

**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**ACN 155 848 589**  
**Special purpose annual financial report**  
**For the period from 22 February 2012 to 31 December 2012**

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These financial statements are the consolidated financial statements of the consolidated entity consisting of APN Outdoor Group Pty Ltd and its controlled entities. The financial statements are presented in the Australian currency.

APN Outdoor Group Pty Ltd ("the Company") is a company limited by shares, incorporated in Australia. Its registered office and principal place of business is:

Level 4  
33 Saunders St  
Pyrmont NSW 2009

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and principal activities on page 2.

## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Directors' report**

The directors present their report on the consolidated entity consisting of APN Outdoor Group Pty Ltd and its controlled entities ("the Group") for the period from 22 February 2012 to 31 December 2012.

#### **Directors**

The following persons were directors of APN Outdoor Group Pty Ltd during the whole of the financial period and up to the date of this report:

Chris Hadley (appointed 1 May 2012)  
Justin Ryan (appointed 1 May 2012)  
Jason Cachia (appointed 1 May 2012)  
Jeff Howard (appointed 4 February 2013)  
Brett Chenoweth (appointed 22 February 2012, resigned 19 February 2013)  
Peter Myers (appointed 22 February 2012, resigned 21 September 2012)  
Matthew Crockett (appointed 24 April 2012, resigned 24 April 2013)

#### **Principal activities**

During the period the principal continuing activities of the Group consisted of the provision of advertising services.

#### **Review of operations**

The net profit for the Group for the period is \$1,194,000 after an income tax expense of \$248,000.

#### **Dividends**

The directors do not recommend the payment of a dividend. No dividend has been paid or declared since the commencement of the financial period.

#### **Significant changes in the state of affairs**

APN Outdoor Group Pty Ltd ("the Company") was incorporated on 22 February 2012.

On 29 April 2012 the Company acquired APNO Finance Pty Ltd, a company incorporated in Australia, and its controlled entities for a total consideration of \$173m.

On 29 April 2012, the Company was acquired by Lunchbox Investments Pty Ltd ("Lunchbox"). On 1 May 2012 shares were issued to Quadrant Private Equity No. 3A Pty Limited, Quadrant Private Equity No. 3B Pty Limited, Quadrant Private Equity No. 3C Pty Limited and Quadrant Private Equity No. 3D Pty Limited ("Quadrant").

On 1 May 2012, APNO Finance Pty Ltd acquired APN Outdoor Holdings (NZ) Limited, a company incorporated in New Zealand, and its controlled entities for a total consideration of \$20m.

On 13 July 2012 the Group issued 5,465,959 ordinary shares to key management personnel of the Group

On 10 December 2012, the Company exercised a put option within the Subscription Agreement to sell Asia Posters Pte Ltd, a company incorporated in Singapore, to APN News & Media Limited. The exercising of the put option resulted in a gain on sale of Asia Posters Pte Ltd of \$377,000.

There have been no other significant changes in the state of affairs of the Group during the financial period.

#### **Likely developments and expected results of operations**

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

#### **Matters subsequent to the end of the financial period**

No matters have come to the attention of the directors that have the potential to materially impact the financial performance or position of the Group.

#### **Environmental regulation**

The Group is not subject to significant environmental regulation in respect of its operating activities.

## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Directors' Report** (continued)

#### **Insurance of officers**

During the financial period, the Group has made payments to insure the directors and officers of the Group.

#### **Proceedings on behalf of the Group**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

#### **Rounding of amounts**

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporation Act 2001* is set out on page 4.

#### **Auditor**

PricewaterhouseCoopers was appointed auditor during the period in accordance with section 327 of the *Corporations Act 2001*.

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



Jeff Howard  
Director

Sydney  
30 April 2013



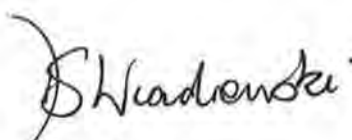
## Auditor's Independence Declaration

As lead auditor for the audit of APN Outdoor Group Pty Ltd for the period ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APN Outdoor Group Pty Ltd and the entities it controlled during the period.

