Half-Year Financial Report and Appendix 4D

APN News & Media Limited and controlled entities

for the period ended 30 June 2016

CONTENTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 30 JUNE 2016 (PREVIOUS CORRESPONDING PERIOD: HALF-YEAR ENDED 30 JUNE 2015)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from continuing operations	down	0.2%	to	$129.1m
Net profit attributable to members of the parent entity	down	3547%	to	($256.9m)

Net profit attributable to members of the parent entity in the previous corresponding period was a profit of $7.5 million.

Dividends

The directors have determined that no interim dividend will be payable for the half-year ending 30 June 2016

	June 2016	Dec 2015
Net tangible assets per share	$	$
Net tangible asset backing per ordinary share	(0.65)	(1.94)
Net asset backing per ordinary share	1.39	2.90

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 half-year ended 30 June 2016.

1. DIRECTORS

The directors of the company at any time during the half-year ended 30 June 2016 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated:

Peter Cosgrove (Chairman)

Peter Cullinane

Paul Connolly

Anne Templeman-Jones

Christine Holman

Ted Harris AC (resigned from the Board on 11 May 2016)

Sir John Anderson (resigned from the Board on 29 June 2016)

Ciaran Davis (Managing Director, appointed to the Board on 24 August 2016)

2. REVIEW OF OPERATIONS

The results of the company for the half year include:

- Revenue from continuing operations of $129,146,000, down 0.2% on the prior corresponding period
- Segment result from continuing operations (EBITDA before exceptional items) of $35,913,000, up 7% on the prior corresponding period
- Net loss after tax attributable to the owners of the parent entity of ($256,913,000), down 3547% on the prior corresponding period (profit of $7,454,000)

Refer to market announcement for additional details.

3. DIVIDENDS

The Directors have determined that no dividend will be payable in respect of the half-year ended 30 June 2016.

The Directors intend to target a dividend payout ratio of approximately 40%-60% of underlying net profit after tax, subject to maintaining leverage at or below 2.0x earnings before interest, tax, depreciation and amortisation and having regard to other strategic priorities.

4. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC instrument *ASIC Corporations (Rounding in financial reports/directors' reports) Instrument 2016/191*, 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 instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

5. 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 the Directors' Report.

This report is made in accordance with a resolution of the directors.

Peter Cosgrove
Chairman

26 August 2016
Sydney

DIRECTORS' REPORT CONT'D

OPERATING AND FINANCIAL REVIEW

Performance overview

APN News & Media Limited's (APN) statutory loss attributable to shareholders for the period was $256.9 million, compared to a profit of $7.5 million in 2015. The current period statutory loss reflects the impact of accounting adjustments following the demerger of New Zealand Media Entertainment (NZME) from APN on 29 June 2016, the settlement of several tax matters in New Zealand through a binding heads of agreement with the New Zealand Inland Revenue Department (IRD) signed on 23 June 2016, as well as the divestment of Australian Regional Media (ARM) to News Corp Ltd, announced on 21 June 2016, which is subject to shareholder and regulatory approvals.

The results from operations of NZME and ARM are presented as discontinued operations.

Revenues from continuing operations of $129.1 million were stable across the Group. Revenue growth in Australian Radio Network (ARN) of 10%, was offset by revenue declines in Hong Kong Outdoor resulting from challenging economic conditions in that market, and the year-on-year impact following the loss of the bus body advertising contract on 30 June 2015.

Statutory net loss after income tax from continuing operations attributable to shareholders was $7.7 million compared to a loss of $14.1 million in 2015. Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items were up 7% to $35.9 million.

Group costs from continuing operations before interest, tax, depreciation and amortisation and exceptional items were $100.8 million, down 3% in the half. Cost savings in Hong Kong Outdoor following a restructure of that business in H2 2015 more than offset cost growth in other parts of the business.

A continuation of solid revenue and EBITDA growth in Adshel of 15% and 25% respectively contributed to a 14% increase in APN's share of Adshel's profit.

In June 2016, APN successfully completed an accelerated renounceable pro-rata entitlement offer raising $181.8 million (before transaction costs of $5.1 million). Proceeds were used to repay a portion of APN's corporate debt and establish appropriate capital structures for APN and NZME ahead of the demerger. Net debt has reduced to 1.8 times EBITDA from continuing operations, down from 2.7 times at 31 December 2015.

APN is now a growth-orientated media and entertainment company and focused on radio and outdoor in Australia. As APN looks to continue its transformation, APN's growth strategy is based on 4 key pillars:

- To grow audience base;
- To expand our digital and data capabilities;
- To diversify our revenues; and
- To optimise integration across the Group.

Australian Radio Network

Revenue and EBITDA from broadcast advertising, Emotive and other revenue activities grew over 10% in the period.

Cost growth of $5.1 million (7%) in the period was primarily attributable to revenue-related cost of sales and the full period cost impact of H1 2015 investments.

ARN has continued to invest in talent, content and marketing to produce high quality live and local radio across the country. In July 2016 ARN announced it had secured 5-year contracts with top-rating KIIS 1065 FM breakfast hosts Kyle and Jackie O, allowing ARN to build a long-term growth strategy around them and other on-air talent across the radio networks.

Melbourne is a highly competitive radio market and while ratings are yet to reach levels ARN would have hoped for, ARN remains focused on improving content and promotions, particularly in the Breakfast time slot.

