Statements for the year ended 31 December 2016:

| | |
|---|---|
| **Carrying amount of intangible assets and property, plant and equipment** | As set out in notes 14 and 15 to the Group financial statements, the Group has a combined total investment of €89.8m in intangible assets (€48.2m) and property, plant and equipment (€41.6m) as at 31 December 2016.<br><br>The Group tests the carrying amount of intangible assets and property, plant and equipment for impairment on an annual basis or whenever there is an indication that assets may be impaired. Assets are allocated, as appropriate, to the relevant Cash Generating Units (CGUs) which represent the lowest level at which the related assets are monitored for internal management purposes.<br><br>This testing involves determining the CGU's value in use and comparing this to the carrying amount of the CGU. Where the value in use exceeds the carrying amount of the CGU, the asset is not impaired, but where the carrying amount exceeds the value in use, an impairment loss is recognised to reduce the carrying amount of the CGU to its value in use.<br><br>Estimates of value in use are key judgmental estimates in the financial statements. The calculations involve a number of key assumptions, made by management, which are based on past experience and are consistent with relevant external sources of information. The calculations are then subjected to sensitivity analysis.<br><br>In considering whether the carrying amount of intangible assets and property, plant and equipment is recoverable, the Committee:<br>• Reviewed the significant impairment testing models prepared by management at 31 December 2016 including the value in use and carrying amount for each CGU.<br>• Reviewed the movement in the carrying amount of intangible assets and property, plant and equipment in 2016, noting a reduction from €91.8m at 1 January 2016 to €89.8m at 31 December 2016.<br>• Reviewed the reasons for the increase in the carrying amount of intangible assets, noting additions recognised of €10.3m.<br>• Reviewed the reasons for the reduction in property, plant and equipment in 2016, noting that an impairment loss of €1.8m was recognised in 2016.<br><br>Following their review, the Committee is satisfied that the carrying amount has been appropriately scrutinised and challenged. The Committee concurs with management's view that the carrying value is recoverable.<br><br>Notes 14 and 15 to the Group financial statements sets out further details in respect of intangible assets and property, plant and equipment, including the impairment methodologies adopted. |

# Audit and Risk Committee Report - continued

## Significant issues in relation to the Financial Statements for the year ended 31 December 2016:

**Defined Benefit Pension Schemes**

As set out in note 35 to the Group financial statements, the Group operates defined benefit and defined contribution pension schemes. The Group Statement of Financial Position reflects a net pension liability of €97.3m at 31 December 2016.

The Group's defined benefit schemes are administered by separate funds that are legally separate from the Group under the jurisdiction of Trustees. The Group notified the Trustees of two of its Republic of Ireland defined benefit pension schemes of its decision to cease contributions to those two schemes with effect from 7 November 2016. As such, the net liability in respect of these two schemes in the Group's Statement of Financial Position as at 31 December 2016 is zero; the value of the benefits payable from the schemes on wind up is assumed to be equal to the value of the assets available from the schemes as at 7 November 2016. The defined benefit cost for the fiscal year ending 31 December 2016 includes an accounting adjustment on settlements of €61.8m to reflect the value of the IAS19 defined benefit obligation settled in excess of the value of the assets at the date of cessation of contributions to two of the Group's Republic of Ireland defined benefit schemes (i.e. 7 November 2016).

In considering whether the measurement of the defined benefit and defined contribution pension liabilities are reasonable and that the associated presentation and disclosure in the Annual Report are appropriate, the Committee:

- Noted that the calculations were performed by the Group's actuarial advisors, Mercer and AON.
- Reviewed supporting documentation, including legal advice from Eversheds, regarding the appropriateness of the derecognition of the Statement of Financial Position liability in respect of the two Republic of Ireland defined benefit pension schemes closed with effect from 7 November 2016.
- Reviewed the corresponding additional defined contribution pension scheme provision created. In regard to both matters, the directors were satisfied with the appropriateness of the accounting treatment adopted.
- Reviewed the reasons for the reduction in the defined benefit pension liability, noting the accounting adjustment on settlements, the Company's cash contribution and the impact of a decrease in the discount rate.

Following their review, the Committee is satisfied that the measurement of the pension liability is reasonable and that the associated presentation and disclosure in the Annual Report are appropriate.

Note 35 to the Group financial statements sets out further details in respect of the defined benefit pension schemes including assumptions and methodologies adopted.

# Audit and Risk Committee Report - continued

## Other issues:

| | |
|---|---|
| **Exceptional items** | Exceptional items are those which are separately disclosed by virtue of their nature or amount in order to aid the user's understanding of underlying performance.<br><br>Management exercises judgement in assessing each particular item and whether this treatment is consistent with INM's accounting policies and practice.<br><br>In considering whether the presentation of the exceptional items in the financial statements is reasonable, the Committee:<br>• Noted exceptional income recognised in the period amounts to €10.1m (2015: €40.7m). This primarily relates to:<br>• Retirement benefits accounting adjustment (€11.8m);<br>• Gain on disposal of property (€5.8m);<br>• Charge of €3.3m related to restructuring costs;<br>• Charge of €0.7m for acquisition related costs; and<br>• Impairments of €1.8m.<br>• Discussed the treatment adopted for each exceptional item.<br><br>Following their review, the Committee is satisfied with the treatment adopted for each exceptional item, their consistency with INM's accounting policy and previous practice, and the clarity of individual descriptions.<br><br>Note 7 to the Group financial statements sets out further details in respect of Exceptional Items. |
| **Other matters** | In addition, the Committee has considered a number of other judgements which have been made by management including revenue recognition and provisioning for impairment of trade receivables. |

# Audit and Risk Committee Report - continued

## Risk Management and Internal Control

Details of the Group's system of risk management and internal control are set out in the Risk Report on pages 24 to 33. The Audit and Risk Committee has been delegated responsibility by the Board for the ongoing monitoring of the effectiveness of this system as required by the 2014 Code.

The Audit and Risk Committee receives a report at each meeting on the activities of the Group Internal Audit function, including internal audits, IT audits and special investigations. Reports are also received from the Executive Risk Committee. The risk management and internal control systems were in place for the full year 2016 and remain active at the date of approval for the 2016 accounts. In addition, a detailed review of the Group risk management framework was carried out by EY in late 2015. This review provided recommendations to further strengthen INM's risk management framework, all of which were actioned and implemented in 2016.

Further details on the Group's risk management framework are set out in the Risk Report on page 25.

The Chairman of the Audit and Risk Committee reports to the Board on the Committee's activities in regard to the Group's risk management and internal control systems. The Board also receives and reviews a summary Group Risk Register and a Risk and Internal Controls Report, prepared by the Chief Financial Officer, the Chief Risk Officer and the Executive Risk Committee, on an annual basis.

The Audit and Risk Committee conducts, on behalf of the Board, an annual assessment of the operation of the Group's system of risk management and internal control, as required under the 2014 Code. This assessment was based on a detailed review carried out by the Chief Financial Officer, the Chief Risk Officer and Group Internal Audit, utilizing the risk register process described in the Risk Report on page 26. This review took account of the principal risks facing the Group, the controls in place to manage those risks (including financial, operational and compliance controls) and the procedures in place to monitor them. Where areas for improvement have been identified, the necessary actions in respect of the relevant control procedures have been, or are being, taken.

The Chairman of the Audit and Risk Committee has reported to the Board on the findings and agreed actions arising from this annual assessment of risk management and internal controls.

# Audit and Risk Committee Report - continued

## External Auditor

The Audit and Risk Committee oversees the relationship with the external auditor including approval of the external auditor's fee proposal.

KPMG are the external auditor for the Group and conducted the audit in respect of the year ended 31 December 2016.

The Audit and Risk Committee reviewed the KPMG external audit plan at the meeting held in December 2016 prior to the commencement of the audit. Following the audit, the Audit and Risk Committee met with KPMG to review the findings from the audit of the Group financial statements.

The Audit and Risk Committee carries out an annual review of the effectiveness of the external audit process. As part of this process, an audit effectiveness questionnaire was completed by Group finance executives and the responses are summarised by management in a report to the Audit and Risk Committee. Based on its consideration of this report and its own interaction with KPMG, in the form of reports and meetings, the Audit and Risk Committee concludes on the effectiveness of the external audit process and reports its conclusions to the Board.

The Audit and Risk Committee meets with the external auditor during the year without the presence of management.

In accordance with its Terms of Reference, the Audit and Risk Committee is required to make a recommendation to the Board on the appointment, reappointment and removal of the external auditor.

### Independence

The Audit and Risk Committee has a process in place to ensure that the independence of the audit is not compromised, which includes monitoring the nature and extent of services provided by the external auditor through its annual review of fees paid to the external auditor for audit and non-audit work and seeking confirmation from the external auditor that they are in compliance with relevant ethical and professional guidance and that, in their professional judgment, they are independent from the Group.

The Audit and Risk Committee has approved a policy on the employment of employees or former employees of the external auditor. This policy provides that the Chief Executive will consult with the Chairman of the Audit and Risk Committee prior to the appointment of any employee or former employee of the external auditor to a senior financial reporting position, to a senior management role or to a Company officer role, where such a person was a member of the external audit team in the previous two years.

### Non-Audit Services

The Audit and Risk Committee has approved a policy on the engagement of the external auditor to provide non-audit services, which provides that the external auditor is permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, providing they have the skill, competence and integrity to carry out the work and are considered to be the most appropriate to undertake such work in the best interests of the INM Group.
The policy also provides that any non-audit work which would result in the aggregate of non-audit fees paid to the external auditor exceeding 70% of annual audit fees must be approved in advance by the Chief Executive and the Chairman of the Audit and Risk Committee. Details of the amounts paid to the external auditor during the year for non-audit services are set out in note 6 on page 135.

# Audit and Risk Committee Report - continued

## Group Internal Audit

Group Internal Audit's work is focused on areas of greatest risk to the Group, as determined by a risk assessment process carried out by the Chief Risk Officer and the Executive Risk Committee. The output from this process is summarised in an annual Internal Audit Plan. During the year the Committee approved the annual Internal Audit Plan and monitored progress against the plan. Audit reports were made available to the Committee after each audit and the Committee monitored progress against actions identified in those reports. In addition, the Committee ensures co-ordination between Group Internal Audit and the external auditor.

During the year (and in particular regarding the approval of the Internal Audit Plan for the forthcoming year) the Audit and Risk Committee considered the adequacy of the resources of the Internal Audit function. In 2016, internal audit support arrangements were implemented with EY and with Grant Thornton. The arrangements enable Group Internal Audit flexibility by providing access to subject matter specialists and supplemental internal audit staff support as required.

The Internal Audit function has unrestricted access to all Group documentation, premises, functions and employees as required to enable it to perform its functions. The appointment and removal of the Head of Internal Audit is the responsibility of the Audit and Risk Committee.

Group Internal Audit has direct access to the Chairman of the Audit and Risk Committee and is invited to attend the Audit and Risk Committee meetings on a regular basis.

## Whistleblowing Arrangements

The Audit and Risk Committee is responsible for ensuring that the Group maintains suitable whistleblowing arrangements for its employees. The Committee reviewed those arrangements during the year to ensure that they continue to meet the needs of the Group.

# Audit and Risk Committee Report - continued

## Annual Evaluation of Performance

The effectiveness of the Audit and Risk Committee is reviewed on an annual basis by both the Board and the Committee itself. The conclusion from this process was that the performance of the Committee and of the Chairman of the Committee was satisfactory. Minor changes were made to the Committee's Terms of Reference to reflect current best practice.

## Reporting

The Chairman of the Audit and Risk Committee reports to the Board on the activities of the Committee on a regular basis.

The Chairman of the Audit and Risk Committee attends the Annual General Meeting to answer questions on the report of the Committee's activities and matters within the scope of the Committee's responsibilities.

### Length of tenure on Audit and Risk Committee

| | **Tenure (years)** |
|---|---|
| Jerome Kennedy (Chairman) | 4.5 |
| Terry Buckley | 4.5 |
| Len O'Hagan | 4.5 |
| Triona Mullane (resigned 26 April 2017) | 4.5 |


BORD GÁIS ENERGY THEATRE
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How Shane saved Seamus
DR CIARA KELLY The joy and fear of motherhood
Garda chief 'loses confidence' of FF
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Recycle and Change for the Better.
REPAK
Sunshine heals all wounds
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# REMUNERATION COMMITTEE REPORT

The Remuneration Committee comprises three independent non-executive Directors. The members of the Committee are Len O'Hagan (Chairman), Terry Buckley and Jerome Kennedy. Biographical details for the members of the Remuneration Committee are set out on page 42 and 43.

## Dear Shareholder

As Chairman of INM's Remuneration Committee, I am pleased to present the Remuneration Committee Report for the year ended 31 December 2016, which has been prepared by the Committee and approved by the Board.

The responsibilities of the Remuneration Committee are summarised in the table on page 66. Its Terms of Reference are available on the INM website www.inmplc.com.

INM's Remuneration Policy seeks to incentivise Executives to create shareholder value and consequently their remuneration is weighted towards performance-related elements with targets to incentivise the delivery of strategy over the short and long term.

The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'UK Regulations') is in effect in the UK. While INM, as an Irish incorporated company, is not subject to these regulatory requirements, we recognised that they represented best practice in remuneration reporting and we have substantially applied the UK Regulations to this Remuneration Committee Report on a voluntary basis.

The UK Regulations only require disclosure of the remuneration of Executive Directors. However for the purposes of this Report the Committee has decided to disclose fully the remuneration of the Chief Executive Officer and the Chief Financial Officer. While the Chief Executive Officer was appointed as an Executive Director on 29 January 2016, for the purpose of this Report, these roles together are referred to in the Report as the Designated Senior Executives.

At the 2016 Annual General Meeting, resolutions on the Remuneration Policy and the Annual Report on Remuneration were put to shareholders, on an advisory rather than on a binding basis. The resolutions were passed by shareholders. The results of the votes are set out in the table on page 86.

The Annual Report on Remuneration, as set out on pages 78 to 86, will be put to an advisory vote by shareholders at the 2017 Annual General Meeting.

## Performance in 2016

INM achieved a very strong result in the year to 31 December 2016, with growth in Profit before Tax of 11.8% to €41.8m. Adjusted Basic EPS, pre-exceptionals, grew by 21% to 2.9 cent. Basic EPS (including exceptionals) was 3.6 cent (2015: 5.3 cent) with the year on year decrease primarily driven by the gain arising on disposal of APN News and Media Limited in the first half of 2015.

# Remuneration Committee Report - continued

## Annual Performance Incentive

The annual performance incentive is based on a combination of financial and personal objectives. However no award is made in respect of personal objectives unless the financial objective, currently EBITDA, is met.

In relation to the financial objective the Board set a challenging EBITDA budget for 2016, which was substantially achieved. The Remuneration Committee, exercising its discretion, decided to make a payment of 50% of the target incentive that is available for achieving the EBITDA budget. In addition the Committee determined that both Designated Senior Executives had substantially achieved their personal objectives but that the corresponding incentive payment should reflect the reduced incentive paid in respect of the financial objective. Details are set out on page 80.

## Long Term Incentive Plan

At the 2014 Annual General Meeting, shareholders approved the introduction of the INM PLC Long Term Incentive Plan 2014 ('LTIP') including the quantum of awards, the performance conditions, the vesting period and the threshold and maximum vesting levels.

An annual grant of options of 1,433,556 shares and 591,342 shares were issued to the Chief Executive Officer and the Chief Financial Officer respectively in 2016, with the performance period commencing 1 January 2016.

Further details in relation to the LTIP award are set out on pages 70 to 73.

## Conclusion

I am pleased to present the report of the Remuneration Committee for the year ended 31 December 2016. The Group's Remuneration Policy is set out on pages 67 to 77 and the Committee continues to be confident that the policy sets out the Group's strategic objectives and is properly governed.

On behalf of the Remuneration Committee,

Len O'Hagan
*Chairman, Remuneration Committee*
27 April 2017

## Role and Responsibilities

- To determine and agree with the Board the policy for the remuneration of the Chief Executive Officer, Chief Financial Officer and certain Executives (as determined by the Committee).
- To determine the remuneration packages of the Chairman, Chief Executive Officer, Chief Financial Officer and certain Executives, including salary, annual incentive, pension rights and compensation payments.
- To oversee remuneration structures for other Group and subsidiary senior management and to oversee any major changes in employee benefits structures throughout the Group.
- To nominate Executives for inclusion in the Group's Long Term Incentive Plan, to grant options or awards under this Plan, to determine whether the criteria for the vesting of options or awards have been met and to make any necessary amendments to the rules of the Plan.
- To ensure that contractual terms on termination or redundancy, and any payments made, are fair to the individual and the Group.
- To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- To obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity.
- To report to the Board on how the Committee has discharged its duties.
- To review the Group's Remuneration Policy to ensure that it remains aligned with shareholders' interests, is correctly reported in accordance with relevant legislation and provides the right framework to attract, retain and motivate Executives to meet the Group's objectives.

# Remuneration Committee Report - continued

## 1. REMUNERATION POLICY

INM's Remuneration Policy is designed and managed to support a high performance and entrepreneurial culture, taking into account competitive market positioning. The Group intends to continue to operate its remuneration arrangements in line with this Remuneration Policy.

The Board seeks to align the interests of Designated Senior Executives and other Executives with those of shareholders, within the framework set out in the 2014 UK Corporate Governance Code. Central to this policy is the Group's belief in long-term, performance based incentivisation and the encouragement of share ownership.

The basic objective under the policy is to have overall remuneration reflect business performance and personal contribution, while having basic salary rates and the short term element of incentive payments at the median of a comparator group with a similar market capitalisation.

The Remuneration Committee seeks to ensure that:

- the Group will attract, motivate and retain individuals of the highest calibre;
- Executives are rewarded in a fair and balanced way for their individual and team contribution to the Group's performance;
- Executives receive a level of remuneration that is appropriate to their scale of responsibility and individual performance;
- the overall approach to remuneration has regard to the sectors and geographies within which the Group operates and the markets from which it draws its Executives; and
- risk is properly considered in setting remuneration policy and in determining remuneration packages.

INM's strategy of fostering entrepreneurship requires well designed incentive plans that reward the creation of shareholder value through organic and acquisition growth while maintaining high returns on capital employed, strong cash generation and a focus on good risk management. The typical elements of the remuneration package for the Designated Senior Executives and other Executives are annual salary, retirement benefits and allowances, annual performance related incentives and participation in a long term performance plan which promote the creation of sustainable shareholder value.

The Remuneration Committee takes external advice from remuneration consultants on market practice to ensure that the remuneration structures continue to support the key remuneration policy objectives.

The primary comparator group for benchmarking remuneration is a group of Irish listed companies that are broadly comparable to INM. The comparator group for the LTIP is the group of 13 companies which comprise the FTSE 350 Media Group (Auto Trader Group plc, Entertainment One Ltd, Euromoney Institutional Investor plc, Informa PLC., ITV plc., Moneysupermarket.Com Group, Pearson PLC., RELX PLC., Rightmove plc., SKY plc., UBM plc., WPP, Zoopla Property Group plc.).

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

The key elements of the remuneration for Designated Senior Executives and other Executives under the Policy are set out in the table below:

| Element and link to Remuneration Policy | Approach | Maximum Opportunity |
|---|---|---|
| **Annual Salary** | | |
| Attract and retain skilled and experienced Executives. | Annual salaries are reviewed annually. The factors taken into account in the review include:<br>• Role and experience<br>• Group performance<br>• Personal performance<br>• Competitive market practice<br>• Benchmarking against an Irish market capitalisation comparator group.<br><br>When setting salaries, account is taken of movements in salaries generally across the Group. | No prescribed maximum annual salary or maximum annual increase.<br><br>General intention that any increases will be in line with the general increase across the Group.<br><br>Increases may be higher in certain circumstances such as changes in role and responsibility or significant changes in market practice. |

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

| Element and link to Remuneration Policy | Approach | Maximum Opportunity |
|---|---|---|
| **Annual Incentives** | | |
| Reward the achievement of annual performance targets. | Annual Incentive payments to Designated Senior Executives and other Executives are based on (a) meeting pre-determined financial targets, currently based on EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and (b) the overall contribution and attainment of personal objectives. The contribution and personal targets are focused on areas such as delivery on strategy, organisational development, risk management and talent development/succession planning.<br><br>The measures, their weighting and the targets are reviewed on an annual basis.<br><br>The current measures for the Designated Senior Executives, and their weighting, are set out on page 81.<br><br>Annual Incentive payments are determined by the Committee after the year end based on actual performance achieved against these targets.<br><br>The Committee can apply appropriate discretion in specific circumstances in respect of determining the incentive payment to be awarded.<br><br>A formal clawback policy is in place for the Designated Senior Executives and other Executives, under which Annual Incentive payments are subject to clawback for a period of three years in the event of a material restatement of financial statements or other specified events. Further details on the clawback policy are set out on page 74.<br><br>The Committee has discretion in relation to incentive payments to joiners and leavers. | The maximum award, as a percentage of annual salary, for the Designated Senior Executives is as follows:<br><br>Chief Executive Officer – % of Annual Salary: 60%<br>Chief Financial Officer – % of Annual Salary: 42%<br><br>The maximum award, as a percentage of annual salary, for other Executives ranges from 12% to 42% of annual salary. |

| | % of Annual Salary |
|---|---|
| Chief Executive Officer | 60% |
| Chief Financial Officer | 42% |

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

| Element and link to Remuneration Policy | Approach | Maximum Opportunity |
|---|---|---|
| **Long Term Incentive Plan ('LTIP')** | | |
| Align the interests of Executives with those of the Group's shareholders and reflect the Group's policy of long term performance based incentivisation. | The INM Long Term Incentive Plan 2014 ("LTIP") provides for the Remuneration Committee to grant zero or nominal cost options or share awards to Executives to acquire shares in INM.<br><br>The vesting period is normally three years from the date of grant, with the extent of vesting being determined at the end of the initial three years, based on the performance conditions set out below.<br><br>In addition to the detailed performance conditions, an award will not vest unless the Remuneration Committee is satisfied that the Group's underlying financial performance has shown a sustained improvement in the three year period since the date of grant.<br><br>The extent of vesting for awards granted to participants will be determined by the Remuneration Committee, in its absolute discretion, based on the two performance conditions set out below. | Other than in exceptional circumstances, the market value of the shares subject to options or share awards granted in any period of 12 months may not, at the date of the grant, exceed 100% of annual salary in the case of the Chief Executive Officer with a lower maximum value in the case of other Executives.<br><br>In exceptional circumstances such as, but not limited to external recruitment, the Committee may grant options or share awards to a value not exceeding 200% of annual salary in the case of the Chief Executive Officer and a lower maximum value in the case of other Executives. |

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

| Element and link to Remuneration Policy | Approach | Maximum Opportunity |
|---|---|---|
| **Long Term Incentive Plan ('LTIP') - continued** | | |

**Performance Condition 1: Earnings per Share ('EPS'):**

Up to 50% of an award will vest depending on EPS growth over a three year period starting on 1 January in the year in which the award is granted compared with the change in the Consumer Price Index ('CPI') as follows:

| Annualised EPS growth in excess of annualised change in CPI | % of total award vesting |
|---|---|
| Less than 5% | 0% |
| At 5% | 20% |
| 5% - 10% | 20%-50% pro rata |
| Above 10% | 50% |

The intention is that the Committee will set the percentage (level of excess over CPI) at the time of each award in the light of business activity, including any significant corporate transactions, and three year plans for the Group and prevailing business and economic circumstances. The range set will be disclosed in the Annual Report on Remuneration.

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

| Element and link to Remuneration Policy | Approach | Maximum Opportunity |
|---|---|---|

### Long Term Incentive Plan ('LTIP') - continued

**Performance Condition 2: Total Shareholder Return ('TSR'):**

Up to 50% of an award will vest depending on TSR performance over the performance period, compared with the comparison group, in accordance with the below table:

| TSR | % of total award vesting |
|---|---|
| Below median | 0% |
| Median | 25% |
| Between median and 75th percentile | 25%-50% pro rata |
| Above 75th percentile | 50% |

The comparison group in respect of each award comprises the companies in the FTSE 350 Media Group on the first day of the Performance Period. The Committee may from time to time and at its discretion modify the composition of the comparison group with the agreement of the Irish Association of Investment Managers ("IAIM") if by reason of any change in the business of any such company, or if any such company ceases to be publicly listed, the Committee considers that it would no longer properly form part of such comparison group for the business of the Group.

No re-testing of the performance conditions is permitted.

The performance conditions and their relative weighting may be modified by the Remuneration Committee in accordance with the Rules of the LTIP, provided that they remain no less challenging and are aligned with the interests of the Group's shareholders.

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

| Element and link to Remuneration Policy | Approach | Maximum Opportunity |
|---|---|---|
| **Long Term Incentive Plan ('LTIP') - continued** | | |
| | In the case of participants other than the Designated Senior Executives, the Remuneration Committee will have discretion to utilise additional performance conditions, provided that they remain no less challenging and are aligned with the interests of the Group's shareholders. These additional conditions will not account for more than 20% of vesting, with a corresponding reduction in the percentage of vesting dependent on the EPS performance condition.<br><br>A formal clawback policy is in place, under which awards are subject to clawback in the event of a material restatement of financial statements or other specified events. Further details on this clawback policy are set out on page 74. | |
| **Retirement Benefits** | | |
| Reward sustained contribution. | Executives participate in a defined contribution pension scheme. The pension scheme gives the Group full discretion to pay appropriate contribution levels and the Group reviews market and benchmarking data for pension contributions for each employee group. | The Group contributes to a defined contribution pension scheme for employees at rates reflecting their seniority and experience. The contribution levels also reflect market benchmarking data. |
| **Allowances** | | |
| Provide market competitive benefits. | Benefits include a car allowance and an allowance for private medical insurance.<br><br>The Committee reviews market and benchmarking data in relation to allowances. | Maximum levels have not been set as payments depend on individual Executives circumstances. |

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

### Policy on Payments from Existing Awards

Subject to the achievement of the applicable performance conditions, Executives are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy detailed in this Report.

### Clawback Policy

Annual Incentive payments made to Executives may be subject to clawback for a period of three years from date of payment in certain circumstances including:

- a material restatement of the Group's audited financial statements;
- business or reputational damage to the Group or a subsidiary arising from a criminal offence, serious misconduct or gross negligence by the individual Executive; or
- a material breach of applicable health and safety regulations.

The rules of the LTIP allow for the giving of discretion to the Remuneration Committee to reduce or impose further conditions on awards prior to or subsequent to vesting in the circumstances as outlined above.

### Remuneration Policy for Recruitment of New Executives

In determining the remuneration package for new executives, the Remuneration Committee will be guided by the principle of offering such remuneration as is required to attract, retain and motivate a candidate with the particular skills and experience required for a role. The Remuneration Committee will generally set a remuneration package which is in accordance with the terms of the approved Remuneration Policy in force at the time of the appointment, though the Committee may make payments outside of the Policy if required in the particular circumstances and if in the best interests of the Group and the shareholders. Any such payments which relate to the buyout of variable pay (annual incentives or awards) from a previous employer will be based on matching the estimated fair value of that variable pay and will take account of the performance conditions and the time until vesting of that variable pay.

For an internal appointment, any variable pay element awarded in respect of the prior role and any other ongoing remuneration obligations existing prior to the appointment will be honoured.

### Remuneration Policy for Other Employees

While the Remuneration Committee's specific oversight of individual executive remuneration packages extends only to the Designated Senior Executives and a number of Executives, it aims to create a broad policy framework, to be applied by management to Executives throughout the Group, through its oversight of remuneration structures for other Group and subsidiary senior management and of any major changes in employee benefits structures throughout the Group.

INM currently employs approximately 800 people, throughout the Republic of Ireland and Northern Ireland.

### Consultation with Employees

Although the Remuneration Committee does not consult with employees on the Remuneration Policy, it considers remuneration arrangements and trends across the broader employee population when determining and implementing the Policy.

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

### Consultation with Shareholders

The Committee takes into account the views of shareholders on remuneration matters, particularly in relation to planned significant changes in policy.

The Committee acknowledges that shareholders have a right to have a 'say on pay' by putting the Remuneration Policy and the Annual Report on Remuneration to advisory votes at the Annual General Meeting.

### Policy for "Leavers"

The provisions for "leavers" in respect of each of the elements of remuneration are as follows:

#### Salary and Benefits

Payments are made only in respect of annual salary excluding benefits for the relevant notice period. For the Designated Senior Executives the notice period is 6 months and for the other Executives the notice period is 3 months. In all cases, the notice period applies to both the Group and the Executive.

#### Annual Incentive

The Remuneration Committee can apply appropriate discretion in respect of determining the annual incentives to be awarded based on actual achieved performance and the period of employment during the financial year.