  
PricewaterhouseCoopers

  
DS Wadrowski  
Partner

Sydney  
30 April 2013

## APN Outdoor Group Pty Ltd and its Controlled Entities

### Statement of comprehensive income

For the period from 22 February 2012 to 31 December 2012

	Notes	2012 \$'000
Revenue from continuing operations	3	143,633
Other revenue from ordinary activities	3	323
Other income	4	457
<b>Total revenue and other income</b>		<b>144,413</b>
Sales and marketing expense		(11,642)
Raw materials and consumables used		(5,086)
Production and installation costs		(11,096)
Employee benefits expense		(17,754)
Depreciation and amortisation expense	5	(7,084)
Rental of advertising space		(67,627)
Finance costs		(14,131)
Other expenses		(8,551)
<b>Profit before income tax</b>		<b>1,442</b>
Income tax expense	6	(248)
<b>Profit for the year</b>		<b>1,194</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations		119
Revaluation of cash flow hedges		(1,805)
Income tax relating to other comprehensive income		541
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,145)</b>
<b>Total comprehensive income for the year</b>		<b>49</b>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

## APN Outdoor Group Pty Ltd and its Controlled Entities

### Balance Sheet

As at 31 December 2012

Notes 2012  
\$'000

#### ASSETS

##### Current assets

Cash and cash equivalents	7	16,815
Trade and other receivables	8	39,659
Inventories	9	500
Other	10	47,063
<b>Total current assets</b>		<b>104,037</b>

##### Non-current assets

Plant and equipment	11	79,160
Investments	12	923
Intangible assets	13	183,796
Deferred tax asset	14	6,562
Other	15	3,966
<b>Total non-current assets</b>		<b>274,407</b>

<b>Total assets</b>		<b>378,444</b>
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#### LIABILITIES

##### Current liabilities

Trade and other payables	16	15,733
Current tax liability		214
Borrowings	17	8,826
Provisions	18	541
Other		21
<b>Total current liabilities</b>		<b>25,335</b>

##### Non-current liabilities

Borrowings	19	154,498
Provisions	20	228
Deferred tax liability	21	30,916
Other	22	11,934
<b>Total non-current liabilities</b>		<b>197,576</b>

<b>Total liabilities</b>		<b>222,911</b>
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<b>Net assets</b>		<b>155,533</b>
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#### Equity

Contributed equity	23	115,484
Redeemable convertible preference shares	24	40,000
Reserves	25	(1,145)
Accumulated profits	25	1,194

<b>Total equity</b>		<b>155,533</b>
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The above balance sheet should be read in conjunction with the accompanying notes.



# APN Outdoor Group Pty Ltd and its Controlled Entities

## Cash flow statement

Notes 2012  
\$'000

For the period from 22 February 2012 to 31 December 2012

### Cash flows from operating activities

Profit before taxation		1,442
Depreciation and amortisation expense		7,084
Gain on sale of assets		(355)
Interest expense		14,131
Other non-cash items		(6)
Changes in assets and liabilities:		
Trade and other receivables		(7,014)
Inventories		(71)
Trade payables		2,351
Prepayments		(1,988)
Cash generated from operations	34	15,574
Interest paid		(5,232)
Income taxes paid		(189)
<b>Net cash inflows from operating activities</b>		<b>10,153</b>

### Cash flows from investing activities

Acquisition of investments net of cash acquired	35	(176,736)
Disposal of Asia Posters Pte Ltd net of cash disposed		4,980
Payments for plant and equipment		(6,627)
Cash receipts from the repayment of loans		110
Cash payments for deferred settlement		(159)
<b>Net cash outflows from investing activities</b>		<b>(178,432)</b>

### Cash flows from financing activities

Proceeds from issue of share capital		59,500
Less share issue costs		(8,544)
Proceeds from issue of preference shares		28,000
Proceeds from borrowings		115,000
Less borrowing costs		(8,866)
<b>Net cash inflows from financing activities</b>		<b>185,090</b>

### Net increase in cash and cash equivalents

16,811

Cash and cash equivalents at the beginning of the financial period

-

Effects of exchange rate changes

4

### Cash at the end of the financial period

7

16,815

The above cash flow statement should be read in conjunction with the accompanying notes.

