Annual Report 2014

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

APN NEWS & MEDIA

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Our goal for 2015 is to outperform in each of the markets that our businesses operate in. We have identified the regions, the audiences and the businesses where we want to invest.

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ANNUAL REPORT 2014

AGM

Notice is hereby given that the Annual General Meeting of members of APN News & Media Limited will be held at the Four Seasons Hotel Sydney, 199 George Street, Sydney NSW 2000 on Wednesday, 6 May 2015 at 11am.

APN NEWS & MEDIA

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

Highlights

APN News & Media is a growth oriented media, entertainment and technology company with assets in Australia, New Zealand and Hong Kong.

iHeartRadio

632,052 REGISTERED USERS IN AUSTRALIA AND NEW ZEALAND

864,473 MOBILE DOWNLOADS

Australian Radio Network

LARGEST AUDIENCE OF ANY METROPOLITAN RADIO NETWORK IN **AUSTRALIA**

#1 FM SYDNEY STATION

#1 ADELAIDE STATION

#1 BRISBANE STATION in 7/8 surveys

Hong Kong Outdoor Buspak and Cody

1,700 HONG KONG ISLAND BUSES

60 Signature buses with integrated media offerings

1,200 buzplay multimedia installations

OVER 160 BILLBOARDS

SIX prime locations

ADSHEL

LARGEST SCALABLE DIGITAL NETWORK IN THE COUNTRY

92% of Australians each fortnight

83% of the New Zealand population

ALMOST 20,000 ADVERTISING PANELS

New Zealand Media and Entertainment NZME.

3.1 MILLION NEW ZEALANDERS EACH MONTH

The New Zealand Herald is the country's **#1 NEWSPAPER PUBLISHER**

Newstalk ZB is the country's **#1 RADIO STATION**

Radio Sport is the country's **#1 DEDICATED SPORTS STATION**

Coast is the country's **#1 MUSIC STATION**

LEADING DEALS SITE (GRABONE)

Australian Regional Media

1.5 MILLION PEOPLE EACH WEEK

12 daily newspapers

60 community and non-daily publications

#1 MEDIA BRANDS in the regional Queensland and northern New South Wales markets they operate in

About APN

APN evolve

In 2014, APN continued to evolve its business through integration, diversification and investment in growth categories.

From wholly owning three out of nine businesses at the end of 2013, today APN wholly owns six out of seven businesses.

During the year, APN completed a number of key transactions to move into this position including:

- the divestment of eCommerce business brandsExclusive
- the sale of our remaining 50% interest in APN Outdoor
- the acquisition of the remaining 50% interest in The Radio Network (TRN) in New Zealand and the Australian Radio Network (ARN) in Australia that we did not own
- the acquisition of the remaining 50% interest in the Hong Kong Outdoor businesses, Buspak and Cody, that we did not own
- the acquisition of 96FM in Perth which gives ARN a five capital city presence

In May 2014, APN combined its market-leading New Zealand businesses, APN NZ Publishing, TRN and GrabOne, into one operation. In September 2014, the combined entity was launched as New Zealand Media and Entertainment or, NZME.

APN today

Today, APN has assets in Australia, New Zealand and Hong Kong.

In Australia, APN owns leading radio business ARN – home to the KIIS and Pure Gold networks; as well as regional media company Australian Regional Media (ARM).

APN also owns NZME, New Zealand's premier media and entertainment company which operates some of the country's leading publishing, radio and eCommerce brands including The New Zealand Herald, Newstalk ZB and GrabOne.

APN's Hong Kong businesses, Buspak and Cody, specialise in outdoor, billboard and transit media advertising.

Australian and New Zealand outdoor advertising business Adshel continues to be operated as a joint venture with Clear Channel, our partner of over 10 years which has extensive outdoor assets around the world.

APN provides relevance and connectivity with large-scale, quality audiences through brand, content and technology channels.

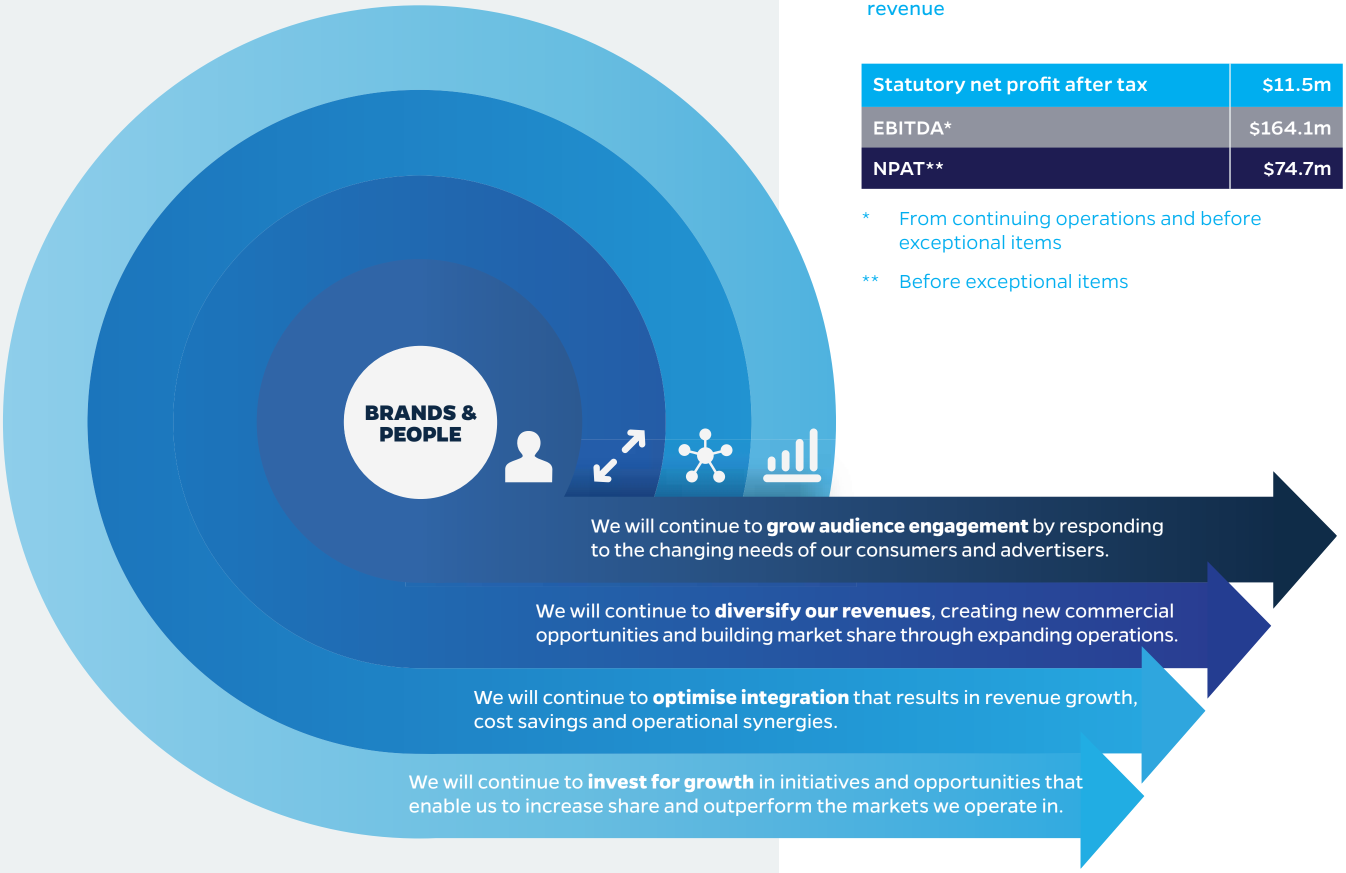
Operating in the growth markets of music, entertainment, community news and information, APN offers advertisers and audiences a combination of assets no other media company can offer.

> **“This year's result has continued APN's positive momentum and reflects strong market performances in what have been increasingly challenging conditions.”**

Michael Miller
Chief Executive Officer
APN full year results market announcement
12 February 2015

APN's strategy

Our strategy is underpinned by our strongest assets — our brands and people. We connect large, quality audiences through our brands, content and technology and engage advertisers with these large audiences by providing integrated and customised business solutions. Having strong relationships and creating an environment that enables great results is central to our success.



Results highlights

25%

Net profit after tax before exceptional items up 25%

342%

Statutory net profit after tax up 342%

11%

Increase in digital revenue

Strong earnings growth and market share gains in Australian radio

Statutory net profit after tax	$11.5m
EBITDA*	$164.1m
NPAT**	$74.7m

* From continuing operations and before exceptional items

** Before exceptional items

CHAIRMAN'S REPORT

Today, APN is well positioned to achieve its transformation goals. We have a very capable management team that has demonstrated their ability to deliver.

Peter Cosgrove
Chairman
APN News & Media

In 2014, we continued to make good progress to reposition APN for growth.

Investing in growth assets

Together with the equity raising of $132m and the sale of APN Outdoor, the Company acquired the 50 per cent of the Australian Radio Network (ARN) and The Radio Network (TRN) in New Zealand that we did not already own. Subsequently, we acquired 96FM in Perth which, when integrated into ARN, completed our five capital city FM radio offering.

One of our next growth opportunities will be in South East Asia. We have started on that journey by acquiring all of the Buspak and Cody outdoor operations in Hong Kong. This is a business and country we have more than 10 years' experience in. In addition, the iHeartRadio platform is growing very fast and has a number of opportunities in Asia.

These transactions confirm the Board's strategy to invest in radio and outdoor as growth businesses.

As a result of those changes to our business portfolio, our radio and outdoor assets now represent just over 60 per cent of our proportionate earnings, which in turn has reduced publishing to under 40 per cent.

In New Zealand, we are well advanced in merging all of our media assets into one integrated business under the brand NZME, which will operate primarily from a single location in each of its local markets. This will enable us to capture both revenue and cost synergies with a strong investment in the business' digital future.

Strong management team

There is still a lot to do and the Board has continued confidence in APN's management team under the leadership of Michael Miller as CEO of the Group, ably supported by Jeff Howard as APN's CFO, Ciaran Davis heading our Australian radio division, Jane Hastings leading our New Zealand operations, Rob Atkinson running Adshel and Neil Monaghan overseeing our regional publishing business in Queensland, who are aligned in our vision to continue APN's growth strategy.

It is pleasing to see that our share price is reflecting the changes the Company is adopting. Emphasis will continue to focus on generating cash flows and investing in growth assets so we can deliver value for our shareholders.

The media business remains subject to many challenges and continues to undergo change at a fast rate. Given this environment, the Company must and will embrace transformation.

Financial result

I am encouraged by the result APN delivered in 2014 with NPAT attributable to shareholders up 25 per cent on the prior year to $74.7m (before exceptionals and non-recurring items). This is an improvement on 2013's performance which was in itself, a solid result.

The Board has decided not to pay a dividend at this time in line with the Company's commitment to reducing debt and improving the balance sheet.

In September, the refinancing of APN's debt facilities was completed a year ahead of the scheduled expiry date with the new facility in place until 2018.

Given the pace of change we are seeing in media, we must and will continue to embrace transformation.

Audit tender

Earlier in 2015, APN conducted an audit tender. Consistent with the Board's strategy to deliver strong corporate governance, the purpose of the tender was to ensure that the Board can continue to provide shareholders with an independent and quality audit of management and the organisation's finanacial operations. We are pleased to retain PwC as APN's audit firm.

Thank you

On behalf of the Board, I would like to thank all APN employees and shareholders for their continued support and look forward to reporting on further progress.

Peter Cosgrove
Chairman
16 March 2015

CHIEF EXECUTIVE OFFICER'S REPORT

2014 was an important year for APN as we continued to evolve our businesses with greater momentum.

Michael Miller
Chief Executive Officer
APN News & Media

Clear strategy

In 2014, we continued with the integration of our businesses and diversification of our revenue streams, with a particular focus on digital which now represents seven per cent of APN's overall revenues.

This is in line with our strategy of establishing APN as a growth oriented media, entertainment and technology company.

We are focused on four key areas:

- **Growing audience engagement** by responding to the changing needs of our audiences and advertisers through great journalism, talent, innovation and creativity;
- **Investing for growth** in initiatives and ventures that enable us to increase share and outperform the markets we operate in;
- **Optimising integration** to provide revenue growth, cost synergies and operational benefits; and
- **Diversifying our revenues** by leveraging our audiences and commercial capabilities to create new opportunities in growth segments and media markets.

This is underpinned by our strongest assets – our brands and people. We connect large, quality audiences through our brands, content and technology and engage advertisers with these audiences by providing integrated and customised business solutions. Having strong relationships and creating an environment that enables great results are central to our success.

Strong earnings growth

Our 2014 Group NPAT attributable to shareholders of $74.7m (before exceptional items) rose 25 per cent from 2013. Our EBITDA result (before exceptional items) of $164.1m was up one per cent from the previous year. One of the key drivers was the standout performance of our Australian radio division, Australian Radio Network (ARN), with revenue up 18 per cent for the year and 28 per cent in the second half compared to growth in the radio market of three per cent and five per cent respectively.

APN has had a positive start to 2015 and I am encouraged by the results we are achieving.

Businesses performing well

ARN had a particularly strong year in Sydney following the rebrand of its Mix station to KIIS 1065 and the repositioning of WSFM to Pure Gold. In 2015 Melbourne's Mix station was relaunched as KIIS 101.1, with the KIIS brand also replicated across ARN's stations in Adelaide and Brisbane. At the end of 2014, APN announced the acquisition of 96FM in Perth, completing ARN's national footprint and making it the number one metropolitan radio group in Australia by audience.

We are pleased with the results that the digital radio platform iHeartRadio has delivered in Australia and New Zealand, with the registered user base more than doubling to over 632,000.

Our New Zealand businesses, APN NZ Publishing, The Radio Network (TRN) and GrabOne, were combined and relaunched as NZME. in September as the country's premier media and entertainment brand. Jane Hastings, the previous CEO of TRN was appointed CEO of NZME. and has installed a new group management team and launched an

Our focus was on delivering improved earnings through investing in our growth assets of radio and outdoor. Importantly, just over 60 per cent of APN's proportionate earnings are now in growth media compared to 44 per cent 12 months ago.

integrated sales proposition which is resonating well with advertisers.

Australian Regional Media, or ARM, now has a bigger audience than at any other time in its history, experiencing audience growth of 15.8 per cent year on year. During 2014, ARM made good progress in growing local and digital revenues, being more efficient and diversifying into non-print areas.

Adshel, our out-of-home advertising company of which we share 50 per cent equal ownership with Clear Channel, delivered revenue growth for the fifth year in a row, while our Hong Kong outdoor businesses performed well in 2014. The outdoor advertising industry is strong in Australia and Asia, positioning Adshel and our Hong Kong businesses well for 2015. This gives us an opportunity to expand in Asia, utilising the strengthened executive team in Hong Kong.

Outlook

Our goal for 2015 is to outperform in each of the markets that our businesses operate in. We have identified the regions, the audiences and the businesses where we want to invest. I look forward to reporting to you on our successes in 2015.

Michael Miller
Chief Executive Officer
16 March 2015

OPERATING AND FINANCIAL REVIEW

Financial performance	Segment result		Exceptional items[3]		Statutory result	
AUD million	2014	2013	2014	2013	2014	2013
Revenue before finance income	843.2	817.2	-	–	843.2	817.2
Other income	6.7	6.6	7.9	9.0	14.6	15.6
Share of associates' profits	11.3	10.6	-	–	11.3	10.6
Costs	(697.1)	(671.6)	(75.2)	(25.2)	(772.2)	(696.7)
EBITDA[1]	**164.1**	**162.8**	**(67.2)**	**(16.1)**	**96.9**	**146.7**
Depreciation and amortisation	(33.3)	(33.0)	-	–	(33.3)	(33.0)
EBIT	130.8	129.8	(67.2)	(16.1)	63.5	113.7
Net interest	(36.1)	(37.9)	(4.3)	–	(40.4)	(37.9)
Tax	(11.7)	(6.0)	5.3	6.7	(6.4)	0.8
Profit/(loss) from continuing operations	**82.9**	**85.9**	**(66.2)**	**(9.4)**	**16.7**	**76.5**
Profit/(loss) from discontinued operations[2]	(0.6)	(0.7)	3.0	(48.1)	2.4	(48.8)
Net profit/(loss) after tax	**82.3**	**85.2**	**(63.2)**	**(57.6)**	**19.1**	**27.7**
Profit/(loss) attributable to APN shareholders	74.7	59.5	(63.2)	(56.9)	11.5	2.6
Non-controlling interests	7.6	25.7	-	(0.6)	7.6	25.1
	82.3	**85.2**	**(63.2)**	**(57.6)**	**19.1**	**27.7**

(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) Refer to note 4 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 $11.5m, up from $2.6m in 2013. The profit attributable to shareholders before exceptional items was $74.7m, up 25 per cent from 2013's profit of $59.5m. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up one per cent from the corresponding period to $164.1m, with revenue from continuing operations up three per cent to $843.2m. Cash inflows before the impact of acquisitions and disposals were $65m, in line with the target of $60m to $70m. A portion of this was used to complete the refinancing of the Company's debt facilities, which sees the new facility expire in 2018, and to purchase further radio licences in New Zealand.

The 2014 results reflect solid market performances from our divisions in what has been increasingly competitive conditions. One of the key drivers was the standout performance of APN's Australian radio division, Australian Radio Network, where revenues were up 18 per cent for the year. In addition, Adshel delivered revenue growth for the fifth year in a row, while our publishing businesses achieved $17m in cost savings, which was partially offset by reinvestment in the integration of APN's New Zealand businesses. Australian Regional Media has almost halved its rate of revenue decline, NZME. Radio delivered strong year-on-year growth with NZME. eCommerce recording a stronger second half performance.

The table on page 10 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 non-recurring costs include the impairment of $50m relating to the NZME. Publishing mastheads, costs of the ongoing restructuring of our publishing businesses and one off project costs relating to the refinancing and NZME. Further details are included in note 4 to the financial statements.

A review of each of the businesses is outlined in the following pages.

Investing in growth

During 2014, APN's focus was on delivering enhanced earnings through investing in its growth assets of radio and outdoor, while identifying synergies, optimising cash flow and managing costs across all its businesses.

The results of the transactions outlined on page 4 combined with individual business performances show that over 60 per cent of APN's proportionate earnings now come from growth assets, in turn showing that the share of publishing earnings has reduced.

APN also continued with the integration of its businesses and diversification of its revenue streams with a particular focus on digital revenues which made positive progress over the past 12 months.

Digital and iHeartRadio

APN's continued focus on digital was reflected in its financial result which saw its digital revenues grow 11 per cent to $59m, making up seven per cent of total revenue.

APN's free, all-in-one digital radio service and events platform iHeartRadio also delivered pleasing results in 2014. Its registered user base across Australia and New Zealand grew 184 per cent to 632,052, with more than 864,473 people downloading the app.

The growth was driven in part by an increase in iHeartRadio live experiences.

Balance sheet and cash flow

The Group had net assets at 31 December 2014 of $472m, which includes $458m in net debt. The Group's debt facilities were refinanced during the year and the facilities now mature in 2018. The balance sheet has been impacted by the significant transactional activity in the year. The purchase of the remaining 50 per cent of both the radio business and the Hong Kong outdoor business has significantly reduced the non-controlling interests in the balance sheet. The parent entity's interest in assets increased from $362m at 31 December 2013 to $437m.

Cash flow before the impact of aquisitions and disposals was $42m, including over $22m incurred on one off projects and the acquisition of radio licences in New Zealand. Before these one off cash out flows, the cash generated was in line with our target for the year of between $60m and $70m.