#### Long Term Incentive Plan

To the extent that an option or share award has vested on the participant's date of cessation, the participant may exercise the option or share award during a specified period following such date but in no event may the option or share award be exercised later than the expiry date as specified in the Award Certificate.

In general, an option or share award that has not vested on the participant's cessation date immediately lapses.

The Committee would normally exercise its discretion when dealing with a participant who ceases to be an employee by reason of certain exceptional circumstances e.g. death, injury or disability, redundancy, retirement or any other exceptional circumstances. In such circumstances, any option or share award that has not already vested on the participant's cessation date would be eligible for vesting on a date determined by the Remuneration Committee. The number of shares, if any, in respect of which the option or share award vests would be determined by the Remuneration Committee.

In the event that a participant ceases to be an employee by reason of a termination of his employment for serious misconduct, each option and share award held by the participant, whether or not vested, will automatically lapse immediately on the service of notice of such termination, unless the Committee in its sole discretion determines otherwise.

#### Retirement Benefits

The rules of the Group's defined contribution pension scheme, of which the Designated Senior Executives are members, contain detailed provisions in respect of termination of employment.

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

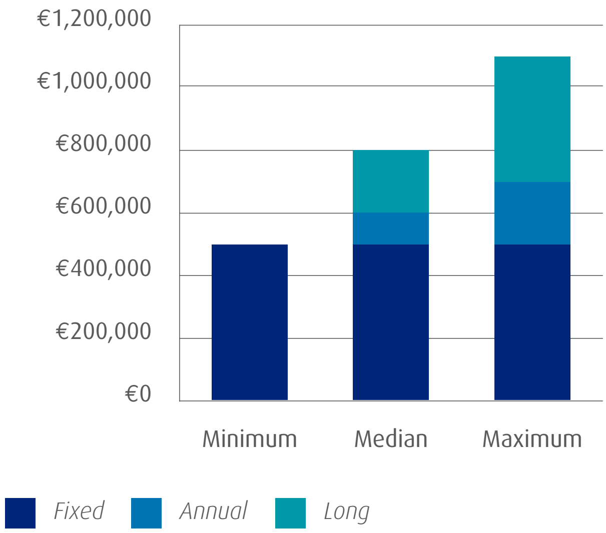
### Policy on Share Ownership

INM's Remuneration Policy has at its core, a recognition that the spirit of ownership and entrepreneurship is essential to the creation of long term high performance and that share ownership is important in aligning the interests of Executives with those of shareholders. It is, therefore, the intention of the Remuneration Committee to develop a set of share ownership guidelines for implementation in future years.

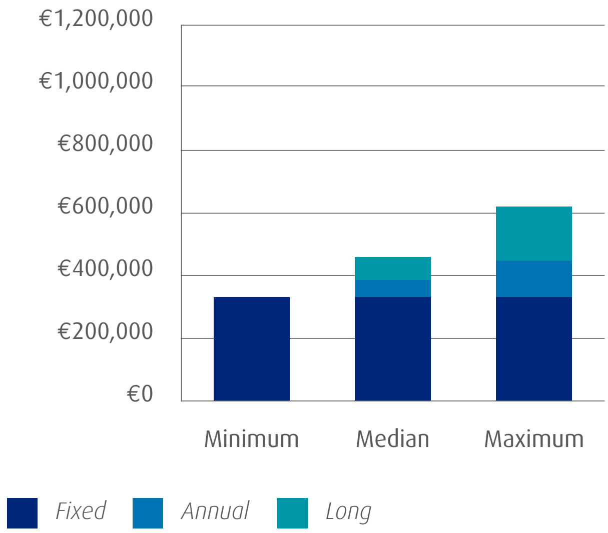
### Potential Remuneration - scenario charts

The current (2017) value and composition of the Designated Senior Executives' remuneration packages at minimum, median and maximum performance in respect of annual salary, retirement benefits, allowances, annual incentives and long term incentives are set out in the charts below. In the case of long term incentives, the maximum value is the maximum value of options or shares that can be granted under the INM PLC Long Term Incentive Plan in respect of 2017. In calculating any value that may be delivered in shares under the LTIP, no account has been taken of any potential increase or decrease in share price.

Chief Executive Officer




Chief Financial Officer




*Notes:*

*a. Fixed = annual salary, retirement benefits and allowances.*

*b. Annual = annual incentives.*

*c. Long = maximum value of options or share awards that can be granted under the INM PLC Long Term Incentive Plan 2014.*

*d. Total pay for minimum performance comprises annual salary, retirement benefits and allowances (fixed).*

*e. Total pay for median performance comprises annual salary, retirement benefits and allowances (fixed), 50% of maximum annual incentive potential (annual) and 50% of maximum LTIP value (long).*

*f. Total pay for maximum performance comprises annual salary, retirement benefits and allowances (fixed), 100% of maximum annual incentive potential (annual) and 100% of maximum LTIP value (long).*

# Remuneration Committee Report - continued

## 1. Remuneration Policy - continued

### Policy for Non-Executive Directors

| Element and link to strategy | Operation | Maximum Opportunity |
|---|---|---|
| **Fees** | | |
| The fees paid to non-executive Directors reflect their experience and ability and the time demands of their Board and Board Committee duties.<br><br>A basic fee is paid for Board membership. Additional fees are paid to the Chairman, the Chairmen and members of Board Committees, and the Senior Independent Director. | The remuneration of the Chairman is determined by the Remuneration Committee for approval by the Board.<br><br>The remuneration of the other non-executive Directors is determined by the Chairman and the Chief Executive Officer for approval by the Board.<br><br>The fees are reviewed annually, taking account of any changes in responsibilities and benchmarking advice from remuneration consultants on the level of fees in a range of comparable Irish Companies. | No prescribed maximum annual increase.<br><br>In accordance with the Articles of Association, shareholders set the maximum aggregate ordinary remuneration (basic fees, excluding fees for committee membership and chairman fees). The current limit of €800,000 was set at the 2015 Annual General Meeting.<br><br>Non-executive Directors do not participate in the Group's LTIP and do not receive any retirement benefits from the Group. |

### Non-Executive Directors Letters of Appointment

The terms and conditions of appointment of non-executive Directors are set out in their letters of appointment, which are available for inspection at the Group's registered office during normal office hours and at the Annual General Meeting.

# Remuneration Committee Report - continued

## 2. ANNUAL REPORT ON REMUNERATION

This section of the Remuneration Committee Report sets out:

- How INM's Remuneration Policy, as described on pages 67 to 77, will operate in the year to 31 December 2017
- Remuneration outcomes for the year ended 31 December 2016
- How the Remuneration Committee works.

## Operation of the Remuneration Policy in the year to 31 December 2017

### Salary

The salaries of the Designated Senior Executives for the year to 31 December 2017, together with comparative figures for 2016, are as follows:

| | **Year to December 2017 €** | Year to December 2016 € |
|---|---|---|
| Robert Pitt | 404,000 | 404,000 |
| Ryan Preston | 277,750 | 277,750 |

### Annual Incentive

The maximum annual incentives for the Designated Senior Executives for the year to 31 December 2017 are as follows: these are unchanged from those which the Remuneration Committee applied for the year ended 31 December 2016.

| | **Target Incentive** | **Maximum Incentive** |
|---|---|---|
| Robert Pitt | 50% of annual salary | 60% of annual salary |
| Ryan Preston | 35% of annual salary | 42% of annual salary |

# Remuneration Committee Report - continued
## 2. Annual Report on Remuneration - continued

### Operation of the Remuneration Policy in the year to 31 December 2017 - continued

**Target Incentive**

| | Performance Targets (as a percentage of annual salary) |
|---|---|
| Robert Pitt | 25% based on meeting financial targets and 25% based on overall contribution and attainment of personal objectives (i.e. 50% of annual salary) |
| Ryan Preston | 17.5% based on meeting financial targets, and 17.5% based on overall contribution and attainment of personal objectives (i.e. 35% of annual salary) |

Under the rules of the annual incentive plan no payment is made in respect of overall contribution and the attainment of personal objectives unless the EBITDA budget is achieved.

**Maximum Incentive**
Where financial performance (currently based on EBITDA) exceeds the budget, the incentive payable for financial performance will be increased proportionately up to a maximum of an additional 20% of the Target Incentive; the maximum will apply where the budget is exceeded by 5% or more. This will bring the maximum incentive to 60% of annual salary in the case of Robert Pitt and 42% of annual salary in the case of Ryan Preston.

Annual incentives for other Executives are based upon meeting pre-determined targets which relate to their areas of responsibility.

The Committee will keep the performance targets under review in light of acquisitions and other business activity during the year to 31 December 2017.

### Retirement Benefits
The Designated Senior Executives participate in a defined contribution pension scheme. No changes are proposed to this scheme in the year to 31 December 2017.

### Allowances
Benefits include a car allowance and a contribution towards private medical insurance. No changes are proposed to the benefits payable to the Designated Senior Executives for the year to 31 December 2017.

### Long Term Incentives
Details of the LTIP are set out in the Remuneration Policy Report on pages 70 to 73. Awards made in the year to 31 December 2017 will be in accordance with the Rules of the LTIP.

# Remuneration Committee Report - continued

## 2. Annual Report on Remuneration - continued

### Operation of the Remuneration Policy in the year to 31 December 2017 - continued

#### Employee Share Scheme 2008

Certain employees who agreed to amend the terms and conditions of their employment to provide for a permanent reduction in their salary were granted market based options under the Scheme. There are no performance conditions attached to the options which must be exercised no later than 10 years from the date of grant, that is by 21 January 2019.

The option price at which shares were issued is €1.32 and at the end of 2016 no options were exercised.

### Remuneration outcomes for the year ended 31 December 2016

The tables below set out the details of the remuneration payable to the Designated Senior Executives for the year ended 31 December 2016, together with the prior year figures.

| | Salary | Annual Incentive | Retirement Benefit | Allowances | Total |
|---|---|---|---|---|---|
| | 2016 €'000 | 2016 €'000 | 2016 €'000 | 2016 €'000 | 2016 €'000 |
| Robert Pitt | 404 | 87 | 50 | 25 | 566 |
| Ryan Preston | 278 | 46 | 28 | 21 | 373 |
| Total | 682 | 133 | 78 | 46 | 939 |

| | Salary | Annual Incentive | Retirement Benefit | Allowances | Total |
|---|---|---|---|---|---|
| | 2015 €'000 | 2015 €'000 | 2015 €'000 | 2015 €'000 | 2015 €'000 |
| Robert Pitt | 400 | 218 | 50 | 25 | 693 |
| Ryan Preston | 275 | 109 | 28 | 21 | 433 |
| Total | 675 | 327 | 78 | 46 | 1,126 |

During the year amounts of €78,368 in the case of Robert Pitt and €32,327 in the case of Ryan Preston were charged to the Group Income Statement in respect of the options granted in 2016. The charge represents the fair value of the options granted, spread over the vesting period. Details of the options granted are set out on page 85.

# Remuneration Committee Report - continued

## 2. Annual Report on Remuneration - continued

### Remuneration outcomes for the year ended 31 December 2016 - continued

### Determination of Annual Incentives for the year ended 31 December 2016

The annual performance incentive is based on a combination of financial and personal objectives. However, under the rules of the annual incentive plan no award is made in respect of personal objectives unless the financial objective, currently EBITDA, is met.

In relation to the financial objective the Board set a challenging EBITDA budget for 2016, which was substantially achieved. The Remuneration Committee, exercising its discretion, decided to make a payment of 50% of the target incentive that is available for achieving the EBITDA budget. In addition the Committee determined that both Senior Designated Executives had substantially achieved their personal objectives but that the corresponding incentive payment should reflect the reduced incentive paid in respect of the financial objective. Accordingly the following payments were approved:

| | Financial Objective % Salary | | Personal Objectives % Salary | | Total % Salary | |
|---|---|---|---|---|---|---|
| | Target | Payment | Target | Payment | Target | Payment |
| Robert Pitt | 25.00% | 12.50% | 25.00% | 9.06% | 50.00% | 21.56% |
| Ryan Preston | 17.50% | 8.75% | 17.50% | 7.88% | 35.00% | 16.63% |

### Long Term Incentive Plan

The value of the LTIP awards made in 2016 are set out in the table on page 85. The vesting criteria, including the performance conditions, are those set out in the Remuneration Policy on pages 70 to 73.

The LTIP award made in 2016 will vest at the end of December 2018. The extent of vesting will be determined by the Committee and will be based on TSR and EPS performance - 50% of total award for each - over the three year period ending 31 December 2018.

### Policy on External Board Appointments

Executives may accept external non-executive directorships with the prior approval of the Board. The Board recognises the benefits that such appointments can bring both to the Group and to the Director in terms of broadening their knowledge and experience.

The fees received for such roles may be retained by the Executives.

# Remuneration Committee Report - continued

## 2. Annual Report on Remuneration - continued

### Remuneration outcomes for the year ended 31 December 2016 - continued

#### Non-Executive Directors' Remuneration Details

The remuneration paid to non-executive Directors for the year ended 31 December 2016 is set out in the table below. Non-executive Directors are paid a basic fee. Additional fees are paid to the Chairman, the Chairmen and members of Board Committees and to the Senior Independent Director ('SID').

The remuneration of the Chairman is determined by the Remuneration Committee for approval by the Board. The Chairman absents himself from the Committee meeting while this matter is being considered. The remuneration of the other non-executive Directors is determined by the Chairman and the Chief Executive Officer for approval by the Board.

The fees are reviewed annually, taking account of any changes in responsibilities and benchmarking advice from remuneration consultants on the level of fees in a range of comparable Irish companies.

The fees paid to non-executive Directors in respect of the year to 31 December 2016 are set out below:

| | Basic Fee | | Membership Fees | | Total | |
|---|---|---|---|---|---|---|
| | **2016 €'000** | 2015 €'000 | **2016 €'000** | 2015 €'000 | **2016 €'000** | 2015 €'000 |
| **Non-Executive Directors** | | | | | | |
| Leslie Buckley (Chair) | **165.0** | 161.5 | **-** | - | **165.0** | 161.5 |
| Terry Buckley | **55.0** | 50.0 | **34.0** | 29.5 | **89.0** | 79.5 |
| Paul Connolly | **55.0** | 50.0 | **14.0** | 9.5 | **69.0** | 59.5 |
| Lucy Gaffney* | **-** | 41.0 | **-** | 4.7 | **-** | 45.7 |
| David Harrison | **55.0** | 50.0 | **7.0** | 3.5 | **62.0** | 53.5 |
| Jerome Kennedy (SID) | **75.0** | 70.0 | **27.0** | 26.0 | **102.0** | 96.0 |
| Allan Marshall | **55.0** | 50.0 | **7.0** | 6.0 | **62.0** | 56.0 |
| Triona Mullane | **55.0** | 50.0 | **28.0** | 21.5 | **83.0** | 71.5 |
| Len O'Hagan | **55.0** | 50.0 | **27.0** | 26.0 | **82.0** | 76.0 |
| **Total** | **570.0** | 572.5 | **144.0** | 126.7 | **714.0** | 699.2 |

* *Retired 30 October 2015.*

# Remuneration Committee Report - continued

## 2. Annual Report on Remuneration - continued

### Remuneration outcomes for the year ended 31 December 2016 - continued

The non-executive Director fee structure for the year to 31 December 2017 is set out below:

| | € |
|---|---|
| Chairman (to include basic and committee fees) | 165 |
| Senior Independent Director | 75 |
| Director's Basic Fee | 55 |
| Additional Fee for Committee Chairman:<br>- Audit and Risk, Nomination and Corporate Governance, Remuneration | 20 |
| Additional Fee for Committee Membership:<br>- Audit and Risk, Nomination and Corporate Governance, Remuneration, Digital | 7 |

| **Total Directors' Remuneration** | **Total** | |
|---|---|---|
| | **2016**<br>**€'000** | 2015<br>€'000 |
| **Designated Senior Executives** | | |
| Annual Salary | **682** | 675 |
| Annual Incentive | **133** | 327 |
| Retirement Benefits | **78** | 78 |
| Allowances | **46** | 46 |
| Share-based payment charge | **430** | 319 |
| Total Designated Senior Executives' remuneration | **1,369** | 1,445 |
| **Non-Executive Directors** | | |
| Fees | **714** | 699 |
| **Total Directors' remuneration** | **2,083** | **2,144** |

### Payments to Former Executive Directors

In 2016, the Group paid €146,520 (2015: €380,000) in respect of the entitlements of former Executive Directors.

# Remuneration Committee Report - continued

## 2. Annual Report on Remuneration - continued

### Remuneration outcomes for the year ended 31 December 2016 - continued

#### Executive and Non-Executive Directors' and Company Secretary's Interests

The interests of the Directors and the Company Secretary (including their respective family interests) in the share capital of INM PLC at 31 December 2016 (together with their interests at 31 December 2015) are as follows:

| | **No. of Ordinary Shares at 31 December 2016** | No. of Ordinary Shares at 31 December 2015 |
|---|---|---|
| **Directors** | | |
| Leslie Buckley | **863,684** | 863,684 |
| Terry Buckley | **426,142** | 426,142 |
| Paul Connolly | **359,868** | 359,868 |
| Lucy Gaffney* | **359,868** | 359,868 |
| David Harrison | **357,142** | 357,142 |
| Jerome Kennedy | **400,000** | 400,000 |
| Allan Marshall | **-** | - |
| Triona Mullane | **-** | - |
| Len O'Hagan | **111,993** | 111,993 |
| Robert Pitt | **274,318** | 138,366 |
| Michael Doorly | **176,848** | 176,848 |

** Retired 30 October 2015.*

In addition, Ryan Preston held 79,362 Ordinary Shares as at 31 December 2016 (2015: 79,362).

All of the above interests were beneficially owned. Apart from the interests disclosed above, the Directors and the Company Secretary had no interests in the share capital or loan stock of the Company or any other Group undertaking at 31 December 2016.

There were no changes in the above Directors and Secretary's interests between 31 December 2016 and 27 April 2017.

The Group's Register of Directors Interests (which is open to inspection) contains full details of Directors' shareholdings and share options.

The Group has a policy on dealing in shares that applies to all Directors. This policy meets the requirements of the EU Market Abuse Regulation which became effective in July 2016. Under this policy, Directors are required to obtain clearance from the Group before dealing in INM shares and are prohibited from dealing in the shares during designated close periods and at any other time when they are in possession of Inside Information (as defined by the Market Abuse Regulation).

# Remuneration Committee Report - continued

## 2. Annual Report on Remuneration - continued

### Remuneration outcomes for the year ended 31 December 2016 - continued

#### Designated Senior Executives' Long Term Incentives

Details of the Designated Senior Executives' and the Company Secretary's awards, in the form of nominal cost options, under the INM PLC Long Term Incentive Plan 2014 are set out in the table below:

| | Number of options granted | Earliest exercise date | Latest expiry date | Market price at date of award | Fair value at date of award |
|---|---|---|---|---|---|
| Robert Pitt | 3,076,923 | 2 Sept 2018 | 1 Sep 2022 | 13c | 400,000 |
| | 2,352,941 | 2 Sep 2018 | 1 Sep 2022 | 17c | 400,000 |
| | 1,433,556 | 8 Apr 2019 | 7 Apr 2023 | 17c | 243,705 |
| Ryan Preston | 1,269,231 | 2 Sep 2018 | 1 Sep 2022 | 13c | 165,000 |
| | 970,588 | 2 Sep 2018 | 1 Sep 2022 | 17c | 165,000 |
| | 591,342 | 8 Apr 2019 | 7 Apr 2023 | 17c | 100,528 |
| Michael Doorly | 189,958 | 8 Apr 2019 | 7 Apr 2023 | 17c | 32,293 |

The market price of INM shares on 31 December 2016 was €0.128 and the range during the year was €0.110 to €0.178.

As at 31 December 2016 the number of options granted under the Long Term Incentive Plan, net of options which had then lapsed, was 0.98% of the issued share capital.

Additional information in relation to the INM PLC Long Term Incentive Plan appears in note 26 on pages 162 to 166.

### Governance

#### Composition

The Remuneration Committee comprises three independent non-executive Directors. The members are Len O'Hagan (Chairman), Terry Buckley (appointed 26 April 2017) and Jerome Kennedy (appointed 26 April 2017). Paul Connolly, Allan Marshall and Triona Mullane resigned from the Remuneration Committee on 26 April 2017. The members of the Committee have significant financial and business experience, including in the area of executive remuneration. Each member's length of tenure at 31 December 2016 is set out in the table below. Further biographical details regarding the members of the Remuneration Committee are set out on pages 42 and 43.

| Length of tenure | Number of years |
|---|---|
| Len O'Hagan | 4.5 |
| Terry Buckley (appointed 26 April 2017) | - |
| Jerome Kennedy (appointed 26 April 2017) | - |
| Paul Connolly (resigned 26 April 2017) | 4.5 |
| Allan Marshall (resigned 26 April 2017) | 4.5 |
| Triona Mullane (resigned 26 April 2017) | 4.5 |

# Remuneration Committee Report - continued
## 2. Annual Report on Remuneration - continued

### Governance - continued

#### Meetings
The Committee met three times during the year ended 31 December 2016 as per the attendance schedule on page 46. The main agenda items included remuneration policy and the operation of the long term incentive plan, remuneration trends and market practice, the remuneration packages of the Chairman, the Chief Executive Officer, pension matters, grant of options or share awards under the Group's LTIP and approval of this report.

The Chief Executive Officer and Group HR Director may be invited to attend meetings of the Committee, except when their own remuneration is being discussed. No Director is involved in consideration of his or her own remuneration. The Company Secretary acts as secretary to the Remuneration Committee.

#### Annual Evaluation of Performance
As detailed on page 51, the Board conducts an annual evaluation of its own performance and that of its Committees, Committee Chairmen and individual Directors. The conclusion from this process was that the performance of the Committee and of the Chairman of the Committee was satisfactory and that no changes were necessary to the Committee's Terms of Reference.

#### Reporting
The Chairman of the Remuneration Committee reports to the Board on the activities of the Committee.
The Chairman of the Remuneration Committee attends the Annual General Meeting to answer questions on the report on the Committees' activities and matters within the scope of the Committee's responsibilities.

#### External Advice
The Remuneration Committee seeks independent advice when necessary from external consultants. Mercer acts as independent remuneration advisors to the Committee and during the year provided advice in relation to market trends, competitive positioning and developments in remuneration policy and practice. Mercer also provide actuarial advice to the Group and are actuaries and investment advisors to a number of the Company's approved pension schemes. Mercer is a signatory to the Remuneration Consultants Group Code of Conduct and any advice was provided in accordance with this code. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice is objective and independent.

In the year to 31 December 2016, Mercer received fees of €14,400 in respect of advice provided to the Committee.

#### 2016 Annual General Meeting Votes on Remuneration Matters
The table below shows the voting outcome at the 2016 AGM in relation to the 2015 Annual Report on Remuneration and the Remuneration Policy.

| Vote | Total votes cast | Total votes for | Total votes against | Total votes abstentions |
|---|---|---|---|---|
| Advisory Vote on 2015 Annual Report on Remuneration | 816.7m | 805.1m | 11.6m | 0.0m |
| Advisory Vote on Remuneration Policy | 816.7m | 761.0m | 55.7m | 0.0m |

The Committee considered the results of the voting outcome at the 2016 AGM and is satisfied that the composition of the Committee remains appropriate.

# NOMINATION AND CORPORATE GOVERNANCE COMMITTEE REPORT

The Nomination and Corporate Governance Committee comprises Terry Buckley (Chairman) and three non-executive Directors, Jerome Kennedy, Triona Mullane and Len O'Hagan. Further biographical details regarding the members of the Nomination and Corporate Governance Committee are set out on pages 42 and 43.

## Dear Shareholder

As Chairman of INM's Nomination and Corporate Governance Committee, I am pleased to present the report of the Committee for the year ended 31 December 2016 which has been prepared by the Committee and approved by the Board.
The responsibilities of the Committee are summarised in the table on page 88 and are set out in full in its Terms of Reference, which are available on the INM website www.inmplc.com.

The Nomination and Corporate Governance Committee is responsible for keeping Board composition under constant review, including the skills, knowledge and experience required, taking account of the Group's businesses, strategic direction and diversity objectives. The Committee is also responsible for reviewing corporate governance developments.

The Irish Companies Act 2014 ("the Act") was commenced on 1 June 2015 and affects all Irish registered companies. The new Act consolidates all previous Irish Companies Acts and introduces some significant new provisions, in particular the codification of directors duties, the introduction of new forms of limited companies and of a directors' compliance statement and a directors' audit statement. The directors' compliance statement and directors' relevant audit information statement provisions apply to INM for the year to 31 December 2016.

The Committee has also overseen developments in corporate governance and legislation, including the new Market Abuse Regulation. The following report provides more details on the roles and responsibilities of the Nomination and Corporate Governance Committee and our highlights and achievements during 2016.

On behalf of the Nomination and Corporate Governance Committee

Terry Buckley
*Chairman, Nomination and Corporate Governance Committee*
27 April 2017

# Nomination and Corporate Governance Committee Report - continued

## Role and Responsibilities

### Board Composition and Renewal

- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Before making a nomination, to evaluate the balance of skills, knowledge, independence and experience on the Board, and, in the light of this evaluation, to prepare a description of the role and capabilities required for a particular appointment.
- Keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.
- Give consideration to succession planning for Directors, in particular the Chairman and the Chief Executive, and senior Group management.
- Make recommendations to the Board as regards the re-appointment of non-executive Directors at the conclusion of their specified term of office and the re-election of all non-executive Directors by shareholders at the Annual General Meeting.

### Corporate Governance

- Monitor the Company's compliance with corporate governance best practice and with applicable legal, regulatory and listing requirements (including but not limited to the Companies Acts, the Irish Stock Exchange's and UK Listing Authority's Listing Rules and the UK Corporate Governance Code) and recommend to the Board such changes or additional action as the Committee deems necessary.
- Advise the Board of significant developments in the law and practice of corporate governance.
- Oversee the annual evaluation of Board, Committee and individual Director performances.

### Composition

The Nomination and Corporate Governance Committee comprises Terry Buckley (Chairman) and three non-executive Directors, Jerome Kennedy, Triona Mullane and Len O'Hagan. Each member's length of tenure at 31 December 2016 is set out in the table on page 88. Further biographical details regarding the members of the Nomination and Corporate Governance Committee are set out on pages 42 and 43.

The Company Secretary is the secretary to the Nomination and Corporate Governance Committee.

| Length of tenure on Nomination and Corporate Governance Committee | Tenure Years |
|---|---|
| Terry Buckley | 4.5 |
| Jerome Kennedy | 4.5 |
| Triona Mullane | 4.5 |
| Len O'Hagan | - |

### Meetings

The Nomination and Corporate Governance Committee met four times during the year ended 31 December 2016 as per the attendance schedule on page 46.

# Nomination and Corporate Governance Committee Report - continued

## Activities

### Board Composition and Renewal

The Nomination and Corporate Governance Committee considered the composition of the Board to ensure the Board had the appropriate combination of skills, knowledge and experience, taking account of the development of the Group and of the length of tenure of the existing non-executive Directors.

The length of tenure of the Directors on the Board and on the Nomination and Corporate Governance Committee is set out below. The length of tenure of members of other Board Committees is dealt with in the individual Committee reports.

| Length of tenure on Board | Tenure Years |
|---|---|
| Leslie Buckley* | 4.5 |
| Terry Buckley | 4.5 |
| Paul Connolly | 8 |
| David Harrison | 4 |
| Jerome Kennedy | 4.5 |
| Allan Marshall | 4.5 |
| Triona Mullane | 4.5 |
| Len O'Hagan | 4.5 |
| Robert Pitt** | |

** Leslie Buckley was previously a non-executive Director of INM from March 2009 until June 2011. He was reappointed to the Board as a Director, and also appointed Chairman of the Board, in 2012.*
*** Robert Pitt was appointed to the Board on 29 January 2016.*

All Directors were last re-elected at the Group's AGM in 2016.

# Nomination and Corporate Governance Committee Report - continued

### Appointment of executive Director

On 29 January 2016, Mr. Robert Pitt was appointed to the Board as an executive Director of the Company. Robert joined the Company as CEO in October 2014.

### Re-appointment of non-executive Directors

The Nomination and Corporate Governance Committee is satisfied that the Board continues to have the appropriate combination of skills, knowledge and experience required, but will continue to keep the structure, size and composition of the Board under review.

### Diversity

The Board recognises the importance of diversity, including gender, in the boardroom and seeks to recruit directors with varied backgrounds, skills and experience. Whilst recognising the importance of diversity in board composition, it is the Board's policy that board appointments be made on merit, judged against objective criteria, taking account of the skills, experience and expertise of candidates rather than by the setting of specific targets. Our Board composition and size is kept under review in order that we retain an appropriate balance of skills, experience, diversity and knowledge of the Group on the part of our non-executive Directors.