Ratings performance in Perth following the relaunch of 96FM under the KIIS brand has recovered at a slower rate than expected, but is tracking well. The relaunch involved a significant change in the core listener demographic of that station, and as at June 2016 total audience has returned to levels consistent with that prior to the relaunch. The station completes ARN's five capital city offering, delivering reach which has increased ARN's appeal as a nationally branded advertising platform, attributing to growth in agency revenues.

ARN's music streaming, digital entertainment and live events brand, iHeartRadio, continues to grow, with 592,000 registered users in Australia and 890,000 app downloads as at June 2016. The business also entered into a partnership with Channel ELEVEN television music show The Loop in July 2016, extending its reach with events now televised nationally.

DIRECTORS' REPORT CONT'D

Content marketing agency Emotive, a 51% ARN investment, expanded its market presence, and since launching in February 2015 has worked with 19 major brands, including Woolworths, Universal Pictures and Uber, while also delivering numerous campaigns as the official content agency partner for Optus and Virgin Mobile in Australia. Emotive continues to provide a broad scope of work for iHeartRadio, and also signed a two-year iHeartRadio sponsorship with Optus.

Adshel

Adshel, APN's 50% joint venture with iHeartMedia, experienced significant revenue growth of 15% to $82.8 million and EBITDA growth of 25% to $18.0 million in the period. Following the launch of Adshel LIVE in Q4 2015, revenue growth in Australia has either met or exceeded market growth in every quarter thereafter. Despite ongoing major refurbishment works in major CBD stations, revenue performance on the Sydney Trains contract is up, driven largely by digital assets growth of 23%.

The second phase roll-out of Adshel LIVE commenced in New Zealand in July 2016 across Auckland, Wellington and Christchurch, making it the country's first national digital roadside network. 143 panels are now live, with the final digital panels to be deployed by September 2016, bringing the total to 150. The expansion of Adshel's digital network in Australia will continue throughout 2016, with a further 190 digital panels to be deployed in Q4 and a further 60 in Q1 2017.

Adshel continued to benefit from LIVE, attracting new business with clients harnessing the flexibility and contextual marketing capabilities of digital. Data and mobile are key focus areas for the business to optimise its precision-targeting, and Adshel continues to build its data capture and insights offering for advertisers. The business continues to develop innovative packaging and pricing initiatives across its network of digital and static panels focused on optimising campaign effectiveness and driving revenues for advertisers.

Direct costs attributable to site rent, labour and other cost of sales represented more than two thirds of total cost growth in the period. Stringent cost management continues to be a focus for Adshel.

Hong Kong Outdoor

Hong Kong Outdoor is operating in a challenging market with H1 total advertising spend dropping more than 10% due to weak economic conditions. Despite these challenges, Cody billboard advertising revenues grew 53% (44% on a constant currency basis) to $12.4 million, assisted by the business successfully securing or retaining a number of strategic, highly visible billboard sites, including the Eastern and Western Harbour Tunnels, Tai Lam Tunnel and Hung Hing Road sites.

Following a restructure of the business in H2 2015, which included substantial headcount reductions, total costs have reduced by 40% (44% on a constant currency basis).

The onerous contract provision for Buzplay (in-bus digital screens) was increased by $2.3 million in the period, reflective of a deterioration in revenue forecasts over the remaining 12 months of that contract. The provision was initially recognised in June 2015 following the loss of the complementary bus body advertising contract.

NZME

The demerger of NZME was completed on 29 June 2016 and the results for the period prior to the demerger have been presented as a discontinued operation.

Total revenues declined 10% (8% on a constant currency basis) to $182.5 million, while EBITDA (before exceptional items) declined 2% (increased 1% on a constant currency basis) to $30 million.

Full details of the financial results of NZME for the period ended 30 June 2016 can be found in the separate financial statements of NZME Limited.

DIRECTORS' REPORT CONT'D

Australian Regional Media

The proposed sale of ARM to News Corp Ltd, subject to shareholder and regulatory approvals, was announced on 21 June 2016, and accordingly the results of ARM have been presented as a discontinued operation.

Total revenues declined $5.5 million (6%) to $89 million, while EBITDA declined $3.4 million (42%) to $4.7 million. Local advertising revenues held, recording a decline of only 1%. National advertising revenue declines of 12% tracked in-line with the broader market, benefitting from increased government spending across the federal election. Cost initiatives generated further savings of $2.1 million (2%) in the period.

In the event the proposed sale of ARM does not proceed, APN would need to review all remaining strategic options open to APN. A sale to another buyer may be possible but it would be challenging with no certainty of such a transaction being completed at all, or if it is, it may be on terms less favourable to APN than the proposed transaction. APN would need to consider continuing to invest in ARM in order to preserve the value of the ARM business.

FINANCIAL PERFORMANCE

	Segment result		Exceptional items		Statutory result	
AUD million	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
Revenue	129.1	129.4	-	-	129.1	129.4
Other income before finance income	2.3	4.1	0.4	-	2.8	4.1
Share of associates' profits	5.2	4.5	-	-	5.2	4.5
Costs	(100.8)	(104.5)	(2.7)	(15.3)	(103.6)	(119.7)
EBITDA	35.9	33.6	(2.3)	(15.3)	33.6	18.3
Depreciation and amortisation	(2.4)	(2.7)	-	-	(2.4)	(2.7)
EBIT	33.5	30.9	(2.3)	(15.3)	31.2	15.6
Net interest expense	(12.1)	(16.6)	-	(3.3)	(12.1)	(20.0)
Tax	(8.0)	(10.5)	(15.5)	3.3	(23.5)	(7.3)
Profit/(loss) from continuing operations	13.4	3.7	(17.8)	(15.3)	(4.4)	(11.6)
Profit/(loss) from discontinued operations	18.0	23.9	(267.2)	(2.3)	(249.3)	21.5
Net profit/(loss) after tax	31.4	27.6	(285.0)	(17.7)	(253.6)	9.9
Profit/(loss) attributable to APN shareholders	28.1	25.1	(285.0)	(17.7)	(256.9)	7.5
Non-controlling interest	3.3	2.5	-	-	3.3	2.5
Net profit/(loss) after tax	31.4	27.6	(285.0)	(17.7)	(253.6)	9.9

(i) Totals may not add due to rounding

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of APN News & Media Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

2. no contraventions of any applicable code of professional conduct in relation to the review.

