# Rule 4.3A **Appendix 4E**

APN News & Media Limited
ABN 95 008 637 643

## Preliminary final report
## Full year ended 31 December 2013

**Results for Announcement to the Market**

**As reported**

| | | | | |
|---|---|---|---|---|
| Revenue from continuing operations | down | 1% | to | **$817.2m** |
| Revenue from discontinued operations | down | 41% | to | **$62.4m** |
| Revenue from ordinary activities | down | 5% | to | **$879.7m** |
| Net profit attributable to members of the parent entity | up | 101% | to | **$2.6m** |

Refer to separate press release for commentary on results for the period

| Dividends | Amount per share | Franked amount per share |
|---|---|---|
| The Directors have determined that no final dividend will be payable for the year ended 31 December 2013. | | |
| Interim 2013 dividend | 0.0 cents | 0.0 cents |

| Net tangible assets per share | December 2013 $ | December 2012 $ |
|---|---|---|
| Net tangible asset backing per ordinary share | (0.18) | (0.21) |
| Net asset backing per ordinary share | 0.55 | 0.53 |

This report is based on the consolidated financial statements which are in the process of being audited.

# Consolidated Income Statement
## for the year ended 31 December 2013

| | Note | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|---|
| Revenue from continuing operations | 2 | **817,226** | 822,964 |
| Other revenue and income | 2 | **16,233** | 7,208 |
| Total revenue and other income | | **833,459** | 830,172 |
| Expenses from continuing operations before finance costs | 4 | **(729,749)** | (734,821) |
| Impairment of intangible assets | 13 | **–** | (689,948) |
| Finance costs | 4 | **(38,516)** | (44,413) |
| Share of profits of associates | 11 | **10,565** | 9,037 |
| **Profit/(loss) before income tax** | | **75,759** | (629,973) |
| Income tax credit | 6 | **758** | 66,711 |
| **Profit/(loss) from continuing operations** | | **76,517** | (563,262) |
| Profit/(loss) from discontinued operations | 9 | **(48,840)** | 79,719 |
| **Profit/(loss) for the year** | | **27,677** | (483,543) |
| **Profit/(loss) for the year is attributable to:** | | | |
| Owners of the parent entity | | **2,626** | (507,355) |
| Non-controlling interests | | **25,051** | 23,812 |
| | | **27,677** | (483,543) |

| | | Cents | Cents |
|---|---|---|---|
| **Earnings per share from continuing operations** | | | |
| Basic/diluted earnings per share | 29 | **7.6** | (90.6) |
| **Earnings per share from continuing and discontinued operations** | | | |
| Basic/diluted earnings per share | 29 | **0.4** | (78.3) |

# Consolidated Statement of Comprehensive Income
## for the year ended 31 December 2013

| | Note | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|---|
| **Profit/(loss) for the year** | | **27,677** | (483,543) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Net exchange differences on translation of foreign operations | 19 | **7,038** | 19,933 |
| Share of joint venture's hedging reserve | 19 | **215** | (632) |
| Net gain on hedge contracts | 19 | **–** | 3,243 |
| Exchange and other differences applicable to non-controlling interests | | **14,172** | 3,812 |
| *Items that will not be reclassified to profit or loss* | | | |
| Revaluation of freehold land and buildings | 19 | **76** | (628) |
| Remeasurements relating to retirement benefit obligations | 19 | **800** | (651) |
| **Other comprehensive income, net of tax** | | **22,301** | 25,077 |
| **Total comprehensive income** | | **49,978** | (458,466) |
| **Total comprehensive income is attributable to:** | | | |
| Owners of the parent entity | | **10,755** | (486,090) |
| Non-controlling interests | | **39,223** | 27,624 |
| | | **49,978** | (458,466) |
| **Total comprehensive income attributable to owners of the parent entity arises from:** | | | |
| Continuing operations | | **56,805** | (566,580) |
| Discontinued operations | | **(46,050)** | 80,490 |
| | | **10,755** | (486,090) |

# Consolidated Balance Sheet
## as at 31 December 2013

| | Note | 2013 $'000 | 2012 (Restated) $'000 | 1 January 2012 $'000 |
|---|---|---|---|---|
| **Current assets** | | | | |
| Cash and cash equivalents | 30 | **19,956** | 20,338 | 23,885 |
| Receivables | 7 | **120,961** | 127,767 | 169,085 |
| Inventories | 8 | **7,569** | 10,370 | 9,053 |
| Income tax receivable | | **2,106** | 1,506 | 546 |
| Other current assets | | **8,729** | 49,211 | 27,907 |
| | | **159,321** | 209,192 | 230,476 |
| Assets held for sale | 9 | **119,236** | – | – |
| Total current assets | | **278,557** | 209,192 | 230,476 |
| **Non-current assets** | | | | |
| Receivables | 7 | **–** | 28,738 | 1,516 |
| Other financial assets | 10 | **23,394** | 22,471 | 31,164 |
| Investments accounted for using the equity method | 11 | **50,811** | 102,298 | 43,331 |
| Property, plant and equipment | 12 | **149,381** | 171,541 | 233,066 |
| Intangible assets | 13 | **714,855** | 723,265 | 1,456,952 |
| Deferred tax assets | 17 | **37,903** | 36,281 | – |
| Total non-current assets | | **976,344** | 1,084,594 | 1,766,029 |
| **Total assets** | | **1,254,901** | 1,293,786 | 1,996,505 |
| **Current liabilities** | | | | |
| Payables | 14 | **113,432** | 160,184 | 135,667 |
| Derivative liabilities | | **–** | – | 778 |
| Interest bearing liabilities | 15 | **67,852** | 29,797 | 27,504 |
| Current tax liabilities | | **7,475** | 6,403 | 5,925 |
| Provisions | 16 | **9,288** | 12,653 | 16,436 |
| | | **198,047** | 209,037 | 186,310 |
| Liabilities directly associated with assets held for sale | 9 | **55,678** | – | – |
| Total current liabilities | | **253,725** | 209,037 | 186,310 |
| **Non-current liabilities** | | | | |
| Payables | | **–** | – | 4,043 |
| Derivative liabilities | | **–** | – | 3,839 |
| Interest bearing liabilities | 15 | **384,583** | 449,320 | 633,526 |
| Deferred tax liabilities | 17 | **–** | – | 47,638 |
| Retirement benefit liability | 22 | **1,545** | 2,345 | 1,694 |
| Provisions | 16 | **4,503** | 47,585 | 9,819 |
| Total non-current liabilities | | **390,631** | 499,250 | 700,559 |
| **Total liabilities** | | **644,356** | 708,287 | 886,869 |
| **Net assets** | | **610,545** | 585,499 | 1,109,636 |
| **Equity** | | | | |
| Contributed equity | 18 | **1,093,372** | 1,093,372 | 1,074,115 |
| Reserves | 19 | **(70,503)** | (76,455) | (77,441) |
| Accumulated losses | 19 | **(660,878)** | (666,487) | (120,865) |
| Total parent entity interest | | **361,991** | 350,430 | 875,809 |
| Non controlling interests | 19 | **248,554** | 235,069 | 233,827 |
| **Total equity** | | **610,545** | 585,499 | 1,109,636 |

# Consolidated Statement of Changes in Equity
## for the year ended 31 December 2013

| | Note | Contributed equity $'000 | Reserves $'000 | Accumulated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the parent entity | | | | | |
| **Balance at 1 January 2012** | | 1,074,115 | (77,441) | (117,700) | **878,974** | 233,827 | **1,112,801** |
| Changes in accounting policies | 1(a)(i) | – | – | (3,165) | **(3,165)** | – | **(3,165)** |
| **Restated total equity at the beginning of the financial year** | | **1,074,115** | **(77,441)** | **(120,865)** | **875,809** | **233,827** | **1,109,636** |
| Profit for the period | | – | – | (455,769) | **(455,769)** | 23,812 | **(431,957)** |
| Changes in accounting policies | 1(a)(i) | – | – | (86) | **(86)** | – | **(86)** |
| Correction of error (net of tax) | 3 | – | – | (51,500) | **(51,500)** | – | **(51,500)** |
| **Restated profit for the period** | | **–** | **–** | **(507,355)** | **(507,355)** | **23,812** | **(483,543)** |
| Other comprehensive income | | – | 21,916 | – | **21,916** | 3,812 | **25,728** |
| Changes in accounting policies | 1(a)(i) | – | – | (651) | **(651)** | – | **(651)** |
| **Restated other comprehensive income for the period** | | **–** | **21,916** | **(651)** | **21,265** | **3,812** | **25,077** |
| Transfers within equity | 19 | – | (3,630) | 3,630 | – | – | – |
| Contributions of equity | 18 | 19,257 | – | – | **19,257** | – | **19,257** |
| Dividends paid | 20 | – | – | (41,246) | **(41,246)** | – | **(41,246)** |
| Equity transactions with non-controlling interests | 19 | – | (17,300) | – | **(17,300)** | (26,382) | **(43,682)** |
| **Balance at 31 December 2012** | | **1,093,372** | **(76,455)** | **(666,487)** | **350,430** | **235,069** | **585,499** |
| **Balance at 1 January 2013** | | **1,093,372** | **(76,455)** | **(666,487)** | **350,430** | **235,069** | **585,499** |
| Profit for the period | | – | – | 2,626 | **2,626** | 25,051 | **27,677** |
| Other comprehensive income | | – | 7,329 | 800 | **8,129** | 14,172 | **22,301** |
| Transfers within equity | 19 | – | (2,183) | 2,183 | – | – | – |
| Equity transactions with non-controlling interests | 19 | – | 806 | – | **806** | (25,738) | **(24,932)** |
| **Balance at 31 December 2013** | | **1,093,372** | **(70,503)** | **(660,878)** | **361,991** | **248,554** | **610,545** |

# Consolidated Statement of Cash Flows
## for the year ended 31 December 2013

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **999,416** | 1,052,631 |
| Payments to suppliers and employees | | **(862,337)** | (907,862) |
| Dividends received | | **2,946** | 703 |
| Interest received | | **700** | 1,085 |
| Interest paid | | **(33,176)** | (44,787) |
| Income taxes paid | | **(19,167)** | (14,496) |
| **Net cash inflows from operating activities** | 30 | **88,382** | 87,274 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(14,312)** | (14,244) |
| Payments for software | | **(2,351)** | (8,984) |
| Acquisition of controlled entities | | **–** | (35,161) |
| Proceeds from sale of property, plant and equipment | | **8,054** | 22,600 |
| Net proceeds from sale of investments | | **1,240** | 5,272 |
| Net proceeds on formation of APN Outdoor joint venture | | **–** | 174,220 |
| Loans repaid by/(advanced to) other entities | | **(75)** | 2,039 |
| Dividends received from associate | | **13,500** | 3,500 |
| **Net cash inflows from investing activities** | | **6,056** | 149,242 |
| **Cash flows from financing activities** | | | |
| Loans advanced to associates | | **–** | (251) |
| Proceeds from borrowings | | **96,328** | 237,119 |
| Repayments of borrowings | | **(156,755)** | (426,776) |
| Payments for borrowing costs | | **(49)** | (149) |
| Principal repayments under finance leases | | **(2,421)** | (6,606) |
| Dividends paid to shareholders | | **–** | (21,989) |
| Net payments to non-controlling interests | | **(31,284)** | (21,587) |
| **Net cash outflows from financing activities** | | **(94,181)** | (240,239) |
| **Change in cash and cash equivalents** | | **257** | (3,723) |
| Cash and cash equivalents at beginning of the year | | **20,338** | 23,885 |
| Effect of exchange rate changes | | **2,164** | 176 |
| **Cash and cash equivalents at end of the year** | 30 | **22,759** | 20,338 |
| Less cash transferred to assets held for sale | | **(2,803)** | – |
| **Cash and cash equivalents related to continuing operations** | | **19,956** | 20,338 |

The consolidated statement of cash flows includes cash flows from continuing and discontinued operations.

# Notes to the Financial Statements

## 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of APN News & Media Limited and its subsidiaries.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, except for certain disclosure requirements of AASB 124 *Related Party Disclosure* and Corporations Regulation 2M.3.01 *Disclosures required by notes to consolidated financial statements-annual financial reports*. These disclosures will be incorporated into the financial statements included in the Annual Report. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment.

#### New and amended standards adopted by the Group

The Group has applied the following standards and amendments for first time in their annual reporting period commencing 1 January 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 127 *Separate Financial Statements,* AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards* arising from the Consolidation and Joint Arrangements Standards;
- AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13;*
- Revised AASB 119 *Employee Benefits* (September 2011) and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011);*
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities; and*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.*

The adoption of revised AASB 119 resulted in adjustments to the amounts recognised in the financial statements. These are explained and summarised below. Certain of the other standards affected the disclosures in the notes to the financial statements.

### (i) Changes in accounting policies

#### Consolidated financial statements and joint arrangements

AASB 10 *Consolidated Financial Statements* was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities.*

The Group has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

Under AASB 11 *Joint Arrangements*, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group's accounting for its interests in joint ventures was not affected by the adoption of the new standard since the Group had already applied the equity method in accounting for these interests.

#### Employee benefits

The adoption of the revised AASB 119 *Employee Benefits* has resulted in a change in a change in the accounting for defined benefit superannuation plans.

The removal of the corridor method has resulted in the Group recognising all actuarial gains and losses (renamed 'remeasurements') immediately in other comprehensive income (OCI). The previous options of deferral (corridor method) or immediate recognition in profit or loss are no longer permitted. Gains and losses recognised in OCI will not be recycled to profit or loss in a subsequent period. The revised standard does not mandate where remeasurements must be presented in equity. The Group has chosen to recognise them directly in accumulated losses.

As the standard must be adopted retrospectively, adjustments to the retirement benefit obligations have been recognised at the beginning of the earliest period presented (1 January 2012) and the statement of comprehensive income has been restated for the comparative period.