### Succession Planning and Management Talent Development

The Committee has particular regard to the leadership needs of the organisation and gives full consideration to succession planning for Directors and senior management, in particular the Chairman and Chief Executive, taking into account Group strategy, as well as the challenges and opportunities facing the Group and the skills and expertise required.

### Corporate Governance

The Committee advises the Board on significant developments in the law and practice of corporate governance and monitors the Company's compliance with corporate governance best practice, with particular reference to the 2014 UK Corporate Governance Code. The Committee recommends any necessary action required to be adopted and implemented by the Board in respect of the Code, with particular reference to any revisions to the Code.

As noted in the introduction, the Committee is overseeing the requirements of the Irish Companies Act 2014.

The Nomination and Corporate Governance Committee reviewed and approved the Corporate Governance Statement in the Annual Report and other material being made public in respect of the Company's corporate governance.

The terms and conditions of appointment of non-executive Directors are set out in their letters of appointment. The letters of appointment are available for inspection at the Company's registered office during normal office hours and at the Annual General Meeting of the Company.

# Nomination and Corporate Governance Committee Report - continued

## Governance

**Annual Evaluation of Performance**
The Board conducts an annual evaluation of its own performance and that of its Committees, as outlined on page 51. In 2016, this process was internally facilitated having been externally facilitated in 2015 in accordance with the Code.

The conclusion from this process was that the performance of the Nomination and Corporate Governance Committee and of the Chairman of the Committee was satisfactory and that no changes were necessary to the Committee's Terms of Reference.

**Reporting**
The Chairman of the Nomination and Corporate Governance Committee reports to the Board on the activities of the Committee.

The Chairman of the Nomination and Corporate Governance Committee attends the Annual General Meeting to answer questions on the report on the Committees' activities and matters within the scope of the Committee's responsibilities.

# REPORT OF THE DIRECTORS

The Directors of Independent News & Media PLC ("INM") present their report and the audited financial statements for the year ended 31 December 2016.

## Principal Activities

INM is a market-leading media Group in the Republic of Ireland and Northern Ireland, with a strong newspaper and digital presence.

INM is the largest newspaper contract printer, leading online news publisher and wholesale newspaper distributor on the island of Ireland. It manages gross assets of €218.6m and employs approximately 800 people.

The Company is headquartered in Dublin, Ireland and its shares are listed on the Irish and London Stock Exchanges.

## Results and Review of Activities

Revenue for the year amounted to €323.4m (2015: €321.2m). The profit for the year attributable to equity holders of the Company amounted to €50.3m (2015: €72.9m). Adjusted basic earnings per share amounted to 2.9 cent (2015: 2.4 cent). Basic EPS (including exceptionals) was 3.6 cent (2015: 5.3 cent) with the decrease primarily driven by the gain arising on disposal of APN in H1 2015. Further details of the results for the year are set out in the Group Income Statement on page 106.

The Chairman's Message on page 2, the Chief Executive's Review on page 6, the Operating Review on page 14 and the Financial Review on page 18 contain a review of the development and performance of the Group's business during the year, of the state of affairs of the business at 31 December 2016, of recent events and of likely future developments. Information in respect of events since the year end as required by the Companies Act 2014 is included in these sections and in note 39 on page 204. Information in respect of research & development expenditure as required by the Companies Act 2014 is included in note 6 on page 135.

## Dividends

No dividends were paid during the year (2015: €nil).

# Report of the Directors - continued

### Share Capital and Treasury Shares

Independent News & Media PLC's authorised share capital is 7,000,000,000 ordinary shares of €0.01 each, of which 1,392,144,452 shares were in issue at 31 December 2016. At an EGM during the year, the Company, in accordance with Section 83(1)(f)(ii) of the Companies Act 2014, reduced the authorised share capital of the Company from €259,045,221.72 to €70,000,000 by the cancellation of 556,015,358 deferred shares of €0.34 each, which had not been taken or agreed to be taken by any person. Of the ordinary issued shares, the Company holds 5,597,077 as treasury shares representing 0.4% of the issued share capital and a nominal value of €55,970. All issued shares are of the same class and carry equal voting rights and ranking for dividends. Treasury shares have no voting rights and no entitlement to dividends, while held in treasury.

At each Annual General Meeting the Directors seek authority to exercise all the powers of the Company to allot shares up to an aggregate nominal value of €4.62m, representing approximately one third of the issued share capital of the Company.

The Directors also seek authority to allot shares for cash, other than strictly pro-rata to existing shareholdings. This authority is limited to the allotment of shares in specific circumstances relating to rights issues and other issues up to approximately 5% of the issued share capital of the Company.

Details of the share capital of the Company are set out in note 25 on page 162 and are deemed to form part of this Report.

### Principal Risks and Uncertainties

Under Irish company law, INM is required to give a description of the principal risks and uncertainties facing the Group. These are addressed in the Risk Report on pages 27 to 33. Additional information in respect of the Group's financial risk management policies & objectives and exposure to financial risks is included in note 32 on page 174.

The Group has an established Audit and Risk Committee, whose report is set out on pages 53 to 64.

### Directors and Secretary and their Interests

The names of the Directors and a short biographical note on each Director appear on pages 42 and 43. The interests of the Directors and Company Secretary in the share capital of INM PLC as at 31 December 2016 are set out on page 84 of the Remuneration Committee Report.

In accordance with the 2014 UK Corporate Governance Code, all non-executive Directors submit to re-election at each Annual General Meeting. The Board, however, does not consider that the policy of annual re-election is appropriate for executive Directors and, accordingly, executive Directors will be subject to re-election once every three years in accordance with the Company's Articles of Association.

# Report of the Directors - continued

## Corporate Governance

The Corporate Governance Statement on pages 44 to 52 sets out the Company's appliance of the principles and compliance with the provisions of the UK Corporate Governance Code (2014), the provisions of the Irish Corporate Governance Annex, the FRC's Guidance on Audit Committees (2012) and the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014)", the Group's system of risk management and internal control and the adoption of the going concern basis in preparing the financial statements. The Corporate Governance Statement shall be treated as forming part of this Report.

INM has complied with the relevant provisions of the 2014 UK Corporate Governance Code and the Irish Corporate Governance Annex save for the exceptions highlighted and explained in the Corporate Governance Statement on pages 44 to 52.

The Corporate Governance Report on pages 44 to 52, which contains the information required by Section 1373(2) of the Companies Act 2014 and the risk management disclosures on page 50 are deemed to be incorporated in the Directors' Report and form part of the corporate governance statement required by section 1373 of the Companies Act.

## General Meetings

The Company's Annual General Meeting ('AGM') affords shareholders the opportunity to question the Chairman, the Board and the Chairmen of the Audit and Risk, Remuneration and Nomination and Corporate Governance Committees. The Chief Executive presents at the AGM on the Group's business and its performance during the prior year and answers questions from shareholders.

Notice of the AGM, the Form of Proxy and the Annual Report are sent to shareholders at least 20 working days before the AGM. At the AGM, resolutions are voted on by a show of hands of those shareholders attending, in person or by proxy. After each resolution has been dealt with, details are given of the level of proxy votes cast on each resolution and the numbers for, against and withheld.

If validly requested, resolutions can be voted by way of a poll. In a poll, the votes of shareholders present and voting at the AGM are added to the proxy votes received in advance of the AGM and the total number of votes for, against and withheld for each resolution are announced.

All other general meetings are called Extraordinary General Meetings ('EGM'). An EGM called for the passing of a special resolution must be called by at least 21 clear days' notice. Provided shareholders have passed a special resolution to that effect at the immediately preceding AGM and the Company continues to allow shareholders to vote by electronic means, an EGM to consider an ordinary resolution may be called at 14 clear days' notice.

A quorum for an AGM or an EGM of the Company is constituted by three shareholders, present in person, by proxy or by a duly authorised representative in the case of a corporate member. The passing of resolutions at a general meeting, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

Shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notes to the Notice convening the meeting.

# Report of the Directors - continued

Shareholders may exercise their right to vote by appointing a proxy/proxies, by electronic means or in writing, to vote on some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the notes to the Notice convening the meeting.

A shareholder or a group of shareholders, holding at least 5% of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder or a group of shareholders, holding at least 3% of the issued share capital, has (subject to certain statutory exceptions) the right to put an item on the agenda of an AGM or to table a draft resolution for an item on the agenda of a general meeting.

The 2017 AGM will be held at 11.00 a.m. on 23 August 2017 in the Westbury Hotel, Grafton Street, Dublin 2, Ireland.

## Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association detail the rights attaching to shares, the method by which the Company's shares can be issued, purchased or re-issued, and the provisions which apply to the holding of and voting at general meetings as well as the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers.

The Company's Articles of Association may be amended by a special resolution passed by the shareholders at an AGM or EGM of the Company.

A copy of the Memorandum and Articles of Association can be obtained from the Company Secretary.

## Transparency Rules

As required by the Transparency Rules published by the Central Bank of Ireland under Section 22 of the Investment Funds, Companies and Miscellaneous Provisions Act 2006, the following sections of the Annual Report shall be treated as forming part of this Report: the Key Performance Indicators on page i, the Chairman's Message on page 2, the Chief Executive's Review on page 6, the Operating Review on page 14, the Financial Review on page 18, the Principal Risks and Uncertainties on page 27, the earnings per ordinary share in note 13 on page 145 and the derivative financial instruments in note 18 on page 155.

The Company has been notified of the following shareholdings of 3% or more in the issued share capital (excluding treasury shares) of the Company as at 31 December 2016:

| | % of Issued Share Capital (excluding treasury shares) |
|---|---|
| Denis O'Brien | 29.88% |
| IIU Nominees Limited | 15.00% |
| UBS Investment Bank | 5.84% |
| Farringdon | 4.47% |
| Polar Capital LLP | 3.74% |
| Commerzbank AG | 3.23% |

# Report of the Directors - continued

## Directors' Compliance Statement

The Directors, in accordance with Section 225(2)(a) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations". "Relevant obligations", in the context of the Company, are the Company's obligations under:

(a) the Act, where a breach of the obligations would be a category 1 or category 2 offence;
(b) the Act, where a breach of the obligations would be a serious Market Abuse or Prospectus offence; and
(c) tax law.

Pursuant to Section 225(2)(b) of the Act, the Directors confirm that:

(i) a compliance policy statement has been drawn up by the Company in accordance with Section 225(3)(a) of the Act setting out the Company's policies (that, in the Directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;
(ii) appropriate arrangements and structures that, in their opinion, are designed to secure material compliance with the Company's relevant obligations, have been put in place; and
(iii) a review has been conducted, during the financial year, of the arrangements and structures referred to in paragraph (ii).

## Political Contributions

There were no political contributions which require disclosure under the Electoral Act, 1997.

## Accounting Records

The Directors are responsible for ensuring that adequate accounting records, as required by Sections 281 to 285 of the Companies Act 2014, are kept by the Company. The Directors believe that they have complied with this requirement by providing adequate resources to maintain adequate accounting records throughout the Group including the appointment of personnel with appropriate qualifications, experience and expertise. The accounting records of the Company are maintained at the Company's registered office, Independent House, 27-32 Talbot Street, Dublin 1.

# Report of the Directors - continued

### Relevant Audit Information

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Group's statutory auditors are aware of that information. In so far as they are aware, there is no relevant audit information of which the Group's statutory auditors are unaware.

### Auditors

In accordance with section 383 (2) of the Companies Act 2014, KPMG Chartered Accountants, will continue in office.

On behalf of the Board:

Leslie Buckley, Robert Pitt
*Directors*
27 April 2017

# FINANCIAL STATEMENTS



# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements each year. Under that law, the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the European Union and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the Group and Company's profit or loss for that year. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union, and as regards the Company, as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also required by the Transparency (Directive 2004/109/EC0) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Company comply with the provision of the Companies Act 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provision of the Companies Act 2014. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's and Company's website www.inmplc.com. Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of Directors' Responsibilities in respect of the annual report and the financial statements - continued

## Responsibility Statement as required by the Transparency Directive and UK Corporate Governance Code

Each of the Directors, whose names and functions are listed on pages 41 to 43 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- The Group financial statements, prepared in accordance with IFRS as adopted by the European Union and the Company financial statements prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of Companies Act 2014, give a true and fair view of the assets, liabilities, financial position of the Group and Company at 31 December 2016 and of the profit or loss of the Group for the year then ended;
- The Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board
Leslie Buckley
Robert Pitt
27 April 2017

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INDEPENDENT NEWS & MEDIA PLC

## Opinions and conclusions arising from our audit

## 1. Our opinion on the financial statements is unmodified

We have audited the financial statements of Independent News & Media PLC for the year ended 31 December 2016 set out on pages 106 to 204 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the Group and Company accounting policies and related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the EU, and, as regards the Company financial statements as applied in accordance with the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISA) (UK and Ireland).

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2016 and of its profit for the year then ended;
- the Company Statement of Financial Position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2016;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Company financial statements and Group financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## 2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the Group financial statements the risks of material misstatement that had the greatest effect on our Group audit were as follows:

**The derecognition of certain defined benefit pension schemes (2016: €nil; 2015: €48.7 million):**
Refer to the Report from the Audit and Risk Committee in the Corporate Governance Report and notes 7 and 35 to the financial statements.

### The risk

- During the year, the Group notified the Trustees and members of the Independent Newspapers (Ireland) Limited and Independent Newspapers Management Services defined benefit pension schemes, that contributions to those schemes would cease. There is a risk related to the appropriate timing of derecognition of the defined benefit pension obligations following this action by the Group. A defined benefit pension obligation is derecognised when the Group no longer has a legal or constructive obligation in respect of providing defined benefits.

# Independent Auditor's Report to the Members of Independent News & Media PLC - continued

### Our response

The procedures that we performed, among others, to assess the timing of derecognition of defined benefit pension schemes included:

- Assessing the evidence relating to the existence of a constructive and legal obligation in respect of the defined benefit schemes. This included inspecting correspondence between the Group and the schemes' Trustees and members, holding discussions with management and directors in relation to their review of the pension arrangements and the legal advice obtained by the Company.
- Challenging the appropriateness of the key judgement taken by management in respect of the derecognition of the defined benefit pension schemes.
- Robustly challenging planned further actions by management in light of possible actions by employees.
- Assessing the adequacy of disclosures in respect of the defined benefit schemes.

**Carrying amount of goodwill (2016: €19.7 million; 2015: €15.0 million), intangible assets with indefinite lives (2016: €19.9 million; 2015: €19.8 million) and property, plant and equipment (2016: €41.6 million; 2015: €47.8 million):**

Refer to the Report from the Audit and Risk Committee in the Corporate Governance Report and notes 14 and 15 to the financial statements.

### The risk

- The Group has significant goodwill, intangible assets with indefinite lives and property, plant and equipment. There is a risk that these assets might be impaired. Recoverability is based on forecasting and discounting future cash flows and significant judgement is involved in relation to the assumptions used in the impairment models.

### Our response

The procedures that we performed, among others, to assess the carrying value of goodwill, intangible assets with indefinite lives and property, plant and equipment, included:

- Assessing the Group's impairment testing models. We considered the appropriateness of the impairment methodology and considered the appropriateness of the cash-generating units ('CGUs') identified, taking into the account the current management structure and reporting lines in place in the Group.
- Assessing whether there were impairment triggers giving rise to a need to perform an impairment review of property, plant and equipment.
- Evaluating the key assumptions used by the Group, including cash flow projections and discount rates. We compared the Group's assumptions, where possible, to externally-derived data and challenged the reasonableness of the underlying cash flow forecasts.
- Comparing the discount rates applied to the Group's CGUs to peer data as well as involving our own internal valuations expert to assist in assessing the key components of the discount rates calculation.
- Examining the sensitivity analyses prepared by management, taking into consideration the reasonableness and mathematical accuracy of their analysis. In addition, we performed further sensitivity testing of our own of the key assumptions and of the key drivers of the cash flow forecasts for the individual CGUs. Having identified the extent of change required in those assumptions to give rise to an impairment, we considered the likelihood of such a movement in those assumptions arising.
- Assessing whether the related disclosures in the financial statements are appropriate.

# Independent Auditor's Report to the Members of Independent News & Media PLC - continued

### Recoverability of deferred tax assets (2016: €14.2 million; 2015: €17.1 million):

Refer to the Report from the Audit and Risk Committee in the Corporate Governance Report and note 23 to the financial statements.

#### The risk

- The Group has gross deferred tax assets with a carrying amount of €14.2 million at 31 December 2016 (2015: €17.1 million). These relate primarily to capital allowances, unutilised trading losses and retirement benefit obligations. There is a risk over the recoverability of the element of these deferred tax assets that arise in the Group's operations in Northern Ireland which amount to €5.8 million (2015: €9.2 million). A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. There is a risk that future profits generated from the Group's Northern Ireland operations may not be sufficient to recover the deferred tax assets.

#### Our response

The procedures that we performed, among others, to assess the recoverability of the deferred tax assets arising from the Group's Northern Ireland operations included:

- Assessing the Group's deferred tax models - this included employing a KPMG tax specialist, testing the mathematical accuracy of the Group's calculations, verifying inputs to supporting documentation and determining whether the assumptions used are sufficiently robust to support the level of profits anticipated in future years.
- Challenging the key assumptions underpinning the Group's near and medium term financial projections against historical performance and estimates of the likely economic conditions in Northern Ireland.
- Assessing the consistency of assumptions with those used in the goodwill and intangible projections, comparing to externally derived data, where possible, and performing sensitivity analysis thereon.
- Evaluating whether the related disclosures in the financial statements are sufficient and appropriate.

## 3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at €1.8 million (2015: €1.9 million). This has been calculated using a benchmark of Group profit before taxation, normalised for one-off items, from continuing operations (of which it represents 5 per cent), which we have determined, in our professional judgement, to be one of the principal financial benchmarks relevant to members of the Company in assessing financial performance.
We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.1 million (2015: €0.1 million), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.
The Group is headquartered, managed and controlled from Ireland, and all of the audit work covering the Group's revenues, profit for the year and its assets and liabilities is undertaken and performed by the audit team based in Dublin.

## 4. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' Report (on pages 92 to 97), concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the 3 years to 31 December 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

# Independent Auditor's Report to the Members of Independent News & Media PLC - continued

## 5. We have nothing to report in respect of the matters on which we are required to report by exception

ISAs (UK and Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:
- we have identified any inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider the annual report and financial statements as a whole is fair, balanced and understandable and provides information necessary for shareholders to assess the entity's position and performance, business model and strategy; or
- the Report from the Audit and Risk Committee included in the Corporate Governance Report does not appropriately disclose those matters that we communicated to the Audit and Risk Committee.

The Listing Rules of the Irish Stock Exchange and UK Listing Authority require us to review:
- the directors' statement, set out on page 99, in relation to going concern and longer-term viability;
- the parts of the Corporate Governance Report relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

In addition, the Companies Acts require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

## 6. Our conclusions on other matters on which we are required to report by the Companies Acts 2014 are set out below

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.
In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Corporate Governance Report of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

In addition we report, in relation to information given in the Corporate Governance Statement on pages 44 to 52, that:
- based on our knowledge and understanding of the Company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention;
- based on the work undertaken in the course of our audit, in our opinion:
  - the description of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014; and
  - the Corporate Governance Statement contains the information required by the Companies Act 2014.

# Independent Auditor's Report to the Members of Independent News & Media PLC - continued

## Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on pages 99 and 100, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and Company financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK and Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK and Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ruaidhri Gibbons
for and on behalf of KPMG
Chartered Accountants, Statutory Audit Firm
Dublin, Ireland

27 April 2017

# GROUP INCOME STATEMENT

| | Notes | Year Ended 31 December 2016* Before Exceptional Items €m | Exceptional Items** €m | Total €m | Year Ended 31 December 2015 Before Exceptional Items €m | Exceptional Items** €m | Total €m |
|---|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | | |
| **Revenue** | 5 | **323.4** | **-** | **323.4** | 321.2 | - | 321.2 |
| **Operating (costs)/income** | | **(283.2)** | **12.0** | **(271.2)** | (283.2) | (5.2) | (288.4) |
| **Operating profit/(loss)** | 3 | **40.2** | **12.0** | **52.2** | 38.0 | (5.2) | 32.8 |
| Share of results of associates and joint ventures | 16 | **1.2** | **-** | **1.2** | 1.2 | (0.1) | 1.1 |
| | | **41.4** | **12.0** | **53.4** | 39.2 | (5.3) | 33.9 |
| Finance income/(expense): | | | | | | | |
| - Finance income | 4 | **0.4** | **2.9** | **3.3** | 0.1 | - | 0.1 |
| - Finance expense | 4 | **-** | **(1.5)** | **(1.5)** | (1.9) | (0.9) | (2.8) |
| **Profit/(loss) before taxation** | | **41.8** | **13.4** | **55.2** | 37.4 | (6.2) | 31.2 |
| Taxation charge | 9 | **(1.6)** | **(3.3)** | **(4.9)** | (5.2) | (0.5) | (5.7) |
| **Profit/(loss) for the year from continuing operations** | | **40.2** | **10.1** | **50.3** | 32.2 | (6.7) | 25.5 |
| **Discontinued operations** | | | | | | | |
| **Profit from discontinued operations (net of tax)** | 28 | **-** | **-** | **-** | 0.5 | 47.4 | 47.9 |
| **Profit for the year** | | **40.2** | **10.1** | **50.3** | 32.7 | 40.7 | 73.4 |
| **Profit attributable to:** | | | | | | | |
| Non-controlling interests | | **-** | **-** | **-** | (0.4) | 0.9 | 0.5 |
| Equity holders of the Company | | **40.2** | **10.1** | **50.3** | 33.1 | 39.8 | 72.9 |
| | | **40.2** | **10.1** | **50.3** | 32.7 | 40.7 | 73.4 |
| **Earnings per ordinary share (cent)** | | | | | | | |
| Basic - continuing operations | 13 | | | **3.6c** | | | 1.8c |
| Basic - discontinued operations | 13 | | | **-** | | | 3.5c |
| Basic | 13 | | | **3.6c** | | | 5.3c |
| Diluted - continuing operations | 13 | | | **3.6c** | | | 1.8c |
| Diluted - discontinued operations | 13 | | | **-** | | | 3.4c |
| Diluted | 13 | | | **3.6c** | | | 5.2c |

On behalf of the Board
Leslie Buckley
Robert Pitt

** Results to 31 December 2016 include an extra (53rd) week.*
*** Note 7.*

# GROUP STATEMENT OF COMPREHENSIVE INCOME

| | **Year Ended 31 December 2016*** **€m** | Year Ended 31 December 2015 €m |
|---|---|---|
| **Profit for the year** | **50.3** | 73.4 |
| | | |
| **Other comprehensive (expense)/income** | | |
| | | |
| **Items that will never be reclassified to profit or loss:** | | |
| Retirement benefit obligations: | | |
| - Remeasurement (losses)/gains** (note 35) | **(32.1)** | 15.8 |
| - Related movement on deferred tax asset (note 23) | **2.6** | (1.8) |
| | **(29.5)** | 14.0 |
| **Items that are or may be reclassified subsequently to profit or loss:** | | |
| Currency translation adjustments - subsidiaries | **(3.1)** | (0.1) |
| Currency translation adjustments - associates (note 16) | **-** | 4.3 |
| Currency translation adjustments - reclassification on disposal of subsidiary | **(0.6)** | - |
| Currency translation adjustments - reclassification on disposal of associate | **-** | (3.8) |
| Fair value reserve - reclassification on disposal of associate | **-** | (0.7) |
| Profits relating to cash flow hedges | **0.1** | - |
| Profits relating to available-for-sale financial assets (net change in fair value) | **-** | 0.7 |
| | **(3.6)** | 0.4 |
| **Other comprehensive (expense)/income for the year, net of tax** | **(33.1)** | 14.4 |
| | | |
| **Total comprehensive income for the year** | **17.2** | 87.8 |
| | | |
| **Total comprehensive income attributable to:** | | |
| Non-controlling interests | **-** | 0.5 |
| Equity holders of the Company | **17.2** | 87.3 |
| | **17.2** | 87.8 |
| | | |
| **Total comprehensive income attributable to:** | | |
| Continuing operations | **17.2** | 40.9 |
| Discontinued operations | **-** | 46.9 |
| | **17.2** | 87.8 |

On behalf of the Board
Leslie Buckley
Robert Pitt

** Results to 31 December 2016 include an extra (53rd) week.*
*** In 2016, the reduction in shareholders' equity attributable to the INIL and MSL defined benefit pension plans amounted to approximately €6 million mainly comprising a deficit on remeasurement of the defined benefit liabilities in the period from 1 January to 7 November of €17.6 million recognised in OCI and a credit to the Group Income Statement of €11.8 million on de-recognition of the defined benefit plans on 7 November 2016.*

# GROUP STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2016 €m | 31 December 2015 €m |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Intangible assets | 14 | **48.2** | 44.0 |
| Property, plant and equipment | 15 | **41.6** | 47.8 |
| Investments in associates and joint ventures | 16 | **1.5** | 1.6 |
| Deferred tax assets | 23 | **14.2** | 17.1 |
| Available-for-sale financial assets | 17 | **0.2** | 2.0 |
| | | **105.7** | 112.5 |
| **Current Assets** | | | |
| Inventories | 19 | **4.0** | 2.6 |
| Trade and other receivables | 20 | **23.7** | 24.8 |
| Derivative financial instruments | 18 | **0.1** | - |
| Corporation tax recoverable | | **0.3** | - |
| Cash and cash equivalents | 29 | **84.8** | 59.7 |
| | | **112.9** | 87.1 |
| **Total Assets** | | **218.6** | 199.6 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 21 | **43.7** | 45.1 |
| Corporation tax payable | | **-** | 2.4 |
| Provisions | 22 | **10.5** | 16.0 |
| | | **54.2** | 63.5 |
| **Non-Current Liabilities** | | | |
| Retirement benefit obligations | 35 | **97.3** | 86.1 |
| Deferred taxation liabilities | 23 | **3.5** | 3.8 |
| Other payables | | **0.8** | 1.1 |
| Provisions | 22 | **0.5** | 0.6 |
| | | **102.1** | 91.6 |
| **Total Liabilities** | | **156.3** | 155.1 |
| **Net Assets** | | **62.3** | 44.5 |
| **Equity** | | | |
| **Equity Attributable to Company's Equity Holders** | | | |
| Share capital | 25 | **13.9** | 13.9 |
| Share premium | | **767.0** | 767.0 |
| Other reserves | | **318.0** | 321.0 |
| Retained losses | | **(1,036.6)** | (1,057.4) |
| **Total Equity** | | **62.3** | 44.5 |

On behalf of the Board
Leslie Buckley
Robert Pitt

# GROUP STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital €m | Share Premium €m | Share Based Payment Reserve €m | Other Undenominated Capital €m | Currency Translation Reserve €m | Other* €m | Retained Losses €m | Equity Interest of Parent €m | Non-Controlling Interests €m | Total €m |
| **Group** | | | | | | | | | | |
| **At 1 January 2015** | 13.9 | 767.0 | - | 413.2 | (93.0) | - | (1,144.3) | (43.2) | (0.7) | (43.9) |
| **Total Comprehensive Income for the year** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 72.9 | 72.9 | 0.5 | 73.4 |
| Other comprehensive income** | - | - | - | - | 0.4 | 0.7 | 14.0 | 15.1 | - | 15.1 |
| Share of other comprehensive expense of associates - reclassification on disposal | - | - | - | - | - | (0.7) | - | (0.7) | - | (0.7) |
| **Total Comprehensive Income for the year** | **-** | **-** | **-** | **-** | **0.4** | **-** | **86.9** | **87.3** | **0.5** | **87.8** |
| **Attributable to owners of the Company, recognised directly in equity** | | | | | | | | | | |
| Equity settled share based payments | - | - | 0.4 | - | - | - | - | 0.4 | - | 0.4 |
| Elimination on GrabOne wind-down | - | - | - | - | - | - | - | - | 0.2 | 0.2 |
| **Total attributable to owners of the Company** | **-** | **-** | **0.4** | **-** | **-** | **-** | **-** | **0.4** | **0.2** | **0.6** |
| **At 1 January 2016** | **13.9** | **767.0** | **0.4** | **413.2** | **(92.6)** | **-** | **(1,057.4)** | **44.5** | **-** | **44.5** |
| **Total Comprehensive (Expense) /Income for the year** | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 50.3 | 50.3 | - | 50.3 |
| Other comprehensive (expense)/income** | - | - | - | - | (3.7) | 0.1 | (29.5) | (33.1) | - | (33.1) |
| **Total Comprehensive (Expense)/ Income for the year** | **-** | **-** | **-** | **-** | **(3.7)** | **0.1** | **20.8** | **17.2** | **-** | **17.2** |
| **Attributable to owners of the Company, recognised directly in equity** | | | | | | | | | | |
| Equity settled share based payments | - | - | 0.6 | - | - | - | - | 0.6 | - | 0.6 |
| **Total attributable to owners of the Company** | **-** | **-** | **0.6** | **-** | **-** | **-** | **-** | **0.6** | **-** | **0.6** |
| **At 31 December 2016** | **13.9** | **767.0** | **1.0** | **413.2** | **(96.3)** | **0.1** | **(1,036.6)** | **62.3** | **-** | **62.3** |