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

MGraham

MK Graham
Partner
PricewaterhouseCoopers

Sydney
26 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

About the Interim Financial Statements

About the financial statements

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the most recent annual report and any public announcements made by APN News & Media Limited ("the Company") during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those detailed in the 2015 Annual Report.

All new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period have been adopted. Refer to Note 6.3 for further details.

The Company is of a kind referred to in ASIC instrument *ASIC Corporations (Rounding in financial reports/directors' reports) Instrument 2016/191*, 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 instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Significant changes in the current reporting period

Demerger

The Company announced on 11 May 2016 the demerger of New Zealand Media and Entertainment ("NZME"), subject to shareholder and other approvals. On 29 June 2016, the Company completed the demerger of NZME by way of a capital reduction, with an in specie distribution of shares in NZME as consideration. Refer to note 6.1 for further details.

Equity raise

The Company raised equity of $181.8 million (before transaction costs of $5.1 million) through an accelerated renounceable entitlement offer completed in June 2016. Proceeds from the equity raise were used to pay down corporate debt and to establish the new capital structures for APN and NZME on the demerger of NZME.

Divestment of Australian Regional Media

On 21 June 2016, the Company announced that it had entered into binding documentation to divest Australian Regional Media ("ARM") to News Corp Ltd, subject to shareholder and other approvals. Refer to note 6.1 for further details.

Taxation

On 23 June 2016, the Company and NZME reached a binding heads of agreement with the New Zealand Inland Revenue Department (IRD) to settle the MCN transaction, the Branch financing transaction, non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD.

Refer to note 4 for further details.

Significant accounting estimates and judgements

The Company 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 Company annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated below. The recoverable amounts of cash generating units have been determined based on the higher of fair value less costs to sell, or value in use calculations. These calculations require the use of assumptions.

(ii) Income taxes

The Company 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 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.

Comparatives

Certain prior period information has been presented to provide a more meaningful comparison.

About the Interim Financial Statements

The comparative information has been presented for the effects of applying *AASB 5 Non-current Assets Held for Sale and Discontinued Operations* following the demerger of NZME and the announcement of the divestiture of ARM subject to shareholder and other approvals. Refer to note 6.1 'Discontinued operations'. The nature of each change presentation is as follows:

- All income and expense items relating to the disposed entities have been removed from the individual line items in the income statement. The post-tax profit/(loss) of the discontinued operations is presented as a single amount in the line item entitled 'Profit/(loss) from discontinued operations'

- The net cash flows attributable to the operating, investing and financing activities of the discontinued operations are disclosed in the notes to the financial statements.

CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	June 2016 $'000	June 2015 $'000
Revenue from continuing operations	1.1	129,146	129,404
Other revenue and income	1.1	2,976	4,388
Total revenue and other income	1.1	132,122	133,792
Expenses from continuing operations before finance costs, depreciation and amortisation		(103,550)	(119,736)
Finance costs		(12,315)	(20,220)
Depreciation and amortisation		(2,369)	(2,680)
Share of profits of associates	5.2	5,243	4,519
Profit/(loss) before income tax	1.2	19,131	(4,325)
Income tax expense	4	(23,498)	(7,251)
Loss from continuing operations		(4,367)	(11,576)
Profit/(loss) from discontinued operations	6.1	(249,257)	21,524
Profit/(loss) for the period		(253,624)	9,948
Profit/(loss) is attributable to:			
Owners of the parent entity		(256,913)	7,454
Non-controlling interests		3,289	2,494
Profit/(loss) for the period		(253,624)	9,948

		Cents	Cents
Earnings per share from continuing operations			
Basic/diluted earnings per share	1.3	(4.8)	(9.6)
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	1.3	(163.0)	5.1

The above Consolidated Income Statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2016

	June 2016 $'000	June 2015 $'000
Profit/(loss) for the period	(253,624)	9,948
Items that may be reclassified to profit or loss		
Net exchange differences on translation of foreign operations	6,357	1,536
Reclassification of foreign currency translation reserves to the income statement on demerger of NZME	60,190	—
Share of associate's other comprehensive income	192	(809)
Changes in fair value of hedges	(995)	—
Asset revaluation reserves written off on sale	(941)	—
Items that will not be reclassified to profit or loss		
Remeasurements on retirement benefit obligations	—	348
Other comprehensive income, net of tax	64,803	1,075
Total comprehensive income	(188,821)	11,023
Total comprehensive income is attributable to:		
Owners of the parent entity	(192,110)	8,529
Non-controlling interests	3,289	2,494
	(188,821)	11,023
Total comprehensive income attributable to owners of the parent entity arises from:		
Continuing operations	(2,078)	(14,058)
Discontinued operations	(190,032)	22,587
	(192,110)	8,529

