HALF YEAR FINANCIAL REPORT AND APPENDIX 4D

APN News & Media Limited and controlled entities

for the period ended 30 June 2014

Contents

Results for announcement to the market for the half-year ended 30 June 2014 (previous corresponding period: half-year ended 30 June 2013)

Results for announcement to the market

Revenue from continuing operations	up	3%	to	$405.9m
Revenue from discontinued operations	down	84%	to	$5.0m
Revenue from ordinary activities	down	4%	to	$410.9m
Net profit attributable to owners of the parent entity	up	77%	to	$22.6m

Dividends

The directors have determined that no interim dividend will be payable for the year ending 31 December 2014.

Net tangible assets per share	June 2014 $	Dec 2013 $
Net tangible asset backing per ordinary share	(0.24)	(0.18)
Net asset backing per ordinary share	0.46	0.55

Directors' report

Your directors present their report on the consolidated entity consisting of APN News & Media Limited (the Company) and the entities it controlled at the end of, or during, the half-year ended 30 June 2014.

1. Directors

The directors of the Company at any time during the period ended 30 June 2014 or up to the date of this report are as follows. Directors held office for the entire period unless otherwise stated:

Peter Cosgrove (Chairman)

Ted Harris (Deputy Chairman)

Paul Connolly

Vincent Crowley

Peter Cullinane

Anne Templeman-Jones

2. Review of operations

The results of the Company for the half year include:

- Revenue from continuing operations of $405,897,000, up 3% on the prior corresponding period
- Segment result (EBITDA before exceptional items) of $70,725,000, up 1% on the prior corresponding period
- Net profit after tax attributable to owners of the parent entity of $22,610,000

Refer to the Operating and Financial review on pages 5 and 6 for additional details.

3. Dividends

The Directors have determined that no dividend will be payable in respect of the half-year ended 30 June 2014.

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

20 August 2014
Sydney

APN H1 2014 Operating and Financial Review

Performance overview

APN News & Media Limited's (APN) statutory net profit attributable to shareholders for the period was $22.6 million compared to $12.8 million in 2013. Revenue from continuing operations was up 3% to $405.9 million (down 4% on a constant currency basis) and earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations and before exceptional items was up 1% to $70.7 million (down 6% on a constant currency basis).

The results are reflective of the solid performances of several of our businesses in relatively weak advertising markets. In particular, the Australian Radio Network (ARN) delivered strong revenue growth in Q2 following significant audience gains; The Radio Network (TRN) delivered revenue growth of 6% for the half; and our publishing divisions have both seen revenue declines continue to moderate, largely as a result of improving trends in local retail revenues.

The weakness in agency advertising spend, which has been evident in both Australia and New Zealand has impacted most media companies in the first half of 2014. SMI data indicates that the agency advertising market in Australia was down 1% in the 6 months to June, while in New Zealand the market was down more than 7%.

In the publishing divisions, following cost savings of more than $40 million in 2013, we are on track to deliver savings of $20 million in 2014.

Investment in growth assets

As reported in March, APN raised $132 million via an entitlement offer, which was strongly supported by both institutional and retail shareholders. This was used to partly fund the acquisition of the remaining 50% of ARN and TRN from joint venture partner Clear Channel. APN concluded several asset sales during the half and in July announced the acquisition of the remaining 50% of the Hong Kong outdoor businesses, Buspak and Cody, from Clear Channel for $14 million.

During the half we have invested in a number of our businesses, with the launch of KIIS1065; the rebrand of the Classic Hits Pure Gold network in Sydney and Melbourne and the launch of the Sydney Trains digital panel network some of the key growth initiatives.

Refinancing

In August, APN successfully refinanced its debt facilities with a syndicate of domestic and international banks. APN's next significant debt maturity does not arise until January 2018.

