Appendix 4D and Half Year Financial Report

APN News & Media Limited and controlled entities
for the period ended 30 June 2013

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Results for announcement to the market

Revenue from continuing operations	up	5%	to	**$426.5m**
Net profit attributable to members of the parent entity	up	104%	to	**$12.8m**

Net profit/loss attributable to members of the parent entity in the previous corresponding period was a loss of $319.4m

Dividends
The directors have determined that no interim dividend will be payable for the year ending 31 December 2013

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 2013.

1. Directors

The directors of the company at any time during the period ended 30 June 2013 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated:

Peter Cosgrove (appointed Chairman on 19 February 2013)
Ted Harris (Deputy Chairman)
Paul Connolly
Vincent Crowley
Anne Templeman-Jones (appointed to the Board on 20 May 2013)
Peter Hunt (resigned from the Board on 19 February 2013)
Brett Chenoweth (Chief Executive Officer, resigned from the Board on 19 February 2013)
Melinda Conrad (resigned from the Board on 19 February 2013)
John Harvey (resigned from the Board on 19 February 2013)
Kevin Luscombe (retired from Board on 12 April 2013)
John Maasland (resigned from the Board on 19 February 2013)

2. Review of operations

The results of the company for the half year include:

- Revenue from continuing operations of $426,508,000, up 5% on the prior corresponding period
- Segment result (EBITDA before exceptional items) of $65,002,000, down 4% on the prior corresponding period
- Net profit after tax of $24,600,000

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 2013.

4. Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

16 August 2013
Sydney

Auditor's independence declaration

As lead auditor for the review of APN News & Media Limited for the half-year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
16 August 2013

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Consolidated income statement

for the period ended 30 June 2013

	Note	**June 2013 $'000**	June 2012 $'000
Revenue from continuing operations	2	**426,508**	405,492
Other revenue and income	2	**35,026**	3,925
Total revenue and other income	2	**461,534**	409,417
Impairment of intangible assets		**(20,500)**	(485,000)
Expenses before finance costs		**(398,283)**	(357,324)
Finance costs		**(18,699)**	(25,813)
Share of profits of associates and joint ventures	5	**1,200**	2,519
Profit / (loss) before income tax	3	**25,252**	(456,201)
Income tax (expense) / credit	4	**(652)**	64,042
Profit / (loss) from continuing operations		**24,600**	(392,159)
Profit from discontinued operations		**-**	83,963
Profit / (loss) for the period		**24,600**	(308,196)
Profit / (loss) is attributable to:			
Owners of the parent entity		**12,768**	(319,400)
Non controlling interests		**11,832**	11,204
		24,600	(308,196)
Earnings per share from continuing operations			
Basic/diluted earnings per share	12	**1.9 cents**	(63.0) cents
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	12	**1.9 cents**	(49.9) cents

Consolidated statement of comprehensive income

for the period ended 30 June 2013

	June 2013 **$'000**	June 2012 (Restated) $'000
Profit / (loss) for the period	**24,600**	(308,196)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**2,052**	16,663
Share of joint venture's reserves	**790**	-
Changes in fair value of hedges	**-**	923
Exchange and other differences applicable to non controlling interest	**5,690**	2,797
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings	**(80)**	-
Re-measurements on retirement benefit obligation	**276**	(651)
Other comprehensive income, net of tax	**8,728**	19,732
Total comprehensive income	**33,328**	(288,464)
Total comprehensive income is attributable to:		
Owners of the parent entity	**15,806**	(302,465)
Non controlling interests	**17,522**	14,001
	33,328	(288,464)

Consolidated balance sheet

as at 30 June 2013

	Note	**June 2013**	Dec 2012 (Restated)
		$'000	$'000
Current assets			
Cash and cash equivalents		**27,469**	20,338
Receivables		**121,279**	127,767
Inventories		**8,872**	10,370
Income tax receivable		**2,382**	1,506
Other current assets		**47,675**	49,211
Total current assets		**207,677**	209,192
Non-current assets			
Receivables		**32,897**	28,738
Other financial assets		**23,374**	22,471
Investments accounted for using the equity method	5	**100,288**	102,298
Property, plant and equipment		**161,655**	171,541
Intangible assets	6	**772,940**	774,765
Deferred tax assets		**37,367**	36,281
Total non-current assets		**1,128,521**	1,136,094
Total assets		**1,336,198**	1,345,286
Current liabilities			
Payables		**161,592**	160,184
Interest bearing liabilities	7	**69,994**	29,797
Current tax liabilities		**5,665**	6,403
Provisions		**13,840**	12,653
Total current liabilities		**251,091**	209,037
Non-current liabilities			
Interest bearing liabilities	7	**411,457**	449,320
Retirement benefit obligations		**2,113**	2,345
Provisions		**14,710**	47,585
Total non-current liabilities		**428,280**	499,250
Total liabilities		**679,371**	708,287
Net assets		**656,827**	636,999
Equity			
Contributed equity	9	**1,093,372**	1,093,372
Reserves		**(73,613)**	(76,455)
Accumulated losses		**(602,023)**	(614,987)
Total parent entity interest		**417,736**	401,930
Non controlling interests		**239,091**	235,069
Total equity		**656,827**	636,999

