

APN Outdoor Group Pty Ltd and its Controlled Entities
ACN 155 848 589
Special purpose annual financial report
For the year ended 31 December 2013

Contents

Directors' report	2
Auditor's independence declaration	4
Special purpose financial report	
Statement of comprehensive income	5
Balance sheet	6
Cash flow statement	7
Statement of changes in equity	8
Notes to the financial statements	9
Directors' declaration	30
Independent auditor's report to the members	31

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 and 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 year ended 31 December 2013.

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

Justin Ryan

Jason Cachia

Jeff Howard (appointed 4 February 2013, resigned 24 January 2014)

Brett Chenoweth (resigned 19 February 2013)

Matthew Crockett (resigned 24 April 2013)

Richard Herring (appointed 24 February 2014)

Adam Trippe Smith (appointed 5 June 2013, resigned 24 January 2014)

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 \$293,000 (10 months to 31 December 2012: \$2,079,000) after income tax expense of \$480,000 (10 months to 31 December 2012: \$627,000).

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.

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.

Significant changes in the state of affairs

On 19 December 2013, APN Outdoor Group Pty Ltd incorporated a new wholly owned subsidiary APNO Group Holdings Pty Ltd.

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

Matters subsequent to the end of the financial period

On 24 January 2014, APN News and Media Limited sold its remaining interest in APN Outdoor Group Pty Ltd, comprising ordinary shares and preference shares, for \$69,000,000 to investors of Quadrant Private Equity Fund No.3. Redeemable convertible preference shares held by APN News & Media Pty Limited and related receivable of \$40,000,000 were extinguished. Immediately subsequent to this transaction, APN Outdoor Group Pty Ltd transferred its 100% holding in APNO Finance Pty Ltd to APNO Group Holdings Pty Ltd, a wholly owned subsidiary incorporated on 19 December 2013.

No other 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.

Insurance of officers

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

APN Outdoor Group Pty Ltd and its Controlled Entities

Directors' Report (continued)

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.

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



Justin Ryan
Director

Sydney
27 May 2014



Auditor's Independence Declaration

As lead auditor for the audit of APN Outdoor Group Pty Ltd for the year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'DS Wiadrowski', written in a cursive style.

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
27 May 2014

APN Outdoor Group Pty Ltd and its Controlled Entities

Statement of comprehensive income

For the year ended 31 December 2013

	Notes	Year ended 31 Dec 2013 \$'000	10 month period ended 31 Dec 2012 \$'000 Restated
Revenue from continuing operations	4	225,573	143,633
Other revenue from ordinary activities	4	370	323
Other income	5	123	457
Total revenue and other income		226,066	144,413
Sales and marketing expense		(20,345)	(11,642)
Raw materials and consumables used		(8,428)	(5,086)
Production and installation costs		(19,110)	(11,096)
Restructuring costs		(880)	(344)
Employee benefits expense		(26,730)	(17,754)
Depreciation and amortisation expense		(9,419)	(5,819)
Rental of advertising space		(104,396)	(67,627)
Finance costs		(20,970)	(14,131)
Other expenses		(15,015)	(8,208)
Profit before income tax		773	2,706
Income tax expense	6	(480)	(627)
Profit for the year		293	2,079
Other comprehensive income			
Exchange differences on translation of foreign operations		2,799	119
Revaluation of cash flow hedges		561	(1,805)
Income tax relating to other comprehensive income		(168)	541
Other comprehensive income / (loss) for the year, net of tax		3,192	(1,145)
Total comprehensive income for the year		3,485	934

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 2013

	Notes	2013 \$'000	2012 \$'000 Restated
ASSETS			
Current assets			
Cash and cash equivalents	7	12,616	16,815
Trade and other receivables	8	45,677	39,659
Inventories	9	876	500
Other	10	48,266	47,063
Total current assets		107,435	104,037
Non-current assets			
Plant and equipment	11	64,560	56,730
Investments	12	643	923
Intangible assets	13	214,880	214,914
Deferred tax asset	14	5,090	6,562
Other	15	3,966	3,966
Total non-current assets		289,139	283,095
Total assets		396,574	387,132
LIABILITIES			
Current liabilities			
Trade and other payables	16	19,847	15,733
Current tax liability		2,275	1,444
Borrowings	17	6,268	8,826
Provisions	18	693	541
Other		344	21
Total current liabilities		29,427	26,565
Non-current liabilities			
Borrowings	19	159,370	154,498
Provisions	20	189	228
Deferred tax liability	21	35,661	37,489
Other	22	12,024	11,934
Total non-current liabilities		207,244	204,149
Total liabilities		236,671	230,714
Net assets		159,903	156,418
Equity			
Contributed equity	23	115,484	115,484
Redeemable convertible preference shares	24	40,000	40,000
Reserves	25	2,047	(1,145)
Accumulated profits	25	2,372	2,079
Total equity		159,903	156,418