** 2016: A €0.1m movement relates to a movement on cash flow hedging reserve. (2015: A net €nil movement relates to a movement on available-for-sale financial assets reserve of €0.7m and the Group's share of the movement on APN's fair value reserve of (€0.7m)).*
*** Details can be found in the Group Statement of Comprehensive Income.*

# GROUP CASH FLOW STATEMENT

| | Year Ended 31 December 2016* €m | Year Ended 31 December 2016* €m | Year Ended 31 December 2015 €m | Year Ended 31 December 2015 €m |
|---|---|---|---|---|
| **Profit for the year** | **50.3** | | 73.4 | |
| Exceptional items | **(10.1)** | | (40.7) | |
| **Profit for the year before exceptional items** | **40.2** | | 32.7 | |
| Share of results of associates and joint ventures (continuing & discontinued) | **(1.2)** | | (1.7) | |
| Finance expenses (continuing & discontinued) | **-** | | 1.8 | |
| Finance income (continuing & discontinued) | **(0.4)** | | - | |
| Tax charge (continuing & discontinued) | **1.6** | | 5.2 | |
| **Operating profit before exceptional items (continuing & discontinued)** | **40.2** | | 38.0 | |
| Depreciation/amortisation | **6.4** | | 7.4 | |
| **Earnings Before Interest, Tax, Depreciation and Amortisation** | **46.6** | | 45.4 | |
| Share based payment charge | **0.6** | | 0.4 | |
| Movement in provisions/working capital | **(2.3)** | | (4.5) | |
| Retirement benefit obligations deficit repair payments | **(7.7)** | | (8.1) | |
| Defined benefit retirement benefit obligations charge recognised in the Group Income Statement | **2.3** | | 3.0 | |
| **Cash generated from operations (before cash exceptional items)** | **39.5** | | 36.2 | |
| Exceptional expenditure (note 7) | **(8.2)** | | (0.8) | |
| **Cash generated from operations** | **31.3** | | 35.4 | |
| Income tax paid | **(3.6)** | | (0.5) | |
| **Cash generated by operating activities** | | **27.7** | | 34.9 |
| **Cash flows from investing activities** | | | | |
| Dividends received from associates and joint ventures | **1.0** | | 0.8 | |
| Purchases of property, plant and equipment | **(2.3)** | | (1.9) | |
| Purchases of intangible assets | **(3.4)** | | (1.4) | |
| Proceeds from sale of property, plant and equipment | **7.6** | | 0.1 | |
| Proceeds from disposal of available-for-sale financial assets | **0.3** | | - | |
| Purchases of/advances to associates and joint ventures | **(0.3)** | | (0.2) | |
| Interest received | **0.1** | | 0.1 | |
| Decrease in restricted cash | **-** | | 10.0 | |
| Acquisition of subsidiary, net of cash acquired | **(3.0)** | | - | |
| Disposal of APN shareholding | **-** | | 119.3 | |
| **Net cash generated by investing activities** | | **-** | | 126.8 |

# GROUP CASH FLOW STATEMENT - continued

| | Year Ended 31 December 2016* €m | Year Ended 31 December 2016* €m | Year Ended 31 December 2015 €m | Year Ended 31 December 2015 €m |
|---|---|---|---|---|
| **Cash flows from financing activities** | | | | |
| Interest paid | - | | (2.1) | |
| Repayment of borrowings** | - | | (125.5) | |
| **Net cash used in financing activities** | | - | | (127.6) |
| Increase in cash and cash equivalents | | **27.7** | | 34.1 |
| Foreign exchange losses | | **(2.6)** | | (0.6) |
| **Net increase in cash and cash equivalents** | | **25.1** | | 33.5 |
| Balance at beginning of the year | | **59.7** | | 26.2 |
| **Cash and cash equivalents at end of the year** | | **84.8** | | 59.7 |

** Results to 31 December 2016 include an extra (53rd) week.*
*** Repayment of borrowings is comprised of release of Escrow cash €10.0m and €115.5m repayment of debt, primarily from proceeds of disposal of APN shareholding (note 2).*

# COMPANY STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2016 €m | 31 December 2015 €m |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Investments in subsidiary undertakings | | **435.7** | 347.4 |
| **Current Assets** | | | |
| Trade and other receivables | 20 | **174.5** | 263.4 |
| Cash and cash equivalents | 29 | **56.4** | 38.2 |
| | | **230.9** | 301.6 |
| **Total Assets** | | **666.6** | 649.0 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 21 | **556.9** | 585.0 |
| **Total Liabilities** | | **556.9** | 585.0 |
| **Net Assets** | | **109.7** | 64.0 |
| **Equity** | | | |
| **Capital and Reserves Attributable to Company's Equity Holders** | | | |
| Share capital | 25 | **13.9** | 13.9 |
| Share premium | | **767.0** | 767.0 |
| Other reserves | | **444.8** | 444.2 |
| Retained losses | | **(1,116.0)** | (1,161.1) |
| **Total Equity** | | **109.7** | 64.0 |

On behalf of the Board
Leslie Buckley
Robert Pitt

# COMPANY STATEMENT OF CHANGES IN EQUITY

| | Share Capital €m | Share Premium €m | Share Based Payment Reserve €m | Other Undenominated Capital €m | Non-Distributable Reserve €m | Retained Losses €m | Total €m |
|---|---|---|---|---|---|---|---|
| At 1 January 2015 | 13.9 | 767.0 | - | 413.2 | 30.6 | (1,161.6) | 63.1 |
| **Total comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | - | - | 0.9 | 0.9 |
| Other comprehensive expense | - | - | - | - | - | (0.4) | (0.4) |
| **Total comprehensive income for the year** | - | - | - | - | - | 0.5 | 0.5 |
| **Transactions with owners of the Company, recognised directly in equity** | | | | | | | |
| Equity settled share based payments | - | - | 0.4 | - | - | - | 0.4 |
| **Total transactions with owners of the Company** | - | - | 0.4 | - | - | - | 0.4 |
| **At 31 December 2015** | **13.9** | **767.0** | **0.4** | **413.2** | **30.6** | **(1,161.1)** | **64.0** |
| **Total comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | - | - | 45.1 | 45.1 |
| Other comprehensive expense | - | - | - | - | - | - | - |
| **Total comprehensive income for the year** | - | - | - | - | - | 45.1 | 45.1 |
| **Transactions with owners of the Company, recognised directly in equity** | | | | | | | |
| Equity settled share based payments | - | - | 0.6 | - | - | - | 0.6 |
| **Total transactions with owners of the Company** | - | - | 0.6 | - | - | 45.1 | 0.6 |
| **At 31 December 2016** | **13.9** | **767.0** | **1.0** | **413.2** | **30.6** | **(1,116.0)** | **109.7** |

The share premium reserve, share based payment reserve, other undenominated capital and non-distributable reserve total €1,211.8m (2015: €1,211.2m). The non-distributable reserve primarily relates to profits arising on the sale of assets to a Group company.

# COMPANY CASH FLOW STATEMENT

| | **Year Ended 31 December 2016* €m** | Year Ended 31 December 2015 €m |
|---|---|---|
| **(Loss)/profit for the year** | **(1.2)** | 0.9 |
| (Decrease)/increase in short term payables | **(0.8)** | 0.8 |
| **Net cash (used in)/generated by operating activities (before cash exceptional items)** | **(2.0)** | 1.7 |
| Exceptional expenditure | - | (0.1) |
| **Net cash (used in)/generated by operations** | **(2.0)** | 1.6 |
| **Cash flows from investing activities** | | |
| Interest received | - | 0.1 |
| **Net cash received from investing activities** | - | 0.1 |
| **Cash flows from financing activities** | | |
| Movement on loans due from Group companies | **47.2** | (23.7) |
| Movement on loans due to Group companies | **(27.0)** | 42.5 |
| **Net cash generated by financing activities** | **20.2** | 18.8 |
| **Net increase in cash and cash equivalents and bank overdrafts in the year** | **18.2** | 20.5 |
| Balance at beginning of the year | **38.2** | 17.7 |
| **Cash and cash equivalents and bank overdrafts at end of the year** | **56.4** | 38.2 |

** Results to 31 December 2016 include an extra (53rd) week.*

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

### Changes in Accounting Policies
Except for the changes outlined below, the Group has consistently applied the following accounting policies in these consolidated financial statements.

The following new and amended standards and interpretations are effective for the Group for the first time for the financial year beginning 1 January 2016.

- Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16: Property, Plant and Equipment and IAS 41: Bearer Plants
- Amendments to IAS 27: Equity method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities - exception to consolidation.

The aforementioned did not have a material impact on the Group.

### Reporting Entity and Basis of Accounting
Independent News & Media PLC ('the Company') is a company domiciled in Ireland. These Group financial statements as at and for the year ended 31 December 2016 comprise the financial statements of the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in associates and joint ventures.

In accordance with EU Regulations, the Group financial statements for the year ended 31 December 2016 have been prepared in accordance with EU adopted International Financial Reporting Standards ('IFRS'), and with those parts of the Companies Acts 2014, and Article 4 of the IAS Regulation, applicable to companies reporting under IFRS.
The Company financial statements have been prepared in accordance with EU adopted IFRS as applied by the Companies Act 2014.

These financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due during the 12 months from the date of the approval of the 2016 Annual Report, the time period that the Directors have considered in evaluating the appropriateness of the going concern basis.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group regularly reviews significant unobservable inputs and valuation adjustments.

Significant valuation issues are reported to the Group's Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 26 - share-based payment arrangements;
- Note 32 - financial instruments; and
- Note 27 - acquisition of subsidiary.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Basis of Consolidation

The presentation currency of the Group financial statements is Euro and the functional and presentation currency of the Company, Independent News & Media PLC, is Euro. The Group financial statements are rounded to hundreds of thousands.

The financial statements of the Company and its subsidiary undertakings for the year to 31 December 2016 are incorporated in the Group financial statements. The Group's share of results of joint ventures and associates is based on their financial statements for the year to the end of December 2016.

(i) Subsidiary undertakings are included in the financial statements from the date on which control is obtained and cease to be consolidated from the date on which control is lost by the Group. Subsidiaries are all entities where the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights are considered when assessing whether the Group controls another entity.

(ii) Non-controlling interests represent the proportion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Company. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognised directly in equity. Gains or losses on disposals to non-controlling interests, without a loss of control, are also recognised directly in equity.

(iii) A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:
a. represents a separate major line of business or geographical area of operations;
b. is part of a single co-ordinated plan to dispose of a separate line of business or geographical area of operations; or
c. is a subsidiary acquired exclusively with a view to resale.

(iv) When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost. On the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the components of equity related to the subsidiary. Any surplus or deficit on the loss of control is recognised in profit or loss. The fair value of the residual interest is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss as part of the gain or loss on disposal.

(v) Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated upon consolidation.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Business Combinations

The group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

### Associates and Joint Ventures

Associates are entities, not being subsidiary undertakings or joint arrangements, where the Group has the ability to exercise significant influence over their operating and financial policies. A joint venture is an arrangement in which the Group has joint control, and the Group has rights to the net assets of the arrangement, rather than direct rights to its individual assets and obligations for its individual liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost. Subsequent to initial recognition, the Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the Income Statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. Any post-acquisition movements in equity are recognised in Group equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group ceases to recognise its share of post-acquisition losses when its investment in the relevant associate or joint venture has been written down to nil, provided the Group does not have a constructive or legal obligation to fund the associate or joint venture. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. Losses recognised under the equity method in excess of the investor's investment in ordinary shares are applied to the other components of the investor's interest in an associate or joint venture in the reverse order of their seniority. The results of associates and joint ventures are included from the effective date on which the Group obtains significant influence/joint control and are excluded from the effective date on which the Group ceases to have significant influence/joint control. The fair value of any investment retained in a former subsidiary shall be regarded as the cost on initial recognition of an investment in an associate or joint arrangement.

The reduction in the Group's ownership interest while maintaining significant influence/joint control is recognised in profit or loss. In addition, the Group reclassifies any equity-accounted gain or loss previously recognised in OCI as if the Group had directly disposed of a portion of the related assets and liabilities.

### Comparative Information

There have been no restatements to the comparative information in the financial statements.

### Exceptional Items

The Group has adopted an Income Statement format which highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance. Judgement is used by the Group in assessing the particular items which, by virtue of their materiality and/or nature, are disclosed in the Group Income Statement and related notes as exceptional items. The tax element of exceptional items is included as exceptional tax.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Segmental Reporting

The Chief Operating Decision Maker ('CODM') reviews and considers management information in respect of each segment. The key performance measure, that is reviewed for these segments is operating profit/(loss) before exceptional items. Exceptional items are reviewed at Group level across different categories and appear separately from the key performance measure reviewed by the CODM.

Interest income and expense, share of results of associates and joint ventures (with the exception of a significant associate which is separately considered) and taxation were reviewed and considered by the CODM at Group level only.

The Group continued to report its revenues and operating profit before exceptional items by geographical areas with a further analysis of the geographical areas by class of business also provided.

A number of operating segments are aggregated into one operating segment on the basis that they exhibit similar long-term financial performance as they have similar economic characteristics and the segments are similar in each of the following respects:

- the nature of the products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services.

INM's entire shareholding in APN was disposed of in 2015. Consequently, as APN is a major line of business, it is treated as a discontinued operation in 2015.

Any transactions between reportable segments are on an arm's length basis.

### Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the course of ordinary activities, net of discounts, returns and Value Added Tax. Where the Group enters barter transactions to provide advertising services in exchange for receiving advertising services, the Group recognises revenue from the advertising services provided once the advertising services exchanged are dissimilar and the amount of revenue can be measured reliably.

Circulation and printing revenue is recognised when control of the goods passes to the buyer. Circulation revenue is net of publication returns. Advertising revenue (net of agency commission) from publishing is recognised when a newspaper or magazine is published. Online advertising revenue is recognised over the period that the advertisement is displayed. Distribution revenue is recognised when the newspaper or magazine has been delivered and on a gross basis since the Group bears both credit and inventory risk.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate over the period to expected maturity. Dividend income is recognised when the right to receive payment is established.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes all expenditure that is directly attributable to the acquisition of the items. Cost will also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is charged so as to write off the cost of assets, other than land, less their residual values, over their estimated useful lives, using the straight-line method as follows:

| | |
|---|---|
| Buildings | 40-100 years |
| Plant and equipment | 3-25 years |
| Vehicles | 4-6 years |

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

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

Borrowing costs directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets.

### Leases

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the outset of the lease at the fair value of the leased property, plant and equipment or, if lower, at the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the balance of the liability outstanding. The interest element of the finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over a useful economic life consistent with that for depreciable assets that are owned. If there is no reasonable certainty that title to the asset will transfer to the lessee at the end of the lease period, the asset shall be depreciated over the shorter of the lease term and its useful life.

Leases in which substantially all of the risks and rewards of ownership have not been transferred to the Group are classified as operating leases. Payments made under operating leases, excluding contingent payments, are charged to the Income Statement on a straight-line basis over the period of the lease.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Intangible Assets

***(i) Goodwill***

Goodwill is measured at its original carrying value less accumulated impairment losses.

Goodwill acquired in a business combination is recognised as an asset and is allocated, from the acquisition date, to the respective cash generating units ('CGUs') or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested for impairment at least annually. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures. When calculating gains and losses on the disposal of an entity, the carrying value of goodwill relating to that entity is included in the carrying amount of the entity sold.

If tax losses of a company acquired in a business combination are recognised in a period subsequent to the period in which the business combination took place, then the Group recognises acquired deferred tax benefits that it realises after the business combination as follows:

(a) Acquired deferred tax benefits recognised within the measurement period that result from new information about facts and circumstances that existed at the acquisition date shall be applied to reduce the carrying amount of any goodwill related to that acquisition. If the carrying amount of that goodwill is zero, any remaining deferred tax benefits shall be recognised in profit or loss.

(b) All other acquired deferred tax benefits realised shall be recognised in profit or loss (or, if IAS 12 requires, outside profit or loss).

***(ii) Mastheads and Other Intangibles***

An intangible asset shall be recognised if, and only if, it is purchased in a business combination - or separately - and it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Mastheads are initially recorded at cost. Where these assets have been acquired through a business combination, cost will be the fair value in acquisition accounting.

An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Based on an analysis of relevant factors (such as the actions of competitors and typical product life cycles), most of the Group's mastheads are regarded as having an indefinite useful life. This is supported by a range of factors including their proven value over long periods, their sustainable position in the market and durability, because they are expected to maintain market share and profitability over a long period. This is also supported by the barriers to entry that exist, the nature of competition in these industries, the intellectual property rights and the quality of branding associated with these mastheads.

These mastheads are subject to annual impairment testing at CGU level to identify whether the carrying amount exceeds the recoverable amount.

Internally generated mastheads are not capitalised and any expenditure on such assets is charged to the Income Statement in the year in which the expenditure is incurred. Other intangibles include customer listings which are amortised over three years.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Intangible Assets - continued

***(iii) Computer Software***

Acquired computer software is capitalised as intangible assets on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly attributable to the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Directly attributable costs include software development, employee costs and an appropriate portion of relevant overheads.

Computer software costs are amortised over their estimated useful lives (ranging in most cases from three to five years, but up to ten years where specific bespoke software has been developed which is expected to provide benefits over a longer period). Other costs in respect of computer software are recognised as an expense as incurred.

### Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are included within equity as a deduction from revenue reserves.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are reissued. Where such shares are subsequently reissued any consideration received is included in share premium attributable to the Company's equity holders.

### Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually at the reporting date and more frequently when there is an indication that the asset may be impaired. Assets that are subject to amortisation are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The impairment loss recognised is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash inflows of other assets or groups thereof. Certain of the Group's intangibles are held centrally as these have arisen as a result of the Group's acquisitions. For the purposes of carrying out impairment tests and reviews at the individual CGU level, these centrally held intangibles are allocated to the relevant CGU which appropriately reflects the history of the acquisition of these intangibles.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Impairment of Non-Financial Assets - continued

If an impairment loss is recognised for a CGU, it is allocated to reduce the carrying amount of the assets of the unit in the following order:
(i) first, to reduce the carrying amount of any goodwill allocated to the CGU; and
(ii) then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation and amortisation if no impairment loss had been recognised.

### Business Combinations

The Group uses the acquisition method of accounting to account for business combinations by the Group.
The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities that are present obligations assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the recognised amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this calculation results in a deficit, the difference is recognised directly in the Income Statement.

### Employee Benefits

***(i) Pension Obligations***

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee administered funds. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further amounts. A defined benefit plan is a post-employment plan other than a defined contribution plan.

***Defined Contribution Plans***

Contributions to defined contribution plans are recognised as an expense in the Income Statement as incurred.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Employee Benefits - continued

*(i) Pension Obligations - continued*

***Defined Benefit Plans***

The Group's net obligation in respect of defined benefit plans (both funded and unfunded schemes) is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in the OCI. The Group determines the net interest expense (income) in the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service is recognised immediately in profit or loss, as a past service cost or credit. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

***(ii) Share Based Compensation***

The Group operates an equity-settled share based compensation plan for directors and executives.

The grant date fair value of the employee services received in exchange for the grant of options is recognised as an expense over the vesting period, with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the grant date. When the award is dependent on a non-market performance condition at each reporting date, the Group revises its estimate of the number of options that are expected to vest such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payments awards with market performance conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. When share options are cancelled, the Group accounts for the cancellation as an acceleration of vesting and therefore recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Employee Benefits - continued

***(iii) Termination Benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a related restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Cost comprises cost of purchase i.e. supplier's invoice price (net of discounts), with the addition of charges such as freight or duty where appropriate.

Net realisable value comprises the actual or estimated selling price (net of discounts) less all costs to be incurred in marketing, selling and distribution.

### Dividends

Dividends are recognised as a liability in the financial statements in the period in which the dividends are declared. Proposed dividends that are declared after the reporting date are not recognised as a liability at that reporting date but are disclosed in a note to the financial statements.

### Taxation

Income tax comprises the sum of current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or item recognised directly in equity or in other comprehensive income.

Current tax is based on taxable profit for the year and any adjustments in respect of previous years. It is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences that exist at the reporting date. A temporary difference is a difference arising between the tax base of all assets (except non-deductible goodwill) and liabilities and their carrying amounts in the financial statements. However, if the temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint arrangements and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions include onerous contracts in which the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assumptions of the time value of money and the risks specific to the obligation.

### Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Financial assets that meet the criteria to be designated as financial assets at fair value through profit or loss, or loans and receivables, as listed below, are so designated, with all other financial assets classified as available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

***(i) Financial Assets at Fair Value through Profit or Loss***

Financial assets at fair value through profit or loss are financial assets that are classified as held-for-trading or financial assets that the Group designates as at fair value through profit or loss on initial recognition. Derivative financial instruments are always categorised as held-for-trading financial assets at fair value through profit or loss unless they are accounted for as effective hedging instruments. The Group has not chosen to designate any other financial assets within this category.

***(ii) Loans and Receivables***

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are initially recognised at fair value and subsequently recorded at amortised cost. They are included in current assets, except for maturities greater than 12 months after the reporting date. Those loans and receivables with a maturity greater than 12 months are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Financial Assets - continued

***(iii) Available-for-Sale Financial Assets***

Available-for-sale financial assets are non-derivative assets other than loans and receivables. They mainly include investments in equity securities in which the Group does not have significant influence or control. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of available-for-sale financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are derecognised when the rights to receive cash flows from the available-for-sale financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income. When available-for-sale financial assets are sold or impaired the accumulated fair value adjustments, previously recognised in OCI, are included in the Income Statement as gains and losses. The fair values of quoted available-for-sale financial assets are based on current bid prices.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists on available-for-sale financial assets the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement, is recognised in the Income Statement.

For such available-for-sale financial assets, past impairment losses recognised in the Income Statement are not reversed through the Income Statement when fair value increases. Subsequent increases in fair value that have the effect of reversing earlier impairment losses are recognised in other comprehensive income.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Accounting for Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are mainly used to manage exposures to foreign exchange and interest rate risks. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The Group designates certain derivatives as hedges of the variability in cash flow attributable to a particular risk associated with assets and/or liabilities or highly probable forecast transactions (cash flow hedges). The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of the effectiveness of the hedge in offsetting changes in cash flows of hedged items. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

***(i) Cash Flow Hedges***

The effective portion of changes in the fair values of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income presented in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are reclassified to the Income Statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in OCI at that time is recognised in the Income Statement when the forecast transaction to which it relates occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately reclassified to the Income Statement.

***(ii) Derivatives at Fair Value through Profit or Loss***

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of such derivative instruments are recognised immediately in the Income Statement.

***(iii) Net Investment Hedges***

Where foreign currency borrowings provide a hedge against a net investment in a foreign operation, to the extent that the hedge is effective foreign exchange differences are recognised in other comprehensive income and presented in the currency translation reserve (being a separate component of equity). Cumulative gains and losses remain in OCI until disposal of the net investment in the foreign operation at which point the related foreign exchange differences are reclassified to the Group Income Statement as part of the overall gain or loss on sale.

### Borrowings

Interest bearing loans and overdrafts are recognised initially at fair value, which is the proceeds received, net of transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, other short-term highly liquid investments with maturities of three months or less at inception and bank overdrafts where a legal right of set-off exists. Bank overdrafts where no legal right of set-off exists are shown within borrowings in current liabilities on the Statement of Financial Position.

### Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. The carrying amount of trade receivables is reduced through the use of a provision for impairment when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default in payments, are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the Income Statement.

### Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

### Foreign Currency Translation

***(i) Functional and Presentation Currency***

The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency that reflects the primary economic environment in which the entity operates ('the functional currency').

***(ii) Transactions and Balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges or hedges of net investments in foreign operations.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Foreign Currency Translation - continued

***(iii) Group Companies***

The results and financial position of all of the Group entities and associates and joint ventures that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

(b) goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate;

(c) income and expenses for each Income Statement are translated at actual exchange rates or when they are a reasonable approximation at average exchange rates; and

(d) all resulting exchange differences are recognised in other comprehensive income and presented as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When the Group disposes of its investment in a foreign entity, all cumulative exchange differences previously taken to other comprehensive income are reclassified and booked as part of the gain or loss on disposal in the Income Statement.

### Subsidiary Undertakings and Intercompany Loans

Shares in subsidiary undertakings are stated in the Parent Company's Statement of Financial Position at cost less provision for impairment. Intercompany loans are payable on demand and are stated at cost less provision for impairment.

### Earnings Per Share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). For diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all potential dilutive options over ordinary shares once the adjustment does not reduce a loss per share or increase earnings per share. Basic and diluted earnings per share before exceptional items are presented in order to give a better understanding of the Group's financial performance.

### Non-Current Assets Classified as Held for Sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Such assets (or disposal groups) are generally measured at the lower of their carrying amount and fair value less costs to sell.

# Notes to the Financial Statements - continued

## 1. Accounting Policies - continued

### Use of Judgements in Applying the Group's Accounting Policies

The preparation of financial statements in conformity with IFRS requires the use of significant judgements, estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Actual results may differ from these estimates.

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, relate primarily to accounting for deferred income tax, indefinite life intangible assets, exceptional items, and retirement benefit obligations.

### Key Areas:

***(i) Deferred Income Tax***

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. Significant judgement is used when assessing both the extent to which deferred tax assets should be recognised and the amount to be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction (see note 23 for further information).

***(ii) Determination of Useful Lives and Assessment for Impairment - Intangibles and Other Assets***

Estimates of recoverable amount are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information (see note 14 for further information).

An intangible asset shall be regarded by the Group as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Based on an analysis of relevant factors (such as the actions of competitors and typical product life cycles), most of the Group's mastheads are regarded as having an indefinite useful life. These mastheads are subject to an annual impairment test at CGU level to identify whether the carrying amount exceeds the recoverable amount. Deferred tax on indefinite life intangible assets is assessed on a sales basis.

An impairment test is carried out at a reporting date on property, plant and equipment when there are indications that the relevant property, plant and equipment may be impaired. The impairment test compares the carrying amount of property, plant and equipment to its recoverable amount. If the carrying amount exceeds the recoverable amount an impairment is recorded.

***(iii) Retirement Benefit Obligations***

The determination of the pension cost and defined benefit obligation of the Group's defined benefit pension schemes depends on the selection of certain assumptions which include, inter alia, the discount rate, inflation rate, salary growth, and longevity, all of which are key judgements. Advice is sourced from independent actuaries in selecting suitable assumptions (see note 35 for further information).

The Directors reviewed the appropriateness of the derecognition of the Statement of Financial Position liability in respect of the two Republic of Ireland defined benefit pension schemes closed with effect from 7 November 2016. The directors also reviewed the corresponding additional defined contribution pension scheme provision created. In regard to both matters, the directors were satisfied with the appropriateness of the accounting treatment adopted.

# Notes to the Financial Statements - continued

### 1. Accounting Policies - continued

#### Use of Judgements in Applying the Group's Accounting Policies - continued

#### Other Areas:

*(i)* ***Exceptional Items***

The Group has adopted an Income Statement format which highlights significant items within the Group's results for the year. Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance. Judgement is used by the Group in assessing the particular items which, by virtue of their materiality and/or nature, are disclosed in the Group Income Statement and related notes as exceptional items (see note 7 for further information).

## 2. Financial Restructuring

As part of the disposal of South African operations in August 2013, the Group gave standard warranties with a total potential exposure of R200m (€14.3m as at 31 December 2014). €10.0m of the proceeds were retained in an Escrow account (with this amount classified as restricted cash in the Group Statement of Financial Position) pending any potential warranty claims for a period of 12 to 24 months post completion (24 months if certain pre-existing industry wide competition commission enquiries were still open after 12 months). In early 2015, the Group signed a Settlement Agreement with the purchasers of the South African business to pay the euro equivalent of R85m (€6.6m) in full and final settlement of all warranties and industry wide competition commission enquiries. The residual balance of €3.4m in the Escrow account was paid to the banking syndicate with a consequential reduction of €10.0m in Escrow debt in line with the Escrow Agreement.

On 19 March 2015, the Group announced that it had entered into an agreement with Credit Suisse (Australia) Limited ("Credit Suisse") in respect of the sale, by way of an underwritten block trade, of 191,541,073 ordinary shares in APN, being the entire holding of the Group in APN (representing 18.61% of the issued share capital of APN).