Consolidated statement of changes in equity

for the period ended 30 June 2013

	Note	Contributed equity	Reserves	Accumulated losses	Total	Non controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
Restated							
Balance at 1 January 2012		1,074,115	(77,441)	(120,951)	**875,723**	233,827	**1,109,550**
Profit/(loss) for the period		-	-	(319,400)	**(319,400)**	11,204	**(308,196)**
Other comprehensive income		-	17,586	(651)	**16,935**	2,797	**19,732**
Transfer between reserves		-	(2,960)	2,960	**-**	-	**-**
Transactions with equity holders							
Contributions of equity	8	15,548	-	-	**15,548**	-	**15,548**
Dividends paid		-	-	(31,511)	**(31,511)**	-	**(31,511)**
Transactions with non controlling interests		-	(17,301)	-	**(17,301)**	(15,306)	**(32,607)**
Total equity at 30 June 2012		1,089,663	(80,116)	(469,553)	**539,994**	232,522	**772,516**
Balance at 1 January 2013		1,093,372	(76,455)	(614,987)	**401,930**	235,069	**636,999**
Profit for the period		-	-	12,768	**12,768**	11,832	**24,600**
Other comprehensive income		-	2,762	276	**3,038**	5,690	**8,728**
Transfer between reserves		-	80	(80)	**-**	-	**-**
Transactions with non controlling interests		-	-	-	**-**	(13,500)	**(13,500)**
Total equity at 30 June 2013		1,093,372	(73,613)	(602,023)	**417,736**	239,091	**656,827**

Consolidated statement of cash flows

For the period ended 30 June 2013

	June 2013 $'000	June 2012 $'000
Cash flows from operating activities		
Receipts from customers	**484,901**	552,150
Payments to suppliers and employees	**(429,940)**	(476,157)
Dividends received	**114**	525
Interest received	**346**	559
Interest paid	**(15,718)**	(24,511)
Income taxes paid	**(10,755)**	(6,853)
Net cash inflows from operating activities	**28,948**	45,713
Cash flows from investing activities		
Payments for property, plant and equipment	**(5,063)**	(9,399)
Payments for software	**(1,325)**	(1,394)
Payments for acquisition of controlled entities, net of cash acquired	**(4,446)**	(31,526)
Proceeds from sale of property, plant & equipment	**1,497**	19,522
Proceeds from sale of businesses	**1,360**	-
Net payments for purchase / proceeds from sale of financial assets	**-**	7,821
Net proceeds on formation of APN Outdoor joint venture	**-**	173,021
Dividend received from associates	**4,000**	-
Net loans repaid by other entities	**5,131**	131
Net cash inflows from investing activities	**1,154**	158,176
Cash flows from financing activities		
(Loans to) / repaid by associates	**-**	(256)
Proceeds from borrowings	**52,837**	130,875
Repayments of borrowings	**(63,222)**	(299,732)
Payments for borrowing costs	**(50)**	-
Principal repayments under finance leases	**(1,199)**	(1,266)
Dividends paid to shareholders	**-**	(15,962)
Net payments to non controlling interests	**(12,873)**	(10,426)
Net cash outflows from financing activities	**(24,507)**	(196,767)
Change in cash and cash equivalents	**5,595**	7,122
Cash and cash equivalents at the beginning of the period	**20,338**	23,885
Effects of exchange rate changes	**1,536**	351
Cash and cash equivalents at the end of the period	**27,469**	31,358

Notes to the financial statements

1. Summary of significant accounting policies

Basis of preparation

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 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 2012 Annual Report except as set out below.

(a) Changes in accounting policy

APN News & Media Limited has changed some of its accounting policies as a result of new or revised accounting standards which became effective for the annual reporting period commencing 1 January 2013.

