ANNUAL REPORT 2013

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

THIS APN

THIS APN

Through our extensive publishing, radio, outdoor and digital assets, APN is one of the most influential news and media organisations in the trans-Tasman region.

PUBLISHING

APN AUSTRALIAN REGIONAL MEDIA

Daily newspapers: 12
Non-daily newspapers: 58
Web and mobile sites: 35

APN NZ MEDIA

Daily newspapers: 7
Non-daily newspapers: 25
Web and mobile sites: 15

The New Zealand Herald

nzherald.co.nz

By developing close connections with consumers and their communities, APN understands what drives successful outcomes for our clients.

RADIO

OUTDOOR

DIGITAL

Radio 14

Australian Radio Network broadcasts to over four million listeners each week, primarily through two metropolitan networks and two Sydney stations. The Radio Network operates seven core radio networks that broadcast to approximately 1.7 million listeners each week across New Zealand. iHeartRadio, the free digital radio platform launched by both businesses in August 2013, has already secured more than 300,000 registered users across Australia and New Zealand.

Outdoor 16

Adshel traditionally operates in the street furniture segment, with over 16,000 advertising faces across Australia and New Zealand. In Hong Kong, Cody has more than 160 premium billboards while Buspak provides exterior and multimedia in-bus advertising, as well as on-board TV.

Digital 18

GrabOne is the leading group buying business in New Zealand, offering discounted daily deals from more than 12,000 merchants to its user base of 1.25 million people. iNC Digital Media provides performance-enhancing digital media services for Australian companies in all advertising sectors.

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ABOUT APN

APN provides progressive, tailored media solutions through trusted business partnerships.

APN today

Across Australia and New Zealand, APN reaches a news audience of more than 3.4 million people and broadcasts to almost six million radio listeners every week. We also reach millions of daily commuters through our extensive network of outdoor advertising faces in major metropolitan areas.

APN has a strong digital capability, principally through news websites such as nzherald.co.nz; the digital radio platform iHeartRadio; our expanding digital outdoor infrastructure; and the GrabOne and iNC Digital Media businesses.

By developing close connections with consumers and their communities, APN understands what drives successful outcomes for our clients. We combine this knowledge with considerable media expertise to create tailored solutions that enhance their brand and business proposition.

APN takes pride in building trusted relationships with organisations to partner with them in their long term success. This collaborative culture is fostered across the Group and is the foundation for APN's future growth.

APN re-set

Since the beginning of 2013, APN has undertaken a number of transactions in line with our strategy to wholly own growth businesses. These include:

- the sale of several New Zealand newspaper and magazine titles;
- the sale of our remaining interest in the APN Outdoor joint venture;
- the sale of e-commerce business brandsExclusive;
- the acquisition of the remaining interest in iNC Digital Media that we did not own; and
- the acquisition of the remaining 50% interest in our Australian Radio Network and The Radio Network joint ventures.

As a result, APN now has full ownership of six out of our eight businesses. The remaining two businesses, Adshel and Hong Kong Outdoor, continue to be operated as joint ventures with Clear Channel, our partner of 15 years, which has extensive outdoor assets around the world.

This stronger ownership structure allows APN to gain greater benefit from the ongoing success of our businesses. It also means APN can now pursue new growth opportunities through our businesses working more closely together.

“The progress that we have made to date is encouraging and we now have a more focused, unified base on which to build.”

Michael Miller
Chief Executive Officer
APN Full year results,
19 February 2014

RESULTS HIGHLIGHTS

➔ $63m of net cash inflows, ahead of target ➔ More than $40m of publishing cost savings, ahead of target ➔ Strong radio market share gains and earnings growth ➔ Record result for Adshel

Statutory net profit after tax

$2.6m

EBITDA*

$162.8m

↑ 8%

Best growth rate since 2005

NPAT**

$59.5m

↑ 10%

Best growth rate since 2007

* From continuing operations and before exceptional items
** Before exceptional items

CHAIRMAN'S REPORT

I am pleased to report that considerable changes have been made to APN, which have already contributed to improved results.

The first step was to bring in the right people. APN's new Chief Executive Officer, Michael Miller, was appointed in June 2013. His broad media experience in senior hands-on operational roles is precisely what the Company required.

Michael has already demonstrated his ability to execute on our strategy to wholly own growth assets and the management team has made significant progress in several key areas under his leadership. As a result, I believe you will find APN to be a much easier business to understand.

I believe you will find APN to be a much easier business to understand.

Peter Cosgrove
Chairman
20 March 2014

Radio acquisition

The most important change was acquiring full ownership of the Company's Australian and New Zealand radio businesses.

While publishing remains a core division, the acquisition of Australian Radio Network and The Radio Network means that APN is now a more significant player in radio. Taking full ownership allows us to develop and grow a successful media asset that has longevity and a strong business case in the digital media world. The acquisition was funded by a 5 for 9 pro rata accelerated non-renounceable entitlement offer to raise approximately $132 million, together with the proceeds from the sale of our remaining interest in APN Outdoor and debt funded from existing facilities. We would like to thank you, our shareholders, for your support of the entitlement offer, which has now closed.

Publishing

APN's publishing businesses will continue to play an important role within the Group. However, there is no question that they face many challenges. We will continue to protect and extend the life of our newspapers and explore all options with other industry participants to share printing, distribution and marketing initiatives.

Result and dividend

APN delivered a pleasing result for 2013 despite the uncertain trading environment, with NPAT before exceptional items of $59.5m. This is an increase of 10% on the prior year and our best growth rate in this regard since 2007.

The Board decided not to pay a final dividend for the 2013 financial year, consistent with its focus on strengthening the Company's balance sheet. Our short term focus is on capital growth.

Highly skilled, agile Board

The Board made two new appointments during 2013. Anne Templeman-Jones joined the Board as a non-executive Director in June. Anne has a wealth of experience in the areas of finance, strategy, risk and governance and now chairs our Audit Committee. Peter Cullinane joined the Board in November. Peter is based in New Zealand and has an extensive background in marketing and advertising. Their addition to the Board has considerably strengthened its diverse range of skills and experience, which are relevant to all APN's businesses and markets.

The renewed Board is small but highly engaged and therefore able to make quick, informed decisions. The views of the Board and management team are firmly aligned and no further appointments are currently being considered.

A review of the Company's internal risk management and governance framework is currently underway to ensure we deliver value for APN shareholders. APN now has greater clarity in its strategy and a management team capable of delivering against it. The Board has every confidence in APN's future prospects.

I would like to thank all Company employees for their patience and contribution during a period of rapid change. In particular, I would like to thank Deputy Chairman Ted Harris and Chief Financial Officer Jeff Howard for their assistance in leading the Company through an unsettling transition period in the first half of 2013.

I would also like to thank you, our shareholders, for your ongoing support. I look forward to updating you further at the Company's Annual General Meeting on 8 May 2014.

“

Peter Cosgrove
Chairman

APN now has greater clarity in its strategy and a management team capable of delivering against it. The Board has every confidence in APN’s future prospects.

CHIEF EXECUTIVE OFFICER'S REPORT

APN has a bold, pioneering culture that forms the basis of how our businesses connect with consumers and each other every day.

Michael Miller
Chief Executive Officer

The APN of today is very different to the one of a year ago.

At the start of 2013, seven of our then 10 businesses were part owned or operated as joint ventures. Today, we wholly own six out of eight businesses.

Over the last 12 months, we have sold our remaining interest in APN Outdoor, e-commerce business brandsExclusive and several New Zealand newspaper and magazine titles. We also acquired the remaining 50% interest in Australian Radio Network (ARN) and The Radio Network (TRN) and the remaining interest in iNC Digital Media that we did not own.

Radio is a key strategic asset for APN. We have further invested in ARN and TRN because we believe that radio will continue to grow as a medium and that ARN and TRN will continue to grow market share. We also now have greater flexibility to pursue new revenue generating opportunities through collaboration with our other media businesses.

Our focus is on building long-term, trusted partnerships with our clients that deliver results and value from their investment.

Michael Miller
Chief Executive Officer
20 March 2014

Our publishing assets remain an important part of APN's offering — there is still a large demand for newspapers. We are adapting to the changes in consumer behaviour and advertising behaviour in order to develop new revenue opportunities to ensure that this demand continues for both the metropolitan and regional newspaper categories.

Return to growth

For the 2013 financial year, EBITDA from continuing operations and before exceptional items was $163 million, up 8% on the prior year on revenues of more than $817 million. This result was due to strong earnings growth in our radio businesses as they grew market share; a record result for Adshel; a better second half in our publishing businesses, which exceeded their cost saving targets; and the effect of asset disposals.

The focus on generating cash resulted in a further reduction in debt during 2013. Cash inflows for the year were $63 million, considerably ahead of our $40 million to $50 million target. Overall net debt as at 31 December 2013 was $437 million.

Working together

Most of APN's businesses outperformed their markets in 2013. Given that they each talk to the same advertisers and agencies and engage with the same audiences, we see real opportunities for closer collaboration across our businesses to present a more complete and efficient media offering. iNC Digital Media is a good example of where we see such opportunities through the provision of a more effective integrated digital proposition to advertisers.

This collaborative approach represents how APN has evolved over the last 12 months. APN has a bold, pioneering culture that forms the basis of how our businesses connect with consumers and each other every day.

Our focus is on building long-term, trusted partnerships with our clients that deliver results and value from their investment. We will continue to achieve this by creating bespoke strategies and content that drive measurable demand for their products and services.

Central to this is APN's digital offering, which is embedded across all our businesses. The addition of our free digital radio platform, iHeartRadio, in Australia and New Zealand is an exciting new component of this offering and is indicative of where our ambitions lie.

I would like to thank all APN employees for their hard work and dedication over the past year. As a result of their collective efforts, APN is well set for further improvement.

Outlook

The progress that we have made to date is encouraging and we have a more focused, stronger base to build on. We are now looking to grow revenues across our divisions and to improve the balance sheet.

I am very optimistic about the future of APN and look forward to delivering further value for APN shareholders over time.

OPERATING AND FINANCIAL REVIEW

Summary Financial Performance	SEGMENT RESULT		EXCEPTIONAL ITEMS[4]		STATUTORY RESULT	
AUD million	**2013**	**2012**	**2013**	**2012[3]**	**2013**	**2012[3]**
Revenue before finance income	817.2	823.0	–	–	817.2	823.0
Other income	6.6	2.4	9.0	3.9	15.6	6.3
Share of associate profits	10.6	9.0	–	–	10.6	9.0
Costs	(671.6)	(683.0)	(25.2)	(711.0)	(696.7)	(1,394.0)
EBITDA[1]	162.8	151.4	(16.1)	(707.1)	146.7	(555.7)
Depreciation and amortisation	(33.0)	(30.7)	–	–	(33.0)	(30.7)
EBIT	129.8	120.7	(16.1)	(707.1)	113.7	(586.5)
Net interest	(37.9)	(43.5)	–	–	(37.9)	(43.5)
Tax	(6.0)	(3.7)	6.7	70.4	0.8	66.7
Profit/(loss) from continuing operations	85.9	73.5	(9.4)	(636.7)	76.5	(563.3)
Profit/(loss) from discontinued operations[2]	(0.7)	4.8	(48.1)	75.0	(48.8)	79.7
Net profit/(loss) after tax	85.2	78.2	(57.6)	(561.8)	27.7	(483.5)
Profit/(loss) attributable to APN shareholders	59.5	54.3	(56.9)	(561.7)	2.6	(507.4)
Non-controlling interest	25.7	23.9	(0.6)	(0.1)	25.1	23.8
	85.2	78.2	(57.6)	(561.8)	27.7	(483.5)

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

(2) APN Outdoor and brandsExclusive have been treated as discontinued operations.

(3) 2012 exceptional items and statutory net loss restated for error in relation to impairment charge.

(4) Refer to note 5 to the financial statements for further details in relation to exceptional items.

This Operating and Financial Review should be read in conjunction with the Chairman's Report and the Chief Executive Officer's Report.

Performance overview

APN News & Media Limited's (APN) statutory profit attributable to shareholders for the year was $2.6 million compared to a loss of $507.4 million in 2012. The profit attributable to shareholders before exceptional items was $59.5 million, up 10% on the prior corresponding period. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up 8% to $162.8 million, with revenue from continuing operations down $5.8 million to $817.2 million. brandsExclusive and APN Outdoor have been treated as discontinued operations in the 2013 results and both businesses have been sold since the end of the financial year.

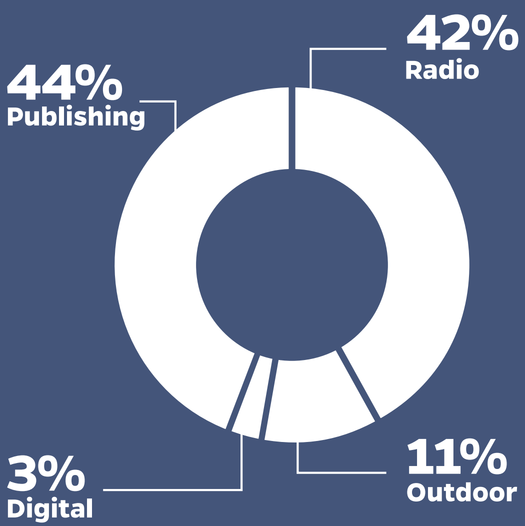
The results for the year reflect the improved performances from a number of our divisions. Highlights include the strong earnings growth in both of our radio businesses, as they increased market share; a record result for Adshel, which delivered double digit EBITDA growth for a second year running; and an improved second half performance from our publishing businesses as cost saving benefits increased. APN's publishing cost savings across both our Australian and New Zealand businesses were in excess of $40 million, considerably ahead of our $25 million to $35 million target.

The table on page 8 reconciles the Group's segment result before exceptional items to the statutory result. The exceptional items include a mix of one off gains and non recurring costs arising during the year. The majority of the costs relate to the ongoing restructuring of our publishing businesses. Further details are included in note 5 to the financial statements. The exceptional loss in relation to discontinued operations relates to write downs of those businesses to fair value less costs to sell at 31 December 2013. A review of each of the businesses is outlined in the following pages.

Positioned for growth

In light of the recent transactional activity already outlined on page 2, APN has made considerable progress in its efforts to streamline operations and position the Company for future growth. The Company is now re-balanced towards growth assets, with over 55% of EBITDA derived from radio, outdoor and digital businesses, helping to place it in a far better competitive position.

Proportional EBITDA post radio acquisition



Based on FY2013 EBITDA (from continuing operations, excluding corporate costs)

Balance sheet and cash flow

The Group has net assets at 31 December 2013 of $611 million, which includes $437 million in net debt. A significant proportion of the Group's assets are in New Zealand and the appreciation of the New Zealand dollar during the year has had a significant impact on the balance sheet position compared to the prior year end.

The Group's ongoing focus on cash generation resulted in $63 million in net cash inflows for debt reduction during the year, including $9 million from small asset and property sales. This cash inflow was considerably ahead of the $40 million to $50 million target set at the beginning of the year. The Group reduced reported net debt by $28 million representing the $63 million of cash generated offset by the impact of the stronger New Zealand dollar and some small non cash items. Net debt to reported EBITDA has improved from over 3 times, twelve months ago to 2.7 times at 31 December 2013.

The Company remains committed to improving its balance sheet flexibility so that it has the option to invest for growth, pay down debt or resume future dividend payments. The recent acquisition of the remaining interest in Australian Radio Network and The Radio Network also gives APN greater control of cash flows, which will be used to strengthen the Company's balance sheet.

Australian Regional Media

With 12 daily newspapers, 58 non-daily newspapers and 35 web and mobile sites, Australian Regional Media's publishing footprint spans from Coffs Harbour to Mackay on the east coast of Australia.

Business overview

Australian Regional Media (ARM) connects with over 1.3 million consumers, or 76% of people living within its publishing footprint, every week via print, desktop and mobile providing advertisers with highly-targeted multiplatform media solutions. Central to this connection is the creation and delivery of the most relevant and engaging local content to inform and entertain the readers of its publications.

ARM also operates APN Educational Media, a niche publisher that services the education and health care sectors, as well as four printing sites in Queensland.

Acceptable results in a challenging environment

AUD million	2013	Change (%)
Revenue	217.0	(13%)
Costs	(187.3)	(11%)
Segment EBITDA	**29.7**	**(23%)**

Moderations in revenue conditions coupled with the benefits of implemented cost saving projects in the second half contributed to a better than expected full year result. Revenue was down 13% to $217.0 million, with national retail conditions particularly challenging. EBITDA was down 23% to $29.7 million. EBITDA in the second half was down only 2% compared to that for the prior corresponding period.

ARM outperformed the Australian regional newspaper market in both national revenue share and circulation results. Based on circulation, ARM has seven of the top nine performing regional dailies in Australia, with The Gympie Times at the top of the list.

ARM achieved in excess of $20 million in cost savings in 2013, which was ahead of target, through initiatives including the rationalisation and outsourcing of support functions, centralising aspects of sales functions and continued print plant optimisation with the closure of its Ballina printing site in August 2013.

Not just a focus on costs

In November 2013, ARM implemented modular advertising across its print newspaper portfolio, reducing the number of standard ad shapes from over 270 to 18. The move to modular makes planning a campaign with ARM simpler and more efficient.