OPERATING AND FINANCIAL REVIEW

NZME.

Every month, NZME reaches 3.1m New Zealanders through its market leading brands including the country's number one newspaper, The New Zealand Herald, the country's leading talk station, Newstalk ZB and the leading deals site, GrabOne.

Business overview

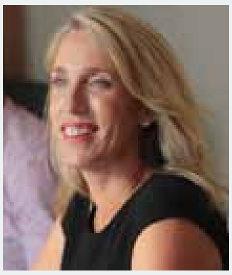
In September 2014, APN launched New Zealand Media and Entertainment – or NZME. – which combines the three APN New Zealand businesses of APN NZ Publishing, The Radio Network and GrabOne into one of the country's leading media operators.

As New Zealand's leading publisher, NZME. Publishing connects with over 2.2 million people every week via print, desktop and mobile. Its portfolio includes the country's flagship newspaper, The New Zealand Herald, along with six other daily newspapers, 23 non-daily newspapers and over 20 websites, mobile sites and apps. NZME. Publishing also publishes three magazines under licence from Pacific Magazines Group Australia, being New Idea, Girlfriend and That's Life.

NZME. Radio operates three of the top five national networks – Newstalk ZB, The Hits and Coast – in addition to popular radio networks including ZM, Hauraki, Flava and Radio Sport. In total, NZME. Radio operates seven stations covering key commercial demographic groups in New Zealand. NZME. Radio also leads with its digital radio platform iHeartRadio.

NZME. eCommerce includes GrabOne, New Zealand's leading deals site. Through combining purchasing power, customers get to experience great local businesses while saving money. Launched in July 2010, GrabOne quickly became New Zealand's leading deals site. GrabOne has also diversified its offer, including GrabOne Escapes, GrabOne Bottle, ShopViva and ShopGreen.

In 2015, NZME continued to grow its offering launching its NZME. Events and NZME. Experiential divisions.



"NZME has commenced the integration of the New Zealand business units and is well-placed to deliver growth in revenue and audience."

Jane Hastings
NZME. CEO

Images below left to right:
ZM Breakfast team's Fletch, Vaughn & Megan, NZME Radio's Mike Hosking

NZME. is the home to the country's #1 newspaper.

OPERATING AND FINANCIAL REVIEW

NZME.

The integration of NZME.

For the first time, APN is reporting on the combined performance of its New Zealand operations as NZME.

NZD million	2014	% Change	Like for like*
Revenue	445.8	(6)%	(2)%
Costs	(364.2)	(5)%	0%
EBITDA	81.6	(11)%	(10)%

* Like for like adjusts for disposal of Wellington and South Island titles in 2013 and Magazines in early 2014.

Total revenues were down six per cent to NZ$445.8m while EBITDA was down 11 per cent to NZ$81.6m.

Earnings growth in radio were offset by declines in publishing and eCommerce.

NZME. Publishing experienced an improved second half

NZD million	2014	% Change	Like for like*
Revenue	298.1	(10)%	(4)%
Costs	(246.0)	(9)%	(2)%
EBITDA	52.1	(17)%	(15)%

* Like for like adjusts for the sale of the Wellington and South Island newspapers in 2013 and Magazines in February 2014.

NZME. Publishing saw an improved second half performance with H2 revenue decline at eight per cent compared with a first half decline of 13 per cent.

NZME. Publishing circulation revenue was flat year on year, a satisfying result that reverses declines from previous years. The New Zealand Herald and several regional titles showed good year-on-year circulation improvements. In August 2014, NZME commenced an agreement with Fairfax Media which sees the two businesses share a printing facility in Ellerslie. The agreement is delivering ongoing synergies and cost efficiencies.

Digital audience to The New Zealand Herald grew 25 per cent year-on-year while video views across NZME. Publishing sites grew 32 per cent.

NZME. Publishing is on track to launch the first stage of its paid content model this year.

NZME. is home to the country's #1 radio station and leading deals site.

NZME. Radio had another year of growth

NZD million	2014	Change (% local currency)
Revenue	127.0	5%
Costs	(101.9)	5%
Segment EBITDA	25.1	7%

The first half of 2014 saw the NZME radio network invest in new branding for its stations ZM and The Hits, the launch of Mix98.2 in Auckland and new talent across its network. The division delivered a solid revenue performance for the full year driven by strong direct revenues which grew eight per cent for the year.

Video views across its radio sites almost doubled, while also recording a 102 per cent increase in audience and a 72 per cent increase in engagement per user.

In December 2014, the New Zealand Government auctioned a number of radio licences previously being leased to radio broadcasters. NZME invested NZ$7.8m in securing licences. While this impacted cash flow, the investment was essential to ensure transmission to all major cities in the country and consolidate the position of NZME's Newstalk ZB as the country's number one radio station.

Image: The Hauraki Breakfast team's Matt, Jeremy & Laura

NZME. eCommerce experienced a challenging 2014

NZD million	2014	Change (% local currency)
Revenue	20.7	(4)%
Costs	(16.3)	2%
Segment EBITDA	4.4	(22)%

NZME. eCommerce, which incorporates GrabOne, saw a stronger second half due to the staged release of an upgraded operating system that make deals more accessible across platforms and a diversification of its business and revenues through close alignment with NZME's other businesses. This included the launch of ShopViva, ShopGreen and True Commercial, partnerships with The New Zealand Herald which saw the publisher connect its well-known media brands and content with GrabOne's eCommerce platform.

2015 and beyond

The integration of the New Zealand operations represents an important part of APN's New Zealand strategy, which is focused on fully realising the power of the combined content, audience and eCommerce capabilities within the business.

Part of this included the appointment of a new group management team, led by chief executive officer Jane Hastings, with responsibility for the overall operations of the combined businesses; and the launch of an integrated sales approach which provides clients access to integrated advertising packages that leverage NZME's extensive audience segments across News, Sport and Entertainment as opposed to single channels. This approach is already delivering and is expected to continue delivering strong results.

In addition, later this year, the Auckland-based teams will be co-locating, opening up even more synergistic opportunities and increasing collaboration across NZME.

Since the launch of NZME, the business has made encouraging progress in accelerating the benefits from its integration process, in particular through its combined sales offering, diversification of the GrabOne platform aligned with other NZME brands, content collaboration across the business to grow audiences and a new combined digital team to drive NZME's video offering.

In 2015, NZME will continue to identify integration opportunities that drive revenues and efficiencies.

OPERATING AND FINANCIAL REVIEW

Australian Regional Media

With 12 daily newspapers, 60 community newspapers and non-daily publications and over 30 web and mobile sites, Australian Regional Media is the leading publisher in regional Queensland and northern New South Wales.

Business overview

Australian Regional Media (ARM) engages over 1.5 million people each week across its suite of print, desktop and mobile sites.

ARM's unique proposition is based on its commitment to creating the most relevant and engaging local content across print and digital channels in its markets. With an emphasis on evolving how this content is monetised, ARM has expanded its products to include fully integrated campaigns for clients across all its market leading media properties. Further revenue diversification strategies have seen ARM leverage these strong local relationships to now include events and digital marketing services in their product offering.

For many of its local communities, ARM's media brands are the pre-eminent source of trusted and relevant local news and information; as well as the leading provider of local business solutions.

Decline in revenues continue to moderate

AUD million	2014	Change
Revenue	202.1	(7)%
Costs	(177.1)	(5)%
Segment EBITDA	25.0	(16)%

Cost savings: ARM realised $10m in cost savings in 2014

The priority for ARM in 2014 was on growing local and digital revenues, being more efficient and diversifying into non-print areas.

ARM's EBITDA was down $4.7m to $25.0m compared to a $9.0m decline in 2013. Its revenues were down seven per cent to $202.1m which is almost half the rate of decline year-on-year. At the same time, the business realised $10m of cost savings from back end operations and administration.

ARM now has a bigger audience than at any other time in its history, experiencing an audience growth of 15.8 per cent year-on-year. It owns eight of the top ten performing daily newspapers in Australia by year-on-year circulation change. Weekly print readership grew 3.4 per cent. This is a strong result in a challenging market and demonstrates the strength in regional media companies and the deep connections they share with their audiences and advertisers.

With an increased focus and investment in digital, ARM's digital audience experienced strong growth with mobile, social and online audiences all up substantially year-on-year. This resulted in a flow-on effect of increased digital revenues which were up 39 per cent year-on-year.

The closure of ARM's Toowoomba printing facility in 2015, continuing the Company's print site rationalisation program from seven sites to three, will deliver further production efficiencies and cost savings.

> ARM's achievements in 2014 reflect our commitment to connecting and enriching the local communities we serve.
>
> **Neil Monaghan**
> ARM CEO

Regional advertising market remains resilient

Local advertising revenues were resilient, down just two per cent with the combination of local and classified revenues now making up 78 per cent of total advertising revenue. Overall advertising revenues, however, remain challenging due to soft national advertising revenues and uncertain growth in the Queensland market.

To address the soft national agency conditions, in September, ARM repositioned its brand and advertiser proposition to better educate media agencies on its offering. The new local-to-local positioning clearly reflects what ARM can deliver to national advertisers across platforms – mass localisation alongside local, trusted and engaging content.

Diversification and 2015

In 2014, ARM launched a number of new initiatives including partnering with local businesses to offer programmatic trading as well as digital marketing and event services. It also added specialist titles to its portfolio of publications, which are generating new revenues from new audiences. These new strategies have increased ARM's capabilities as a local business partner for its communities.

There will be a continued focus to grow revenues in these diversified areas, while simultaneously delivering strong publishing revenues.

OPERATING AND FINANCIAL REVIEW

Australian Radio Network

Following the acquisition of 96FM, the Australian Radio Network now has the largest audience of any metropolitan radio network in the country.

Business overview

The Australian Radio Network (ARN) is one of the leading broadcasters in the country with ownership or investments in 13 radio stations nationwide and is home to the national KIIS and Pure Gold networks. The KIIS network consists of KIIS 1065 Sydney, KIIS 101.1 Melbourne, 97.3 Brisbane, Mix102.3 Adelaide and 96FM in Perth. Each station delivers energetic and celebrity content, alongside music, that reflects the best that each city has to offer, and features some of Australia's most well-known and successful personalities. Some of its high-profile radio announcers include Kyle and Jackie O and Hughesy and Kate. The network targets females 25-44.

The Pure Gold network, targeting the lucrative Gen X demographic, reflects the music audiences want to hear from the 80s, 90s and 2000s, that instantly makes you feel good and transports you back to those memories you have created throughout your life. Pure Gold stations offer content that is contemporary, confident and current.

In January 2015, APN acquired 96FM in Perth, giving ARN a five capital city presence.

Increased audience share led to increased revenue

While the Australian radio market grew three per cent in 2014, ARN revenues grew 18 per cent to $180.9m while EBITDA grew 14 per cent to $66.5m, marking ARN's most successful year to date.

ARN's 2014 result follows three years of growth and is a credit to ARN's chief executive officer, Ciaran Davis, and the ARN team who have worked hard to attract high-profile talent, intelligently invest in effective marketing strategies and create strong brands which resonate well with their audiences.

In Sydney, ARN considerably grew audience share. Its WSFM and KIIS stations finished the year as the number one and two FM stations from being number four and six in 2013 – a rewarding result in the country's most commercially lucrative market.

In Adelaide, ARN continued its leadership position with Mix 102.3 finishing the year as the number one station in the city while in Brisbane, 97.3 was the number one station in 2014 for seven out of eight surveys. ARN's stations in Adelaide and Brisbane have consistently delivered strong and growing ratings performances over the years.

"It is pleasing to see ARN achieve its objective of becoming Australia's number one metropolitan network in 2014."

Ciaran Davis
ARN CEO

In 2014, ARN increased its audience share in every market

Image: WSFM's Pure Gold Breakfast Team Jonesy and Amanda

2014 – Australia's standout media performer

ARN had a particularly strong year in Sydney following the rebrand of its Mix station to KIIS 1065 and the repositioning of WSFM to Pure Gold. In addition to finishing number one and two respectively in the market, the stations' breakfast teams, Kyle and Jackie O and Jonesy and Amanda finished number one and two in their breakfast timeslots, demonstrating ARN's pre-eminence in Sydney.

Following this success, ARN relaunched its Melbourne Mix station as KIIS 101.1 this year, signing Matt Tilley to join existing co-host Jane Hall as breakfast presenters. The highly successful radio team of Dave Hughes and Kate Langbroek have also joined the network as hosts of KIIS's national drive program.

In November 2014, the KIIS brand was replicated across ARN's Mix stations in Adelaide and Brisbane, ensuring a clear, commercial proposition for national advertisers.

Driven by the success of ARN's programs, the network delivered big increases in social media and digital audiences. Across its social media sites, ARN has a collective audience of over 1.4 million. In December 2014, the network's Facebook sites alone recorded a reach of six million people. Average monthly audiences to ARN's websites increased 253 per cent year on year to 1.3m.

2015 and beyond

In 2014, ARN's objective was to become the number one metropolitan network in the country. At the end of 2014, APN announced the acquisition of 96FM in Perth, giving ARN a five capital city presence. Following the success of its stations in 2014, as well as the acquisition, ARN is now the number one metropolitan network in the country by audience.

With 96FM, ARN now offers national advertisers a complete and easy platform to reach the commercially lucrative females 25-44 and all people 25-54 demographics. In 2015, ARN will work with advertisers in realising the commercial benefits of the acquisition, as well as the new Melbourne KIIS offering. There will also be a continued focus on delivering integrated, multi-platform campaigns for advertisers.

Australian Radio Network

AUD million	2014	Change
Revenue	180.9	18%
Costs	(114.4)	21%
Segment EBITDA	66.5	14%

OPERATING AND FINANCIAL REVIEW

Outdoor

APN now wholly owns leading Hong Kong outdoor companies, Buspak and Cody, and continues to have 50 per cent ownership in leading Australian and New Zealand outdoor advertising company Adshel.

Overview of businesses

Buspak and Cody

In July 2014, APN acquired the remaining 50 per cent of Hong Kong outdoor businesses Buspak and Cody that it did not already own.

Buspak manages and operates exterior and interior advertising inventory on all 1,700 Hong Kong Island buses through the New World First Bus contract; while Cody has a portfolio of over 160 billboards across Hong Kong including in six prime locations.

Adshel

Adshel specialises in roadside, retail, digital, rail and petro-convenience advertising across Australia and New Zealand. Its almost 20,000 advertising panels reach 92 per cent of Australians each fortnight and up to 83 per cent of the New Zealand population.

Hong Kong Outdoor

AUD million	2014	Change
Revenue	49.9	6%
Costs	(45.2)	(1)%
Segment EBITDA	4.7	159%

Hong Kong Outdoor performance solid

Buspak and Cody performed well despite challenging market conditions during the Occupy Central protests in Q4.

In 2014, EBITDA grew to A$4.7m, due in part to contract improvements, while overall revenue was up six per cent to A$49.9m. The revenue increase is partly attributable to improving Buspak's buzplay revenues; as well as the creation of a mega billboard format and the expansion of non-exclusive billboard sites. In December, Buspak launched an additional 30 Signature Buses with integrated advertising capabilities increasing premium inventory opportunities.

2015 and the potential of the Asian outdoor advertising market

The collective South East Asian, Hong Kong and Chinese outdoor advertising market has grown 24 per cent over the last four years and is forecast to grow a further 46 per cent over the next four years. This growth represents an opportunity for APN to expand across the region, utilising the APN team in Hong Kong.

In H2, APN appointed two new senior executives to its team in Hong Kong. Patrick Chaundy was appointed to lead and identify expansion opportunities in other Asian outdoor advertising markets, while Sammy Choi was appointed chief financial officer.

There are a number of opportunities APN is exploring in this space.

Buspak's contract with New World First Bus concludes in June 2015. APN submitted tender documents for the next contract, up to 2020.

Adshel

AUD million	2014	% Change	Like for like*
Revenue	147.2	(1)%	4%
Costs	(110.2)	1%	8%
EBITDA	37.0	(7)%	(6)%

* Like for like adjusts for sale of Adshel Infrastructure and Town and Park at end of 2013.

Adshel experiences fifth consecutive year of revenue growth

Adshel revenue increased four per cent to $147.2m while EBITDA fell six per cent to $37m (after adjusting for the impact of the sale of the Adshel Infrastructure and Town and Park businesses at the end of 2013). The business experienced a challenging H1 due to investments made in the half, primarily being rental payments for its Sydney Trains contract commencing a number of months prior to the rollout, and monetisation of digital inventory.

Adshel delivered a stronger H2 with revenue up eight per cent and EBITDA up six per cent from H1. This improvement was due in part to the appointment of senior executives in Sydney as well as the retention and acquisition of key commercial contracts in Sydney and Adelaide.

In addition, Adshel completed its first stage rollout of the Sydney Trains digital network which has opened up new, customer-enhancing opportunities for outdoor commuter advertisers including scent, sound and augmented reality.

Adshel's New Zealand revenues were up eight per cent for the year.

The Group received dividends totalling $9.5m from Adshel during the year.

2015 and the expansion of digital capabilities

The outdoor advertising industry outperformed the market every month in 2014, increasing 10 per cent on average throughout the year versus a flat overall advertising market.

Adshel is well positioned for growth. Of the total out-of-home revenues in 2014, roadside accounted for the largest share of revenue at 33 per cent, while digital out-of-home revenues grew 66 per cent over the year to represent 18.8 per cent of total outdoor advertising revenues.

In 2015, Adshel is focused on expanding its digital capabilities. It has already announced the launch of its national beacons program, begun the expansion of its digital screens across the Sydney Trains network and will continue to invest in business systems to enable a wider rollout of outdoor programmatic sales.

"To achieve a fifth consecutive year of revenue growth in such a competitive sector is truly remarkable."

Rob Atkinson
Adshel CEO

CORPORATE SOCIAL RESPONSIBILITY

Supporting the communities who support APN

APN shares a deep relationship with its audiences and as a trusted and leading media operator, plays an important role in supporting its communities through sponsorships, direct funding, community initiatives and contra-advertising.

APN and its divisions see great value in being part of the success of its communities and will continue to use their positions as community leaders to advance various initiatives and causes that benefit its audiences.

Raising funds for the community

For the second year running, APN, through its Adshel and ARN divisions, continued its sponsorship of the Gold Telethon which is the major annual fundraising event for the Sydney Children's Hospital. ARN delivered on-air and online activity across KIIS 1065 and WSFM which encouraged listeners to donate to the Telethon culminating in a special three hour live broadcast with Jonesy and Amanda on the day of the Telethon which continued to drive donations. Adshel developed and ran an extensive campaign across its street furniture and digital billboards to drive awareness of the campaign and thank all contributors.

NZME. Publishing ran key fundraising campaigns which raised funds for community initiatives. This included partnerships with Ronald McDonald House Charities, and the Starship Foundation in which $215,000 was raised and donated to Starship Children's Health, a children's hospital in Auckland.

In New South Wales, ARM sponsors The Westpac Life Saver Helicopter, which requires $3m a year from fundraising to function, to help drive fundraising activities for the organisation.

ARN also continued to support the Australian Children's Music Foundation, which provides music lessons and instruments to disadvantaged children.

Utilising assets for a good cause

Through their wide reach, APN's divisions provided non-profit organisations and charities contra-advertising.

NZME. Radio donated airtime to help drive awareness and donations for the For Everyone Charitable Foundation and the Starship Foundation; while ARN also donated creative and production resources as well as airtime to support charities such as the Fight Cancer Foundation, Open Minds Australia and the Cure Cancer Australia Foundation.