The affected policies and standards are:

- Principles of consolidation – new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, and
- Employee benefits – revised AASB 119 *Employee Benefits*

Another new standard that is applicable for the first time for the June 2013 half year report is AASB 13 *Fair Value Measurement*. This new standard has introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

(i) Principles of consolidation – subsidiaries and joint arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Under AASB 11 investments in joint arrangement 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. The Group has assessed the nature of its joint arrangements and determined to have both joint operations and joint ventures. The accounting for the Group's joint ventures and joint operations has not changed as a result of the adoption of AASB 11.

(ii) Employee Benefits

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

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

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

The impact of these adjustments for the period ended 31 December 2012, is that the previously recognised defined benefit asset has been adjusted to reflect the accumulated remeasurements, and is now shown as a defined benefit liability of $2,345,000. The adjustment of $3,902,000 has been recognised in opening retained earnings ($3,251,000) and in other comprehensive income (loss of $651,000)

(b) Going concern

At 30 June 2013, the Group is in a net current liability position. This is due to the maturity of certain loans and other financial liabilities within 12 months of the reporting date. The directors have prepared the interim financial report on a going concern basis as the Group has access to sufficient undrawn borrowing facilities to meet these financial liabilities as and when they fall due.

Notes to the financial statements

1. Summary of significant accounting policies (continued)

(c) Significant accounting estimates and judgements

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 tests on an annual basis and when there are indications of impairment whether goodwill and other non-amortising intangible assets have suffered any impairment. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 6 for details of the impairment review performed at 30 June 2013.

(ii) 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 tax expense and the current and deferred income tax assets and liabilities in the period in which such determination is made.

2. Revenue and other income

	June 2013 $'000	June 2012 $'000
Advertising revenue	**330,287**	336,994
Circulation revenue	**64,318**	66,701
Revenue from sale of goods	**31,903**	1,797
Revenue from continuing operations	**426,508**	405,492
Finance income	**2,429**	1,255
Dividends	**128**	525
Gains on derecognition of contingent consideration payable	**29,540**	-
Gain on disposal of properties and businesses	**1,240**	1,434
Other	**1,689**	711
Total other revenue and income	**35,026**	3,925
Total revenue and other income	**461,534**	409,417

Notes to the financial statements

3. Segment information

Description of segments

The Group has identified its operating segments based on the internal reports reviewed and used 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:

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

Results by operating segment

The Directors and senior management team assess the performance of the operating segments based on a measure of EBITDA which excludes the effects of exceptional items such as restructuring costs and impairments of intangible assets.

The segment information provided to the Directors and senior management team for the period ended 30 June 2013 is as follows:

2013 $'000	**Australian Regional Media**	**New Zealand Media**	**Australian Radio Network**	**The Radio Network**	**Outdoor group**	**Digital group**	**Unallocated**	**TOTAL**
Revenue from external customers	**107,841**	**136,665**	**73,227**	**47,325**	**19,458**	**41,992**	**-**	**426,508**
Segment result	**12,692**	**23,007**	**27,044**	**8,723**	**2,013**	**(411)**	**(8,066)**	**65,002**

Reconciliation of segment result to operating profit before income tax

Segment result	65,002
Depreciation and amortisation	(16,469)
Net finance costs	(16,270)
Gain on disposal of properties and businesses	1,240
Gains on derecognition of contingent consideration payable	29,540
Redundancies and associated costs	(8,154)
Asset write downs and business closures	(9,137)
Impairment of intangible assets	(20,500)
Profit before tax from continuing operations	25,252

The gain on disposal of properties and businesses relates mainly to the sale of the South Island and Wellington newspaper titles.

The gains on derecognition of contingent consideration payable relates to adjustments to the amounts due under earn out and put option arrangements in relation to the acquisitions of IdeaHQ Limited, iNC Network (CC Media) and brandsExclusive

The redundancies and associated costs relate to the ongoing restructuring of our Australian Regional Media and New Zealand Media divisions.

Refer to note 6 for further details on the impairment of intangible assets.