ARM continued its focus on increasing its digital network offering throughout 2013. This resulted in the doubling of ARM's online audience across both mobile and web platforms to over 1.7 million and 1.1 million unique visitors respectively. ARM also launched a new classifieds suite, as well as a bundled print and digital sales strategy, to leverage larger audience numbers.

2014 and beyond

ARM's objective is to be the local media outlet of choice in each of its markets. Cost savings and improving operating efficiencies will remain a priority, with specific areas of review including non-performing publications and office consolidation. Enhancing its hyper-local relationship with its audiences and expanding opportunities on a range of media platforms are key steps in further strengthening ARM's engagement with readers, as well as its relevance for advertisers.

SUNSHINE COAST DAILY
17.10.13

Swisse Colour Run at Stockland Park, Kawana: Finish Festival.

Photo: Brett Wortman

ARM connects with over 1.3 MILLION consumers every week

Cost savings

ARM achieved in excess of $20 million in cost savings in 2013.

Circulation

ARM has seven of the top nine performing regional dailies in Australia.

New Zealand Media

As New Zealand's leading publisher, New Zealand Media's portfolio includes the country's flagship newspaper, The New Zealand Herald, along with six other daily newspapers, 25 non-daily newspapers and 15 web and mobile sites.

Business overview

New Zealand Media (NZM) connects with over 2.1 million consumers every week via print, desktop and mobile. The New Zealand Herald's brand audience continues to grow and now reaches over 1.4 million people. NZM's publications are also consistently recognised as the best in the country, winning 'Newspaper of the Year' at the Canon Media Awards for the past six years.

Following completion of the sale of NZM's wholly owned magazine titles to Bauer Media in February 2014, NZM continues to operate three magazines under licence from Pacific Magazines, being New Idea, Girlfriend and That's Life. NZM also owns and operates one printing site in Ellerslie.

Earnings growth despite continued revenue decline

AUD million	2013	Change (% local currency)
Revenue	282.6	(9%)
Costs	(229.5)	(12%)
Segment EBITDA	**53.0**	**2%**

After a solid finish to 2013, NZM delivered EBITDA growth for the year of 2% to $53.0 million on a local currency basis. This is a result that few major publishing companies worldwide have been able to achieve. Revenue was $282.6 million, down 7% (after adjusting for the impact of the sale of the South Island and Wellington newspaper titles in the first half of 2013) on a local currency basis. The challenging national advertising market was a significant reason for the revenue decline.

NZM commenced the development of its integrated sales approach with TRN and Adshel in New Zealand. NZM's new Group Advertising Director, David Hoath, was appointed in November 2013 and will continue to drive this key initiative across the businesses.

Cost saving initiatives introduced during the year including outsourced printing, a franchised newspaper delivery network, centralised sales functions and offshore advertising production helped NZM achieve improved levels of efficiency. This resulted in cost savings of more than $20 million during 2013. As with ARM, this was ahead of target for the year.

Celebrating 150 years

In November 2013, The New Zealand Herald celebrated its 150th anniversary. This was an opportunity to reflect on The Herald's vibrant past and also look forward with confidence as it evolves in the changing media landscape.

The New Zealand Herald maintained its strong subscriber base of more than 60% of its total circulation, with audience growth being delivered through its digital platforms. Digital advertising revenues across NZM grew by 16% in 2013, with a strong uplift in mobile and video audiences.

2014 and beyond

NZM's objective is to be the number one content, entertainment and commercial influencer in New Zealand. In achieving this objective, NZM will look to partner with APN's other business divisions, such as developing new e-commerce transactional verticals in food, travel and fashion with GrabOne, as well as other media operators.

The launch of digital subscriptions for nzherald.co.nz is on track for the second half of 2014, with revenue benefits expected to flow through within the first two to three years.

THE NEW ZEALAND HERALD
21.03.13

Balloons over Wairarapa mass ascension, Carterton.

Photo: Mark Mitchell

NZM connects with over 2.1 MILLION consumers every week

Radio

Following the acquisition of the remaining 50% interest in Australian Radio Network and The Radio Network from joint venture partner Clear Channel, APN is now the owner of the largest network of radio stations in the trans-Tasman region.

Overview of businesses

Australian Radio Network (ARN) owns or has investments in 12 radio stations in Sydney, Melbourne, Brisbane, Adelaide, Canberra and Perth. It broadcasts to over four million listeners each week via brands including the Classic Hits and Mix networks; as well as Sydney stations KIIS 1065 and The Edge 96.1.

The Radio Network (TRN) operates seven core radio networks that broadcast to approximately 1.7 million listeners each week across New Zealand, being Newstalk ZB, Radio Sport, Coast, Classic Hits, ZM, Radio Hauraki and Flava.

Outperforming their markets

In 2013, ARN continued to outperform the Australian radio market, with revenue growth of 6% to $148.9 million, compared to overall radio market growth of 2%. EBITDA was up 14% to $58.0 million. ARN is the only Australian network to record three consecutive years of 10+ ratings growth.

During the year, Mix was the number one station in both Adelaide and Brisbane and Classic Hits achieved number one station in Sydney and joint number one station in Melbourne.

In New Zealand, TRN delivered strong growth in revenues, up 9% to $102.3 million on a local currency basis. This compared to overall radio market growth of 8%. EBITDA was $20.0 million, up 22% on a local currency basis.

Newstalk ZB remains the number one 10+ radio and talk station nationally, with more than double the share of any other station in the 30+ breakfast audience. Coast is the number one 10+ music station and Radio Sport the number one 10+ sport and number two 10+ talk station nationally.

Australian Radio Network

AUD million	2013	Change (%)
Revenue	148.9	6%
Costs	(90.9)	2%
Segment EBITDA	**58.0**	**14%**

The Radio Network

AUD million	2013	Change (% local currency)
Revenue	102.3	9%
Costs	(82.3)	6%
Segment EBITDA	**20.0**	**22%**

New talent, refreshed brands and increased digital presence

In late 2013, ARN announced that new Sydney station KIIS 1065 would launch in January 2014 with Sydney's number one FM breakfast team, Kyle Sandilands and Jackie O (Henderson). Their addition to ARN's consistently performing on-air teams, including Jonesy & Amanda in Sydney, Chrissie & Jane in Melbourne and Robin, Terry & Bob in Brisbane, demonstrates how central key talent is to ARN's operations and ambitions.

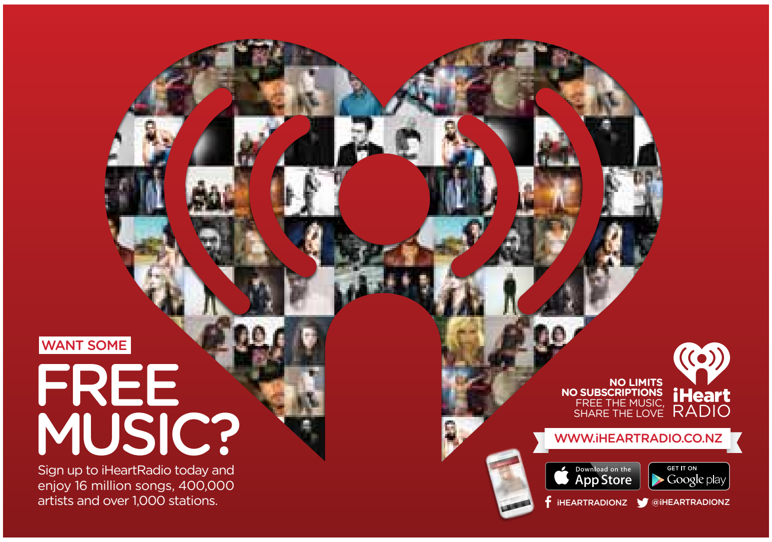
ARN continued to develop its digital offering throughout 2013, resulting in an 111% increase in digital page views compared to those for 2012 and the doubling of its Facebook audience. ARN's digital presence was also significantly bolstered

iHeartRadio

Since its launch in August 2013, digital radio platform iHeartRadio has secured more than 300,000 registered users.

Audience

ARN and TRN broadcast to over 5.7 million listeners across Australia and New Zealand each week.



Top of page: Sydney's number one breakfast team – Kyle Sandilands and Jackie O (Henderson) from KIIS 1065. Above: The breakfast team from Radio Hauraki – Matt Heath, Jeremy Wells and Laura McGoldrick.

by iHeartRadio, the free digital radio platform launched with TRN across Australia and New Zealand in August 2013, which has already secured more than 300,000 registered users.

TRN's focus was also on growing its digital presence, as well as its younger audience. Key highlights were securing leading talent including Carl Fletcher, Vaughan Smith and Rachel Smalley, the launch of new programming such as the 'Crowd Goes Wild' breakfast show on Radio Sport with Sky Television, refreshed brands including Radio Hauraki and the addition of iHeartRadio. This resulted in positive trends, including 42% growth in the 10+ audience for TRN's youth station Flava and overall digital revenue growth of 81%.

2014 and beyond

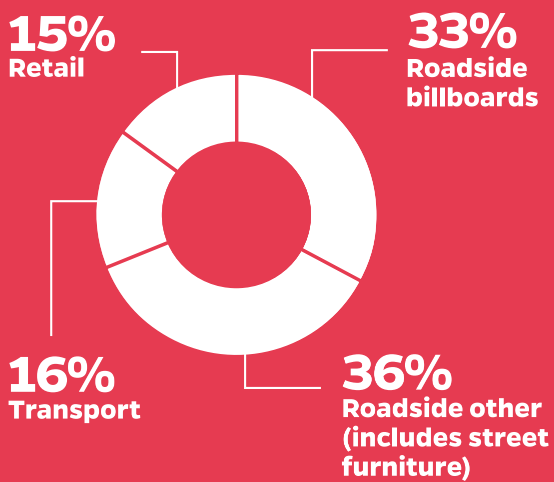
ARN's objective is to become the number one FM network across Australia. It is repositioning itself as an integrated entertainment business that delivers more innovative and creative content on air and online via social media and iHeartRadio. ARN will continue to build profitability by improving ratings across its network, with a particular focus on the key Sydney and Melbourne markets, and delivering more compelling propositions to advertisers.

TRN continues to launch new programming and will look to further leverage partnerships to grow its audience base and provide fully integrated media solutions to advertisers. It is also advanced in exploring opportunities for closer collaboration with APN's other New Zealand businesses to improve efficiencies and drive revenue growth.

Outdoor

APN's outdoor advertising operations offer a wide variety of formats across Australia, New Zealand and Hong Kong via the Adshel and Hong Kong Outdoor businesses.

Australian outdoor market composition 2013



Based on net revenue as reported by Outdoor Media Association, for the month ended 31 December 2013.

Overview of businesses

Following the sale of APN's remaining interest in APN Outdoor in early 2014, Adshel is now APN's sole outdoor business in Australia and New Zealand. Adshel traditionally operates in the street furniture segment nationally in both markets. With over 16,000 advertising faces within transport shelters and railway networks, Adshel covers the seven major capital cities across Australia and New Zealand.

Hong Kong Outdoor comprises of Cody, which offers premium billboard advertising, and Buspak, which provides exterior and multimedia in-bus advertising via the Webus Wi-Fi network and the on-board TV platform BuzPlay.

Record result for Adshel

Adshel delivered a record result for 2013, with EBITDA growth of 14% to $40.2 million, further consolidating its strong performance in 2012. Revenues were up 5% to $149.3 million; with Adshel's media revenue up 8% compared to 7% growth in the Australian outdoor market. The 'roadside other' category was up 9%, continuing the broader trend towards smaller formats. 'Roadside other' now comprises 36% of the total Australian outdoor market.

Revenue for Hong Kong Outdoor was up 5% to $44.1 million on a local currency basis, with bus exterior revenue up by 11%. EBITDA of $1.8 million was down 55% on a local currency basis. This EBITDA result was primarily due to the poor performance of the BuzPlay contract and the loss of a key billboard contract in 2012.

Focus on innovative media assets

Adshel completed the insourcing of maintenance, posting and cleaning services across five major regions in Australia in the second half of the year. It also sold its two infrastructure businesses, Adshel Infrastructure and Town & Park, as part of the narrowing of its strategic focus on core advertising operations.

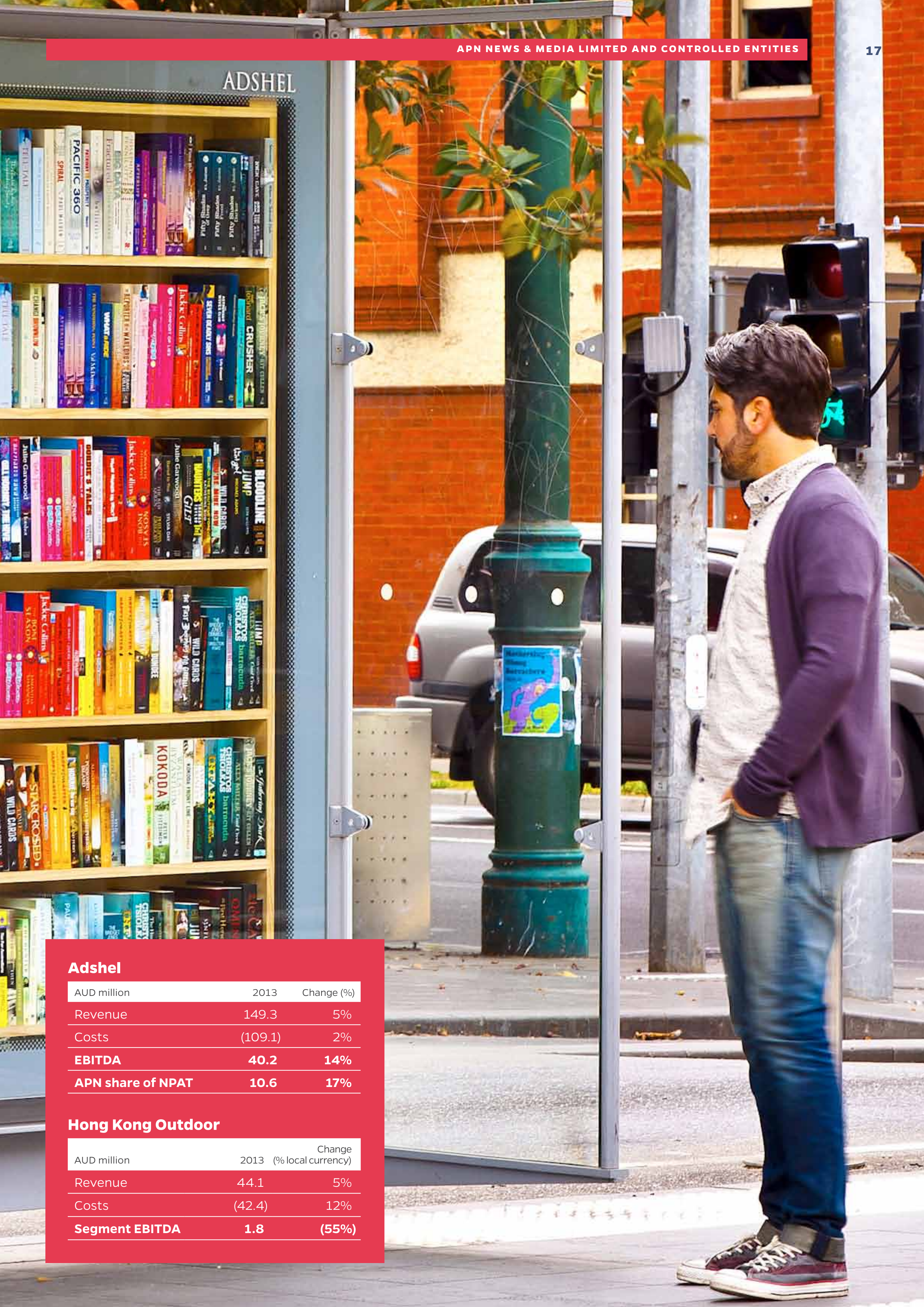
In December 2013, Adshel announced that it had won all of the precincts that it tendered for in the highly competitive Sydney Trains contract. This is a particularly significant win due to the scale of the required digital infrastructure roll-out, which will be the largest ever in the Sydney outdoor market.

In Hong Kong Outdoor, the BuzPlay contract review culminated in the renegotiation of its terms to improve future results and the launch of its signature buses offering, which has been well received by the advertising market.

2014 and beyond

The roll-out of the Sydney Trains digital assets is a key focus for Adshel in 2014, with full revenue benefits due to flow through from 2015 for the duration of the five year contract. Adshel is also focused on increasing its other digital revenues and will explore strategic opportunities to further expand its asset base.

After securing two significant billboard contracts at the beginning of 2014, Hong Kong Outdoor management are confident of an improved performance for the year.



Adshel

AUD million	2013	Change (%)
Revenue	149.3	5%
Costs	(109.1)	2%
EBITDA	**40.2**	**14%**
APN share of NPAT	**10.6**	**17%**

Hong Kong Outdoor

AUD million	2013	Change (% local currency)
Revenue	44.1	5%
Costs	(42.4)	12%
Segment EBITDA	**1.8**	**(55%)**

Digital

Digital is an integral element of APN's publishing, radio and outdoor advertising operations.