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

CONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	June 2016 $'000	Dec 2015 $'000
Current assets			
Cash and cash equivalents		10,139	21,721
Receivables		52,191	127,220
Inventories		—	6,288
Other current assets		2,130	6,827
Assets held for sale	6.1	57,740	—
Total current assets		122,200	162,056
Non-current assets			
Shares in other corporations	3.2	29,517	32,077
Investments accounted for using the equity method	5.2	57,586	53,811
Property, plant and equipment		16,836	136,777
Intangible assets	2.1	398,944	712,057
Deferred tax assets		—	37,361
Total non-current assets		502,883	972,083
Total assets		625,083	1,134,139
Current liabilities			
Payables		41,439	115,861
Interest bearing liabilities	3.1	—	1,177
Current tax liabilities	4	17,112	1,509
Retirement benefit liability		1,569	—
Provisions		17,651	25,631
Liabilities directly associated with assets held for sale	6.1	26,186	—
Total current liabilities		103,957	144,178
Non-current liabilities			
Payables		3,198	19,888
Interest bearing liabilities	3.1	183,647	470,236
Derivative liabilities	3.2	1,702	280
Retirement benefit liability		—	1,374
Provisions		1,262	6,435
Deferred tax liabilities		23,279	30,223
Total non-current liabilities		213,088	528,436
Total liabilities		317,045	672,614
Net assets		308,038	461,525
Equity			
Contributed equity	3.3	1,259,878	1,222,780
Reserves		(49,563)	(137,102)
Accumulated losses		(937,932)	(659,333)
Total parent entity interest		272,383	426,345
Non-controlling interests		35,655	35,180
Total equity		308,038	461,525

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2016

	June 2016 $'000	June 2015 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	458,395	478,804
Payments to suppliers and employees (inclusive of GST)	(424,786)	(425,547)
Dividends received	1,945	174
Interest received	214	268
Interest paid	(17,590)	(14,974)
Income taxes paid	(3,622)	(1,413)
Net cash inflows from operating activities	14,556	37,312
Cash flows from investing activities		
Payments for property, plant and equipment	(4,475)	(11,415)
Payments for software	(2,769)	(1,798)
Payments for other intangible assets	(3,750)	(4,114)
Acquisition of controlled entities	—	(76,104)
Proceeds from sale of property, plant & equipment	805	796
Net proceeds from sale of businesses	1,967	—
Dividend received from associates	1,329	5,000
Net loans repaid by/(advanced to) other entities	2,076	2,266
Net cash outflows from investing activities	(4,817)	(85,369)
Cash flows from financing activities		
Proceeds from borrowings	64,592	79,161
Repayments of borrowings	(353,453)	(26,184)
Payments for borrowing costs	—	1,083
Net proceeds from share issue	176,698	—
Debt transferred to NZME	106,879	—
Net payments to non-controlling interests	(2,814)	(2,830)
Net cash inflows/(outflows) from financing activities	(8,098)	51,230
Change in cash and cash equivalents	1,641	3,173
Cash and cash equivalents at the beginning of the period	21,721	38,980
Cash transferred on demerger of NZME	(13,223)	—
Effects of exchange rate changes	—	(306)
Cash and cash equivalents at the end of the period	10,139	41,847

The above Consolidated Statement of Cash flows includes cash flows from continuing and discontinued operations, and should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2015		1,222,780	(138,877)	(646,696)	**437,207**	34,904	**472,111**
Profit for the period		—	—	7,454	**7,454**	2,494	**9,948**
Other comprehensive income		—	727	348	**1,075**	—	**1,075**
Share based payments expense		—	384	—	**384**	—	**384**
Transfers within equity		—	(297)	297	**—**	—	**—**
Transactions with non-controlling interests		—	(14)	—	**(14)**	(2,340)	**(2,354)**
Total equity at 30 June 2015		1,222,780	(138,077)	(638,597)	**446,106**	35,058	**481,164**
Balance at 1 January 2016		1,222,780	(137,102)	(659,333)	**426,345**	35,180	**461,525**
Profit/(loss) for the period		—	—	(256,913)	(256,913)	3,289	(253,624)
Other comprehensive income		—	64,803	—	64,803	—	64,803
Share based payments expense		—	1,050	—	1,050	—	1,050
Contributions of equity	3.3	178,228	—	—	178,228	—	178,228
Transfers within equity		—	21,686	(21,686)	—	—	—
Demerger of NZME	6.1	(141,130)	—	—	(141,130)	—	(141,130)
Transactions with non-controlling interests		—	—	—	—	(2,814)	(2,814)
Total equity at 30 June 2016		1,259,878	(49,563)	(937,932)	**272,383**	35,655	**308,038**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying note

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP PERFORMANCE

1.1 REVENUE AND OTHER INCOME

	June 2016 $'000	June 2015 $'000
From continuing operations		
Advertising revenue	129,039	129,196
Other revenue	107	208
Revenue from continuing operations	129,146	129,404
Rent received	178	193
Gain on financial assets held at fair value through profit and loss	2,071	3,627
Gain on disposal of business	419	—
Other	93	299
Other income	2,761	4,119
Interest income	215	269
Total other revenue and income	2,976	4,388
Total revenue and other income	132,122	133,792
From discontinuing operations (refer to note 6.1)		
Total revenue and other income	271,977	298,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP PERFORMANCE (continued)

1.2 SEGMENT INFORMATION

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 two reportable segments as follows:

Reportable segment	Principal Activities
Australian Radio Network	Metropolitan radio networks (Australia)
Outdoor	Street furniture, billboard, transit and other outdoor advertising

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.