The impact of these adjustments for the period ended 31 December 2012, is that the previously recognised defined benefit asset of $1,557,000 has been adjusted to reflect the accumulated remeasurements, and for the period ended 31 December 2013, is shown as a defined benefit liability of $2,345,000. The adjustment of $3,902,000 has been recognised in opening 2012 accumulated losses (loss of $3,165,000), in loss for the 2012 period (loss of $86,000) and in other comprehensive income for the 2012 period (loss of $651,000).

# Notes to the Financial Statements

## 1. Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

Fair value measurement

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

### (b) Principles of consolidation

**(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of APN News & Media Limited (Company or parent entity) and its subsidiaries as defined in AASB 10 *Consolidated Financial Statements*. APN News & Media Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(h)).

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the income statement. Any losses are allocated to the non-controlling interest in subsidiaries even if the accumulated losses should exceed the non-controlling interest in the individual subsidiary's equity.

**(ii) Associates**

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

The accounting policies of associates are consistent with the policies adopted by the Group in all material respects.

**(iii) Joint arrangements**

Under AASB 11 *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

The Group recognises its direct right to, and its share of, jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

Joint ventures

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income.

When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

The accounting policies of joint ventures are consistent with the policies adopted by the Group in all material respects.

# Notes to the Financial Statements

## 1. Summary of significant accounting policies (continued)

### (c) Segment reporting

The Group identifies operating segments based on the format of internal reports which are reviewed by key management personnel in assessing performance and in allocating resources.

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is APN News & Media Limited's functional and presentation 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

#### (iii) Group entities

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

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or a partial disposal occurs, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of commissions, returns, rebates and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that the economic benefits will flow to the Group.

Advertising revenue from Publishing is recognised when a newspaper or magazine is published, from Broadcasting when the advertisement is broadcast and from Outdoor and Online operations over the period when displayed.

Sale of goods, circulation, printing and coupon revenue is recognised when control of the goods passes to the buyer.

Other income includes rental income and dividends. These items are recognised when the services have been provided or the Group's right to receive payment has been established.

### (f) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and also adjusted for unused tax losses utilised in the year.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those enacted tax rates applicable to each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Temporary differences in relation to indefinite life intangible assets are determined with reference to their respective capital gains tax bases in respect of assets for which capital gains tax will apply.

# Notes to the Financial Statements

## 1. Summary of significant accounting policies (continued)

### (f) Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are also recognised in other comprehensive income.

### (g) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Assets acquired under finance leases are included as property, plant and equipment in the balance sheet. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding liability is also established and each lease payment is allocated between the liability and finance charges. The interest element is charged to profit or loss over the period of the lease.

Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over periods ranging from one to five years.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments, excluding contingent payments, are charged to profit or loss on a straight line basis over the period of the lease.

### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value through profit or loss. Acquisition related costs are expensed as incurred.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis.

The excess of the consideration transferred, the 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 Group's share of the net identifiable assets acquired is recorded as goodwill.

### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that they may be impaired. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognised for 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (j) Cash and cash equivalents

For cash flow presentation requirements, cash and cash equivalents comprised cash on hand, deposits held at call with banks and investments in money market instruments, net of outstanding bank overdrafts.

### (k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally settled within 60 days.

Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

# Notes to the Financial Statements

## 1. Summary of significant accounting policies (continued)

**(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date using the first in first out basis. Cost comprises material, labour and an appropriate proportion of fixed and variable overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

**(m) Non-current assets held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and their fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

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

**(n) Financial assets**

**(i) Classification and initial measurement of financial assets**

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are subsequently measured at fair value or where certain criteria are met at amortised cost.

**(ii) Financial assets at amortised cost**

The Group's loans and receivables meet the requirements for measurement at amortised cost based on the objectives for which they are held and the contractual terms.

**(iii) Financial assets at fair value**

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 33. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise, all gains and losses are recognised in profit or loss.

For financial assets measured at amortised cost, the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

**(o) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

**(i) Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**(ii) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss in other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in profit or loss within other income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

# Notes to the Financial Statements

## 1. Summary of significant accounting policies (continued)

**(o) Derivatives (continued)**

**(iii) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in profit or loss.

**(p) Property, plant and equipment**

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. 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 period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

| | |
|---|---|
| – buildings | 50 years |
| – plant and equipment | 3-25 years |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

**(q) Intangible assets**

**(i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is not amortised but rather is subject to periodic impairment testing as described in note 1(i).

**(ii) Software**

Costs incurred in developing systems and costs incurred in acquiring software and licences are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

**(iii) Mastheads**

Mastheads, being the titles of the newspapers and magazines produced by the consolidated entity, are accounted for as identifiable assets and are brought to account at cost. The Directors believe the mastheads have indefinite lives and accordingly, no amortisation has been provided against the carrying amount.

**(iv) Radio licences – Australia**

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The Directors believe the licences have indefinite lives and accordingly, no amortisation has been provided against the carrying amount. The commercial radio licences held by the consolidated entity are renewable every five years under the provisions of the *Broadcasting Services Act 1992* and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions.

**(v) Radio licences – New Zealand**

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The current New Zealand radio licences have been renewed to 31 March 2031 and are being amortised on a straight line basis to that date.

**(vi) Transit and outdoor advertising systems**

Transit and outdoor advertising systems are accounted for as identifiable assets and are brought to account at cost. The Directors believe these assets have indefinite lives and accordingly, no amortisation has been provided against the carrying amount.

**(vii) Brands**

Brands are accounted for as identifiable assets and are brought to account at cost. The Directors have considered the geographic location, legislative environment and legal, technical and other commercial factors likely to impact on the useful lives of the brands and consider that they have indefinite lives. Accordingly, no amortisation has been provided against the carrying amount.

# Notes to the Financial Statements

## 1. Summary of significant accounting policies (continued)

### (q) Intangible assets (continued)

#### (viii) Lease intangibles

Lease intangibles are accounted for as identifiable assets and are brought to account at cost. These assets represent capitalised outdoor site leases and are being amortised over the estimated lease term of the site leases, including expected renewal periods.

### (r) Trade and other payables

Trade payables, including accruals not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade payables are unsecured and are generally settled within 30 days.

### (s) Borrowings

Loans, bonds and convertible notes are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of trade and other payables.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These ancillary costs are netted off against the carrying value of borrowings in the balance sheet.

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 end of the reporting period.

### (t) Provisions

Provisions for restructuring costs and make good obligations 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 has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### (u) Employee benefits

#### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, expected to be settled wholly within 12 months from the reporting date are recognised in trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### (ii) Long service leave

The liability for long service leave expected to be settled wholly within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with the above paragraph. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### (iii) Short-term incentive plans

A liability for short-term incentives is recognised in trade and other payables when there is an expectation of settlement and at least one of the following conditions is met:

- there are contracted terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for short-term incentives are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### (iv) Defined benefit superannuation plans

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses), less the fair value of the superannuation fund's assets at that date. Past service costs are recognised immediately in profit or loss. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised, under the retained earnings method directly in other comprehensive income in the period in which they occur.

### (v) Contributed equity

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

# Notes to the Financial Statements

## 1. Summary of significant accounting policies (continued)

**(w) Earnings per share**

### (i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(x) Dividends**

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors before or at the end of the financial year but not distributed at balance date.

**(y) Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**(z) Critical accounting judgements and key sources of estimation uncertainty**

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

### (i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer note 13 for details of these assumptions and the potential impact of changes to these assumptions.

### (ii) Property valuations

The Group periodically revalues land and buildings in accordance with the accounting policy stated in note 1(p). These valuations are based on available evidence at the time the valuation is conducted but is subject to estimation.

### (iii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Judgement is also required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings and expected changes to tax groupings.

**(aa) Standards and interpretations issued but not yet effective**

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

# Notes to the Financial Statements

## 2. Revenue and other income

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **From continuing operations** | | |
| Advertising revenue | **687,228** | 690,489 |
| Circulation revenue | **129,998** | 132,475 |
| **Revenue from continuing operations** | **817,226** | 822,964 |
| Dividends received | **3,732** | 703 |
| Rent received | **1,001** | 1,271 |
| Gains on insurance claims | **–** | 2,054 |
| Gains on disposal of properties and businesses | **1,288** | 1,825 |
| Gains on derecognition of contingent consideration provision | **4,710** | – |
| Reversal of impairment of investment in associate | **3,046** | – |
| Other | **1,835** | 431 |
| **Other income** | **15,612** | 6,284 |
| Interest from other entities | **621** | 924 |
| **Finance income** | **621** | 924 |
| **Total other revenue and income** | **16,233** | 7,208 |
| **Total revenue and other income** | **833,459** | 830,172 |
| **From discontinued operations (refer note 9)** | | |
| Total revenue and other income | **97,983** | 190,881 |

# Notes to the Financial Statements

## 3. Correction of error

### (a) Correction of error in accounting for impairment

On 12 December 2013, the Group announced that the financial statements for the year ended 31 December 2012 contained a non-cash error arising from the impairment modelling of the intangible assets of Australian Regional Media (ARM). The ARM intangible assets were overstated at 31 December 2012 by $51.5 million. The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

| Balance sheet (extract) | 2012 $'000 | Change $'000 | 2012 (Restated) $'000 |
|---|---|---|---|
| Intangible assets | 774,765 | (51,500) | 723,265 |
| **Net assets** | 636,999 | (51,500) | 585,499 |
| Accumulated losses | (614,987) | (51,500) | (666,487) |
| **Total equity** | **636,999** | **(51,500)** | **585,499** |

| Income statement (extract) | 2012 $'000 | Change $'000 | 2012 (Restated) $'000 |
|---|---|---|---|
| Impairment of intangible assets | (638,448) | (51,500) | (689,948) |
| **Loss before income tax** | **(578,473)** | **(51,500)** | **(629,973)** |
| Profit from discontinued operations | 79,719 | – | 79,719 |
| **Loss for the period** | **(432,043)** | **(51,500)** | **(483,543)** |
| **Loss for the period is attributable to:** | | | |
| Owners of the parent entity | (455,855) | (51,500) | (507,355) |
| Non-controlling interests | 23,812 | – | 23,812 |
| | **(432,043)** | **(51,500)** | **(483,543)** |
| **Statement of other comprehensive income (extract)** | | | |
| Other comprehensive income for the period | **25,077** | – | **25,077** |
| Total comprehensive income for the period | **(406,966)** | **(51,500)** | **(458,466)** |
| Total comprehensive income attributable to: | | | |
| Owners of the parent entity | (434,590) | (51,500) | (486,090) |
| Non-controlling interest | 27,624 | – | 27,624 |
| | **(406,966)** | **(51,500)** | **(458,466)** |

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was a decrease of 8.0 cents per share.

# Notes to the Financial Statements

## 4. Expenses

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| **Expenses from continuing operations before finance costs** | | |
| Employee benefits expense | **322,119** | 330,397 |
| Selling and production expense | **233,990** | 237,681 |
| Rental and occupancy expense | **65,820** | 62,846 |
| Depreciation and amortisation expense | **33,003** | 30,728 |
| Redundancies and associated costs | **10,682** | 8,434 |
| Asset write downs and business closures | **12,485** | 7,344 |
| Loss on sale of property | **2,015** | 2,353 |
| New Zealand Herald relaunch costs | **–** | 2,939 |
| Other | **49,635** | 52,099 |
| **Total expenses from continuing operations before finance costs** | **729,749** | 734,821 |
| **Depreciation** | | |
| Buildings | **441** | 556 |
| Plant and equipment | **23,156** | 22,121 |
| Plant and equipment under finance lease | **2,794** | 3,002 |
| **Total depreciation** | **26,391** | 25,679 |
| **Amortisation** | | |
| Software | **4,509** | 3,109 |
| Radio licences | **2,103** | 1,940 |
| **Total amortisation** | **6,612** | 5,049 |
| **Finance costs** | | |
| Interest and finance charges | **35,772** | 41,990 |
| Borrowing costs amortisation | **2,744** | 2,423 |
| **Total finance costs** | **38,516** | 44,413 |
| **Rental expense relating to operating leases** | | |
| Property | **28,653** | 26,920 |
| Outdoor site rentals | | |
| Minimum lease payments | **21,264** | 15,788 |
| Contingent rentals | **3,526** | 3,454 |
| Other | **3,494** | 4,362 |
| **Total rental expense relating to operating leases** | **56,937** | 50,524 |
| Impairment of receivables | **1,552** | 2,219 |
| Contributions to employee superannuation plans | **14,980** | 14,900 |
| **From discontinued operations (refer note 9)** | | |
| Total expenses excluding write downs to fair value | **69,593** | 111,953 |

# Notes to the Financial Statements

## 5. Segment information

### (a) Description of segments

The Group has identified its operating segments based on the internal reports reviewed by the Board of Directors and the key management personnel in assessing performance and determining the allocation of resources. There are six reportable segments as follows:

| | |
|---|---|
| Australian Regional Media | Newspaper and online publishing |
| New Zealand Media | Newspaper, magazine and online publishing |
| Australian Radio Network | Metropolitan radio networks |
| The Radio Network | Radio networks throughout New Zealand |
| Outdoor | Roadside billboard, transit and other outdoor advertising |
| Digital | Digital businesses |

### (b) Results by operating segment

The Directors and key management personnel assess the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations which excludes the effects of exceptional items such as restructuring costs and impairment of intangible assets.