New products now account for over 25% of iNC Digital Media's revenues.

iNC Digital Media

AUD million	2013	Change (%)
Revenue	4.1	(22%)
Costs	(3.6)	(5%)
Segment EBITDA	**0.5**	**(66%)**

Overview of businesses

GrabOne is the leading group buying business in New Zealand. It offers over 350 discounted deals per day from more than 12,000 merchants to its user base of 1.25 million people. GrabOne has maintained the 80% market share that it reached in the first half of 2013.

APN moved to 100% ownership of iNC Digital Media (iNC) in October 2013, following completion of a two year buyout plan. iNC specialises in driving online sales, email registrations, lead generation and in-store foot traffic for its clients, combined with providing actionable insights through data and analytics.

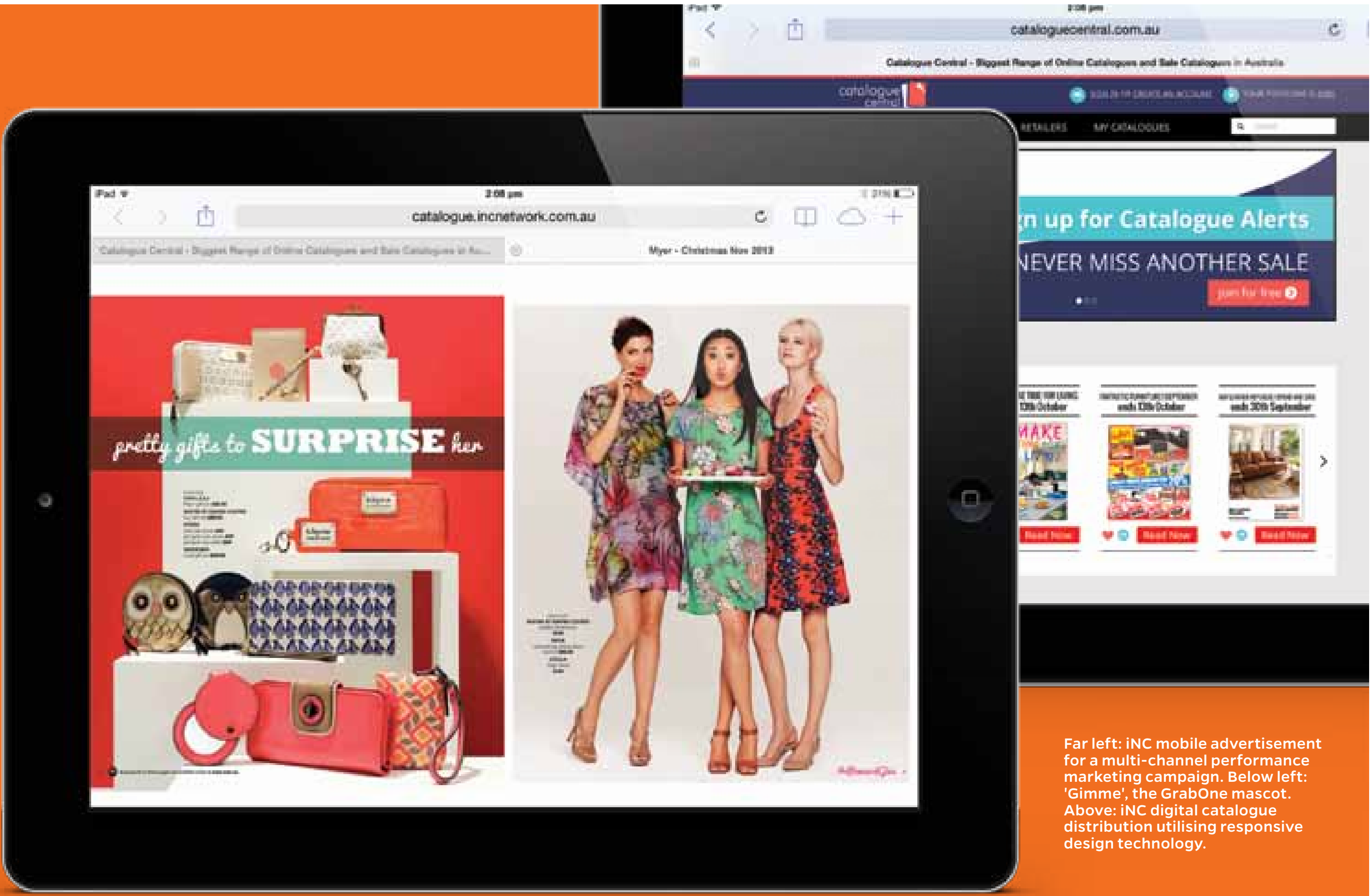
In addition to being strong standalone businesses, GrabOne and iNC provide further revenue generating opportunities through collaboration with APN's divisions.

In the second half of 2013, APN announced that it was exploring divestment options for its e-commerce business brandsExclusive. Following a competitive process, APN sold the business to Aussie Commerce Group in February 2014. As part of the deal, APN received 8% of the equity in Aussie Commerce Group.

Results impacted by operating conditions

GrabOne continued its revenue growth from the previous three years, with the full year result of $18.2 million up 13% on a local currency basis. EBITDA was flat at $4.8 million. Difficult trading conditions in the third quarter, changes in user preferences to mobile platforms and launch costs associated with GrabOne's new transactional website GoBook affected the business' ability to exceed 2012's EBITDA result.

GrabOne continued to experience growth in several of its key metrics, including a 7% increase in average transaction value, a 35% increase in the number of merchants and a 2.5% increase in average commission rate. Growth in mobile usage was 83% and while conversion rates to mobile platforms were an issue for the business, mobile now makes up 20% of all transactions.



Far left: iNC mobile advertisement for a multi-channel performance marketing campaign. Below left: 'Gimme', the GrabOne mascot. Above: iNC digital catalogue distribution utilising responsive design technology.

2013 was a transitional year for iNC. Revenue was $4.1 million, down $1.1 million and EBITDA was $0.5 million, down $1.0 million. iNC's core catalogue revenue was impacted by the difficult trading conditions experienced by several key retail clients, predominantly in the first half. iNC has broadened its product range and capabilities, with new products now accounting for over 25% of revenues.

Expanded offerings

In October 2013, GrabOne launched GoBook, which enables consumers to browse for and book travel and other activities directly with operators. The response from both consumers and operators has been strong, with over 10,000 transactions to date.

iNC reshaped its business from principally providing digital catalogue distribution for retailers, to now offering a wider range of targeted performance digital media services for all advertising sectors. After a number of major client wins in the second half of 2013, the business has positive momentum into 2014.

2014 and beyond

A key objective of both GrabOne and iNC is to continue expanding their offerings. In 2014, GrabOne will launch further new verticals such as the fashion-based GoStyle, which will leverage the merchant relationships built up in GrabOne's core business. iNC is also focused on introducing new verticals in areas such as finance and travel.

Both businesses will also look to grow and diversify through partnering with APN's other businesses as an integral part of their digital expansion plans.

GrabOne is the leading group buying business in New Zealand with a market share of

80%

GrabOne

AUD million	2013	Change (% local currency)
Revenue	18.2	13%
Costs	(13.4)	19%
Segment EBITDA	**4.8**	**0%**

CORPORATE SOCIAL RESPONSIBILITY

Giving a vo our commu

APN and our businesses are committed members of the communities in which we operate. Our service to, and support of, these communities is a responsibility that we take very seriously. Our national and localised publishing, radio, outdoor and digital media assets across Australia and New Zealand provide a voice for members of the public to air the issues that are important to them.

Through high-quality, balanced newspaper and broadcast content, we keep people informed and hold those in leadership positions to account. APN's businesses also play an important role in promoting the sustained development of their communities through sponsorships and direct funding, as well as supporting charities and not-for-profit organisations.

APN builds strong community connections by promoting important events and charitable campaigns, both through service announcements and the direct involvement of our employees. This enables us to continue supporting these communities in a responsible and constructive way.

Partnering for a good cause: charity

In 2013, APN continued its sponsorship of the Australian Children's Music Foundation (ACMF), which provides music lessons and instruments to disadvantaged children. Cash donations from APN and advertising provided by Australian Radio Network (ARN) and APN Outdoor helped to fund and promote ACMF's two main events, the National Songwriting Competition and the Duets fundraising concert.

ARN, Adshel and APN Outdoor all sponsored the Gold Week Telethon, the major annual fundraising event of the Sydney Children's Hospital. An innovative and popular highlight was ARN's introduction of a new digital radio station, WSFM4KIDS, solely to raise money for the telethon.

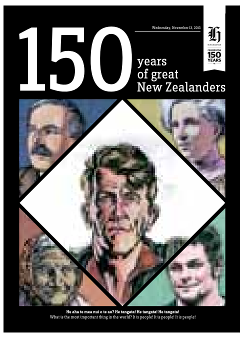
ARN also supported a number of other national and local charitable campaigns throughout the year by providing house-produced radio commercials, dedicated air time with its radio talent, participation by its street teams and digital promotions. Some of the campaigns supported included Barnardos Mother of the Year Awards, The Starlight Foundation's Starlight Day and the Daniel Morcombe Foundation's Day for Daniel.

Case study

The New Zealand Herald's 150th anniversary

NZM auctioned the original artworks by Dick Frizzell of Sir Edmund Hillary, Dame Whina Cooper, Ernest Rutherford, Kate Sheppard and Richie McCaw that featured on The New Zealand Herald's 150th anniversary cover.

NZM also listed 150 special edition signed prints of the national icons on GrabOne, which sold out in minutes. All proceeds from the sales, along with NZM's own donation, were given to the Starship Foundation. NZM also provided sponsorship advertising for the organisation.



ice to nities

Adshel supported Open Families Australia, R U OK? and the Royal Institute for Deaf and Blind Children (RIDBC) through its 'Importance of Giving Back' campaign. On the back of media space provided by Adshel, RIDBC received a 30% increase in traffic to its website and R U OK? had almost 25,000 interactions with its campaign over a two week period. Overall, Adshel made direct donations and provided media space to approximately 20 different charities during the year.

As part of The New Zealand Herald's 150th anniversary celebrations, New Zealand Media (NZM) held an auction for the five original artworks featured on its anniversary cover with proceeds donated to the Starship Foundation's National Air Ambulance service, which flies medical experts to life-threatening emergencies around New Zealand (see case study). NZM supported more than 30 other charities throughout 2013, including the Salvation Army, Camp Quality, Cancer Society and the Tauranga Foodbank.

Jason Gunn and Dave Fitzgerald from The Radio Network's (TRN) Classic Hits network achieved the impossible by crossing Cook Strait in bumper boats to raise awareness of Coastguard, New Zealand's primary maritime search and rescue service. Funds raised were donated to Coastguard for ensuring their safe passage. Overall, TRN contributed to more than 25 charities in 2013, including Cure Kids, Plunket and the Breast Cancer Foundation.

Contributing for a common goal: community and culture

The floods that hit Queensland in early 2013 caused significant disruption across the State. Australian Regional Media's (ARM) Bundaberg NewsMail produced a 2013 Flood Crisis Book for its readers that contained a chronological record in pictures and commentary of how Bundaberg prevailed through the disaster. A proportion of the proceeds from sales of the books were donated to the town's recovery effort.

A number of ARM's publications again supported the Adopt-A-Family initiative in 2013 by assisting organisations including the Salvation Army, St Vincent de Paul and Lifeline to provide gifts and food to approximately 2,500 families.

Adshel teamed up with leading anti-violence lobby group Step Back Think in its campaign to end late night street violence (see case study). Adshel continued its support of the arts by sponsoring the Sydney Festival, the National Gallery of Victoria and the Art Gallery of South Australia. 2013 was also Adshel's 10th year of sponsoring the Sydney Theatre Company.

TRN partnered with The New Zealand Herald to announce The Pride of New Zealand Awards, which recognises people who make a major, often unheralded, difference to their communities. As part of its ongoing support of the arts, The New Zealand Herald was a major sponsor of the Auckland Readers and Writers Festival and the Auckland Philharmonic Orchestra Premier Series.

GrabOne utilised its extensive reach across New Zealand to provide families in need with Christmas cheer through its Secret Santa project. A family from each of the 13 regions GrabOne operates in was selected via subscriber nominations and provided with an extensive package including supermarket vouchers and gifts from some of GrabOne's most valued merchants.

Case study

Adshel's anti-violence campaign

In collaboration with Step Back Think, Adshel has launched its 'Put 'Em Away' poster campaign to encourage young people to consider the consequences of resorting to violence, particularly one-hit assaults.

Produced by Sydney agency Common Ventures and illustrated by James Jirat Patradoon, the campaign asks the question: "Is one punch worth it?" Posters will be featured on Adshel advertising space across Sydney, Melbourne and Brisbane during 2014.

SENIOR MANAGEMENT TEAM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1 • MICHAEL MILLER • *Chief Executive Officer, APN News & Media*

Michael Miller commenced as Chief Executive Officer of APN News & Media in June 2013. Prior to his current role, Michael was the Regional Director for News Limited in New South Wales and had been in senior executive roles at News Limited since 1997. His positions included Managing Director of Nationwide News (2011 – 2012), Managing Director of Advertiser News Media (2004 – 2010) and Group Marketing Director (1997 – 2004). Michael is also a Director of the Committee for Sydney and Waratahs Rugby and is a previous Director of News Limited, Sky Network Television, Fox Sports Australia, carsguide.com.au and the Audit Bureau of Circulations.

2 • JEFF HOWARD • *Chief Financial Officer, APN News & Media*

Jeff Howard joined APN News & Media in 2010 and was appointed Chief Financial Officer in December 2012. Jeff spent more than nine years with ABN AMRO and RBS in corporate lending and broader relationship banking roles that included a focus on the telecommunications and media sectors. Prior to this, Jeff was with KPMG where he spent nearly 10 years in audit and project roles, including a secondment to KPMG's Philadelphia practice. Jeff completed his Executive MBA with the Australian Graduate School of Management in 2005 and is a Chartered Accountant.

3 • YVETTE LAMONT • *Group General Counsel and Company Secretary, APN News & Media*

Yvette Lamont has been Group General Counsel and Company Secretary of APN News & Media since 1998. She was previously General Counsel of pay television company Australis Media Limited, a Senior Associate with law firm Allens in the Media and Technology Group and a solicitor with boutique law firm Boyd, House & Partners specialising in media law (in particular commercial radio). Yvette is a Member of the Media and Communications Committee of the Law Council of Australia and is a Graduate of the Australian Institute of Company Directors. She was admitted as a solicitor to the Supreme Court of NSW in 1987 and the High Court of Australia in 1988.

4 • NEIL MONAGHAN • *Chief Executive Officer, Australian Regional Media*

Neil Monaghan was appointed as Chief Executive Officer of Australian Regional Media in April 2013 after more than 25 years' experience working in procurement and operations across various industries including media, mining and construction. Neil originally joined APN in 2001 as Group Procurement Director and in 2004 was seconded to Dublin, Ireland to work for Independent News & Media PLC as Head of Global Procurement. After returning to APN in 2008, Neil left in 2009 to consult to the mining industry on projects in Australia and the Middle East, before returning to APN in 2010 as Group Operations & Procurement Director. Neil has a Master of Applied Law from The University of Queensland.

5 • MARTIN SIMONS • *Chief Executive Officer, New Zealand Media*

Martin Simons has more than 30 years' experience as a journalist, editor and manager with APN New & Media in both Australia and New Zealand. He was appointed Chief Executive Officer of Wilson & Horton Ltd's New Zealand regional business in 1998. After acquisition of Wilson & Horton by APN News & Media in 2002, he became trans-Tasman Chief Executive Officer for the combined regional division and was later head of all publishing. Martin took up his current role of Chief Executive Officer of New Zealand Media in 2006. He completed the Harvard AMP programme in 2004.

6 • CIARAN DAVIS • *Chief Executive Officer, Australian Radio Network*

Ciaran Davis joined Australian Radio Network as Chief Executive Officer in January 2010 from Communicorp Group Ltd, where he spent 10 years working with the group's radio and media interests in Europe and the Middle East. His positions included Commercial Director (2007 – 2010), Chief Executive Officer for 98FM, Dublin (2003 – 2007) and Marketing Director for 98FM (2000 – 2003). Before joining Communicorp, Ciaran worked with Irish Permanent PLC (1996 – 2000), leading their sponsorship activities of the Irish rugby team. Ciaran is a Director of Commercial Radio Australia and The Australian Ireland Fund.

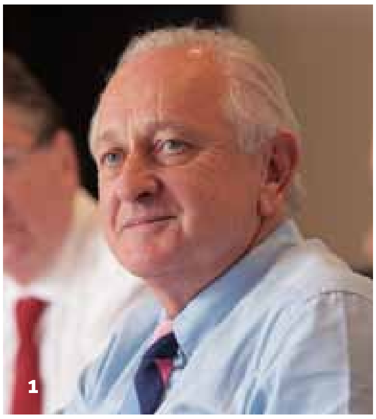
7 • JANE HASTINGS • *Chief Executive Officer, The Radio Network*

Jane Hastings joined The Radio Network as Chief Executive Officer in September 2012 from Amalgamated Holdings Limited, where she was General Manager, Entertainment Australia and New Zealand. Jane was previously General Manager Group Sales, Marketing and Cinemas at SKYCITY Entertainment Group and also spent over eight years in executive roles in Asia, including Managing Director at Tequila Asia, Managing Director at Draftworldwide Japan, Regional Director of Customer Relationship Management at Wunderman Cato Johnson Singapore and Director of Communications at ICLP in Hong Kong. Before heading to Asia, Jane gained experience at Air New Zealand, leading the loyalty areas of Airpoints and Koru Club.