## APN Outdoor Group Pty Ltd and its Controlled Entities

### Statement of changes in equity

For the period from 22 February 2012 to 31 December 2012

Attributable to members of APN Outdoor Group Pty Ltd					
	Contributed equity	Redeemable convertible preference shares	Reserves	Retained earnings	Total equity
Notes	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 22 February 2012</b>	-	-	-	-	-
Profit for the period	-	-	-	1,194	1,194
Other comprehensive income	-	-	(1,145)	-	(1,145)
<b>Total comprehensive income for the period</b>	-	-	(1,145)	1,194	46
<b>Transactions with owners in their capacity as owners</b>					
Contributions of equity, net of transactions costs and tax	23	115,484	-	-	115,484
Contributions of redeemable convertible preference shares	24	-	40,000	-	40,000
<b>Balance at 31 December 2012</b>		<b>115,484</b>	<b>40,000</b>	<b>(1,145)</b>	<b>155,533</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Notes to the financial statements**

#### **Note 1 Summary of significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of APN Outdoor Group Pty Ltd and its subsidiaries ("The Group").

##### **i. Basis of accounting**

The consolidated entity is not a reporting entity because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.

This is a special purpose set of financial statements that have been prepared for the sole purpose of complying with the *Corporations Act 2001* requirements to prepare and distribute financial statements to the members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members. APN Outdoor Group Pty Ltd ("the Company") is a for profit entity for the purposes of preparing the financial statements.

The financial statements have been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the directors to meet the needs of the members.

##### *Historical cost convention*

These consolidated financial statements have been prepared under the historical cost convention, except for certain assets, which as noted, are at valuation.

##### *Critical accounting estimates*

The preparation of consolidated financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

##### **ii. Income tax expense**

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and also adjusted for unused tax losses utilised in the period.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

APN Outdoor Group Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. Other subsidiaries in the Group are treated as standalone tax payers.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Notes to the financial statements**

#### **Note 1 Summary of significant accounting policies (continued)**

##### **iii. Principles of consolidation**

The consolidated financial statements incorporating the assets and liabilities of all subsidiaries of the Company as at 31 December 2012 and the results of all subsidiaries for the period then ended of the Company are referred to in the financial statements as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

##### **iv. Foreign currency translation**

###### **(i) Functional and presentational currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

###### **(ii) Transactions and balances**

Transactions denominated in a foreign currency are converted at the exchange rates prevailing at the dates of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

###### **(iii) Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for the consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for the consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Notes to the financial statements**

#### **Note 1 Summary of significant accounting policies (continued)**

##### **v. Plant and equipment**

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over its expected useful life to the Group. The expected useful lives are as follows:

Plant and equipment	3 - 20 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(xii)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

##### **vi. Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable net of credits and is recognised over the period of display. Other revenue includes interest received.

##### **vii. Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 45 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Notes to the financial statements**

#### **Note 1 Summary of significant accounting policies (continued)**

##### **viii. Investments and other financial assets**

The Group classifies its investments according to AASB 9 *Financial Instruments*, which it early adopted at the establishment of APN Outdoor Group Pty Ltd on 22 February 2012.

(i) *Classification and initial measurement of financial assets*  
Financial assets are measured at fair value.

(ii) *Financial assets at amortised cost*  
The Group's loans and receivables meet the requirements for measurement at amortised cost based on the objectives for which they are held and the contractual terms.

(iii) *Financial assets at fair value*  
The Group's investments in equity instruments are measured at fair value. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading in other comprehensive income. Otherwise all gains and losses are recognised in profit or loss.