The segment information provided to the Directors and senior management team for the year ended 31 December 2013 is as follows:

| 2013 | Australian Regional Media $'000 | NZ Media $'000 | Australian Radio Network $'000 | The Radio Network $'000 | Outdoor $'000 | Digital $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 216,981 | 282,584 | 148,893 | 102,277 | 44,099 | 22,392 | – | **817,226** |
| **Segment result** | 29,706 | 52,995 | 57,969 | 19,969 | 12,320 | 5,260 | (15,424) | **162,795** |
| **Share of profits of associates** | – | – | – | – | 10,565 | – | – | **10,565** |
| **Segment assets** | 148,007 | 286,623 | 352,616 | 163,742 | 65,098 | 58,987 | 179,828 | **1,254,901** |
| **Segment liabilities** | 70,595 | 42,802 | 24,973 | 13,528 | 8,321 | 16,184 | 467,953 | **644,356** |

**Reconciliation of segment result to profit before income tax from continuing operations**

| | |
|---|---|
| **Segment result** | **162,795** |
| Depreciation and amortisation | (33,003) |
| Net finance costs | (37,895) |
| Net loss on disposal of properties and businesses | (727) |
| Gains on derecognition of contingent consideration provision | 4,710 |
| Reversal of impairment of investment in associate | 3,046 |
| Redundancies and associated costs | (10,682) |
| Asset write downs and business closures | (12,485) |
| **Profit before tax from continuing operations** | **75,759** |

The gains on derecognition of contingent consideration provision relates to adjustments to the amounts due under earn out and put option arrangements in relation to the acquisitions of Idea HQ Limited and iNC Digital Media.

Reversal of impairment of investment in associate relates to the investment in Soprano Design Pty Limited.

Redundancies and associated costs relates to ongoing restructuring of our publishing divisions, CEO and Chief Development Officer redundancies.

Asset write downs and business closures relates mainly to print and publishing properties and equipment.

# Notes to the Financial Statements

## 5. Segment information (continued)

### (b) Results by operating segment (continued)

| 2012 | Australian Regional Media $'000 | NZ Media $'000 | Australian Radio Network $'000 | The Radio Network $'000 | Outdoor $'000 | Digital $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue from external customers** | 248,760 | 287,360 | 139,951 | 86,708 | 39,040 | 21,124 | 21 | **822,964** |
| **Segment result** | 38,532 | 47,810 | 50,777 | 15,130 | 12,636 | 1,640 | (15,142) | **151,383** |
| **Share of profits of associates** | – | – | – | – | 9,037 | – | – | **9,037** |
| **Segment assets (restated)** | 171,301 | 268,393 | 350,645 | 140,967 | 63,034 | 39,117 | 260,329 | **1,293,786** |
| **Segment liabilities** | 74,352 | 43,091 | 27,413 | 10,324 | 6,683 | 16,751 | 529,673 | **708,287** |

**Reconciliation of segment result to loss before income tax from continuing operations**

| | |
|---|---|
| **Segment result** | **151,383** |
| Depreciation and amortisation | (30,728) |
| Net finance costs | (43,489) |
| Net loss on disposal of properties and businesses | (528) |
| Gains on insurance claims | 2,054 |
| New Zealand Herald relaunch costs | (2,939) |
| Redundancies and associated costs | (8,434) |
| Asset write downs and business closures | (7,344) |
| Impairment of intangible assets (refer note 13) | (689,948) |
| **Loss before tax from continuing operations** | **(629,973)** |

Gains on insurance claims relates to claims made against damage to property, plant and equipment and lost earnings as a result of the Christchurch earthquakes and Queensland floods during 2011.

Redundancies and associated costs relates to the ongoing restructuring of our publishing divisions and The Radio Network.

Asset write downs relates mainly to print properties and equipment.

**(c) Other segment information**

Segment revenues and expenses comprise amounts that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. Corporate overheads, including centralised finance, legal and administrative costs, are not allocated against operating segments but rather are included above as unallocated amounts.

Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other payables, employee benefits and provision for restructuring. Tax balances and external borrowings are not allocated to operating assets or liabilities.

Segment revenues and results exclude transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

The Group is domiciled in Australia and operates predominantly in Australia, New Zealand and Asia. The amount of its revenue from external customers in Australia is $370,131,000 (2012: $394,939,000), in New Zealand is $402,996,000 (2012: $388,985,000) and in Asia is $44,099,000 (2012: $39,040,000). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is $506,128,000 (2012: $680,839,000) and in other countries is $470,216,000 (2012: $403,755,000). Segment assets are allocated to countries based on where the assets are located.

# Notes to the Financial Statements

## 6. Income tax

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| Current tax expense | **1,447** | 20,481 |
| Deferred tax credit | **(1,022)** | (82,222) |
| Adjustment for current tax of prior periods | **(1,202)** | (5,736) |
| **Income tax credit** | **(777)** | (67,477) |
| Income tax is attributable to: | | |
| Profit/(loss) from continuing operations | **(758)** | (66,711) |
| Profit/(loss) from discontinued operations | **(19)** | (766) |
| **Aggregate income tax credit** | **(777)** | (67,477) |
| Income tax credit differs from the prima facie tax as follows: | | |
| Profit/(loss) before income tax expense | **26,900** | (551,019) |
| Prima facie income tax at 30% | **8,070** | (165,306) |
| Tax effects of differences: | | |
| Difference in international tax treatments and rates | **(22,914)** | (21,224) |
| Non-deductible asset write downs and impairments | **21,934** | 142,577 |
| Gains on derecognition of contingent consideration provision | **(8,953)** | – |
| Accounting gain on formation of APN Outdoor joint venture | **–** | (24,011) |
| Non-deductible interest | **3,473** | 6,817 |
| Carried forward losses booked/non-deductible losses | **(145)** | (2,236) |
| Previously unrecognised tax losses | **102** | 1,829 |
| Other | **(1,141)** | (187) |
| Prima facie tax adjusted for differences | **425** | (61,741) |
| Adjustment for current tax of prior periods | **(1,202)** | (5,736) |
| **Income tax credit** | **(777)** | (67,477) |

The Company is involved in a dispute with the New Zealand Inland Revenue Department (IRD) regarding certain financing transactions. The dispute involves tax of NZ$56 million for the period up to 31 December 2013. The IRD is seeking to impose penalties of between 10% and 50% of the tax in dispute in addition to the tax claimed. The Company has tax losses available to offset any amount of tax payable to the extent of NZ$40 million.

On 22 February 2013, the Adjudication Unit of the IRD advised that it agrees with the position taken by the IRD. Accordingly, the Company was issued with Notices of Assessment denying deductions in relation to interest claimed on certain financing transactions. In response to this step, the Company has commenced litigation in the High Court of New Zealand to defend its position in relation to this matter.

# Notes to the Financial Statements

## 7. Receivables

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current** | | |
| Trade receivables | **113,093** | 114,393 |
| Provision for doubtful debts | **(2,836)** | (3,640) |
| | **110,257** | 110,753 |
| Loans to associates | **577** | 3,084 |
| Other receivables | **10,127** | 13,930 |
| **Total current receivables** | **120,961** | 127,767 |
| **Non-current** | | |
| Loans to related parties | **–** | 28,738 |
| **Total non-current receivables** | **–** | 28,738 |

Trade receivables are generally settled within 60 days. The Directors consider the carrying amount of trade receivables approximates their net fair value.

**(a) Impaired trade receivables**

As at 31 December 2013, trade receivables of the Group with a nominal value of $5,110,000 (2012: $6,375,000) were impaired. For the purposes of AASB 7 *Financial Instruments: Disclosures*, impaired receivables are regarded as those that are more than 90 days past due together with any other balances where the credit department considers collection to be in doubt. The amount of the provision was $2,836,000 (2012: $3,640,000). It was assessed that a portion of the impaired receivables is expected to be recovered.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| The ageing of these receivables is as follows: | | |
| One to three months | **1,963** | 2,176 |
| Three to six months | **1,671** | 1,790 |
| Over six months | **1,476** | 2,409 |
| **Impaired receivables** | **5,110** | 6,375 |
| Movements in the provision for doubtful debts are as follows: | | |
| Balance at beginning of the year | **3,640** | 5,125 |
| Amounts disposed of on formation of APN Outdoor joint venture | **–** | (923) |
| Provision for doubtful debts expensed | **1,552** | 2,219 |
| Receivables written off | **(2,356)** | (2,781) |
| **Provision for doubtful debts** | **2,836** | 3,640 |

# Notes to the Financial Statements

## 7. Receivables (continued)

**(b) Past due but not impaired trade receivables**

As of 31 December 2013, trade receivables of $27,336,000 (2012: $27,742,000) were past due but not impaired. These receivables are 90 days or less past due.

Amounts charged to the provision account are generally written off when there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on previous collection history, over 98% of these receivables would be expected to be collected.

**(c) Foreign exchange risk**

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Australian dollars | **60,786** | 98,813 |
| New Zealand dollars | **50,312** | 50,048 |
| Hong Kong dollars | **9,863** | 7,644 |
| | **120,961** | 156,505 |

**(d) Fair value and credit risk**

The fair value of current receivables is assumed to be their current value due to their short-term nature.

The fair value and carrying value of non-current receivables of the Group are as follows:

| | | |
|---|---|---|
| Loans to related parties | – | 28,738 |

The loans to related parties have no fixed term.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer note 32 for further information on the risk management policy of the Group.

## 8. Inventories

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Raw materials and stores | **7,542** | 7,882 |
| Finished goods | **27** | 2,488 |
| **Total inventories** | **7,569** | 10,370 |

# Notes to the Financial Statements

## 9. Discontinued operations

On 24 January 2014, the Company announced that it had completed the sale of its remaining interest in APN Outdoor to Quadrant Private Equity. The total value of the transaction is $69 million, with $60 million of the proceeds received on 24 January 2014 and the remaining $9 million to be received in June 2015.

On 16 August 2013, the Company announced it was starting to explore divestment options for brandsExclusive, which was originally acquired for $36 million on 21 June 2012. On 11 February 2014, the Group announced it had sold brandsExclusive to Aussie Commerce Group for $2 million and 8% of the equity in Aussie Commerce Group.

APN Outdoor and brandsExclusive are treated as discontinued operations and assets held for sale.

On 1 November 2013 the Company and the Bauer Media Group (Bauer) announced that they had entered into an agreement for the sale and purchase of New Zealand Magazines' consumer titles. Under the agreement, all the Group's wholly-owned magazine brands, being the New Zealand Woman's Weekly, The Listener, Simply You, Simply You Living and Creme will pass to Bauer. The Pacific Magazines titles – New Idea, That's Life and Girlfriend – are not affected by the transaction and the Group will continue to publish these magazines under licence from the Pacific Magazines Group Australia. The transaction is expected to complete in March 2014.

The assets and liabilities associated with the titles being sold to Bauer are being treated as assets held for sale.

**(a) Assets held for sale**

| | 2013 $'000 |
|---|---|
| Disposal groups held for sale | |
| Cash and cash equivalents | 2,803 |
| Receivables | 9,950 |
| Inventories | 1,525 |
| Other current assets | 40,000 |
| Non-current receivables | 28,000 |
| Investments accounted for using the equity method | 32,189 |
| Property, plant and equipment | 1,634 |
| Intangible assets | 229 |
| Deferred tax assets | 2,212 |
| Other | 694 |
| **Total assets** | **119,236** |

**(b) Liabilities directly associated with assets held for sale**

| | |
|---|---|
| Disposal groups held for sale | |
| Payables | 54,531 |
| Provisions | 1,147 |
| **Total liabilities** | **55,678** |

# Notes to the Financial Statements

## 9. Discontinued operations (continued)

**(c) Discontinued operations**

### (i) Financial performance and cash flow information

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Revenue and other income | **97,983** | 116,653 |
| Expenses | **(69,593)** | (111,953) |
| Write down of brandsExclusive assets to fair value | **(53,270)** | – |
| Write down of APN Outdoor to fair value | **(23,608)** | – |
| Share of profits/(losses) of associates and joint ventures | **(371)** | 25 |
| Profit/(loss) before income tax | **(48,859)** | 4,725 |
| Income tax credit | **19** | 40 |
| Profit/(loss) after income tax of discontinued operation | **(48,840)** | 4,765 |
| Gain on sale of the division before income tax | **–** | 74,228 |
| Income tax credit | **–** | 726 |
| Gain on sale of the division after income tax | **–** | 74,954 |
| **Profit/(loss) from discontinued operations** | **(48,840)** | 79,719 |
| Net cash inflow/(outflow) from operating activities | **(4,452)** | 14,175 |
| Net cash inflow/(outflow) from investing activities | **(592)** | 170,507 |
| Net cash outflow from financing activities | **–** | (26,291) |
| **Net increase/(decrease) in cash generated by the division** | **(5,044)** | 158,391 |

## 10. Other financial assets

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| Shares in other corporations | 33 | **23,394** | 22,471 |
| **Total other financial assets** | | **23,394** | 22,471 |

## 11. Investments accounted for using the equity method

| | Note | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| Shares in associates | 25 | **50,811** | 48,868 |
| Interests in joint venture | 25 | **–** | 53,430 |
| **Total investments accounted for using the equity method** | | **50,811** | 102,298 |
| Share of profits of associates | 25 | **10,565** | 9,037 |