8 • ROB ATKINSON • *Chief Executive Officer, Adshel*

Rob Atkinson joined Adshel as Chief Executive Officer in November 2011, having previously held the position of Chief Operating Officer of Clear Channel UK. Rob originally joined Clear Channel as Sales Director in 2005 before being promoted to Group Sales Director and then Managing Director in the same year (2008). Prior to joining Clear Channel, Rob held various senior sales roles at Associated Newspapers in both London and Dublin and won the prestigious Campaign Magazine UK Sales Leader of the Year in 2009.

BOARD OF DIRECTORS



1 • PETER COSGROVE • *Chairman*

Peter Cosgrove has been an APN Board Member since December 2003. He is the founder of the Buspak group of companies in Australia, New Zealand and Hong Kong and has more than 20 years' experience in the publishing, broadcasting and outdoor advertising industries. Mr Cosgrove is non-executive Chairman of Buspak Hong Kong (since June 2003), non-executive Deputy Chairman of Clear Media Limited (Director since April 2001), which is listed on the Stock Exchange of Hong Kong, and a Director of APN Media (NZ) Limited (since February 2013). He is also Chairman of GlobeCast Australia Pty Limited (since June 2002), a broadcasting company based in Sydney.

Responsibilities: Chairman of the Board of Directors (from 19 February 2013), Chair of Nomination Committee, Allotment Committee and Options Committee (all from 20 June 2013).

2 • TED HARRIS AC • *Deputy Chairman*
F.INST.D, FAIM, FAICD.

Ted Harris has been an APN Board Member since March 1992 and Deputy Chairman since December 1994. He was Managing Director and Chief Executive Officer of the Ampol Group (1977 – 1987) and was previously Chairman of Australian Airlines, British Aerospace Australia, Australian National Industries, Thakral Holdings and Gazal Corporation and Deputy Chairman of Metcash Limited. Mr Harris is Chairman of Australian Radio Network and President of St Vincent's Clinic Foundation, as well as Life Governor of the Melanoma Foundation and a Life Member of the Australian Sports Commission. He was Chairman of the Zoological Parks Board of NSW (1973 – 1990) and Chairman of the Australian Sports Commission and Institute of Sport (1984 – 1994). Mr Harris started his career as a broadcaster and journalist with Macquarie Broadcasting Service and is a former Commissioner of the ABC. He was Trustee for the Walkley Awards (1976 – 1980) and is a recipient of the Queen's Silver Jubilee Medal.

Responsibilities: Non-Executive Director, Deputy Chairman, Chair of Remuneration Committee, Member of Audit Committee, Chair of the Audit Committee (from 19 February 2013 to 16 August 2013).

3 • ANNE TEMPLEMAN-JONES •
***Non-Executive Director** B Comm (UWA), ACA, EMBA (UNSW) and Masters in Risk Management (UNSW).*

Anne Templeman-Jones was appointed to the APN Board in June 2013 and brings extensive expertise in strategy, banking, finance, risk management and governance. Since 1995, she has served on the Boards and chaired the Audit and Risk Committees of HBF General Insurance Limited, McCusker Foundation for Alzheimer's Research and the Travel Compensation Fund and currently serves on the Boards of Cuscal Limited and HBF Health Limited. From 2007 to 2013, Ms Templeman-Jones held a number of senior executive positions at Westpac, including Director of Corporate and Institutional Banking, Director Group Risk Reward, Head of Strategy and Governance for Pacific Banking and Head of Private Bank (NSW). She previously held senior executive positions in Switzerland, Belgium, Perth and Sydney with AIESEC International, PricewaterhouseCoopers, the Bank of Singapore, the Bank of New Zealand and ANZ Banking Group. Ms Templeman-Jones is a Fellow of the Australian Institute of Company Directors and a member of the Australian Institute of Chartered Accountants.

Responsibilities: Non-Executive Director, Chair of Audit Committee (from 16 August 2013), Member of Audit Committee and Remuneration Committee (both from 20 June 2013).

4 • VINCENT CROWLEY •
***Non-Executive Director** BA, FCA.*

Vincent Crowley was appointed to the APN Board in March 2009. He was Chief Executive of APN from 2000 to 2002, having previously held the position of Finance Director from 1996 to 2000. A Chartered Accountant, he joined Independent News & Media PLC (INM) in 1990, became a Director of INM in 1997 and was appointed Chief Executive of Independent News & Media – Ireland in August 2002. Mr Crowley retired from the INM Board in 2009 and in January 2010 was appointed Group Chief Operating Officer of INM. In April 2012, he was appointed Group Chief Executive Officer of INM and rejoined the INM Board. Mr Crowley was previously an audit manager with an international accountancy firm. He is also a director of a number of INM subsidiaries and associated companies.

Responsibilities: Non-Executive Director, Member of Audit Committee (from 14 March 2013).

5 • PAUL CONNOLLY •
***Non-Executive Director** B Comm, FCA.*

Paul Connolly was appointed to the APN Board in October 2012 and brings extensive experience in media and communications. Since 1991, Mr Connolly has been Chairman of Connolly Capital Limited, a Dublin-based corporate finance advisory firm focused on the telecommunications, media and technology sectors. He was a Director of Esat Telecommunications Limited, an Irish telecommunications company (1997 – 2000) and then a Director of Digicel Limited, a Caribbean-based telecommunications company. From 1987 to 1991, Mr Connolly was Financial Controller of Hibernia Meats Limited and prior to that he was an accountant with KPMG. Currently, Mr Connolly serves on the Boards of Independent News & Media PLC, Communicorp Group Ltd and Melita Cable PLC and in October 2010 he was invited to become an external Senior Advisor to Credit Suisse. He holds a Bachelor of Commerce from University College Dublin, Ireland, is a Fellow of Chartered Accountants Ireland and is a member of the Executive Summit at Stanford Graduate School of Business.

Responsibilities: Non-Executive Director, Member of Remuneration Committee and Nomination Committee (both from 20 June 2013).

6 • PETER CULLINANE •
***Non-Executive Director** MBA, M Mgt.*

Peter Cullinane was appointed to the APN Board in November 2013. As the former Chief Operating Officer of Saatchi & Saatchi Worldwide (1998 – 2002) as well as its Chief Executive, New Zealand and Chairman, Australasia for over eight years prior, he is a respected force in global advertising and marketing who brings to the Board extensive industry knowledge, as well as expertise in Australasian and global markets. Based in Auckland, Mr Cullinane is currently a Partner of Assignment Group, where he provides strategic advice to a wide range of New Zealand and international clients. He is a director of STW Communications Group (since 2010) and SKYCITY Entertainment Group (since 2008), where he is also Chairman of the Corporate and Social Responsibility Committee and a member of the Governance and Nominations Committee. Mr Cullinane is also the founder of Lewis Road Creamery Limited and Antipodes Water Company.

Responsibilities: Non-Executive Director, Member of Remuneration Committee (from 4 December 2013).

CONTENTS

Corporate Governance Statement

The Board of APN News & Media Limited endorses good corporate governance practices and oversees an organisation-wide commitment to high standards of legislative compliance and financial and ethical behaviour.

The Directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders and ensures the Company is properly managed.

The Company has considered the best practice recommendations established by the ASX Corporate Governance Council "Corporate Governance Principles and Recommendations with 2010 Amendments" (2nd edition) in effect during the reporting period (Recommendations) and, except to the extent indicated below, has complied with the Recommendations for the entire reporting period. In addition, a description of the Company's main corporate governance practices and policies is set out below. This Corporate Governance Statement is also available on the Company's website www.apn.com.au.

Board of Directors

Board responsibilities

The Board is responsible for overseeing the long-term profitable growth of the Company. This is achieved through a process of regular reviews of strategy, operations and areas of risk.

The Board sets overall corporate policy and provides guidance for senior management and oversight of policy execution.

The responsibilities of the Board are to:

- oversee the workings of the Company, including its control and accountability systems;
- appoint and remove the Chief Executive Officer;
- appoint and remove the Chief Financial Officer (based on the recommendation of the Chief Executive Officer);
- appoint and remove the Company Secretary;
- provide input into and approve corporate strategy;
- provide input into and approve the annual operating budget (including the capital expenditure budget);
- approve and monitor the progress of major capital expenditure, capital management and acquisitions/divestitures;
- monitor compliance with legal and regulatory obligations; and
- review and ratify systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies.

Responsibility for the day-to-day operations of the Company is usually conferred on the Chief Executive Officer who reports to the Board and provides the Board with information in relation to the conduct of the business of the Company. The Chief Executive Officer exercises this responsibility in accordance with Board-approved annual operating budgets and reports to the Board at regular Board meetings. In addition, the Company's senior management team meets regularly to examine the performance of the Company compared to Board-approved operating budgets and policies.

Due to the resignation of the then Chief Executive Officer on 19 February 2013, the Company's business was overseen by a leadership team comprised of the Chairman, Deputy Chairman and Chief Financial Officer on a temporary basis until the new Chief Executive Officer's appointment on 17 June 2013.

Term of office

The Constitution of the Company currently specifies that there shall be a minimum of three Directors and a maximum of nine or such other number as is determined by the Board from time to time by ordinary resolution.

The Constitution of the Company specifies that an election of Directors must be held at each Annual General Meeting.

A Director (other than any Managing Director) must retire from office at the third Annual General Meeting after being last elected or re-elected and is eligible for re-election. If no Director is required to retire at an Annual General Meeting, then the Director with the longest period in office since last being elected or re-elected must retire and is eligible for re-election at the Annual General Meeting.

A Director appointed since the most recent Annual General Meeting shall hold office only until the next following Annual General Meeting and shall then be eligible for election by shareholders.

Composition and qualifications

The Board currently consists of six non-executive Directors. During the reporting period, the Board consisted of up to 10 members (until 19 February 2013): nine non-executive Directors and one Managing Director (who was the then Chief Executive Officer). Four non-executive Directors (including the then Chairman) and the Managing Director resigned from the Board on 19 February 2013. Peter Cosgrove was appointed Chairman on 19 February 2013. One non-executive Director retired on 12 April 2013. One non-executive Director was appointed on 4 June 2013 and one non-executive Director was appointed on 1 November 2013.

Details of the names, qualifications, tenure, skills, experience and Board Committee memberships of the Directors and the meeting attendances of Directors during the reporting period appear on pages 25 and 34 to 37 of this Annual Report.

Corporate Governance Statement continued

Board procedure

The Board meets formally on a regular basis during the financial year. From time to time, meetings are held at the offices of divisional operations, enabling Directors to obtain increased knowledge of individual Company operations.

Meeting agendas

Meeting agendas are usually settled by the Chairman with input from the Chief Executive Officer to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year. Directors add items to the agenda. From time to time, non-executive Directors discuss issues, on an as needs basis, without management present.

Independent advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required; however, this will not be unreasonably withheld.

Independence of Directors

The Company complies with Recommendation 2.1 due to the majority of the Board comprising independent Directors.

In terms of assessing independence, Directors are considered to meet the threshold for independence if they are independent of management and free from any business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Rather than applying materiality thresholds, materiality is assessed on a case-by-case basis.

In relation to the reporting period, the following non-executive Directors were considered by the Board to be independent:

- Peter Cosgrove (appointed Chairman on 19 February 2013)
- Ted Harris (Deputy Chairman)
- Anne Templeman-Jones (appointed as a Director on 4 June 2013)
- Peter Cullinane (appointed as a Director on 1 November 2013)
- Kevin Luscombe (retired as a Director on 12 April 2013)
- Peter Hunt (Chairman) (resigned as a Director and Chairman on 19 February 2013)
- Melinda Conrad (resigned as a Director on 19 February 2013)
- John Harvey (resigned as a Director on 19 February 2013)
- John Maasland (resigned as a Director on 19 February 2013).

The Board considers that the Chairman and Deputy Chairman remained independent Directors at all times notwithstanding their role as part of the leadership team from 19 February 2013 until the new Chief Executive Officer's appointment on 17 June 2013. In doing so, the Board assessed the materiality of their role and determined that it did not interfere with their capacity as Directors to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

In relation to the reporting period, the following Directors were affiliated with Independent News & Media PLC:

- Vincent Crowley
- Paul Connolly.

Brett Chenoweth, who resigned as a Director and Chief Executive Officer on 19 February 2013, was not considered independent from management for the purposes of the Recommendations due to his executive role as Chief Executive Officer.

Performance evaluation

From time to time, including during the reporting period, the operation of the Board, its Committees and individual Directors and their performance are discussed and, where appropriate, measures are taken to enhance their effectiveness. The Company uses various methods to evaluate performance including interviews with Directors. External advisers are also engaged to provide advice from time to time.

Board Committees

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of various issues.

Current Committees of the Board include, among others, the Nomination Committee, Remuneration Committee and Audit Committee which all consist entirely of non-executive Directors.

Each of these Committees has its own formal charter setting out the authority delegated to it by the Board. Copies of the charters are available on the Company's website.

All matters determined by these Committees are submitted to the full Board for ratification.

Nomination Committee

The Board established a Nomination Committee in 1997. During the reporting period, the Nomination Committee consisted of the following non-executive Directors:

- Peter Cosgrove (appointed as Chair on 20 June 2013)
- Paul Connolly (appointed as a Committee member on 20 June 2013)
- Melinda Conrad (Chair) (resigned as a Director on 19 February 2013)
- John Maasland (resigned as a Director on 19 February 2013).

The main role of the Nomination Committee is to:

- review the composition of the Board to ensure it is comprised of members who provide the required breadth and depth of experience and knowledge to achieve the objectives of the Board;
- ensure the filling of any vacancies on the Board with the best possible candidate through the use of executive search firms and/or by direct approach; and
- consider the appointment of additional Directors to provide the expertise to achieve the strategic and economic goals of the Group.

The Board appreciates that having a range of backgrounds, skills and experiences can contribute to a well functioning Board that robustly considers issues and makes decisions. The range of skills and experience currently represented on the Board includes, by way of example, management, business and operations (across a range of industries), accounting and financial, and advertising and marketing.

Once a potential candidate for the Board is identified, the Nomination Committee conducts a review of the relevant candidate's experience and qualifications and the needs of the Company and the Board. Following the review, the Nomination Committee may recommend to the Board that the candidate be appointed as a Director.

Remuneration Committee

The Board established a Remuneration Committee in 1997. During the reporting period, the Remuneration Committee consisted of the following non-executive Directors:

- Ted Harris (Chair)
- Anne Templeman-Jones (appointed as a Committee member on 20 June 2013)
- Paul Connolly (appointed as a Committee member on 20 June 2013)
- Peter Cullinane (appointed as a Committee member on 4 December 2013)
- Kevin Luscombe (retired as a Director on 12 April 2013).

During part of the reporting period (between 12 April 2013 and 20 June 2013), the Company did not comply with Recommendation 8.2 due to the Remuneration Committee not having three members following the retirement of a Director.

The main role of the Remuneration Committee is to:

- ensure that remuneration policies and practices are consistent with the strategic goals of the Group and are relevant to the achievement of those goals;
- review on an annual basis the remuneration of executive Directors, including establishing the overall benefits and incentives;
- review in consultation with the Chief Executive Officer, remuneration packages of executives reporting directly to the Chief Executive Officer;
- review non-executive Directors' remuneration and benefits;
- obtain independent advice, as necessary, on the appropriateness of remuneration; and
- be responsible for reviewing general incentive schemes and superannuation plans.

The performance of senior executives is evaluated on an ongoing basis by the Chief Executive Officer who then makes recommendations to the Remuneration Committee in relation to the appropriate level of remuneration for the senior executives based on their performance against budgeted profitability targets (either Group or divisional as appropriate) and the achievement of individual business objectives. The Remuneration Committee reviewed the remuneration of the senior executives (including the Chief Executive Officer) during the reporting period in accordance with this process.

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*.

Further details on remuneration policy and the structure of executive and non-executive Director remuneration and further details of the appraisal and performance evaluation applicable to senior executives appear on pages 40 to 51 of this Annual Report.

Audit Committee

The Board established an Audit Committee in 1993. During the reporting period, the Audit Committee consisted of the following non-executive Directors:

- Anne Templeman-Jones (appointed as a Committee member on 20 June 2013 and Chair on 16 August 2013)
- Ted Harris (appointed as Chair on 19 February 2013 and resigned as Chair on 16 August 2013)
- Vincent Crowley (appointed as a Committee member on 14 March 2013)
- John Maasland (Chair) (resigned as a Director on 19 February 2013)
- Kevin Luscombe (retired as a Director on 12 April 2013)
- John Harvey (resigned as a Director on 19 February 2013).

During part of the reporting period (between 19 February 2013 to 14 March 2013 and between 12 April 2013 to 20 June 2013), the Company did not comply with Recommendation 4.2 due to the Audit Committee not having three members due to the resignations (and one retirement) of Directors.