Under the terms of the agreement giving effect to the sale (the "Sale Agreement"), Credit Suisse agreed to acquire, or procure the acquisition by third party purchasers of, all of the Group shareholding in APN at a fixed price per APN ordinary share ("APN Share") of AUD$0.88. All of the net proceeds of the transaction were applied to repay INM Group indebtedness.

# Notes to the Financial Statements - continued

## 3. An analysis of the Group's operating profit and loss

| | Before Exceptional items €m | Exceptional items €m | Total €m |
|---|---|---|---|
| **2016** | | | |
| Revenue | 323.4 | - | 323.4 |
| Cost of sales | (209.7) | - | (209.7) |
| Gross profit | 113.7 | - | 113.7 |
| Distribution expenses | (35.6) | - | (35.6) |
| Administration expenses | (25.0) | 12.0 | (13.0) |
| Other operating expenses | (12.9) | - | (12.9) |
| **Operating profit** | **40.2** | **12.0** | **52.2** |
| **2015** | | | |
| Revenue | 321.2 | - | 321.2 |
| Cost of sales | (203.7) | - | (203.7) |
| Gross profit | 117.5 | - | 117.5 |
| Distribution expenses | (35.6) | - | (35.6) |
| Administration expenses | (32.6) | (5.2) | (37.8) |
| Other operating expenses | (11.3) | - | (11.3) |
| **Operating profit/(loss)** | **38.0** | **(5.2)** | **32.8** |

# Notes to the Financial Statements - continued

## 4. Net Finance Income/(Costs)

| | 2016 €m | 2015 €m |
|---|---|---|
| Finance income | **0.4** | 0.1 |
| Finance costs | **-** | (1.9) |
| Net finance income/(costs) (before exceptional finance items) | **0.4** | (1.8) |
| Net exceptional finance income/(costs) (note 7) | **1.4** | (0.9) |
| Net finance income/(costs) | **1.8** | (2.7) |

The 2016 net exceptional finance income relates to a gain of €2.9m arising from the remeasurement to fair value of the Group's pre-existing 50% interest in Digital Odyssey Limited (see note 27) following the acquisition of the remaining 50% of the shares and voting rights in that entity and a charge of €1.5m for the write down of two available-for-sale financial assets deemed not recoverable.

During 2015, an exceptional finance charge of €0.9m was booked relating to the reclassification to the Group Income Statement of a negative fair value reserve on an available-for-sale financial asset. This was due to a sustained period of negative movements in the market value of the financial asset.

## 5. Revenue

An analysis of the Group's revenue from continuing operations for the year is as follows:

| | 2016 €m | 2015 €m |
|---|---|---|
| Newspaper advertising revenues | **63.9** | 70.4 |
| Online revenues | **15.1** | 12.5 |
| GrabOne revenues | **-** | 1.8 |
| Revenue from sale of newspapers and magazines | **95.8** | 101.1 |
| Revenue from distribution/commercial printing activities | **148.6** | 135.4 |
| | **323.4** | 321.2 |

# Notes to the Financial Statements - continued

## 6. Profit/(Loss) for the Year

| | 2016 €m | 2015 €m |
|---|---|---|
| **Group** | | |
| Profit/(loss) for the year has been arrived at after charging: | | |
| Depreciation (note 15) | **3.5** | 3.9 |
| Amortisation (note 14) | **2.9** | 3.5 |
| | **6.4** | 7.4 |
| Research & development | **0.3** | 0.3 |
| Operating lease payments* | **2.6** | 2.9 |

** Includes €0.4m of sublease payments in 2016 (2015: €0.3m).*

During the year, the Group obtained the following services from the Group's auditors, KPMG:

| | 2016 €m | 2015 €m |
|---|---|---|
| **Statutory audit of Group Accounts** | | |
| - Ireland (statutory auditor) | **0.5** | 0.5 |
| - Other network firms | **-** | - |
| **Other assurance services** | | |
| - Ireland (statutory auditor) | **-** | - |
| - Other network firms | **-** | - |
| **Tax advisory services** | | |
| - Ireland | **0.1** | 0.3 |
| - Other network firms | **-** | - |
| **Other non-audit services** | | |
| - Ireland | **-** | 0.1 |
| - Other network firms | **-** | - |
| | **0.6** | 0.9 |

During the year, the Company obtained audit services from the Group's auditors to the value of €24k (2015: €24k). During the year €27k of out of pocket expenses were reimbursed to the independent auditor (2015: €25k).

# Notes to the Financial Statements - continued

## 7. Exceptional Items

Exceptional items are those items of income and expense that the Group considers are material and/or of such a nature that their separate disclosure is relevant to a better understanding of the Group's financial performance.

| | | 2016 €m | 2015 €m |
|---|---|---|---|
| Included in profit/(loss) before taxation are the following: | | | |
| **Continuing operations:** | | | |
| Restructuring credit/(charge) | (i) | **13.8** | (0.6) |
| Impairments | (ii) | **(1.8)** | (4.6) |
| | | **12.0** | (5.2) |
| Share of associates' and joint ventures' exceptional items (net of tax and non-controlling interests) | (iii) | **-** | (0.1) |
| Exceptional finance income (note 4) | (iv) | **2.9** | - |
| Exceptional finance expense (note 4) | (v) | **(1.5)** | (0.9) |
| | | **13.4** | (6.2) |
| Exceptional tax charge (note 9) | (vi) | **(3.3)** | (0.5) |
| **Continuing operations - exceptional items net of taxation** | | **10.1** | (6.7) |
| **Discontinued operations:** | | | |
| Gain on sale of associate | (vii) | - | 47.4 |
| **Discontinued operations - exceptional items net of taxation** | | **-** | 47.4 |
| **Total - exceptional items net of taxation and non-controlling interests *** | | **10.1** | 40.7 |

** Of the exceptional gain of €10.1m in 2016, €8.2m is shown as an exceptional expenditure outflow in the Group Cash Flow Statement and primarily relates to redundancy and miscellaneous restructuring costs (proceeds received from the sale of property, plant and equipment are disclosed separately in the Group Cash Flow Statement). Of the exceptional gain of €40.7m in 2015, €0.8m is shown as an exceptional expenditure outflow in the Group Cash Flow Statement and primarily relates to miscellaneous restructuring costs partially offset by a termination payment received from the cessation of a printing contract.*

# Notes to the Financial Statements - continued

## 7. Exceptional Items - continued

***(i) 2016***

Primarily relates to the following:

(a) A retirement benefits accounting adjustment of €11.8m (see note 35 for further information) with €0.4m of related professional fees. In 2016, the reduction in shareholders' equity attributable to the INIL and MSL defined benefit pension plans amounted to approximately €6 million mainly comprising a deficit on re-measurement of the defined benefit liabilities in the period from 1 January to 7 November of €17.6 million recognised in OCI and a credit to the Group Income Statement of €11.8 million on de-recognition of the defined benefit plans on 7 November 2016;

(b) A gain on the disposal of property, plant and equipment in the Island of Ireland of €5.8m;

(c) A gain of €0.6m for a currency translation adjustment due to the disposal of two Australian subsidiaries;

(d) A charge of €3.3m related to miscellaneous restructuring costs, primarily redundancy costs in the Island of Ireland; and

(e) A charge of €0.7m (of which €0.2m related to Digital Odyssey Limited) for acquisition related expenses.

***2015***

Primarily relates to the following:

(a) A charge of €0.9m related to miscellaneous restructuring costs, primarily redundancy costs in the Island of Ireland; and

(b) A retirement benefits accounting adjustment of €0.3m due to the transfer of certain members from the defined benefit plan to the Company's defined contribution plan (note 35). This comprises a €0.5m exceptional settlement gain on the transfers out by members, somewhat offset by an exceptional charge of €0.2m on the booking of a liability for payments to the defined contribution pension scheme in respect of those members.

***(ii) 2016***

A charge of €1.8m relating to miscellaneous impairments and write-offs of property, plant and equipment in the Island of Ireland to its recoverable amount, primarily as a result of a review of the distribution business. The impairment amount was quantified by the use of a third party valuation report.

***2015***

Primarily relates to the following:

(a) A charge of €1.7m relating to miscellaneous impairments and write-offs of property, plant and equipment and intangible assets in the Republic of Ireland;

(b) A charge of €1.7m relating to the write-down of property, plant and equipment in the Belfast operations; and

(c) A charge of €1.2m relating to the impairment of the Belfast Telegraph masthead.

***(iii) 2015***

The share of associates' and joint ventures' exceptional items (net of tax and non-controlling interests) charge of €0.1m relates to redundancies in Independent Star Limited.

# Notes to the Financial Statements - continued

## 7. Exceptional Items - continued

***(iv) 2016***

Relates to a gain arising from the remeasurement to fair value of the Group's pre-existing 50% interest in Digital Odyssey Limited following the acquisition of the remaining 50% of the shares and voting rights in that entity (see note 27).

***(v) 2016***

Relates to a charge of €1.5m for the write down of two available-for-sale financial assets deemed not recoverable.

***2015***

Relates to a charge of €0.9m due to the reclassification to the Group Income Statement of a negative fair value reserve on an available-for-sale financial asset. This comprises a reclassification relating to a €0.7m opening balance in fair value reserve and a €0.2m movement during the year.

***(vi) 2016***

The exceptional tax charge in 2016 primarily relates to a tax charge of €2.1m arising on the release of a deferred tax asset (see note 23 for further information), a tax charge of €1.5m arising due to the retirement benefit accounting adjustment (see note 35 for further information) and a tax credit of €0.3m arising on exceptional expenses in the Republic of Ireland.

***2015***

Relates to a net charge of €0.5m classified as exceptional tax. The exceptional tax charge in 2015 primarily relates to a tax charge of €0.4m arising on the release of a deferred tax asset on foreign losses and a tax charge of €0.1m arising on exceptional expenses in the Republic of Ireland.

***(vii) 2015***

Relates to the gain on disposal of the Group's entire shareholding in APN (see note 28).

## 8. Equity Interest in APN

During 2015 INM disposed of its entire shareholding in APN and therefore had a nil shareholding in APN as at 31 December 2015 (see note 28).

# Notes to the Financial Statements - continued

## 9. Taxation

### (a) Amounts recognised in profit or loss

| | **2016 €m** | 2015 €m |
|---|---|---|
| Current tax: | | |
| Current year | **2.0** | 2.7 |
| Adjustment for prior year | **(1.1)** | (0.1) |
| | **0.9** | 2.6 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | **0.3** | 1.1 |
| Release of deferred tax asset on defined benefit schemes | **7.7** | 0.6 |
| Deferred tax asset arising on provision for defined contribution scheme payments | **(6.2)** | - |
| Charge in respect of tax losses | **-** | 0.8 |
| Release of deferred tax asset arising from a change in tax rates | **0.1** | 0.6 |
| Release of deferred tax asset arising from a change in accounting estimate | **2.1** | - |
| | **4.0** | 3.1 |
| Taxation charge on continuing operations | **4.9** | 5.7 |

### (b) Amounts recognised in OCI

| | **2016 €m** | 2015 €m |
|---|---|---|
| Deferred tax credit/(charge) on retirement benefit obligation remeasurements | **2.6** | (1.8) |

# Notes to the Financial Statements - continued

## 9. Taxation - continued

### (c) Reconciliation of effective tax rate

The total tax charge for the year is different from the standard rate of Corporation Tax in Ireland of 12.5% (2015: 12.5%). The differences are explained below:

| | 2016 €m | 2015 €m |
|---|---|---|
| Profit before taxation | **55.2** | 31.2 |
| Share of results of associates and joint ventures | **(1.2)** | (1.1) |
| Profit of Company and subsidiary undertakings before taxation | **54.0** | 30.1 |
| | | |
| Profit of Company and subsidiary undertakings before taxation multiplied by standard rate of Corporation Tax in Ireland of 12.5% (2015: 12.5%) | **6.7** | 3.8 |
| Effects of: | | |
| Release of deferred tax asset arising from a change in tax rates | **0.1** | 0.6 |
| Exceptional items | **0.1** | 0.7 |
| (Recognition)/release of deferred tax asset | **(0.1)** | 2.2 |
| Adjustment in respect of prior periods | **(1.1)** | 0.2 |
| Other differences | **(2.9)** | (1.8) |
| Release of deferred tax asset arising from a change in accounting estimate | **2.1** | - |
| | **4.9** | 5.7 |

For further information on movement in deferred tax assets in 2016, see note 23.

Within the total tax charge of €4.9m (2015: charge of €5.7m), a net charge of €3.3m (2015: net charge of €0.5m) is classified as exceptional tax.

The exceptional tax charge of €3.3m in 2016 primarily relates to a tax charge of €2.1m on the release of a deferred tax asset arising from a change in accounting estimate, a tax charge of €1.5m arising on the retirement benefit accounting adjustment of €11.8m and a tax credit of €0.3m arising on exceptional expenses in the Republic of Ireland.

The exceptional tax charge in 2015 primarily relates to a tax charge of €0.4m arising on the release of a deferred tax asset on foreign losses and a tax charge of €0.1m arising on exceptional expenses in the Republic of Ireland.

There is inherent uncertainty surrounding the UK's exit from the EU and the impact on tax laws and rates. The directors have assessed and have not identified any significant matters impacting the financial statements.

# Notes to the Financial Statements - continued

## 10. Employees

The average number of persons employed by the Group (both continuing and discontinued operations) (including executive Directors) during the year was as follows:

| | 2016 | 2015 |
|---|---|---|
| Publishing, digital, distribution, commercial printing | **876** | 999 |

The employee benefit expenses for the above were as follows:

| | 2016 €m | 2015 €m |
|---|---|---|
| Wages and salaries | **46.4** | 52.5 |
| Social welfare costs | **5.0** | 5.6 |
| Share based payment expense (note 26) | **0.6** | 0.4 |
| Pension costs - defined benefit pension schemes (note 35) | **2.3** | 3.0 |
| Pension costs - defined contribution pension schemes (note 35) | **3.0** | 3.0 |
| Total employee benefit expense (excluding termination payments) (pre exceptional accounting adjustments on settlements) | **57.3** | 64.5 |
| Termination charges | **2.9** | 11.2 |
| Accounting adjustments on settlements - all pension schemes (note 35) | **(11.8)** | (0.3) |
| Total employee benefit expense (including termination payments) (post exceptional accounting adjustments on settlements) | **48.4** | 75.4 |
| The employee benefit expense is analysed as: | | |
| Continuing operations | **48.4** | 75.4 |
| Discontinued operations | **-** | - |
| | **48.4** | 75.4 |

# Notes to the Financial Statements - continued

## 11. Segmental Reporting

Segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM has been identified as the Board of Directors. The key performance measure that is reviewed for these segments is operating profit/(loss) before exceptional items. Exceptional items are reviewed at a level higher than these operating segments and appear as a reconciling item from the key performance measure reviewed by the CODM to the IFRS result. Finance income and expense, share of results of associates and joint ventures and taxation are reviewed and considered by the CODM at a Group level only.

The Group continued to report its revenues and operating profit before exceptional items by geographical areas with a further analysis of the geographical areas by class of business also provided.
A number of operating segments are aggregated into one operating segment on the basis that they exhibit similar long-term financial performance as they have similar economic characteristics and the segments are similar in each of the following respects:
- the nature of the products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services.

INM's entire shareholding in APN was disposed of in 2015. Consequently, as APN was a major line of business, it was treated as a discontinued operation in 2015.

| | Revenue (3rd Party) | | | | Operating Profit/(Loss) (Before Exceptional Items) | | | |
|---|---|---|---|---|---|---|---|---|
| | **2016 €m** | **2016 €m** | 2015 €m | 2015 €m | **2016 €m** | **2016 €m** | 2015 €m | 2015 €m |
| **Continuing Operations:** | | | | | | | | |
| Island of Ireland - Publishing | **323.4** | | 321.2 | | **46.6** | | 44.0 | |
| Central Costs | **-** | | - | | **(6.4)** | | (6.0) | |
| **Total - continuing operations** | | **323.4** | | 321.2 | | **40.2** | | 38.0 |
| **Discontinued Operations:** | | | | | | | | |
| APN | - | | - | | - | | 0.5 | |
| **Total - discontinued operations** | | **-** | | - | | **-** | | 0.5 |
| | | **323.4** | | 321.2 | | **40.2** | | 38.5 |

# Notes to the Financial Statements - continued

## 11. Segmental Reporting - continued

| | Continuing Operations 2016 €m | 2015 €m |
|---|---|---|
| Total operating profit before exceptional items | **40.2** | 38.0 |
| Operating exceptionals | **12.0** | (5.2) |
| Share of results of associates and joint ventures (including exceptionals) | **1.2** | 1.1 |
| Net finance income/(costs) (including exceptionals) | **1.8** | (2.7) |
| Taxation charge (including exceptionals) | **(4.9)** | (5.7) |
| Profit for the year from continuing operations (including exceptionals) | **50.3** | 25.5 |

| | Capital Additions (Property, Plant, Equipment and Intangible Assets)* 2016 €m | 2015 €m |
|---|---|---|
| **Other Segment Information** | | |
| **Continuing Operations:** | | |
| Island of Ireland - Publishing | **12.4** | 3.3 |
| Central costs | **0.2** | - |
| **Total - Continuing operations** | **12.6** | 3.3 |
| **Discontinued Operations:** | | |
| Island of Ireland - Non-Publishing | **-** | - |
| APN | **-** | - |
| **Total - Discontinued operations** | **-** | - |
| **Total** | **12.6** | 3.3 |

** Including acquisitions through business combinations.*

# Notes to the Financial Statements - continued

### 11. Segmental Reporting - continued

| | Depreciation €m | Amortisation €m | Impairment €m | Share Based Payments €m | Total €m |
|---|---|---|---|---|---|
| **2016** | | | | | |
| **Continuing Operations:** | | | | | |
| Island of Ireland - Publishing | 3.5 | 2.8 | 1.8 | 0.1 | 8.2 |
| Central Costs | - | 0.1 | - | 0.5 | 0.6 |
| **Total - continuing operations** | **3.5** | **2.9** | **1.8** | **0.6** | **8.8** |
| **Discontinued Operations:** | | | | | |
| Island of Ireland - Non-Publishing | - | - | - | - | - |
| **Total - discontinued operations** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **3.5** | **2.9** | **1.8** | **0.6** | **8.8** |
| **2015** | | | | | |
| **Continuing Operations:** | | | | | |
| Island of Ireland - Publishing | 3.9 | 3.4 | 4.6 | 0.1 | 12.0 |
| Central Costs | - | 0.1 | - | 0.3 | 0.4 |
| **Total - continuing operations** | **3.9** | **3.5** | **4.6** | **0.4** | **12.4** |
| **Discontinued Operations:** | | | | | |
| Island of Ireland - Non-Publishing | - | - | - | - | - |
| APN | - | - | - | - | - |
| **Total - discontinued operations** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **3.9** | **3.5** | **4.6** | **0.4** | **12.4** |

Third party revenue of €257.1m (2015: €241.9m) relates to the Republic of Ireland, and €66.3m (2015: €79.3m) to Northern Ireland. Within non-current assets (excluding deferred tax) of €91.5m (2015: €95.4m), €67.8m (2015: €65.0m) relates to assets located in the Republic of Ireland, €23.7m (2015: €28.6m) relates to assets located in Northern Ireland and €nil (2015: €1.8m) relates to assets located in other jurisdictions.

## 12. Profit/(Loss) Dealt with in the Parent Company

A profit of €45.1m (2015: €0.9m) has been dealt with in the financial statements of Independent News & Media PLC, whose Income Statement, as permitted by Section 304 of the Companies Act 2014 is not presented in these financial statements and, as permitted by Section 304 of the Companies Act 2014, is not filed with the Registrar of Companies.

# Notes to the Financial Statements - continued

## 13. Earnings Per Share

| | 2016 €m Continuing | 2016 €m Discontinued | 2016 €m Total | 2015 €m Continuing | 2015 €m Discontinued | 2015 €m Total |
|---|---|---|---|---|---|---|
| **Profit attributable to ordinary shareholders** | | | | | | |
| Profit attributable to the equity holders of the Company (basic and diluted) | **50.3** | - | **50.3** | 25.0 | 47.9 | 72.9 |
| Exceptional items (note 7) | **(10.1)** | - | **(10.1)** | 7.6 | (47.4) | (39.8) |
| Profit before exceptional items attributable to the equity holders of the Company (adjusted) | **40.2** | - | **40.2** | 32.6 | 0.5 | 33.1 |

| | 2016 | 2016 | 2016 | 2015 | 2015 | 2015 |
|---|---|---|---|---|---|---|
| **Weighted average number of shares** | | | | | | |
| Weighted average number of shares outstanding during the year (excluding 5,597,077 treasury shares) | | | **1,386,547,375** | | | 1,386,547,375 |
| Impact of share options | - | - | **3,508,772** | - | - | 3,075,592 |
| Diluted number of shares | | | **1,390,056,147** | | | 1,389,622,967 |
| **Basic earnings per share** | **3.6c** | - | **3.6c** | 1.8c | 3.5c | 5.3c |
| **Basic earnings per share before exceptional items** | **2.9c** | - | **2.9c** | 2.4c | - | 2.4c |
| **Diluted earnings per share** | **3.6c** | - | **3.6c** | 1.8c | 3.4c | 5.2c |
| **Diluted earnings per share before exceptional items** | **2.9c** | - | **2.9c** | 2.3c | - | 2.3c |

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options are the Company's only category of dilutive potential ordinary shares.

# Notes to the Financial Statements - continued

### 13. Earnings Per Share - continued

Employee share options are contingently issuable shares because of the requirement to satisfy specific performance and service conditions. These contingently issuable shares are included in the computation of diluted earnings per ordinary share to the extent that the conditions would have been satisfied as at the end of the reporting period if this was the vesting date.

At 31 December 2016, 535,098 options (2015: 581,220) were excluded from the diluted weighted average number of ordinary shares calculation because their effect is anti-dilutive.

Basic and diluted earnings per share before exceptional items are presented in order to give a better understanding of the Group's underlying financial performance.

## 14. Intangible Assets

| | Mastheads and Other Intangibles* €m | Goodwill €m | Software €m | Total €m |
|---|---|---|---|---|
| **2016** | | | | |
| **Group** | | | | |
| Cost | | | | |
| At 1 January 2016 | 446.3 | 18.8 | 25.9 | 491.0 |
| Acquisition through business combinations | 1.5 | 4.9 | 0.2 | 6.6 |
| Additions | 0.9 | - | 2.8 | 3.7 |
| Disposals ** | - | - | (2.4) | (2.4) |
| Exchange movements | (65.2) | (0.3) | (0.7) | (66.2) |
| At 31 December 2016 | 383.5 | 23.4 | 25.8 | 432.7 |
| Accumulated Amortisation and Impairment | | | | |
| At 1 January 2016 | (426.5) | (3.8) | (16.7) | (447.0) |
| Amortisation*** | (0.1) | - | (2.8) | (2.9) |
| Disposals** | - | - | 1.8 | 1.8 |
| Exchange movements | 63.0 | 0.1 | 0.5 | 63.6 |
| At 31 December 2016 | (363.6) | (3.7) | (17.2) | (384.5) |
| **Net Book Amount** | | | | |
| At 1 January 2016 | 19.8 | 15.0 | 9.2 | 44.0 |
| **At 31 December 2016** | **19.9** | **19.7** | **8.6** | **48.2** |

** Other Intangibles include customer listings.*
*** Relates to the write off of assets no longer in use.*
**** Charged to cost of sales.*

# Notes to the Financial Statements - continued

## 14. Intangible Assets - continued

| | Mastheads €m | Goodwill €m | Software €m | Total €m |
|---|---|---|---|---|
| **2015** | | | | |
| **Group** | | | | |
| Cost | | | | |
| At 1 January 2015 | 422.3 | 18.7 | 22.4 | 463.4 |
| Additions | - | - | 1.4 | 1.4 |
| Reclassification from property, plant and equipment* | - | - | 1.9 | 1.9 |
| Exchange movements | 24.0 | 0.1 | 0.2 | 24.3 |
| At 31 December 2015 | 446.3 | 18.8 | 25.9 | 491.0 |
| Accumulated Amortisation and Impairment | | | | |
| At 1 January 2015 | (402.2) | (3.8) | (12.4) | (418.4) |
| Amortisation** | - | - | (3.5) | (3.5) |
| Impairment*** | (1.2) | - | (0.7) | (1.9) |
| Exchange movements | (23.1) | - | (0.1) | (23.2) |
| At 31 December 2015 | (426.5) | (3.8) | (16.7) | (447.0) |
| **Net Book Amount** | | | | |
| At 1 January 2015 | 20.1 | 14.9 | 10.0 | 45.0 |
| **At 31 December 2015** | **19.8** | **15.0** | **9.2** | **44.0** |

** Relates to an opening balance reclassification impacting both tangible and intangible assets.*
*** Charged to cost of sales.*
**** Charged to other operating expenses.*

## Impairment testing of Cash Generating Units (CGUs) containing Goodwill or other Intangible Assets with an Indefinite Useful Life

The Group tests goodwill and other indefinite life intangible assets for impairment on an annual basis or whenever there is an indication that the goodwill or intangible assets may be impaired. Goodwill and other indefinite life intangible assets have been allocated as appropriate to the relevant CGUs. The CGUs (Group of CGUs) represent the lowest level at which the related goodwill and intangible assets are monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8. Certain of the Group's intangibles are held centrally as these have arisen as a result of the Group's acquisitions. For the purposes of carrying out impairment reviews at the individual CGU level, these centrally held intangibles are allocated to the relevant CGU which appropriately reflects the history of the acquisition of these intangibles.

# Notes to the Financial Statements - continued

## 14. Intangible Assets - continued

### Impairment testing of Cash Generating Units (CGUs) containing Goodwill or other Intangible Assets with an Indefinite Useful Life - continued

This testing involves determining the CGU's value in use and comparing this to the carrying amount of the CGU. Where the value in use exceeds the carrying amount of the CGU, the asset is not impaired, but where the carrying amount exceeds the value in use, an impairment loss is recognised to reduce the carrying amount of the CGU to its value in use. Estimates of value in use are key judgemental estimates in the financial statements. A number of key assumptions have been made as a basis for the impairment tests. In each case, these key assumptions have been made by management reflecting past experience and are consistent with relevant external sources of information.

A total of three CGUs (2015: three CGUs) have been identified and these are analysed below:

| | **2016 Mastheads €m** | **2016 Goodwill €m** | **2016 Total €m** | 2015 Total €m |
|---|---|---|---|---|
| Northern Ireland - Belfast Publishing (net book amount) | **14.4** | - | **14.4** | 15.6 |
| Island of Ireland - including Irish Independent, Sunday Independent, The Herald, Sunday World and Sligo Champion Publishing (net book amount) | **5.5** | **14.0** | **19.5** | 13.4 |
| Island of Ireland - Newspread Distribution (net book amount) | - | **5.7** | **5.7** | 5.8 |
| **At 31 December 2016** | **19.9** | **19.7** | **39.6** | 34.8 |

The number of CGUs has remained consistent with 2015. The titles included in the Island of Ireland operate from a fully integrated commercial department and employees approach the market from INM and not from the individual titles. These titles also operate using common journalists and therefore it is more appropriate to include them as one CGU.

For the purpose of impairment testing, pre-tax discount rates ranging from 12.4% to 15.2% (from Republic of Ireland to Northern Ireland) were applied to the CGUs (2015: 12.4% - 15.1%).

# Notes to the Financial Statements - continued

## 14. Intangible Assets - continued

### Impairment testing of Cash Generating Units (CGUs) containing Goodwill or other Intangible Assets with an Indefinite Useful Life - continued

#### Value in Use Calculations

Where a value in use approach is used to assess the recoverable amount of the CGU, calculations use pre-tax cash flow projections based on financial budgets/projections approved by management covering a five year period. A terminal value multiple of five was then applied to year five EBITDA projections.

A growth rate of 0.5% was applied for the Island of Ireland Publishing and Island of Ireland Distribution CGUs and a growth rate of 0.0% was applied to the Northern Ireland Belfast Publishing CGU.

The growth rate does not exceed the estimated long-term average growth rate for the country in which the CGU operates. The key assumptions used in determining the value in use are:

#### Forecasted cash flows

Forecasted cash flows are based on budgeted EBITDA as adjusted for expenditure necessary to maintain the asset or CGU at its current standard of performance. The budgeted EBITDA results are based on the approved 2017 budget and projections for 2018 to 2021. These calculations use cash flow projections for five years based on management approved forecasts which reflect management's current experience and future expectations of the markets in which the CGU operates.

#### Long-term growth rates/terminal multiple

A terminal value multiple of five was used (2015: a terminal value multiple of five) in the value in use calculations.

#### Discount rates

The discount rate applied to the cash flows of each of the Group’s operations is based on the pre-tax risk adjusted Weighted Average Cost of Capital, which is calculated based on the cost of equity and the cost of debt.

