

FINANCIAL STATEMENTS

ABOUT THE FINANCIAL STATEMENTS

APN News & Media Limited (Company) is a for profit company limited by ordinary shares which are publicly traded on the Australian Securities Exchange (ASX). It was delisted from the NZX Main Board on 21 February 2017. The financial statements are for the consolidated entity consisting of APN News & Media Limited and its subsidiaries (Group).

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 17 March 2017. The Directors have the power to amend and reissue the financial statements.

BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

All new and amended Australian 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 6.5 for further details.

The financial report is presented in Australian dollars which is the Company's functional and presentation currency.

It has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment.

The Company presents reclassified comparative information, where required, for consistency with the current year's presentation.

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/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.

KEY JUDGEMENTS AND ESTIMATES

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 can be found in the following notes:

- Note 2.1 Intangible assets;
- Note 4.1 Income tax and deferred tax; and
- Note 5.1 Business combinations.

SIGNIFICANT EVENTS IN THE CURRENT REPORTING PERIOD

During the current financial year, the financial position and performance of the Group were particularly affected by the following events and transactions:

Demerger of NZME

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 to the financial statements for further details.

Acquisition of Adshel

On 25 October 2016, the Company acquired the remaining 50% of Adshel for \$268.4 million, through acquisition of the remaining interest in the Adshel joint venture via the acquisition of Australian Outdoor Pty Limited. Refer to note 5.1 to the financial statements for further details.

Acquisition of Conversant Media

On 31 October 2016, the Company acquired 100% of Conversant Media for upfront cash of \$11.6 million. Refer to note 5.1 to the financial statements for further details.

Divestment of ARM

On 21 June 2016, the Company announced that it had entered into binding documentation to divest Australian Regional Media (ARM) to a subsidiary of News Corp for \$36.6 million. On 28 December 2016, the Group announced the completion of the ARM sale. Refer to note 6.1 to the financial statements for further details.

Equity raisings

The Company raised equity of \$181.8 million (inclusive of transaction costs of \$3.9 million, net of tax) through an accelerated Renounceable Pro-Rata Entitlement Offer completed in June 2016. Proceeds from the equity raising were used to establish the new capital structures for the Company and NZME on the demerger of NZME.

The Company raised equity of \$273.1 million (inclusive of transaction costs of \$4.6 million, net of tax) through an institutional placement and an accelerated Renounceable Pro-rata Entitlement Offer completed in November 2016. Proceeds from the equity raising were used to fund the acquisition of the remaining 50% interest in the Adshel joint venture.

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 Mandatory Convertible Note (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 to the financial statements for further details.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Revenue from continuing operations	1.1	298,603	259,033
Other revenue and income	1.1	231,056	11,461
Total revenue and other income		529,659	270,494
Expenses from continuing operations before finance costs, depreciation and amortisation	1.2	230,032	213,755
Finance costs	1.2	18,419	35,510
Depreciation and amortisation	1.2	8,535	5,047
Share of profits of associates	5.5	9,305	11,899
Profit before income tax		281,978	28,081
Income tax expense	4.1	(30,301)	(13,449)
Profit from continuing operations		251,677	14,632
Loss from discontinued operations	6.1	(251,140)	(19,016)
Profit/(loss) for the year		537	(4,384)
Profit/(loss) for the year is attributable to			
Owners of the parent entity		(6,018)	(10,202)
Non-controlling interests		6,555	5,818
Profit/(loss) for the year		537	(4,384)
		Cents	Cents
Earnings per share from continuing operations			
Basic earnings per share	1.4	122.6	5.6
Diluted earnings per share	1.4	122.3	5.6
Earnings per share from continuing and discontinued operations			
Basic earnings per share	1.4	(3.0)	(6.5)
Diluted earnings per share	1.4	(3.0)	(6.5)

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 \$'000	2015 \$'000
Profit/(loss) for the year		537	(4,384)
<i>Items that may be reclassified to profit or loss</i>			
Net exchange difference on translation of foreign operations	3.7	4,901	1,571
Share of associates' other comprehensive income	3.7	1,223	(1,023)
Change in fair value of hedges	3.7	(350)	(196)
Asset revaluation reserves disposed of on sale	3.7	(1,022)	-
Reclassification of foreign currency translation reserves to profit and loss on demerger	3.7	60,190	-
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of freehold land and buildings	3.7	-	988
Remeasurements on retirement benefit obligations	3.7	-	431
Other comprehensive income, net of tax		64,942	1,771
Total comprehensive income		65,479	(2,613)
Total comprehensive income is attributable to:			
Owners of the parent entity		58,924	(8,431)
Non-controlling interests		6,555	5,818
		65,479	(2,613)
Total comprehensive income attributable to owners of the parent entity arises from:			
Continuing operations		244,583	8,900
Discontinued operations		(185,659)	(17,331)
		58,924	(8,431)