For the last 10 years, ARM's Sunshine Coast Daily has been an ongoing supporter and sponsor of the Daniel Morcombe Foundation which promotes child safety. In 2014, it continued to support the foundation through editorial coverage and advertising for major fundraising events such as the Walk for Daniel and Dance for Daniel.

Across its street furniture network and digital billboards, Adshel donated media spend to support a number of charities including UN LTD, Wesley Mission, SecondBite, the Children's Medical Research Institute, the Starlight Foundation, Step Back Think and ANZUP.

APN employees personally give back

APN empowers its employees to deliver the best they can in as many ways as they can. This approach extends to community initiatives.

NZME. eCommerce, through GrabOne ran a week-long donation campaign for the Auckland City Mission which was coupled with staff volunteering at the City Mission to help with the Mission's pre-Christmas drives.

In addition, NZME this year ran the inaugural APN McNally Classic fishing competition to honour the late Andrew McNally, group advertising director at APN NZ Publishing. Staff and clients gathered to remember Andrew and contribute to the improvement of men's health.

Adshel implemented an employer funded employee charity donation benefit which gives each employee a day every year to support their charity of choice. Adshel also donates $250 to each employee's selected charity.

Adshel's panel execution to support the Gold Telethon

Case study

Pride of New Zealand Awards

In 2014, NZME. launched the Pride of New Zealand Awards as a unique way to celebrate the uplifting and inspiring behaviour that often goes unrecognised in the community. The Awards give the public the opportunity to nominate ordinary people, whose courageous and selfless actions help build a better New Zealand.

From 700 nominations, 72 regional finalists, 24 national finalists and six national winners were recognised at a national event in September.

Case study

Adopt-a-Family Christmas Appeal

For over 20 years, ARM's Sunshine Coast Daily has been running its Adopt-a-Family Christmas Appeal. The Appeal seeks to brighten the lives of families facing adversity by providing Christmas hampers for them over the festive season. Between 800 and 1000 families facing adversity are nominated by local charities and listed for 'adoption'.

Over the duration of four weeks, the Sunshine Coast Daily encourages its community, through editorial and advertising, to sign up, 'adopt a family' and put together a Christmas hamper of gifts and goods to share with their selected families.

SENIOR MANAGEMENT TEAM

Michael Miller

Chief Executive Officer, APN News & Media

Michael Miller was appointed APN News & Media's Chief Executive Officer in June 2013. He has over 15 years of experience working in senior executive roles in the media industry. Michael was previously the Regional Director for News Corp Australia in New South Wales, the Managing Director of Advertiser News Media from 2004 to 2010, and News Corp Australia's Group Marketing Director from 1997 to 2004 involved in all aspects of marketing across News Corp's 11 divisions in the region. Michael was a Director of News Corp Australia from 2004 to 2013 and a previous Director of Fox Sports Australia and carsguide.com.au, and a Director of Sky Network Television Limited from 2003 to 2013. He is currently the Chairman of The Newspaper Works and a Director of the Committee for Sydney and of Waratahs Rugby.

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.

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). Yvette is a Member of the Media and Communications Committee of the Law Council of Australia, has completed the Company Meetings and Company Secretarial Practice courses with the Chartered Institute of Company Secretaries in Australia (now Governance Institute of Australia) and is a Graduate of the Australian Institute of Company Directors. She was admitted as a solicitor to the Supreme Court of New South Wales in 1987 and the High Court of Australia in 1988.

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.

Jane Hastings

Chief Executive Officer, NZME.

Jane Hastings was appointed Chief Executive Officer of NZME. in September 2014 following the formation of the division. Prior to this, Jane was Chief Executive Officer of The Radio Network which she joined 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 and Director of Communications at ICLP in Hong Kong. Before heading to Asia, Jane gained experience at Air New Zealand, working in operational, product and marketing roles.

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 to 2010), Chief Executive Officer for 98FM, Dublin (2003 to 2007) and Marketing Director for 98FM (2000 to 2003). Before joining Communicorp, Ciaran worked with Irish Permanent PLC (1996 to 2000), leading their sponsorship activities of the Irish rugby team. Ciaran is a Director of Commercial Radio Australia and The Australian Ireland Fund.

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

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

Ted Harris AC

Deputy Chairman

FInstD, 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 to 1987) and was previously Chairman of Australian Airlines, British Aerospace Australia, Australian National Industries, Thakral Holdings (1994 to 2012) and Gazal Corporation, Deputy Chairman of Metcash Limited and Chairman of Australian Radio Network. Mr Harris is 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 to 1990) and Chairman of the Australian Sports Commission and Institute of Sport (1984 to 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 to 1980). He is a recipient of the Queen's Silver Jubilee Medal. He was inducted into the Sport Australia Hall of Fame in September 2013.

Responsibilities: Non-Executive Director, Deputy Chairman, Member of Nominations (from 10 March 2015) and Audit Committee, Chair of Audit Committee (until 16 August 2013), Chair and Member of Remuneration Committee (resigned on 17 June 2014).

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 Health Limited, HBF General Insurance Limited, McCusker Foundation for Alzheimer's Research, and the Travel Compensation Fund. Appointed in 2012, she continues to serve on the Boards of Cuscal Limited, Pioneer Credit Limited, and TAL Superannuation Fund. 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, Bank of Singapore, 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 and Remuneration Committees (both from 20 June 2013).

Vincent Crowley

Non-Executive Director
BA, FCA.

Vincent Crowley was appointed to the 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 in 1997 and was appointed Chief Executive of Independent News & Media – Ireland in August 2002. In June 2009, he retired from the Board of INM 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.

In May 2014, he retired as Group Chief Executive Officer and Director of INM and a number of INM subsidiaries and associated companies. He remains a Director of a number of INM subsidiaries and is also a Director of News & Media New Zealand Limited. In July 2014, Mr Crowley was appointed Chairman of industry body National Newspapers of Ireland.

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

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 previously a Director of Esat Telecommunications Limited, an Irish telecommunications company (1997 to 2000) and then a Director of Digicel Limited, a Caribbean-based telecommunications company. From 1987 through 1991, he 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, Melita Cable PLC, Tetrarch Capital Limited (since August 2014) and in October 2010 he was invited to become an external Senior Advisor to Credit Suisse. Mr Connolly holds a Bachelor of Commerce degree 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 and Nomination Committee (both from 20 June 2013).

Peter Cullinane

Non-Executive Director
MBA, MMgt.

Peter Cullinane was appointed to the APN Board in November 2013. As the former Chief Operating Officer of Saatchi & Saatchi Worldwide (1998 to 2002) as well as the company's Chief Executive, New Zealand and Chairman, Australasia for over eight years prior, he is a respected force in global advertising and marketing who brings extensive industry knowledge, as well as expertise in Australasian and global markets, to the Board. 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 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 founder and Chairman of Lewis Road Creamery Limited.

Responsibilities: Non-Executive Director, Chair of Remuneration Committee (from 17 June 2014), Member of Remuneration Committee (from 4 December 2013).

CONTENTS

CORPORATE GOVERNANCE

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" in effect during the reporting period (2nd edition) (Recommendations) and, except to the extent indicated below, has complied with those Recommendations for the entire reporting period.

The Board acknowledges that the 3rd edition of the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (3rd Edition) was published on 27 March 2014 and, as required by the 3rd Edition, intends to comply with the recommendations in the 3rd Edition in the period ending 31 December 2015. There are only a minimal number of sections of this Corporate Governance statement which will require change to reflect the 3rd Edition.

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 Executive Key Management Personnel meet regularly to examine the performance of the Company compared to Board approved operating budgets and policies.

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 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 following Annual General Meeting and shall then be eligible for election by shareholders.

Composition and qualifications

During the reporting period, the Board consisted of six members, all non-executive Directors. Peter Cosgrove was the Chairman.

Details of the names, qualifications, tenure, skills, experience and Board Committee memberships of the Directors and meeting attendances of Directors during the reporting period appear on pages 26, 27 and 38 of this Annual Report.

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. At each Board meeting there is time set aside for Directors to meet without management present.

CORPORATE GOVERNANCE
Continued

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 would not be unreasonably withheld.

Independence of Directors

A majority of the Board are 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 (Chairman)
- Ted Harris (Deputy Chairman)
- Anne Templeman-Jones
- Peter Cullinane.

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

- Vincent Crowley
- Paul Connolly.

Performance evaluation

From time to time, including during the reporting period, the operation of the Board, its Committees and individual Directors and their performance is 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.

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

Nomination Committee

The Company has a Nomination Committee. During the reporting period, the Nomination Committee consisted of the following non-executive Directors:

- Peter Cosgrove (Chair)
- Paul Connolly
- Ted Harris (appointed on 10 March 2015).

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 experience 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 Company has a Remuneration Committee. During the reporting period, the Remuneration Committee consisted of the following non-executive Directors:

- Peter Cullinane (appointed as Chair on 17 June 2014)
- Anne Templeman-Jones
- Paul Connolly
- Ted Harris (resigned as Chair and Committee member on 17 June 2014).

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 Executive Key Management Personnel as listed on page 41 of this Annual Report 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 Executive Key Management Personnel 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 Executive Key Management Personnel (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 non-executive Director remuneration and further details of the appraisal and performance evaluation applicable to Executive Key Management Personnel appear on pages 40 to 53 of this Annual Report.

Audit Committee

The Company has an Audit Committee. During the reporting period, the Audit Committee consisted of the following non-executive Directors:

- Anne Templeman-Jones (Chair)
- Ted Harris
- Vincent Crowley.

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 the Company's responses to risk 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, Group General Counsel and Company Secretary, Internal Audit Manager and external auditors. The Directors are invited to attend Audit Committee meetings as observers and are advised of meeting dates and times.

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

CORPORATE GOVERNANCE
Continued

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 made from recycled fibre or fibre sourced from sustainably managed forests. It also operates its manufacturing facilities in accordance with best practice regarding waste recycling.

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 continued its program of work aimed at improving the levels of safety reporting co-operation between the respective APN divisions which included further strengthening of the safety governance and consultation arrangements and ongoing work to ensure compliance in an evolving legislative environment;
- a number of the divisions underwent an external review of their Workplace Health and Safety processes and no issues were found; and
- the Company renewed its framework around Workplace Health and Safety.

The Company's primary measures of safety performance are currently Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR). These reflect the number of lost time and medical treatment injuries experienced for every million hours of employee work time.

The Company's commitment to improving the workplace environment has been reflected in the maintenance of low rates for LTIFR and MTIFR, which were similar to last year's rates, being the lowest level since 2009.

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 risks.

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;
- 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. During the reporting period a review of the current risk framework for assessing new business opportunities was carried out with the assistance of an independent third party.

As part of the Company's risk management and internal compliance procedures, the Chief Executive Officer 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 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) Listing Rules 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. Market 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 required 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.

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 Executive Key Management Personnel 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. Executive Key Management Personnel are also aware that the NZX Listing Rules impose certain disclosure obligations on senior managers.

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), 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. 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.

CORPORATE GOVERNANCE
Continued

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 co-operation 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. 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, Group General Counsel and Company Secretary and Chair of the Audit Committee. A copy of the Whistleblower Policy is available on the Company's website.

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 pursue 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 co-ordinate programs that improve the 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 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 workforce:

- increase the ratio of women in management level roles in the organisation by 10 per cent 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 per cent 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 52 per cent of the Group's workforce in Australia and New Zealand.
- Women constitute approximately 32 per cent of the senior management within the Group*.

One in six members of the Group's Board is female.

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:

- the appointment of a female to lead APN's newly combined New Zealand business, NZME, in the role of Chief Executive Officer;
- the promotion 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;
- improvements in tracking gender proportions in the Group's workforce;
- 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
- continued emphasis in many divisions on policies and procedures permitting flexible return to work programs.

The Company has submitted a Workplace Gender Equality Act 2012 report in Australia.

The Company will perform further work in 2015 to achieve the gender diversity objectives.

* 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 and the entities it controlled at the end of, or during, the year ended 31 December 2014. Throughout this report, the consolidated entity is referred to as the Group.

1. Directors

The Directors of APN News & Media Limited during the financial year and up to the date of this report were:

Peter Cosgrove (Chairman)

Ted Harris AC (Deputy Chairman)

Anne Templeman-Jones

Vincent Crowley

Paul Connolly

Peter Cullinane

Details of the current Directors' qualifications, experience and responsibilities are set out on pages 26 and 27.

2. Qualifications and experience of Company Secretary

Refer to page 24 for the qualifications and experience of the Group General Counsel and Company Secretary, Yvette Lamont.

3. Principal activities

APN News & Media is a growth oriented media, entertainment and technology company with assets in Australia, New Zealand and Hong Kong.

In Australia, APN owns leading radio business Australian Radio Network (ARN) which has the largest metropolitan audience footprint in the country. With a five-capital city offering, it is home to the KIIS and Pure Gold networks.

APN's Australian Regional Media (ARM) is the leading publisher in regional Queensland and Northern New South Wales. ARM's portfolio includes 12 daily newspapers, 60 community newspapers and non-daily publications and over 30 regional news websites and mobile sites. With a footprint from Coffs Harbour to Airlie Beach, ARM connects with over 1.5 million unique locals via print, online and mobile every week.

In May 2014, APN combined its market-leading New Zealand businesses, APN NZ Publishing, The Radio Network and GrabOne, into one company. In September 2014, the combined entity was launched as NZME. The division operates some of the country's leading publishing, radio and eCommerce brands including New Zealand's leading newspaper, The New Zealand Herald, NZ's number one radio station, NewstalkZB and New Zealand's leading deals site GrabOne.

In July 2014, APN acquired the remaining 50% interest in the Hong Kong Outdoor businesses, Buspak and Cody. Buspak manages the interior and exterior advertising inventory on all 1,700 Hong Kong Island buses while Cody specialises in outdoor advertising with a portfolio of over 160 billboards.

Australian and New Zealand street furniture and digital outdoor advertising business Adshel continues to be operated as a joint venture with Clear Channel, APN's partner of 15 years which has extensive outdoor assets around the world.

APN has the licence to operate iHeartRadio in Australia and New Zealand.

4. Dividends

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

	2014 $'000	2013 $'000
No final dividend for the year ended 31 December 2013 (2012: nil)	–	–
No interim dividend for the year ended 31 December 2014 (2013: nil)	–	–
Total dividends	–	–

The Directors have determined that no final dividend will be payable in respect of the year ended 31 December 2014.

5. Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's Report, Chief Executive Officer's Report and the Operating and Financial Review on pages 6 to 21 of this Annual Report.

6. Significant changes in the state of affairs

On 24 January 2014, the Group completed the sale of its investment in APN Outdoor. The total proceeds were $74.0 million.

On 12 February 2014, the Group completed the sale of its investment in brandsExclusive to the Aussie Commerce Group. The Group received $2.0 million and 8% of the equity in the Aussie Commerce Group.

On 19 February 2014, the Group completed 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 and was part funded by equity raised by way of a rights issue. As ARN and TRN were already consolidated in the Group's financial results the primary impact of the acquisition was to reduce the profit attributable to non-controlling interests and increase the profit attributable to owners of the parent entity.

On 18 July 2014, the Group completed the acquisition of the 50% of Buspak Advertising (Hong Kong) Limited (Buspak) that it did not already own. The purchase price was $14.0 million. Similar to the acquisition of ARN and TRN referred to above, Buspak and its subsidiaries were already consolidated in the Group's financial results and therefore the primary impact of the acquisition was to reduce the profit attributable to non-controlling interests.

In the opinion of the Directors, there were no other 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 the Group has acquired 100% of Radio 96FM Perth Pty Ltd (96FM) from Fairfax Media. The purchase price was $78.0 million and was funded from cash and existing debt facilities. 96FM's revenue for the 12 months to 31 December 2014 was $18.7 million.

Other than the matter 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 6 to 9 and the Operating and Financial Review on pages 10 to 21.

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 53 and forms part of this Directors' Report.

DIRECTORS' REPORT

Continued

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:

	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Peter Cosgrove	12	12	–	–	–	–	2	2
Ted Harris	12	11	9	8	2	2	–	–
Paul Connolly	12	12	–	–	3	3	2	2
Vincent Crowley	12	12	9	9	–	–	–	–
Peter Cullinane	12	12	–	–	3	3	–	–
Anne Templeman-Jones	12	12	9	9	3	3	–	–

Committees formed for purposes including reviewing and approving the half-year and annual financial statements, 2013 Annual Report and Shareholder Review, and Notice of Meeting met five times and were attended by Peter Cosgrove (3), Ted Harris (1), Michael Miller (5) and Jeff Howard (1). Michael Miller and Jeff Howard were delegated authority by the Board.

12. Directors' interests

The remuneration report on pages 40 to 53 contains details of shareholdings of the Directors and Executive Key Management Personnel as at 31 December 2014.

13. Shares under option

There were no unissued shares of APN News & Media Limited under option at 31 December 2014 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 officers of the Company against any liability incurred by an officer of the Company 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 any one policy period. 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

The Group may decide to employ its auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Group is important.

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $2,690,000 for the provision of non-audit services. In addition, KPMG (auditors of a controlled entity) received or is due to receive $3,890,000 for the provision of 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 27 to the financial statements.

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
16 March 2015

REMUNERATION REPORT

Section A: Highlights for the year

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present APN News & Media's remuneration report for 2014.

Executive Key Management Personnel appointments during the year

During the year, two additions were made to the Executive Key Management Personnel. Jane Hastings and Ciaran Davis are now included in the report following the acquisition of the remaining 50% of Australian Radio Network and The Radio Network on the 19th February 2014. Jane was subsequently appointed as the CEO of NZME with effect from 12 May 2014. There were no changes to the Board in 2014.

Changes to the remuneration framework

To assist with the transition to a proposed 2016 scheme that ensures alignment between shareholder and Executive Key Management Personnel, target for 2015 have been amended accordingly.

The changes for the year ahead include a downward adjustment to the Earnings Per Share (EPS) hurdle, calculated on a pre tax basis. The EPS vesting schedule has been replaced with a defined target vesting approach, which we believe, together with the hurdle adjustment, provides a fair balance of shareholders' and employees' interests. Accordingly, performance below target levels will result in 0% vesting while performance at or above target will result in 100% vesting. APN will disclose EPS targets on a retrospective basis to ensure that the Company's competitive position is not compromised. APN will retain the relative TSR hurdle and corresponding vesting schedule.

Looking forward to 2016, we are in the process of developing directions for change for a new incentive framework. While we believe the current framework to be broadly aligned to the market, we believe there are compelling opportunities for improvement including:

- Simplification of the plan;
- Enhanced alignment between the shareholder and Executive Key Management Personnel experience; and
- Retention of key executives.

We are looking to work through these directions for change with shareholders and proxy advisors during 2015 with a view to implementing further changes in 2016.

Outcomes for 2014

Company performance for 2014 has been very encouraging across most parts of the business. For the second year in a row we have seen strong appreciation in APN's share price. Group NPAT was above target following strong growth in NPAT in 2013. The only area of the business that was below target was the New Zealand business which was impacted by challenging trading conditions and the investment in integration that commenced in the year. Incentive payments reflected the performance across the company. Executive Key Management Personnel received incentive payments at or above target levels, except Jane Hastings who received an incentive below target, reflecting the overall performance of the NZME division. Jane did, however, receive an additional incentive to reflect her contribution to getting the New Zealand business ready for an Initial Public Offering (IPO). The incentive was only partially paid due to the postponement of the IPO, and the amount paid was in recognition for additional responsibilities undertaken during the preparation period.