	Segment result		Exceptional items		Statutory result	
AUD Million	H1 2014	H1 2013	H1 2014	H1 2013	H1 2014	H1 2013
Revenue before finance income	405.9	394.6	-	-	405.9	394.6
Other income	4.5	1.8	5.3	5.5	9.8	7.3
Share of associate profits	3.7	3.8	-	-	3.7	3.8
Costs	(343.3)	(330.1)	(6.5)	(16.3)	(349.9)	(346.3)
EBITDA	**70.7**	**70.1**	**(1.2)**	**(10.8)**	**69.5**	**59.4**
Depreciation/amortisation	(16.5)	(16.1)	-	-	(16.5)	(16.1)
EBIT	**54.3**	**54.1**	**(1.2)**	**(10.8)**	**53.0**	**43.3**
Net interest	(19.3)	(18.4)	-	-	(19.3)	(18.4)
Tax	(6.0)	(4.5)	2.0	3.6	(4.0)	(0.9)
Profit from continuing operations	**29.0**	**31.1**	**0.8**	**(7.2)**	**29.8**	**24.0**
Profit from discontinued operations	(0.6)	(3.2)	(1.9)	3.8	(2.6)	0.6
Net profit after tax	**28.4**	**28.0**	**(1.2)**	**(3.4)**	**27.2**	**24.6**
Profit attributable to owners of the parent entity	23.8	16.2	(1.2)	(3.4)	22.6	12.8
Non-controlling interest	4.6	11.8	-	-	4.6	11.8
	28.4	**28.0**	**(1.2)**	**(3.4)**	**27.2**	**24.6**

New Zealand

In May, APN announced the appointment of Jane Hastings to the newly created role of Chief Executive Officer of APN New Zealand, with responsibility for the Company's New Zealand publishing, radio and digital businesses. Jane recently announced an integrated group management structure and has led a number of initiatives to drive collaboration and improvements across the businesses, including the establishment of APN 'Collaborative Media Solutions' (CMS) – an integrated sales solution offering advertising packages incorporating APN's suite of New Zealand assets including newspapers, magazines, radio and digital.

New Zealand Media (NZM) revenues were $135.6 million, down 13% on a local currency basis, with EBITDA of $22.7 million, also down 13% on a local currency basis. These results included the impact of the sale of the South Island and Wellington newspapers in April 2013 and the sale of several magazine titles to Bauer in February 2014. On a like for like basis, adjusting for these titles, revenue was down 6% and EBITDA down 11% on a constant currency basis. This was largely due to weak agency revenues which were down almost 19%, while local retail advertising revenues were down just 3% and circulation revenues down 2%, all on a like for like basis. Costs were down $5 million on the prior year as a result of further initiatives including media services outsourcing and centralised product sales and logistics.

TRN experienced growth in line with the New Zealand radio market, with revenue of $56.9 million, up 6% on a local currency basis. The revenue growth was primarily from direct sales, with agency revenue relatively soft, consistent with the broader advertising market. EBITDA was $10.1 million, up 2% on a local currency basis. Audience was a major focus for TRN throughout the half. Significant changes were made to two key stations, The Hits and ZM, targeting audience growth in the key 18-39 and 25-54 demographics. TRN's other major focus for the half was on digital products and iHeartRadio. Total digital audience across station websites is up 71% and ZM is now the number one radio brand online. iHeartRadio is performing particularly well in New Zealand and now has more than 210,000 registered users and 250,000 app downloads.

GrabOne's revenue for the period of $9.0 million was down 3% on a local currency basis and EBITDA was $1.8m, down 16% on a local currency basis. This result is reflective of the challenges facing GrabOne, with declining email open rates and the accelerating migration from desktop to mobile, impacting purchase and conversion rates. However, GrabOne continues to have above industry average email open rates and has increased its mobile footprint with 53% growth in app downloads. Category pages were introduced during the half to capitalise on the volume and quality of GrabOne deals and consumer engagement projects to improve purchase conversion were undertaken, including improved site navigation, email formats and mobile customer experience.