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

For the year ended 31 December 2013

Notes

		Year ended 31 Dec 2013 \$'000	10 month period ended 31 Dec 2012 \$'000 Restated
Cash flows from operating activities			
Profit before taxation		773	2,706
Depreciation and amortisation expense		9,419	5,819
Loss / (gain) on sale of assets		2,741	(355)
Net finance costs		20,783	14,131
Other non-cash items		(851)	(6)
Changes in assets and liabilities:			
Trade and other receivables		(5,801)	(7,013)
Inventories		(376)	(71)
Trade and other payables		2,834	2,351
Prepayments		(87)	(1,988)
Cash generated from operations	33	29,435	15,574
Interest paid		(9,365)	(5,232)
Income taxes paid		(764)	(189)
Net cash inflows from operating activities		19,306	10,153
Cash flows from investing activities			
Acquisition of investments net of cash acquired	34	-	(176,736)
Disposal of Asia Posters Pte Ltd net of cash disposed		-	4,980
Payments for plant and equipment		(16,231)	(6,627)
Cash receipts from the repayment of loans		231	110
Cash payments for deferred settlement		-	(159)
Net cash outflows from investing activities		(16,000)	(178,432)
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		5,300	115,000
Less borrowing costs		-	(8,866)
Repayment of loan		(13,158)	-
Net cash (outflows) / inflows from financing activities		(7,858)	185,090
Net (decrease) / increase in cash and cash equivalents		(4,552)	16,811
Cash and cash equivalents at the beginning of the financial period		16,815	-
Effects of exchange rate changes		353	4
Cash at the end of the financial period	7	12,616	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 year ended 31 December 2013

Attributable to members of APN Outdoor Group Pty Ltd

	Notes	Contributed equity \$'000	Redeemable convertible preference shares \$'000	Reserves \$'000	Accum. profits \$'000	Total equity \$'000
Balance at 22 February 2012		-	-	-	-	-
Profit for the period		-	-	-	2,079	2,079
Other comprehensive loss		-	-	(1,145)	-	(1,145)
Total comprehensive income for the period		-	-	(1,145)	2,079	934
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
Balance at 31 December 2012		115,484	40,000	(1,145)	2,079	156,418
Balance at 1 January 2013		115,484	40,000	(1,145)	2,079	156,418
Profit for the year		-	-	-	293	293
Other comprehensive income		-	-	3,192	-	3,192
Total comprehensive income for the year		-	-	3,192	293	3,485
Contributions of equity		-	-	-	-	-
Balance at 31 December 2013		115,484	40,000	2,047	2,372	159,903

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 controlled entities ("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 3.

ii. Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporating the assets and liabilities of all subsidiaries of the Company as at 31 December 2013 and the results of all controlled entities for the year 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.

(ii) *Associates*

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The group's share of its associates' post-acquisition profits or losses is recognised in statement of comprehensive income.

APN Outdoor Group Pty Ltd and its Controlled Entities

Notes to the financial statements

Note 1 Summary of significant accounting policies (continued)

iii. 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 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 the statement of comprehensive income, 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.

iv. 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. Production and installation revenues are recognised at the time of initial display. Other revenue includes interest received.

v. 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.

APN Outdoor Group Pty Ltd and its Controlled Entities

Notes to the financial statements

Note 1 Summary of significant accounting policies (continued)

v. Income tax expense (continued)

Current and deferred tax is recognised in the statement of comprehensive income, 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.

vi. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in statement of comprehensive income.

vii. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

viii. 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.

ix. 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)

x. Inventories

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

xi. Investments and other financial assets

The Group classifies its investments according to AASB 9 Financial *Instruments*, which it early adopted at its establishment of APN Outdoor Group Pty 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 the statement of comprehensive income.

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.

xii. Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income within other income or other expense.

APN Outdoor Group Pty Ltd and its Controlled Entities

Notes to the financial statements

Note 1 Summary of significant accounting policies (continued)

xiii. 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.