# Notes to the Financial Statements

## 12. Property, plant and equipment

| | Freehold land $'000 | Buildings $'000 | Plant and equipment $'000 | Plant and equipment under finance lease $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At 1 January 2012** | | | | | |
| Cost or fair value | 13,599 | 34,376 | 477,174 | 53,352 | **578,501** |
| Accumulated depreciation | – | (3,032) | (346,690) | (12,375) | **(362,097)** |
| Capital works in progress | – | – | 16,662 | – | **16,662** |
| **Net book amount** | 13,599 | 31,344 | 147,146 | 40,977 | **233,066** |
| **Year ended 31 December 2012** | | | | | |
| Opening net book amount | 13,599 | 31,344 | 147,146 | 40,977 | **233,066** |
| Additions | – | 171 | 15,505 | – | **15,676** |
| Acquisition of controlled entities | – | – | 709 | – | **709** |
| Disposals | (7,167) | (16,050) | (27,905) | (722) | **(51,844)** |
| Depreciation | – | (556) | (24,681) | (3,002) | **(28,239)** |
| Impairment | (121) | (183) | (970) | – | **(1,274)** |
| Transfers and other adjustments | – | (31) | 26 | 7 | **2** |
| Foreign exchange differences | 330 | 508 | 3,235 | – | **4,073** |
| Revaluations | (24) | (604) | – | – | **(628)** |
| **Closing net book amount** | 6,617 | 14,599 | 113,065 | 37,260 | **171,541** |
| **At 1 January 2013** | | | | | |
| Cost or fair value | 6,617 | 14,599 | 421,477 | 51,710 | **494,403** |
| Accumulated depreciation and impairment | – | – | (313,024) | (14,450) | **(327,474)** |
| Capital works in progress | – | – | 4,612 | – | **4,612** |
| **Net book amount** | 6,617 | 14,599 | 113,065 | 37,260 | **171,541** |
| **Year ended 31 December 2013** | | | | | |
| Opening net book amount | 6,617 | 14,599 | 113,065 | 37,260 | **171,541** |
| Additions | – | 104 | 15,355 | – | **15,459** |
| Transfers to assets held for sale | – | – | (1,634) | – | **(1,634)** |
| Disposals | (1,976) | (6,712) | (3,586) | – | **(12,274)** |
| Depreciation | – | (441) | (23,981) | (2,794) | **(27,216)** |
| Impairment | – | (50) | (8,520) | – | **(8,570)** |
| Transfers and other adjustments | – | (30) | 25 | 5 | **–** |
| Foreign exchange differences | 658 | 300 | 11,117 | – | **12,075** |
| **Closing net book amount** | 5,299 | 7,770 | 101,841 | 34,471 | **149,381** |
| **At 31 December 2013** | | | | | |
| Cost or fair value | 5,299 | 8,028 | 441,233 | 48,225 | **502,785** |
| Accumulated depreciation and impairment | – | (258) | (344,616) | (13,754) | **(358,628)** |
| Capital works in progress | – | – | 5,224 | – | **5,224** |
| **Net book amount** | 5,229 | 7,770 | 101,841 | 34,471 | **149,381** |

The Directors consider that freehold land and buildings are carried at fair value. Independent valuations were carried out in 2012 and carrying values have been adjusted to reflect such valuations. Independent valuations were carried out by certified registered valuers.

# Notes to the Financial Statements

## 13. Intangible assets

| | Goodwill $'000 | Software $'000 | Mastheads $'000 | Radio licences $'000 | Transit and outdoor advertising systems $'000 | Brands $'000 | Lease intangibles $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2012** | | | | | | | | |
| Cost | 327,636 | 29,822 | 968,166 | 353,258 | 54,713 | 44,335 | 7,021 | **1,784,951** |
| Accumulated amortisation and impairment | (103,751) | (23,265) | (181,322) | (16,777) | – | – | (2,884) | **(327,999)** |
| **Net book amount** | 223,885 | 6,557 | 786,844 | 336,481 | 54,713 | 44,335 | 4,137 | **1,456,952** |
| **Year ended 31 December 2012** | | | | | | | | |
| Opening net book amount | 223,885 | 6,557 | 786,844 | 336,481 | 54,713 | 44,335 | 4,137 | **1,456,952** |
| Additions | 48,586 | 8,984 | 5 | – | – | 4,200 | – | **61,775** |
| Disposals | (69,269) | (740) | (19) | – | (54,043) | – | (4,079) | **(128,150)** |
| Amortisation | – | (3,127) | – | (1,940) | – | – | (171) | **(5,238)** |
| Impairment (restated) | (89,741) | – | (600,207) | – | – | – | – | **(689,948)** |
| Other adjustments | (27) | (6) | 7 | – | (670) | 685 | – | **(11)** |
| Foreign exchange differences | 2,491 | 229 | 21,530 | 1,557 | – | 1,965 | 113 | **27,885** |
| **Closing net book amount (restated)** | 115,925 | 11,897 | 208,160 | 336,098 | – | 51,185 | – | 723,265 |
| **At 1 January 2013** | | | | | | | | |
| Cost | 309,417 | 38,311 | 1,004,550 | 355,578 | – | 51,185 | – | **1,759,041** |
| Accumulated amortisation and impairment | (193,492) | (26,414) | (796,390) | (19,480) | – | – | – | **(1,035,776)** |
| **Net book amount** | 115,925 | 11,897 | 208,160 | 336,098 | – | 51,185 | – | 723,265 |
| **Year ended 31 December 2013** | | | | | | | | |
| Opening net book amount | 115,925 | 11,897 | 208,160 | 336,098 | – | 51,185 | – | 723,265 |
| Additions | – | 2,351 | – | – | – | – | – | 2,351 |
| Disposals | (153) | (246) | (88) | – | – | (61) | – | (548) |
| Amortisation | – | (4,509) | – | (2,103) | – | – | – | (6,612) |
| Transfer to assets held for sale | (48,586) | (229) | – | – | – | (4,200) | – | (53,015) |
| Other adjustments | 2,909 | – | (3,414) | – | – | – | – | (505) |
| Foreign exchange differences | 9,171 | 1,112 | 26,438 | 5,619 | – | 7,579 | – | 49,919 |
| **Closing net book amount** | **79,266** | **10,376** | **231,096** | **339,614** | **–** | **54,503** | **–** | **714,855** |
| **At 31 December 2013** | | | | | | | | |
| Cost | 272,758 | 42,560 | 1,147,961 | 364,526 | – | 54,503 | – | 1,882,309 |
| Accumulated amortisation and impairment | (193,492) | (32,184) | (916,865) | (24,912) | – | – | – | (1,167,454) |
| **Net book amount** | **79,266** | **10,376** | **231,096** | **339,614** | **–** | **54,503** | **–** | **714,855** |

# Notes to the Financial Statements

## 13. Intangible assets (continued)

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| **Allocation of goodwill and non-amortising intangible assets to cash generating units (CGUs)** | | |
| **Name of CGU** | | |
| Australian Regional Media | **45,695** | 45,636 |
| New Zealand Media – Metro | **153,990** | 132,576 |
| New Zealand Media – Regional | **31,413** | 27,137 |
| Australian Radio | **300,349** | 300,158 |
| New Zealand Radio | **95,711** | 83,287 |
| Outdoor – Hong Kong | **2,711** | 2,501 |
| GrabOne | **23,583** | 20,376 |
| iNC Digital Media | **11,565** | 11,565 |
| brandsExclusive | **–** | 52,786 |
| **Total goodwill and non-amortising intangible assets** | **665,017** | 676,022 |

**Year-end impairment review**

A comprehensive impairment review was conducted at 31 December 2013. The recoverable amount of each CGU that includes goodwill or indefinite life intangible assets was reviewed. The recoverable amount of each CGU is determined based on value in use calculations using management budgets and forecasts for a three year period after adjusting for central overheads. Cash flows beyond three years are extrapolated at growth rates not exceeding the long-term average growth rate for the industry in which the CGU operates. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

The key assumptions used in each of the value in use calculations are:

| | 2013 Post-tax discount rate per annum | 2013 Long-term growth rate per annum | 2012 Post-tax discount rate per annum | 2012 Long-term growth rate per annum |
|---|---|---|---|---|
| Australian Regional Media | **10.0%** | **0.5%** | 10.5% | 0.5% |
| New Zealand Media – Metro | **11.0%** | **0.0%** | 10.5% | 0.0% |
| New Zealand Media – Regional | **11.0%** | **(2.0%)** | 10.5% | (2.0%) |
| Australian Radio | **10.0%** | **2.0%** | 10.5% | 2.5% |
| New Zealand Radio | **11.0%** | **2.0%** | 10.5% | 2.5% |
| Outdoor – Hong Kong | **10.5%** | **2.5%** | 10.5% | 2.5% |
| GrabOne | **12.0%** | **4.0%** | 15.0% | 4.0% |
| iNC Digital Media | **12.0%** | **4.0%** | 15.0% | 4.0% |

Value in use calculations are highly sensitive to changes in certain key assumptions. All CGUs, except for the Australian Regional Media (ARM) and iNC Digital Media CGUs, have sufficient headroom such that changes to key assumptions would not give rise to an impairment charge. For the ARM CGU, a 1% increase in the discount rate used would result an impairment provision of $9.0 million. A 1% decrease in long-term growth rates would result in an impairment provision of $7.4 million. If forecasted cash flows were to decrease by 10%, an increase in the impairment provision of $10.4 million would be required.

For the iNC Digital Media CGU, a 1% increase in the discount rate used would result in an impairment provision of $1.0 million. A 1% decrease in long-term growth rates would result in an impairment provision of $0.9 million. If forecasted cash flows were to decrease by 10% in iNC Digital Media CGU, an impairment provision of $0.8 million would be required.

# Notes to the Financial Statements

## 14. Payables

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current** | | |
| Trade and other payables | **112,597** | 119,477 |
| Amounts due to related parties[(i)] | **835** | 40,707 |
| **Total current payables** | **113,432** | 160,184 |

(i) Includes amounts payable to Independent News & Media PLC and related companies of $663,000 (2012: $314,000).

Trade and other payables are generally settled within 30 days from the end of the month in which they are incurred.

**Foreign currency risk**

The carrying amounts of payables are denominated in the following currencies:

| | | |
|---|---|---|
| Australian dollars | **50,004** | 97,485 |
| New Zealand dollars | **55,131** | 55,935 |
| Hong Kong dollars | **8,274** | 6,381 |
| Other | **23** | 383 |
| | **113,432** | 160,184 |

## 15. Interest bearing liabilities

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current** | | |
| Bank loans – unsecured | **27,556** | 27,376 |
| Lease liabilities (refer note 24) | **38,872** | 2,421 |
| Other financing | **1,424** | – |
| **Total current interest bearing liabilities** | **67,852** | 29,797 |
| **Non-current** | | |
| Bank loans – unsecured | **293,959** | 337,429 |
| New Zealand Bond | **92,251** | 79,428 |
| Lease liabilities (refer note 24) | **–** | 38,872 |
| Other financing | **2,748** | – |
| | **388,958** | 455,729 |
| **Deduct** | | |
| Borrowing costs | **15,445** | 13,961 |
| Accumulated amortisation | **(11,070)** | (7,552) |
| Net borrowing costs | **4,375** | 6,409 |
| **Total non-current interest bearing liabilities** | **384,583** | 449,320 |

# Notes to the Financial Statements

## 15. Interest bearing liabilities (continued)

**(a) Risk exposures**

The exposure of borrowings to interest rate changes and the contractual repricing at the balance dates are as follows:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Six months or less | **346,475** | 327,104 |
| Six to 12 months | **15,337** | 17,986 |
| One to five years | **94,998** | 140,436 |
| **Interest bearing liabilities** | **456,810** | 485,526 |

The carrying amounts of borrowings are denominated in the following currencies:

| | | |
|---|---|---|
| Australian dollars | **268,872** | 291,627 |
| New Zealand dollars | **187,938** | 193,899 |
| **Interest bearing liabilities** | **456,810** | 485,526 |

For an analysis of the sensitivity of borrowings to interest rate risk, refer note 32.

**(b) Capital risk management**

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

# Notes to the Financial Statements

## 16. Provisions

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Current** | | |
| Employee benefits | **6,787** | 6,826 |
| Restructuring | **2,501** | 2,852 |
| Contingent consideration | **–** | 2,975 |
| **Total current provisions** | **9,288** | 12,653 |
| **Non-current** | | |
| Employee benefits | **1,608** | 1,827 |
| Restructuring | **1,765** | 5,125 |
| Contingent consideration | **–** | 39,574 |
| Other | **1,130** | 1,059 |
| **Total non-current provisions** | **4,503** | 47,585 |

**Movements in provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

| | Restructuring $'000 | Contingent consideration $'000 | Total $'000 |
|---|---|---|---|
| **Movements in provisions 2013** | | | |
| Carrying amount at beginning of the year | 7,977 | 42,549 | **50,526** |
| Charged/(credited) to profit or loss | | | |
| Additional amounts recognised | 4,729 | – | **4,729** |
| Unused amounts reversed | – | (4,710) | **(4,710)** |
| Amounts used | (9,135) | (6,086) | **(15,221)** |
| Transferred to liabilities directly associated with assets held for sale | – | (32,177) | **(32,177)** |
| Foreign exchange differences | 695 | 424 | **1,119** |
| **Carrying amount at end of the year** | 4,266 | – | **4,266** |

The restructuring provision includes onerous rental contracts related to closure of certain commercial printing operations and expected redundancy costs related to formally announced restructuring plans.