Results by operating segment

The segment information provided to the Directors and senior management team for the period ended 30 June 2016 is as follows:

2016 $'000	Australian Radio Network	Outdoor	Unallocated	Total
Revenue from external customers	114,783	14,363	—	129,146
Segment result	40,189	3,315	(7,591)	35,913
Reconciliation of segment result to operating profit before income tax				
Segment result				35,913
Depreciation and amortisation				(2,369)
Net finance costs [a]				(12,100)
Onerous contract and other costs [b]				(2,732)
Gain on disposal of businesses [c]				419
Profit before tax from continuing operations				19,131

Explanation of statutory adjustments

a Net finance costs for the Company totalled $12.1 million for the period ended 30 June 2016 under the APN multi-currency syndicated debt facility. These costs include net finance charges of $4.2 million (June 2015: $6.3 million) for the period prior to the demerger of NZME, relating to borrowings of Wilson & Horton Limited, denominated in New Zealand dollars. Remaining finance costs of $7.9 million (June 2015: $13.6 million) included interest charges on Australian dollar and Hong Kong dollar denominated borrowings, unamortised borrowing costs and commitment fees on the total facility.

b The onerous contract and other costs relate predominantly to an additional provision recognised for the onerous elements of the Buzplay bus advertising contract in Hong Kong.

c Relates to the disposal of the Company's 25% interest in Redcoal Pty Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
1. GROUP PERFORMANCE (continued)

1.2 SEGMENT INFORMATION (CONTINUED)

2015 $'000	Australian Radio Network	Outdoor	Unallocated	Total
Revenue from external customers	104,603	24,784	17	129,404
Segment result	36,605	3,314	(6,338)	33,581
Reconciliation of segment result to operating loss before income tax				
Segment result				33,581
Depreciation and amortisation				(2,680)
Net finance costs [a]				(19,951)
Onerous contract costs [b]				(12,828)
Asset write downs [c]				(1,072)
Acquisition costs [d]				(1,375)
Loss before tax from continuing operations				(4,325)

Explanation of statutory adjustments

a Net finance costs includes $3.3 million relating to the write off of previously capitalised borrowing costs and one off costs associated with the refinancing of the Group's debt facilities.

b The onerous contract costs relate to a provision for the onerous elements of the Buzplay bus advertising contract in Hong Kong.

c The asset write downs includes the write off of Hong Kong Outdoor assets following the loss of the bus body advertising contract, which expired on 30 June 2015.

d Acquisition costs are the costs associated with the acquisition of Perth 96FM Pty Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GROUP PERFORMANCE (continued)

1.3 EARNINGS PER SHARE

	June 2016 $'000	June 2015 $'000
(a) Reconciliation of earnings used in calculating earnings per share (EPS)		
Loss from continuing operations attributable to owners of the parent entity	(7,632)	(14,039)
Profit/(loss) from discontinuing operations attributable to owners of the parent entity	(249,281)	21,493
Profit/(loss) attributable to owners of the parent entity used in calculating basic EPS	(256,913)	7,454

	Number	Number
(b) Weighted average number of shares		
Weighted average number of shares in the denominator in calculating basic EPS (i)	157,639,247	147,008,975
Adjusted for calculation of diluted EPS	—	—
Weighted average number of shares in the denominator in calculating diluted EPS	157,639,247	147,008,975

(i) Due to the share consolidation in the current period (refer to note 3.3), the number of ordinary shares outstanding during the period ended 30 June 2015 was retrospectively adjusted. Prior to adjustment, the number of ordinary shares outstanding was 1,029,041,356.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. OPERATING ASSETS AND LIABILITIES

2.1 INTANGIBLE ASSETS

	June 2016 $'000	Dec 2015 $'000
Goodwill	24,510	90,828
Software and other intangibles – net of accumulated amortisation	14	11,282
Mastheads – at cost less provision for impairment	—	137,619
Radio Licenses – net of accumulated amortisation	374,413	417,001
Brands – at cost	7	55,327
	398,944	712,057

2016	Note	Intangible Assets $'000
Opening balance 1 January 2016		712,057
Additions		2,769
Disposals		(22)
Amortisation		(4,115)
Foreign exchange differences		7,077
Demerger of NZME	6.1	(316,825)
Assets held for sale	6.1	(1,997)
Closing balance 30 June 2016		398,944

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CAPITAL MANAGEMENT

3.1 INTEREST BEARING LIABILITIES

	June 2016 $'000	Dec 2015 $'000
Current interest bearing liabilities		
Loan payable	—	1,177
Total current interest bearing liabilities	—	1,177
Non-current interest bearing liabilities		
Bank loans – secured	185,640	476,054
	185,640	476,054
Deduct:		
Borrowing costs	7,263	10,267
Accumulated amortisation	(5,270)	(4,449)
Net borrowing costs	1,993	5,818
Total non-current interest bearing liabilities	183,647	470,236
Net debt		
Current interest bearing liabilities	—	1,177
Non-current interest bearing liabilities	183,647	470,236
Net borrowing costs	1,993	5,818
Cash and cash equivalents	(10,139)	(21,721)
Net debt	175,501	455,510

Following the demerger of NZME, the Company reduced the debt facility limits on its revolving cash advance facility to A$360,000,000, inclusive of HK$50,000,000. Prior to the demerger, the Company had available an A$655,000,000 facility, inclusive of HK$50,000,000. All other key terms of the facility remain unchanged. The facility matures in July 2019. The interest rate for the drawn facility is the applicable bank screen rate plus a credit margin.