Inputs required to calculate the cost of equity include the risk free rate and an adjustment for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific Group operating CGU. In making this adjustment, inputs required include the equity market risk premium (i.e. the increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment ‘beta’ applied to reflect the risk specific to the Group relative to the market as a whole.

The equity market risk premium used in the calculation has been based on credit default spreads and relative volatility of the equity index specific to the region in which the CGU operates. The risk adjusted ‘beta’ has been based on betas of comparable companies in the newspaper publishing industry.

The cost of debt is calculated based on the margin over the risk free rate and is based on market rates and not specific individual company rates.

# Notes to the Financial Statements - continued

## 14. Intangible Assets - continued

### Impairment testing of Cash Generating Units (CGUs) containing Goodwill or other Intangible Assets with an Indefinite Useful Life - continued

#### Impairments

The foregoing impairment tests did not result in any impairments being recognised in 2016. In 2015, as a result of the foregoing impairment tests, the carrying amount of the Island of Ireland - Belfast Publishing masthead was reduced to its recoverable amount through recognition of an impairment charge of €1.2m. This impairment arose due to a change in the discount rates and EBITDA forecasts applied in the impairment testing for this CGU.

#### Sensitivity

The Group ran sensitivities based on reasonably possible changes in assumptions to discount rates and growth rates in the various CGUs and these sensitivities would not result in the need to recognise any additional impairments in 2016, with the exception of the Northern Ireland Belfast Publishing CGU. A 1% increase in the discount rate for this CGU would cause an impairment of €0.4m (2015: €0.6m).

#### Intangible Assets - Supplementary Non-IFRS Information

The Statement of Financial Position reports the carrying amount of newspaper mastheads at their acquired cost (less impairment). Where these assets have been acquired through a business combination, cost will be the fair value in acquisition accounting. The value of internally generated newspaper mastheads or post-acquisition uplifts in value are not permitted to be recognised in the Statement of Financial Position in accordance with IFRS and, as a result, no values for certain of the Group's internally generated newspaper mastheads (e.g. three of the main Irish titles, the Irish Independent, the Sunday Independent and The Herald) are reflected in the Statement of Financial Position.

The Directors are of the view that the Group has many other intangible assets which have substantial value that are not reflected on the Group's Statement of Financial Position. This is because these intangible assets are carried in the Group's Statement of Financial Position at either a nil value or a value which is much less than their recoverable amount. The Directors are of the view that if these intangible assets were allowed to be carried on the Group's Statement of Financial Position then the Group's intangible assets would be greater than currently reported.

#### Company - Impairment of Investments in Subsidiary Undertakings

Impairment charges of €nil have been recorded in respect of the Company's investment in subsidiary undertakings as at 31 December 2016 (2015: €nil). This testing for impairment involves determining the investment's recoverable amount and comparing this to the carrying amount of the investment. If the carrying amount exceeds the recoverable amount an impairment charge is recorded.

# Notes to the Financial Statements - continued

## 15. Property, Plant and Equipment

| | Land & Buildings €m | Plant & Equipment €m | Vehicles €m | Total €m |
|---|---|---|---|---|
| **2016** | | | | |
| **Group** | | | | |
| Cost | | | | |
| At 1 January 2016 | 57.0 | 144.4 | 0.4 | 201.8 |
| Additions | 1.3 | 1.0 | - | 2.3 |
| Disposals | (15.6) | (34.4) | (0.3) | (50.3) |
| Exchange movements | (2.7) | (12.0) | (0.1) | (14.8) |
| At 31 December 2016 | 40.0 | 99.0 | - | 139.0 |
| **Accumulated Depreciation and Impairment** | | | | |
| At 1 January 2016 | (20.8) | (132.9) | (0.3) | (154.0) |
| Disposals | 4.9 | 43.1 | 0.3 | 48.3 |
| Depreciation | (0.8) | (2.7) | - | (3.5) |
| Impairment* | (1.8) | - | - | (1.8) |
| Exchange movements | 0.9 | 12.7 | - | 13.6 |
| At 31 December 2016 | (17.6) | (79.8) | - | (97.4) |
| **Net Book Amount** | | | | |
| At 1 January 2016 | 36.2 | 11.5 | 0.1 | 47.8 |
| **At 31 December 2016** | **22.4** | **19.2** | **-** | **41.6** |

** The Directors review the carrying value of property, plant and equipment annually and in 2016 wrote down €1.8m of certain property, plant and equipment to its recoverable amount, primarily as a result of a review of the distribution business. The impairment amount was quantified by the use of a third party valuation report. The write down of €1.8m was charged to exceptional items (see note 7).*

Impairment tests carried out on property, plant and equipment in the Island of Ireland - Belfast Print CGU did not result in any impairments being recognised in 2016 (2015: €nil). The methodology applied in carrying out the impairment testing is consistent with the approach taken for intangible assets (see note 14).

No finance costs were capitalised within property, plant and equipment during 2016 or 2015.

# Notes to the Financial Statements - continued

## 15. Property, Plant and Equipment - continued

| | Land & Buildings €m | Plant & Equipment €m | Vehicles €m | Total €m |
|---|---|---|---|---|
| **2015** | | | | |
| **Group** | | | | |
| Cost | | | | |
| At 1 January 2015 | 56.1 | 140.0 | 0.4 | 196.5 |
| Additions | - | 1.9 | - | 1.9 |
| Disposals | (0.1) | - | - | (0.1) |
| Reclassification to intangible assets* | - | (1.9) | - | (1.9) |
| Exchange movements | 1.0 | 4.4 | - | 5.4 |
| At 31 December 2015 | 57.0 | 144.4 | 0.4 | 201.8 |
| **Accumulated Depreciation and Impairment** | | | | |
| At 1 January 2015 | (18.8) | (123.6) | (0.3) | (142.7) |
| Depreciation | (0.8) | (3.1) | - | (3.9) |
| Impairment** | (0.9) | (1.8) | - | (2.7) |
| Exchange movements | (0.3) | (4.4) | - | (4.7) |
| At 31 December 2015 | (20.8) | (132.9) | (0.3) | (154.0) |
| **Net Book Amount** | | | | |
| At 1 January 2015 | 37.3 | 16.4 | 0.1 | 53.8 |
| **At 31 December 2015** | **36.2** | **11.5** | **0.1** | **47.8** |

** Relates to a Statement of Financial Position reclassification impacting both tangible and intangible assets.*
*** The Directors review the carrying value of property, plant and equipment annually and in 2015 wrote down €2.7m of certain property, plant and equipment to its recoverable amount.*

# Notes to the Financial Statements - continued

## 16. Investments in Associates and Joint Ventures

| | 2016 €m | 2015 €m |
|---|---|---|
| **Associates** | | |
| At 1 January | **0.6** | 69.1 |
| Purchases of/advances to associates | - | 0.2 |
| Disposal (note 28) | - | (73.5) |
| Share of results | **0.3** | 0.5 |
| Exchange movements | - | 4.3 |
| **At 31 December** | **0.9** | 0.6 |

| | 2016 €m | 2015 €m |
|---|---|---|
| **Joint Ventures** | | |
| At 1 January | **1.0** | 0.7 |
| Purchases of/advances to joint ventures | **0.3** | - |
| Disposal of joint ventures* | **(0.6)** | - |
| Share of results | **0.9** | 1.1 |
| Dividends | **(1.0)** | (0.8) |
| **At 31 December** | **0.6** | 1.0 |

** On 13 May 2016, the Group acquired the remaining 50% of the shares and voting interests in Digital Odyssey Limited (trading as CarsIreland.ie). As a result, the Group is deemed to have disposed of its 50% interest in the joint venture upon acquiring 100% of the shares and obtaining control of Digital Odyssey Limited.*

### *(i) Carrying Amount*

| | 2016 €m | 2015 €m |
|---|---|---|
| Associates | **0.9** | 0.6 |
| Joint Ventures | **0.6** | 1.0 |
| | **1.5** | 1.6 |

The reporting year end dates of the Group's associates and joint ventures are the same as the Group's reporting year end date.

# Notes to the Financial Statements - continued

## 16. Investments in Associates and Joint Ventures - continued

### *(ii) Associates*

The closing balance for year end 31 December 2016 for associates of €0.9m relates to Click & Go. No ownership interests, assets or liabilities were held in APN as at 31 December 2016 (2015: €nil). The summarised trading results below relate solely to APN:

| | 2016 €m | 2015 €m |
|---|---|---|
| Revenue | - | 118.3 |
| Profit from continuing operations | - | 3.2 |
| Post tax profit/(loss) from discontinued operations | - | - |
| Other comprehensive income/(expense) | - | - |
| Non-controlling interest | - | (0.6) |
| Total comprehensive income | - | 2.6 |
| Group's share of associates' total comprehensive income | - | 0.5 |

### *(iii) Joint Ventures*

Summarised financial information in respect of the Group's share of its joint ventures (The Star and Reachmount) is set out below:

| | 2016 €m | 2015 €m |
|---|---|---|
| Group | | |
| Current assets | **4.5** | 3.3 |
| Non-current assets | **0.6** | 2.5 |
| Current liabilities | **(3.7)** | (3.9) |
| Non-current liabilities | **(0.3)** | - |
| Net Assets (100%) | **1.1** | 1.9 |
| Group's share | **0.6** | 1.0 |
| Group's carrying amount of joint ventures | **0.6** | 1.0 |
| Revenue | **19.1** | 21.3 |
| Profit from continuing operations | **1.8** | 2.1 |
| Total comprehensive income | **1.8** | 2.1 |
| Group's share of joint ventures' total comprehensive income | **0.9** | 1.1 |

# Notes to the Financial Statements - continued

## 17. Available-for-Sale Financial Assets

| | €m |
|---|---|
| **Group** | |
| At 1 January 2015 | 2.3 |
| Fair value movement (recognised in other comprehensive income) | (0.3) |
| **At 31 December 2015** | **2.0** |
| Disposals | (0.3) |
| Fair value movement (refer to note 7) | (1.5) |
| **At 31 December 2016** | **0.2** |

The investments included above represent investments in listed and unlisted equity securities. The fair values are based on quoted market prices where available.

Certain of the Group's available-for-sale financial assets comprise of equity instruments that do not have a quoted market price in an active market. Unquoted available-for-sale financial assets are measured using valuation techniques based on discounted cash flows. The carrying amount of such investments amounts to €0.2m at 31 December 2016 (2015: €1.1m). Refer to note 32 for further detail on financial assets and liabilities.

## 18. Derivative Financial Instruments

| | Assets €m | Liabilities €m |
|---|---|---|
| **2016** | | |
| **Group** | | |
| Forward foreign exchange contracts | **0.1** | - |
| | **0.1** | - |
| Analysed as: | | |
| Current | **0.1** | - |
| **2015** | | |
| **Group** | | |
| Forward foreign exchange contracts | **-** | - |
| | **-** | - |

### Forward foreign exchange contracts

At year-end 2016, the Group had forward purchased STG£4.5m (€5.3m) (2015: STG£2.3m (€3.0m)) against Euro for settlement during 2017. The Group booked a €0.1m gain on this transaction at year-end 2016 (2015: €45k gain).

# Notes to the Financial Statements - continued

## 19. Inventories

| | 2016 €m | 2015 €m |
|---|---|---|
| **Group** | | |
| Raw materials | **1.9** | 1.4 |
| Work in progress | **-** | - |
| Finished goods | **2.1** | 1.2 |
| | **4.0** | 2.6 |

The amount of inventories recognised as an expense in 2016 was €16.0m (2015: €20.5m) which is included in cost of sales. There was no impairment during 2016 (2015: €nil).

## 20. Trade and Other Receivables

| | 2016 €m | 2015 €m |
|---|---|---|
| **Group** | | |
| Current | | |
| Trade receivables | **22.7** | 25.0 |
| Impairment of trade receivables | **(2.6)** | (2.7) |
| Trade balances owed by joint ventures | **0.3** | 0.2 |
| Prepayments | **3.3** | 2.3 |
| | **23.7** | 24.8 |

| | 2016 €m | 2015 €m |
|---|---|---|
| **Company** | | |
| Current | | |
| Loans owed by subsidiary undertakings | **166.7** | 254.3 |
| Non-Current | | |
| Loans owed by subsidiary undertakings | **7.8** | 9.1 |
| | **174.5** | 263.4 |

Loans owed by subsidiary undertakings are interest free, unsecured and repayable on demand except for €7.8m as outlined above. This amount is interest free, unsecured and repayable after more than one year.

# Notes to the Financial Statements - continued

## 21. Trade and Other Payables

| | 2016 €m | 2015 €m |
|---|---|---|
| **Group** | | |
| Current | | |
| Trade payables | **20.5** | 20.1 |
| Trade balances owed to joint ventures | **1.8** | 1.7 |
| Payables for taxation and social welfare | **5.1** | 5.0 |
| Deferred income | **0.2** | 0.3 |
| Accrued liabilities | **16.1** | 18.0 |
| | **43.7** | 45.1 |
| Payables for taxation and social welfare included above are as follows: | | |
| Income tax deducted under PAYE | **0.8** | 1.7 |
| Other income tax deducted at source | **0.1** | 0.1 |
| Pay related social insurance | **0.6** | 1.2 |
| Value Added Tax payable | **3.6** | 2.0 |
| | **5.1** | 5.0 |

| | 2016 €m | 2015 €m |
|---|---|---|
| **Company** | | |
| Current | | |
| Loans owed to subsidiary undertakings | **556.6** | 583.6 |
| Payables for taxation and social welfare | **0.1** | 0.1 |
| Accrued liabilities | **0.2** | 1.3 |
| | **556.9** | 585.0 |
| Payables for taxation and social welfare included above are as follows: | | |
| Income tax deducted under PAYE | **0.1** | 0.1 |

Loans owed to subsidiary undertakings are interest free, unsecured and repayable on demand.

# Notes to the Financial Statements - continued

## 22. Provisions

| | Onerous Contracts and Restructuring Provision €m | Other Provisions €m | Total €m |
|---|---|---|---|
| **Group** | | | |
| At 1 January 2016 | 6.7 | 9.9 | 16.6 |
| Provisions made during the year | 0.4 | 2.1 | 2.5 |
| Reversed during year | (0.3) | - | (0.3) |
| Utilised during year | (3.8) | (3.3) | (7.1) |
| Exchange movements | (0.6) | (0.1) | (0.7) |
| **At 31 December 2016** | **2.4** | **8.6** | **11.0** |

| | **2016 €m** | 2015 €m |
|---|---|---|
| Analysis of total provisions: | | |
| Current provisions | **10.5** | 16.0 |
| Non-current provisions | **0.5** | 0.6 |
| | **11.0** | 16.6 |

The Onerous Contracts and Restructuring Provision primarily comprises obligations in relation to a number of restructuring projects and to a number of property leases and other onerous trading contractual arrangements from which the Group no longer derives economic benefit.

These obligations (which total €2.4m as at 31 December 2016) will expire as follows:

| Timeline | 2017 | 2018 | 2019 | 2020 and beyond |
|---|---|---|---|---|
| Amount | €1.9m | €0.1m | €0.1m | €0.3m |

There is relative certainty around timing and amounts due to the fact that they represent contractual obligations of the Group. The Group's obligations in respect of onerous contracts and the expected timing of payment are also reflected in the liquidity analysis included in note 32.

Other provisions at 31 December 2016 and 31 December 2015 primarily include provisions for libel. A certain level of uncertainty exists around the timing and the amount, recognising the nature of libel provisioning.

# Notes to the Financial Statements - continued

## 23. Analysis of Deferred Taxation Balances

| | Capital Allowances €m | Retirement Benefit Obligations €m | Tax Losses €m | Other €m | Total €m |
|---|---|---|---|---|---|
| **Group** | | | | | |
| At 1 January 2015 | 7.3 | 10.3 | 1.3 | (1.4) | 17.5 |
| Charge to Income Statement | (1.6) | (0.6) | (0.9) | - | (3.1) |
| Recognised in other comprehensive income* | - | (1.8) | - | - | (1.8) |
| Exchange movements | 0.7 | - | - | - | 0.7 |
| **Total charge for the year** | **(0.9)** | **(2.4)** | **(0.9)** | **-** | **(4.2)** |
| **At 31 December 2015** | **6.4** | **7.9** | **0.4** | **(1.4)** | **13.3** |
| (Charge)/credit to Income Statement | (1.9) | (2.3) | - | 0.2 | (4.0) |
| Recognised in other comprehensive income* | - | 2.6 | - | - | 2.6 |
| Exchange movements | (1.1) | - | (0.1) | - | (1.2) |
| **Total (charge)/credit for the year** | **(3.0)** | **0.3** | **(0.1)** | **0.2** | **(2.6)** |
| **At 31 December 2016** | **3.4** | **8.2** | **0.3** | **(1.2)** | **10.7** |

** Tax effect of retirement benefit obligation remeasurements.*

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, significant judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income in the relevant tax jurisdiction. The Group has tax losses, capital allowances and tax credits in relation to retirement benefit obligations available that have the potential to reduce tax payments in future years. Deferred tax assets have been recognised in relation to these to the extent that their recovery is probable having regard to the projected future taxable profits of the relevant companies. Deferred tax is measured on an undiscounted basis in the periods in which the asset is expected to be realised or the liability expected to be settled, based on tax rates and tax laws substantively enacted at the reporting date.

The net deferred tax asset at 31 December 2016 was €10.7m and the Group estimates that the majority of this will be settled/recovered more than 12 months after the reporting date.

The above net deferred tax balance is reflected in the Statement of Financial Position as follows:

| | **2016 €m** | 2015 €m |
|---|---|---|
| Deferred taxation assets | **14.2** | 17.1 |
| Deferred taxation liabilities | **(3.5)** | (3.8) |
| | **10.7** | 13.3 |

# Notes to the Financial Statements - continued

## 23. Analysis of Deferred Taxation Balances - continued

Analysis of deferred taxation assets:

| | 2016 €m | 2015 €m |
|---|---|---|
| Retirement benefit obligations - defined benefit schemes | **1.3** | 7.3 |
| Retirement benefit obligations - defined contribution schemes | **6.9** | 0.6 |
| Capital allowances – property, plant and equipment | **5.5** | 8.8 |
| Tax losses | **0.3** | 0.4 |
| Other | **0.2** | - |
| | **14.2** | 17.1 |

Analysis of deferred taxation liabilities:

| | 2016 €m | 2015 €m |
|---|---|---|
| Capital allowances - property, plant and equipment | **(2.1)** | (2.4) |
| Other | **(1.4)** | (1.4) |
| | **(3.5)** | (3.8) |

The decrease of €2.6m in the Group's net deferred tax asset during the year primarily relates to the change in accounting estimate of €2.1m, the retirement benefits accounting adjustment of €1.5m, and a negative foreign exchange movement of €1.2m; somewhat offset by a movement of €2.6m on the actuarial increase in the pension liability recognised through other comprehensive income. (2015: The decrease of €4.2m in the Group's net deferred tax asset related to the movement on retirement benefit obligations remeasurement gains, tax losses and capital allowances).

The Directors have estimated the recoverability of the Group's deferred tax assets on losses and capital allowances based on their current assessment of the availability of future taxable profits against which to utilise the deferred tax assets. The Directors determine that capital allowances and losses should be available to shelter a significant portion of the projected profit in the future periods. The Group recognised deferred tax assets projected to be realised in the timescale within which the Group believes that it can assess the likelihood of its profits arising as being more likely than not. The deferred tax assets recognised represent approximately five years (2015: seven years) of taxable profits in the relevant entities.

The Group has unrecognised tax losses as at 31 December 2016 of €254.8m (2015: €295.7m) which have a tax value of €40.1m (2015: €49.2m). In addition the Group has unrecognised available capital allowances as at 31 December 2016 of €31.8m (2015: €29.1m) which have a tax value of €5.4m (2015: €5.2m). There is no expiry date applicable to these unrecognised tax losses or available capital allowances. In Northern Ireland, the Group has an unrecognised benefit from future retirement benefits of €31.8m (2015: €24.2m) which has a tax value of €5.4m (2015: €4.3m).

# Notes to the Financial Statements - continued

### 23. Analysis of Deferred Taxation Balances - continued

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred income tax has not been recognised for withholding and other taxes that may be payable on the unremitted earnings of certain subsidiaries, associates and joint ventures, as the timing of the reversal of these temporary differences is controlled by the Group and it is probable that these temporary differences will not reverse in the foreseeable future.

As at 31 December 2016, no unremitted earnings were available in the Group which could have been repatriated to Ireland, which would have given rise to such a deferred tax liability.

## 24. Borrowings

As of 31 December 2016, the Group held no debt and had cash and cash equivalents of €84.8m (€59.7m as at 31 December 2015).

During 2015 the Group entered into an agreement to dispose of all of the Group's shareholding in APN at a fixed price per APN ordinary share ("APN Share") of AUD$0.88. All of the net proceeds of the transaction were applied to repay INM Group indebtedness.

## Undrawn Facilities

The Group has various borrowing facilities available to it. The undrawn facilities available to it at the year end in respect of which all conditions precedent have been met at that date were as follows:

| | **2016<br>€m** | 2015<br>€m |
|---|---|---|
| Expiring in less than one year | **(0.9)** | (1.0) |
| Expiring in more than one but less than two years | **-** | - |
| Expiring in more than two years | **-** | - |
| | **(0.9)** | (1.0) |

# Notes to the Financial Statements - continued

## 25. Share Capital and Share Premium

| | 2016 €m | 2015 €m |
|---|---|---|
| **Group and Company** | | |
| Authorised: | | |
| 7,000,000,000 ordinary shares of €0.01 each | **70.0** | 70.0 |
| 556,015,358 deferred shares of €0.34 each | - | 189.0 |
| | **70.0** | 259.0 |
| Issued and fully paid: | | |
| 1,392,144,452 ordinary shares of €0.01 each | **13.9** | 13.9 |
| | **13.9** | 13.9 |

At the EGM during 2016 the Company, in accordance with Section 83(1)(f)(ii) of the Companies Act 2014, reduced the authorised share capital of the Company from €259,045,221.72 to €70,000,000 by the cancellation of 556,015,358 deferred shares of €0.34 each, which have not been taken or agreed to be taken by any person.

## 26. Share Based Payment

The Company operates the following share based schemes which provides for the grant of share options:

(a) INM Employee Share Scheme 2008; and
(b) INM Long Term Incentive Plan 2014.

***(a) INM Employee Share Scheme 2008***

Eligibility was restricted to certain employees who agreed to amend the terms and conditions of their employment to provide for a permanent reduction in salary (effective 1 January 2009). No option is exercisable more than ten years from the date it was granted (23 January 2009). No other performance conditions attach to these options.

The following table shows the number of options outstanding under the INM Employee Share Scheme 2008 as at 31 December 2016:

| | 2016 | | |
|---|---|---|---|
| | Number of share options € | Weighted average exercise price € | Value € |
| Outstanding at the beginning of the year | 581,220 | 1.321 | 767,792 |
| Forfeited/cancelled/lapsed during the year | (46,122) | 1.321 | (60,927) |
| Outstanding at the end of the year | 535,098 | 1.321 | 706,865 |

No options have been exercised under this Plan to date. The options outstanding at 31 December 2016 are exercisable at €1.321.

# Notes to the Financial Statements - continued

## 26. Share Based Payment - continued

### *(b) INM Long Term Incentive Plan 2014*

In June 2014, the Remuneration Committee proposed the introduction of a new share option scheme and this was approved by the shareholders at the AGM on 6 June 2014.

The following table shows the number of options outstanding under the INM Long Term Incentive Plan 2014 as at 31 December 2016:

| | 2016 Number of share options | 2016 Weighted average exercise price € | 2016 Grant date fair value € | 2015 Number of share options | 2015 Weighted average exercise price € | 2015 Grant date fair value € |
|---|---|---|---|---|---|---|
| Outstanding at the beginning of the year | **9,315,271** | **0.01** | **1,164,409*** | - | - | - |
| Granted during the year | **4,335,366** | **0.01** | **711,000*** | 9,315,271 | 0.01 | 1,164,409* |
| Forfeited/cancelled/lapsed during the year | **-** | **-** | **-** | - | - | - |
| Outstanding at the end of the year | **13,650,637** | **0.01** | **1,875,409** | 9,315,271 | 0.01 | 1,164,409 |

* *Total expense is recognised over a 3 year period.*

There were no share options exercisable at year end. The share options have a vesting period of 3 years. The Group recognised total expenses of €0.6m (2015: €0.4m) related to equity-settled share based payment transactions. Expected volatility is based on the weighted average historic volatility over a period equal to the weighted average expected life. The market price of Ordinary Shares of €0.01 each was €0.128 at 31 December 2016 and ranged from €0.110 to €0.178 during the year.

On 1 January 2015 a grant under the scheme, with two separate and independent sets of vesting conditions, was made to certain employees. Holders of vested options are entitled to purchase shares at the nominal value of the share at the grant date.

On 1 January 2016, a further grant on similar terms was offered to key management personnel and senior employees.

# Notes to the Financial Statements - continued

## 26. Share Based Payment - continued

***(b) INM Long Term Incentive Plan 2014** - continued*

All options are to be settled by physical delivery of shares. The terms and conditions and the main vesting criteria of the share options are set out in the tables as follows:

| Vesting criteria | Grant date/ employees entitled | Number of instruments | Vesting conditions | Contractual life of options |
|---|---|---|---|---|
| Total Shareholder Return ("TSR") criteria. | On 1 Jan 2015 to certain employees.<br>On 1 Jan 2016 to certain employees. | 4,657,636 (50% of total grant).<br>2,167,683 (50% of total grant). | 3 years service from grant date and a sliding TSR condition (share price growth and dividends of INM compared with companies in the FTSE 350 Media Group)<br>• Below median: 0% of total grant<br>• Between median and 75th percentile: 25% - 50% of total grant pro rata<br>• 75th percentile or above: 50% of total grant. | 7 years |

# Notes to the Financial Statements - continued

### 26. Share Based Payment - continued

*(b) **INM Long Term Incentive Plan 2014** - continued*

| Vesting criteria | Grant date/ employees entitled | Number of instruments | Vesting conditions | Contractual life of options |
|---|---|---|---|---|
| Earnings Per Share ("EPS") criteria. | On 1 Jan 2015 to certain employees.<br><br>On 1 Jan 2016 to certain employees. | 4,657,636 (50% of total grant).<br><br>2,167,683 (50% of total grant). | 3 years service from grant date and a sliding EPS condition (level that INM's annualised EPS growth is in excess of the annualised change in CPI)<br>• Less than 5%: 0% of total grant<br>• Between 5% and 10%: 20% - 50% of total grant pro rata<br>• Above 10%: 50% of total grant<br><br>In addition, the annualised EPS growth must be positive and the average 30 day share price at the end of the arrangement must be higher than at the start of the arrangement. | 7 years |

The fair value of services received in return for share options granted is based on the fair value of the share options granted, measured using the Black-Scholes model.

# Notes to the Financial Statements - continued

## 26. Share Based Payment - continued

### *(b) INM Long Term Incentive Plan 2014 - continued*

### Measurement of grant date fair values

The following inputs were used in the measure of the fair value at grant date of the share-based payment arrangement.

| | Share option programme for certain employees | |
|---|---|---|
| | **2016** | **2015** |
| Fair value at grant date | €0.164 | €0.125 |
| Share price at grant date | €0.169 | €0.130 |
| Exercise price | €0.01 | €0.01 |
| Expected volatility (weighted average volatility) | 35% | 39% |
| Vesting period | 3 years | 3 years |
| Expected dividends | 0% | 0% |
| Risk free interest rate (based on German government bonds) | 0.04% | 0.83% |

Expected volatility is estimated taking into account historic average share price volatility.

# Notes to the Financial Statements - continued

## 27. Acquisitions

On 13 May 2016, the Group acquired the remaining 50% of the shares and voting interests in Digital Odyssey Limited (trading as CarsIreland.ie). As a result of acquiring the remaining 50% shareholding, the Group obtained control of Digital Odyssey Limited.

There are clear synergies with INM's existing motoring features across print and digital. CarsIreland.ie is a prominent destination for drivers looking to sell their car or buy a new vehicle and enjoys significant visitor numbers. The site's online position fits well with INM's strategy for both its online and print titles.

*a)* ***Acquisition Related Costs***

The Group incurred acquisition-related costs of €0.2m on legal fees and due diligence costs. These costs have been included in 'exceptional items'.