Australia

ARN is now the number one FM radio network in Australia, a position that it has held for all four surveys in 2014. Revenue was up 8% to $81.2 million, in a radio market that grew by less than 1%. EBITDA was up 6% to $29.0 million with significant investments in the launch of KIIS1065 and the rebranding of Classic Hits Pure Gold proving highly successful. ARN's investment in talent, content and marketing has driven its four years of continual growth and recent ratings success. The business has consolidated its position in all markets and taken share from its competitors. iHeartRadio also continues to gain momentum in Australia. The platform has now secured more than 270,000 registered users and 400,000 app downloads.

These results for ARN also include a modest revenue contribution from iNC Digital Media, which is now being integrated into our radio and other businesses and is no longer reported as a separate business unit.

Resilient local trading conditions assisted by a strong real estate pillar helped Australian Regional Media (ARM) to deliver an improved performance. Revenue was down 8% to $99.0 million, with EBITDA down 17% to $10.5 million. Consistent with the broader publishing industry, ARM was negatively impacted by the weak agency market, with National revenues down 20%. ARM continues to focus on connecting with its audience and has grown its weekly aggregate audience by 8% to 1.4 million since the beginning of the year. ARM continues to effectively manage its cost base and delivered year on year cost savings of $6 million in the half.

Adshel's revenue was down 5% to $66.5 million, with EBITDA down 19% to $13.5 million. The decline in revenue was impacted by the sale of the Adshel Infrastructure and Town & Park businesses in late 2013. On a like for like basis revenues were up 1% on the prior year. The decline in EBITDA was partly due to the Sydney Trains contract, with rental payments commencing a number of months prior to the roll out of phase one of the new digital inventory. Consistent improvements in bookings since the launch have generated positive momentum into the second half.

Hong Kong

In Hong Kong revenues were $24.1 million, up 12% on a local currency basis and EBITDA was $1.6 million, up 86% million on a local currency basis. Improved earnings were due a number of factors, including stronger market conditions, particularly in the first few months of the year, two new billboard contracts and the renegotiation of the Buzplay contract.

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Auditor's Independence Declaration

As lead auditor for the review of APN News & Media Limited for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

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

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
20 August 2014

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Consolidated income statement

for the period ended 30 June 2014

	Note	June 2014 $'000	June 2013 $'000
Revenue from continuing operations	2	**405,897**	394,605
Other revenue and income	2	**10,072**	7,601
Total revenue and other income	2	**415,969**	402,206
Expenses before finance costs		**(366,343)**	(362,433)
Finance costs		**(19,519)**	(18,699)
Share of profits of associates	5	**3,658**	3,784
Profit before income tax	**3**	**33,765**	24,858
Income tax expense	4	**(3,989)**	(887)
Profit from continuing operations		**29,776**	23,971
Profit / (loss) from discontinued operations		**(2,562)**	629
Profit for the period		**27,214**	24,600
Profit is attributable to:			
Owners of the parent entity		**22,610**	12,768
Non-controlling interests		**4,604**	11,832
		27,214	24,600
Earnings per share from continuing operations			
Basic/diluted earnings per share	12	**2.7 cents**	1.5 cents
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	12	**2.4 cents**	1.7 cents

Consolidated statement of comprehensive income

for the period ended 30 June 2014

	June 2014 $'000	June 2013 $'000
Profit for the period	**27,214**	24,600
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**566**	2,052
Share of joint venture's reserves	**(1,103)**	790
Share of associate's reserves	**74**	-
Exchange and other differences applicable to non-controlling interest	**(94)**	5,690
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings	**-**	(80)
Re-measurements on retirement benefit obligations	**(350)**	276
Other comprehensive income, net of tax	**(907)**	8,728
Total comprehensive income	**26,307**	33,328
Total comprehensive income is attributable to:		
Owners of the parent entity	**21,797**	15,806
Non-controlling interests	**4,510**	17,522
	26,307	33,328
Total comprehensive income attributable to owners of the parent entity arises from:		
Continuing operations	**25,350**	14,022
Discontinued operations	**(3,553)**	1,784
	21,797	15,806