The provision for contingent consideration comprises the fair value of amounts payable on business combinations should certain pre determined gross margin thresholds be met by the acquired businesses and the fair value of amounts payable should put options over remaining non-controlling interests be exercised.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Aggregate employee benefit liabilities** | | |
| Current provision | **6,787** | 6,826 |
| Non-current provision | **1,608** | 1,827 |
| Included in trade and other payables | **11,510** | 12,325 |
| **Total employee benefit liabilities** | **19,905** | 20,978 |

# Notes to the Financial Statements

## 17. Deferred tax assets and liabilities

**Movements in deferred tax**

| 2012 | Balance 1 Jan 12 $'000 | Recognised in income $'000 | Recognised in equity $'000 | Other movements $'000 | Transfer to assets held for sale $'000 | Balance 31 Dec 12 $'000 |
|---|---|---|---|---|---|---|
| Tax losses | 35,741 | 8,195 | – | – | – | **43,936** |
| Employee benefits | 5,602 | 632 | – | – | – | **6,234** |
| Doubtful debts | 810 | 221 | – | – | – | **1,031** |
| Accruals/restructuring | 6,051 | 1,432 | – | – | – | **7,483** |
| Intangible assets | (87,372) | 72,655 | 446 | 1,251 | – | **(13,020)** |
| Depreciation | (3,555) | (2,074) | – | – | – | **(5,629)** |
| Other | (4,915) | 1,161 | – | – | – | **(3,754)** |
| | (47,638) | 82,222 | 446 | 1,251 | – | **36,281** |

| 2013 | Balance 1 Jan 13 $'000 | Recognised in income $'000 | Recognised in equity $'000 | Other movements $'000 | Transfer to assets held for sale $'000 | Balance 31 Dec 13 $'000 |
|---|---|---|---|---|---|---|
| Tax losses | 43,936 | 24,347 | 5,218 | – | (3,776) | **69,725** |
| Employee benefits | 6,234 | (595) | – | – | (199) | **5,440** |
| Doubtful debts | 1,031 | (277) | – | – | (2) | **752** |
| Accruals/restructuring | 7,483 | (3,454) | – | – | (35) | **3,994** |
| Intangible assets | (13,020) | (157) | – | (12,539) | 1,260 | **(24,456)** |
| Depreciation | (5,629) | 647 | – | – | 57 | **(4,925)** |
| Other | (3,754) | (19,489) | (1,714) | 12,330 | – | **(12,627)** |
| | 36,281 | 1,022 | 3,504 | (209) | (2,695) | **37,903** |

There were no material unbooked tax losses as at 31 December 2013.

# Notes to the Financial Statements

## 18. Contributed equity

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Issued and paid up share capital | **1,093,372** | 1,093,372 |

### (a) Movements in contributed equity during the financial year

| | 2013 number | 2012 number | 2013 $'000 | 2012 $'000 |
|---|---|---|---|---|
| Balance at beginning of the year | **661,526,586** | 630,211,415 | **1,093,372** | 1,074,115 |
| Dividend reinvestment plan | **–** | 31,315,171 | **–** | 19,257 |
| Balance at end of the year | **661,526,586** | 661,526,586 | **1,093,372** | 1,093,372 |

### (b) Executive and Director Option Plan (EDOP)

Until 2008, the EDOP was operated by the Company to allow selected employees and Directors to participate in the growth of the Company through the issue of options over ordinary shares in the Company. The options lapsed in June 2013.

### (c) Options issued under EDOP

| Grant date | Exercise price $ | Balance at start of the year number | Issued number | Exercised number | Lapsed number | Balance at end of the year number |
|---|---|---|---|---|---|---|
| 2 June 2008 | 3.93 | 3,785,000 | – | – | (3,785,000) | – |
| | | 3,785,000 | – | – | (3,785,000) | – |

### (d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, representative or attorney is entitled to one vote, and upon a poll each share is entitled to one vote.

# Notes to the Financial Statements

## 19. Reserves and accumulated losses

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| **(a) Reserves** | | |
| Asset revaluation reserve | **7,194** | 9,248 |
| Foreign currency translation reserve | **(62,019)** | (69,821) |
| Capital profits reserve | **104** | 104 |
| Share-based payments reserve | **5,181** | 5,181 |
| Hedging reserve | **(417)** | (632) |
| Transactions with non-controlling interests reserve | **(20,546)** | (20,535) |
| **Total reserves** | **(70,503)** | (76,455) |
| **Asset revaluation reserve** | | |
| Balance at beginning of the year | **9,248** | 13,661 |
| Revaluation of freehold land and buildings | **76** | (628) |
| Transfer to foreign currency translation reserve | **53** | (93) |
| Transfers to accumulated losses | **(2,183)** | (3,692) |
| **Balance at end of the year** | **7,194** | 9,248 |
| **Foreign currency translation reserve** | | |
| Balance at beginning of the year | **(69,821)** | (89,981) |
| Foreign exchange transfers from other reserves and accumulated losses | **764** | 227 |
| Net exchange difference on translation of foreign operations | **7,038** | 19,933 |
| **Balance at end of the year** | **(62,019)** | (69,821) |
| **Hedging reserve** | | |
| Balance at beginning of the year | **(632)** | (3,243) |
| Net gain/(loss) on hedge contracts | **–** | 3,243 |
| Share of joint venture's hedging reserve | **215** | (632) |
| **Balance at end of the year** | **(417)** | (632) |
| **Transactions with non-controlling interests reserve** | | |
| Balance at beginning of the year | **(20,535)** | (3,179) |
| Decrease/(increase) in purchase consideration for controlled business | **806** | (5,006) |
| Acquisition of controlled business | **–** | (12,294) |
| Transfer to foreign currency translation reserve | **(817)** | (56) |
| **Balance at end of the year** | **(20,546)** | (20,535) |
| **(b) Accumulated losses** | | |
| Balance at beginning of the year | **(666,487)** | (120,865) |
| Profit/(loss) attributable to owners of the parent entity | **2,626** | (507,355) |
| Transfer to reserves | **2,183** | 3,630 |
| Remeasurements relating to retirement benefit obligations | **800** | (651) |
| Dividends paid | **–** | (41,246) |
| **Balance at end of the year** | **(660,878)** | (666,487) |

# Notes to the Financial Statements

## 19. Reserves and accumulated losses (continued)

**(c) Nature and purpose of reserves**

### (i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in the accounting policies. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

### (ii) Foreign currency translation reserve

Exchange differences arising on translation of any foreign controlled entities are taken to the foreign currency translation reserve, as described in the accounting policies.

### (iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

### (iv) Hedging reserve

The hedging reserve is used to record unrealised gains/losses on cash flow hedging instruments.

### (v) Transactions with non-controlling interests reserve

This reserve is used to record the differences described in note 1(b)(i) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

**(d) Non-controlling interests**

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Share capital | **208,743** | 211,635 |
| Reserves | **10,354** | (3,709) |
| Retained profits | **28,813** | 21,225 |
| Other | **645** | 5,918 |
| **Non-controlling interests** | **248,554** | 235,069 |

## 20. Dividends

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| No final dividend for the year ended 31 December 2012 (2011: 5.0 cents per share, franked to 1.5 cents paid on 30 March 2012) | – | 31,511 |
| No interim dividend for the year ended 31 December 2013 (2012: interim dividend of 1.5 cents per share franked to 0.5 cents paid on 26 September 2012) | – | 9,735 |
| Total dividends | – | 41,246 |
| Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and tax refunds due | **14,831** | 2,469 |

The Directors have determined that no final dividend will be payable for the year ended 31 December 2013.

## 21. Contingent liabilities

**(a) Claims**

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

The Company is involved in a dispute with the IRD regarding certain financing transactions. Refer note 6 for further details.

# Notes to the Financial Statements

## 22. Retirement benefit obligations

**(a) Superannuation plans**

The Company operates superannuation plans under which eligible employees and their dependants are entitled to benefits on retirement, disability or death. Employees contribute to the plans at various percentages of their wages and salaries. The respective employer entities within the consolidated entity also contribute to the plans at rates recommended by actuaries, industrial awards or the *Superannuation Guarantee Charge* legislation. The continuation of contributions, except those made pursuant to an award set down under a national wage case or the *Superannuation Guarantee Charge* legislation, are not legally enforceable.

### Scheme information

The defined benefit scheme is closed to new members.

**(b) Balance sheet amounts**

| 2012 | Present value of obligation $'000 | Fair value of plan assets $'000 | Total $'000 |
|---|---|---|---|
| **At 1 January 2012** | **12,396** | **(10,702)** | **1,694** |
| Current service cost | 470 | (166) | **304** |
| Interest expense/(income) | 385 | (304) | **81** |
| | 855 | (470) | **385** |
| Remeasurements | | | |
| Return on scheme assets, excluding amounts included in interest expense/(income) | – | (595) | **(595)** |
| Loss/(gain) from change in financial assumption | – | 504 | **504** |
| Experience losses/(gains) | 1,385 | (643) | **742** |
| | 1,385 | (734) | **651** |
| Contributions | | | |
| Employers | – | (385) | **(385)** |
| Scheme participants | 132 | (132) | **–** |
| Benefit payment | (1,732) | 1,732 | – |
| **As at 31 December 2012** | **13,036** | **(10,691)** | **2,345** |
| Current service cost | 393 | (200) | **193** |
| Interest expense/(income) | 333 | (210) | **123** |
| | 726 | (410) | **316** |
| Remeasurements | | | |
| Return on scheme assets, excluding amounts included in interest expense/(income) | – | (281) | **(281)** |
| Loss/(gain) from change in financial assumption | – | (494) | **(494)** |
| Experience losses/(gains) | 105 | (130) | **(25)** |
| | 105 | (905) | **(800)** |
| Contributions | | | |
| Employers | – | (316) | **(316)** |
| Scheme participants | 112 | (112) | **–** |
| Payments from scheme | (2 ,954) | 2,954 | – |
| **As at 31 December 2013** | **11,025** | **(9,480)** | **1,545** |

The Group has recognised a liability in the balance sheet in respect of its defined benefit superannuation arrangements. The APN Superannuation Scheme does not impose a legal liability on the Group to cover any deficit that exists in the scheme. If the scheme were wound up, there would be no legal obligation on the Group to make good any shortfall. The trust deed of the scheme states that if the scheme winds up, the remaining assets are to be distributed by the trustee of the scheme in an equitable manner as it sees fit.

# Notes to the Financial Statements

## 22. Retirement benefit obligations (continued)

**(b) Balance sheet amounts (continued)**

The Group may at any time, by notice to the trustee, terminate its contributions. The Group has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for the Group to pay any further contributions, irrespective of the financial condition of the scheme.

Key assumptions used in the latest actuarial valuation are post-tax discount rate of 3.6% (2012: 2.8%); incremental salary inflation rates of 2.0% per annum in years 1 to 3, and 4.0% for every year after that (2012: 2.0% in year 1, 3.0% per annum in years 2 and 3, and 4.0% for every year after that). As at 31 December 2013, the scheme assets were invested in the following asset classes: Australian equities 26% (2012: 27%), international equities 27% (2012: 27%), property 9% (2012: 9%), cash and fixed interest 17% (2012: 17%) and other 21% (2012: 20%).

## 23. Capital commitments

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Capital expenditure contracted for at balance date but not recognised as liabilities: | | |
| Not later than one year | **116** | 658 |
| Later than one year but not later than five years | **–** | – |
| **Total capital commitments** | **116** | 658 |

## 24. Lease commitments

Commitments for minimum lease payments in relation to operating leases and rental commitments contracted for at the reporting date but not recognised as liabilities, payable:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Not later than one year | **47,137** | 46,260 |
| Later than one year but not later than five years | **93,698** | 111,071 |
| Later than five years | **46,695** | 51,756 |
| Commitments not recognised in the financial statements | **187,530** | 209,087 |
| Representing: | | |
| Cancellable operating leases and rental commitments | **1,745** | 2,598 |
| Non-cancellable operating leases and rental commitments | **185,785** | 206,489 |
| Future finance lease charges | **–** | – |
| Commitments not recognised in the financial statements | **187,530** | 209,087 |
| Commitments for finance leases are payable as follows: | | |
| Not later than one year | **40,474** | 5,784 |
| Later than one year but not later than five years | **–** | 40,495 |
| | **40,474** | 46,279 |
| Less future finance charges on finance leases | **(1,602)** | (4,986) |
| **Total lease liabilities** | **38,872** | 41,293 |
| **Representing lease liabilities** (refer note 15): | | |
| Current | **38,872** | 2,421 |
| Non-current | **–** | 38,872 |
| **Total lease liabilities** | **38,872** | 41,293 |

The weighted average interest rate implicit in the leases is 8.1% (2012: 8.1%) per annum. The rental commitments represent fixed portions of long-term rental contracts. The Directors believe that the associated future revenue streams will be sufficient to cover these commitments.

# Notes to the Financial Statements

## 25. Interests in other entities

### (a) Material subsidiaries with non-controlling interests

Set out below are the Group's principal subsidiaries with material non-controlling interests at 31 December 2013. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

| Name of entity | Place of business | Country of incorporation | Ownership interest held by the Group 2013 | Ownership interest held by the Group 2012 | Ownership interest held by non-controlling interests 2013 | Ownership interest held by non-controlling interests 2012 | Principal activities |
|---|---|---|---|---|---|---|---|
| Australian Radio Network Pty Ltd (i) | Australia and New Zealand | Australia | **50%** | 50% | **50%** | 50% | Commercial radio |
| Buspak Advertising (Hong Kong) Limited | Hong Kong | Hong Kong | **50%** | 50% | **50%** | 50% | Outdoor advertising |

(i) The Australian Radio Network Pty Ltd (ARN) owns 100% of The Radio Network in New Zealand.

### (b) Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| | Australian Radio Network Pty Ltd | | Buspak Advertising (Hong Kong) Limited | |
|---|---|---|---|---|
| **Summarised balance sheet** | **2013 $'000** | **2012 $'000** | **2013 $'000** | **2012 $'000** |
| Current assets | **174,082** | 156,251 | **22,025** | 17,375 |
| Current liabilities | **37,880** | 37,147 | **8,396** | 6,585 |
| **Current net assets** | **136,202** | 119,104 | **13,629** | 10,790 |
| Non-current assets | **522,784** | 494,910 | **1,022** | 2,099 |
| Non-current liabilities | **19,820** | 16,698 | **58** | 114 |
| **Non-current net assets** | **502,964** | 478,212 | **964** | 1,985 |
| **Net assets** | **639,166** | 597,316 | **14,593** | 12,775 |
| Accumulated non-controlling interests | **240,692** | 225,225 | **5,925** | 6,291 |

| **Summarised statement of comprehensive income** | | | | |
|---|---|---|---|---|
| Revenue | **256,994** | 227,249 | **44,001** | 39,094 |
| **Profit/(loss) for the period** | **48,172** | 40,383 | **(406)** | 2,902 |
| Other comprehensive income | **28,149** | 7,623 | **–** | – |
| **Total comprehensive income** | **76,320** | 48,006 | **(406)** | 2,902 |
| Further 25% of non-controlling interests within the ARN Group(i) | **2,090** | 1,989 | **–** | – |
| **Total comprehensive income allocated to non-controlling interests** | **40,250** | 25,992 | **(203)** | 1,451 |
| Dividends paid to non-controlling interests | **19,480** | 14,478 | **–** | – |

(i) ARN has a controlling 50% interest in Brisbane FM Radio Pty Ltd. This represents a 25% interest for the Group. As such a further 25% of the earnings attributable to Brisbane FM Radio Pty Ltd forms part of APN's non-controlling interest.