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:

Billboards - static	20 years
Billboards - digital	12 years
Transit assets	4 years
Office equipment	4 years

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(xvii)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

xiv. 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(xiii). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

xv. 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 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.

xvi. Leases

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

APN Outdoor Group Pty Ltd and its Controlled Entities

Notes to the financial statements

Note 1 Summary of significant accounting policies (continued)

xvii. 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 not 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 the statement of comprehensive income in the period in which the recoverable amount write-down occurs.

xviii. 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.

xix. 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.

xx. 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

xxi. New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 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*.

xxii. 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)

xxiii. 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.

(ii) *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 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 Restatement

In accordance with the Business Combinations Standard AASB 3 the consideration paid for the acquisition of the Outdoor Group from our previous parent, APN News & Media Limited, was allocated across the various assets acquired. The fair value of property and equipment acquired was based on an external valuation report prepared at the time. A recent review of some of the detailed assumptions underlying this report identified that a number of assets had been included which had been funded by the respective asset owners, although in all cases the signage involved was operated and maintained by APN Outdoor. As a result the value originally allocated to property and equipment was overstated and intangible assets understated.

As a result of the above, 2012 comparative amounts have been restated to reflect a reallocation of the original purchase price paid by shareholders across the various assets acquired. Therefore, the total asset cost values determined on the acquisition date are not impacted but the value allocated to plant and equipment has been reduced with a corresponding increase in the value of intangible assets. Annual depreciation expense reduced and profit before tax increased as a result. The impact on amounts previously reported in the 2012 financial statements is as follows:

Decrease in plant & equipment at cost – 31 December 2012	\$ 23.7m
Increase in goodwill at cost – 31 December 2012	\$ 23.7m
Decrease in depreciation – period ended 31 December 2012	\$ 1.3m
Increase in profit before tax - period ended 31 December 2012	\$ 1.3m

Australian tax payable for 2012 and 2013 will increase as a result of this adjustment by \$0.4m and \$0.8m respectively.

APN Outdoor Group Pty Ltd and its Controlled Entities

Notes to the financial statements

Note 2 Restatement (continued)

In addition APN Outdoor have recently completed, in conjunction with our tax advisors, our allocable cost amount (ACA) process. This is a process required as a consequence of formation of a tax consolidated group whereby the tax cost base is pushed down and allocated across all assets held by wholly-owned Australian subsidiaries. The ACA process limits the tax base of our depreciable assets to just over half of the fair value of the assets acquired. Annual tax depreciation is reduced by a similar amount.

As a result of the above, tax base of depreciable assets on formation of the group reduces by \$24.7m. The resultant difference between tax base and fair value requires recognition of a deferred tax liability at acquisition with a corresponding increase in goodwill as follows:

Increase in deferred tax liability – formation of group	\$ 7.4m
Increase in goodwill – formation of group	\$ 7.4m
Increase in tax payable – period ended 31 December 2012	\$ 0.8m

Note 3 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(vii). 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

	Year ended 31 Dec 2013 \$'000	10 month period ended 31 Dec 2012 \$'000 Restated
Note 4 Revenue		
From continuing operations		
Advertising revenue	225,573	143,633
	<u>225,573</u>	<u>143,633</u>
<i>Other revenue</i>		
Interest	188	92
Sundry revenue	182	231
	<u>370</u>	<u>323</u>
Note 5 Other income		
Gain on disposal of businesses	-	377
Rent received	123	80
	<u>123</u>	<u>457</u>
Note 6 Income tax expense		
a) Income tax expense		
Current tax	1,787	2,257
Deferred tax	(1,308)	(1,630)
Under provision in prior year	1	-
Income tax expense	<u>480</u>	<u>627</u>
b) Income tax expense differs from the amount of prima facie tax payable as follows:		
Profit before income tax expense	773	2,706
Prima facie tax at 30%	232	812
<i>Tax effect of differences:</i>		
Non-deductible expenses	170	111
Share of loss from associates	87	75
Gain on sale of subsidiary	-	(114)
Difference in international tax rates	(10)	(257)
Under provision in prior year	1	-
Income tax expense	<u>480</u>	<u>627</u>