Corporate Governance Statement continued

The main role of the Audit Committee is to:

- review the scope and effectiveness of the internal and external audit functions, financial reporting and risk management;
- review and consider any reports or findings arising from any audit function either internal or external;
- review the interim and annual financial statements;
- ensure that there are adequate disclosures and that the financial statements are consistent with previous statements and disclosures;
- assess the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets and other public bodies;
- review the appointment, independence, performance and remuneration of external auditors and assess the ability of the external auditors to provide additional services which may be occasionally required;
- review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles;
- review and monitor internal financial controls to ensure they are adequate and effective to minimise financial and other major operating risks;
- review the integrity and prudence of procedures for management control;
- consider the adequacy of internal controls by reviewing management letters and the response of management;
- review and approve risk management policy and consider reports on risk management; and
- assess the effectiveness of risk management throughout the Company and the Group and report to the Board on risk management.

The Audit Committee has unlimited and unrestricted access to management and employees and regular meetings are held with the external auditors, providing an essential direct link between the auditors, management and the Board.

Audit Committee meetings are held at least twice every financial year to evaluate the financial information submitted to it and to review any procedures and policies that would affect the accuracy of that information.

Audit Committee meetings are regularly attended by the Chief Executive Officer, Chief Financial Officer, Company Secretary, Internal Audit Manager and the external auditors.

An ongoing five year rotation policy applies to the engagement partner of the external auditor of the Company.

Environment

The Company supports best practice and is committed to complying with all relevant legislation in relation to both the production of its products and environmental issues generally. The Group regularly discusses new products and processes with its suppliers and environmental issues are considered as part of the decision-making process for such matters.

The Group's publishing businesses have adopted environmental practices, including printing on paper that is either fully recycled or made from the waste of milled logs and the recycling of waste paper from printing sites.

Health and safety

The Company's operations are conducted in a wide range of work environments which present a wide variety of potential hazards and risks. The Company recognises this and is committed to ensuring the health, safety and wellbeing of its employees and those within the broader communities in which it operates.

During the reporting period, the Company had a program of work aimed at improving the levels of safety reporting cooperation between the respective APN divisions. This included further strengthening of the safety governance and consultation arrangements and ongoing work to ensure compliance in an evolving legislative environment.

The commitment to improving the workplace environment has been reflected in the reduction of the Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR) rates to the lowest level since 2009.

The Company is currently in the process of reviewing its framework around Workplace Health and Safety.

Health and safety performance

The Company's primary measures of safety performance are currently LTIFR and MTIFR. These reflect the number of lost time and medical treatment injuries experienced for every million hours of employee work time.

During the reporting period, the Company achieved a LTIFR of 3.9 and a MTIFR of 5.7.

Risk management

In addition to the role of the Audit Committee in the area of risk oversight and management, the Board monitors the operational and financial performance of all business units through regular reports from the Chief Executive Officer and Chief Financial Officer, to enable the identification of the key business and financial risks which may prevent the Group from achieving its objectives.

This enables the Directors and senior executives to be fully informed of such risks and to ensure that appropriate controls are in place to effectively manage those risks.

The Company maintains a Risk Management Policy to facilitate the oversight and management of material business risk.

The approach of the Group to risk management is based on:

- ensuring the Group:
  - identifies actual and potential risks which would have a material impact on the Group;
  - assesses their impact on business and financial objectives of the Group; and
  - implements effective and appropriate strategies and actions to address risk issues;
- clearly identifying responsibility and accountability for financial, operational and risk management issues; and
- continuously reviewing and assessing the Group's approach to risk management.

Where appropriate, external professional advice is obtained to evaluate, assess and/or rectify potential key business or financial risks within the Group.

Implementation of enhancements to the Risk Management Policy and risk management framework endorsed by the Board are pursued on an ongoing basis. Since the end of the reporting period, changes to the composition of the Group's operating divisions has led the Board to commence a review of the current risk management and governance framework with such review to be facilitated by an independent third party.

As part of the Company's risk management and internal compliance procedures, the Chief Executive Officer (or equivalent) and Chief Financial Officer reported to the Board in writing and in accordance with section 295A of the *Corporations Act 2001* that the Company's financial reports present a true and fair view of the Company's financial condition and operational results, and are in accordance with relevant accounting standards. The Chief Executive Officer (or equivalent) and Chief Financial Officer also reported to the Board that their statements are based on a sound system of risk management and internal compliance and controls and that this system is operating effectively in all material respects, and all material Group risks are being managed effectively. Accordingly, through this statement, management reports to the Board as to the effectiveness of the Company's management of its material business risks.

Shareholder communication and continuous disclosure

As part of an overall policy of open disclosure, the Company ensures that all material communications regarding its operations are made available for all interested stakeholders in a timely fashion. The Company has a policy in place to ensure compliance with Australian Securities Exchange (ASX) and NZX Limited (NZX) Listing Rules regarding disclosure and to ensure accountability at a senior executive level for compliance. The Market Disclosure Policy is designed to ensure that there is full and timely disclosure of the Company's activities to shareholders and the market in accordance with the Company's legal and regulatory obligations. In summary, the Market Disclosure Policy provides for the following:

- the disclosure of price-sensitive information (unless there is an applicable exception);
- the Company's approach to market speculation;
- disclosure responsibilities and procedures; and
- how external communications are conducted.

The Market Disclosure Policy also provides that:

- where possible, the Company will arrange for advance notification of significant briefings (including, but not limited to, results announcements) and make them widely accessible, including through the use of webcasting or any other mass communication mechanism as may be practical; and
- for shareholders who wish to attend General Meetings by proxy, to the extent considered practicable, the Company will provide for the electronic lodgement of proxy forms.

A copy of the Market Disclosure Policy is available on the Company's website.

The Company's website lists announcements made to the market, presentations to industry analysts and investors, information on dividends and the Dividend Reinvestment Plan, summary historical financial information and information regarding annual and interim financial results among other matters. ASX and NZX announcements are posted to the website as soon as practicable after release to the ASX and NZX. Copies of recent past Company Annual Reports and details of the outcome of Annual General Meetings are also available from the website, or upon request directly from the Company.

Announcements and financial results for the past three years are available on the Company's website. Shareholders also have the option to receive certain electronic communications from the Company.

In relation to shareholder participation at Annual General Meetings, shareholders are encouraged to attend either in person or by proxy or corporate representative (if applicable). The Company provides a facility for the electronic lodgement of proxies. The Company has also provided live webcasts of its Annual General Meetings through the Company's website. Shareholders attending Annual General Meetings are able to ask questions regarding the Financial Report, Directors' Report and Independent Auditor's Report or on company management. In addition, shareholders may also ask questions of the external auditor, who is requested by the Company to attend each Annual General Meeting, to respond to queries about the conduct of the audit of the Financial Report, the preparation and content of the Independent Auditor's Report, the accounting policies adopted by the Company and the independence of the auditor.

Corporate Governance Statement continued

As required by the NZX Listing Rules, the Company discloses that the rules set out in Appendix 17 of the NZX Listing Rules do not apply to the Company as it is a "Dual Listed Issuer" (as defined in the NZX Listing Rules).

Securities trading

Directors and Senior Executives are made aware that the law prohibits insider trading. The Directors are aware that the *Corporations Act 2001*, ASX Listing Rules and NZX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in Company securities. Senior Executives are also aware that the NZX Listing Rules impose certain disclosure obligations on Senior Executives.

In addition to these requirements and obligations, the Company has a Securities Trading Policy and Guidelines.

The Securities Trading Policy and Guidelines imposes trading restrictions on Directors, the Chief Executive Officer and all his direct reports (and those executives directly reporting to them), key management personnel and participants in any APN Employee Incentive Plan (as defined in the Policy) where trading is not permitted by law and also during Company-designated closed periods (prior to the release of half and full year results and any additional periods imposed by the Company from time to time when the Company is considering confidential matters which are not required to be disclosed to the market under ASX Listing Rule 3.1A). This Policy also prohibits the entering into of any hedging or other arrangements by which the economic risk associated with any unvested options, rights or similar instruments held pursuant to an APN Employee Incentive Plan is limited. The Policy states that breaches of the Securities Trading Policy and Guidelines will be subject to disciplinary action, which may include termination of employment. A copy of the Securities Trading Policy and Guidelines is available on the Company's website.

Ethical standards

The Group has developed a Code of Conduct covering policies and other standards within which employees are expected to act. A copy of the Code of Conduct is available on the Company's website.

Under the Code of Conduct, the practices necessary to maintain confidence in the Company's integrity, legal obligations and the reasonable expectations of stakeholders are summarised as follows:

- all Directors and employees are required to abide by laws and regulations and the requirements of the Code of Conduct and to respect confidentiality and the proper handling of information;
- all Directors and employees are required to act with the highest standards of honesty, integrity and ethics in all dealings with each other, the Group, customers, suppliers and the community;
- Directors or employees giving and receiving gifts in connection with the operation of the Company and its subsidiaries are covered by the Code of Conduct, as are political contributions which must not be made directly or indirectly on behalf of the Company (or its subsidiaries) without Board approval;
- bribes or similar illegal payments must not be made to government officials, customers, suppliers or any other person in connection with obtaining orders or favourable treatment; and
- full cooperation with internal and external auditors, proper record keeping and the avoidance of conflicts of interest are all required.

It is a term of standard Group employment contracts that employees are expected to comply with Company policy (which includes the Code of Conduct) and failure to do so is considered serious and may have consequences depending on the facts in each case, including termination of employment. Reporting of instances of breaches of the Code of Conduct is encouraged and the Company has adopted a Whistleblower Policy to assist in the identification and reporting of breaches of Company policy and similar matters. A copy of the Whistleblower Policy is available on the Company's website. In the event a concern is submitted under the Whistleblower Policy, decisions as to the appropriate action to take in order to investigate and validate any allegations are taken jointly by the Internal Audit Manager, the Group General Counsel and the Chair of the Audit Committee.

Diversity

Approach to diversity

The Company views diversity as being important to facilitating the achievement of corporate objectives and the continued growth and success of its businesses. In particular, it is the view of the Board that a diverse workforce is essential for the Company to be able to deliver its strategic objectives and continue to meet its responsibilities to its customers, its employees, the communities in which it operates, and its shareholders. In particular, diversity has direct benefits in relation to:

- staff recruitment and retention;
- customer interaction and relationship development; and
- leveraging of diverse talent to better pursue business opportunities and response to business challenges.

Steps were taken at Board level to enhance gender diversity and the Company continues to further refine its diversity objectives.

Principles

The Company believes that continued success and competitive advantage will be achieved by the Group providing an environment that respects, values and works to enhance a richness of diversity among its employees.

The Group will, accordingly, focus on operating in a manner which:

- recognises the value of diversity relevant work practices;
- differentiates in favour of and promotes structures and programs of diversity and inclusiveness;
- develops leaders who are active and visible sponsors of diversity and inclusiveness; and
- sets meaningful objectives that demonstrate the commitment of the Group to align its operations to its diversity objectives.

Oversight and sponsorship

The Board oversees the Group's focus on diversity, and delegates the responsibility for the management oversight and administration of the Diversity Policy to the Chief Executive Officer.

At business level, divisional chief executive officers, with their human resources teams, will oversee and coordinate programs that improve the mix of diversity across the Group.

Programs and initiatives

The Group has in place, and will continue to enhance, practices and programs which enable the identification, development, retention and recognition of programs and practices that promote and support an environment of diversity and inclusiveness.

Such programs and practices do, and will, encompass wherever possible:

- employee recruitment;
- employment terms, including flexible work arrangements, job sharing, teleworking, parental leave and return to work, among others;
- leadership development, including training in enhancing diversity practices and leading diverse teams; and
- reward and recognition.

Objectives for gender diversity

The Company has the following aspirational objectives (as set in 2012) for increasing gender diversity within the Group's workforces:

- increase the ratio of women in management level roles in the organisation by 10% by 2015;
- conduct specific focused reviews in key work groups to identify and correct any potential barriers to the promotion of women;
- increase the number of women each year participating in any company Executive Leadership Development Program and other leadership programs, with the target of reaching 50% of women being sponsored by 2015; and
- develop effective policies and procedures to facilitate effective and flexible return to work arrangements for employees returning from parental leave.

A copy of the Diversity Policy is available on the Company's website.

Gender balance

- Women constitute approximately 54% of the Group's workforce in Australia and New Zealand; and
- Women constitute approximately 22% of the senior management within the Group[1].

A female member, Anne Templeman-Jones, was appointed to the Board on 4 June 2013.

During the reporting period, Melinda Conrad resigned as a Director on 19 February 2013.

Diversity at Board and senior management level

During the reporting period, the Company took a number of steps to achieve its diversity objectives and satisfy the Recommendations on diversity, including:

- successful identification and appointment of a female Director;
- the implementation of a workstream, under the sponsorship of the Chief Executive Officer, to further develop, embed and distil the Company's Diversity Policy and programs in support of the Diversity Policy;
- enhancement of systems for tracking gender proportions in the Group's workforce;
- analysis of employee diversity profiles across the Group's businesses, including formal consultation with managers and employees to ascertain attitudes to key Group employment activities and opportunities for enhancement;
- updating of recruitment processes in a number of divisions so that, in appropriate circumstances, a female is included in the recruitment process and at least one female is shortlisted for position vacancies; and
- the enhancement of policies and procedures permitting flexible return to work programs.

The Company will perform further work in 2014 to achieve the gender diversity objectives.

1 The term senior management used in this Diversity section of the Corporate Governance Statement includes all executives reporting directly to the Chief Executive Officer and the next level of management reporting to those senior executives.

Directors' Report

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited (APN, Company or parent entity) and the entities it controlled at the end of, or during, the year ended 31 December 2013.

1. Directors

The Directors of APN during the financial year and up to the date of this report are as follows. The Directors held office for the entire period unless otherwise stated.

Peter Cosgrove (Chairman since 19 February 2013)
Ted Harris (Deputy Chairman)
Anne Templeman-Jones (appointed 4 June 2013)
Vincent Crowley
Paul Connolly
Peter Cullinane (appointed 1 November 2013)

Directors who held office for part of the year

Peter Hunt (Chairman, resigned from the Board on 19 February 2013)
Brett Chenoweth (Chief Executive Officer, resigned from the Board on 19 February 2013)
Melinda Conrad (resigned from the Board on 19 February 2013)
John Harvey (resigned from the Board on 19 February 2013)
Kevin Luscombe (retired from the Board on 12 April 2013)
John Maasland (resigned from the Board on 19 February 2013)

Details of the current Directors' qualifications, experience and responsibilities are set out on page 25. Former Directors' details are shown below:

Directors who held office for part of the year

Director	Qualifications and experience
Peter Hunt	Mr Hunt had served as Chairman since September 2012. Mr Hunt is non-executive Chairman and a founder of Greenhill Australia (previously Caliburn), a leading corporate advisory firm which is now part of the global Greenhill & Co advisory group. He was Joint Chief Executive and then Executive Chairman of Caliburn from its establishment in May 1999 through to its sale to Greenhill in April 2010. Mr Hunt spent nearly 30 years advising local and multi-national companies as well as governments in Australia at the highest levels. Mr Hunt's other roles include Chairman of Cambooya Services Pty Ltd, Grameen Foundation Australia and So They Can and a Director of the St James Ethics Centre and Women's Community Shelters. He is also a trustee of the Anindilyakwa Indigenous Mining Trust and a member of the Advisory Councils for Mission Australia and the Centre for Social Impact. Previous roles have included Chairman of AMP Foundation and the Australian String Quartet, Trustee of St Vincent's Clinic Foundation and a Director of Odyssey House. Mr Hunt was made a member of the General Division of the Order of Australia in 2010 for services in the philanthropic sector.
Brett Chenoweth	Mr Chenoweth had been a Board Member since 2011. Mr Chenoweth has more than 18 years of professional experience working exclusively in the areas of media, technology, telecommunications and online businesses, having held senior executive roles at Telecom New Zealand (2001 to 2005: including Head of Group Strategy and Mergers & Acquisitions; Head of Australian Consumer Group; Director on a number of TCNZ group company Boards), the PBL group of companies (ecorp Ltd and ninemsn Pty Ltd 1997 to 2001: Head of Business Development) and Village Roadshow Pictures Pty Ltd (1991 to 1997: General Manager and Vice President). Mr Chenoweth was the Managing Director and Head of Asia Pacific for The Silverfern Group, a New York based specialist merchant bank and was previously a Director of Living and Leisure Ltd (December 2008 to October 2010). He holds a Bachelor of Laws and a Bachelor of Economics degree from The University of Queensland and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.