# Notes to the Financial Statements

## 25. Interests in other entities (continued)

### (b) Non-controlling interests (continued)

| | Australian Radio Network Pty Ltd | | Buspak Advertising (Hong Kong) Limited | |
|---|---|---|---|---|
| **Summarised cash flows** | **2013 $'000** | **2012 $'000** | **2013 $'000** | **2012 $'000** |
| Cash flows from operating activities | 58,894 | 50,338 | 706 | 1,557 |
| Cash flows from investing activities | (7,053) | (4,053) | (481) | (2,834) |
| Cash flows from financing activities | (47,944) | (47,951) | – | 1,810 |
| **Net increase in cash and cash equivalents** | **3,897** | **(1,666)** | **225** | **533** |

### (c) Transactions with non-controlling interests

In October 2013, the Group acquired the final 20.5% of the issued shares of Catalogue Central Pty Limited (iNC Digital Media). This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated Catalogue Central Pty Limited. The purchase consideration was $1,251,000. The carrying amount of the non-controlling interests in Catalogue Central Pty Limited on the date of the transaction was $806,000. The Group recognised an increase in non-controlling interests of $806,000 and a decrease in equity attributable to owners of the parent entity of $806,000.

In May 2012, the Group acquired the final 25% of Idea HQ Limited and subsidiaries, including GrabOne Limited. This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated Idea HQ Limited. The purchase consideration was a further $6,173,000 payable should the businesses achieve certain predetermined performance targets. The carrying amount of the non-controlling interests in Idea HQ Limited on the date of acquisition was $4,367,000. The Group recognised a decrease in equity attributable to owners of the parent entity of $5,006,000.

The effect of changes in the ownership interest on the equity attributable to owners of the Group during the year is summarised as follows:

| | **2013 $'000** | **2012 $'000** |
|---|---|---|
| Carrying amount of non-controlling interests acquired | **806** | 4,367 |
| Contingent consideration provision recognised | **–** | (6,173) |
| Reversal of contingent consideration provision | **2,000** | – |
| Consideration paid to non-controlling interests | **(1,251)** | (3,200) |
| *Less:* Excess provision released to profit and loss | **(749)** | – |
| Amounts recognised in non-controlling interests reserve | **806** | (5,006) |

# Notes to the Financial Statements

## 25. Interests in other entities (continued)

**(d) Interests in associates and joint ventures**

Set out below are the associates and joint ventures of the Group as at 31 December 2013 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interest is the same as the proportion of voting rights held.

| | | | Ownership interest held by the Group | | | | Consolidated carrying values | |
|---|---|---|---|---|---|---|---|---|
| Name of entity | Place of business | Country of incorporation | 2013 | 2012 | Nature of relationship | Measurement method | 2013 $'000 | 2012 $'000 |
| Adshel Street Furniture Pty Limited | Australia and New Zealand | Australia | **50%** | 50% | Associate(1) | Equity method | **41,433** | 42,868 |
| APN Outdoor Pty Limited | Australia and New Zealand | Australia | **48%** | 48% | Joint venture(2) | Equity method | **–** | 53,430 |
| Soprano Design Pty Limited | Global | Australia | **25%** | 25% | Associate(3) | Equity method | **9,378** | 6,000 |
| | | | | | | | **50,811** | 102,298 |

(1) Adshel Street Furniture Pty Limited is one of the Group's Outdoor advertising operations. Adshel specialises in advertiser funded street furniture solutions with networks throughout Australia and New Zealand.

(2) APN Outdoor Pty Ltd was a joint venture with Quadrant Private Equity. The Group announced the completion of the sale of its remaining 47.75% ownership interest on 24 January 2014. On this basis the investment has been treated as held for sale and has been transferred to assets held for sale at 31 December 2013.

(3) Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001 in line with the Group's digital strategy.

# Notes to the Financial Statements

## 25. Interests in other entities (continued)

**(e) Summarised financial information for the associate**

The table below provide summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

| | Adshel Street Furniture Pty Limited | |
|---|---|---|
| | 2013 $'000 | 2012 $'000 |
| **Summarised balance sheet** | | |
| Total current assets | **47,580** | 47,362 |
| Non-current assets | **76,299** | 82,088 |
| **Total assets** | **123,879** | 129,450 |
| Total current liabilities | **35,163** | 37,677 |
| Total non-current liabilities | **5,849** | 6,037 |
| **Total liabilities** | **41,012** | 43,714 |
| **Net assets** | **82,867** | 85,736 |
| **Reconciliation to carrying amounts** | | |
| Opening net assets 1 January | **85,736** | 74,663 |
| Profit/(loss) for the period | **21,131** | 18,073 |
| Other comprehensive income | **3,000** | – |
| Dividends paid | **(27,000)** | (7,000) |
| **Closing net assets** | **82,867** | 85,736 |
| Percentage of ownership interest | **50%** | 50% |
| **Carrying amount** | **41,433** | 42,868 |
| **Summarised statement of comprehensive income** | | |
| Revenue | **150,816** | 142,791 |
| **Profit for the period** | **21,131** | 18,073 |
| Other comprehensive income | **3,000** | – |
| Total comprehensive income | **24,131** | 18,073 |
| Dividends received from associate | **13,500** | 3,500 |

**(f) Individually immaterial associate**

In addition to the interests in associate disclosed above, the Group also has an interest in an individually immaterial associate that is accounted for using the equity method.

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Aggregate carrying amount of individually immaterial associate | **9,378** | 6,000 |
| Movements in carrying value in the period: | | |
| Reversal of prior period impairment | **3,046** | – |
| Other adjustments | **332** | – |

# Notes to the Financial Statements

## 26. Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 1.

| Name of entity | Country of incorporation/ establishment | Equity holding 2013 % | Equity holding 2012 % |
|---|---|---|---|
| Actraint No. 116 Pty Limited [1,4] | Australia | 50 | 50 |
| Adhoc Pty Ltd | Australia | 75 | 75 |
| Adhub Limited [1] | New Zealand | 100 | 100 |
| Adspace Pty Ltd [9] | Australia | 48 | 48 |
| Airplay Media Services Pty Limited [1,4] | Australia | 50 | 50 |
| APN AP National Sales Pty Ltd [2] | Australia | 100 | 100 |
| APN Braeside Pty Ltd | Australia | 100 | 100 |
| APN Broadcasting Investments Pty Limited [2,3] | Australia | 100 | 100 |
| APN Broadcasting (Regionals) Pty [1,4] | Australia | 50 | 50 |
| APN Business Information Group Pty Ltd [2] | Australia | 100 | 100 |
| APN Business Magazines Pty Ltd [2] | Australia | 100 | 100 |
| APN Computing Group Pty Ltd [2] | Australia | 100 | 100 |
| APN Digital Pty Ltd [2,3] | Australia | 100 | 100 |
| APN Digital NZ Limited | New Zealand | 100 | 100 |
| APN Educational Media Pty Limited [2] | Australia | 100 | 100 |
| APN Educational Media (NZ) Limited | New Zealand | 100 | 100 |
| APN Finance Pty Limited [2] | Australia | 100 | 100 |
| APN Holdings NZ Limited | New Zealand | 100 | 100 |
| APN Media (NZ) Limited | New Zealand | 100 | 100 |
| APN Milperra Pty Ltd | Australia | 100 | 100 |
| APN New Zealand Limited | New Zealand | 100 | 100 |
| APN Newspapers Pty Ltd [2,3] | Australia | 100 | 100 |
| APN NZ Investments Limited | New Zealand | 100 | 100 |
| APN Online (Australia) Pty Limited | Australia | 100 | 100 |
| APN Online (New Zealand) Limited | New Zealand | 100 | 100 |
| APN Outdoor Limited [9] | New Zealand | 48 | 48 |
| APN Outdoor Pty Limited [9,10] | Australia | 48 | 48 |
| APN Outdoor (Trading) Pty Ltd [9,10] | Australia | 48 | 48 |
| APN Print NZ Limited | New Zealand | 100 | 100 |
| APN Printing Services Pty Ltd [2,3] | Australia | 100 | 100 |
| APN Specialist Publications NZ Limited | New Zealand | 100 | 100 |
| ARN Adelaide Pty Ltd [1,4] | Australia | 50 | 50 |
| ARN Brisbane Pty Ltd [1,4] | Australia | 50 | 50 |
| ARN Broadcasting Pty Ltd [1,4] | Australia | 50 | 50 |
| ARN Communications Pty Ltd [1,4] | Australia | 50 | 50 |
| ARN Limited Partnership [1,4] | Australia | 50 | 50 |
| ARN New Zealand Pty Limited [1,4] | Australia | 50 | 50 |
| ARN NZ Investments Limited [1,4] | New Zealand | 50 | 50 |
| ARN Overseas Pty Limited [1,4] | Australia | 50 | 50 |
| ARN Perth Pty Ltd [1,4] | Australia | 50 | 50 |
| ARN South Australia Pty Ltd [1,4] | Australia | 50 | 50 |
| ARN Superannuation Pty Ltd [1,4] | Australia | 50 | 50 |
| ARNSAT Pty Limited [1,4] | Australia | 50 | 50 |
| Asia Posters Pte Ltd | Singapore | – | 100 |
| Asia Posters Sdn Bhd | Malaysia | 100 | 100 |
| The Australasian Advertising Company Pty Limited [9,10] | Australia | 48 | 48 |
| Australian Posters Pty Ltd [9,10] | Australia | 48 | 48 |

# Notes to the Financial Statements

## 26. Controlled entities (continued)

| Name of entity | Country of incorporation/ establishment | Equity holding 2013 % | Equity holding 2012 % |
|---|---|---|---|
| Australian Provincial Newspapers International Pty Limited [2,3] | Australia | 100 | 100 |
| Australian Provincial Newspapers Ltd [2,3] | Australia | 100 | 100 |
| Australian Radio Network Pty Limited [1,4] | Australia | 50 | 50 |
| Australian Radio Network Sales Pty Ltd [1,4] | Australia | 50 | 50 |
| Biffin Pty Limited [2,3] | Australia | 100 | 100 |
| Blue Mountains Broadcasters Pty Limited [1,4] | Australia | 50 | 50 |
| Border Newspapers Pty Ltd [2] | Australia | 100 | 100 |
| brandsExclusive (Australia) Pty Limited [11] | Australia | 82 | 82 |
| brandsExclusive (New Zealand) Pty Limited [11] | Australia | 82 | 82 |
| Brisbane FM Radio Pty Ltd [1,5] | Australia | 25 | 25 |
| The Brisbane Publishing Company Pty Ltd [2] | Australia | 100 | 100 |
| The Bundaberg Newspaper Company Pty Limited [2,3] | Australia | 100 | 100 |
| Buspak Advertising (China) Limited | Hong Kong | 100 | 100 |
| Buspak Advertising Group Pty Ltd [9,10] | Australia | 48 | 48 |
| Buspak Advertising (Hong Kong) Limited [6] | Hong Kong | 50 | 50 |
| Byron Shire News Pty Ltd [2] | Australia | 100 | 100 |
| Campus Review Pty Ltd [2] | Australia | 100 | 100 |
| Capital City Broadcasters Pty Limited [1,4] | Australia | 50 | 50 |
| Capricornia Newspapers Pty Ltd [2,3] | Australia | 100 | 100 |
| Cardcorp (Manufacturing) Pty Limited | Australia | 100 | 100 |
| Catalogue Central Pty Limited | Australia | 100 | 79.5 |
| Central Coast Broadcasting Pty [1,4] | Australia | 50 | 50 |
| Central Queensland News Publishing Company Pty Ltd [2] | Australia | 100 | 100 |
| Central Telegraph Pty Ltd [2] | Australia | 100 | 100 |
| Chinchilla Newspapers Pty Ltd [2] | Australia | 100 | 100 |
| Cody Link Pty Ltd [9,10] | Australia | 48 | 48 |
| Cody Outdoor International (HK) Limited [7] | Hong Kong | 50 | 50 |
| Coffs Coast RE Marketing Pty Ltd | Australia | 70 | 70 |
| Commonwealth Broadcasting Corporation Pty Ltd [1,4] | Australia | 50 | 50 |
| Covette Investments Pty Limited [2,3] | Australia | 100 | 100 |
| Daily Commercial News Pty Ltd [2] | Australia | 100 | 100 |
| The Daily Examiner Pty Ltd [2] | Australia | 100 | 100 |
| Dalby Herald Pty Ltd [2] | Australia | 100 | 100 |
| DCN (Electronic Services) Pty Ltd [2] | Australia | 100 | 100 |
| Double T Radio Pty Ltd [1,4] | Australia | 50 | 50 |
| Eastcott Investments Pty Ltd [9,10] | Australia | 48 | 48 |
| Esky Limited | New Zealand | 100 | 100 |
| Everfact Pty Limited [9,10] | Australia | 48 | 48 |
| Everfact Unit Trust [9] | Australia | 48 | 48 |
| 5AD Broadcasting Company Pty Ltd [1,4] | Australia | 50 | 50 |
| Gatton Star Pty Ltd [2] | Australia | 100 | 100 |
| Gergdaam Capital Pty Limited [2,3] | Australia | 100 | 100 |
| Gladstone Newspaper Company Pty Ltd [2] | Australia | 100 | 100 |
| The Gold Coast Press Pty Limited [2] | Australia | 100 | 100 |
| Grab One Australia Pty Limited | Australia | 100 | 100 |
| GrabOne Investments Limited | UK | 100 | 75 |
| GrabOne Limited [1] | New Zealand | 100 | 100 |
| GSP Print Pty Ltd [9,10] | Australia | 48 | 48 |