The Group assesses at the reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. For financial assets measured at amortised cost the Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

##### **ix. Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

##### **x. Intangibles**

(i) *Goodwill*  
Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is included in intangible assets.

(ii) *Licenses, systems and processes*  
Licenses, systems and processes are accounted for as single identifiable asset and are brought to account at cost. These assets represent capitalised future income streams and other value attributable to site licenses and the Group's systems and processes. Systems and processes are not separate identifiable assets as they are not able to be valued individually, their value is embedded in the site licenses. Licenses, systems and processes are being amortised over the estimated term of the site licenses, including expected renewal periods.

##### **xi. Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

##### **xii. Recoverable amount of non-current assets**

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining the recoverable amounts of non-current assets are discounted.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in profit or loss in the period in which the recoverable amount write-down occurs.



## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Notes to the financial statements**

#### **Note 1 Summary of significant accounting policies (continued)**

##### **xiii. Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days from month end.

##### **xiv. Employee benefits**

###### **(i) Wages and salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

###### **(ii) Long service leave**

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in provisions and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service.

##### **xv. Cash and cash equivalents**

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of the line of credit.

##### **xvi. Maintenance and repairs**

Plant and equipment is required to be maintained on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1(v). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

##### **xvii. Borrowing costs**

Borrowing costs are recognised in the period in which they are incurred using the effective interest rate method.

Borrowing costs include:

- interest on borrowings
- bank charges on line fees

##### **xviii. New accounting standards and UIG interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods. The director's assessment of the impact of these new standards and interpretations is that they will not materially affect any of the amounts recognised in the financial statements or significantly impact the disclosures in relation to the Group. The Company has early adopted *AASB 9 Financial Instruments*.

##### **xix. Rounding of Amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Notes to the financial statements**

#### **Note 1 Summary of significant accounting policies (continued)**

##### **xx. Parent entity financial information**

The financial information for the parent entity, APN Outdoor Group Pty Ltd, disclosed in Note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of APN Outdoor Group Pty Ltd. APN Outdoor Group Pty Ltd assessed at the end of the reporting period whether there is objective evidence that the investments or group of investments are impaired.

(iii) *Tax consolidation legislation*

APN Outdoor Group Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, APN Outdoor Group Pty Ltd and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone tax payer in its own right.

In addition to its own current and deferred tax amounts, APN Outdoor Group Pty Ltd also recognises the current tax liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising within the tax consolidated group are recognised as amounts receivable from or payable to other entities in the Group.

#### **Note 2 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

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 assets and liabilities within the next financial year are discussed below.

(i) *Estimated impairment of goodwill*

The Group tests annually for indications of impairment in the carrying value of goodwill, in accordance with the accounting policy stated in note 1(xii). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions and estimates made by management.



**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

2012  
 \$'000

**Note 3 Revenue**

**From continuing operations**

Advertising revenue	143,633
	<u>143,633</u>

*Other revenue*

Interest	92
Sundry revenue	231
	<u>323</u>

**Note 4 Other income**

Gain on disposal of businesses	377
Rent received	80
	<u>457</u>

**Note 5 Expenses**

Profit before income tax includes the following specific expenses

Depreciation – plant and equipment	5,240
Amortisation	
Licenses, systems and processes	1,820
Software	24
Total amortisation	<u>1,844</u>
Total depreciation and amortisation	<u>7,084</u>
Net loss on disposal of plant & equipment	(22)

**Note 6 Income tax expense**

a) Income tax expense	
Current tax	1,027
Deferred tax	(779)
Income tax expense	<u>248</u>
b) Income tax expense differs from the amount of prima facie tax payable as follows:	
Profit before income tax expense	1,442
Prima facie tax at 30%	432
Tax effect of differences:	
Non-deductible expenses	112
Share of loss from associates	75
Gain on sale of subsidiary	(114)
Difference in international tax treatments and rates	(257)
Income tax expense	<u>248</u>