Director	Qualifications and experience
Melinda Conrad	Ms Conrad had been a Board Member since 2012. Ms Conrad is currently a director of David Jones Limited (since July 2013), OzForex Limited (since September 2013), The Reject Shop Limited (since August 2011), Garvan Medical Research Institute Foundation (since September 2003) and Australian Brandenburg Orchestra (since 2007). She has extensive experience in strategy and marketing in the retail, consumer goods, and healthcare sectors. She has previously held executive roles at Harvard Business School, Colgate-Palmolive, several retail businesses, and in strategy and marketing advisory. Melinda holds a BA (Hons) from Wellesley College in Boston, an MBA from Harvard Business School, and is a Fellow of the Australian Institute of Company Directors.
John Harvey	Mr Harvey had been a Board Member since 2011. Mr Harvey has over 39 years' professional experience as a chartered accountant and a company director. He was a Partner of PricewaterhouseCoopers for 23 years and held a number of management and governance responsibilities for PricewaterhouseCoopers in New Zealand. He retired from PricewaterhouseCoopers in June 2009. Mr Harvey is currently a Director of DNZ Property Fund Limited (since September 2009), Kathmandu Holdings Limited (since October 2009), Heartland Bank Limited (since March 2010), Port Otago Limited (since December 2008), Ballance Agri-Nutrients Limited (since February 2012) and New Zealand Opera Limited (since January 2002) and is an Advisor to the Board of Resource Coordination Partnership Limited (since July 2010). He holds a Bachelor of Commerce degree from the University of Canterbury and is a member of the Institute of Directors of New Zealand.
Kevin Luscombe AM	FAICD, FAIM, CPM. Mr Luscombe had been a Board Member since October 1997, retiring in April 2013. Following a successful corporate career in Australia and USA, and Board roles in several South East Asian companies, he founded a marketing and research consultancy in 1976. In 1980, he started the advertising agency Luscombe & Partners, sold it to Clemenger BBDO in 1998, and joined their Board. He is Chairman of the management consultancy Growth Solutions Group. He is Deputy Chairman of Melbourne Food and Wine and a Board member of the John Truscott Design Foundation. In 1998, he was appointed Adjunct Professor at the Graduate School of Management, Swinburne University. He was the recipient of the 2001 Sir Charles McGrath Award for marketing excellence.
John Maasland	MA (Cantab). Mr Maasland had been a Board Member since 2003. Mr Maasland has extensive business experience in the media industry and in New Zealand, and serves on a number of private and public company boards. He is Chairman of Hellaby Holdings Ltd (Director since April 2008) and a Director of Waterman Capital (since 2005). He is the Chancellor of the Auckland University of Technology (AUT University) and was also a Director of Delegat's Group Ltd (October 2004 to December 2012). He was Chairman and a Trustee of the Royal New Zealand Ballet (October 1998 to October 2007) and of the South Auckland Health Foundation (November 1999 to November 2012).

2. Qualifications and experience of Company Secretary

Refer to page 23 for the qualifications and experience of the Group General Counsel and Company Secretary, Yvette Lamont.

3. Principal activities

APN predominantly operates in the publishing, radio, outdoor and digital media segments.

APN's publishing businesses have almost 20 daily newspapers, more than 80 non-daily newspapers and 50 web and mobile sites across Australia and New Zealand. APN has a regional footprint in Australia that spans from northern New South Wales to northern Queensland. In New Zealand, APN's flagship publication is The New Zealand Herald, which is the country's leading newspaper. APN also operates printing businesses in Australia and New Zealand.

APN's radio businesses, Australian Radio Network (ARN) and The Radio Network (TRN), were operated as joint ventures with Clear Channel throughout 2013. On 19 February 2014, APN acquired the remaining share in ARN and TRN that it did not own from Clear Channel. APN now owns 100% of both businesses. ARN owns or has investments in 12 radio stations in Australia and TRN operates seven core radio networks across New Zealand.

Directors' Report
continued

In 2013, APN's outdoor group consisted of APN Outdoor, Adshel and Hong Kong Outdoor. APN sold its remaining share in APN Outdoor, which provides billboard, transit and airport advertising in Australia and New Zealand, to joint venture partner Quadrant Private Equity on 24 January 2014. Adshel provides street furniture advertising in Australia and New Zealand. Hong Kong Outdoor is comprised of Cody, which offers billboard advertising and Buspak, which provides bus exterior and multimedia advertising. Both Adshel and Hong Kong Outdoor are joint ventures with Clear Channel.

Digital is an integral element of all APN's outdoor, radio and publishing businesses. APN also owns the group-buying business GrabOne and iNC Digital Media, which specialises in digital retail advertising and performance marketing. On 12 February 2014, APN sold e-commerce business brandsExclusive to Aussie Commerce Group.

4. Dividends

Dividends paid to owners during the financial year were as follows:

	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: 1.5 cents per share franked to 0.5 cents, paid on 26 September 2012)	–	9,735
	–	41,246

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

5. Consolidated result and review of operations

The consolidated profit attributable to owners of the parent entity for the financial year (after exceptional items and discontinued operations) was $2,626,000 (2012: loss of $507,355,000 (restated)). A review of operations of the consolidated entity for the year ended 31 December 2013 is set out on pages 3 to 19.

6. Significant changes in the state of affairs

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

7. Matters subsequent to the end of the financial year

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 the Aussie Commerce Group. The transaction completed on 12 February 2014. 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. ARN and TRN are existing subsidiaries and are therefore consolidated in these accounts. The primary impact of the acquisition on the reported results will be to reduce the profit attributable to non-controlling interest and increase profit attributable to APN shareholders. The payments to non-controlling interests in the cash flow will also decrease. If the Group had owned 100% of ARN and TRN during 2013 the profit attributable to APN shareholders would have been higher by $22.0 million and the cash payments to non-controlling interests would have been lower by $21.1 million.Refer to separate ASX announcements from 19 February 2014 for further details.

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

8. Likely developments and expected results of operations

Overall strategic direction and prospects are discussed in the Chairman's and Chief Executive Officer's Reports on pages 4 to 7 and the Operating and Financial Review on pages 8 to 19.

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

9. Environmental regulation

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

10. Remuneration Report

The Remuneration Report is set out on pages 40 to 51 and forms part of this Directors' Report.

11. Directors' meetings

The number of meetings of the full Board of Directors and Board Committees held in the period each Director held office during the financial year and the number of those meetings attended by each Director were:

Director	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
PM Cosgrove	12	12	–	–	–	–	2	2
AE Harris	12	12	5	5	5	5	–	–
BD Chenoweth	3	3	–	–	–	–	–	–
P Connolly	12	12	–	–	3	3	2	2
MB Conrad	3	3	–	–	–	–	–	–
VC Crowley	12	12	3	3	–	–	–	–
PD Cullinane	1	1	–	–	–	–	–	–
EJ Harvey	3	3	–	–	–	–	–	–
PJ Hunt	3	3	–	–	–	–	–	–
KJ Luscombe	7	7	2	2	1	1	–	–
JH Maasland	3	2	–	–	–	–	–	–
A Templeman-Jones	4	4	3	3	3	3	–	–

Four meetings of Committees formed for purposes including reviewing and approving the half-year and annual financial statements, 2012 Annual Report and Shareholder Review, and Notice of Meeting were held and attended by Peter Cosgrove (3), Ted Harris (4) and Michael Miller (who was delegated power by the Board) (1).

12. Directors' interests

Note 27 to the financial statements contains details of shareholdings of the Directors and Senior Executives as at 31 December 2013.

Directors' Report
continued

13. Shares under option

There were no unissued shares of APN News & Media Limited under option at 31 December 2013 and no shares issued during the financial year as a result of the exercise of options. No options have been granted since the end of the financial year.

14. Indemnification of Directors and officers

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

15. Insurance of Directors and officers

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

16. Proceedings on behalf of the Company

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

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

17. Non-audit services

Full details of the amounts paid or payable to the auditors for audit and non-audit services provided during the financial year are set out in note 29 to the financial statements.

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $540,000 for the provision of non-audit services. In addition, KPMG (auditors of a controlled entity) received or is due to receive $119,000 for the provision of non-audit services.

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

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

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

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

18. Auditor's independence declaration

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

19. Rounding of amounts to nearest thousand dollars

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

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

Peter Cosgrove
Chairman

Sydney
20 March 2014

Remuneration Report

Message from the Board

Dear Shareholders

Over recent years remuneration reports have become increasingly long and complex. We hope that this message will be of assistance to your understanding of the report on pages 41 to 51.

Board and executive changes during the year

In February 2013, the Chairman, the Chief Executive Officer and three Non-executive Directors resigned.

The former Chief Executive Officer, Mr Chenoweth, received a termination payment equivalent to 12 months salary; a payment of $100,000 in full settlement of all short-term incentive entitlements; and all accrued leave entitlements.

In April 2013, the Company announced a restructure of its Digital and Australian Regional Media Divisions. As part of the restructure two Senior Executives, Messrs Bright and Crockett, left the Company and both received termination payments in line with their contractual arrangements.

The unexpected changes to the management of the Company both at Board and management level required the establishment of a leadership team comprising Peter Cosgrove (Chairman), Ted Harris (Deputy Chairman) and Jeff Howard (Chief Financial Officer) to undertake responsibility for the management of the Company pending a new Chief Executive being appointed. The leadership team acted in an executive capacity from 19 February effectively until 30 June 2013. The Board agreed to pay specific amounts over and above respective salaries/fees to the Chairman ($290,000), Deputy Chairman ($130,000) and Chief Financial Officer ($100,000) for their work during this period. The Board believes these payments were fully justified.

Remuneration outcomes for 2013

Over a period of many years, the Company has adopted a policy that Senior Executive remuneration and its mix should be on the achievement of specific targets. Where targets were achieved and resulted in enhanced results for the benefit of the Company and its shareholders Senior Executives were paid bonuses. However, where these targets have not been met, no bonuses have been paid. No bonus payments were made to Senior Executives in 2012.

The Board is pleased to report that the improved results this year have led to the majority of financial targets being met or surpassed, as a consequence Senior Executives have received incentive payments in relation to the 2013 year.

Directors' fees have remained unchanged since 2004.

Remuneration arrangements for 2014

The Board is aware of the importance of linking executive remuneration to both the Company's long-term strategic objectives and short-term financial results. With that in mind, the remuneration arrangements for Senior Executives in 2014 will comprise a fixed salary, a short-term incentive subject to performance of both financial and individual targets to be settled in cash, and performance rights to be measured over a three year period from January 1, 2014. Performance rights have been chosen as an appropriate vehicle as they are in line with market practice and provide alignment to the interests of shareholders.

The Board will continue to do what it can to simplify remuneration matters.

The Remuneration Report contains the following sections:

A: Remuneration snapshot
B: Executive remuneration policy and framework
C: Executive remuneration – detail
D: Remuneration outcomes for Senior Executives in 2013
E: Executive employment contracts
F: Non-executive Director remuneration
G: Additional statutory disclosures

Key management personnel

The following Senior Executives and Non-Executive Directors are the key management personnel (KMP) with the authority and responsibility for planning, directing and controlling the activities of the Company.

Name	Position
Senior Executives	
Michael Miller	Chief Executive Officer (from 17 June 2013)
Jeff Howard	Chief Financial Officer
Martin Simons	Chief Executive, New Zealand Media
Neil Monaghan	Chief Executive, Australian Regional Media (from 24 April 2013)
Yvette Lamont	Group General Counsel and Company Secretary (KMP from 1 January 2013)
Former Senior Executives	
Brett Chenoweth	Chief Executive Officer (until 19 February 2013)
Matthew Crockett	Chief Development Officer (until 24 April 2013)
Warren Bright	Chief Executive, Australian Regional Media (until 24 April 2013)
Non-Executive Directors	
Peter Cosgrove	Non-Executive Director, Non-Executive Chairman (from 19 February 2013)
Ted Harris	Non-Executive Deputy Chairman
Paul Connolly	Non-Executive Director
Vincent Crowley	Non-Executive Director
Peter Cullinane	Non-Executive Director (from 1 November 2013)
Anne Templeman-Jones	Non-Executive Director (from 4 June 2013)
Former Non-Executive Directors	
Peter Hunt	Non-Executive Chairman (until 19 February 2013)
Kevin Luscombe	Non-Executive Director (until 12 April 2013)
Melinda Conrad	Non-Executive Director (until 19 February 2013)
John Harvey	Non-Executive Director (until 19 February 2013)
John Maasland	Non-Executive Director (until 19 February 2013)

Remuneration Report
continued

A: Remuneration snapshot

A summary of remuneration arrangements for 2013 are outlined in the table below.

Senior Executive remuneration

Fixed remuneration	Fixed remuneration includes base salary, other fixed remuneration including fully costed salary packaged benefits such as motor vehicles (including fringe benefits tax as applicable) and superannuation. Senior Executive fixed remuneration is set with reference to market data and the individual's experience and performance. There are no guaranteed fixed remuneration increases for Senior Executives.
Short-term incentive (STI)	STIs are paid in cash subject to achieving specific performance objectives, both financial and individual as follows:

	Group NPAT	Group EBIT	Relevant Business Unit EBIT	Individual KPIs linked to strategic objectives
Chief Executive Officer	100%	–	–	–
Chief Financial Officer	75%	–	–	25%
Group General Counsel & Company Secretary	50%	–	–	50%
Business unit roles	–	25%	50%	25%

50% of the financial award is payable for on-target performance and 100% at 10% over-target, except as disclosed in section C of this report.

Financial targets include Group NPAT for Group executives and a mix of business unit specific EBIT and Group EBIT for business unit Chief Executives.

Long-term incentive (LTI)	The LTI plan awards Performance Rights subject to performance over a three year period. Awards are subject to two performance conditions: 1) 75% of the award will be subject to an EPS target set by the Board; and 2) 25% of the award will be subject to a relative TSR performance condition, compared against companies in a Comparator Group (refer section C for details)

Non-executive Directors

Directors' fees	APN aims to provide remuneration commensurate with the expected time commitment, level of expertise and experience and considers fees paid to directors in similar companies. Directors are paid a base fee for services to the Board, and a fee for each Board Committee on which they sit.

B: Executive remuneration policy and framework

Remuneration policy

To ensure that the Company is able to attract and retain individuals capable of managing the consolidated entity's operations and achieve its performance goals, remuneration packages of executives are structured to:

- Create value for shareholders;
- Be competitive in the market;
- Align executive reward with company performance; and
- Reward the achievement of strategic objectives.

Remuneration framework

The Company last undertook a full review of the remuneration framework, as it relates to the Senior Executives, in 2010. The review was supported by Ernst & Young (EY) and was aimed at ensuring the framework was in line with evolving market practice and APN's remuneration strategy with an appropriate balance of focus between retention and performance. The outcomes of the 2010 review have been adopted and form the basis of the current remuneration framework. EY continues to be involved on a regular basis, ensuring that remuneration arrangements for all Senior Executives align with the remuneration strategy and are informed by market practice.

The Company's executive remuneration framework comprises three key components and provides a mix of fixed and variable pay, and a blend of short and long-term performance focused elements. The Company believes that a mix of fixed and variable (i.e. at-risk) elements provides an appropriate retention, as well as performance, incentive.

	Remuneration element	Form of reward	Purpose of award
Fixed	Fixed remuneration	Base salary, superannuation and other benefits	Recognise capability, experience and scope of role.
Variable	Short-term incentives	Cash	Reward for achievement of annual Company and business unit targets as well as individual performance.
	Long-term incentives	Equity	Reward for achievement of long-term sustained Company performance. Provides a multi-year performance focus and alignment to shareholder value creation.

APN believes the framework supports its business strategy implementation and aligns to shareholders' interests by:

- Having profit as a core component of STI;
- Focusing on sustained growth in earnings by using EPS as a key driver of the LTI;
- Aligning to shareholder interests by introducing a relative TSR performance focus to the LTI; and
- Having a significant portion of remuneration "at-risk".

Other remuneration related costs

The Company sometimes incurs other remuneration related costs in respect of certain executives which are not regarded as part of the executive's fixed remuneration. Typically, such payments are ancillary to the executive's employment such as rental assistance or family travel in circumstances where the Company requires the executive to relocate. The costs include fringe benefits tax if applicable.

Retirement benefits

Retirement benefits are delivered to executives in the form of statutory superannuation contributions to a number of different funds. All contributions made on behalf of executives are based on a percentage of fixed salary. Yvette Lamont is a member of a defined benefits superannuation plan. The plan provides defined lump sum or annuity benefits based on years of service and final average salary.

Remuneration governance

The Remuneration Committee advises the Board on remuneration policy and principles generally, and makes recommendations on remuneration packages and other terms of employment annually for Senior Executives.

The Remuneration Committee appointed EY as the lead advisor to assist with remuneration related issues. EY were engaged by, and reported to, the Remuneration Committee, with a remit to work with management, where applicable.

During the 2013 financial year no remuneration recommendations, as defined by the *Corporations Act 2001*, were provided by EY.

Securities Trading Policy

The Company's Securities Trading Policy and Guidelines is outlined in the Corporate Governance Statement section of this Annual Report. Under the policy restricted persons, which includes KMP, are not permitted to hedge any options, rights or similar instruments prior to them becoming vested or otherwise tradable under the applicable plan.

Voting and comments made at the Company's 2013 Annual General Meeting

The Company received more than 97% of "yes" votes on its remuneration report for the 2012 financial year. No major remuneration related concerns were raised requiring the Company's attention during the 2013 financial year.

Remuneration Report continued

C: Executive remuneration – detail

Short-term incentive (STI) plan

Senior Executives participate in an STI plan. The following table summarises the key terms.