# Notes to the Financial Statements

## 26. Controlled entities (continued)

| Name of entity | Country of incorporation/ establishment | Equity holding 2013 % | Equity holding 2012 % |
|---|---|---|---|
| Gulgong Pty Limited [2,3] | Australia | 100 | 100 |
| Gympie Times Pty Ltd [2] | Australia | 100 | 100 |
| Haswell Pty Limited [2,3] | Australia | 100 | 100 |
| The Hive Online Limited | New Zealand | 100 | 100 |
| Idea HQ Limited [1] | New Zealand | 100 | 100 |
| Inc Network Australia Pty Ltd | Australia | 100 | 79.5 |
| The Internet Amusements Group Pty Limited [1,4] | Australia | 50 | 50 |
| KAFM Broadcasters Proprietary Limited [1,4] | Australia | 50 | 50 |
| Kelly Publications Pty Ltd [2] | Australia | 100 | 100 |
| Level 4 Investments Pty Limited [2] | Australia | 100 | 100 |
| The Level 4 Partnership | Australia | 100 | 100 |
| Lunchbox Investments Pty Ltd | Australia | 100 | 100 |
| Longbeach Publications Pty Ltd [2] | Australia | 100 | 100 |
| Longbeach Publications Unit Trust | Australia | 100 | 100 |
| The Mackay Printing and Publishing Company Pty Limited [2,3] | Australia | 100 | 100 |
| Marnin Limited [8] | Ireland | – | – |
| The Maryborough Hervey Bay Newspaper Company Pty Ltd [2,3] | Australia | 100 | 100 |
| Media Tek Pty Limited [2,3] | Australia | 100 | 100 |
| Melbourne Independent Newspapers Pty Ltd [2] | Australia | 100 | 100 |
| Mt Maunganui Publishing Co Limited | New Zealand | 100 | 100 |
| Nathco Holdings Pty Ltd [2,3] | Australia | 100 | 100 |
| National Outdoor Advertising Pty Limited [9,10] | Australia | 48 | 48 |
| Nettlefold Advertising Pty Ltd [9,10] | Australia | 48 | 48 |
| Nettlefold Outdoor Advertising Trust [9] | Australia | 48 | 48 |
| New Zealand Radio Network Limited [1,4] | New Zealand | 50 | 50 |
| North Coast News Pty Ltd [2] | Australia | 100 | 100 |
| Northern Star Ltd [2,3] | Australia | 100 | 100 |
| Observer Times (Hervey Bay) Pty Ltd [2] | Australia | 100 | 100 |
| Peterhouse Proprietary Limited [2] | Australia | 100 | 100 |
| Provincial Investments Pty Ltd [2,3] | Australia | 100 | 100 |
| The Queensland Times Pty Limited [2,3] | Australia | 100 | 100 |
| The Radio Bureau Limited [1,4] | New Zealand | 50 | 50 |
| The Radio Network Limited [1,4] | New Zealand | 50 | 50 |
| RadioWise Pty Ltd [1,4] | Australia | 50 | 50 |
| Regional Publishers Limited | New Zealand | 100 | 100 |
| Regmax Pty Limited [1,4] | Australia | 50 | 50 |
| Sabawin Pty Limited [2] | Australia | 100 | 100 |
| Sell Me Free Limited | New Zealand | 100 | 100 |
| Sella Limited [1] | New Zealand | 100 | 100 |
| SOL Australia Pty Ltd [9,10] | Australia | 48 | 48 |
| The South Burnett Times Pty Ltd [2] | Australia | 100 | 100 |
| Southern State Broadcasters Pty Limited [1,4] | Australia | 50 | 50 |
| Speedlink Services Pty Ltd [1,4] | Australia | 50 | 50 |
| Stanley Newcomb & Co Limited | New Zealand | 100 | 100 |
| Stanthorpe Newspapers Services Unit Trust | Australia | 100 | 100 |
| SunCoastal FM Radio Pty Ltd [1,4] | Australia | 50 | 50 |
| Sunshine Coast Newspaper Company Pty Ltd [2,3] | Australia | 100 | 100 |
| Taximedia Pty Ltd [9,10] | Australia | 48 | 48 |

# Notes to the Financial Statements

## 26. Controlled entities (continued)

| Name of entity | Country of incorporation/ establishment | Equity holding 2013 % | Equity holding 2012 % |
|---|---|---|---|
| TMS Outdoor Advertising Pty Limited [9,10] | Australia | 48 | 48 |
| Toowoomba Newspapers Ltd [2,3] | Australia | 100 | 100 |
| Total Cab Media Pty Ltd [9] | Australia | 48 | 48 |
| Trade Debts Collecting Co Limited | New Zealand | 100 | 100 |
| The Tweed Newspaper Co Pty Ltd [2] | Australia | 100 | 100 |
| Universal Outdoor Pty Limited [9,10] | Australia | 48 | 48 |
| Universal Radio Pty Ltd [1,4] | Australia | 50 | 50 |
| Valtoff Pty Limited [9,10] | Australia | 48 | 48 |
| The Warwick Newspaper Pty Limited [2,3] | Australia | 100 | 100 |
| Web Metrics Limited [1] | New Zealand | 100 | 100 |
| Wesgo [1,4] | Australia | 50 | 50 |
| West Sydney Radio Pty Ltd [1,4] | Australia | 50 | 50 |
| Westat Research Pty Ltd [1,4] | Australia | 50 | 50 |
| Western Star Pty Ltd [2] | Australia | 100 | 100 |
| Whitsunday Times Unit Trust | Australia | 75 | 75 |
| Wilson & Horton Australia Pty Ltd | Australia | 100 | 100 |
| Wilson & Horton Finance Pty Ltd [2,3] | Australia | 100 | 100 |
| Wilson & Horton Limited | New Zealand | 100 | 100 |
| W&H Interactive Limited | New Zealand | 100 | 100 |
| Zodiac Australia Pty Ltd [2] | Australia | 100 | 100 |

1 Denotes controlled entities audited by auditors other than PricewaterhouseCoopers.

2 These companies are parties to a deed of cross guarantee dated 5 December 2006 under which each company guarantees the debts of the others (Deed of Cross Guarantee). These companies represent a Closed Group for the purposes of Australian Securities and Investments Commission (ASIC) Class Order 98/1418. There are no other members of the Extended Closed Group.

3 These wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the ASIC.

4 Under the shareholders agreement, whilst APN News & Media Limited holds 50% of the issued capital and is entitled to appoint 50% of the Directors, APN News & Media Limited has the right to appoint the chief executive of this entity and so exercises effective positive and sustained control over the financial policies of this entity.

5 The Australian Radio Network Group has a 50% controlling interest in Brisbane FM Radio Pty Ltd, resulting in APN News & Media Limited having control of this entity and an effective interest of 25%.

6 Under the shareholders agreement, whilst the immediate parent entity holds 50% of the issued capital and is entitled to appoint 50% of the Directors, the Executive Chairman of the controlled entity, who is a Director on the APN News & Media Limited Board, exercises positive and sustained control over the strategic and financial policies of this entity.

7 This entity is 100% owned by Buspak Advertising (Hong Kong) Limited.

8 The consolidated entity holds no equity interest in Marnin Limited but is deemed to exercise control in accordance with AASB 10 *Consolidated Financial Statements*. Marnin Limited was established in 2005 to enter into a finance transaction on behalf of the Group. The debt owed by Marnin Limited is fully disclosed in the consolidated financial statements.

9 These are no longer controlled entities following the formation of the APN Outdoor joint venture with Quadrant Private Equity announced on the Australian Securities Exchange on 1 May 2012. The Group sold its remaining interest in the APN Outdoor joint venture to Quadrant Private Equity on 24 January 2014.

10 These entities were removed from the Deed of Cross Guarantee following the formation of the APN Outdoor joint venture with Quadrant Private Equity announced on the Australian Securities Exchange on 1 May 2012.

11 These entities are no longer controlled by the Group following the sale of brandsExclusive (Australia) Pty Ltd announced on the Australian Stock Exchange on 11 February 2014.

# Notes to the Financial Statements

## 26. Controlled entities (continued)

**Deed of Cross Guarantee**

Set out below is the consolidated income statement for the year ended 31 December 2013 for the Closed Group:

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| Revenue from continuing operations | **212,518** | 240,766 |
| Other revenue and income | **38,653** | 70,621 |
| Expenses from operations before finance costs | **(215,919)** | (238,653) |
| Impairment of intangible assets | **(20,277)** | (432,248) |
| Finance costs | **(34,969)** | (41,460) |
| Share of profits of associates | **10,565** | 9,037 |
| **Losses before income tax credit** | **(9,429)** | (391,937) |
| Income tax credit | **13,556** | 3,182 |
| **Profit/(loss) from continuing operations** | **4,127** | (388,755) |
| Profit from discontinued operations | **–** | 122,464 |
| **Profit/(loss) attributable to owners of the parent entity** | **4,127** | (266,291) |
| **Accumulated losses** | | |
| Balance at beginning of the year | **(826,223)** | (517,873) |
| Profit/(loss) attributable to owners of the parent entity | **4,127** | (266,291) |
| Remeasurement on retirement benefit obligations | **800** | (651) |
| Dividends paid | **–** | (41,246) |
| Transfer between equity | **2,235** | (162) |
| **Balance at end of the year** | **(819,061)** | (826,223) |

# Notes to the Financial Statements

## 26. Controlled entities (continued)

Set out below is a consolidated balance sheet as at 31 December 2013 of the Closed Group:

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **2,244** | 2,132 |
| Receivables | **343,390** | 323,601 |
| Inventories | **4,710** | 5,172 |
| Income tax receivable | **2,035** | 1,507 |
| Other current assets | **1,985** | 2,304 |
| Total current assets | **354,364** | 334,716 |
| **Non-current assets** | | |
| Receivables | **122,742** | 107,139 |
| Other financial assets | **249,994** | 260,336 |
| Investments accounted for using equity method | **50,811** | 48,868 |
| Property, plant and equipment | **55,781** | 74,399 |
| Intangible assets | **233,369** | 211,732 |
| Deferred tax assets | **20,565** | 30,851 |
| Total non-current assets | **733,262** | 733,325 |
| **Total assets** | **1,087,626** | 1,068,041 |
| **Current liabilities** | | |
| Payables | **530,183** | 498,296 |
| Interest bearing liabilities | **38,872** | 2,421 |
| Current tax liabilities | **–** | 9,637 |
| Provisions | **2,186** | 2,067 |
| Total current liabilities | **571,241** | 512,421 |
| **Non-current liabilities** | | |
| Interest bearing liabilities | **228,627** | 281,530 |
| Retirement benefit liability | **1,545** | 2,345 |
| Provisions | **3,389** | 2,061 |
| Total non-current liabilities | **233,561** | 285,936 |
| **Total liabilities** | **804,802** | 798,357 |
| **Net assets** | **282,824** | 269,684 |
| **Equity** | | |
| Contributed equity | **1,093,372** | 1,093,372 |
| Reserves | **8,513** | 2,535 |
| Accumulated losses | **(819,061)** | (826,223) |
| **Total equity** | **282,824** | 269,684 |

# Notes to the Financial Statements

## 27. Related party information

**Transactions with other related parties**

The aggregate amounts recognised in respect of the following types of transactions and each class of related party involved were:

| Transaction type | Class of other related party | 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| Loan interest receivable | Joint venture (i) | **4,631** | 2,811 |
| Consulting services received | Key management personnel (ii) | **59** | 55 |
| Dividends paid | Other related parties (iii) | **–** | 12,450 |
| Independent News & Media fees | Other related party (iv) | **663** | 615 |
| Management fees receivable | Associate (v) | **150** | 190 |
| Associate company fee | Key management personnel (vi) | **50** | 50 |
| Consulting services received | Key management personnel (vii) | **333** | – |

The above transactions were made on commercial terms and conditions and at market rates except where indicated.

(i) Interest receivable from APN Outdoor Pty Limited.

(ii) Consultancy fees paid to a company associated with Peter Cosgrove for marketing services rendered in Hong Kong.

(iii) Dividends paid to Independent News & Media (Australia) Limited and News & Media NZ Limited.

(iv) Payments to Independent News & Media PLC include reimbursements for services provided comprising of travel and ancillary expenses, provision of unlimited live editorial copy, services of Directors and for advisory services on a range of matters including global media and advertising trends and product development.

(v) Management fee received/receivable from Adshel Street Furniture Pty Limited.

(vi) Chairman's fee paid to Peter Cosgrove by Adshel Street Furniture Pty Limited.

(vii) Consultancy fee paid to a company associated with Peter Cosgrove for Executive management services for the period from February to June when Peter Cosgrove was acting in an executive capacity.