LTI grants were made to selected Executive Key Management Personnel in 2014. Given the three year performance period there was no realised remuneration relating to LTI in 2014. These grants are due to vest on 31 December 2016.

We are looking forward to actively engaging with our external stakeholders in 2015 as we continue on this journey to simplify the APN remuneration frameworks.

Peter Cullinane
Chairman of the Remuneration Committee

Section B: Our detailed remuneration report

This remuneration report for the year ended 31 December 2014 outlines key aspects of our remuneration policy and framework, and has been audited in accordance with the *Corporations Act 2001*.

Our remuneration report contains the following sections:

(a) Who this report covers

(b) Remuneration snapshot

(c) Executive remuneration policy and framework, and the role of the Remuneration Committee

(d) Proposed changes for 2015 and 2016

(e) How reward was linked to performance

(f) Remuneration expenses for Executive Key Management Personnel

(g) Contractual arrangements with Executive Key Management Personnel

(h) Non-executive Director arrangements

(i) Share-based remuneration

(j) Director and Executive Key Management Personnel shareholdings

(k) Other statutory disclosures

(a) Who this report covers

This report covers Executive Key Management Personnel (KMP) and Non-executive Directors (NEDs) being:

	Role
Executive Key Management Personnel	
Michael Miller	Chief Executive Officer (from 17 June 2013)
Jeff Howard	Chief Financial Officer
Ciaran Davis	Chief Executive Officer, Australian Radio Network (from 19 February 2014)
Jane Hastings	Chief Executive Officer, TRN/NZME (from 19 February 2014)
Neil Monaghan	Chief Executive Officer, Australian Regional Media (from 24 April 2013)
Yvette Lamont	Group General Counsel and Company Secretary
Former Executive Key Management Personnel	
Martin Simons	Chief Executive, New Zealand Media (until 11 May 2014)
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 Chairman
Ted Harris, AC	Non-executive Deputy Chairman
Vincent Crowley	Non-executive Director
Paul Connolly	Non-executive Director
Peter Cullinane	Non-executive Director
Anne Templeman-Jones	Non-executive Director
Former Non-executive Directors	
Peter Hunt	Non-executive Chairman (until 19 February 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)
Kevin Luscombe	Non-executive Director (until 12 April 2013)

REMUNERATION REPORT

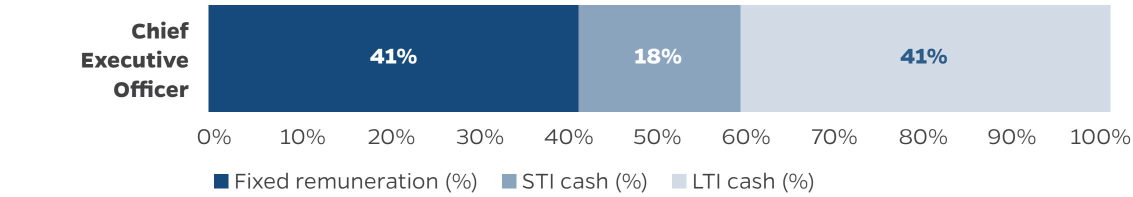
Continued

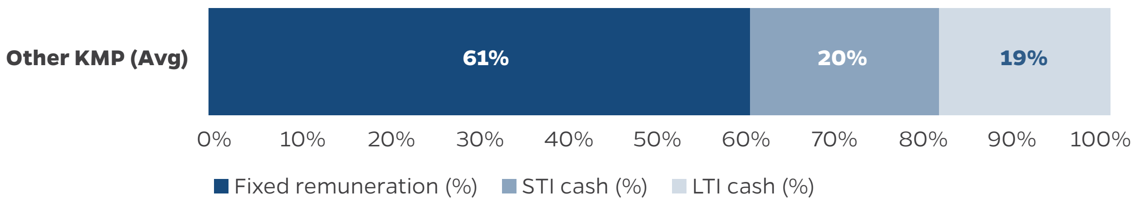
(b) Remuneration snapshot

A summary of the remuneration arrangements for 2014 are outlined in the table below:

	Description	Changes in 2014
Executive Key Management Personnel		
Fixed Remuneration	Fixed remuneration includes a base salary, superannuation and other benefits. Its purpose is to recognise capability, experience, and the scope and responsibility of the role.	During 2014, fixed remuneration was adjusted for a number of Executive Key Management Personnel. This was in response to a comprehensive review of fixed remuneration for the relevant executives.
Short-term incentive (STI)	Short-term incentives are annual cash based incentives which are designed to reward the achievement of annual Company and business unit targets, as well as individual performance.	Aside from targets for the year, the STI remained unchanged for 2014.
Long-term incentive (LTI)	Long-term incentives are equity grants which are designed to reward the achievement of long-term sustained Company performance. LTIs provide a multi-year performance focus and alignment to shareholder value creation.	Performance rights were granted for the first time to the broader executive team. These performance rights are due to vest on the 31st December 2016 so there was no realised value for Executive Key Management Personnel in 2014.
Non-executive Directors		
Directors' fees	Non-executive Directors' fees are fees earned for services as Directors. The fees reflect the demands which are made on, and the responsibilities of, the Directors.	The Non-executive Directors' fees remained unchanged in 2014.

The target remuneration mix for the Chief Executive Officer and the average across the other Executive Key Management Personnel in 2014 is illustrated below:





(c) Executive remuneration policy and framework, and the role of the Remuneration Committee

The Remuneration Committee determines the remuneration policy and structure with the primary goal of attracting and retaining individuals capable of managing the consolidated entity's operations in line with shareholder expectations. The executive packages are structured to:

- Be competitive in the market;
- Drive Executive Key Management Personnel engagement;
- Provide an appropriate balance between short and long-term performance focus;
- Reward the achievement of financial and strategic objectives;
- Align executive reward with Company performance; and
- Create value for shareholders.

These principles are reflected in our remuneration framework for 2014 which is outlined below:

(i) Total fixed remuneration (TFR)

TFR comprises base salary, superannuation contributions and non-monetary benefits. The purpose of total fixed remuneration is to recognise the capability and experience of the individual, and the scope and responsibility of the role. During 2014, a number of Executive Key Management Personnel received increases following a comprehensive review process.

Retirement benefits

Retirement benefits are considered as part of fixed remuneration and are delivered to Executive Key Management Personnel 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 benefit superannuation plan. The plan provides defined lump sum or annuity benefits based on years of service and final average salary.

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, other 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. These costs include fringe benefits tax if applicable.

REMUNERATION REPORT
Continued

(ii) Short-term incentive (STI)

Executive Key Management Personnel participate in an STI plan. The following table summarises the key terms of the STI plan for 2014:

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Form, frequency and timing of awards</td><td>STIs are paid in cash annually subject to achieving specific performance objectives determined by the Board. STIs are paid early in the subsequent financial year following the finalisation of the audited results.</td></tr>
<tr><td>Target and / or max opportunity</td><td>In relation to short term incentive payments for the achievement of performance targets, the target opportunity is defined as a dollar value and is determined on a role by role basis. The maximum opportunity for the CEO is 225% of the target level, 200% of the target level for other executives, except in the case of the Group General Counsel & Company Secretary who has a maximum payout equivalent to target (100%).</td></tr>
<tr><td>Performance measures</td><td>
<table>
<tr><th></th><th>Chief Executive Officer</th><th>Chief Financial Officer</th><th>Business unit roles</th><th>Group General Counsel & Company Secretary</th></tr>
<tr><td>Group NPAT</td><td>100%</td><td>75%</td><td>25%</td><td>50%</td></tr>
<tr><td>Relevant business unit EBITDA</td><td></td><td></td><td>50%</td><td></td></tr>
<tr><td>Individual key performance indicators (KPIs)</td><td></td><td>25%</td><td>25%</td><td>50%</td></tr>
</table>
</td></tr>
<tr><td>Assessment of performance and Board discretion</td><td>The assessment of performance is done based on a scorecard of measures which are heavily weighted to financial metrics. Included in the scorecard are individual KPIs where payout occurs at ‘meets target expectations’. Maximum STI is payable if financial targets are exceeded by 10% (or if targets are met or exceeded in the case of the Group General Counsel & Company Secretary), and if individuals achieve ‘exceeds target expectations’ on individual KPIs. No incentive payments are made for company performance below target levels of performance.

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, such as adjusting for major capital restructures or the achievement of major transformation milestones.</td></tr>
<tr><td>Service condition</td><td>Typically, no part of the STI is payable where an executive leaves APN’s employ during the year.</td></tr>
</table>

(iii) Long-term incentive (LTI)

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. The following table summarises the key terms of the LTI plan for 2014:

<table>
<tr><th>Feature</th><th colspan="2">Description</th></tr>
<tr><td>Form of award</td><td colspan="2">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 Executive Key Management Personnel is based on the individual's LTI opportunity, expressed as a percentage of fixed remuneration. 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.</td></tr>
<tr><td>Eligibility</td><td colspan="2">At the absolute discretion of the Board, the Chief Executive Officer and other Executive Key Management Personnel are eligible to participate in the LTI plan.</td></tr>
<tr><td>Frequency of grants</td><td colspan="2">It is envisaged that awards under the LTI plan will be made on an annual basis.</td></tr>
<tr><td>Allocation methodology</td><td colspan="2">Allocations are made based on a face value approach using Volume Weighted Average Price of APN shares over the first five trading days of the financial year.</td></tr>
<tr><td>Performance period</td><td colspan="2">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.</td></tr>
<tr><td rowspan="2">Performance measures</td><td>EPS Measure</td><td>TSR measure</td></tr>
<tr><td>– 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 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.</td><td>– Relative TSR has been chosen as a performance hurdle because it aligns executive interests with those of the 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 the ASX200. The ASX200 was chosen with consideration to size and complexity and due to the fact that comparator companies are likely to face similar opportunities and market conditions.
– The Company must outperform companies with similar opportunities to receive any benefit in relation to the TSR-based tranche of awards.</td></tr>
</table>

REMUNERATION REPORT
Continued

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Performance vesting schedule</td><td>
<table>
<tr><th colspan="2">EPS vesting schedule</th><th colspan="2">TSR vesting schedule</th></tr>
<tr><td>EPS performance (Compound annual growth rate)</td><td>Percentage of awards that vest</td><td>Relative TSR performance</td><td>Percentage of awards that vest</td></tr>
<tr><td><4.62% EPS growth</td><td>0%</td><td><50th percentile relative TSR growth</td><td>0%</td></tr>
<tr><td>At 4.62% EPS growth</td><td>50%</td><td>At 51st percentile relative TSR growth</td><td>50%</td></tr>
<tr><td>4.62%>6.60% EPS growth</td><td>Pro-rata vesting between 50% and 100%</td><td>51st percentile > 75th percentile relative TSR growth</td><td>Pro-rata vesting between 50% and 100%</td></tr>
<tr><td>At 6.60% EPS growth</td><td>100% vesting</td><td>At 75th percentile relative TSR growth</td><td>100% vesting</td></tr>
</table>
</td></tr>
<tr><td>Treatment of awards on cessation of employment</td><td>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.</td></tr>
<tr><td>Treatment of awards on change of control</td><td>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.</td></tr>
</table>

The first allocation of rights for the current executives was January 2014, with a corresponding vesting date of 31 December 2016. There will be no realised remuneration associated with the LTI element for 2014.

(iv) Other arrangements, Board discretion, and clawback of remuneration

Other remuneration arrangements will be entered into on an ‘as needed’ basis as determined by the Board. These may include retention and transaction/project completion incentives.

In preparation for a proposed Initial Public Offering (IPO) of the New Zealand business, a transaction bonus was agreed to with NZME CEO Jane Hastings. The rationale for the incentive was to recognise the additional responsibilities undertaken by Jane in preparation for the proposed transaction. The incentive was partially paid in 2014 to reflect the work undertaken in 2014 as part of the preparation for the IPO.

The Board retains the ultimate discretion regarding remuneration outcomes. The Board may make, or cancel (clawback) awards where it sees fit to align with remuneration policy and or company strategic outcomes.

(d) Proposed changes for 2015 and 2016

2015 changes

To assist with the transition to a proposed 2016 LTI scheme that ensures alignment between shareholder and Executive Key Management Personnel, targets for 2015 have been amended accordingly.

The changes for the year ahead include a downward adjustment to the Earnings Per Share (EPS) hurdle, calculated on a pre tax basis. The EPS vesting schedule has been replaced with a defined target vesting approach, which we believe, together with the hurdle adjustment, provides a fair balance of shareholders' and employees' interests. Accordingly, performance below target levels will result in 0% vesting while performance at or above target will result in 100% vesting. APN will disclose EPS targets on a retrospective basis to ensure that the Company's competitive position is not compromised. APN will retain the relative TSR hurdle and corresponding vesting schedule.

2016 proposed changes

Following a detailed review of APN's remuneration framework, the Board has developed directions for change and is looking to implement these in 2016. The Board plans to engage with external stakeholders on the proposed changes during 2015.

APN's current reward framework is mostly consistent with market practice but the Board believes there are opportunities for improvement and is considering a number of changes to facilitate:

- Simplification of the plan;
- Enhanced alignment between the shareholder and Executive Key Management Personnel experience; and
- Retention of key executives.

(e) How reward was linked to performance

Statutory performance indicators

The overall company performance for 2014 is reflected in the statutory performance indicators below. Viewed across the relevant financial metrics, APN's financial performance has been good and in line with market expectations.

	2014	2013	2012	2011	2010
Net profit after tax (NPAT)(i)	**$74.7m**	$59.5m	$54.3m	$78.2m	$98.2m
Basic EPS(i)(ii) (cents)	**7.6**	7.7	7.2	10.8	14.0
Dividend payments ($000)	**–**	–	9,735	53,161	72,367
Dividend payout ratio (%)	**0%**	0%	21%	79%	86%
Increase/(decrease) in share price (%)	**84%**	80%	(65%)	(63%)	(16%)

(i) Pre exceptional items
(ii) Adjusted for bonus element of 2014 rights issue

REMUNERATION REPORT

Continued

Performance and impact on remuneration

Group performance for the year ended 31 December 2014 was 8% above the agreed target for the primary financial metrics for the determination of the STI. Accordingly the incentives were paid in line with the agreed vesting schedule.

Metric	Actual performance	Impact on award
Group NPAT	Above target	Above target
NZME EBITDA	Below target	Below target
ARN EBITDA	Above target	Above target
ARM EBITDA	At target	At target

KMP	Awarded in year (Cash)	% achieved	% forfeited
Michael Miller	$990,000	88%	12%
Jeff Howard	$261,000	87%	13%
Ciaran Davis	$342,188	98%	2%
Jane Hastings	$193,192	60%	40%
Neil Monaghan	$137,500	69%	31%
Yvette Lamont	$131,250	88%	12%

(f) Remuneration expenses for Executive KMP

Details of the Executive KMP remuneration for 2014 and 2013 are set out in the table below.

	Fixed remuneration ($)			Variable remuneration ($)				
Name	**Cash salary and Fees**	**Super-annuation**	**Non-monetary benefits**	**Long-service leave**	**Short-term incentive**	**Fair value of LTI award**	**Termin-ation**	**Total ($)**
Michael Miller (from 17 June 2013)								
2014	1,152,185	18,279	40,061	701	990,000	645,692	–	**2,846,918**
2013	618,579	8,887	21,708	200	250,000	–	–	**899,374**
Jeff Howard								
2014	497,651	18,279	44,478	4,738	261,000	161,423	–	**987,570**
2013	576,840	17,122	10,506	2,300	218,750	–	–	**825,519**
Ciaran Davis (from 19 February 2014)								
2014	455,382	14,783	33,723	6,999	342,188	161,423	–	**1,014,499**
2013	–	–	–	–	–	–	–	**–**
Jane Hastings (from 19 February 2014)								
2014	513,152	23,536	–	–	331,187	111,892	–	**979,767**
2013	–	–	–	–	–	–	–	**–**
Neil Monaghan (from 24 April 2013)								
2014	434,805	18,279	–	3,743	137,500	–	–	**594,327**
2013	276,715	11,362	–	1,766	87,500	–	–	**377,343**
Yvette Lamont								
2014	400,000	68,000	10,409	8,012	131,250	80,711	–	**698,382**
2013	393,442	59,344	10,506	8,642	150,000	–	–	**621,934**
Martin Simons (until 11 May 2014)								
2014	720,529	36,124	68,545	–	–	–	1,920,374	**2,745,571**
2013	784,225	–	139,537	–	212,044	–	–	**1,135,806**
Brett Chenoweth (until 19 February 2013)								
2014	–	–	–	–	–	–	–	**–**
2013	836,344	2,745	33,479	–	100,000	10,750	1,595,000	**2,578,318**
Matthew Crockett (until 24 April 2013)								
2014	–	–	–	–	–	–	–	**–**
2013	219,558	8,235	32,875	–	–	–	605,025	**865,694**
Warren Bright (until 24 April 2013)								
2014	–	–	–	–	–	–	–	**–**
2013	226,925	5,490	7,950	–	–	–	485,891	**726,256**
Total								
2014	4,173,703	197,281	197,216	24,193	2,193,125	1,161,141	1,920,374	**9,867,033**
2013	3,932,627	113,186	256,561	12,908	1,018,294	10,750	2,685,917	**8,030,243**

Notes:

- In 2013 Jeff Howard's base salary included 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.
- Yvette Lamont is a member of a defined benefit superannuation plan.
- The short term incentive paid to Jane Hastings includes $138,000 in relation to the proposed IPO of NZME.

REMUNERATION REPORT
Continued

(g) Contractual arrangements with Executive KMP

Remuneration and other terms of employment for the Executive KMP are formalised in employment contracts. All executive KMP are employed under contracts with substantially similar terms. The key elements of these employment contracts are summarised below:

Component contract duration	Continuing
Fixed remuneration	The Chief Executive Officer and other Executive Key Management Personnel 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	Executive Key Management Personnel 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 c (ii) of this report
Long-term incentives	Executive Key Management Personnel are eligible to participate in the Company's LTI plan at the Board's discretion.
Notice by individual / company	Employment may be terminated by either party giving six months notice (three months in the cases of Mr Monaghan and Ms Lamont).
Termination of employment (with cause)	All contracts provide that employment may be terminated at any time without notice for serious misconduct.
Termination of employment (without cause)	Where employment is terminated by the Company, payment may be made in lieu of notice.
Redundancy	If the Company terminates the employment of an Executive Key Management Personnel 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: Ms Lamont – 12 months base salary and all other Executive Key Management Personnel – six months base salary.
Non-compete/restraint	Executive Key Management Personnel are subject to non-compete provisions for the term of their notice period.

(h) Non-executive Director arrangements

Approach

Non-executive Directors enter into service agreements through a letter of appointment. Non-executive Directors receive a fee for their contribution as directors. Fees reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has the responsibility for reviewing and recommending the level of remuneration for Non-executive Directors in relation to Board and Committee duties.

The fees provided to Non-executive Directors inclusive of superannuation are shown below:

Role	Chair fee ($)	Member fee ($)
Board	164,000	70,000
Audit Committee	20,000	10,000
Remuneration Committee	20,000	10,000
Nomination Committee	10,000	5,000

Approved fee pool

The Non-executive Director fee pool has a maximum value of $750,000 per annum. The fee pool is currently $669,000 being 89% of the approved cap.

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.

Details of the Non-executive Directors fees for 2014 and 2013 are set out in the table below.