**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

	Notes	2012 \$'000
<b>Note 7 Cash and cash equivalents</b>		
Cash on hand		2
Cash at bank		16,813
		<u>16,815</u>
<b>Note 8 Trade and other receivables</b>		
Trade receivables		38,817
Sundry receivables		842
		<u>39,659</u>
<b>Note 9 Inventories</b>		
Raw materials		500
		<u>500</u>
<b>Note 10 Other current assets</b>		
Prepayments		6,842
Loans to related parties		40,000
Loans to shareholders		221
		<u>47,063</u>
<b>Note 11 Plant and equipment</b>		
<b>Period ended 31 December 2012</b>		
Opening net book amount		-
Acquired in a business combination		77,341
Additions		7,066
Disposals		(7)
Depreciation	5	(5,240)
Closing net book amount		<u>79,160</u>
<b>At 31 December 2012</b>		
Cost		84,400
Accumulated depreciation		(5,240)
Net book amount		<u>79,160</u>

**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

2012  
\$'000

**Note 12 Investments accounted for using the equity method**

Investments in associates

923

923

Name of associate	Principal activity	Ownership interest	Consolidated carrying values \$'000
Measurement of Outdoor Visibility & Exposure Pty Limited The company is incorporated in Australia	Outdoor Advertising	32%	867
Outdoor Media (1996) Limited The company is incorporated in New Zealand	Outdoor Advertising	50%	56

**Note 13 Intangible assets**

Notes	Goodwill \$'000	Licenses, systems and processes \$'000	Software \$'000	Total \$'000
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**Period ended 31 December 2012**

Opening net book amount	-	-	-	-
Acquired in a business combination	81,212	104,335	93	185,640
Amortisation	5	(1,820)	(24)	(1,844)
Closing net book amount	81,212	102,515	69	183,796

**At 31 December 2012**

Cost	81,212	104,335	93	185,640
Accumulated amortisation	-	(1,820)	(24)	(1,844)
Net book amount	81,212	102,515	69	183,796

**Note 14 Deferred tax asset**

	Recognised on business combination \$'000	Recognised in income \$'000	Recognised in equity \$'000	Other movements \$'000	Total 2012 \$'000
Share issue costs	2,554	-	(503)	-	2,051
Cash flow hedge reserve	-	-	541	-	541
Depreciation – plant and equipment	508	16	-	-	524
Intangible assets	774	-	-	(53)	721
Accruals and provisions	2,182	176	-	-	2,358
Losses	-	172	-	-	172
Other	295	(100)	-	-	195
	6,313	264	38	(53)	6,562

**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

2012  
\$'000

**Note 15 Other non-current assets**

Loans to related parties – unsecured	3,966
	<u>3,966</u>
Non-recourse loan related to issue of ordinary shares to key management personnel	

**Note 16 Trade and other payables**

Trade payables	745
Other payables	14,988
	<u>15,733</u>

**Note 17 Borrowings - current**

Bank loans - secured	8,826
	<u>8,826</u>

**Note 18 Provisions - current**

Employee benefits - long service leave	541
	<u>541</u>

**Note 19 Borrowings – non-current**

Bank loans - secured	106,174
Preference shares	56,000
Deduct	
Borrowing cost	8,866
Accumulated amortisation	(1,190)
Net borrowing costs	<u>7,676</u>
	<u>154,498</u>

The fair value of non-current borrowings equals their carrying value.

**Note 20 Provisions – non-current**

Employee benefits - long service leave	228
	<u>228</u>

2012  
\$'000

**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

**Note 21 Deferred tax liability**

	Recognised on business combination \$'000	Recognised in income \$'000	Other movements \$'000	Total \$'000
Intangible assets	31,293	(522)	-	30,771
Other	344	7	(206)	145
	<u>31,637</u>	<u>(515)</u>	<u>(206)</u>	<u>30,916</u>

**Note 22 Other non-current liabilities**

Contract liabilities	4,491
Accrued interest – preference shares	5,638
Interest rate swap – cash flow hedge	1,805
	<u>11,934</u>