Consolidated balance sheet

as at 30 June 2014

		June 2014 $'000	Dec 2013 $'000
Current assets			
Cash and cash equivalents		**24,957**	19,956
Receivables		**133,688**	120,961
Inventories		**6,391**	7,569
Income tax receivable		**2,207**	2,106
Other current assets		**6,596**	8,729
		173,839	159,321
Assets held for sale		**—**	119,236
Total current assets		**173,839**	278,557
Non-current assets			
Other financial assets		**26,455**	23,394
Investments accounted for using the equity method	5	**50,542**	50,811
Property, plant and equipment		**142,229**	149,381
Intangible assets	7	**724,280**	714,855
Deferred tax assets		**34,563**	37,903
Total non-current assets		**978,069**	976,344
Total assets		**1,151,908**	1,254,901
Current liabilities			
Payables		**108,866**	113,432
Interest bearing liabilities	8	**53,259**	67,852
Current tax liabilities		**1,189**	7,475
Provisions		**8,110**	9,288
		171,424	198,047
Liabilities directly associated with assets held for sale		**—**	55,678
Total current liabilities		**171,424**	253,725
Non-current liabilities			
Payables		**9,000**	—
Interest bearing liabilities	8	**451,294**	384,583
Retirement benefit obligations		**1,895**	1,545
Provisions		**4,329**	4,503
Total non-current liabilities		**466,518**	390,631
Total liabilities		**637,942**	644,356
Net assets		**513,966**	610,545
Equity			
Contributed equity	9	**1,222,780**	1,093,372
Reserves		**(112,960)**	(70,503)
Accumulated losses		**(636,492)**	(660,878)
Total parent entity interest		**473,328**	361,991
Non-controlling interests		**40,638**	248,554
Total equity		**513,966**	610,545

Consolidated statement of changes in equity

for the period ended 30 June 2014

	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2013		1,093,372	(76,455)	(666,487)	**350,430**	235,069	**585,499**
Profit for the period		–	–	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)	(653,523)	**366,236**	239,091	**605,327**
Balance at 1 January 2014		1,093,372	(70,503)	(660,878)	**361,991**	248,554	**610,545**
Profit for the period		–	–	22,610	**22,610**	4,604	**27,214**
Other comprehensive income		–	(463)	(350)	**(813)**	(94)	**(907)**
Transfer between reserves		–	(2,126)	2,126	**–**	–	**–**
Share based payments expense		–	581	–	**581**	–	**581**
Contributions of equity	9	129,408	–	–	**129,408**	–	**129,408**
Transactions with non-controlling interests		–	(40,449)	–	**(40,449)**	(212,426)	**(252,875)**
Total equity at 30 June 2014		1,222,780	(112,960)	(636,492)	**473,328**	40,638	**513,966**