Form, frequency and timing of awards	STIs are paid in cash annually subject to achieving specific performance objectives determined by the Board, as outlined below. STIs are paid early in the next financial year following the finalisation of the audited results.
Measures, weightings and targets	**Chief Executive Officer** – 100% of award is based on the achievement of target Group NPAT performance; **Chief Financial Officer** – 75% of award is based on the achievement of target Group NPAT performance; and – 25% of award is assessed against individual key performance indicators linked to strategic objectives. **Group General Counsel & Company Secretary** – 50% of award is based on the achievement of target Group NPAT performance; and – 50% of award is assessed against individual key performance indicators linked to strategic objectives. **Business unit roles** – 25% of award is assessed against target Group EBIT performance; – 50% of award is assessed against the relevant business unit's EBIT; and – 25% of award is assessed against individual key performance indicators linked to strategic objectives.
Performance assessment and leverage	In relation to the achievement of financial targets, the maximum STI opportunity for participants, other than the Chief Executive Officer and Group General Counsel & Company Secretary, is 200% of the target STI. The maximum STI opportunity for the Chief Executive Officer is 225% of the target level. The Group General Counsel & Company Secretary does not receive a leveraged award with maximum payout achieved at target. The maximum STI is payable if targets are exceeded by 10%, except for the Group General Counsel & Company Secretary where the maximum STI is payable if targets are met or exceeded. In certain exceptional circumstances, the Remuneration Committee may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved. The Remuneration Committee considers evaluation of financial performance to be a critical criterion and one which can be objectively assessed against the actual audited results. The Remuneration Committee considers that the use of objective and verifiable data to test the achievement of performance aids transparency.
Service condition	Typically, no part of the STI is payable where an executive leaves APN's employ during the year.

Long-term incentive (LTI) plan

The LTI plan provides for the grant of equity awards (in the form of Performance Rights which may be converted into APN shares at a future date if certain performance targets are met/exceeded). Awards are split into two separate tranches, which vest independently. 75% of the total award vests based on the achievement of an EPS growth performance hurdle, while the remaining 25% of the total award vests based on a relative Total Shareholder Return (TSR) hurdle.

		EPS tranche (75% of total annual award)	TSR tranche (25% of total annual award)
Form of award		Awards under the LTI plan are structured as rights to acquire fully paid ordinary shares in the Company for nil consideration (i.e. Performance Rights). The number of Performance Rights (Rights) to be issued to Senior Executives is based on the individual's LTI opportunity, expressed as a percentage of fixed remuneration. Rights were chosen as an appropriate vehicle as they provide alignment to the interests of APN shareholders, are in line with market practice and have simpler tax treatment than share options. Subject to the satisfaction of the performance hurdles, vested Rights will convert to fully paid ordinary shares on the date APN announces its annual results to the Australian Securities Exchange (ASX), immediately following the performance period of three years. Vested Rights will automatically convert into shares without the requirement for the participant to exercise their Rights.	
Eligibility		At the absolute discretion of the Board, the Chief Executive Officer and other Senior Executives are eligible to participate in the LTI plan.	
Frequency of grants		It is envisaged that awards under the LTI plan will be made on an annual basis.	
Performance conditions	Performance period	The number of Rights that vest is dependent on performance over a three year period (three financial years). Any awards which do not vest when performance is tested (at the end of the three year performance period) will lapse.	
	Performance measures	EPS is the base earnings per share (as disclosed in the Company's Income Statement) adjusted for any non-recurring or non-trading items as determined by the Board. EPS has been chosen as it focuses participants on earnings growth. EPS growth will be measured by comparing the EPS figure for the financial year ending 31 December 2016 with the EPS figure for the financial year ended 31 December 2013 (the "base" year). The extent to which Rights subject to EPS performance measures vest will be determined by calculating the compound annualised EPS growth achieved over the three year period and then comparing that figure with the targets shown in the left column of the table below.	Relative TSR has been chosen as a performance hurdle because it aligns executive interests with those of shareholders by measuring the change in the Company's share price and the payment of dividends. The Company's TSR performance will be measured relative to constituents of a Comparator Group[1]. The Comparator Group was chosen as the companies in the group operate in similar industries to the Company and face similar challenges, opportunities and market conditions. Therefore, the Company must outperform companies with similar opportunities to receive any benefit in relation to the TSR-based tranche of awards.
	Vesting schedule	For awards to be granted in 2014, the EPS targets are:	The TSR vesting schedule is as follows:

Compound annual EPS growth	Proportion of EPS grant vesting	Relative TSR percentile ranking	Proportion of TSR grant vesting
Less than 4.62% per annum	0%	Less than the 51st percentile	0%
Equal to 4.62% per annum	50%	At the 51st percentile	50%
Between 4.62% and 6.60% per annum	Pro-rata straight line	Between the 51st and 75th percentile	Pro-rata straight line vesting
Equal to 6.60% per annum or above	100%	At or above the 75th percentile	100%

1. Comparator Group comprises those companies within the Consumer Discretionary, Financials and Industrials Global Industry Classification Standard (GICS) sectors sourced from the 50 companies above and 50 companies below APN based on APN's 12 month average market capitalisation to 31 December 2013, plus Ten Network Holdings Limited, Southern Cross Media Group Limited, Fairfax Media Limited and Trade Me Group Limited.

Remuneration Report continued

	EPS tranche (75% of total annual award) TSR tranche (25% of total annual award)
Treatment of awards on cessation of employment	The plan rules allow flexibility for participants to remain in the plan post cessation of employment or for awards to be pro-rated for time and performance up to the date of cessation. For LTI grants in 2014, where participants leave in certain "good leaver" circumstances, (for example, redundancy, total disablement or death), awards may be retained and pro-rated for time and may vest at the end of the original performance period to the extent performance hurdles are met.
Treatment of awards on change of control	The Board will have discretion to pro-rate outstanding awards for time and performance in an event which the Board considers to be a change of control event. A change of control event is defined in the LTI plan rules.

D: Remuneration outcomes for Senior Executives in 2013

Overview of the link between remuneration and 2013 performance

APN's performance-linked remuneration framework, as outlined in Section B ensures there is alignment between the generation of shareholder wealth and remuneration of key management personnel.

Summary of five year performance

	2013	2012	2011	2010	2009
Net profit after tax (NPAT)(i)	**$59.5m**	$54.3m	$78.2m	$103.1m	$94.2m
Annual change in NPAT	**9.7%**	(30.5%)	(24.2%)	9.5%	(34.2%)
Dividends per share	**0.0c**	1.5c	8.5c	12.0c	4.0c
Diluted EPS(i) (ii)	**9.0c**	8.4c	12.6c	17.2c	17.0c
Annual change in diluted EPS	**7.4%**	(33.6%)	(26.4%)	1.2%	(39.9%)
Share price at 31 December	**$0.45**	$0.25	$0.71	$1.94	$2.32

(i) Pre exceptional items and discontinued operations
(ii) Adjusted for bonus element of 2009 rights issue

Short-term incentives

The following table outlines the proportion of the STI payable compared to the maximum award under the STI plan for 2013, as determined by the Remuneration Committee.

	STI payable	STI forfeited
Michael Miller	100%	0%
Jeff Howard	88%	12%
Martin Simons	50%	50%
Neil Monaghan	50%	50%
Yvette Lamont	100%	0%

Long-term incentives

No Performance Rights were granted to Senior Executives during 2013. No awards issued under existing long-term incentive plans vested to Senior Executives during 2013.

Details of remuneration of Senior Executives in 2013 (and comparatives)

Details of short-term and post employment benefits of each Senior Executive of the consolidated entity are set out in the following table.

	Short-term benefits			Post employment benefits		Total
	Cash salary and fees $	Short-term incentive $	Non-monetary benefits $	Superannuation $	Termination benefits $	
Michael Miller[1]						
2013	**618,579**	**250,000**	**21,708**	**8,887**	**–**	**899,174**
2012	–	–	–	–	–	–
Jeff Howard[2]						
2013	**576,840**	**218,750**	**10,506**	**17,122**	**–**	**823,218**
2012	64,640	–	–	3,416	–	68,056
Martin Simons						
2013	**784,225**	**212,044**	**139,537**	**–**	**–**	**1,135,806**
2012	758,954	–	129,976	–	–	888,930
Neil Monaghan[3]						
2013	**276,715**	**87,500**	**–**	**11,362**	**–**	**375,577**
2012	–	–	–	–	–	–
Yvette Lamont[4]						
2013	**393,442**	**150,000**	**10,506**	**59,344**	**–**	**613,292**
2012	–	–	–	–	–	–
Former Executives						
Brett Chenoweth[5] (until 19 February 2013)						
2013	**836,344**	**100,000**	**33,479**	**2,745**	**1,595,000**	**2,567,568**
2012	1,483,877	–	95,404	16,123	–	1,595,404
Matt Crockett (until 24 April 2013)						
2013	**219,558**	**–**	**32,875**	**8,235**	**605,026**	**865,694**
2012	568,193	–	61,406	16,122	–	645,721
Warren Bright (until 24 April 2013)						
2013	**226,925**	**–**	**7,950**	**5,490**	**485,891**	**726,256**
2012	533,878	–	–	16,122	–	550,000
Peter Myers (until 19 September 2012)						
2013	**–**	**–**	**–**	**–**	**–**	**–**
2012	578,783	–	–	27,442	–	606,225
Richard Herring (until 30 April 2012)						
2013	**–**	**–**	**–**	**–**	**–**	**–**
2012	221,742	–	–	16,667	–	238,409
Total 2013	**3,932,628**	**1,018,294**	**256,561**	**113,185**	**2,685,917**	**8,006,585**
Total 2012	4,210,067	–	286,786	95,892	–	4,592,745

1 Michael Miller was appointed as Chief Executive Officer and became a KMP on 17 June 2013.

2 Jeff Howard was appointed as Chief Financial Officer and became a KMP on 12 November 2012. Mr Howard's base salary includes a payment of $100,000 in relation to the period from 19 February 2013 to 17 June 2013 when he was a member of the Group's Leadership Team in the absence of a Chief Executive Officer during that period.

3 Neil Monaghan was appointed Chief Executive, Australian Regional Media and became a KMP on 24 April 2013.

4 Yvette Lamont became a KMP on 1 January 2013. Ms Lamont is a member of a defined benefits superannuation plan.

5 Brett Chenoweth's base salary for 2013 includes salary for the period prior to his resignation; a three month leave of absence; a payment of $100,000 in full settlement of all short-term incentive entitlements; and all statutory leave entitlements.

Remuneration Report
continued

In relation to share options held by Senior Executives, no cost has been recognised in profit or loss during the year as the awards did not vest. The remaining share options on issue expired in June 2013.

In relation to the Performance Rights held by the former Chief Executive Officer, Brett Chenoweth, a charge of $10,750 (2012: $80,625) has been recognised in profit or loss in relation to the TSR tranche. No cost has been recognised in relation to the EPS tranche as it was considered unlikely that the awards would vest. Including this charge, Mr Chenoweth's total cost to the Company is $2,578,318 (2012: $1,676,029) and the total cost to the Company of all Senior Executives is $8,017,335 (2012: $4,673,370).

E: Executive employment contracts

Remuneration and other terms of employment for the Senior Executives are formalised in employment contracts. The extent to which each executive's remuneration is performance-based is described in Section B.

All Senior Executives other than the former Chief Executive Officer, Brett Chenoweth, are employed under contracts with substantially similar terms as follows:

Length of contract	Continuing
Fixed compensation	The Chief Executive Officer and other Senior Executives receive fixed remuneration, inclusive of superannuation, and benefits. These amounts are reviewed annually by the Chief Executive Officer, subject to approval of the Remuneration Committee. In the case of the Chief Executive Officer, the remuneration amounts are reviewed annually by the Remuneration Committee.
Short-term incentives	Senior Executives are eligible to receive an STI payment, weighted towards the financial performance of the Group or the relevant division and determined in accordance with the principles for STIs detailed in Section B. Mr Miller's STI for 2013 was limited to $250,000 as he only commenced in the role in June 2013.
Long-term incentives	Senior Executives are eligible to participate in the Company's LTI plan at the Board's discretion. Mr Miller is contractually entitled to Performance Rights to a value of $1.2 million to be measured over the period from 1 January 2014 to 31 December 2016.
Termination	Employment may be terminated by either party giving six months' notice (12 months in the case of Mr Simons; 12 months in the case of APN giving notice to Mr Crockett or Mr Bright and three months in the cases of Mr Monaghan and Ms Lamont). Where employment is terminated by the Company, payment may be made in lieu of notice. All contracts provide that employment may be terminated at any time without notice for serious misconduct.
Redundancy	If the Company terminates the employment of a Senior Executive for reasons of redundancy, a termination payment would be paid depending on the length of their service, in each case not exceeding the following amounts: Mr Simons – two years' base salary; Ms Lamont and Mr Crockett – 12 months base salary; all other Senior Executives – six months base salary.
Non-compete	Senior Executives are subject to non-compete provisions for the term of their notice period.

Fixed-term contracts

Brett Chenoweth, Chief Executive Officer (commenced 1 January 2011, resigned on 19 February 2013)

Mr Chenoweth was employed on a three-year contract. Key details of Mr Chenoweth's contract are as outlined below:

- **Fixed remuneration:** Mr Chenoweth received fixed remuneration, inclusive of superannuation and other benefits, of $1.5 million per annum.
- **STI:** For achievement of target performance under the STI plan, Mr Chenoweth was entitled to an award of $600,000.
- **LTI:** Mr Chenoweth was eligible for an annual award of Performance Rights under the LTI plan as follows:
  - 750,000 Performance Rights for the year ended 31 December 2011; and
  - Performance Rights to the value of 100% of fixed remuneration for each of the years ending 31 December 2012 and 2013 to be granted in 2012 and 2013.
- **Notice period:** Employment could be terminated by either party giving 12 months' notice or, where employment is terminated by the Company, payment may be made in lieu of notice.
- **Termination:** If Mr Chenoweth is considered a "good leaver" (i.e. leaves by reason of death, total disablement, redundancy or certain other circumstances defined in Mr Chenoweth's employment contract), Mr Chenoweth would be entitled to all remuneration and statutory leave entitlements up to and including the date of termination, payment of STI for the relevant calendar year, pro-rated to the date of termination and payment of the unvested LTI awards to the extent that performance hurdles are met.

F: Non-executive Director remuneration

Approach to determining Non-executive Director fees

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has responsibility for reviewing and recommending the level of remuneration for Non-executive Directors in relation to Board and Committee duties. The current Non-executive director fees policy is summarised below

Non-Executive Director	$70,000
Chair of Audit and Remuneration Committee	$20,000
Chair of Nomination Committee	$10,000
Member of Audit and Remuneration Committee	$10,000
Member of Nomination Committee	$5,000

Approved fee pool

The maximum amount approved by shareholders is $750,000 per annum.

Retirement benefits

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*. Retirement benefits to Non-executive Directors were frozen in 2007.

Remuneration Report
continued

Fees paid to non-executive Directors of APN News & Media Limited during 2013 (and comparatives)

	Cash salary and fees $	Superannuation $	Retirement benefits $	Total $
Amounts paid by APN News & Media Limited				
Peter Cosgrove[1]				
2013	**127,934**	**5,602**	**–**	**133,536**
2012	28,601	38,399	–	67,000
Ted Harris[1]				
2013	**143,650**	**6,350**	**–**	**150,000**
2012	150,000	–	–	150,000
Peter Cullinane (from 1 November 2013)				
2013	**11,383**	**1,053**	**–**	**12,436**
2012	–	–	–	–
Anne Templeman-Jones (from 4 June 2013)				
2013	**50,229**	**4,646**	**–**	**54,875**
2012	–	–	–	–
Former Directors				
Kevin Luscombe (retired on 12 April 2013)				
2013	**25,962**	**–**	**255,000**	**280,962**
2012	90,000	–	–	90,000
Melinda Conrad (until 19 February 2013)				
2013	**9,786**	**881**	**–**	**10,667**
2012	71,972	6,477	–	78,449
John Harvey (until 19 February 2013)				
2013	**9,786**	**881**	**–**	**10,667**
2012	73,396	6,604	–	80,000
Peter Hunt (from 3 September 2012 to 19 February 2013)				
2013	**27,804**	**1,437**	**–**	**29,241**
2012	68,975	6,207	-	75,182
John Maasland (until 19 February 2013)				
2013	**12,667**	**–**	**–**	**12,667**
2012	87,156	7,844	–	95,000
Pierce Cody (until 22 February 2012)				
2013	**–**	**–**	**–**	**–**
2012	9,968	897	–	10,865
Total 2013	**419,201**	**20,850**	**255,000**	**695,051**
Total 2012	580,068	66,428	–	646,496
Amounts paid by subsidiaries of APN News & Media Limited				
Peter Cosgrove – Chairman's fee Buspak Hong Kong				
2013	**7,998**	**–**	**–**	**7,998**
2012	7,465	–	–	7,465
Total 2013	**427,199**	**20,850**	**255,000**	**703,049**
Total 2012	587,533	66,428	-	653,961

1 During the year Peter Cosgrove and Ted Harris performed executive roles as part of the Group's Leadership team. The Directors performed these roles between 19 February 2013 and 17 June 2013, following the resignation of the former Chief Executive Officer, Brett Chenoweth and prior to the appointment of the current Chief Executive Officer, Michael Miller. Mr Cosgrove and Mr Harris were remunerated for these services. Mr Cosgrove was paid $290,000 and Mr Harris $130,000.

Other information

Directors not specified in the above table received no remuneration. Consistent with previous years, certain Directors affiliated with Independent News & Media PLC do not receive Directors' fees from the Company.

Refer note 28 to the financial statements for details of related party transactions.

G: Additional statutory disclosures

Equity instrument disclosures relating to Directors and Senior Executives

No equity awards were granted to KMP during the 2013 financial year.

The key terms and conditions of each grant of options affecting remuneration of Directors and Senior Executives are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date first exercisable (subject to performance hurdles)
2 June 2008	2 June 2013	$3.93	$0.55	2 June 2011

The minimum performance hurdles for the above options were not satisfied during the life of the options. The options expired in June 2013.