**Note 23 Contributed equity**

	2012 Shares '000	2012 \$'000
<b>Issued</b>		
"A" Class shares – fully paid	117,500	117,500
"A" Class shares – unpaid	3,966	3,966
Less share issue costs (net of deferred tax)	-	(5,982)
Contributed equity	<u>121,466</u>	<u>115,484</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**Note 24 Redeemable convertible preference shares**

	2012 Shares '000	2012 \$'000
<b>Issued</b>		
Redeemable convertible preference shares	<u>40,000</u>	<u>40,000</u>

**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

2012  
 \$'000

**Note 25 Reserves and accumulated profits**

**(a) Reserves**

Foreign currency translation reserve	119
Cash flow hedge reserve	(1,805)
Deferred tax on cash flow hedge reserve	541
	<u>(1,145)</u>

**(b) Accumulated profits**

Accumulated profits at the beginning of the period	-
Net profit for the period	1,194
Accumulated profits at the end of the period	<u>1,194</u>

**Note 26 Lease commitments**

**(a) Operating leases**

Commitments for minimum lease payments in relation to rental commitments contracted for at the reporting date and not recognised as liabilities, payable:

Within one year	86,767
Later than one year but not later than five years	253,347
Later than five years	90,417
Total operating lease commitments	<u>430,531</u>

Representing:

Cancellable operating leases	13,667
Non-cancellable operating leases	416,864
Total operating lease commitments	<u>430,531</u>

**Note 27 Capital commitments**

Capital expenditure contracted for at reporting date but not recognised as liabilities:

Within one year	2,479
Later than one year but not later than five years	1,157
Total capital commitments	<u>3,636</u>

**Note 28 Contingent liabilities**

The Group has provided guarantees in respect of banking facilities. As at 31 December 2012 the facilities had been drawn down to the extent of AU\$125,917,065.



**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

2012  
 \$'000

**Note 29 Auditors' remuneration**

During the year the following fees were paid or payable for services provided by the auditor of the Group:

(i)	Audit and review of financial statements	
	PricewaterhouseCoopers – Australian firm	128
	PricewaterhouseCoopers – Overseas firm	15
		<u>143</u>
(ii)	Other audit related services	
	PricewaterhouseCoopers – Australian firm	49
	PricewaterhouseCoopers – Overseas firm	12
		<u>61</u>
(iii)	Non-audit related services	
	PricewaterhouseCoopers – Australian firm	
	Advisory services	115
	PricewaterhouseCoopers – Overseas firm	
	Tax services - compliance	14
		<u>129</u>
	Total fees paid or payable to PricewaterhouseCoopers	<u>333</u>

**Note 30 Parent entity financial information**

**(a) Summary financial information**

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

<b>Balance Sheet</b>	
Total current assets	40,976
Total non-current assets	179,017
<b>Total assets</b>	<u>219,993</u>
Total current liabilities	6,816
Total non-current liabilities	61,638
<b>Total liabilities</b>	<u>68,454</u>
<b>Net assets</b>	<u>151,539</u>
Contributed equity	115,484
Redeemable convertible preference shares	40,000
Accumulated losses	(3,945)
<b>Total equity</b>	<u>151,539</u>
<b>Loss for the period after tax</b>	(3,945)
<b>Total comprehensive income for the period after tax</b>	(3,945)

## **APN Outdoor Group Pty Ltd and its Controlled Entities**

### **Notes to the financial statements**

#### **Note 30 Parent entity financial information (continued)**

**(b) Contingent liabilities of the parent entity**

The parent entity's contingent liabilities are consistent with disclosures in Note 28.

**(c) Contractual commitments for the acquisition of plant or equipment**

As at 31 December 2012, the parent entity had no contractual commitments for the acquisition of plant or equipment.

**(d) Guarantees entered into by the parent entity**

The parent entity has provided no financial guarantees.

#### **Note 31 Related party transactions**

**(a) Parent and ultimate parent**

The parent entity and ultimate parent entity within the Group is APN Outdoor Group Pty Ltd.