Consolidated statement of cash flows for the period ended 30 June 2014

	June 2014 $'000	June 2013 $'000
Cash flows from operating activities		
Receipts from customers	**456,342**	484,901
Payments to suppliers and employees	**(414,567)**	(429,940)
Dividends received	**199**	114
Interest received	**242**	346
Interest paid	**(17,074)**	(15,718)
Income taxes paid	**(9,527)**	(10,755)
Net cash inflows from operating activities	**15,615**	28,948
Cash flows from investing activities		
Payments for property, plant and equipment	**(5,703)**	(5,063)
Payments for software	**(2,091)**	(1,325)
Acquisition of controlled entities	**—**	(4,446)
Proceeds from sale of property, plant & equipment	**638**	1,497
Proceeds from sale of businesses	**5,387**	–
Net payments for purchase / proceeds from sale of financial assets	**60,639**	1,360
Dividend received from associates	**4,000**	4,000
Net loans repaid by other entities	**1,786**	5,131
Net cash inflows/(outflows) from investing activities	**64,656**	1,154
Cash flows from financing activities		
Proceeds from borrowings	**169,757**	52,837
Repayments of borrowings	**(118,962)**	(63,222)
Payments for borrowing costs	**—**	(50)
Principal repayments under finance leases	**(1,301)**	(1,199)
Payments for purchase of remaining share in Australian Radio Network Pty Ltd	**(249,361)**	–
Proceeds from share issue	**128,166**	–
Net payments to non-controlling interests	**(3,119)**	(12,873)
Net cash inflows/(outflows) from financing activities	**(74,820)**	(24,507)
Change in cash and cash equivalents	**5,451**	5,595
Cash and cash equivalents at the beginning of the period	**19,956**	20,338
Effects of exchange rate changes	**(450)**	1,536
Cash and cash equivalents at the end of the period	**24,957**	27,469

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 2013 Annual Report.

(a) Critical accounting judgements and key sources of estimation uncertainty

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

(i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment. 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 7 for details of the impairment review performed at 30 June 2014.

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

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

(b) Standards and interpretations issued but not yet effective

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

Notes to the financial statements

2. Revenue and other income

	June 2014 $'000	June 2013 $'000
From continuing operations		
Advertising revenue	**342,217**	330,287
Circulation revenue	**63,680**	64,318
Revenue from continuing operations	**405,897**	394,605
Finance income	**240**	288
Dividends	**231**	128
Gain on disposal of properties and businesses	**5,323**	1,240
Gains on derecognition of contingent consideration payable	**—**	4,257
Gain on financial assets held at fair value through profit or loss	**3,886**	1,300
Other	**392**	388
Total other revenue and income	**10,072**	7,601
Total revenue and other income	**415,969**	402,206

From discontinued operations (refer note 6)		
Total revenue and other income	**6,082**	59,327

3. Segment information

(a) 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	Street furniture, roadside billboard, transit and other outdoor advertising
Digital	Digital businesses

(b) Results by operating segment

The Directors and senior management team assess the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations which excludes the effects of exceptional items such as gains or losses on disposals of businesses and restructuring related costs.

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

The segment information provided to the Directors and senior management team for the period ended 30 June 2014 is as follows:

Notes to the financial statements

3. Segment information (continued)

(b) Results by operating segment (continued)

2014	Australian Regional Media $'000	New Zealand Media $'000	Australian Radio Network $'000	The Radio Network $'000	Outdoor $'000	Digital $'000	Unallocated $'000	Total $'000
Revenue from external customers	**98,998**	**135,623**	**81,223**	**56,932**	**24,106**	**9,015**	**—**	**405,897**
Segment result	**10,475**	**22,698**	**29,029**	**10,099**	**4,617**	**2,452**	**(8,645)**	**70,725**
Reconciliation of segment result to operating profit before income tax								
Segment result								70,725
Depreciation and amortisation								(16,470)
Net finance costs								(19,279)
Gain on disposal of properties and businesses								5,323
Redundancies and associated costs								(4,886)
Asset write downs and business closures								(1,648)
Profit before tax from continuing operations								33,765

The gain on disposal of properties and businesses relates mainly to the sale of the New Zealand Magazine's consumer titles.

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

2013	Australian Regional Media $'000	New Zealand Media $'000	Australian Radio Network $'000	The Radio Network $'000	Outdoor $'000	Digital $'000	Unallocated $'000	Total $'000
Revenue from external customers	**107,841**	**136,665**	**75,136**	**47,325**	**19,458**	**8,180**	**—**	**394,605**
Segment result	**12,692**	**23,007**	**27,336**	**8,723**	**4,609**	**1,860**	**(8,078)**	**70,149**
Reconciliation of segment result to operating profit before income tax								
Segment result								70,149
Depreciation and amortisation								(16,086)
Net finance costs								(18,412)
Gain on disposal of properties and businesses								1,240
Gains on derecognition of contingent consideration payable								4,257
Redundancies and associated costs								(8,154)
Asset write downs and business closures								(8,136)
Profit before tax from continuing operations								24,858

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 Idea HQ Limited and iNC Digital Media.