Director	Fees ($)	Super-annuation ($)	Retirement benefits ($)	Total ($)
Peter Cosgrove				
2014	153,414	10,586	–	**164,000**
2013	127,934	5,602	–	**133,536**
Ted Harris, AC				
2014	137,143	12,857	–	**150,000**
2013	143,650	6,350	–	**150,000**
Paul Connolly				
2014	80,304	4,696	–	**85,000**
2013	–	–	–	**–**
Vincent Crowley				
2014	75,396	4,604	–	**80,000**
2013	–	–	–	**–**
Peter Cullinane				
2014	78,072	7,325	–	**85,397**
2013	11,383	1,053	–	**12,436**
Anne Templeman–Jones				
2014	91,429	8,571	–	**100,000**
2013	50,229	4,646	–	**54,875**
Peter Hunt (until 19 February 2013)				
2014	–	–	–	**–**
2013	27,804	1,437	–	**29,241**
Melinda Conrad (until 19 February 2013)				
2014	–	–	–	**–**
2013	9,786	881	–	**10,667**
John Harvey (until 19 February 2013)				
2014	–	–	–	**–**
2013	9,786	881	–	**10,667**
Kevin Luscombe (retired on 12 April 2013)				
2014	–	–	–	**–**
2013	25,952	–	255,000	**280,962**
John Maasland (until 19 February 2013)				
2014	–	–	–	**–**
2013	12,667	–	–	**12,667**
Total				
2014	615,758	48,639	–	**664,397**
2013	419,201	20,850	255,000	**695,051**
Amounts paid by subsidiaries of APN News & Media Limited				
Peter Cosgrove – Chairman's fee – Buspak Hong Kong				
2014	8,574	–	–	**8,574**
2013	7,998	–	–	**7,998**
Total				
2014	624,332	48,640	–	**672,972**
2013	427,197	20,850	255,000	**703,047**

Notes:

- During 2013 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 in the absence of a Chief Executive Officer during that time. Mr Cosgrove and Mr Harris were remunerated for these services. Mr Cosgrove was paid $290,000 and Mr Harris $130,000
- In 2013, Paul Connolly and Vincent Crowley did not receive Directors fees from the Company.
- Refer note 26 of the financial statements for details of transactions with related parties.

REMUNERATION REPORT

Continued

(i) Share based remuneration

(i) Terms and conditions of share-based remuneration

There were no shares issued to Directors and Executive KMPs as part of their remuneration for 2014.

Some Executive Key Management Personnel received a grant of performance rights during 2014. A summary of the grant is presented below:

Name	Grant date	Vesting date	Number of rights granted	Value per right at grant date	% vested
Michael Miller	10 April 2014	31 December 2016	2,817,563	$0.69	0%
Jeff Howard	10 April 2014	31 December 2016	704,391	$0.69	0%
Ciaran Davis	10 April 2014	31 December 2016	704,391	$0.69	0%
Jane Hastings	10 April 2014	31 December 2016	488,255	$0.69	0%
Yvette Lamont	10 April 2014	31 December 2016	352,195	$0.69	0%

The vesting of rights is subject to the achievement of performance conditions as set out in the LTI description of the 'Elements of key management personnel remuneration' section of this report. Rights carry no dividend or voting rights. No rights were exercised during the year.

There are no rights to deferred share options or deferred shares.

(ii) Reconciliation of performance rights

The table below shows a reconciliation of the number of performance rights held by each Executive Key Management Personnel from the beginning to the end of the financial year 2014:

							Balance at the end of the year	
Name	Balance at the start of the year	Granted	Vested	Exercised	Forfeited	Other changes	Vested and exercisable	Un-vested
Michael Miller	–	2,817,563	–	–	–	–	–	2,817,563
Jeff Howard	–	704,391	–	–	–	–	–	704,391
Ciaran Davis	–	704,391	–	–	–	–	–	704,391
Jane Hastings	–	488,255	–	–	–	–	–	488,255
Yvette Lamont	–	352,195	–	–	–	–	–	352,195

(j) Director and Executive Key Management Personnel Shareholding in APN

The number of shares in the Company held by each Director and Executive KMP during the year including their related parties is summarised below:

	Balance at start of year	Purchased as part of share issue	Other changes	Balance at the end of the year
Non-executive Directors				
Peter Cosgrove	153,425	85,237	–	238,662
Ted Harris	724,792	402,663	(490,000)	637,455
Paul Connolly	–	–	250,000	250,000
Vincent Crowley	760,404	422,447	–	1,182,851
Peter Cullinane	–	–	79,000	79,000
Anne Templeman-Jones	–	–	–	–
Executive Key Management Personnel				
Michael Miller	100,000	55,556	–	155,556
Jeff Howard	75,000	71,484	77,000	223,484
Ciaran Davis	–	–	–	–
Jane Hastings	–	–	–	–
Neil Monaghan	350	–	–	350
Yvette Lamont	65,000	63,412	(63,412)	65,000

(k) Other statutory disclosures

i) Loans given to Non-executive Directors and Executive Key Management Personnel

There are no loans with the Non-executive Directors or Executive Key Management Personnel

ii) Securities Trading Policy

The Company's Securities Trading Policy and Guidelines is outlined in the Corporate Governance 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.

iii) Voting and comments made at the Company's 2014 Annual General Meeting

The Company received more than 98% of "yes" votes on its remuneration report for the 2013 financial year. No major remuneration related concerns were raised requiring the Company's attention during the 2014 financial year.

iv) External remuneration consultants

During 2014 APN made use of external remuneration consultants. No recommendations in relation to the remuneration of Executive KMPs were provided during 2014.

All advice from remuneration consultants is carefully considered by the Remuneration Committee. The Committee is satisfied that all advice received from remuneration consultants has been given free of undue influence by Executive Key Management Personnel.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of APN News & Media Limited for the year ended 31 December 2014, 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
16 March 2015

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CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Revenue from continuing operations	2	**843,157**	817,226
Other revenue and income	2	**16,084**	16,233
Total revenue and other income		**859,241**	833,459
Expenses from continuing operations before finance costs	3	**(755,866)**	(729,749)
Impairment of intangible assets	12	**(49,678)**	–
Finance costs	3	**(41,822)**	(38,516)
Share of profits of associates	10	**11,263**	10,565
Profit before income tax		**23,138**	75,759
Income tax (expense)/credit	5	**(6,430)**	758
Profit from continuing operations		**16,708**	76,517
Profit/(loss) from discontinued operations	8	**2,417**	(48,840)
Profit for the year		**19,125**	27,677
Profit for the year is attributable to:			
Owners of the parent entity		**11,489**	2,626
Non-controlling interests		**7,636**	25,051
		19,125	27,677

		Cents	Cents
Earnings per share from continuing operations			
Basic/diluted earnings per share	28	**0.9**	6.5
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	28	**1.2**	0.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Profit for the year		**19,125**	27,677
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net exchange difference on translation of foreign operations	18	**(1,325)**	5,538
Share of joint venture's comprehensive income	18	**(1,103)**	215
Share of associate's comprehensive income	18	**361**	1,500
Exchange and other differences applicable to non-controlling interests		**(94)**	14,172
Items that will not be reclassified to profit or loss			
Revaluation of freehold land and buildings	18	**–**	76
Remeasurements on retirement benefit obligations	18	**(440)**	800
Other comprehensive income, net of tax		**(2,601)**	22,301
Total comprehensive income		**16,524**	49,978
Total comprehensive income is attributable to:			
Owners of the parent entity		**8,982**	10,755
Non-controlling interests		**7,542**	39,223
		16,524	49,978
Total comprehensive income attributable to owners of the parent entity arises from:			
Continuing operations		**7,556**	56,805
Discontinued operations		**1,426**	(46,050)
		8,982	10,755

CONSOLIDATED BALANCE SHEET

as at 31 December 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	29	**38,980**	19,956
Receivables	6	**129,494**	120,961
Inventories	7	**7,615**	7,569
Income tax receivable		**2,207**	2,106
Other current assets		**6,711**	8,729
		185,007	159,321
Assets held for sale	8	**–**	119,236
Total current assets		**185,007**	278,557
Non-current assets			
Other financial assets	9	**26,352**	23,394
Investments accounted for using the equity method	10	**52,935**	50,811
Property, plant and equipment	11	**133,570**	149,381
Intangible assets	12	**690,627**	714,855
Deferred tax assets	16	**40,430**	37,903
Total non-current assets		**943,914**	976,344
Total assets		**1,128,921**	1,254,901
Current liabilities			
Payables	13	**117,873**	113,432
Interest bearing liabilities	14	**1,643**	67,852
Current tax liabilities		**1,609**	7,475
Provisions	15	**10,911**	9,288
		132,036	198,047
Liabilities directly associated with assets held for sale	8	**–**	55,678
Total current liabilities		**132,036**	253,725
Non-current liabilities			
Payables	13	**6,000**	–
Interest bearing liabilities	14	**487,666**	384,583
Retirement benefit liability	21	**2,073**	1,545
Provisions	15	**4,380**	4,503
Deferred tax liabilities	16	**24,655**	–
Total non-current liabilities		**524,774**	390,631
Total liabilities		**656,810**	644,356
Net assets		**472,111**	610,545
Equity			
Contributed equity	17	**1,222,780**	1,093,372
Reserves	18	**(138,877)**	(70,503)
Accumulated losses	18	**(646,696)**	(660,878)
Total parent entity interest		**437,207**	361,991
Non-controlling interests	18	**34,904**	248,554
Total equity		**472,111**	610,545

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

		Attributable to owners of the parent entity					
	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
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	18	–	(2,183)	2,183	**–**	–	**–**
Transactions with non-controlling interests	18	–	806	–	**806**	(25,738)	**(24,932)**
Balance at 31 December 2013		1,093,372	(70,503)	(660,878)	**361,991**	248,554	**610,545**
Balance at 1 January 2014		1,093,372	(70,503)	(660,878)	**361,991**	248,554	**610,545**
Profit for the period		–	–	11,489	**11,489**	7,636	**19,125**
Other comprehensive income		–	(2,067)	(440)	**(2,507)**	(94)	**(2,601)**
Contributions of equity	17	129,408	–	–	**129,408**	–	**129,408**
Share based payments expense	18	–	1,295	–	**1,295**	–	**1,295**
Transfers within equity	18	–	(3,133)	3,133	**–**	–	**–**
Transactions with non-controlling interests	18	–	(64,469)	–	**(64,469)**	(221,192)	**(285,661)**
Balance at 31 December 2014		1,222,780	(138,877)	(646,696)	**437,207**	34,904	**472,111**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		944,986	999,416
Payments to suppliers and employees		(825,709)	(862,337)
Dividends received		1,697	2,946
Interest received		573	700
Interest paid		(37,139)	(33,176)
Income taxes paid		(12,123)	(19,167)
Net cash inflows from operating activities	29	72,285	88,382
Cash flows from investing activities			
Payments for property, plant and equipment		(14,809)	(14,312)
Payments for software		(5,286)	(2,351)
Payments for other intangible assets		(9,183)	–
Proceeds from sale of property, plant and equipment		3,516	8,054
Net proceeds from sale of businesses		5,343	1,240
Net proceeds from sale of financial assets		74,370	–
Net loans repaid by/(advanced to) other entities		1,997	(75)
Dividends received from associate		9,500	13,500
Net cash inflows from investing activities		65,448	6,056
Cash flows from financing activities			
Proceeds from borrowings		865,266	96,328
Repayments of borrowings		(793,760)	(156,755)
Payments for borrowing costs		(8,992)	(49)
Principal repayments under finance leases		(38,872)	(2,421)
Proceeds from share issue		128,166	–
Net payments to non-controlling interests		(271,422)	(31,284)
Net cash outflows from financing activities		(119,614)	(94,181)
Change in cash and cash equivalents		18,119	257
Cash and cash equivalents at beginning of the year		19,956	20,338
Effect of exchange rate changes		905	2,164
Cash and cash equivalents at end of the year	29	38,980	22,759
Less cash transferred to assets held for sale	8	–	(2,803)
Cash and cash equivalents related to continuing operations		38,980	19,956

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.

(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, balance sheet and statement of changes in equity 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 venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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

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

(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 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 and associates 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

1. Summary of significant accounting policies (continued)

(f) Income tax (continued)

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 doubtful debts 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.

(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 32. 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.

NOTES TO THE FINANCIAL STATEMENTS

Continued

1. Summary of significant accounting policies (continued)

(o) Derivatives (continued)

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) 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.

(r) Trade payables

Trade payables, including accruals not yet billed, are recognised when the consolidated entity 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) Long-term incentive plans – performance rights

Share-based compensation benefits are provided to employees via the Long-term Incentive (LTI) plan. Information relating to these schemes is set out in note 17.

The fair value of rights granted under the LTI plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the rights.

NOTES TO THE FINANCIAL STATEMENTS

Continued

1. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Long-term incentive plans – performance rights (continued)

The fair value at grant date is independently determined using a combination of the Binomial option pricing model and the Monte-Carlo option pricing model which take into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

The fair value of the rights granted is adjusted to reflect the market vesting condition, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity.

(v) 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) 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 12 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 are 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 whether the unused tax losses resulted from identified causes which are unlikely to recur.

(aa) STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services. The AASB has also issued an equivalent standard. The Group will consider the impact of the new rules on its revenue recognition policies when the AASB issues the new accounting standard.

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

2. Revenue and other income

	2014 $'000	2013 $'000
From continuing operations		
Advertising revenue	**719,826**	687,228
Circulation revenue	**123,331**	129,998
Revenue from continuing operations	**843,157**	817,226
Dividends received	**1,756**	3,732
Rent received	**843**	1,001
Gains on disposal of properties and businesses	**5,759**	1,288
Foreign exchange gains	**2,161**	–
Gains on financial assets held at fair value through profit or loss	**4,097**	1,695
Gains on derecognition of contingent consideration payable	**–**	4,710
Reversal of impairment of investment in associate	**–**	3,046
Other	**29**	140
Other income	**14,645**	15,612
Interest income	**1,439**	621
Finance income	**1,439**	621
Total other revenue and income	**16,084**	16,233
Total revenue and other income	**859,241**	833,459
From discontinued operations (refer note 8)		
Total revenue and other income	**11,082**	97,983

NOTES TO THE FINANCIAL STATEMENTS

Continued

3. Expenses

	2014 $'000	2013 $'000
Expenses from continuing operations before finance costs		
Employee benefits expense	**332,731**	322,119
Selling and production expense	**247,416**	233,990
Rental and occupancy expense	**67,232**	65,820
Depreciation and amortisation expense	**33,336**	33,003
Redundancies and associated costs	**8,940**	10,682
Asset write downs and business closures	**8,442**	12,485
Costs in relation to one off projects (i)	**8,106**	–
Losses on disposal of property	**–**	2,015
Other (ii)	**49,663**	49,635
Total expenses from continuing operations before finance costs	**755,866**	729,749
Depreciation		
Buildings	**333**	441
Plant and equipment	**22,220**	23,156
Plant and equipment under finance lease	**1,938**	2,794
Total depreciation	**24,491**	26,391
Amortisation		
Software	**5,838**	4,509
Radio licences	**3,007**	2,103
Total amortisation	**8,845**	6,612
Finance costs		
Interest and finance charges	**36,561**	35,772
Borrowing costs amortisation	**5,261**	2,744
Total finance costs	**41,822**	38,516
Rental expense relating to operating leases		
Property	**28,125**	28,653
Outdoor site rentals		
Minimum lease payments	**19,527**	21,264
Contingent rentals	**4,631**	3,526
Other	**3,444**	3,494
Total rental expense relating to operating leases	**55,727**	56,937
Impairment of receivables	**1,353**	1,552
Contributions to employee superannuation plans	**15,833**	14,980
From discontinued operations (refer note 8)		
Total expenses excluding write downs to fair value	**5,866**	65,593

(i) Refer note 4 for further details.

(ii) Other costs includes technology maintenance, consulting and professional fees, travel and entertainment, insurance and office costs.

4. 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 senior management team in assessing performance and determining the allocation of resources. There are six reportable segments as follows:

NZME. Publishing	Newspaper, magazine and online publishing
NZME. Radio	Radio networks throughout New Zealand
GrabOne	e-Commerce business
Australian Regional Media	Newspaper and online publishing
Australian Radio Network	Metropolitan radio networks
Outdoor	Street Furniture, billboard, transit and other outdoor advertising

(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 gains or losses on disposals of businesses and restructuring related costs.

In 2014, iNC Digital Media (iNC) was transferred from the Digital segment to the Australian Radio Network (ARN) segment. The operations of iNC are now integrated with the other businesses in the Group and in particular ARN. Therefore, it was considered appropriate to report the results of iNC as part of the ARN segment. Comparatives have been restated to reflect this change.

Further to the changes to the New Zealand operations during the year, the New Zealand Media segment was renamed NZME. Publishing; The Radio Network segment has been renamed NZME. Radio and GrabOne is now being separately reported as a segment.

The segment information provided to the Directors and senior management team for the year ended 31 December 2014 is as follows:

2014	NZME Publishing $'000	NZME Radio $'000	GrabOne $'000	Australian Regional Media $'000	Australian Radio Network $'000	Outdoor $'000	Un-allocated $'000	Total $'000
Revenue from external customers	274,346	116,849	19,037	202,093	180,931	49,901	–	**843,157**
Segment result	47,962	23,102	4,015	25,036	66,488	14,267	(16,767)	**164,103**
Share of profits of associates	–	–	–	–	–	9,555	1,708	**11,263**
Segment assets	239,292	174,053	27,254	144,192	398,723	67,445	77,962	**1,128,921**
Segment liabilities	40,213	12,023	5,041	21,099	76,596	9,074	492,764	**656,810**

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

Segment result	**164,103**
Depreciation and amortisation	(33,336)
Net finance costs	(40,383)
Net gain on disposal of properties and businesses	5,759
Redundancies and associated costs	(8,940)
Asset write downs and business closures	(8,442)
Costs in relation to one off projects	(8,106)
Foreign exchange gains	2,161
Impairment of intangible assets	(49,678)
Profit before tax from continuing operations	**23,138**

NOTES TO THE FINANCIAL STATEMENTS
Continued

4. Segment information (continued)

(b) Results by operating segment (continued)

Net finance costs includes an early redemption premium paid to holders of the New Zealand retail notes redeemed during the year of $1.8 million; and the write off of unamortised borrowing costs associated with the previous financing arrangements of $2.4 million. The costs associated with the new syndicated banking facility have been capitalised and will be amortised over the life of the facility.

Net gain on disposal of properties and businesses primarily relates to the gain on the sale of the NZ Magazines business to Bauer Media in February 2014.

Redundancies and associated costs relates to ongoing restructuring of the publishing divisions and integration of the New Zealand operations.

Asset write downs and business closures relates primarily to the planned closure of the Toowoomba print site scheduled for late 2015 and onerous lease obligations for vacated properties.

The costs relating to one off projects relate to costs incurred exploring a potential US bond issue during the year; costs related to the proposed NZME IPO process and costs related to the integration of NZME.

2013	NZME Publishing $'000	NZME Radio $'000	GrabOne $'000	Australian Regional Media $'000	Australian Radio Network $'000	Outdoor $'000	Un-allocated $'000	Total $'000
Revenue from external customers	282,624	102,277	18,284	216,981	152,961	44,099	–	**817,226**
Segment result	52,973	19,969	4,743	29,706	58,486	12,320	(15,402)	**162,795**
Share of profits of associates	–	–	–	–	–	10,565	–	**10,565**
Segment assets	286,623	163,742	35,084	148,007	366,757	65,098	189,590	**1,254,901**
Segment liabilities	42,802	13,528	4,409	70,595	25,969	8,321	478,732	**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 IdeaHQ Limited and iNC.