*b)* ***Identifiable assets acquired and liabilities assumed***

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

| | **€m** |
|---|---|
| Intangible assets | 1.7 |
| Trade receivables | 0.1 |
| Cash and cash equivalents | 0.5 |
| Trade and other payables | (0.2) |
| **Total identifiable net assets acquired** | **2.1** |

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

| **Assets acquired** | **Valuation technique** |
|---|---|
| Intangible Assets | The brands were valued using the relief-from-royalty method. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the acquisition.<br><br>The customer list was valued using the multi-period excess earnings method. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. |
| Trade Receivables | The trade receivables comprise gross contractual amounts due of €0.1m. |
| Other Assets | The carrying value of other assets acquired equate to their fair value. |

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

# Notes to the Financial Statements - continued

## 27. Acquisitions - continued

c) ***Goodwill***

Goodwill arising from the acquisition has been recognised as follows:

| | €m |
|---|---|
| Consideration transferred (in the form of cash) | 3.5 |
| Fair value of pre-existing interest in Digital Odyssey Limited | 3.5 |
| Fair value of identifiable net assets | (2.1) |
| **Goodwill** | **4.9** |

The remeasurement to fair value of the Group's pre-existing 50% interest in Digital Odyssey Limited resulted in a gain of €2.9m. This amount has been included in 'exceptional items'. The goodwill is attributable to synergies that will be realised through the Group's people, structures and business practices in acquiring the remaining 50% of Digital Odyssey Limited.

# Notes to the Financial Statements - continued

## 28. Discontinued Operations

*(a) APN*

During 2015, the Group disposed of its entire shareholding in its associate APN. As APN was a separate major line of business, the APN results are presented as a discontinued operation.

*Effects of the disposal of the Group's shareholding in APN:*

| | APN 2015 €m |
|---|---|
| Consideration received | **119.3** |
| Less: | |
| Carrying amount (see table below) | **(73.5)** |
| | **45.8** |
| Foreign currency translation reserve balance reclassified to profit or loss on disposal | **3.8** |
| Fair value reserve balance reclassified to profit or loss on disposal | **0.7** |
| | **50.3** |
| Costs of disposal | **(2.9)** |
| Gain on disposal* | **47.4** |

** No tax charge arose on the disposal as the base cost of the APN shares (A$0.88) equalled the sale price of the shares (A$0.88).*

| | Carrying value €m |
|---|---|
| Carrying amount as at 31 December 2014 | 68.7 |
| Foreign currency translation in period | 4.3 |
| Share of profits of APN in period | 0.5 |
| Carrying amount at date of disposal | 73.5 |

# Notes to the Financial Statements - continued

## 28. Discontinued Operations - continued

### *(b) Results of discontinued operations*

| | 2016 APN €m | 2015 APN €m |
|---|---|---|
| Revenue | - | - |
| Expenses | - | - |
| Share of associated companies post tax results | - | 0.5 |
| **Results from operating activities*** | - | 0.5 |
| Taxation charge | - | - |
| **Results from operating activities, net of tax** | - | 0.5 |
| Gain on sale of discontinued operations | - | 47.4 |
| **Results of discontinued operations - including exceptional items** | - | 47.9 |
| Discontinued operations - Earnings per ordinary share (cent) - Basic | - | 3.5c |
| Discontinued operations - Earnings per ordinary share (cent) - Diluted | - | 3.4c |

** Results for APN for 2015 relate to the period from January 2015 to the date of disposal in March 2015.*

There were no discontinued operations in 2016. Of the profit from discontinued operations in 2015 of €47.9m, all is attributable to the owners of the Company.

Of the profit from continuing operations of €50.3m (2015: profit of €25.5m), €50.3m (2015: profit of €25.0m) is attributable to the owners of the Company.

# Notes to the Financial Statements - continued

### 28. Discontinued Operations - continued

*(c) Cash flows generated from/(used in) discontinued operations:*

| | 2016 APN €m | 2015 APN €m |
|---|---|---|
| Net cash used in operating activities | - | (2.9) |
| Net cash generated by investing activities* | - | 119.3 |
| **Net cash generated from discontinued operations** | - | 116.4 |

* *€116.4m represents net cash disposal proceeds on the sale of the Group's shareholding in APN.*

## 29. Cash and Cash Equivalents

| | 2016 €m | 2015 €m |
|---|---|---|
| **Group** | | |
| Cash at bank and in hand | **33.5** | 31.0 |
| Short term deposits | **51.3** | 28.7 |
| | **84.8** | 59.7 |
| Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement: | | |
| Cash and cash equivalents* | **84.8** | 59.7 |
| Bank overdrafts | - | - |
| | **84.8** | 59.7 |

* *Net of bank overdrafts where a legal right of set-off exists.*

# Notes to the Financial Statements - continued

### 29. Cash and Cash Equivalents - continued

| | 2016 €m | 2015 €m |
|---|---|---|
| **Company** | | |
| Cash at bank and in hand | **7.8** | 11.9 |
| Short term deposits | **48.6** | 26.3 |
| | **56.4** | 38.2 |

| | 2016 €m | 2015 €m |
|---|---|---|
| Cash and cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement: | | |
| Cash and cash equivalents | **56.4** | 38.2 |

## 30. Capital Commitments

| | 2016 €m | 2015 €m |
|---|---|---|
| Group and share of joint ventures and associates | | |
| Contracted but not provided for: | | |
| - Group | **0.4** | 0.8 |
| - Associates | **-** | - |
| Authorised by Directors but not contracted for: | | |
| - Group | **0.4** | 0.2 |
| - Associates | **-** | - |
| At end of year | **0.8** | 1.0 |

# Notes to the Financial Statements - continued

## 31. Operating Lease Commitments

The Group operating lease commitments primarily comprise obligations in relation to a number of property leases, in addition to other onerous trading contractual arrangements from which the Group no longer derives economic benefit. There was no contingent rent payable; no renewal or purchase options or escalation clauses; and no restrictions imposed by lease arrangements.

***(i) Future minimum lease payments***

At the reporting date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

| | **2016 €m** | 2015 €m |
|---|---|---|
| No later than one year | **3.6** | 3.9 |
| Later than one and no later than five years | **8.6** | 7.6 |
| Later than five years | **18.6** | 16.7 |
| | **30.8** | 28.2 |

***(ii) Amounts recognised in profit or loss (continuing operations)***

| | **2016 €m** | 2015 €m |
|---|---|---|
| Lease expense | **2.6** | 2.9 |

## 32. Financial Risk and Capital Management

### Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern (as disclosed in note 1) and to maintain an optimal capital structure which maximises the return to shareholders while reducing the cost of capital.

The Group's former bank facilities, which were entered into in 2013, based upon a five year maturity extending into 2018, were repaid in full during 2015, with the net proceeds from the disposal of APN applied to debt repayment.

No dividend will be paid in respect of the year ended 31 December 2016.

# Notes to the Financial Statements - continued

### 32. Financial Risk and Capital Management - continued

## Financial Risk Management

The Group's financial risks are managed by Group Treasury within parameters defined formally by the Board. Group Treasury's activity is reported to the Audit and Risk Committee and to the Board. The main financial risks faced by the Group relate to credit, interest, foreign exchange translation and liquidity. The Board agrees policies for managing these risks as summarised below.

Financial instruments, including derivatives, are permitted to be used to manage financial risk arising from the Group's operations.

## Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and trade and other receivables. The Board establishes the policy which Group Treasury follows in managing credit risk. Exposure is managed by distributing the credit risk, where possible, across banks or other institutions meeting required standards as assessed normally by reference to the major credit rating agencies. The Group held cash and cash equivalents of €84.8m at 31 December 2016 (2015: €59.7m). The cash and cash equivalents are held with bank and financial institution counterparties, all of which are rated BBB- or better, based on rating agency, Standard & Poor's, ratings. Deals are authorised only with banks with which dealing mandates have been agreed. These policies are regularly monitored to ensure credit exposure to any one financial institution is limited.

The Group's credit risk management policy in relation to trade receivables involves periodically assessing the financial reliability of customers, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers. The maximum exposure to the top five receivables does not exceed €5.3m (2015: €5.3m) and the credit quality of such debtors in each case is good based on previous payment history. Average credit terms, where given, range from 15 days to 45 days.

Included in the Group's trade and other receivables as at 31 December 2016 are balances of €16.4m (2015: €16.7m) which are not past due at the reporting date and €7.3m (2015: €8.1m) which are past due at the reporting date but not impaired in the majority of cases. The aged analysis of these balances is as follows:

| | **2016 €m** | 2015 €m |
|---|---|---|
| Less than 1 month | **4.6** | 6.3 |
| 1 - 3 months | **2.0** | 1.5 |
| 3 - 6 months | **0.1** | 0.1 |
| Over 6 months | **0.6** | 0.2 |
| | **7.3** | 8.1 |

# Notes to the Financial Statements - continued

### 32. Financial Risk and Capital Management - continued

#### Credit Risk - continued

The Group's policy for the determination of the provision for bad debts is based on a line-by-line assessment of the credit risk attached to the individual debtors and an assessment of the resulting requirement for a provision for impairment. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable, including any indicators for impairment (which may include evidence of financial difficulty of the customer, payment default, breach of contract, etc.) and any collateral held, which in certain limited cases exists in the form of deposits, bank guarantees, sureties and agency security totalling €2.5m (2015: €2.4m). Amounts charged to the impairment provision are written off when there is no expectation of recovery. Subsequent recoveries of amounts previously written off are credited to the Income Statement. For the purpose of calculating the impairment provision, the Group does not take into account the impact of discounting the trade receivables as it is considered not material given the age profile of the Group's trade receivable balances.

Movements in the provision for impairment of trade receivables during the year were as follows:

| | **2016** **€m** | 2015 €m |
|---|---|---|
| At 1 January | **2.7** | 2.8 |
| Provision for impairment recognised in year | **0.4** | 0.5 |
| Amounts recovered during the year | **-** | - |
| Amounts written off during the year | **(0.5)** | (0.7) |
| Exchange movements | **-** | 0.1 |
| At 31 December (note 20) | **2.6** | 2.7 |

The Group's other classes of financial assets are not past due and do not contain impaired assets other than the impairment on available-for-sale financial assets of €1.5m (2015: €0.9m). The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rates. Based on the credit history of these other assets, it is expected that these amounts will be received when due. The Group's maximum exposure to credit risk in relation to financial assets (i.e. financial assets excluding available-for-sale financial assets and prepayments) is €105.6m (2015: €82.2m).

## Company

There were no past due or impaired trade receivables in the Company Statement of Financial Position as at 31 December 2016 or 31 December 2015.

# Notes to the Financial Statements - continued

### 32. Financial Risk and Capital Management - continued

## Liquidity Risk

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors the adequacy of the Group's liquidity reserve (comprising undrawn borrowing facilities as detailed in note 24 and cash and cash equivalents as detailed in note 29).

The following table analyses the Group's financial liabilities into the relevant maturity groupings based on the remaining period to contractual maturity at the reporting date. The amounts disclosed in the following table are the contractual undiscounted cash flows.

| | <1 Year €m | 1-2 Years €m | 2-3 Years €m | >3 Years €m | Total €m | Carrying Amount €m |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **2016** | | | | | | |
| Trade and other payables | 43.7 | - | - | - | 43.7 | 43.7 |
| Onerous contracts | 1.1 | 0.1 | 0.1 | 0.3 | 1.6 | 1.6 |
| Other payables* | 15.9 | 6.7 | 6.8 | 27.1 | 56.5 | 56.4 |
| | **60.7** | **6.8** | **6.9** | **27.4** | **101.8** | **101.7** |
| **2015** | | | | | | |
| Trade and other payables | 45.1 | - | - | - | 45.1 | 45.1 |
| Onerous contracts | 1.8 | 0.1 | 0.1 | 0.4 | 2.4 | 2.4 |
| Other payables | 2.7 | 0.4 | 0.5 | 5.8 | 9.4 | 9.4 |
| | 49.6 | 0.5 | 0.6 | 6.2 | 56.9 | 56.9 |
| **Company** | | | | | | |
| **2016** | | | | | | |
| Trade and other payables | **556.9** | **-** | **-** | **-** | **556.9** | **556.9** |
| **2015** | | | | | | |
| Trade and other payables | 585.0 | - | - | - | 585.0 | 585.0 |

** Other payables primarily relate to defined contribution pension obligations which have been discounted. The impact of discounting is immaterial.*

# Notes to the Financial Statements - continued

### 32. Financial Risk and Capital Management - continued

#### Liquidity Risk - continued

The Board has reviewed the Group financial forecasts and associated risks for the period beyond one year from the date of approval of the financial statements. These detailed, bottom-up financial forecasts have been prepared by, and reviewed with, each of the Group's major business units. The forecasts reflect key assumptions, based on information available to the Directors at the time of the preparation of this financial information, and include:

- detailed monthly forecasting by business unit for 2017, reflecting trends experienced up to the date of preparation; and
- future revenues for 2017-2021 based on management's assessment of trends across principal operating units.

The critical assumptions underlying the forecast were then stress-tested to ensure sufficient headroom exists to cope with a reasonable level of negative movement in the key assumptions.

Having completed this forecasting process, the Directors consider that there is sufficient liquidity available to the Group for a period of at least one year from the date of approval of these financial statements.

## Market Risk

***(a) Foreign Exchange Risk***

Foreign exchange risk arises from recognised assets and liabilities and forecast future commercial transactions that are denominated in a currency that is not the entity's functional currency. Foreign exchange risk arising from forecast future commercial transactions is managed by the use of forward foreign exchange contracts where deemed appropriate. Foreign exchange transaction exposure in the Group is limited due to the fact that trading companies in the Group tend to have the majority of their revenues and expenses in their functional currency.

Foreign currency translation exposure arises from the retranslation of overseas subsidiaries' Income Statements and Statements of Financial Position into Euro. The Group is primarily exposed to translation risk on its Northern Irish operation.

The Group uses forward rate contracts to mitigate the impact of exchange rate movements on the Group's Income Statement when the Group considers it economically viable to do so. Further information on the Group's use of foreign exchange contracts is given in note 18. Based on the net foreign currency assets at 31 December 2016:

- if Euro strengthened against sterling by 10%, net assets and total equity would have decreased by €0.5m (2015: €0.8m based on a 4% move); and
- if Euro had weakened against sterling by 10%, net assets and total equity would have increased by €0.6m (2015: €0.9m based on a 4% move).

***(b) Interest Rate Risk***

The Group no longer has interest rate risk arising from long-term borrowings due to the repayment of Group borrowings in 2015.

# Notes to the Financial Statements - continued

## 32. Financial Risk and Capital Management - continued

### Market Risk - continued

*(c) Price Risk*

The Group is not exposed to significant price risk in relation to its financial instruments, other than in respect of the Group's available-for-sale financial assets (note 17).

*(i) Currency and interest rate exposure of financial liabilities*

The Group's financial liabilities comprise trade and other payables and other non-current payables.

| | | | | | Fixed Rate Financial Liabilities | |
|---|---|---|---|---|---|---|
| | Floating Rate Financial Liabilities €m | Fixed Rate Financial Liabilities €m | Non-Interest Bearing Financial Liabilities €m | Total €m | Weighted Average Effective Interest Rate % | Weighted Average Time for which Rate is Fixed Years |
| **Group** | | | | | | |
| **At 31 December 2016** | | | | | | |
| Currency: | | | | | | |
| Euro | - | - | 89.4 | 89.4 | - | - |
| Stg£ | - | - | 12.3 | 12.3 | - | - |
| **Gross financial liabilities** | **-** | **-** | **101.7** | **101.7** | **-** | **-** |
| **At 31 December 2015** | | | | | | |
| Currency: | | | | | | |
| Euro | - | - | 43.5 | 43.5 | - | - |
| Stg£ | - | - | 13.3 | 13.3 | - | - |
| **Gross financial liabilities** | **-** | **-** | **56.8** | **56.8** | **-** | **-** |

The principal closing and average rates against the Euro relevant to the Group were as follows:

| | **2016 Closing** | **2016 Average** | 2015 Closing | 2015 Average |
|---|---|---|---|---|
| Stg£ | **0.85448** | **0.81922** | 0.73749 | 0.72636 |

The Group had no debt at 31 December 2016. Non-interest bearing financial liabilities include trade and other payables and other non-current payables, which do not have pre-determined dates of repayment.

*Company*

The Company's financial liabilities primarily comprise loans from subsidiary undertakings which are denominated in Euro and are interest free.

# Notes to the Financial Statements - continued

## 32. Financial Risk and Capital Management - continued

### Market Risk - continued

***(ii) Currency and interest rate analysis of financial assets***

The Group's financial assets comprise available-for-sale financial assets, trade and other receivables (excluding prepayments), derivative financial instruments, corporation tax recoverable and cash and cash equivalents. A currency analysis of these financial assets is set out below:

| | 2016 €m | 2015 €m |
|---|---|---|
| **Group** | | |
| Currency: | | |
| Euro | **76.3** | 57.3 |
| Stg£ | **29.4** | 25.1 |
| Other* | **0.1** | 1.8 |
| | **105.8** | 84.2 |

** Primarily relates to USD (2015: Primarily relates to USD and Indonesian Rupee).*

Cash and cash equivalents are placed on deposit at floating rates of interest with an original maturity of 7 days or less. The effective interest rates earned during the year on short term bank deposits ranged from 0.0% to 0.4%. The Group's other financial assets, including available-for-sale financial assets, trade and other receivables, loans to associates and joint ventures and derivative financial instruments are non-interest bearing.

Based on the cash held at 31 December 2016, a change in interest rates of +/-1% with all other variables being constant would increase/reduce post-tax profits by €0.7m (2015: €0.5m).

***Company***

The Company's closing cash and cash equivalents balance is denominated in Euro. The effective interest rates earned during the year on short term bank deposits ranged from 0.0% to 0.1%. All loans to subsidiary undertakings are denominated in Euro and are interest free.

Based on the cash held at 31 December 2016, a change in interest rates of +/-1% with all other variables being constant would increase/reduce post-tax profits by €0.4m (2015: €0.3m).

# Notes to the Financial Statements - continued

## 32. Financial Risk and Capital Management - continued

### Market Risk - continued

*(iii) Currency exposures*

The table below shows the Group's trade assets and liabilities that give rise to the net monetary gains and losses recognised in the Income Statement. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the unit involved. Whilst the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to currencies that are not their functional currency. At 31 December, these exposures were as follows:

| | | Net foreign currency financial assets/(liabilities) | | |
|---|---|---|---|---|
| | Stg£<br>€m | Euro<br>€m | Other<br>€m | Total<br>€m |
| **2016** | | | | |
| **Functional currency of Group operations** | | | | |
| Euro | 2.6 | - | - | 2.6 |
| Stg£ | - | 0.6 | 0.1 | 0.7 |
| | **2.6** | **0.6** | **0.1** | **3.3** |
| **2015** | | | | |
| **Functional currency of Group operations** | | | | |
| Euro | 2.9 | - | - | 2.9 |
| Stg£ | - | 0.5 | - | 0.5 |
| | **2.9** | **0.5** | **-** | **3.4** |

Net exchange gains of €0.2m (2015: net exchange gains of €1.0m) on monetary items have been recognised in the Income Statement.

# Notes to the Financial Statements - continued

## 32. Financial Risk and Capital Management - continued

### Market Risk - continued

***(iv) Fair values of financial assets and financial liabilities***

The fair values of quoted available-for-sale financial assets and derivative financial instruments are measured using market values. Unquoted available-for-sale financial assets and derivatives are measured using valuation techniques. The carrying amount of non interest bearing financial assets and financial liabilities and cash and cash equivalents approximates their fair values. The following is a comparison by category of book values and fair values of the Group's and Company's financial assets and financial liabilities as at the year end.

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **€m** | €m | **€m** | €m |
| **Group** | | | | |
| **Financial Assets** | | | | |
| Available-for-sale financial assets | **0.2** | 2.0 | **0.2** | 2.0 |
| Derivative financial instruments | | | | |
| - cash flow hedges | **0.1** | - | **0.1** | - |
| | **0.3** | 2.0 | **0.3** | 2.0 |

Financial assets whose fair value could not be reliably measured amounted to €nil (2015: €nil).

| | Carrying Amount | | Fair Value | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **€m** | €m | **€m** | €m |
| **Group** | | | | |
| **Financial Liabilities** | | | | |
| Other payables | | | | |
| (including defined contribution liability) | **(56.4)** | (6.9) | **(56.4)** | (6.9) |

The Group has not disclosed the fair value of certain financial instruments such as short-term receivables and payables because their carrying amounts are a reasonable approximation of fair value.

The Group has adopted the following fair value measurement hierarchy in relation to its financial assets and financial liabilities that are carried in the Statement of Financial Position at fair value as at the year end:

- 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 (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Financial Statements - continued

## 32. Financial Risk and Capital Management - continued

### Market Risk - continued

***(iv) Fair values of financial assets and financial liabilities*** *- continued*

The following tables set out the assets that are measured at fair value on the Statement of Financial Position as at 31 December:

| | Level 1 €m | Level 2 €m | Level 3 €m | Total €m |
|---|---|---|---|---|
| **Group** | | | | |
| **2016** | | | | |
| **Financial Assets** | | | | |
| Available-for-sale financial assets | - | - | 0.2 | **0.2** |
| Derivative financial instruments | | | | |
| - cashflow hedges | - | 0.1 | - | **0.1** |
| | - | 0.1 | 0.2 | **0.3** |
| **2015** | | | | |
| **Financial Assets** | | | | |
| Available-for-sale financial assets | 0.9 | - | 1.1 | **2.0** |
| Derivative financial instruments | | | | |
| - cashflow hedges | - | - | - | **-** |
| | 0.9 | - | 1.1 | **2.0** |

The following tables set out the level under which fair value has been considered for financial liabilities that are not measured at fair value on the Statement of Financial Position as at 31 December:

| | Level 1 €m | Level 2 €m | Level 3 €m | Total €m | Fair Value €m |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2016** | | | | | |
| **Financial Liabilities** | | | | | |
| Other payables (including defined contribution liability) | - | - | 56.4 | **56.4** | 56.4 |
| **2015** | | | | | |
| **Financial Liabilities** | | | | | |
| Other payables (including defined contribution liability) | - | - | 6.9 | **6.9** | 6.9 |

# Notes to the Financial Statements - continued

## 32. Financial Risk and Capital Management - continued

### Market Risk - continued

***(v) Measurement of fair values***

Certain financial instruments are measured in level 2 and level 3 of the fair value hierarchy. These are as follows:

Available-for-sale financial assets:

The Group's available-for-sale financial assets include unquoted equity instruments which are a level 3 fair value measurement. Initial fair value is equal to the cash amount paid for the assets. Subsequent fair value is determined using valuation techniques based on the related earnings multiple of the investments, which the Group considers to be a close approximation of their fair value.

Derivative financial instruments:

Derivative financial instruments consist of foreign exchange financial contracts entered into by the Group. These are not traded in active markets. The fair value of the contracts are estimated using a valuation technique that maximises the use of observable market inputs e.g. foreign exchange rates.

There were no transfers between the levels during the period.

***(vi) Foreign exchange contracts***

Details of the nominal amount of significant foreign exchange contracts outstanding as at 31 December were as follows:

| | **2016 €m** | 2015 €m |
|---|---|---|
| Buy Sterling Pounds/Sell Euro | **5.1** | 3.0 |

The Irish operations purchase newsprint in Sterling. In order to protect against adverse exchange rate movements the above foreign exchange contracts were entered into in 2016 and in 2015.

The table below shows the contractual cash flows due under the Group's derivative financial instruments included above which will be settled on a gross basis. The balances are due within one year from the reporting date, thus the impact of discounting is not significant.

| | **2016 €m** | 2015 €m |
|---|---|---|
| Forward foreign exchange contracts - cash flow hedges | | |
| Inflow | **5.2** | 3.0 |
| Outflow | **(5.1)** | (3.0) |

***Movement in cash flow hedges***

During the year ended 31 December 2016, a gain of €0.1m (2015: €nil) was recognised in other comprehensive income and €nil (2015: €nil) was transferred from other comprehensive income and recognised in the Income Statement in relation to cash flow hedges.

# Notes to the Financial Statements - continued

## 33. Contingent Liabilities

***(i) Guarantees***

Independent News & Media PLC has guaranteed bank advances, EFT facilities and certain other obligations of subsidiary undertakings up to a maximum of €26.2m (2015: €26.7m). Letters of support have also been provided to certain of its subsidiaries.

***(ii) Litigation***

Given the nature of the Group's business, from time to time, it is party to various legal proceedings. It is the opinion of the Directors that INM's share of the losses, if any, arising in connection with these matters will have no material adverse impact on the financial position of the Group.

## 34. Related Party Transactions

Transactions between the Group and its joint ventures and associates include both trade and loan transactions. Details of the Group's principal joint ventures and associates are provided in note 36 to the financial statements.

Details of transactions and balances outstanding with associates and joint ventures are as follows:

| | Sale of goods | | Purchase of goods | | Amounts owed by related parties | | Amounts owed to related parties | |
|---|---|---|---|---|---|---|---|---|
| | **2016 €m** | 2015 €m | **2016 €m** | 2015 €m | **2016 €m** | 2015 €m | **2016 €m** | 2015 €m |
| Associates | **0.1** | 0.1 | **-** | - | **-** | - | **-** | - |
| Joint Ventures | **7.5** | 7.3 | **15.0** | 16.1 | **0.3** | 0.2 | **1.8** | 1.7 |

Details of material other related party transactions are as follows:

During the year the Group continued to engage the services of CTI Global (previously Another 9) under a Business Continuity Agreement. The value of this agreement was €0.2m (2015: €0.2m). CTI Global is a company in which Leslie Buckley is Chairman and in which Denis O'Brien is a significant shareholder.

During the year, the Group entered into a number of transactions at arm's length with Communicorp Group Limited, a company in which Denis O'Brien has control. Under the terms of these advertising transactions, the Group received advertising services to the value of €0.9m and provided advertising services to the value of €0.8m (2015: received advertising services to the value of €0.9m and provided advertising services to the value of €0.5m).

During the year, the Group engaged the services of ComputerCall UK Ltd., a company in which Allan Marshall is connected. The value of consultancy services provided was €77,000 (2015: €158,052). The decrease year on year is due to the cessation of the contract with ComputerCall UK Ltd. during 2016.

During the period in 2016 for which Denis O'Brien was a significant shareholder in Topaz, the value of goods and services provided by Topaz was €nil (2015: €185,215). Denis O'Brien is no longer a significant shareholder in Topaz. The Group has since continued to trade with Topaz however these transactions are not disclosed as they are not related party transactions.

# Notes to the Financial Statements - continued

### 34. Related Party Transactions - continued

## Company

Details of Directors' remuneration are disclosed in the Remuneration Committee Report on pages 82 and 83. Details of shares held in the Company by Directors and of share options granted to Directors are disclosed in the Remuneration Committee Report on pages 84 and 85. During the year, the Company charged €1.0m (2015: €1.7m) in management fees to its subsidiaries. Details of loan balances due from/to subsidiaries are provided in notes 20 and 21 and all such loans are on an interest free basis.

## Key Management Personnel

Key management personnel comprise the Board of Directors, including the CEO and CFO, who manage the business and affairs of the Company. The remuneration of key management personnel was as follows:

| | **2016 €m** | 2015 €m |
|---|---|---|
| Short term benefits (salary, annual incentive, allowances) | **1.7** | 1.7 |
| Long term benefits (long term incentive plan) | **0.4** | 0.3 |
| Post-employment benefits (retirement benefits) | **0.1** | 0.1 |
| | **2.2** | 2.1 |
| Termination payments | **-** | - |
| | **2.2** | 2.1 |

# Notes to the Financial Statements - continued

## 35. Retirement Benefit Obligations

The Group operates defined benefit and defined contribution pension schemes. A summary of the Group's net liabilities in respect of these schemes is set out below:

| | **2016 ROI €m** | **2016 NIRE €m** | **2016 Total €m** | 2015 ROI €m | 2015 NIRE €m | 2015 Total €m |
|---|---|---|---|---|---|---|
| Net defined benefit pension liability | **(9.9)** | **(31.8)** | **(41.7)** | (56.3) | (24.0) | (80.3) |
| Present value of defined contribution scheme provision | **(55.6)** | **-** | **(55.6)** | (5.8) | - | (5.8) |
| **Retirement Benefit Obligations** | **(65.5)** | **(31.8)** | **(97.3)** | (62.1) | (24.0) | (86.1) |

The Group's defined benefit schemes are administered by separate funds that are legally separate from the Group under the jurisdiction of Trustees. Each of the Group's schemes operates under broadly similar regulatory frameworks. The Trustees of the various pension schemes in existence across the Group are required by law to act in the best interests of the scheme participants and are responsible for administering the schemes in accordance with trust law, all other law and the terms of the Trust Deed and Rules. The Trustees have ultimate responsibility for any investment strategy decisions.

The benefits available to members at retirement are set out in the Trust Deeds and Rules for each scheme. In the Republic of Ireland, the defined benefit schemes were closed to future accrual on 1 October 2013 and all current and future employees participate in a defined contribution scheme. The objective of the defined benefit schemes is to provide members with preserved pensions which are generally 1/60th of pensionable salary for each year of service and decreased by 39%. The preserved pensions are increased by the lower of CPI and 1% per annum before retirement and do not increase once in payment.