Option holdings

Options held by Senior Executives during the year ended 31 December 2013 are shown in the table below.

	Balance at start of the year	Lapsed	Exercised	Balance at end of the year	Options vested during the year	Vested and exercisable at end of the year
Martin Simons	400,000	(400,000)	–	–	–	–
Yvette Lamont	100,000	(100,000)	–	–	–	–
Total	500,000	(500,000)	–	–	–	–

Senior Executives not specified in the above table hold no options. No Directors hold any options.

Performance Right holdings

Brett Chenoweth held 750,000 Performance Rights issued under the LTI plan. The rights lapsed on Mr Chenoweth's resignation on 19 February 2013.

Value of options exercised and shares issued

No ordinary shares in the Company were issued as a result of the exercise of options by any Director or Senior Executive during the year.

The information provided in the above table is based on information known to the Directors and Senior Executives of the Company.

In relation to any holdings of related parties (as defined in AASB 124 *Related Party Disclosures*), the Directors and Senior Executives have no control or influence over the financial affairs of the related parties to substantiate their holdings.

Loans to Directors and Senior Executives

There are no loans made to Directors of the Company or Senior Executives.

Other transactions with Directors and Senior Executives

Details of other transactions with Directors and Senior Executives are provided in note 28 to the financial statements.

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the audit of APN News & Media Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APN News & Media Limited and the entities it controlled during the period.

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
20 March 2014

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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	30	**7.6**	(90.6)
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	30	**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	31	**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	31	**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	31	**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*. 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 parts 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).

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.

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 34. 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.

(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.

(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) Parent entity financial information

The financial information for the parent entity, APN News & Media Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of APN News & Media Limited.

(ii) Tax consolidation legislation

APN News & Media Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated Group. Each member of the tax consolidated Group accounts for their own current and deferred tax amounts using the 'separate taxpayer within Group' approach.

In addition to its own current and deferred tax amounts, APN News & Media Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from available tax losses assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. The amounts receivable/payable under the tax funding arrangements are due upon demand of the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(aa) 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.

(ab) 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

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

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 senior management team 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 the ongoing restructuring of our publishing divisions, and the redundancy payments to the former Chief Executive Officer and Chief Development Officer.

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.

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

(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 33 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 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 completed on 28 February 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**

(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	34	**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	5,299	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.

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 in 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.

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:

	2013 $'000	2012 $'000
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 33.

(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.

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.

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)

(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) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, refer note 36.

(b) 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.

(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 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.

Summarised balance sheet	Australian Radio Network Pty Ltd 2013 $'000	Australian Radio Network Pty Ltd 2012 $'000	Buspak Advertising (Hong Kong) Limited 2013 $'000	Buspak Advertising (Hong Kong) Limited 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	Australian Radio Network Pty Ltd 2013 $'000	Australian Radio Network Pty Ltd 2012 $'000	Buspak Advertising (Hong Kong) Limited 2013 $'000	Buspak Advertising (Hong Kong) Limited 2012 $'000
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.

(b) Non-controlling interests (continued)

Summarised cash flows	Australian Radio Network Pty Ltd 2013 $'000	Australian Radio Network Pty Ltd 2012 $'000	Buspak Advertising (Hong Kong) Limited 2013 $'000	Buspak Advertising (Hong Kong) Limited 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.

(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

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 %	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

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 As at 31 December 2013 under the shareholders agreement, whilst APN News & Media Limited held 50% of the issued capital and was entitled to appoint 50% of the Directors, APN News & Media Limited had the right to appoint the chief executive of this entity and so exercised effective positive and sustained control over the financial policies of this entity. On 19 February 2014, APN News & Media Limited increased its ownership of the Australian Radio Network Group and as a result the Shareholders agreement terminated.

5 As at 31 December 2013 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)

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. Key management personnel disclosures

Total remuneration for Directors and other key management personnel

	2013 $	2012 $
Short-term employee benefits	**6,054,680**	5,084,386
Post employment benefits	**389,036**	162,320
Termination benefits	**2,685,917**	–
Share-based payments	**10,750**	80,625
	9,140,383	5,327,331

Detailed remuneration disclosures are included in the Remuneration Report.

Shareholding information

The number of ordinary shares in the Company held by each Director of APN News & Media Limited and each of the other key management personnel for the year ended 31 December 2013, including their related parties, is set out below:

	Opening balance	Net changes	Closing balance
Directors			
Peter Cosgrove	153,425	–	**153,425**
Ted Harris[1]	724,792	–	**724,792**
Vincent Crowley	760,404	–	**760,404**
Kevin Luscombe (retired 12 April 2013)	134,552	–	**134,552**
Other key management personnel			
Michael Miller (from 17 June 2013)	–	100,000	**100,000**
Jeff Howard	15,000	60,000	**75,000**
Yvette Lamont	65,000	–	**65,000**
Martin Simons	55,000	–	**55,000**
Neil Monaghan (from 24 April 2013)	350	–	**350**
Brett Chenoweth (to 19 February 2013)	306,000	–	**306,000**
Matt Crockett (to 24 April 2013)	79,000	–	**79,000**

1 In addition, Ted Harris is a Director of a trustee company which holds 422,078 shares (2012: 447,078) for the benefit of other parties

In the case of retired directors, the closing balance represents the number of shares at the date the director retired from the Board. For other key management personnel (KMP) appointed in the year the opening balance represents the holding on appointment and for former KMPs the closing balance represents the balance when they ceased to be a KMP.

Directors and other key management personnel not listed above do not hold any ordinary shares in the Company.

The information provided in the above table is based on information known to the Directors and other key management personnel of the Company.

Loans to Directors and other key management personnel

There are no loans made to Directors of the Company or other key management personnel.

28. 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. Amount includes $43,000 for reimbursement of expenses.

Notes to the Financial Statements

29. 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

30. 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

31. 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 32.

Notes to the Financial Statements

32. 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.

33. 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.

(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 32.

Notes to the Financial Statements

34. 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**

(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

34. 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.

(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

35. 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. ARN and TRN are existing subsidiaries and are therefore consolidated in these accounts. The primary impact of the acquisition on the reported results will be to reduce the profit attributable to non-controlling interests and increase profit attributable to APN shareholders. The payments to non-controlling interests in the cash flow will also decrease. If the Group had owned 100% of ARN and TRN during 2013 the profit attributable to APN shareholders would have been higher by $22.0 million and the cash payments to non-controlling interests would have been lower by $21.1 million. 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.

36. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2013 $'000	2012 (Restated) $'000
Balance sheet		
Current assets	**2,086**	1,567
Total assets	**950,626**	847,231
Current liabilities	**–**	–
Total liabilities	**340,081**	261,732
Shareholders' Equity		
Contributed equity	**1,093,371**	1,093,371
Reserves		
Share based payments reserve	**5,181**	5,181
Retained profits/(accumulated losses)		
Opening profit reserve	**11,371**	52,617
Dividends paid during the year	**–**	(41,246)
Brought forward profit reserve	**11,371**	11,371
Profit/(loss) for the year	**25,046**	(524,424)
Closing profit reserve	**36,417**	11,371
Closing loss reserve	**(524,424)**	(524,424)
	610,545	585,499
Profit/(loss) for the year	**25,046**	(524,424)
Total comprehensive income	**25,046**	(524,424)

(b) Guarantees entered into by the parent entity

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2013, the facilities had been drawn to the extent of $454,270,000 (2012: $483,140,000).

The parent entity and some wholly-owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of $8,000,000 (2012: $45,000,000).

(c) Contingent liabilities and contractual commitments of the parent entity

The parent entity did not have any contingent liabilities or contractual commitments as at 31 December 2013 or 31 December 2012.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 53 to 108 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 26.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors, after receiving the declarations required to be made by the persons performing the chief executive function and the chief financial officer in accordance with section 295A of the *Corporations Act 2001*.

Peter Cosgrove
Chairman

Sydney
20 March 2014

Independent Auditor's Report

pwc

Independent auditor's report to the members of APN News & Media Limited

Report on the financial report

We have audited the accompanying financial report of APN News & Media Limited (the company), which comprises the balance sheet as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for APN News & Media Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
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pwc

Auditor's opinion

In our opinion:

(a) the financial report of APN News & Media Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 41 to 51 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of APN News & Media Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of APN News & Media Limited (the company) for the year ended 31 December 2013 included on APN News & Media Limited's web site. The company's directors are responsible for the integrity of APN News & Media Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

DS Wiadrowski

DS Wiadrowski
Partner

Sydney
20 March 2014

Shareholder Information

1. Shares

(a) Substantial shareholders

The following information is extracted from substantial shareholder notices received by the Company as at 3 March 2014:

Name	Number of shares
Independent News & Media PLC	191,541,073
Baycliffe Limited	204,015,231*
Allan Gray Australia Pty Ltd	131,273,212
IOOF Holdings Limited	47,285,307

* The substantial shareholder notice from Baycliffe Limited noted that, through its holding in Independent News & Media PLC (INM), it holds a relevant interest in 191,541,073 shares in the Company held by INM.

(b) Top 20 holders of fully paid ordinary shares at 3 March 2014

Name	Number of shares	% of total shares
National Nominees Limited	153,159,687	23.15
Independent News & Media (Australia) Limited	116,541,073	17.62
Citicorp Nominees Pty Limited	77,498,546	11.72
News & Media NZ Limited	75,000,000	11.34
JP Morgan Nominees Australia Limited	57,618,613	8.71
HSBC Custody Nominees (Australia) Limited	34,773,828	5.26
BNP Paribas Noms Pty Ltd (DRP a/c)	14,007,942	2.12
Custodial Services Limited (Beneficiaries Holding a/c)	12,506,320	1.89
CS Fourth Nominees Pty Ltd	6,566,430	0.99
UBS Nominees Pty Ltd	5,841,476	0.88
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp a/c)	4,433,336	0.67
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	4,281,163	0.65
RBC Investor Services Australia Nominees Pty Limited (Bkcust a/c)	3,121,560	0.47
QIC Limited	2,452,334	0.37
Aust Executor Trustees Ltd (Flannery Foundation)	1,753,344	0.27
Aust Executor Trustees Ltd (Ilwella Pty Ltd)	1,419,156	0.21
Pax Pasha Pty Ltd	1,319,377	0.20
HSBC Custody Nominees (Australia) Limited — A/C 3	1,278,000	0.19
JP Morgan Nominees Australia Limited (Cash Income a/c)	1,101,747	0.17
Bellino Pty Ltd (Herdman Super Fund a/c)	1,100,000	0.17
Total	**575,773,932**	**87.04**

(c) Analysis of individual ordinary shareholdings as at 3 March 2014

Holding	Number of shareholders	% of total	Number of shares	% of issued capital
1-1,000	2,293	28.43	909,897	0.14
1,001-5,000	3,164	39.24	8,503,311	1.29
5,001-10,000	1,196	14.83	8,893,964	1.34
10,001-100,000	1,262	15.65	33,958,103	5.13
100,001 and over	149	1.85	609,261,311	92.10
Total holdings	**8,064**	**100.00**	**661,526,586**	**100.00**

There were 1,953 holders of less than a marketable parcel.

(d) Voting rights of shareholders

The voting rights are governed by rule 16 of the Constitution. In summary, shareholders are entitled to vote in person or by proxy, attorney or corporate representative at any meeting of shareholders of the Company on:

- a show of hands – one vote per shareholder; and
- a poll – one vote per share.

2. Options

There are no issued options.

3. Directors' interests

The relevant interest of each Director in the securities of the parent entity as at 3 March 2014 was:

Director	Number of shares	Number of options
PM Cosgrove	153,425	–
AE Harris	724,792	–
AL Templeman-Jones	–	–
VC Crowley	760,404	–
P Connolly	–	–
PD Cullinane	–	–

Information contained in this Shareholder Information section may change following the closing of the Entitlement Offer (as announced on the ASX on 19 February 2014).

4. Other information

Stock exchange listing

APN News & Media Limited shares are listed on the Australian Securities Exchange (ASX) and the New Zealand Exchange (NZX) (code APN).

Enquiries

Shareholders or investors with any enquiries concerning their holdings, shareholder details, dividend information, or administrative matters, should direct their enquiries to the Share Registry. Contact details for the Share Registry appear on page 116.

Dividend payments

Dividends to shareholders may be paid direct to any bank, building society or credit union account in Australia. Shareholders who wish to receive dividends by electronic transfer should advise the Share Registry.

Tax file number (TFN)

The Company is obliged to deduct tax from unfranked or partially franked dividend payments to shareholders resident in Australia who have not supplied their TFN to the Share Registry. To avoid this deduction, you should advise the Share Registry of your TFN.

Register your email address

Shareholders are encouraged to register their email address to receive dividend advices, notification of availability of annual reports, notices of meeting, access to online voting and other shareholder communications. To register, shareholders should go to www.linkmarketservices.com.au, log in to their shareholding through the Investor Centre and select Communication Options.

Other services available to shareholders at this website include: viewing details of their shareholdings, updating address details, updating bank details and obtaining a variety of registry forms.

Shareholder Information
continued

Consolidation of holdings

Shareholders who have multiple issuer-sponsored holdings and wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

Change of name or address

Shareholders who are issuer sponsored should notify the Share Registry in writing of any change in either their name or registered address. If a change of name has occurred, it will be necessary to supply a copy of the relevant deed poll or marriage certificate. Shareholders sponsored by a broker (CHESS) should advise their broker of the amended details.

Dividend Reinvestment Plan (DRP)

Shareholders may elect to participate in the DRP for all or part of their shareholding. Shareholders wishing to participate in the DRP should contact the Share Registry. Terms and conditions of the DRP and forms to apply for, vary or cancel participation in the DRP are also available on the corporate website, www.apn.com.au.

The Directors have set the current rate of discount applicable to the DRP at 2.5%. No brokerage, commission, stamp duty or other transaction costs are payable on any allotment of shares under the DRP.

Investor information

The Annual Report is the most comprehensive publication with information for investors. Copies of the 2013 Annual Report and Shareholder Review may be obtained by contacting the Share Registry or on the corporate website, www.apn.com.au. Other financial and relevant information, including press releases on financial results and Chairman's addresses, are available from the corporate office in Sydney, or at the corporate website, www.apn.com.au.

Five Year Financial History

	2013 $'m	2012 (Restated)[6] $'m	2011 (Restated)[7] $'m	2010 $'m	2009 $'m
Income Statement					
Total revenue	**817**	857	1,072	1,059	1,031
EBITDA[1]	**163**	149	209	244	230
EBIT[2]	**130**	118	171	205	189
Adjusted net profit[3]	**60**	54	78	103	94
Statutory net profit	**3**	(507)	(45)	94	93
Balance Sheet					
Equity excluding minority interest	**362**	350	876	962	933
Total assets	**1,255**	1,294	1,997	2,163	2,203
Total bank borrowings	**457**	486	670	720	783
Statistical Analysis					
EBITDA/total revenue	**19.9%**	17.4%	19.5%	23.1%	22.3%
Bank borrowings/EBITDA	**2.8**	3.3	3.2	3.0	3.4
Earnings per share – basic (cents)[4]	**9.0**	8.4	12.6	17.2	17.0
– diluted (cents)[4]	**9.0**	8.4	12.6	17.2	17.0
Dividend per share (cents)	**–**	1.5	8.5	12.0	4.0
Dividend payout ratio[5]	**0%**	19%	67%	70%	25%
Interest cover based on EBITDA (times)	**4.6**	3.7	3.7	4.9	4.5
No. of shares on issue ('000)	**661,527**	661,527	630,211	606,084	595,312
No. of shareholders	**8,270**	9,546	9,419	9,891	11,138
Market capitalisation ($'m)	**298**	165	447	1,176	1,381
Market price per share at 31 December	**$0.45**	$0.25	$0.71	$1.94	$2.32

1 Profit from continuing operations before exceptional items, interest, tax, depreciation and amortisation.

2 Profit from continuing operations before exceptional items, interest and tax.

3 Net profit from continuing operations attributable to owners of the parent entity after tax, before exceptional items.

4 Earnings per share are before exceptional items.

5 Before exceptional items.

6 Restated for correction of error in relation to impairment charge and change in accounting policy in relation to defined benefit schemes.

7 Restated for change in accounting policy in relation to defined benefit schemes.

Corporate Directory

APN News & Media Limited
ACN 008 637 643

Directors
Peter Cosgrove (Chairman)
Ted Harris (Deputy Chairman)
Anne Templeman-Jones
Vincent Crowley
Paul Connolly
Peter Cullinane

Company Secretary
Yvette Lamont

Registered office
Level 4, 100 William Street
SYDNEY NSW 2011

Telephone: +61 2 9333 4999
Facsimile: +61 2 9333 4900

Share registry
Link Market Services Limited
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SYDNEY SOUTH NSW 1235

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(International) +61 1300 553 550

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(New Zealand) 09 375 5990
(International) +61 2 9287 0303

Email
registrars@linkmarketservices.com.au

Website
www.linkmarketservices.com.au

Auditors
PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 1171

Principal bankers
ANZ
Commonwealth Bank
HSBC
National Australia Bank
RBS
Westpac Banking Corporation

Notice is hereby given that the Annual General Meeting of members of APN News & Media Limited will be held at the Four Seasons Hotel, 199 George Street, Sydney NSW 2000 on Thursday, 8 May 2014 at 11am.

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