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

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

Notes to the financial statements

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 2014 is 17%, compared to 14% for the six months to 30 June 2013.

The Company is involved in a dispute with the New Zealand Inland Revenue Department ("IRD") regarding certain financing transactions. The dispute involves tax of NZ$56 million for the period up to 31 December 2013. The IRD are seeking to impose penalties of between 10% to 50% of the tax in dispute 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$40 million.

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

5. Interests in other entities

(a) Material subsidiaries with non-controlling interests

Set out below are the Group's material subsidiaries with non-controlling interests at 30 June 2014. 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.

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

(i) The Australian Radio Network ("ARN") has a 100% investment in The Radio Network ("TRN") in New Zealand.

(b) Transactions with non-controlling interests

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

In February 2014, the Group acquired the 50% of Australian Radio Network Pty Limited (ARN) and The Radio Network Limited (TRN) that it did not already own. This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated ARN and TRN. The cash consideration paid was $246,721,000, which was the initial purchase price less a shareholder receivable of $61,889,000. The carrying amount of the non-controlling interests in ARN on the date of the transaction was $208,893,000. The Group recognised a decrease in non-controlling interests of $208,893,000, and an increase in equity attributable to owners of the parent of $40,449,000.

Notes to the financial statements

5. Interests in other entities (continued)

(b) Transactions with non-controlling interests (continued)

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

	June 2014 $'000	Dec 2013 $'000
Carrying amount of non-controlling interests acquired	**208,893**	806
Reversal of contingent consideration provision	**—**	2,000
Purchase consideration to non-controlling interests	**(308,610)**	(1,251)
Shareholder receivable	**61,889**	(749)
Transaction costs	**(2,621)**	—
Amounts recognised in non-controlling interests reserve	**(40,449)**	806

(c) Interests in associates

			Ownership interest held by the Group				Consolidated carrying values	
Name of entity	Place of business	Country of incorporation	June 2014	Dec 2013	Nature of relationship	Measurement method	June 2014 $'000	Dec 2013 $'000
Adshel Street Furniture Pty Limited(1)	Australia and New Zealand	Australia	50%	50%	Associate	Equity method	**40,556**	41,433
Soprano Design Pty Limited(2)	Global	Australia	25%	25%	Associate	Equity method	**9,986**	9,378
							50,542	50,811

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

(2) Soprano Design Pty Limited specialises in the development and provision of world leading mobile messaging and wireless application infrastructure. The interest in this business was acquired in 2001.

	June 2014 $'000	June 2013 $'000
Adshel Street Furniture Pty Limited	**3,050**	3,784
Soprano Design Pty Limited	**608**	—
Share of profits of associates	**3,658**	3,784

Notes to the financial statements

6. Discontinued operations

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

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

The results of brandsExclusive and APN Outdoor prior to disposal are reported as discontinued operations.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

(a) Financial performance and cash flow information

	June 2014 $'000	June 2013 $'000
Revenue and other income	**4,979**	59,327
Expenses	**(5,864)**	(35,849)
Write down of brandsExclusive assets to fair value	**—**	(20,500)
Share of losses of associates and joint ventures	**—**	(2,584)
Profit/(loss) before income tax	**(885)**	394
Income tax credit	**265**	235
Profit/(loss) after income tax of discontinued operation	**(620)**	629
Gain on sale of division before income tax	**1,103**	—
Income tax expense	**(3,045)**	—
Loss on sale of the division after income tax	**(1,942)**	—
Profit/(loss) from discontinued operations	**(2,562)**	629
Net cash outflows from operating activities	**(1,947)**	(3,193)
Net cash inflows/(outflows) from investing activities	**60,639**	(245)
Net increase/(decrease) in cash generated by the division	**58,692**	(3,438)