# Notes to the Financial Statements

## 28. Remuneration of auditors

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Remuneration for audit or review of the financial reports | | |
| PricewaterhouseCoopers – Australian firm | **586** | 576 |
| PricewaterhouseCoopers – overseas firm | **503** | 460 |
| Other firms | **296** | 297 |
| Remuneration for other assurance services | | |
| PricewaterhouseCoopers – Australian firm | **91** | 15 |
| PricewaterhouseCoopers – overseas firm | **15** | 19 |
| Other firms | **102** | 71 |
| **Total audit and other assurance services** | **1,593** | 1,438 |
| Remuneration for other services | | |
| PricewaterhouseCoopers – Australian firm | | |
| Tax services | | |
| – Consulting and advice | **124** | 179 |
| – Compliance | **100** | 118 |
| Other advisory services | **–** | 14 |
| PricewaterhouseCoopers – overseas firm | | |
| Tax services | | |
| – Consulting and advice | **185** | 332 |
| – Compliance | **118** | 152 |
| Other advisory services | **13** | 27 |
| Other firms | | |
| Tax services | | |
| – Consulting and advice | **18** | 46 |
| – Compliance | **81** | 80 |
| Other advisory services | **20** | 207 |
| **Total non-audit services** | **659** | 1,155 |

## 29. Earnings per share

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| **(a) Reconciliation of earnings used in calculating earnings per share (EPS)** | | |
| Profit/(loss) from continuing operations attributable to owners of the parent entity | **50,467** | (587,002) |
| Profit/(loss) from discontinued operations attributable to owners of the parent entity | **(47,841)** | 79,647 |
| Profit/(loss) attributable to owners of the parent entity used in calculating basic/diluted EPS | **2,626** | (507,355) |

| | 2013 Number | 2012 (Restated) Number |
|---|---|---|
| **(b) Weighted average number of shares** | | |
| Weighted average number of shares used as the denominator in calculating basic EPS | **661,526,586** | 647,718,642 |
| Adjusted for calculation of diluted EPS | **–** | – |
| Weighted average number of shares used as the denominator in calculating diluted EPS | **661,526,586** | 647,718,642 |

# Notes to the Financial Statements

## 30. Cash flow information

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| **Reconciliation of cash** | | |
| Cash at end of the year, as shown in the statement of cash flows, comprises: | | |
| Cash from continuing operations | **19,956** | 20,338 |
| Cash transferred to assets held for sale | **2,803** | – |
| **Cash and cash equivalents** | **22,759** | 20,338 |

The below reconciliation relates to both continued and discontinued operations.

| | 2013 $'000 | 2012 (Restated) $'000 |
|---|---|---|
| Reconciliation of profit/(loss) for the year to net cash inflows from operating activities: | | |
| **Profit/(loss) for the year** | **27,677** | (483,543) |
| Depreciation and amortisation expense | **33,829** | 33,492 |
| Borrowing cost amortisation | **2,744** | 2,423 |
| Net gain on sale of non-current assets | **1,143** | 966 |
| Profit on formation of APN Outdoor Joint Venture | **–** | (78,148) |
| Share of profits of associates | **(10,194)** | (9,062) |
| Fair value gains on financial assets | **(2,456)** | (1,493) |
| Impairment of intangible assets | **75,389** | 689,948 |
| Change in current/deferred tax payable | **(19,943)** | (81,937) |
| Asset write offs and business closures | **9,958** | 1,856 |
| Gain on derecognition of contingent consideration provision | **(35,864)** | (128) |
| Amounts credited to provisions against assets (other non-cash items) | **(1,021)** | (400) |
| Other non-cash items | **(1,608)** | (2,811) |
| Changes in assets and liabilities net of effect of acquisitions: | | |
| Trade and other receivables | **12,807** | 13,179 |
| Inventories | **1,719** | (29) |
| Prepayments | **663** | (411) |
| Trade and other payables and employee benefits | **(6,461)** | 3,372 |
| **Net cash inflows from operating activities** | **88,382** | 87,274 |

**Non-cash financing and investing activities**

### Share issue

Share issues other than for cash referred to in note 18 are not reflected in the statement of cash flows.

### Finance facilities

Details of credit standby arrangements and loan facilities are included in note 31.

# Notes to the Financial Statements

## 31. Standby arrangements and credit facilities

Entities in the consolidated entity have access to:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| **Overdraft facilities** | | |
| Unsecured bank overdraft facilities | **10,747** | 7,806 |
| Amount of credit utilised | **–** | (503) |
| **Amount of available credit** | **10,747** | 7,303 |
| **Loan facilities** | | |
| Unsecured bank loan facilities | **567,605** | 564,400 |
| New Zealand Bond | **92,251** | 79,428 |
| Amount of facility utilised | **(442,953)** | (492,975) |
| **Amount of available facility** | **216,903** | 150,853 |

Loan facilities utilised as at 31 December 2013 includes $29,032,000 (2012: $47,151,000) for letters of credit.

## 32. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk and ageing analysis for credit risk.

Risk management is carried out by the Group's central Treasury function under policies approved by the Board of Directors. The policies provide principles for overall risk management, as well as covering specific areas, such as interest rate risk, foreign exchange risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

**(a) Market risk**

### (i) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain a mix of fixed and variable rate borrowings using interest rate swap arrangements where necessary.

Based on the outstanding net floating debt at 31 December 2013, a change in interest rates of +/-1% per annum with all other variables being constant would impact post-tax profit by $3.1 million lower/higher (2012: $3.3 million lower/higher). The parent entity has no significant exposure to a change in interest rates.

### (ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the Group's functional currency. Individual transactions are assessed and forward exchange contracts are used to hedge the risk where deemed appropriate.

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 receivables or payables in currencies that are not in their functional currency.

### (iii) Price risk

The Group is not exposed to significant price risk.

# Notes to the Financial Statements

## 32. Financial risk management (continued)

**(b) Credit risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board. For other customers, risk control assesses the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Credit risk further arises in relation to financial guarantees given to certain parties.

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date, no amount was receivable (Australian dollar equivalents) for the Group from forward exchange contracts (2012: $nil). The Group undertakes 100% of its transactions in foreign exchange contracts with financial institutions.

**(c) Liquidity risk**

Prudent 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. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyses the Group's financial liabilities including interest to maturity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

| 31 December 2012 | Less than one year $'000 | Between one and two years $'000 | Between two and five years $'000 | Over five years $'000 |
|---|---|---|---|---|
| Trade and other payables | 119,477 | – | – | – |
| Bank loans (including interest to maturity) | 53,582 | 142,634 | 263,932 | – |
| New Zealand Bonds | 6,243 | 6,243 | 87,232 | – |
| Other loans | 40,707 | – | – | – |
| Gross liability | 220,009 | 148,877 | 351,164 | – |
| Less interest | (30,029) | (25,850) | (18,462) | – |
| Principal | 189,980 | 123,027 | 332,702 | – |

| 31 December 2013 | Less than one year $'000 | Between one and two years $'000 | Between two and five years $'000 | Over five years $'000 |
|---|---|---|---|---|
| Trade and other payables | **112,597** | **–** | **–** | **–** |
| Bank loans (including interest to maturity) | **141,131** | **250,798** | **1,209** | **–** |
| New Zealand Bond | **7,251** | **7,251** | **94,064** | **–** |
| Other loans | **835** | **–** | **–** | **–** |
| Gross liability | **261,814** | **258,049** | **95,273** | **–** |
| Less interest | **(25,696)** | **(17,336)** | **(1,862)** | **–** |
| Principal | **236,118** | **240,713** | **93,411** | **–** |

Details of credit standby arrangements and loan facilities are included in note 31.

# Notes to the Financial Statements

## 33. Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss;
- Derivative financial instruments;
- Available-for-sale financial assets;
- Land and buildings; and
- Investment properties.

The Group has also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets as held for sale.

### (a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

#### (i) Recognised fair value measurements

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2013. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of the new rules.

| 31 December 2013 | Notes | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| *Recurring fair value measurements* | | | | | |
| **Financial assets** | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Shares in other corporations | 10 | – | – | 23,394 | **23,394** |
| **Total financial assets** | | – | – | 23,394 | **23,394** |
| **Non-financial assets** | | | | | |
| Land and buildings | | | | | |
| Land | 12 | – | – | 5,299 | **5,299** |
| Buildings | 12 | – | – | 7,770 | **7,770** |
| **Total non-financial assets** | | – | – | 13,069 | **13,069** |
| *Non-recurring fair value measurements* | | | | | |
| Assets held for sale | 9 | – | – | 119,236 | **119,236** |
| **Total non-recurring assets** | | – | – | 119,236 | **119,236** |
| Liabilities directly associated with assets held for sale | 9 | – | – | 55,678 | **55,678** |
| **Total non-recurring liabilities** | | – | – | 55,678 | **55,678** |

# Notes to the Financial Statements

## 33. Fair value measurements (continued)

**(a) Fair value hierarchy (continued)**

| 31 December 2012 | Notes | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Financial assets at fair value through profit or loss | | | | | |
| Shares in other corporations | 10 | – | – | 22,471 | **22,471** |
| Short-term financial instrument at fair value | | – | – | 40,000 | **40,000** |
| **Total financial assets** | | – | – | 62,471 | **62,471** |
| **Liabilities** | | | | | |
| Financial liabilities at fair value through profit or loss | | | | | |
| Short-term financial instrument at fair value | | – | – | 40,000 | **40,000** |
| Contingent consideration provision | 16 | – | – | 42,549 | **42,549** |
| **Total financial liabilities** | | – | – | 82,549 | **82,549** |

There were no transfers between levels for recurring fair value measurements during the year.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### (ii) Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 31 December 2013 (level 3).

The fair value of non-current borrowings disclosed in note 15 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments. For the period ended 31 December 2013, the borrowing rates were determined to be between 5.7% and 11.0%, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

**(b) Valuation techniques used to derive level 2 and 3 fair values**

### (i) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other corporations.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments;
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; and
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

# Notes to the Financial Statements

## 33. Fair value measurements (continued)

**(b) Valuation techniques used to derive level 2 and 3 fair values (continued)**

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

### (ii) Non-recurring fair value measurements

Assets classified as held for sale during the reporting period were measured at the lower of their carrying amount and fair value less cost to sell at the time of the reclassification. The fair value was determined in reference to current market offers.

**(c) Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 items for the periods ended 31 December 2013 and 2012 for recurring fair value measurements:

| | Shares in other corporations $'000 | Short term financial instrument asset at fair value $'000 | Land $'000 | Buildings $'000 | Short term financial instrument liability at fair value $'000 | Contingent consideration provision $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Opening balance 1 January 2012** | **23,528** | **–** | **–** | **–** | **–** | **(9,685)** | **13,843** |
| Additions | – | 40,000 | – | – | (40,000) | (42,495) | (42,495) |
| Disposals | – | – | – | – | – | 9,775 | 9,775 |
| Gains recognised in other comprehensive income | 100 | – | – | – | – | (144) | (44) |
| Losses recognised in other income | (1,157) | – | – | – | – | – | (1,157) |
| **Closing balance 31 December 2012** | **22,471** | **40,000** | **–** | **–** | **(40,000)** | **(42,549)** | **(20,078)** |
| Adoption of AASB 13 | – | – | 6,617 | 14,599 | – | – | 21,216 |
| Transfer to assets held for sale | – | (40,000) | – | – | 40,000 | 32,177 | 32,177 |
| Acquisitions | – | – | – | 104 | – | – | 104 |
| Disposals and other transfers | (331) | – | (1,976) | (6,015) | – | 6,086 | (2,236) |
| Depreciation and impairment | – | – | – | (441) | – | – | (441) |
| Gains recognised in other comprehensive income | 359 | – | 658 | 249 | – | (424) | 842 |
| Gains/(losses) recognised in other income | 895* | – | – | (726) | – | 4,710 | 4,879 |
| **Closing balance 31 December 2013** | **23,394** | **–** | **5,299** | **7,770** | **–** | **–** | **36,463** |

* Unrealised gains recognised in profit or loss attributable to assets held at the end of the reporting period (included in gains recognised in other income above):

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **2013** | 895 | – | – | – | – | – | – |
| 2012 | – | – | – | – | – | – | – |

There were no changes in valuation techniques during the year.

# Notes to the Financial Statements

## 33. Fair value measurements (continued)

**(c) Fair value measurements using significant unobservable inputs (level 3) (continued)**

### (i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (b) above for the valuation techniques adopted.

| Description | Fair value as at 31 Dec 2013 $'000 | Valuation technique | Unobservable inputs | Range of inputs (probability-weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|
| Shares in other corporations | 18,700 | Discounted cash flows | Cash flow growth factor | Between -4.0% and +8.5 % (+1.7%) | Increasing cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by $2.1 million. Lowering cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by $1.8 million. |
| | | | Risk adjusted discount rate | 16.0% | |
| | 4,694 | Capitalisation multiple | EBITDA multiples | Between 3.5x and 5.5x (4.5x) | The higher the capitalisation multiple the higher the value. |
| | 23,394 | | | | |

### (ii) Valuation processes

The finance department of the Group performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This department reports directly to the Chief Financial Officer and the Audit Committee. Discussions of valuation processes and results are held between the Chief Financial Officer, the Audit Committee and the finance team at least once every six months, in line with the Group's half-yearly reporting dates.

The Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings at least every three years.

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

- Shares in other corporations – discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

# Notes to the Financial Statements

## 34. Subsequent events

Since the end of the financial year there have been a number of developments. These are summarised below:

- On 24 January 2014, the Company announced the completion of the sale of its investment in APN Outdoor to Quadrant Private Equity. The total value of the transaction was $69 million, with $60 million of the proceeds received on 24 January 2014 and the remaining $9 million to be received in June 2015.
- On 11 February 2014, the Company announced the sale of its investment in brandsExclusive to Aussie Commerce Group. The transaction completed on 12 February 2014 and APN received $2 million and 8% of the equity in the Aussie Commerce Group.
- On 19 February 2014, the Company announced the acquisition of the 50% of Australian Radio Network Pty Limited (ARN) and the Radio Network Limited (TRN) that it did not already own. The purchase price was $246.5 million to be funded in part by equity raised by way of a fully underwritten accelerated non-renounceable entitlement offer. Refer to separate ASX announcements from 19 February 2014, for further details.

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

This preliminary final report was approved by resolution of the Board of Directors on 19 February 2014.

**Peter Cosgrove**
Chairman
19 February 2014