The Northern Ireland defined benefit scheme closed to future accrual with effect from 30 November 2013. The benefit payable on normal retirement is generally 1/60th of final pensionable salary for each year of service and increases in line with statutory provisions.

The Group also operates a defined contribution scheme. Normal contributions are paid by the members and by the Group at fixed rates. During the year the Company contributed €2.9m (2015: €2.9m) to the defined contribution scheme and this amount was charged to the Group Income Statement.

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

During 2014 and 2015, some employees in the Republic of Ireland transferred their legacy defined benefit entitlements to the Company's defined contribution scheme. The transfer payments were reduced to reflect the funding level of the defined benefit scheme under the minimum funding standard and the net liability reduced as a result. There was a total reduction of €9.8m in the defined benefit pension liability over 2014 and 2015 as a result. Offsetting this, and as part of the transfers, the Group committed to making payments to the former defined benefit pension scheme members into the defined contribution pension scheme. This gave rise to an initial provision of €5.8m during 2014, of which €5.8m was still payable at 31 December 2015. This provision is not contingent on future service to the Group of the former defined benefit pension scheme members. Employees who opted to transfer would receive payments equivalent to the contributions that would have otherwise been paid to the defined benefit schemes in respect of their share of the deficit under the terms of the funding proposal agreed with the Pensions Authority in September 2013. These amounts will be paid to the defined contribution scheme over the next 7 years and it is not dependant on future service.

The Group notified the Trustees of two of its Republic of Ireland defined benefit pension schemes of its decision to cease contributions to those two schemes with effect from 7 November 2016. The net liability in respect of these two schemes in the Group's Statement of Financial Position as at 31 December 2016 is zero. The net liability as at 7 November 2016 in resect of these two schemes of €61.8m was derecognised and a defined contribution provision of €50.0m was created.

It is intended that the contributions that the Group had previously intended to pay to the two schemes under the terms of the funding proposals agreed with the Pensions Authority in September 2013 will now be paid to the Group's defined contribution pension scheme in respect of the deferred members of the schemes. This provision will be treated in the same manner as the previously established defined contribution provision outlined above.

The Group's intention is to make combined annual contributions of €7.4m over the next 7 years to the Republic of Ireland schemes in respect of past service, including the contributions payable to the Group's defined contribution pension scheme as outlined above. This remains unaltered by the transfers referred to above or by the cessation of two of the Group's Republic of Ireland defined benefit schemes during 2016. Normal contributions to the defined contribution scheme in respect of future service are payable in addition. The Group's intention is to also make an annual contribution of approximately €0.7m to the Northern Ireland defined benefit pension scheme in respect of past service in line with the funding arrangements in place.

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

## Group Income Statement

The amounts recognised in the Group Income Statement in respect of all pension schemes are as follows:

| | 2016 €m | 2015 €m |
|---|---|---|
| Service cost: | | |
| - Net interest/administration cost relating to defined benefit pension schemes (excluding exceptional items) | **2.3** | 3.0 |
| - Interest cost on defined contribution pension scheme liabilities (excluding exceptional items) | **0.1** | 0.1 |
| - Current service cost relating to defined contribution pension schemes (excluding exceptional items) | **2.9** | 2.9 |
| **Total recognised in the Group Income Statement (excluding exceptional items)*** | **5.3** | 6.0 |
| Accounting adjustments on settlements (all schemes) | **(11.8)** | (0.3) |
| **Total recognised in Group Income Statement (including exceptional items)** | **(6.5)** | 5.7 |

* *Charged to administration expenses.*

## Group Other Comprehensive Income

Remeasurements recognised in Other Comprehensive Income are as follows:

| | 2016 €m | 2015 €m |
|---|---|---|
| Return on scheme assets excluding interest income - defined benefit pension schemes | **(9.5)** | 3.0 |
| Experience variations - defined benefit pension schemes | **(1.7)** | (3.7) |
| Actuarial loss/(gain) from changes in financial assumptions - defined benefit pension schemes | **43.1** | (15.1) |
| Actuarial loss from changes in financial assumptions - defined contribution pension schemes | **0.2** | - |
| **Total loss/(gain) included in Other Comprehensive Income*** | **32.1** | (15.8) |

* *Of the €32.1m remeasurement losses in 2016, €17.6m relates to remeasurement losses in the two Republic of Ireland defined benefit pension schemes into which the Group ceased making contributions with effect from 7 November 2016.*

The directors reviewed the appropriateness of the derecognition of the Statement of Financial Position liability in respect of the two Republic of Ireland defined benefit pension schemes closed with effect from 7 November 2016. The directors also reviewed the corresponding additional defined contribution pension scheme provision created. In regard to both matters, the directors were satisfied with the appropriateness of the accounting treatment adopted.

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

## a) Defined Benefit Pension Schemes

The Group operated four defined benefit pension schemes in the Republic of Ireland (of which two are still in operation at year end) and one in Northern Ireland. The projected unit credit method has been employed in determining the present value of the defined benefit obligation arising and, where applicable, past service cost. The defined benefit schemes closed to future accrual with effect from 1 October 2013 for the Republic of Ireland schemes and 30 November 2013 for the Northern Ireland scheme. The accrued benefits in each of the schemes were underfunded at the last valuation date and long term funding plans are in place for each scheme.

For the two Republic of Ireland defined benefit schemes, long term funding plans were submitted to the Pensions Authority in September 2013 which aimed for the schemes to meet the Funding Standard and Funding Standard Reserve Requirement as set out in Section 44 of the Pension Act, 1990.

The defined benefit scheme in Northern Ireland is funded in accordance with the recommendations arising from the triennial valuation as at 31 December 2013, in line with the scheme funding requirements under Section 224 of the Pensions Act 2004 and Rule 10.2 of the Scheme's Trust Deed and Rules. The triennial valuation as at 31 December 2016 is underway but the outcome of that valuation will not be finalised until the valuation is concluded later in 2017. An affordability test was carried out as part of the 2013 valuation (and another will be carried out as part of the 31 December 2016 valuation) to aid decisions and negotiations, but this does not form part of the statutory funding requirements.

Ruling 14 of the International Financial Reporting Standards Interpretations Committee (IFRIC 14) clarifies how the asset ceiling should be applied, particularly how it interacts with local minimum funding rules. The Group has determined that it has an unconditional right to a refund of any surplus assets if the schemes are run off until the last member dies. In respect of the defined benefit pension schemes, no additional liability would be recognised for the difference between the intended contribution amount and the net liability on the Statement of Financial Position, as the Group is entitled to any surplus remaining at the end of the scheme.

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

### a) Defined Benefit Pension Schemes - continued

## i) Net Pension Liability

Full actuarial valuations were carried out between 1 July 2014 and 1 April 2015. Actuarial valuations have been updated to 31 December 2016 for IAS 19 by qualified actuaries. The net pension liability as at 31 December 2016 is as follows:

| | **2016 ROI €m** | **2016 NIRE €m** | **2016 Total €m** | 2015 ROI €m | 2015 NIRE €m | 2015 Total €m |
|---|---|---|---|---|---|---|
| Total fair value of assets | **14.9** | **53.4** | **68.3** | 82.4 | 52.8 | 135.2 |
| Present value of scheme liabilities | **(24.8)** | **(85.2)** | **(110.0)** | (138.7) | (76.8) | (215.5) |
| Net pension liability | **(9.9)** | **(31.8)** | **(41.7)** | (56.3) | (24.0) | (80.3) |

The weighted average duration of the defined benefit obligation at 31 December 2016 was 24.3 years (2015: 21.0 years). Employer contributions for the forthcoming financial year are estimated at €17.2 million, of which €1.4 million represents contributions to the Group's defined benefit schemes. This is inclusive of the contributions that the Group intends to pay to its defined contribution scheme during 2017 as outlined earlier. However, it does not include normal contributions to the defined contribution scheme in respect of future service.

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

### a) Defined Benefit Pension Schemes - continued

## ii) Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit (asset) liability and its components:

| | Defined benefit obligation | | Fair value of plan assets | | Net defined benefit (asset) liability | |
|---|---|---|---|---|---|---|
| | **2016 €m** | 2015 €m | **2016 €m** | 2015 €m | **2016 €m** | 2015 €m |
| **At 1 January 2016** | **215.5** | 228.2 | **(135.2)** | (127.7) | **80.3** | 100.5 |
| **Included in Group Income Statement** | | | | | | |
| Accounting adjustment on settlements | **(61.8)** | (0.5) | **-** | - | **(61.8)** | (0.5) |
| Interest cost/(income) | **5.7** | 6.2 | **(3.8)** | (3.7) | **1.9** | 2.5 |
| Administration expenses | **-** | - | **0.4** | 0.5 | **0.4** | 0.5 |
| | **(56.1)** | 5.7 | **(3.4)** | (3.2) | **(59.5)** | 2.5 |
| **Included in Group Other Comprehensive Income Statement** | | | | | | |
| **Remeasurement:** | | | | | | |
| - experience variations | **(1.7)** | (3.7) | **-** | - | **(1.7)** | (3.7) |
| - actuarial loss/(gain) from changes in financial assumptions | **43.1** | (15.1) | **-** | - | **43.1** | (15.1) |
| - return on plan assets excluding interest income | **-** | - | **(9.5)** | 3.0 | **(9.5)** | 3.0 |
| Exchange (gain)/loss | **(10.5)** | 3.9 | **7.2** | (2.7) | **(3.3)** | 1.2 |
| | **30.9** | (14.9) | **(2.3)** | 0.3 | **28.6** | (14.6) |
| **Other** | | | | | | |
| Contributions by employers relating to deficit repair plan | **-** | - | **(7.7)** | (8.1) | **(7.7)** | (8.1) |
| Benefits paid | **(3.7)** | (3.3) | **3.7** | 3.3 | **-** | - |
| Settlement payments | **(76.6)** | (0.2) | **76.6** | 0.2 | **-** | - |
| | **(80.3)** | (3.5) | **72.6** | (4.6) | **(7.7)** | (8.1) |
| **At 31 December 2016** | **110.0** | 215.5 | **(68.3)** | (135.2) | **41.7** | 80.3 |

# Notes to the Financial Statements - continued

## 35. Retirement Benefit Obligations - continued

### a) Defined Benefit Pension Schemes - continued

#### ii) Movement in net defined benefit (asset) liability - continued

The accounting adjustment on settlements of €61.8 million reflects the value of the IAS19 defined benefit obligation settled in excess of the value of the assets at the date of cessation of contributions to two of the Group's Republic of Ireland defined benefit schemes (i.e. 7 November 2016).

Based on the assumptions employed for the valuation of assets and liabilities as at 31 December 2016, the net charge in the Group Income Statement in the year ending 31 December 2017 (excluding the exceptional item above) is expected to be lower than the current year figures.

The actual return on scheme assets was a gain of €13.3 million (2015: gain of €0.7 million).

Cumulatively since transition to IFRS on 1 April 2004, €219.4 million has been recognised as a charge in the Group Statement of Comprehensive Income in respect of defined benefit pension schemes.

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

### a) Defined Benefit Pension Schemes - continued

## iii) Split of scheme assets

| | 2016 ROI €m | 2015 ROI €m | 2016 NIRE €m | 2015 NIRE €m | 2016 Total €m | 2015 Total €m |
|---|---|---|---|---|---|---|
| **Equity instruments** | | | | | | |
| Consumer Markets | **0.5** | 2.1 | **3.9** | 4.1 | **4.4** | 6.2 |
| Health Care | **0.2** | 1.2 | **2.3** | 3.0 | **2.5** | 4.2 |
| Oil and Gas | **0.2** | 0.5 | **0.7** | 0.5 | **0.9** | 1.0 |
| Telecoms | **0.1** | 0.3 | **0.9** | 1.1 | **1.0** | 1.4 |
| Financial Institutions | **0.4** | 1.9 | **1.8** | 2.2 | **2.2** | 4.1 |
| Industrials | **0.3** | 0.9 | **-** | - | **0.3** | 0.9 |
| Information Technology | **0.3** | 1.3 | **-** | - | **0.3** | 1.3 |
| Other | **0.2** | 0.9 | **6.3** | 6.0 | **6.5** | 6.9 |
| **Total** | **2.2** | 9.1 | **15.9** | 16.9 | **18.1** | 26.0 |
| **Alternatives** | | | | | | |
| Derivatives | **-** | - | **0.1** | (0.2) | **0.1** | (0.2) |
| Liquid Alternative Strategies | **1.3** | 6.7 | **1.6** | 2.7 | **2.9** | 9.4 |
| Venture Capital | **-** | 1.8 | **0.1** | 0.1 | **0.1** | 1.9 |
| Commodities | **-** | - | **2.9** | 1.8 | **2.9** | 1.8 |
| **Total** | **1.3** | 8.5 | **4.7** | 4.4 | **6.0** | 12.9 |
| **Debt instruments** | | | | | | |
| Government Bonds | **9.0** | 48.2 | **5.5** | 6.0 | **14.5** | 54.2 |
| Enhanced Yield Bonds | **2.1** | 11.8 | **5.5** | 4.4 | **7.6** | 16.2 |
| Liability Driven Investment | **-** | - | **18.1** | 13.0 | **18.1** | 13.0 |
| **Total** | **11.1** | 60.0 | **29.1** | 23.4 | **40.2** | 83.4 |
| **Cash and cash equivalents** | | | | | | |
| Cash Deposits | **-** | - | **1.6** | 4.8 | **1.6** | 4.8 |
| Trustee Bank Accounts | **0.2** | 0.8 | **0.2** | 0.8 | **0.4** | 1.6 |
| **Total** | **0.2** | 0.8 | **1.8** | 5.6 | **2.0** | 6.4 |
| Property | **0.1** | 4.0 | **1.9** | 2.5 | **2.0** | 6.5 |
| **Total scheme assets** | **14.9** | 82.4 | **53.4** | 52.8 | **68.3** | 135.2 |

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

### a) Defined Benefit Pension Schemes - continued

### iii) Split of scheme assets - continued

All equity securities and government bonds have quoted prices in active markets. All government bonds have been issued by European governments and are highly rated. The schemes' alternative asset holdings include unquoted venture capital and liquid alternative strategy holdings, which are priced monthly.

## iv) Financial Assumptions

The principal actuarial assumptions used were as follows:

| | **2016 ROI €m** | 2015 ROI €m | **2016 NIRE €m** | 2015 NIRE €m |
|---|---|---|---|---|
| Rate of increase in salaries | **n/a*** | n/a* | **n/a** | n/a |
| Rate of increase in pensions in payment | **Nil** | Nil | **2.40%-3.40%**** | 2.30%-3.30%** |
| Discount rate | **1.90%** | 2.65% | **2.70%** | 3.80% |
| Inflation assumption | **1.50%*** | 1.75%* | **2.40%**** | 2.30%** |

** Accrued benefits are not linked to salary increases. Increases to accrued pension benefits pre-retirement are capped at CPI to a maximum of 1% per annum and do not increase in payment.*
*** Increases to accrued pension benefits pre-retirement are capped at an average rate of CPI to a maximum of 5.0% and increase in payment with RPI to a maximum of 2.3% - 5.0% per annum depending on period of service.*

A discount rate of 1.80% was used to calculate the settlement gain arising as a result of the Group's decision to cease contributions to two of the pension schemes with effect from 7 November 2016. This was based on financial conditions at that date.

# Notes to the Financial Statements - continued

**35. Retirement Benefit Obligations -** continued

**a) Defined Benefit Pension Schemes -** continued

## v) Demographic Assumptions

The post-retirement mortality assumptions employed in determining the present value of scheme liabilities under IAS 19 are set based on advice from published statistics and experience in both geographic regions and are in accordance with the underlying funding valuations.

| | **2016 ROI Years** | **2016 NIRE Years** | 2015 ROI Years | 2015 NIRE Years |
|---|---|---|---|---|
| Current retirees (current age 65) | | | | |
| Male | **22.9** | **22.8** | 22.8 | 22.7 |
| Female | **24.9** | **24.8** | 24.8 | 24.7 |
| Future retirees (current age 45, retiring at age 65) | | | | |
| Male | **25.7** | **25.1** | 25.6 | 24.9 |
| Female | **27.9** | **27.2** | 27.8 | 27.0 |

## vi) Risks

The schemes expose the Group to a number of risks, the most significant of which are as follows:

- ***Discount rates***
  The calculation of the present value of the defined benefit obligation is sensitive to changes in the discount rate. The discount rate is based on the interest yield at the reporting date on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligation. Changes in the discount rate can lead to volatility in the Group's Balance Sheet, Income Statement and Statement of Comprehensive Income.

- ***Asset volatility***
  The scheme assets are reported at fair value using bid prices where relevant. The majority of the Group's scheme assets comprise of government and other bonds. A decrease in corporate bond yields will increase the value of the scheme's liabilities although this may be partially offset by an increase in the value of the schemes' bond holdings. The schemes also hold a proportion of equities which are expected to outperform bonds in the long term while providing some volatility and risk in the short term. External consultants periodically conduct investment reviews to determine the most appropriate asset allocation, taking account of asset valuations, funding requirements, liability duration and the achievement of appropriate returns. In the case of the Northern Ireland defined benefit scheme, 25% of the scheme's assets employ an asset-liability (i.e. Liability Driven Investment) strategy. This is monitored regularly by external consultants for appropriateness. The Republic of Ireland defined benefit schemes have no specific asset-liability strategy in place.

# Notes to the Financial Statements - continued

### 35. Retirement Benefit Obligations - continued

### a) Defined Benefit Pension Schemes - continued

### vi) Risks - continued

- ***Inflation risk***
  The Northern Ireland scheme obligations are linked to inflation and higher inflation will lead to higher scheme liabilities although caps are in place to protect the schemes against extreme inflation.

- ***Mortality risk***
  The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of scheme participants. An increase in the life expectancy of the scheme participants will increase the defined benefit obligation.

## vii) Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension schemes. The following table analyses, for the Group's ROI and NIRE pension schemes, the estimated impact on scheme liabilities resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant.

| Assumption | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | Increase €m | Decrease €m | Increase €m | Decrease €m |
| Discount rate (1% movement) | **(21.5)** | **27.3** | (37.7) | 48.2 |
| Price inflation (1% movement) | **16.3** | **(16.9)** | 14.0 | (13.2) |
| Mortality (one year movement) | **3.9** | **(3.8)** | 6.8 | (6.7) |

# Notes to the Financial Statements - continued

**35. Retirement Benefit Obligations -** continued

## b) Defined Contribution Pension Schemes

During 2014 and 2015, some employees transferred their defined benefit entitlements to the Group's defined contribution scheme. As part of the transfers, the Group committed to making payments to the former defined benefit pension scheme members into the defined contribution pension scheme as outlined previously.

As part of the restructuring of two of the Group's ROI defined benefit pension schemes as outlined earlier, the Group intends to make contributions to the defined contribution scheme in respect of the deferred members of these schemes. It is envisaged that the contributions will be of the same form as the currently established provision i.e. the expected future payments the Company would have made to the defined benefit schemes in respect of these members under the terms of the Funding Proposal.

The discount rate used in the calculation of the provision as at 31 December 2016 was 0.06% (0.7% in 2015).

The following table shows the movement in the present value of defined contribution scheme liabilities over the year:

| | **2016 ROI €m** | **2016 NIRE €m** | **2016 Total €m** | 2015 ROI €m | 2015 NIRE €m | 2015 Total €m |
|---|---|---|---|---|---|---|
| **At 1 January 2016** | **5.8** | **-** | **5.8** | 5.6 | - | 5.6 |
| Interest Cost | **-** | **-** | **-** | 0.1 | - | 0.1 |
| Benefits Paid | **(0.4)** | **-** | **(0.4)** | (0.2) | - | (0.2) |
| Increase in provision | **50.0** | **-** | **50.0** | 0.2 | - | 0.2 |
| Actuarial loss from changes in financial assumptions | **0.2** | **-** | **0.2** | 0.1 | - | 0.1 |
| **At 31 December 2016** | **55.6** | **-** | **55.6** | 5.8 | - | 5.8 |

# Notes to the Financial Statements - continued

## 36. Principal Subsidiaries, Associates and Joint Ventures

| Name | Principal Activity | Issued and Fully Paid Share Capital |
|---|---|---|
| **Parent Company (as at 31 December 2016)**<br>Independent News & Media PLC | Holding Company | 1,392,144,452<br>(includes 5,597,077 treasury shares)<br>ordinary shares of €0.01 each |
| **Subsidiary Undertakings**<br>**(as at 31 December 2016)**<br>(Wholly owned unless otherwise stated) | | |
| **Incorporated and operating**<br>**principally in Ireland:** | | |
| Independent Newspapers (Ireland) Limited<br>27-32 Talbot Street<br>Dublin 1 | Newspaper Publishing | 5,000,000 ordinary shares<br>of €1.25 each |
| Independent Newspapers Marketing Limited<br>27-32 Talbot Street<br>Dublin 1 | Newspaper Publishing | 100 ordinary shares<br>of €1.25 each<br>10,000 'A' ordinary shares of €1 each |
| Sunday Newspapers Limited<br>27-32 Talbot Street<br>Dublin 1 | Newspaper Publishing | 80,002 ordinary shares<br>of €1.25 each |
| Newspread Limited<br>2023 Bianconi Avenue<br>Citywest Business Campus<br>Naas Road<br>Dublin 24 | Newspaper, Magazine<br>and Non-News Distribution | 3,600 ordinary shares<br>of €1.27 each |
| Independent Communications (Ireland) Limited*<br>27-32 Talbot Street<br>Dublin 1 | Holding Company | 1 ordinary share<br>of €1.25 each |
| Independent News & Media Holdings<br>(Ireland) Limited<br>27-32 Talbot Street<br>Dublin 1 | Holding Company | 900 ordinary shares<br>of €1.25 each |

# Notes to the Financial Statements - continued

## 36. Principal Subsidiaries, Associates and Joint Ventures - continued

| Name | Principal Activity | Issued and Fully Paid Share Capital |
|---|---|---|
| Independent News & Media Investments Limited<br>27-32 Talbot Street<br>Dublin 1 | Holding Company | 1,249 ordinary shares<br>of €1.25 each |
| Independent Communications<br>(International) Limited*<br>27-32 Talbot Street<br>Dublin 1 | Holding Company | 100 ordinary shares<br>of €1.25 each |
| Independent Newspapers Management Services*<br>27-32 Talbot Street<br>Dublin 1 | Provision of<br>Management Services | 542,635,000 ordinary shares<br>of €1.25 each |
| INM Regionals Limited<br>27-32 Talbot Street<br>Dublin 1 | Newspaper Publishing | 95,100 ordinary shares<br>of €1.25 each |
| Internet Interaction Limited<br>27-32 Talbot Street<br>Dublin 1 | Online Media | 600 ordinary shares<br>of €1.27 each |
| Digital Odyssey Limited<br>27-32 Talbot Street<br>Dublin 1 | Online Auto Trading | 200 ordinary shares<br>of €1 each |
| **Incorporated and operating principally in the United Kingdom:**<br>Independent News and Media Limited<br>39 Wellbeck Street<br>London<br>W1G 8DR | Newspaper Publishing | 35,942,899,875 ordinary shares of<br>Stg£0.01 each<br>415,200 deferred shares<br>of Stg£0.01 each |
| Independent News & Media (UK) Limited<br>39 Wellbeck Street<br>London<br>W1G 8DR | Holding Company | 328,900,000 ordinary shares<br>of Stg£1 each |

# Notes to the Financial Statements - continued

### 36. Principal Subsidiaries, Associates and Joint Ventures - continued

| Name | Principal Activity | Issued and Fully Paid Share Capital |
| --- | --- | --- |
| Belfast Telegraph Newspapers Limited<br>39 Wellbeck Street<br>London<br>W1G 8DR | Dormant Company | 11,687,800 ordinary shares of Stg£10 each |
| **Incorporated and operating principally in Jersey:** | | |
| Independent News & Media (Finance) Limited<br>13 Castle Street, St Helier<br>Jersey JE4 5UT | Finance Company | 10 ordinary shares of €1 each |
| **Incorporated and operating principally in The Netherlands:** | | |
| Abbey Communications (Netherlands) B.V.<br>Luna Arena<br>Herikerbergweg 238<br>1101 CM Amsterdam<br>Zuidoost | Holding Company | 42 ordinary shares of €453.38 each |
| **Incorporated and operating principally in Luxembourg:** | | |
| Peak Holdings Luxembourg SARL<br>51 Avenue J-F. Kennedy<br>L-1855 Luxembourg | Holding Company | 73,399 ordinary shares of €100 each |
| **Incorporated and operating principally in New Zealand:** | | |
| News & Media NZ Limited*<br>62A Aberdeen Road<br>Castor Bay<br>Auckland 0620 | Holding Company | 219,164,476 ordinary shares of NZ$1 each |

# Notes to the Financial Statements - continued

### 36. Principal Subsidiaries, Associates and Joint Ventures - continued

| Name | Principal Activity | Issued and Fully Paid Share Capital |
|---|---|---|
| *Joint Ventures (as at 31 December 2016)* | | |
| **Incorporated and operating principally in Ireland:** | | |
| Independent Star Limited (effective 50% interest)<br>27-32 Talbot Street<br>Dublin 1 | Newspaper Publishing | 500 'E' ordinary shares of €1.27 each (0% interest)<br>500 'I' ordinary shares of €1.27 each<br>5,000 preference shares of €1.27 each |
| Reachmount DAC (effective 50% interest)<br>2023 Bianconi Avenue<br>Citywest Business Campus<br>Naas Road<br>Dublin 24 | Sale and distribution of packaging products | 2 ordinary shares of €1 each |

The respective addresses are the companies' registered offices.

* *Direct 100% owned subsidiaries of Parent Company, Independent News & Media PLC.*

# Notes to the Financial Statements - continued

## 37. Companies Act 2014 - Guarantees

The Company has guaranteed the liabilities of certain of its Irish registered subsidiary undertakings for the purpose of Section 357 of the Companies Act 2014, as listed below, and as a result such subsidiaries have been exempted from the filing provisions of the Companies Act 2014.

Argus Newspapers Limited
Champion Printing Limited
Independent Communications (International) Limited
Independent Communications (Ireland) Limited
Independent News & Media Holdings (Ireland) Limited
Independent News & Media Investments Limited
Independent Newspapers (Ireland) Limited
Independent Newspapers Marketing Limited
INM Securities (Ireland) Limited
Internet Interaction Limited
Newspread Limited
Sunday Newspapers Limited
The Drogheda Independent Company Limited
The Kerryman Limited
INM Regionals Limited
Digital Odyssey Limited

# Notes to the Financial Statements - continued

## 38. Standards, Interpretations and Amendments to Published Standards that are not yet effective

A number of new Standards, Amendments to Standards and Interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. These are set out as follows:

- IFRS 14: Regulatory Deferral Accounts
- Amendments to IAS 7: Disclosure Initiative*
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses*
- IFRS 15: Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15**
- IFRS 9: Financial Instruments**
- Clarifications to IFRS 15: Revenue from Contracts with Customers**
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions**
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts***
- Annual Improvements to IFRS 2014-2016 Cycle***
- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration***
- Amendments to IAS 40: Transfers of Investment Property***
- IFRS 16: Leases****
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture*****

The Group has not yet completed its assessment of the full impact on the Group financial statements of these new Standards, Interpretations and Amendments to Published Standards.

** Amendments are effective for annual period commencing after 1 January 2017 with early adoption permissible.*
*** Amendments are effective for annual period commencing after 1 January 2018 with early adoption permissible.*
**** Amendments are effective for annual period commencing after 1 January 2018.*
***** Amendments are effective for annual period commencing after 1 January 2019 with early adoption permissible for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard.*
****** Deferred indefinitely (pending outcome of research project on the equity method of accounting).*

# Notes to the Financial Statements - continued

## 39. Subsequent Events

The Company is complying with a requirement from the Office of the Director of Corporate Enforcement ("ODCE") to produce records in relation to the possible acquisition by the Company of Newstalk and related matters that were the subject of the Company's announcement on 28 November 2016. The Company is taking all necessary steps to meet the ODCE's request.

A requirement from the ODCE to produce books and records is a procedural matter that does not involve any conclusion that there has been a breach of law by the Company or its officers.

The Company established in December 2016 a formal independent review to examine and inquire into matters concerning the possible acquisition of Newstalk and related matters. Discussions on the possible acquisition ended at a preliminary stage and the acquisition was never considered by the Board. The confidential, independent review is being carried out on behalf of the Board by senior counsel and a senior independent governance expert who have been mandated to report to the Board.

The Company takes its corporate governance responsibilities very seriously, and seeks to comply at all times with all relevant laws and regulations.

There were no further events since the year end that would require disclosure or adjustment in the financial statements.

## 40. Approval of Financial Statements

The financial statements were approved by the Directors and authorised for issue on 27 April 2017.

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