(b) Carrying amount of assets and liabilities

The carrying amounts of assets and liabilities of the brandsExclusive discontinued operation on completion (12 February 2014) were:

	$'000
Cash and cash equivalents	1,483
Inventories	1,424
Property, plant and equipment	1,408
Deferred tax assets	3,969
Other assets	675
Total assets	**8,959**
Payables	7,835
Total liabilities	**7,835**

Notes to the financial statements

7. Intangible assets

	June 2014 $'000	Dec 2013 $'000
Goodwill	**79,604**	79,266
Software – net of accumulated amortisation	**10,084**	10,376
Mastheads – at cost less provision for impairment	**232,302**	231,096
Radio Licences – net of accumulated amortisation	**347,429**	339,614
Brands – at cost	**54,861**	54,503
	724,280	714,855

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 the New Zealand Media and Australian Regional Media divisions, primarily as a result of the weaker than expected market conditions during the first half of 2014. Therefore, in accordance with AASB 136 *Impairment of Assets*, an impairment review has been performed over the carrying value of the affected cash generating units.

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 the affected divisions operate. The key assumptions used in the value in use calculations are:

– long term EBITDA growth rates of between 0.5% and -2.0%

– post tax discount rates of between 10% and 11%.

As a result of the review, the directors are satisfied that the intangible assets are not impaired.

Value in use calculations are highly sensitive to changes in certain key assumptions. For the NZ Metro CGU, a 1% increase in the discount rate used would result an impairment provision of $16.6 million. A 1% decrease in long-term growth rates would result in an impairment provision of $14.8 million. If forecast cash flows were to decrease by 10%, an impairment provision of $22.4 million would be required.

For the NZ Regionals CGU, a 1% increase in the discount rate used would result an impairment provision of $0.2 million. A 1% decrease in long-term growth rates would not result in an impairment provision. If forecast cash flows were to decrease by 10%, an impairment provision of $1.6 million would be required.

For the ARM CGU, a 1% increase in the discount rate used would result in an impairment provision of $9.2 million. A 1% decrease in long-term growth rates would result in an impairment provision of $14.2 million. If forecast cash flows were to decrease by 10%, an impairment provision of $10.8 million would be required.

Notes to the financial statements

8. Interest bearing liabilities

	June 2014 $'000	Dec 2013 $'000
Current		
Bank loans – unsecured	**14,160**	27,556
Lease liabilities	**37,572**	38,872
Other financing	**1,527**	1,424
Total current interest bearing liabilities	**53,259**	67,852
Non-current		
Bank loans – unsecured	**359,636**	293,959
New Zealand bond	**92,851**	92,251
Other financing	**1,855**	2,748
	454,342	388,958
Deduct		
Borrowing costs	**15,514**	15,445
Accumulated amortisation	**(12,466)**	(11,070)
Net borrowing costs	**3,048**	4,375
Total non-current interest bearing liabilities	**451,294**	384,583

The lease liability relates to a finance lease of plant and equipment which expires in September 2014. The lease will be repaid using unutilised available facilities from the recently announced refinanced facilities.

9. Equity securities issued

	June 2014 No. of shares	June 2013 No. of shares	June 2014 $'000	June 2013 $'000
Balance at the start of the period	**661,526,586**	661,526,586	**1,093,372**	1,093,372
Issue of ordinary shares - Non-Renounceable Entitlement Offer	**367,514,770**	-	**132,305**	-
Share issue costs	**-**	-	**(2,897)**	-
	367,514,770	-	**129,408**	-
Balance at the end of the half year	**1,029,041,356**	661,526,586	**1,222,780**	1,093,372