On 29 April 2012, APN Outdoor Group Pty Ltd was acquired by Lunchbox Investments Pty Ltd. On 1 May 2012 shares were issued to Quadrant Private Equity No. 3A Pty Limited, Quadrant Private Equity No. 3B Pty Limited, Quadrant Private Equity No. 3C Pty Limited and Quadrant Private Equity No. 3D Pty Limited.

**(b) Transactions with related parties**

On 22 February 2012, APN Outdoor Limited, a subsidiary of the Group incorporated in New Zealand, declared a NZ\$15,000,000 dividend payable to Australian Provincial Newspapers International Pty Limited ("APNI"), a subsidiary of APN News & Media Limited incorporated in Australia. APNI advanced the proceeds from the dividend back to APN Outdoor Limited by way of loan. On 1 May 2012, APNI fully assigned its loan of NZ\$15,000,000 to APNO Finance Pty Ltd, a subsidiary of the Group incorporated in Australia.

On 29 April 2012, the Group issued \$58m of ordinary shares and \$40m of redeemable convertible preference shares to Lunchbox.

On 1 May 2012, the Group issued \$58m of ordinary shares and \$28m of redeemable preference shares to Quadrant and \$28m of redeemable preference shares to Lunchbox.

The Group paid group services fees of \$311,722 to APN Holdings NZ Limited, a New Zealand incorporated subsidiary of APN News & Media Limited.

On 13 July 2012 the Group issued 5,465,959 of ordinary shares to key management personnel of the Group.

## APN Outdoor Group Pty Ltd and its Controlled Entities

### Notes to the financial statements

#### Note 32 Business Combinations

On 29 April 2012, APN Outdoor Group Pty Ltd acquired 173,000,001 ordinary shares in APNO Finance Pty Ltd (a company incorporated in Australia) for \$173,000,000.

The assets and liabilities acquired were:

	\$'000
Cash	8,632
Receivables	40,211
Prepayments	4,837
Inventories	430
<b>Total current assets</b>	<b>54,110</b>
Financial assets	55
Plant & equipment	77,341
Intangible assets	185,486
Investments in associates	6,119
Deferred tax asset	3,759
<b>Total non-current assets</b>	<b>272,760</b>
Payables and accruals	10,084
Provisions	1,345
Interest bearing liabilities	1,000
<b>Total current liabilities</b>	<b>12,429</b>
Payables and accruals	4,107
Deferred tax liability	31,637
Provisions	214
Interest bearing liabilities	105,483
<b>Total non-current liabilities</b>	<b>141,441</b>

On 10 December 2012, APN Outdoor Group Pty Ltd exercised a put option on Asia Posters Pte Ltd, a company incorporated in Singapore. The disposal resulted in a gain on sale of \$377,000.

#### Note 33 Reconciliation of cash generated from operations to direct method

	2012 \$'000
Receipts from customers (inclusive of goods and services tax)	126,394
Payments to suppliers and employees (inclusive of goods and services tax)	(110,820)
<b>Cash generated from operations</b>	<b>15,574</b>

#### Note 34 Acquisition of investments reconciliation

Value of investments acquired	272,000
Less non-cash equity issuance	(58,000)
Less non-cash preference share issuance	(28,000)
Less completion adjustments	(9,033)
Less cash acquired	(231)
<b>Acquisition of investments net of cash acquired</b>	<b>176,736</b>

#### Note 35 Subsequent events

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

## APN Outdoor Group Pty Ltd and its Controlled Entities

### Notes to the financial statements

#### Note 36 Deed of Cross Guarantee

APN Outdoor Group Pty Ltd, APNO Finance Pty Ltd, APN Outdoor Pty Limited, Eastcott Investments Pty Limited, Cody Link Pty Ltd, Valtoff Pty Limited, Everfact Pty Limited, APN Outdoor (Trading) Pty Ltd, Buspak Advertising Group Pty Ltd, Universal Outdoor Pty Limited, TaxiMedia Pty Ltd, SOL Australia Pty Ltd, Australian Posters Pty Ltd and GSP Print Pty Ltd are parties to the deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

#### (a) Consolidated statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order.

Set below is a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the period ended 31 December 2012 of the closed group.