Notes to the financial statements

3. Segment information (continued)

2012 $'000	Australian Regional Media	New Zealand Media	Australian Radio Network	The Radio Network	Outdoor Group	Digital Group	Unallocated	TOTAL
Revenue from external customers	125,197	140,996	68,125	41,658	18,157	11,358	-	405,491
Segment result	21,170	21,686	23,792	6,530	4,734	(634)	(9,221)	68,057

Reconciliation of segment result to operating loss before income tax

Segment result	68,057
Depreciation and amortisation	(14,843)
Net finance costs	(24,558)
Gain on disposal of property	1,434
Redundancies and associated costs	(1,291)
Impairment of intangible assets	(485,000)
Loss before tax from continuing operations	(456,201)

The gain on disposal of property relates to the sale and leaseback of our main print site in Auckland, New Zealand.

The redundancies and associated costs relate to restructuring in our New Zealand Media division.

The impairment charge relates to impairment of masthead valuations in our New Zealand Media division.

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 2013 is 14%, compared to 8% for the six months to 30 June 2012.

The Company is involved in a dispute with the New Zealand Inland Revenue Department ("IRD") regarding certain financing transactions. The Company is satisfied that its treatment of the financing transactions is consistent with all relevant legislation and that no tax will become payable. The dispute involves tax of NZ$48 million for the period up to 31 December 2012. The IRD are seeking to impose penalties of between 10% to 50% of the tax in dispute and interest in addition to the tax claimed. In the event the Company is unsuccessful in the dispute the Company has tax losses available to offset any amount of tax payable to the extent of NZ$32 million.

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

Notes to the financial statements

5. Investments accounted for using the equity method

Name of associate / joint venture	Investment type	Ownership interest June 2013	Ownership interest Dec 2012	Consolidated carrying values June 2013 $'000	Consolidated carrying values Dec 2012 $'000
APN Outdoor Group Pty Limited	Joint venture	**48%**	48%	**51,636**	53,430
Adshel Street Furniture Pty Limited	Associate	**50%**	50%	**42,652**	42,868
Soprano Design Pty Limited	Associate	**25%**	25%	**6,000**	6,000
				100,288	102,298

Share of profits of associates and joint venture	June 2013 $'000	June 2012 $'000
Share of profits of associates	**3,784**	3,243
Share of profits of joint venture	**(2,584)**	(724)
	1,200	2,519

6. Intangible assets

	June 2013 $'000	Dec 2012 $'000
Goodwill	**102,243**	115,925
Software – net of accumulated amortisation	**11,439**	11,897
Mastheads – at cost less provision for impairment	**267,607**	259,660
Radio Licences – net of accumulated amortisation	**337,423**	336,098
Brands – at cost	**54,228**	51,185
	772,940	774,765

Impairment of intangible assets

At the balance date it has been determined that there are indicators of impairment of the intangible assets in relation to brandsExclusive arising mainly from the recent trading performance being below that forecast at the time of acquisition in June 2012. Therefore, in accordance with AASB 136, an impairment review has been performed over the carrying value of the business.

The value in use calculations used in the impairment review have been based on management estimates using budgets and forecasts for a three year period, extrapolated at estimated growth rates not exceeding the long term average growth rate for the industry in which brandsExclusive operates. The key assumptions used in the value in use calculations are:

- long term EBITDA growth rate of 3%, with a higher medium term growth rate of between 3% and 5%
- a post tax discount rate of 13%.

As a result of the review, the carrying amount of goodwill in relation to brandsExclusive has been reduced through the recognition of an impairment charge of $20,500,000. The impairment is a result of increased competition in the online retail sector, including the entrance of overseas operators to the Australian market.

Notes to the financial statements

7. Interest bearing liabilities

	June 2013 $'000	Dec 2012 $'000
Current		
Bank loans – unsecured	**29,899**	27,376
Lease liabilities	**40,095**	2,421
Total current interest bearing liabilities	**69,994**	29,797
Non-current		
Bank loans – unsecured	**332,187**	337,429
New Zealand bond	**84,674**	79,428
Lease liabilities	**-**	38,872
	416,861	455,729
Deduct		
Borrowing costs	**14,568**	13,961
Accumulated amortisation	**(9,164)**	(7,552)
Net borrowing costs	**5,404**	6,409
Total non-current interest bearing liabilities	**411,457**	449,320

The lease liability relates to a finance lease of plant and equipment which is due to expire in May 2014. The lease will either be extended or undrawn amounts from loan facilities will be used to repay the outstanding amounts. At 30 June 2013 there are $165m of undrawn facilities available.