Non-Renounceable Pro-Rata Entitlement Offer

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

Notes to the financial statements

10. Dividends

	June 2014 $'000	June 2013 $'000
No final dividend for the year ended 31 December 2013 (2012: Nil)	**-**	-
Dividends not recognised at the end of the half-year		
The directors have determined no interim dividend will be payable (2013: Nil)	**-**	-

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 2014, the facilities have been drawn to the extent of $505,056,000 (December 2013: $454,270,000)

The parent entity and some wholly owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of $8,000,000 (December 2013: $8,000,000)

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 2014 Cents per share	June 2013 Cents per share
Basic earnings per share from continuing operations	**2.7**	1.5
Diluted earnings per share from continuing operations	**2.7**	1.5
Basic earnings per share from continuing and discontinued operations	**2.4**	1.7
Diluted earnings per share from continuing and discontinued operations	**2.4**	1.7

	June 2014 Number	June 2013 Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share	**932,451,799**	771,945,042
Adjusted for calculation of diluted EPS		
Performance rights	**5,066,795**	-
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share	**937,518,594**	771,945,042

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 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 2014 and 31 December 2013 on a recurring basis:

30 June 2014	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	-	-	26,455	**26,455**
Total financial assets	-	-	26,455	**26,455**
Non-financial assets				
Land and buildings				
Land	-	-	4,819	**4,819**
Buildings	-	-	7,641	**7,641**
Total non-financial assets	-	-	12,460	**12,460**

31 December 2013	Level 1 $'000	Level 1 $'000	Level 1 $'000	Total $'000
Recurring fair value measurements				
Financial assets				
Financial assets at fair value through profit or loss				
Shares in other corporations	-	-	23,394	**23,394**
Total financial assets	-	-	23,394	**23,394**
Non-financial assets				
Land and buildings				
Land	-	-	5,299	**5,299**
Buildings	-	-	7,770	**7,770**
Total non-financial assets	-	-	13,069	**13,069**

(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 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 2014 for recurring fair value measurements:

	Shares in other corporations $'000	Land $'000	Buildings $'000	Total $'000
Opening balance 31 December 2013	23,394	5,299	7,770	36,463
Acquisitions	-	-	32	32
Disposals and other transfers	(440)	(509)	-	(949)
Depreciation	-	-	(171)	(171)
Gains / (losses) recognised in other comprehensive income	(385)	29	10	(346)
Gains recognised in other income	3,886	-	-	3,886
Closing balance 30 June 2014	**26,455**	**4,819**	**7,641**	**38,915**

(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 2014	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	22,146	Discounted cash flows	Cash flow growth factor	2.0% - 5.5% (2.6%)	Increased cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by $4.2m. Lower cash growth factor by 50 basis points and higher discount rate by 100 basis points would decrease the fair value by $3.6m.
			Risk adjusted discount rate	14% (14%)	
	4,309	Capitalisation multiple	EBITDA multiples	Between 3.5x and 5.5x (4.5x)	The higher the capitalisation multiple the higher the value.
	26,455				

There were no changes in valuation techniques during the half year.

14. Subsequent events

On 18 July 2014, the Company announced that it has acquired full ownership of Buspak Advertising (Hong Kong) Limited ('Buspak') through the acquisition of the remaining 50% share from joint venture partner Clear Channel Hong Kong Limited ('Clear Channel') for $14 million.

In August 2014, the Company announced that it had successfully refinanced debt facilities due to mature in 2015 and 2016 with a syndicate of domestic and international banks. The next significant maturity is now not until January 2018.

Other than the matters described above, the Directors are not aware of any significant events subsequent to the balance sheet date.

Notes to the financial statements

Directors' declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 8 to 23 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 2014 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
20 August 2014

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 2014, the income statement, 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 and the entities it controlled (the Group) 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 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 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 2014 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*.

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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 2014 and of its performance for the half-year ended on that date;

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 2014 included on APN News & Media Limited's 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
20 August 2014