<b>Statement of comprehensive income</b>	<b>2012 \$'000</b>
Revenue from continuing operations	134,709
Other revenue from ordinary activities	309
Other income	1,310
<b>Total revenue and other income</b>	<b>136,328</b>
Sales and marketing expense	(10,296)
Raw materials and consumables used	(5,086)
Production and installation costs	(9,922)
Employee benefits expense	(16,772)
Depreciation and amortisation expense	(6,614)
Rental of advertising space	(63,521)
Finance costs	(13,433)
Other expenses	(8,915)
<b>Profit before income tax</b>	<b>1,769</b>
Income tax expense	(292)
<b>Profit for the period</b>	<b>1,477</b>
<b>Other comprehensive income</b>	
Exchange differences on translation of foreign operations	119
Revaluation of cash flow hedges	(1,805)
Income tax relating to other comprehensive income	541
Other comprehensive income for the period, net of tax	(1,145)
<b>Total comprehensive income for the period</b>	<b>332</b>
<b>Summary of movements in consolidated retained earnings</b>	
Retained earnings at the beginning of the period	-
Profit for the year	1,477
<b>Retained earnings at the end of the period</b>	<b>1,477</b>

**APN Outdoor Group Pty Ltd and its Controlled Entities**  
**Notes to the financial statements**

**Note 36 Deed of Cross Guarantee (continued)**

**(b) Consolidated balance sheet**

Set out below is a consolidated balance sheet of the closed group as at 31 December 2012.

	2012 \$'000
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	15,745
Trade and other receivables	50,922
Inventories	500
Other	46,271
Total current assets	<u>113,438</u>
<b>Non-current assets</b>	
Plant and equipment	76,965
Investments	9,057
Intangible assets	169,549
Deferred tax asset	5,056
Other	3,966
Total non-current assets	<u>264,593</u>
<b>Total assets</b>	<u>378,031</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	14,322
Current tax liability	226
Borrowings	8,826
Provisions	541
Other	774
Total current liabilities	<u>24,689</u>
<b>Non-current liabilities</b>	
Borrowings	154,498
Provisions	228
Deferred tax liability	30,916
Other	11,934
Total non-current liabilities	<u>197,576</u>
<b>Total liabilities</b>	<u>222,265</u>
<b>Net assets</b>	<u>155,766</u>
<b>Equity</b>	
Contributed equity	115,485
Redeemable convertible preference shares	40,000
Reserves	(1,196)
Accumulated profits	1,477
<b>Total equity</b>	<u>155,766</u>

## APN Outdoor Group Pty Ltd and its Controlled Entities

### Directors' declaration

As stated in Note 1 to the financial statements, the Company and consolidated entity are not reporting entities because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. This is a set of special purpose financial statements that has been prepared to meet *Corporations Act 2001* requirements.

The financial statements have been prepared in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, to the extent described in Note 1(i).

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 25 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance, as represented by the results of its operations and their cash flows, for the financial period from 22 February 2012 to 31 December 2012.
- (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.
- (c) At the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 36 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36.

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



Jeff Howard  
Director

Sydney  
30 April 2013





## **Independent auditor's report to the members of APN Outdoor Group Pty Ltd**

### ***Report on the financial report***

We have audited the accompanying financial report, being a special purpose financial report, of APN Outdoor Group Pty Ltd (the company), which comprises the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the APN Outdoor Group Pty Ltd group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the periods end or from time to time during the financial period.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Directors Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### *Independence*

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

### *Auditor's opinion*

In our opinion, the financial report of APN Outdoor Group Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2012 and of their performance for the period ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

### ***Basis of accounting and restriction on distribution and use***

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of APN Outdoor Group Pty Ltd.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'DS Wiadrowski'.

DS Wiadrowski  
Partner

Sydney  
30 April 2013