A portion of borrowing costs were written-off following the reduction in the overall facility limit as part of the demerger of NZME, refer to note 6.1 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
3. CAPITAL MANAGEMENT (continued)

3.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2016:

30 June 2016	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	—	—	29,517	29,517
Total financial assets	—	—	29,517	29,517
Non-financial assets				
Freehold land and buildings				
Freehold land	—	—	1,085	1,085
Buildings	—	—	684	684
Total non-financial assets	—	—	1,769	1,769
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	—	1,702	—	1,702
Total financial liabilities	—	1,702	—	1,702

31 December 2015	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	—	—	32,077	**32,077**
Total financial assets	—	—	32,077	**32,077**
Non-financial assets				
Freehold land and buildings				
Freehold land	—	—	2,799	**2,799**
Buildings	—	—	5,287	**5,287**
Total non-financial assets	—	—	8,086	**8,086**
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative liabilities	—	280	—	**280**
Total financial liabilities	—	280	—	**280**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CAPITAL MANAGEMENT (continued)

3.2 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

30 June 2016	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Non-recurring fair value measurements					
Assets held for sale	6.1	—	—	57,740	57,740
Total non-recurring assets		—	—	57,740	57,740
Liabilities directly associated with assets held for sale	6.1	–	—	26,186	26,186
Total non-recurring liabilities		–	—	26,186	26,186

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 30 June 2016 (level 3).

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

The fair value of non-current borrowings disclosed 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 30 June 2016, the borrowing rates were determined to be between 2.6% and 4.7% per annum, 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).

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 which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

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 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.

Assets classified as held for sale during the reporting period related to the divestment of Australian Regional Media and 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 the binding documentation entered into with News Corp Ltd on 21 June 2016.

A fair value gain of $2.1 million was recorded in other income for shares in other corporations for the period ended 30 June 2016. There were no other material level 3 fair value movements during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CAPITAL MANAGEMENT (continued)

3.3 CONTRIBUTED EQUITY

Issued and paid up share capital

	June 2016 No. of shares	Dec 2015 No. of shares	June 2016 $'000	Dec 2015 $'000
Balance at beginning of the period	**1,029,041,356**	1,029,041,356	**1,222,780**	1,222,780
Issue of ordinary shares – Renounceable Pro-Rata Entitlement Offer(i)	**343,016,151**	—	**181,799**	—
Share issue costs (ii)	—	—	**(3,571)**	—
Share consolidation (iii)	**(1,176,046,225)**	—	—	—
Capital reduction (iv)	—	—	**(141,130)**	—
Balance at end of the period	**196,011,282**	1,029,041,356	**1,259,878**	1,222,780

(i) During the period, the Company issued 343,016,151 shares via a fully underwritten accelerated Renounceable Pro-Rata Entitlement Offer to all shareholders. Net proceeds from this Offer, after issuance costs (gross of related income tax benefit) were $176.7 million which were used to pay down debt and establish the new capital structures of the Company and NZME.

(ii) Share issue costs are stated net of related income tax benefit.

(iii) The Company undertook a consolidation of share capital through the conversion of every 7 APN shares into 1 APN share on 21 June 2016.

(iv) Reduction in capital on demerger of NZME, refer to note 6.1 for further details.

3.4 DIVIDENDS

	June 2016 $'000	June 2015 $'000
No final dividend for the year ended 31 December 2015 (2014: Nil)	—	—
Dividend not recognised at the end of the half-year		
The directors have determined no interim dividend will be payable (2015: Nil)	—	—

NOTES TO THE FINANCIAL STATEMENTS CONT'D

4. TAXATION

4. INCOME TAX

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months to 30 June 2016 is 27%, compared to 24% for the six months to 30 June 2015.

The Company has previously disclosed that the New Zealand Inland Revenue Department (IRD) is auditing or reviewing several taxation matters, including the dispute with the IRD regarding the Mandatory Convertible Note (MCN) transaction. These matters were disclosed in the Financial Statements of the Company as at 31 December 2015 and in an Explanatory Memorandum dated 11 May 2016 relating to the demerger of NZME from APN.

On 23 June 2016, the Company and NZME reached a binding heads of agreement with the IRD to settle the MCN transaction, the Branch financing transaction non-resident withholding tax and thin capitalisation issues, and a further matter that was under review by the IRD. This settlement closes off all current areas of audit and dispute between the IRD, the Company and NZME. The settlement payment was for the total cash sum of NZ$33.9 million, with the cost of settlement to be shared between the Company and NZME on a near equal basis. Payment is expected to occur on 26 August 2016. The settlement also utilised the NZ$56 million of previously capitalised tax losses.

The Company's portion of the settlement amount (NZ$16.95 million) has been accrued for in current tax liabilities as at 30 June 2016.

As disclosed in the Explanatory Memorandum dated 11 May 2016 relating to the demerger of NZME from APN, the Australian Tax Office (ATO) is auditing the New Zealand branch of an Australian APN entity in relation to matters regarding New Zealand mastheads. This ATO audit remains ongoing.