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	3.2	20,223	21,721
Receivables	2.3	86,400	127,220
Inventories		2,185	6,288
Income tax receivable		1,007	31
Other current assets		13,779	6,796
Total current assets		123,594	162,056
Non-current assets			
Shares in other corporations	5.4	31,527	32,077
Investments accounted for using the equity method	5.5	12,257	53,811
Property, plant and equipment	2.2	93,822	136,777
Intangible assets	2.1	882,848	712,057
Deferred tax assets	4.1	-	37,361
Other non-current assets		840	-
Total non-current assets		1,021,294	972,083
Total assets		1,144,888	1,134,139
Current liabilities			
Payables		88,778	115,861
Interest bearing liabilities	3.1	-	1,177
Current tax liabilities		6,544	1,509
Retirement benefit liability		1,289	-
Provisions	2.4	17,499	25,631
Total current liabilities		114,110	144,178
Non-current liabilities			
Payables		3,411	19,888
Interest bearing liabilities	3.1	161,309	470,236
Derivative liabilities		780	280
Retirement benefit liability		-	1,374
Provisions	2.4	19,580	6,435
Deferred tax liabilities	4.1	9,233	30,223
Total non-current liabilities		194,313	528,436
Total liabilities		308,423	672,614
Net assets		836,465	461,525
Equity			
Contributed equity	3.5	1,528,022	1,222,780
Reserves	3.7	(45,347)	(137,102)
Accumulated losses	3.7	(682,088)	(659,333)
Total parent entity interest		800,587	426,345
Non-controlling interests		35,878	35,180
Total equity		836,465	461,525

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		753,867	955,190
Payments to suppliers and employees (inclusive of GST)		(678,807)	(812,068)
Dividends received		3,872	3,802
Interest received		359	439
Interest paid		(20,079)	(25,341)
Income taxes paid		(23,313)	(2,909)
Net cash inflows from operating activities	3.2	35,899	119,113
Cash flows from investing activities			
Payments for property, plant and equipment		(12,080)	(33,271)
Payments for software		(2,828)	(9,271)
Payments for other intangible assets		(3,869)	(4,535)
Proceeds from sale of property, plant and equipment		806	2,619
Acquisition of controlled entities		(266,286)	(76,104)
Cash transferred on demerger of NZME		(13,223)	-
Net proceeds from sale of businesses		37,018	-
Net loans repaid by other entities		823	454
Dividend received from associates		1,329	10,000
Net cash outflows from investing activities		(258,310)	(110,108)
Cash flows from financing activities			
Proceeds from borrowings		396,554	126,263
Repayments of borrowings		(708,310)	(141,566)
Principal repayment under finance leases		(11,297)	-
Payments for borrowing costs		(138)	(6,006)
Net proceeds from share issues	3.5	442,704	-
Debt transferred to NZME		106,879	-
Net payments to non-controlling interests		(5,726)	(6,030)
Net cash inflows/(outflows) from financing activities		220,666	(27,339)
Change in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		21,721	38,980
Effect of exchange rate changes		247	1,075
Cash and cash equivalents at end of the year	3.2	20,223	21,721

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 YEAR ENDED 31 DECEMBER 2016**

	Note	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 January 2015		1,222,780	(138,877)	(650,117)	433,786	34,904	468,690
Profit/(loss) for the period		-	-	(10,202)	(10,202)	5,818	(4,384)
Other comprehensive income		-	1,340	431	1,771	-	1,771
Share-based payments expense	3.7	-	990	-	990	-	990
Transfers within equity	3.7	-	(555)	555	-	-	-
Transactions with non-controlling interests		-	-	-	-	(5,542)	(5,542)
Balance at 31 December 2015		1,222,780	(137,102)	(659,333)	426,345	35,180	461,525
Balance at 1 January 2016		1,222,780	(137,102)	(659,333)	426,345	35,180	461,525
Profit/(loss) for the period		-	-	(6,018)	(6,018)	6,555	537
Other comprehensive income		-	64,942	-	64,942	-	64,942
Contributions of equity	3.5	446,372	-	-	446,372	-	446,372
Share-based payments expense	3.7	-	(67)	-	(67)	-	(67)
Transfers within equity	3.7	-	16,737	(16,737)	-	-	-
Demerger of NZME	6.1	(141,130)	-	-	(141,130)	-	(141,130)
Sale of ARM		-	-	-	-	(131)	(131)
Transactions with non-controlling interests	3.7	-	10,143	-	10,143	(5,726)	4,417
Balance at 31 December 2016		1,528,022	(45,347)	(682,088)	800,587	35,878	836,465

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