8. Asset backing

	June 2013 $	Dec 2012 $
Net tangible asset backing per ordinary share	**(0.18)**	(0.21)
Net asset backing per ordinary share	**0.63**	0.61

9. Equity securities issued

	June 2013 No. of shares	June 2012 No. of shares	June 2013 $'000	June 2012 $'000
Balance at start of period	**661,526,586**	630,211,415	**1,093,372**	1,074,115
Dividend Reinvestment Plan	**-**	18,799,341	**-**	15,548
Balance at end of period	**661,526,586**	649,010,756	**1,093,372**	1,089,663

Notes to the financial statements

10. Dividends

	June 2013 $'000	June 2012 $'000
No final dividend for the year ended 31 December 2012 (2011: 5.0 cents per share franked to 1.5 cents paid on 30 March 2012)	-	31,511
Dividends not recognised at the end of the half-year		
The directors have determined no interim dividend will be payable (2012: 1.5 cents partly franked to 0.5 cents)	-	9,735

11. Contingent liabilities

Guarantees
The parent entity and all wholly owned controlled entities have provided guarantees in respect of its credit facilities. As at 30 June 2013, the facilities have been drawn to the extent of $484,439,000 (December 2012: $483,140,000).

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

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 significant costs or damages.

The Company is involved in a dispute with the IRD regarding certain financing transactions. Refer to note 4 for further details.

12. Earnings per share

	June 2013 Cents per share	June 2012 Cents per share
Basic / diluted earnings per share from continuing operations	**1.9**	(63.0)
Basic / diluted earnings per share from continuing and discontinued operations	**1.9**	(49.9)

	June 2013 Number	June 2012 Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of		
Basic / diluted earnings per share	**661,526,586**	639,766,881

Notes to the financial statements

13. Fair value measurement of financial instruments

(a) Fair value hierarchy

AASB 13 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 (as prices) or indirectly (derived from prices); and
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2013 and 31 December 2012 on a recurring basis:

30 June 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Financial assets at fair value through profit or loss				
Shares in other corporations	-	-	23,374	**23,374**
Short-term financial instrument at fair value	-	-	40,000	**40,000**
Total assets	-	-	63,374	**63,374**
Liabilities				
Financial liabilities at fair value through equity				
Contingent consideration	-	-	8,894	**8,894**
Total liabilities	-	-	8,894	**8,894**

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

(b) Valuation techniques used to derive level 3 values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods, including discounted cash flow models, and makes assumptions that are based on market conditions existing at the end of each reporting period. The assumptions used in the discounted cash flow models are consistent with those used in the Group's impairment review.

Notes to the financial statements

13. Fair value measurement of financial instruments (continued)

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

The following table presents the changes in level 3 instruments for the half year ended 30 June 2013

	Shares in other corporations $'000	Short term financial instrument asset at fair value $'000	Contingent consideration payable $'000	Total $'000
Opening balance 31 December 2012	22,471	40,000	(42,549)	19,922
Gains recognised in income	1,300	-	29,540	30,840
Utilisation	-	-	3,942	3,942
Other movements	(397)	-	173	(224)
Closing balance 30 June 2013	**23,374**	**40,000**	**(8,894)**	**54,480**

i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements

Description	Fair value as at 30 June 2013	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	23,374	Discounted cash flows	Cash flow growth factor	0% - 1% (0.5%)	Increased cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the FV by $1.7m. Lower cash growth factor by 50 basis points and higher discount rate by 100 basis points would decrease the FV by $1.5m
			Risk adjusted discount rate	14% - 16% (15%)	
Short term financial instrument asset at fair value	40,000	Discounted cash flows	Earnings growth factor	2% - 3% (2.5%)	Increased earnings growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the FV by $10.3m. Lower earnings growth factor by 50 basis points and higher discount rate by 100 basis points would decrease the FV by $7.8m
			Risk adjusted discount rate	10.5% - 12.5% (11.5%)	
Contingent consideration	8,894	Discounted cash flows	Earnings growth factor	2.5% - 3.5 % (3%)	Increased earnings growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the FV by $0.9m. Lower earnings growth factor by 50 basis points and higher discount rate by 100 basis points would decrease the FV by $0.7m
			Risk adjusted discount rate	12% - 14% (13%)	

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 19 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 2013 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
16 August 2013

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, which comprises the balance sheet as at 30 June 2013, and the income statement, the statement of comprehensive income, statement of changes in equity and 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 both APN News & Media Limited (the Group) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 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 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 2013 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.

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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:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 30 June 2013 included on APN News & Media Limited web site. The company'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 financial report to confirm the information included in the reviewed financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

DS Wiadrowski

DS Wiadrowski
Partner

Sydney
16 August 2013