NOTES TO THE FINANCIAL STATEMENTS CONT'D
5. GROUP STRUCTURE

5.1 INTERESTS IN OTHER ENTITIES

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		Ownership interest held by non-controlling interests		Principal activities
			June 2016	Dec 2015	June 2016	Dec 2015	
Brisbane FM Radio Pty Ltd	Australia	Australia	50%	50%	50%	50%	Commercial radio

5.2 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in associates

Set out below are the associates of the Group as at 30 June 2016 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The 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	% of Ownership interest		Nature of Relationship	Measurement Method	Consolidated carrying values	
		June 2016	Dec 2015			June 2016 $'000	Dec 2015 $'000
Adshel Street Furniture Pty Limited	Australia	50%	50%	Associate(i)	Equity method	44,183	40,221
Soprano Design Pty Limited	Australia	25%	25%	Associate(ii)	Equity method	13,403	13,590
						57,586	53,811

(i) Adshel Street Furniture Pty Limited specialises in the provision of outdoor advertising with networks throughout Australia and New Zealand.

(ii) 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 2000.

	June 2016 $'000	June 2015 $'000
Share of associates NPAT		
Adshel Street Furniture Pty Limited	3,769	3,295
Soprano Design Pty Limited	1,474	1,224
	5,243	4,519

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6. OTHER

6.1 DISCONTINUED OPERATIONS

On 21 June 2016, the Group announced that it had entered into binding documentation to divest Australian Regional Media ("ARM") to News Corp Ltd for $36.6 million. News Corp Ltd is a substantial shareholder in APN, currently holding 14.99% of total shares in APN. In order to comply with *ASX Listing Rule 10.1*, APN shareholder approval is required. The transaction is also conditional on ACCC and FIRB approval, together with the consent of certain counterparties to the ARM business.

Separately, on 29 June 2016, the Group announced that it had completed the demerger of NZME ("the demerger") to create an independent entertainment and media company, NZME Limited.

The demerger of NZME

The demerger took place by way of a capital reduction, with an in specie distribution of shares in NZME as consideration. Instead of receiving cash from the capital reduction, APN Shareholders received a distribution of shares in NZME, which is referred to as an in specie distribution.

Prior to the demerger, APN initiated an internal restructure to separate and align the relevant businesses, assets and liabilities of APN with the appropriate NZME entity prior to the demerger.

Broadly, the restructure entailed the following:

- Certain subsidiaries, business, assets and liabilities relating to the NZME business were aligned or transferred to entities that would be subsidiaries of NZME following the demerger;
- Certain subsidiaries, business, assets and liabilities relating to the APN business which were held by subsidiaries of NZME were aligned or transferred to entities that would be subsidiaries of APN (after the demerger);
- Various intercompany loans, receivables and payables were repaid (other than ordinary trading receivables and payables which will be settled on normal commercial terms) so that upon the demerger there were no loans across the APN and NZME businesses outstanding; and
- Various distributions were made between the subsidiaries of APN and subsidiaries of NZME.

In order to give effect to the share and asset transfers forming part of the internal restructure, a series of share and asset sale agreements were entered into between APN and NZME. These sale agreements are on standard terms for intra-group share and asset sales, including limited title and capacity warranties given by both parties.

The internal restructure has been accounted for as a common control transaction, with the effect being that the historical values in the books of APN remain unchanged. Differences between the consideration provided or received as part of the internal restructure have been reflected as adjustments to the current period retained earnings.

Balances in the foreign currency translation reserve in respect of APN's net investment in New Zealand have been recycled through the income statement. Balances in the common control reserve, non-controlling interest and asset revaluation reserves relating to the demerged entity have been transferred to retained earnings.

Discontinued operations

The results of ARM and NZME (prior to the demerger) are reported as discontinued operations. The assets and liabilities of ARM have been treated as held for sale at 30 June 2016.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6. OTHER (continued)

6.1 DISCONTINUED OPERATIONS (CONTINUED)

(a) Assets held for sale

Australian Regional Media

At 30 June 2016, the ARM disposal group was stated at fair value less costs to sell and comprised of the following assets;

	June 2016 $'000
Disposal group held for sale	
Receivables	25,099
Inventories	4,125
Property, plant and equipment	25,139
Software	1,997
Other assets	1,380
Total assets of disposal group held for sale	57,740

(b) Liabilities directly associated with assets held for sale

Australian Regional Media

	June 2016 $'000
Disposal group held for sale	
Payables	18,970
Provisions	7,216
Total liabilities	26,186

(c) Financial performance and cash flow information

Australian Regional Media

	June 2016 $'000	June 2015 $'000
Revenue and other income	89,039	94,573
Expenses before depreciation and amortisation	(84,300)	(86,413)
Depreciation and amortisation	(3,701)	(4,370)
Profit before income tax	1,038	3,790
Income tax (expense)/credit	(311)	1,852
Profit from operations	727	5,642
Write down of assets to fair value less costs to sell [a]	(15,540)	-
Redundancies and associated costs [b]	(2,467)	(1,012)
Onerous contract costs	(347)	-
Income tax (expense)/credit [c]	(5,827)	304
Profit/(loss) after income tax from discontinued operations	(23,454)	4,934

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6. OTHER (continued)

6.1 DISCONTINUED OPERATIONS (CONTINUED)

Explanation of items related to discontinued operations

a Write down of non-current assets to fair value less costs to sell on classification as held for sale.

b Redundancies and associated costs relate to on-going restructuring activities.

c Includes the write off of deferred tax assets associated with the disposal of ARM, offset by the tax impact related to the write down of non-current assets to fair value less costs to sell, redundancies and associated costs.