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

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

Asset write downs and business closures relates mainly to print and publishing 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 $383,024,000 (2013: $370,131,000), in New Zealand is $410,232,000 (2013: $402,996,000) and in Asia is $49,901,000 (2013: $44,099,000). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is $505,973,000 (2013: $506,128,000) and in other countries is $437,941,000 (2013: $470,216,000). Segment assets are allocated to countries based on where the assets are located.

5. Income tax

	2014 $'000	2013 $'000
Current tax expense/(credit)	**(1,064)**	1,447
Deferred tax expense/(credit)	**10,999**	(1,022)
Adjustment for current tax of prior periods	**(706)**	(1,202)
Income tax expense/(credit)	**9,229**	(777)
Income tax is attributable to:		
Profit/(loss) from continuing operations	**6,430**	(758)
Profit/(loss) from discontinued operations	**2,799**	(19)
Aggregate income tax expense/(credit)	**9,229**	(777)
Income tax expense/(credit) differs from the prima facie tax as follows:		
Profit before income tax expense	**28,355**	26,900
Prima facie income tax at 30%	**8,506**	8,070
Tax effects of differences:		
Difference in international tax treatments and rates	**(16,300)**	(22,914)
Non-deductible impairment charge	**15,010**	21,934
Gains on derecognition of contingent consideration payable	**–**	(8,953)
Non-deductible interest	**1,350**	3,473
Carried forward losses booked/non-deductible losses	**13**	(145)
Tax losses written off	**6,036**	–
Previously unrecognised tax losses	**–**	102
Foreign exchange gains	**(2,964)**	(1)
Other	**(1,716)**	(1,141)
Prima facie tax adjusted for differences	**9,935**	425
Adjustment for current tax of prior periods	**(706)**	(1,202)
Income tax expense/(credit)	**9,229**	(777)

NOTES TO THE FINANCIAL STATEMENTS
Continued

5. Income tax (continued)

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$64 million for the period up to 31 December 2014. 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$48 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.

6. Receivables

	2014 $'000	2013 $'000
Trade receivables	121,865	113,093
Provision for doubtful debts	(2,863)	(2,836)
	119,002	110,257
Loans to associates	490	577
Other receivables	10,002	10,127
Total current receivables	129,494	120,961

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 2014, trade receivables of the Group with a nominal value of $5,717,000 (2013: $5,110,000) 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 $2,863,000 (2013: $2,836,000). It was assessed that a portion of the impaired receivables is expected to be recovered.

The ageing of these receivables is as follows:

	2014 $'000	2013 $'000
One to three months	2,087	1,963
Three to six months	1,930	1,671
Over six months	1,700	1,476
Impaired receivables	5,717	5,110

Movements in the provision for doubtful debts are as follows:

Balance at beginning of the year	2,836	3,640
Provision for doubtful debts expensed	1,353	1,552
Receivables written off	(1,326)	(2,356)
Provision for doubtful debts	2,863	2,836

(b) Past due but not impaired trade receivables

As of 31 December 2014, trade receivables of $27,669,000 (2013: $27,336,000) 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 99% of these receivables would be expected to be collected.

(c) Foreign exchange risk

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

	2014 $'000	2013 $'000
Australian dollars	**65,718**	60,786
New Zealand dollars	**53,791**	50,312
Hong Kong dollars	**9,985**	9,863
	129,494	120,961

(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 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 31 for further information on the risk management policy of the Group.

7. Inventories

	2014 $'000	2013 $'000
Raw materials and stores	**7,593**	7,542
Finished goods	**22**	27
Total inventories	**7,615**	7,569

NOTES TO THE FINANCIAL STATEMENTS
Continued

8. 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 was $74 million, with $60 million of the proceeds received on 24 January 2014 and the remaining $14 million received in November 2014. On 11 February 2014, the Company announced that it had sold brandsExclusive to Aussie Commerce Group for $2 million and 8% of the equity in Aussie Commerce Group.

The results of brandsExclusive and APN Outdoor prior to disposal are reported as discontinued operations. Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

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 passed to Bauer. The Pacific Magazines titles – New Idea, That's Life and Girlfriend – were not affected by the transaction and the Group continued 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 were treated as assets held for sale at 31 December 2013.

(a) Assets held for sale

	2013 $'000
Disposal groups held for sale (discontinued operations – refer (c) below)	
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 (discontinued operations – refer (c) below)	
Payables	54,531
Provisions	1,147
Total liabilities	55,678

(c) Discontinued operations

Financial performance and cash flow information

	2014 $'000	2013 $'000
Revenue and other income	9,979	97,983
Expenses	(5,866)	(69,593)
Write down of brandsExclusive assets to fair value	–	(53,270)
Write down of APN Outdoor to fair value	–	(23,608)
Share of losses of joint venture	–	(371)
Profit/(loss) before income tax	4,113	(48,859)
Income tax credit	266	19
Profit/(loss) after income tax of discontinued operations	4,379	(48,840)
Gain on sale of the division before income tax	1,103	–
Income tax expense	(3,065)	–
Loss on sale of the division after income tax	(1,962)	–
Profit/(loss) from discontinued operations	2,417	(48,840)
Net cash outflows from operating activities	(1,947)	(4,452)
Net cash inflows/(outflows) from investing activities	74,370	(592)
Net increase/(decrease) in cash generated by the division	72,423	(5,044)

9. Other financial assets

	Note	2014 $'000	2013 $'000
Shares in other corporations	32	26,352	23,394
Total other financial assets		26,352	23,394

10. Investments accounted for using the equity method

	Note	2014 $'000	2013 $'000
Shares in associates	24	52,935	50,811
Total investments accounted for using the equity method		52,935	50,811
Share of profits of associates	24	11,263	10,565

NOTES TO THE FINANCIAL STATEMENTS

Continued

11. 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 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 1 January 2014					
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**
Year ended 31 December 2014					
Opening net book amount	5,299	7,770	101,841	34,471	**149,381**
Additions	–	60	13,301	–	**13,361**
Disposals	(2,115)	(773)	(304)	–	**(3,192)**
Depreciation	–	(333)	(22,303)	(1,938)	**(24,574)**
Impairment	–	–	(3,889)	–	**(3,889)**
Transfers and other adjustments	–	–	32,533	(32,533)	**–**
Foreign exchange differences	78	22	2,383	–	**2,483**
Closing net book amount	3,262	6,746	123,562	–	**133,570**
At 31 December 2014					
Cost or fair value	3,262	7,355	503,524	–	**514,141**
Accumulated depreciation and impairment	–	(609)	(386,403)	–	**(387,012)**
Capital works in progress	–	–	6,441	–	**6,441**
Net book amount	3,262	6,746	123,562	–	**133,570**

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.

12. Intangible assets

	Goodwill $'000	Software $'000	Mastheads $'000	Radio licences $'000	Brands $'000	Total $'000
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 1 January 2014						
Cost	272,758	42,560	1,147,961	364,526	54,503	**1,882,308**
Accumulated amortisation and impairment	(193,492)	(32,184)	(916,865)	(24,912)	–	**(1,167,453)**
Net book amount	**79,266**	**10,376**	**231,096**	**339,614**	**54,503**	**714,855**
Year ended 31 December 2014						
Opening net book amount	79,266	10,376	231,096	339,614	54,503	**714,855**
Additions	–	5,286	2,609	16,060	–	**23,955**
Disposals	(198)	(36)	–	–	–	**(234)**
Amortisation	–	(5,838)	–	(3,007)	–	**(8,845)**
Impairment	–	–	(49,678)	–	–	**(49,678)**
Foreign exchange differences	2,366	279	4,520	1,533	1,876	**10,574**
Closing net book amount	**81,434**	**10,067**	**188,547**	**354,200**	**56,379**	**690,627**
At 31 December 2014						
Cost	274,927	48,313	1,184,606	383,060	56,379	**1,947,285**
Accumulated amortisation and impairment	(193,493)	(38,246)	(996,059)	(28,860)	–	**(1,256,658)**
Net book amount	**81,434**	**10,067**	**188,547**	**354,200**	**56,379**	**690,627**

NOTES TO THE FINANCIAL STATEMENTS

Continued

12. Intangible assets (continued)

	2014 $'000	2013 $'000
Allocation of goodwill and non-amortising intangible assets to cash generating units (CGUs)		
Name of CGU		
NZME Publishing – Metro (formerly New Zealand Media – Metro)	**140,245**	153,990
NZME Publishing – Regional (formerly New Zealand Media – Regional)	**–**	31,413
NZME Radio (formerly New Zealand Radio)	**98,999**	95,711
GrabOne	**24,397**	23,583
Australian Regional Media	**48,304**	45,695
Australian Radio	**311,716**	311,914
Outdoor – Hong Kong	**2,852**	2,711
Total goodwill and non-amortising intangible assets	**626,513**	665,017

Impairment of CGUs including indefinite life intangible assets

During the year, it was determined that there were indicators of impairment of New Zealand publishing assets, arising from the challenging trading conditions impacting performance. Therefore, in accordance with AASB 136 *Impairment of Assets* management performed an impairment review of the respective CGUs.

As a result of the review the carrying amount of mastheads allocated to the New Zealand publishing CGUs was reduced to their recoverable amounts through the recognition of an impairment charge of $49.7 million. The impairment of the New Zealand assets was a result of a number of factors including the challenging trading conditions and the continuation of the structural changes in the advertising market.

The impairment charge impacted the two New Zealand publishing CGUs as follows:

2014	Impairment charge $'000	Carrying value of intangible assets $'000
NZME Publishing – Metro	18,352	140,245
NZME Publishing – Regional	31,326	–
	49,678	**140,245**

Year-end impairment review

A comprehensive impairment review was conducted at 31 December 2014. 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 the higher of fair value less costs to sell and 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 fair value less costs to sell and value in use calculations are:

	2014 Post-tax discount rate per annum	2014 Long-term growth rate per annum	2013 Post-tax discount rate per annum	2013 Long-term growth rate per annum
NZME. Publishing – Metro	**10.5%**	**0.0%**	11.0%	0.0%
NZME. Publishing – Regional	**10.5%**	**0.0%**	11.0%	(2.0%)
NZME. Radio	**10.5%**	**2.0%**	11.0%	2.0%
GrabOne	**10.5%**	**2.5%**	12.0%	4.0%
Australian Regional Media	**10.0%**	**0.0%**	10.0%	0.5%
Australian Radio	**10.0%**	**2.0%**	10.0%	2.0%
Outdoor – Hong Kong	**10.5%**	**2.5%**	10.5%	2.5%

Fair value less costs to sell and value in use calculations are highly sensitive to changes in certain key assumptions. The NZME. Publishing – Metro and Australian Regional Media (ARM) CGUs have limited headroom such that reasonable changes to key assumptions would potentially give rise to an impairment charge. For the NZME. Publishing – Metro CGU, a 1% increase in the discount rate used would result in an impairment provision of $4.6 million. A 1% decrease in long-term growth rates would result in an impairment provision of $2.4 million. If forecasted cash flows were to decrease by 10% an impairment provision of $7.6 million would be required.

For the ARM CGU, a 1% increase in the discount rate used would result an impairment provision of $2.1 million. A 1% decrease in long-term growth rates would result in an impairment provision of $0.4 million. If forecasted cash flows were to decrease by 10%, an increase in the impairment provision of $4.0 million would be required.

13. Payables

	2014 $'000	2013 $'000
Current		
Trade and other payables	**117,469**	112,597
Amounts due to related parties [(i)]	**404**	835
Total current payables	**117,873**	113,432

(i) Includes amounts payable to Independent News & Media PLC and related companies of $145,000 (2013: $663,000).

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

	2014 $'000	2013 $'000
Non-current		
Trade and other payables	**6,000**	–

Foreign currency risk

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

	2014 $'000	2013 $'000
Australian dollars	**56,959**	50,004
New Zealand dollars	**58,046**	55,131
Hong Kong dollars	**8,859**	8,274
Malaysian ringgit	**9**	23
	123,873	113,432

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14. Interest bearing liabilities

	2014 $'000	2013 $'000
Current		
Bank loans – unsecured	–	27,556
Lease liabilities (refer note 23)	–	38,872
Other financing	1,643	1,424
Total current interest bearing liabilities	1,643	67,852
Non-current		
Bank loans – secured (i)	493,924	–
Bank loans – unsecured (i)	–	293,959
New Zealand Bond	–	92,251
Other financing	1,200	2,748
	495,124	388,958
Deduct		
Borrowing costs	8,352	15,445
Accumulated amortisation	(894)	(11,070)
Net borrowing costs	7,458	4,375
Total non-current interest bearing liabilities	487,666	384,583

(i) The Group's debt facilities were refinanced in September 2014 with a syndicate of domestic and international banks. The bank loans and overdraft are secured by mortgages over a portion of the Group's assets. In 2013, the Group's Multi-option debt facilities were unsecured.

(a) Risk exposures

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

	2014 $'000	2013 $'000
Six months or less	493,924	346,475
Six to 12 months	1,643	15,337
One to five years	1,200	94,998
Greater than five years	–	–
Interest bearing liabilities	496,767	456,810

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

	2014 $'000	2013 $'000
Australian dollars	284,000	268,872
New Zealand dollars	212,767	187,938
Interest bearing liabilities	496,767	456,810

For an analysis of the sensitivity of borrowings to interest rate risk, refer note 31.

(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.

15. Provisions

	2014 $'000	2013 $'000
Current		
Employee benefits	**6,769**	6,787
Restructuring	**3,392**	2,501
Contingent consideration	**750**	–
Total current provisions	**10,911**	9,288
Non-current		
Employee benefits	**1,828**	1,608
Restructuring	**1,816**	1,765
Other	**736**	1,130
Total non-current provisions	**4,380**	4,503

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 2014			
Carrying amount at beginning of the year	4,266	–	**4,266**
Charged to profit or loss			
Additional amounts recognised	4,782	750	**5,532**
Amounts used	(3,859)	–	**(3,859)**
Foreign exchange differences	19	–	**19**
Carrying amount at end of the year	5,208	750	**5,958**

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 thresholds be met by the acquired businesses.

	2014 $'000	2013 $'000
Aggregate employee benefit liabilities		
Current provision	**6,769**	6,787
Non-current provision	**1,828**	1,608
Included in trade and other payables	**10,425**	11,510
Total employee benefit liabilities	**19,022**	19,905

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16. Deferred tax assets and liabilities

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**

2014	Balance 1 Jan 14 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	Transfer to assets held for Sale $'000	Balance 31 Dec 14 $'000
Tax losses	69,725	1,267	1,852	–	–	**72,844**
Employee benefits	5,440	(432)	–	–	–	**5,008**
Doubtful debts	752	8	–	–	–	**760**
Accruals/restructuring	3,994	1,828	–	–	–	**5,822**
Intangible assets	(24,456)	(123)	(12,484)	–	–	**(37,063)**
Depreciation	(4,925)	531	(1,739)	–	–	**(6,133)**
Other	(12,627)	(14,078)	1,242	–	–	**(25,463)**
	37,903	(10,999)	(11,129)	–	–	**15,775**
Deferred tax assets						**40,430**
Deferred tax liabilities						**(24,655)**
						15,775

Judgement is 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 whether the unused tax losses resulted from identified causes which are unlikely to recur. The Group expects that future taxable profits will increase due to a reduction in the difference in international tax treatments and rates in 2015 following the expiry of certain financing transactions as well as the contribution of profits from the acquisition of the remainder of Australian Radio Network in February 2014.

17. Contributed equity

	2014 $'000	2013 $'000
Issued and paid up share capital	**1,222,780**	1,093,372

(a) Movements in contributed equity during the financial year

	2014 number	2013 number	2014 $'000	2013 $'000
Balance at beginning of the year	**661,526,586**	661,526,586	**1,093,372**	1,093,372
Issue of ordinary shares – Non-Renounceable Entitlement Offer	**367,514,770**	–	**132,305**	–
Share issue costs			**(2,897)**	–
Balance at end of the year	**1,029,041,356**	661,526,586	**1,222,780**	1,093,372

Non-Renounceable Pro-Rata Entitlement Offer

During the period, the Company issued 367,514,770 shares via a fully underwritten accelerated Non-Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this Offer, after issuance costs (gross of related income tax benefit), were $128.2 million which was used to fund in part the acquisition of full ownership of Australian Radio Network Pty Limited and The Radio Network Limited from Clear Channel Communications Inc.

(b) 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.

(c) Long-term incentive plan

The Group has established a long-term incentive plan for executives and other senior employees, which provides for the grant of equity awards (in the form of performance rights which may be converted into the Company's 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 Earnings Per Share growth performance hurdle, while the remaining 25% of the total award vests based on a relative Total Shareholder Return hurdle.

d) Performance rights issued under long-term incentive plan

Set out below are the summaries of rights granted under the plan:

	2014 Average price per right	Number of rights	2013 Average price per right	Number of rights
As at 1 January	–	–	–	–
Granted during the year	$0.69	5,653,785	–	–
Exercised during the year	–	–	–	–
As at 31 December	$0.69	5,653,785	–	–

Share rights outstanding at the end of the year have the following expiry date and fair value at grant date:

Grant date	Vesting date	Value of right at grant date	Performance rights 2014	2013
10 April 2014	31 December 2016	$0.69	5,066,795	–
20 October 2014	31 December 2016	$0.76	586,990	–
Exercised during the year			–	–
As at 31 December			5,653,785	–
Weighted average remaining contractual life of rights outstanding at end of period			2.1 years	–

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18. Reserves and accumulated losses

	2014 $'000	2013 $'000
(a) Reserves		
Asset revaluation reserve	6,203	7,194
Foreign currency translation reserve	(66,430)	(62,019)
Capital profits reserve	104	104
Hedging reserve	–	(417)
Share-based payments reserve	6,476	5,181
Transactions with non-controlling interests reserve	(85,230)	(20,546)
Total reserves	(138,877)	(70,503)
Asset revaluation reserve		
Balance at beginning of the year	7,194	9,248
Revaluation of freehold land and buildings	–	76
Transfer to foreign currency translation reserve	54	53
Transfers to accumulated losses	(1,045)	(2,183)
Balance at end of the year	6,203	7,194
Foreign currency translation reserve		
Balance at beginning of the year	(62,019)	(69,821)
Foreign exchange transfers from other reserves and accumulated losses	(1,927)	764
Share of joint venture's foreign exchange reserves	(1,520)	–
Share of associate foreign exchange reserves	361	1,500
Net exchange difference on translation of foreign operations	(1,325)	5,538
Balance at end of the year	(66,430)	(62,019)
Hedging reserve		
Balance at beginning of the year	(417)	(632)
Share of joint venture's hedging reserves	417	215
Balance at end of the year	–	(417)
Share-based payments reserve		
Balance at beginning of the year	5,181	5,181
Share-based payments expense	1,295	–
Balance at end of the year	6,476	5,181
Transactions with non-controlling interests reserve		
Balance at beginning of the year	(20,546)	(20,535)
Decrease/(increase) in purchase consideration for controlled business	(64,469)	806
Transfer to foreign currency translation reserve	(215)	(817)
Balance at end of the year	(85,230)	(20,546)
(b) Accumulated losses		
Balance at beginning of the year	(660,878)	(666,487)
Profit attributable to owners of the parent entity	11,489	2,626
Transfer to/from reserves	3,133	2,183
Remeasurements on retirement benefit obligations	(440)	800
Balance at end of the year	(646,696)	(660,878)

(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) Hedging reserve

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

(iv) Share-based payments reserve

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

(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.