Australian Regional Media

	June 2016 $'000	June 2015 $'000
Net cash inflows from operating activities	8,457	9,890
Net cash outflows from investing activities	(2,013)	(3,525)
Net cash outflows from financing activities	(71)	(105)
Net increase in cash generated by the division	6,373	6,260

NZME

	June 2016 $'000	June 2015 $'000
Revenue and other income	182,938	204,125
Expenses	(153,880)	(174,622)
Depreciation and amortisation	(11,298)	(11,358)
Profit before income tax	17,760	18,145
Income tax (expense)/credit	(508)	67
Profit from operations	17,252	18,212
Loss on demerger of NZME [a]	(125,690)	-
Reclassification of foreign currency translation reserves to the income statement [b]	(47,251)	-
Transactions costs [c]	(8,236)	-
Net finance costs [d]	(3,021)	-
Redundancies and associated costs [e]	(2,811)	(347)
Costs in relation to one off projects [f]	(534)	(658)
Net gain on disposal of properties and business [g]	1,254	418
Foreign currency loss [h]	(2,510)	-
Asset write downs and business closures	-	(1,500)
Income tax (expense)/credit [i]	(54,256)	464
Profit/(loss) after income tax from discontinued operations	(225,803)	16,589

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6. OTHER (continued)

6.1 DISCONTINUED OPERATIONS (CONTINUED)

Explanation of items related to discontinued operations

a The loss on demerger of NZME represents the deficit of net assets transferred on demerger compared to the fair value of NZME shares, calculated by reference to the volume weighted average price on the Australian Securities Exchange and New Zealand Exchange over the first 5 days of trading.

b Foreign currency loss relates predominately to the historical foreign currency translation reserve in respect of APN's net investment in New Zealand, recycled to the income statement on demerger, offset by the reversal of certain foreign exchange deferred tax balances written back on demerger.

c Transaction costs primarily relate to the cost of external consultants, debt facility establishment fees and other fees associated with the demerger.

d Net finance costs relate to the write-off of a portion of unamortised borrowing costs as a result of the demerger and associated reduction in available debt facilities (refer note 3.1).

e Redundancies and associated costs primarily relate to on-going restructuring activities of the publishing business and integration of the New Zealand operations.

f Costs in relation to one off projects refers primarily to the costs of external consultants assisting with the ongoing integration and co-location initiatives in New Zealand.

g Gain on disposal of properties and businesses relates to the sale of a property in Nelson and the Wairarapa Times business.

h Relates predominately to the settlement of various cross-border intercompany loans prior to demerger.

i Included in tax expense is NZME's share of the settlement with the Inland Revenue Department, the utilisation of historical tax losses incorporated as part of the settlement, and tax on intergroup charges before the demerger. Further information is contained within note 4.

NZME

	June 2016 $'000	June 2015 $'000
Net cash inflows from operating activities	13,113	22,490
Net cash outflows from investing activities	(3,212)	(7,160)
Net cash outflows from financing activities [a]	(171,213)	(7,091)
Net increase/(decrease) in cash generated by the division	(161,312)	8,239

a Relates to the repayment of borrowings of Wilson & Horton Limited denominated in New Zealand dollars under the APN multi-currency syndicated debt facility during the period.

(d) Loss on demerger

NZME

	June 2016 $'000
Fair value of NZME	141,130
Less: NZME net assets demerged	(266,820)
Loss on demerger	(125,690)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6. OTHER (continued)

6.2 CONTINGENT LIABILITIES

Guarantees

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 30 June 2016, the banking facilities had been drawn to the extent of $192,434,000 (December 2015: $482,851,000 before the demerger of NZME), of which $4,793,000 (December 2015: $4,797,000) pertain to bank guarantees.

Other contingent liabilities and contractual commitments

The Group did not have other contingent liabilities and contractual commitments as at 30 June 2016 or 31 December 2015.

Claims

Claims for damages are made against the Group 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.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6. OTHER (continued)

6.3 OTHER SIGNIFICANT ACCOUNTING POLICIES

Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Company's assessment of the impact of these new standards and interpretations is set out below.

The IASB has issued IFRS 15 *Revenue from Contracts with Customers*, a new standard for the recognition of revenue, replacing IAS 18 *Revenue* which covers contracts for goods and services. It applies to annual reporting periods commencing on or after 1 January 2018. The AASB has issued an equivalent standard. The Company is still assessing the impact of the new rules on its revenue recognition policies and at this stage is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the next 12 months.

In January 2016, the IASB issued IFRS 16 *Leases*, a new standard for the accounting of leases, replacing IAS 17 *Leases*. The new standard will predominantly affect lessees, with almost all leases brought onto the balance sheet. It applies to annual reporting periods commencing on or after 1 January 2019. The AASB has issued an equivalent standard. The Company has yet to fully assess the impact of the new standard on the financial statements when applied to future periods.

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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

6. OTHER (continued)

6.4 SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance that has arisen since the end of the period that has significantly affected or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

a) The financial statements and notes set out on pages 11 to 33 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 30 June 2016 and of its performance for the half-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.

This declaration is made in accordance with a resolution of the directors.

Peter Cosgrove
Chairman

Sydney
26 August 2016

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF APN NEWS & MEDIA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN News & Media Limited (the disclosing entity), which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for APN News & Media Limited (the consolidated entity). The consolidated entity comprises the disclosing entity and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the disclosing entity are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report* Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of APN News & Media Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APN News & Media Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the disclosing entity for the half-year ended 30 June 2016 included on APN News & Media Limited's web site. The disclosing entity's directors are responsible for the integrity of the APN News & Media Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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 reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

MGraham

MK Graham
Partner

Sydney
26 August 2016