	2014 $'000	2013 $'000
(d) Non-controlling interests		
Share capital	**33,515**	208,743
Reserves	**–**	10,354
Retained profits	**1,024**	28,813
Other	**365**	645
Non-controlling interests	**34,904**	248,554

19. Dividends

	2014 $'000	2013 $'000
No final dividend for the year ended 31 December 2013 (2012: nil)	**–**	–
No interim dividend for the year ended 31 December 2014 (2013: nil)	**–**	–
Total dividends	**–**	–
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	**27,577**	14,831

The Directors have determined that no final dividend will be payable for the year ended 31 December 2014.

20. Contingent liabilities

(a) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, refer note 34.

(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 5 for further details.

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21. 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, is not legally enforceable.

Scheme information

The defined benefit scheme is closed to new members.

(b) Balance sheet amounts

2013	Present value of obligation $'000	Fair value of plan assets $'000	Total $'000
At 1 January 2013	**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)**
Gain from change in financial assumptions	–	(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**
Current service cost	333	27	**360**
Interest expense/(income)	371	–	**371**
	704	27	**731**
Remeasurements			
Return on scheme assets, excluding amounts included in interest expense/(income)	–	(333)	**(333)**
Loss from change in financial assumptions	860	–	**860**
Experience gains	(7)	(227)	**(234)**
	853	(560)	**293**
Contributions:			
Employers	–	(496)	**(496)**
Scheme participants	105	(105)	**–**
Payments from scheme	(1,795)	1,795	**–**
As at 31 December 2014	**10,892**	**(8,819)**	**2,073**

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.

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 2.4% (2013: 3.6%), incremental salary inflation rates of 4.0% per annum in years 1 to 3, and 4.0% for every year after that (2013: 2.0% in years 1 to 3, and 4.0% for every year after that). As at 31 December 2014, the scheme assets were invested in the following asset classes: Australian equities 24% (2013: 26%), international equities 27% (2013: 27%), property 10% (2013: 9%), cash and fixed interest 17% (2013: 17%) and other 22% (2013: 21%).

22. Capital commitments

	2014 $'000	2013 $'000
Capital expenditure contracted for at balance date but not recognised as liabilities:		
Not later than one year	**1,757**	116
Later than one year but not later than five years	**–**	–
Total capital commitments	**1,757**	116

23. 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:

	2014 $'000	2013 $'000
Not later than one year	**47,179**	47,137
Later than one year but not later than five years	**76,572**	93,698
Later than five years	**38,891**	46,695
Commitments not recognised in the financial statements	**162,642**	187,530
Representing:		
Cancellable operating leases and rental commitments	**31,585**	1,745
Non-cancellable operating leases and rental commitments	**131,057**	185,785
Commitments not recognised in the financial statements	**162,642**	187,530
Commitments for finance leases are payable as follows:		
Not later than one year	**–**	40,474
Later than one year but not later than five years	**–**	–
	–	40,474
Less future finance charges on finance leases	**–**	(1,602)
Total lease liabilities	**–**	38,872
Representing lease liabilities (refer note 14):		
Current	**–**	38,872
Total lease liabilities	**–**	38,872

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24. 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. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

Name of entity	Place of business	Country of incorporation	Ownership interest held by the Group 2014	Ownership interest held by the Group 2013	Ownership interest held by non-controlling interests 2014	Ownership interest held by non-controlling interests 2013	Principal activities
Australian Radio Network Pty Limited(i)	Australia and New Zealand	Australia	**100%**	50%	–	50%	Commercial radio
Brisbane FM Radio Pty Ltd	Australia	Australia	**50%**	25%	**50%**	75%	Commercial radio
Buspak Advertising (Hong Kong) Limited	Australia	Hong Kong	**100%**	50%	–	50%	Outdoor advertising

(i) Australian Radio Network Pty Limited (ARN) owns 100% of The Radio Network in New Zealand. Brisbane FM Radio Pty Ltd is 50% owned by ARN.

(b) Non-controlling interests

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

	Australian Radio Network Pty Ltd(ii)		Brisbane FM Radio Pty Ltd(iii)		Buspak Advertising (Hong Kong) Limited(iv)	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Summarised balance sheet						
Current assets	–	169,416	**6,559**	4,666	–	22,025
Current liabilities	–	33,155	**5,471**	4,725	–	8,396
Current net assets	–	136,261	**1,088**	(59)	–	13,629
Non-current assets	–	455,048	**67,694**	67,736	–	1,022
Non-current liabilities	–	19,761	**131**	59	–	58
Non-current net assets	–	435,287	**67,563**	67,677	–	964
Net assets	–	571,548	**68,651**	67,618	–	14,593
Accumulated non-controlling interests(i)	–	202,878	**37,966**	37,814	–	5,925
Summarised statement of comprehensive income						
Revenue	**29,317**	231,709	**29,313**	25,285	**26,061**	44,001
Profit/(loss) for the period	**3,424**	39,812	**10,234**	8,360	**1,280**	(406)
Other comprehensive income	**(73)**	28,148	–	–	–	–
Total comprehensive income	**3,351**	67,960	**10,234**	8,360	**1,280**	(406)
Total comprehensive income allocated to non-controlling interests	**1,676**	33,980	**4,831**	6,270	**640**	(203)
Dividends paid to non-controlling interests	–	15,180	**4,600**	4,300	**845**	–

(i) ARN has a controlling 50% interest in Brisbane FM Radio Pty Ltd. In 2013, this represented a 25% interest for the Group. As such a further 25% of the earnings attributable to Brisbane FM Radio Pty Ltd forms part of the Group's non-controlling interest. In 2014, the remaining 50% non-controlling interest in Brisbane FM Radio Pty Ltd is shown separately.

(ii) The 2013 and 2014 ARN amounts exclude Brisbane FM Radio, which ARN has a controlling 50% interest in. The 2014 amounts represent trading up until February 2014, when the Group acquired the 50% of ARN and TRN that it did not already own.

(iii) The Brisbane FM Radio amounts represent trading for the full year.

(iv) The 2014 Buspak Advertising amounts represent trading up until July 2014, when the Group acquired full ownership of the entity.

	Australian Radio Network Pty Limited(ii)		Brisbane FM Radio Pty Ltd(iii)		Buspak Advertising (Hong Kong) Limited(iv)	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Summarised cash flows						
Cash flows from operating activities	**(2,505)**	50,646	**10,421**	8,248	**2,781**	706
Cash flows from investing activities	**199**	(7,165)	**18**	112	**(221)**	(481)
Cash flows from financing activities	**1,189**	(39,675)	**(9,945)**	(8,269)	**(631)**	–
Net increase/(decrease) in cash and cash equivalents	**(1,117)**	(3,806)	**494**	91	**1,929**	225

(c) Transactions with non-controlling interests

On 18 July 2014, the Company announced that it had acquired full ownership of Buspak Advertising (Hong Kong) Limited (Buspak) through the acquisition of the remaining 50% share from joint venture partner Clear Channel Hong Kong Limited for purchase consideration of $14,000,000. The carrying amount of the non-controlling interests in Buspak on the date of the transaction was $6,804,000. The Group recognised a decrease in non-controlling interests of $6,804,000 and a decrease in equity attributable to owners of the parent entity of $10,305,000.

In February 2014, the Group acquired the 50% of Australian Radio Network Pty Limited (ARN) and The Radio Network Limited (TRN) that it did not already own. This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated ARN and TRN. The cash consideration paid was $246,721,000, which was the initial purchase price less a shareholder receivable of $61,889,000. The carrying amount of the non-controlling interests in ARN on the date of the transaction was $208,893,000. The Group recognised a decrease in non-controlling interests of $208,893,000 and a decrease in equity attributable to owners of the parent of $54,164,000.

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.

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

	2014 $'000	2013 $'000
Carrying amount of non-controlling interests acquired	**215,697**	806
Reversal of contingent consideration provision	**–**	2,000
Consideration paid to non-controlling interests	**(263,756)**	(1,251)
Less: excess provision released to profit or loss	**–**	(749)
Less: deferred tax impact arising from ARN joining the tax consolidation group	**(13,740)**	–
Acquisition costs	**(2,670)**	–
Amounts recognised in non-controlling interests reserve	**(64,469)**	806

NOTES TO THE FINANCIAL STATEMENTS
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24. Interests in other entities (continued)

(d) Interests in associates

Set out below are the associates of the Group as at 31 December 2014. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business	Country of incorporation	Ownership interest held by the Group 2014	Ownership interest held by the Group 2013	Nature of relationship	Measurement method	Consolidated carrying values 2014 $'000	Consolidated carrying values 2013 $'000
Adshel Street Furniture Pty Limited	Australia and New Zealand	Australia	50%	50%	Associate(1)	Equity method	**41,849**	41,433
Soprano Design Pty Limited	Australia	Australia	25%	25%	Associate(2)	Equity method	**11,086**	9,378
							52,935	50,811

(1) Adshel Street Furniture Pty Limited specialises in advertiser funded street furniture solutions with networks throughout Australia and New Zealand.

(2) 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.

(e) Summarised financial information of associates

The table below provides summarised financial information for the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates 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 2014 $'000	Adshel Street Furniture Pty Limited 2013 $'000
Summarised balance sheet		
Total current assets	**47,004**	47,580
Non-current assets	**76,451**	76,299
Total assets	**123,455**	123,879
Total current liabilities	**34,554**	35,163
Total non-current liabilities	**5,202**	5,849
Total liabilities	**39,756**	41,012
Net assets	**83,699**	82,867
Reconciliation to carrying amounts		
Opening net assets 1 January	**82,867**	85,736
Profit for the period	**19,110**	21,131
Other comprehensive income	**722**	3,000
Dividends paid	**(19,000)**	(27,000)
Closing net assets	**83,699**	82,867
Percentage of ownership interest	**50%**	50%
Carrying amount	**41,849**	41,433
Summarised statement of comprehensive income		
Revenue	**147,124**	150,816
Profit for the period	**19,110**	21,131
Other comprehensive income	**722**	3,000
Total comprehensive income	**19,832**	24,131
Dividends received from associate	**9,500**	13,500

(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.

	2014 $'000	2013 $'000
Aggregate carrying amount of individually immaterial associate	**11,086**	9,378
Movements in carrying value in the period:		
Share of net profits	**1,708**	–
Reversal of prior period impairment	**–**	3,046
Other adjustments	**–**	332

NOTES TO THE FINANCIAL STATEMENTS

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25. 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 2014 %	Equity holding 2013 %
Actraint No. 116 Pty Limited [1, 2]	Australia	**100**	50
Adhoc Pty Ltd	Australia	**75**	75
Adhub Limited	New Zealand	**100**	100
Airplay Media Services Pty Limited [1, 2]	Australia	**100**	50
APN AP National Sales Pty Ltd [2]	Australia	**100**	100
APN Braeside Pty Ltd	Australia	**100**	100
APN Broadcasting Investments Pty Limited [2]	Australia	**100**	100
APN Broadcasting (Regionals) Pty [1, 2, 3]	Australia	**100**	50
APN Business Information Group Pty Ltd [10]	Australia	**–**	100
APN Business Magazines Pty Ltd [2]	Australia	**100**	100
APN Computing Group Pty Ltd [10]	Australia	**–**	100
APN Digital Pty Ltd [2]	Australia	**100**	100
APN Digital NZ Limited	New Zealand	**100**	100
APN Educational Media Pty Limited [2]	Australia	**100**	100
APN Finance Pty Limited [2, 3]	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 Newspapers Pty Ltd [2, 3]	Australia	**100**	100
APN NZ Investments Limited	New Zealand	**100**	100
APN Online (Australia) Pty Limited [2]	Australia	**100**	100
APN Online (New Zealand) Limited	New Zealand	**100**	100
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
ARM Events Pty Ltd (formerly The Brisbane Publishing Company Pty Ltd) [2, 8]	Australia	**100**	100
ARM Specialist Media Pty Ltd (formerly The Gold Coast Press Pty Limited) [2]	Australia	**100**	100
ARN Adelaide Pty Ltd [1, 2]	Australia	**100**	50
ARN Brisbane Pty Ltd [1, 2, 3]	Australia	**100**	50
ARN Broadcasting Pty Ltd [1, 2]	Australia	**100**	50
ARN Communications Pty Ltd [1, 2, 3]	Australia	**100**	50
ARN Limited Partnership [1]	Australia	**100**	50
ARN New Zealand Pty Limited [1, 2, 3]	Australia	**100**	50
ARN NZ Investments Limited [1]	New Zealand	**100**	50
ARN Overseas Pty Limited [1, 2, 3]	Australia	**100**	50
ARN Perth Pty Ltd [1, 2]	Australia	**100**	50
ARN South Australia Pty Ltd [1, 2]	Australia	**100**	50
ARN Superannuation Pty Ltd [1]	Australia	**100**	50
ARNSAT Pty Limited [1, 2]	Australia	**100**	50
Asia Posters Sdn Bhd	Malaysia	**100**	100
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, 2, 3]	Australia	**100**	50

Name of entity	Country of incorporation/ establishment	Equity holding 2014 %	Equity holding 2013 %
Australian Radio Network Sales Pty Ltd [1,2]	Australia	**100**	50
Biffin Pty Limited [2,3]	Australia	**100**	100
Blue Mountains Broadcasters Pty Limited [1,2]	Australia	**100**	50
Border Newspapers Pty Ltd [2]	Australia	**100**	100
brandsExclusive (Australia) Pty Limited [9]	Australia	**–**	82
brandsExclusive (New Zealand) Pty Limited [9]	Australia	**–**	82
Brisbane FM Radio Pty Ltd [1,5]	Australia	**50**	25
The Bundaberg Newspaper Company Pty Limited [2]	Australia	**100**	100
Buspak Advertising (China) Limited	Hong Kong	**100**	100
Buspak Advertising (Hong Kong) Limited	Hong Kong	**100**	50
Byron Shire News Pty Ltd [2]	Australia	**100**	100
Campus Review Pty Ltd [10]	Australia	**–**	100
Capital City Broadcasters Pty Limited [1,2]	Australia	**100**	50
Capricornia Newspapers Pty Ltd [2]	Australia	**100**	100
Cardcorp (Manufacturing) Pty Limited	Australia	**100**	100
Catalogue Central Pty Limited [2]	Australia	**100**	100
Central Coast Broadcasting Pty [1]	Australia	**100**	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 Outdoor International (HK) Limited	Hong Kong	**100**	50
Coffs Coast RE Marketing Pty Ltd	Australia	**70**	70
Commonwealth Broadcasting Corporation Pty Ltd [1,2,3]	Australia	**100**	50
Covette Investments Pty Limited [2,3]	Australia	**100**	100
Daily Commercial News Pty Ltd [10]	Australia	**–**	100
The Daily Examiner Pty Ltd [2]	Australia	**100**	100
Dalby Herald Pty Ltd [2]	Australia	**100**	100
DCN (Electronic Services) Pty Ltd [10]	Australia	**–**	100
Double T Radio Pty Ltd [1,2]	Australia	**100**	50
Esky Limited	New Zealand	**100**	100
5AD Broadcasting Company Pty Ltd [1,2]	Australia	**100**	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
Grab One Australia Pty Limited	Australia	**100**	100
GrabOne Investments Limited	UK	**100**	100
GrabOne Limited	New Zealand	**100**	100
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	New Zealand	**100**	100
Inc Network Australia Pty Ltd [2]	Australia	**100**	100
The Internet Amusements Group Pty Limited [1,2]	Australia	**100**	50
KAFM Broadcasters Proprietary Limited [1,2]	Australia	**100**	50
Kelly Publications Pty Ltd [2]	Australia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
Continued

25. Controlled entities (continued)

Name of entity	Country of incorporation/ establishment	Equity holding 2014 %	Equity holding 2013 %
Level 4 Investments Pty Limited [2]	Australia	**100**	100
The Level 4 Partnership	Australia	**100**	100
Level 3 Investments Pty Ltd [2]	Australia	**100**	–
The Level 3 Partnership	Australia	**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]	Australia	**100**	100
Marnin Limited [4]	Ireland	**–**	–
The Maryborough Hervey Bay Newspaper Company Pty Ltd [2]	Australia	**100**	100
Media Tek Pty Limited [2,3]	Australia	**100**	100
Melbourne Independent Newspapers Pty Ltd [10]	Australia	**–**	100
Mt Maunganui Publishing Co Limited	New Zealand	**100**	100
Nathco Holdings Pty Ltd [2,3]	Australia	**100**	100
New Zealand Radio Network Limited [1]	New Zealand	**100**	50
North Coast News Pty Ltd [2]	Australia	**100**	100
Northern Star Ltd [2,3]	Australia	**100**	100
NZME. Educational Media Limited (formerly APN Educational Media (NZ) Limited)	New Zealand	**100**	100
NZME. Finance Limited	New Zealand	**100**	–
NZME. Limited	New Zealand	**100**	–
NZME. Publishing Limited (formerly APN New Zealand Limited) [7]	New Zealand	**100**	100
NZME. Radio Limited (formerly The Radio Network Limited) [1]	New Zealand	**100**	50
NZME. Trading Limited (formerly NZME. Publishing Limited) [7]	New Zealand	**100**	–
Observer Times (Hervey Bay) Pty Ltd [2]	Australia	**100**	100
Peterhouse Proprietary Limited [10]	Australia	**–**	100
Provincial Investments Pty Ltd [2]	Australia	**100**	100
The Queensland Times Pty Limited [2]	Australia	**100**	100
The Radio Bureau Limited [1]	New Zealand	**100**	50
RadioWise Pty Ltd [1]	Australia	**100**	50
Regional Publishers Limited	New Zealand	**100**	100
Regmax Pty Limited [1,2]	Australia	**100**	50
Sabawin Pty Limited [2]	Australia	**100**	100
Sell Me Free Limited	New Zealand	**100**	100
Sella Limited	New Zealand	**100**	100
The South Burnett Times Pty Ltd [2]	Australia	**100**	100
Southern State Broadcasters Pty Limited [1,2]	Australia	**100**	50
Speedlink Services Pty Ltd [1,2]	Australia	**100**	50
Stanley Newcomb & Co Limited	New Zealand	**100**	100
Stanthorpe Newspapers Services Unit Trust	Australia	**100**	100
SunCoastal FM Radio Pty Ltd [1]	Australia	**100**	50
Sunshine Coast Newspaper Company Pty Ltd [2,3]	Australia	**100**	100
Tibbar Broadcasting Pty Limited [2]	Australia	**100**	–
Toowoomba Newspapers Ltd [2,3]	Australia	**100**	100
Trade Debts Collecting Co Limited	New Zealand	**100**	100
The Tweed Newspaper Co Pty Ltd [2]	Australia	**100**	100
Universal Radio Pty Ltd [1,2]	Australia	**100**	50

Name of entity	Country of incorporation/ establishment	Equity holding 2014 %	Equity holding 2013 %
The Warwick Newspaper Pty Limited [2]	Australia	**100**	100
Web Metrics Limited [6]	New Zealand	**–**	100
Wesgo [1, 2, 3]	Australia	**100**	50
West Sydney Radio Pty Ltd [1]	Australia	**100**	50
Westat Research Pty Ltd [1]	Australia	**100**	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 [10]	Australia	**–**	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 and 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 ASIC.

(4) The consolidated entity holds no equity interest in Marnin Limited but was, up until 10 December 2014, 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.

(5) Australian Radio Network Pty Limited has a 50% controlling interest in Brisbane FM Radio Pty Ltd.

(6) This company was deregistered on 20 November 2013.

(7) NZME. Publishing Limited was incorporated on 6 October 2014 and changed its name to NZME. Trading Limited on 31 December 2014. APN New Zealand Limited changed its name to NZME. Publishing Limited on 5 January 2015.

(8) Name change occurred on 19 January 2015.

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

(10) This company was deregistered on 24 August 2014.

As disclosed in the 2013 Annual Report, the Group sold its remaining interest in the APN Outdoor joint venture to Quadrant Private Equity on 24 January 2014. The APN Outdoor joint venture entities ceased being 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.

NOTES TO THE FINANCIAL STATEMENTS
Continued

25. Controlled entities (continued)

Deed of Cross Guarantee

Set out below is the consolidated income statement for the year ended 31 December 2014 of the Closed Group:

	2014 $'000	2013 $'000
Revenue from continuing operations	303,938	212,518
Other revenue and income	64,052	38,653
Expenses from operations before finance costs	(294,766)	(215,919)
Impairment of intangible assets	(49,678)	(20,277)
Finance costs	(38,709)	(34,969)
Share of profits of associates	11,263	10,565
Loss before income tax credit	(3,900)	(9,429)
Income tax (expense)/credit	(255)	13,556
Profit/(loss) from continuing operations	(4,125)	4,127
Profit from discontinued operations	–	–
Profit/(loss) attributable to owners of the parent entity	(4,125)	4,127
Accumulated losses		
Balance at beginning of the year	(819,061)	(826,223)
Profit/(loss) attributable to owners of the parent entity	(4,125)	4,127
Opening retained profits of entities entering the Closed Group	42,688	–
Remeasurements on retirement benefit obligations	(440)	800
Dividends paid	(11,000)	–
Transfers within equity	–	2,235
Balance at end of the year	(791,938)	(819,061)

Set out below is a consolidated balance sheet as at 31 December 2014 of the Closed Group:

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	15,001	2,244
Receivables	378,982	343,390
Inventories	5,398	4,710
Income tax receivable	2,207	2,035
Other current assets	2,198	1,985
Total current assets	403,786	354,364
Non-current assets		
Receivables	–	122,742
Other financial assets	406,754	249,994
Investments accounted for using the equity method	52,935	50,811
Property, plant and equipment	57,861	55,781
Intangible assets	434,328	233,369
Deferred tax assets	–	20,565
Total non-current assets	951,878	733,262
Total assets	1,355,664	1,087,626
Current liabilities		
Payables	577,042	530,183
Interest bearing liabilities	–	38,872
Current tax liabilities	359	–
Provisions	6,724	2,186
Total current liabilities	584,125	571,241
Non-current liabilities		
Payables	6,000	–
Interest bearing liabilities	276,543	228,627
Deferred tax liabilities	25,469	–
Retirement benefit liability	2,073	1,545
Provisions	4,154	3,389
Total non-current liabilities	314,239	233,561
Total liabilities	898,364	804,802
Net assets	457,300	282,824
Equity		
Contributed equity	1,222,780	1,093,372
Reserves	26,458	8,513
Accumulated losses	(791,938)	(819,061)
Total equity	457,300	282,824

NOTES TO THE FINANCIAL STATEMENTS

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26. Related party information

(a) Key management personnel compensation

	2014 $	2013 $
Short-term employee benefits	**7,188,377**	6,054,680
Post employment benefits	**245,920**	389,036
Other long term benefits	**24,193**	12,908
Termination benefits	**1,920,374**	2,685,917
Share-based payments	**1,161,141**	10,750
	10,540,005	9,153,291

Detailed remuneration disclosures are provided in the Remuneration Report on pages 40 to 53.

(b) Transactions with other related parties

The below note relates to both continued and discontinued operations.

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	2014 $'000	2013 $'000
Loan interest receivable	Joint venture (i)	–	4,631
Consulting services received	Key management personnel (ii)	**63**	59
Independent News & Media fees	Other related party (iii)	**145**	663
Management fees receivable	Associate (iv)	**150**	150
Associate company fee	Associate/Key management personnel (v)	**50**	50
Consulting services received	Key management personnel (vi)	–	333
Print services received	Other related party (vii)	**7,883**	1,152

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.

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

(iv) Management fee received/receivable from associate.

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

(vi) Consultancy fee paid to a company associated with Peter Cosgrove for Executive management services rendered.

(vii) Print service fees paid to Beacon Print Ltd, a company the Group holds an interest in.

27. Remuneration of auditors

	2014 $'000	2013 $'000
Remuneration for audit or review of the financial reports		
PricewaterhouseCoopers – Australian firm	**546**	586
PricewaterhouseCoopers – overseas firm	**585**	503
Other firms	**140**	296
Remuneration for other assurance services		
PricewaterhouseCoopers – Australian firm	**715**	91
PricewaterhouseCoopers – overseas firm	**17**	15
Other firms	**112**	102
Total audit and other assurance services	**2,115**	1,593
Remuneration for other services		
PricewaterhouseCoopers – Australian firm		
Tax services		
– Consulting and advice	**1,196**	124
– Compliance	**179**	100
Other advisory services	**185**	–
PricewaterhouseCoopers – overseas firm		
Tax services		
– Consulting and advice	**959**	185
– Compliance	**171**	118
Other advisory services	**–**	13
Other firms		
Tax services		
– Consulting and advice	**–**	18
– Compliance	**89**	81
Other advisory services	**3,801**	20
Total non-audit services	**6,580**	659

28. Earnings per share

	2014 $'000	2013 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
Profit from continuing operations attributable to owners of the parent entity	**8,960**	50,467
Profit/(loss) from discontinued operations attributable to owners of the parent entity	**2,529**	(47,841)
Profit attributable to owners of the parent entity used in calculating basic/diluted EPS	**11,489**	2,626

	Number	Number
(b) Weighted average number of shares[(i)]		
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**981,277,290**	771,945,042
Adjusted for calculation of diluted EPS		
Performance rights	**5,653,785**	–
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share	**986,931,075**	771,945,042

(i) The weighted average number of ordinary shares disclosed for the 2013 year has been adjusted for the bonus element included in the Non-Renounceable Pro-Rata Entitlement Offer (refer note 17).

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29. Cash flow information

Reconciliation of cash

	2014 $'000	2013 $'000
Cash at end of the year, as shown in the statement of cash flows, comprises:		
Cash from continuing operations	**38,980**	19,956
Cash transferred to assets held for sale	**–**	2,803
Cash and cash equivalents	**38,980**	22,759
The below reconciliation relates to both continued and discontinued operations.		
Reconciliation of profit for the year to net cash inflows from operating activities:		
Profit for the year	**19,125**	27,677
Depreciation and amortisation expense	**33,415**	33,829
Borrowing cost amortisation	**2,835**	2,744
Net gain on sale of non-current assets	**(6,428)**	1,143
Share of profits of associates	**(11,263)**	(10,194)
Fair value gains on financial assets	**(4,097)**	(2,456)
Impairment expense	**49,678**	75,389
Change in current/deferred tax payable	**(2,894)**	(19,943)
Foreign exchange gains	**(2,161)**	–
Asset write downs and business closures	**1,786**	9,958
Gains on derecognition of contingent consideration provision	**–**	(35,864)
NZ Bond redemption fee classified as borrowing cost	**1,840**	–
Share-based payments expense	**1,295**	–
Amounts credited to provisions against assets (other non-cash items)	**(35)**	(1,021)
Other non-cash items	**(517)**	(1,608)
Changes in assets and liabilities, net of effect of acquisitions:		
Trade and other receivables	**(4,698)**	12,807
Inventories	**153**	1,719
Prepayments	**2,139**	663
Trade and other payables and employee benefits	**(7,888)**	(6,461)
Net cash inflows from operating activities	**72,285**	88,382

30. Standby arrangements and credit facilities

Entities in the consolidated entity have access to:

	2014 $'000	2013 $'000
Overdraft facilities		
Secured bank overdraft facilities	2,000	–
Unsecured bank overdraft facilities	5,178	10,747
Amount of facility utilised	–	–
Amount of available facility	7,178	10,747
Loan facilities		
Secured bank loan facilities (i)	630,000	–
Unsecured bank loan facilities (i)	–	567,605
New Zealand Bond	–	92,251
Amount of facility utilised	(497,647)	(442,953)
Amount of available facility	132,353	216,903

Loan facilities utilised for letters of credit as at 31 December 2014 includes $nil (2013: $29,032,000).

(i) The Group's debt facilities were refinanced in September 2014 with a syndicate of domestic and international banks. The bank loans and overdraft are secured by mortgages over a portion of the Group's assets. In 2013, the Group's multi-option debt facilities were unsecured.

31. 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 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 2014, a change in interest rates of +/-1% per annum with all other variables being constant would impact post-tax profit by $3.3 million lower/higher (2013: $3.1 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.

While 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.

NOTES TO THE FINANCIAL STATEMENTS
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31. Financial risk management (continued)

(a) Market risk (continued)

(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 (2013: $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 2013	Less than one year $'000	Between one and two year(s) $'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	–

31 December 2014	Less than one year $'000	Between one and two year(s) $'000	Between two and five years $'000	Over five years $'000
Trade and other payables	**117,469**	**6,000**	**–**	**–**
Bank loans (including interest to maturity)	**29,314**	**28,689**	**523,769**	**–**
Other loans	**404**	**–**	**–**	**–**
Gross liability	**147,187**	**34,689**	**523,769**	**–**
Less interest	**(27,671)**	**(27,490)**	**(29,844)**	**–**
Principal	**119,516**	**7,199**	**493,925**	**–**

Details of credit standby arrangements and loan facilities are included in note 30.

32. 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 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

(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 2014.

31 December 2014	Note	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	9	–	–	26,352	**26,352**
Total financial assets		–	–	26,352	**26,352**
Non-financial assets					
Land and buildings					
Land	11	–	–	3,262	**3,262**
Buildings	11	–	–	6,746	**6,746**
Total non-financial assets		–	–	10,008	**10,008**

31 December 2013	Note	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	9	–	–	23,394	**23,394**
Total financial assets		–	–	23,394	**23,394**
Non-financial assets					
Land and buildings					
Land	11	–	–	5,299	**5,299**
Buildings	11	–	–	7,770	**7,770**
Total non-financial assets		–	–	13,069	**13,069**
Non-recurring fair value measurements					
Assets held for sale	8	–	–	119,236	**119,236**
Total non-recurring assets		–	–	119,236	**119,236**
Liabilities directly associated with assets held for sale	8	–	–	55,678	**55,678**
Total non-recurring liabilities		–	–	55,678	**55,678**

NOTES TO THE FINANCIAL STATEMENTS

Continued

32. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

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 2014 (level 3).

The fair value of non-current borrowings disclosed in note 14 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 2014, the borrowing rates were determined to be between 5.1% 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:

- quoted market prices or dealer quotes are used 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.

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 costs to sell, at the time of the reclassification. The fair value was determined in reference to current market offers.

32. Fair value measurements (continued)

(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 2014 and 2013 for recurring fair value measurements:

	Shares in other corporations $'000	Short-term financial instrument asset at fair value $'000	Freehold land $'000	Buildings $'000	Short-term financial instrument liability at fair value $'000	Contingent consider-ation provision $'000	Total $'000
At 1 January 2013	22,471	40,000	–	–	(40,000)	(42,549)	(20,078)
Adoption of AASB 13	–	–	6,617	14,599	–	–	21,216
Transfers to assets held for sale	–	(40,000)	–	–	40,000	32,177	32,177
Additions	–	–	–	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 recognised in other income	895*	–	–	(726)	–	4,710	4,879
At 31 December 2013	**23,394**	**–**	**5,299**	**7,770**	**–**	**–**	**36,463**
Additions	–	–	–	60	–	750	810
Disposals and other transfers	(2,160)	–	(2,115)	(773)	–	–	(5,048)
Depreciation and impairment	–	–	–	(333)	–	–	(333)
Gains recognised in other comprehensive income	26	–	78	22	–	–	126
Gains recognised in other income	5,092*	–	–	–	–	–	5,092
At 31 December 2014	**26,352**	**–**	**3,262**	**6,746**	**–**	**750**	**37,110**

* 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).

2014	**5,092**	**–**	**–**	**–**	**–**	**–**	**5,092**
2013	895	–	–	–	–	–	895

There were no changes in valuation techniques during the year.

(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 2014 $'000	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	22,196	Discounted cash flows	Cash flow growth factor	Between -6.0% and +10.5 % (+1.4%)	Increasing cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by $3.3 million. Lowering cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by $2.7 million.
			Risk adjusted discount rate	14.0%	
	4,156	Capitalisation multiple	EBITDA multiples	Between 3.5x and 5.5x (3.5x)	The higher the capitalisation multiple the higher the value.
	26,352				

NOTES TO THE FINANCIAL STATEMENTS

Continued

(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.

33. Subsequent events

Since the end of the financial year, the Group has acquired 100% of Radio 96FM Perth Pty Limited (96FM) from Fairfax Media. The purchase price was $78.0 million and was funded from cash and existing debt facilities. 96FM's revenue for the 12 months to 31 December 2014 was $18.7 million.

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.

34. Parent entity financial information

(a) Summary financial information for the parent entity

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

	2014 $'000	2013 $'000
Balance sheet		
Current assets	**1,296**	2,086
Total assets	**1,170,513**	950,626
Current liabilities	**324**	-
Total liabilities	**410,227**	340,081
Shareholder's Equity		
Issued capital	**1,222,778**	1,093,372
Reserves		
Share based payments reserve	**6,476**	5,181
Retained profits		
Opening profit reserve	**36,417**	11,371
Dividends paid during the year	**-**	-
Brought forward profit reserve	**36,417**	11,371
Profit/(loss) for the year	**19,039**	25,046
Closing profit reserve	**55,456**	36,417
Closing loss reserve	**(524,424)**	(524,424)
	760,286	610,545
Profit/(loss) for the year	19,039	25,046
Total comprehensive income	19,039	25,046

(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 2014, the facilities had been drawn to the extent of $497,647,000 (2013: $454,270,000). In addition the Company has previously entered into a cross guarantee as described in note 25.

The parent entity and some wholly-owned controlled entities have given guarantees in respect of certain banking facilities of $1,904,000 (2013: $6,581,000).

(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 2014 or 31 December 2013.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 55 to 106 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 2014 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 25 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 25.

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 chief executive function and chief financial officer function in accordance with section 295A of the *Corporations Act 2001*.

Peter Cosgrove
Chairman

Sydney
16 March 2015

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 consolidated balance sheet as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated 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 the 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*.

Auditor's opinion

In our opinion:

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

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
2. 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.

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pwc

Report on the Remuneration Report

We have audited section B parts (a) - (c) and (e) - (k) of the remuneration report included on pages 40 to 53 of the directors' report for the year ended 31 December 2014. 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, section B part (a) - (c) and (e) - (k) of the remuneration report of APN News & Media Limited for the year ended 31 December 2014 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 2014 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
16 March 2015

SHAREHOLDER INFORMATION

Shares

(a) Substantial shareholders

The following information is extracted from substantial shareholder notices received by the Company as at 3 March 2015:

Name	Number of shares
Independent News & Media PLC	191,541,073
Baycliffe Limited	317,357,027*
Allan Gray Australia Pty Ltd	181,932,188

- 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 2015

Name	Number of shares	% of total shares
Citicorp Nominees Pty Limited	162,405,807	15.78
J P Morgan Nominees Australia Limited	159,178,792	15.47
National Nominees Limited	133,383,133	12.96
Custodial Services Limited (Beneficiaries Holding a/c)	126,098,391	12.25
Independent News & Media (Australia) Limited	116,541,073	11.33
HSBC Custody Nominees (Australia) Limited	115,636,207	11.24
News & Media NZ Limited	75,000,000	7.29
BNP Paribas Noms Pty Ltd (DRP a/c)	20,693,262	2.01
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp a/c)	13,299,914	1.29
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	4,279,757	0.42
QIC Limited	3,886,662	0.38
AMP Life Limited	2,059,716	0.20
Pax Pasha Pty Ltd	2,052,365	0.20
Buttonwood Nominees Pty Ltd	1,627,395	0.16
Yong Soon Leh	1,505,946	0.15
Brispot Nominees Pty Ltd (House Head Nominee No 1 a/c)	1,323,799	0.13
National Nominees Limited (N a/c)	1,189,074	0.12
Hkeik Margaret Therese	1,186,517	0.12
Vincent Crowley	1,182,851	0.11
HSBC Custody Nominees (Australia) Limited - A/C 2	1,080,340	0.10
Total	**943,611,001**	**91.70**

(c) Analysis of individual ordinary shareholdings as at 3 March 2015

Holding	Number of shareholders	% of total	Number of shares	% of issued capital
1–1,000	2,179	30.60	834,199	0.08
1,001–5,000	2,602	36.54	6,898,002	0.67
5,001–10,000	923	12.97	6,643,543	0.65
10,001–100,000	1,239	17.40	33,568,059	3.26
100,001 and over	177	2.49	981,097,553	95.34
Total	**7,120**	**100.00**	**1,029,041,356**	**100.00**

There were 1,472 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 2015 was:

Director	Number of shares	Number of options
PM Cosgrove	238,662	–
AE Harris	637,455	–
AL Templeman-Jones	–	–
VC Crowley	1,182,851	–
P Connolly	250,000	–
PD Cullinane	79,000	–

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 the inside back cover.

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.

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 certified 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 per cent. 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 2014 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

	2014 $'m	2013 $'m	2012 $'m	2011 $'m	2010 $'m
Income Statement					
Total revenue	**843**	817	857	1,072	1,059
EBITDA[1]	**163**	158	156	209	243
Depreciation	**33**	35	34	38	39
EBIT[2]	**130**	123	122	171	205
Net interest expense[5]	**36**	33	41	56	50
Adjusted net profit[3]	**75**	60	54	78	98
Statutory net profit/(loss)	**11**	3	(507)	(45)	94
Balance Sheet					
Equity excluding minority interests	**437**	362	350	876	962
Total assets	**1,129**	1,255	1,294	1,997	2,163
Total borrowings	**497**	457	486	670	720
Net debt	**458**	437	465	646	657
Statistical Analysis					
EBITDA/total revenue[5]	**19.3%**	18.0%	16.8%	19.5%	22.6%
Net debt/EBITDA (times)	**2.8**	2.8	3.0	3.1	2.7
Interest cover based on EBITDA (times)	**4.5**	4.8	3.8	3.7	4.9
Earnings per share – basic (cents)[4]	**7.6**	7.7	7.2	10.8	14.0
– diluted (cents)[4]	**7.6**	7.7	7.2	10.8	14.0
Dividend per share (cents)	**–**	–	1.5	8.5	12.0
Dividend payout ratio[5]	**0%**	0%	21%	79%	86%
No. of shares on issue ('000)	**1,029,041**	661,527	661,527	630,211	606,084
No. of shareholders	**7,166**	8,270	9,546	9,419	9,891
Market capitalisation ($'m)	**859**	298	165	447	1,176
Market price per share at 31 December	**$0.83**	$0.45	$0.25	$0.71	$1.94

(1) Profit before exceptional items, interest, tax, depreciation and amortisation.

(2) Profit before exceptional items, interest and tax.

(3) Net profit attributable to owners of the parent entity after tax, before exceptional items.

(4) Earnings per share are before exceptional items and have been restated for prior years for the bonus element of the pro-rata entitlement offer in 2014.

(5) Before exceptional items.

Corporate Directory

APN News & Media Limited
ABN 95 008 637 643

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

Company Secretary
Yvette Lamont

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201 Sussex Street
SYDNEY NSW 1171

Principal bankers
Bank of China
Commonwealth Bank of Australia
Credit Suisse
Deutsche Bank
GE
HSBC
National Australia Bank
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 Sydney, 199 George Street, Sydney NSW 2000 on Wednesday, 6 May 2015 at 11am.

APN NEWS & MEDIA

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

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