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

	2013 \$'000	2012 \$'000 Restated
Note 7 Cash and cash equivalents		
Cash on hand	2	2
Cash at bank	12,614	16,813
	12,616	16,815
Note 8 Trade and other receivables		
Trade receivables	44,933	38,817
Sundry receivables	744	842
	45,677	39,659
Note 9 Inventories		
Raw materials	876	500
	876	500
Note 10 Other current assets		
Prepayments	7,010	6,842
Loans to related parties	40,000	40,000
Loans to shareholders	-	221
Lease asset	1,208	-
Others	48	-
	48,266	47,063
Note 11 Plant and equipment		
Year ended 31 December 2013		
Opening net book amount	54,009	-
Acquired in a business combination	-	51,366
Additions	14,470	6,625
Disposals	(2,791)	(7)
Depreciation	(6,829)	(3,975)
Foreign exchange differences	279	-
	59,138	54,009
Capital works in progress	5,422	2,721
Closing net book amount	64,560	56,730
At 31 December 2013		
Cost	82,754	60,705
Accumulated depreciation	(18,194)	(3,975)
Net book amount	64,560	56,730

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

	2013 \$'000	2012 \$'000
Note 12 Investments accounted for using the equity method		
Investments in associates	643	923
	643	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%	579
Outdoor Media (1996) Limited The company is incorporated in New Zealand	Outdoor Advertising	50%	64
			643

Note 13 Intangible assets

	Notes	Goodwill \$'000	Licenses, systems and processes \$'000	Software \$'000	Total restated \$'000
Year ended 31 December 2013					
Opening net book amount		112,330	102,515	69	214,914
Additions		254	-	21	275
Amortisation		-	(2,552)	(38)	(2,590)
Foreign exchange differences		2,281	-	-	2,281
Closing net book amount		114,865	99,963	52	214,880
At 31 December 2013					
Cost		114,865	104,309	114	219,288
Accumulated amortisation		-	(4,346)	(62)	(4,408)
Net book amount		114,865	99,963	52	214,880
Year ended 31 December 2012					
Opening net book amount		-	-	-	-
Acquired in a business combination		112,330	104,309	93	216,732
Amortisation		-	(1,794)	(24)	(1,818)
Closing net book amount		112,330	102,515	69	214,914
At 31 December 2012					
Cost		112,330	104,309	93	216,732
Accumulated amortisation		-	(1,794)	(24)	(1,818)
Net book amount		112,330	102,515	69	214,914

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

Note 14 Deferred tax asset

	Opening 2013	Recognised on business combination	Recognised in income	Recognised in equity	Other movements	Total 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Share issue costs	2,051	-	-	(513)	-	1,538
Cash flow hedge reserve	541	-	-	(168)	-	373
Depreciation	524	-	128	-	(167)	485
Intangible assets	721	-	(41)	-	-	680
Accruals and provisions	2,358	-	32	-	-	2,390
Other	367	-	(128)	(616)	-	(376)
	6,562	-	(8)	(1,297)	(167)	5,090

	Recognised on business combination	Recognised in income	Recognised in equity	Other movements	Total 2012
	\$'000	\$'000	\$'000	\$'000	\$'000
Share issue costs	2,554	-	(503)	-	2,051
Cash flow hedge reserve	-	-	541	-	541
Depreciation	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

Note 15 Other non-current assets

Loans to related parties – unsecured

2013
\$'000

2012
\$'000

3,966
3,966

Non-recourse loan related to issue of ordinary shares to key management personnel

Note 16 Trade and other payables

Trade payables
Other payables

1,355
18,492
19,847

745
14,988
15,733

Note 17 Borrowings - current

Bank loans - unsecured

6,268
6,268

8,826
8,826

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

2013 **2012**
\$'000 **\$'000**

Note 18 Provisions - current

Employee benefits - long service leave	693	541
	693	541

Note 19 Borrowings – non-current

Bank loans - unsecured	100,874	106,174
Preference shares	64,400	56,000
Deduct:		
Borrowing costs	8,866	8,866
Accumulated amortisation	(2,962)	(1,190)
Net borrowing costs	5,904	7,676
	159,370	154,498

Note 20 Provisions – non-current

Employee benefits - long service leave	189	228
	189	228

Note 21 Deferred tax liability

	Opening 2013 \$'000	Recognised in income \$'000	Other movements \$'000	Total 2013 \$'000
Intangible assets	30,771	(782)	-	29,989
Property, plant and equipment	6,573	(1,259)	-	5,314
Other	145	213	-	358
	37,489	(1,828)	-	35,661
	Recognised on business combination \$'000	Recognised in income \$'000	Other movements \$'000	Total 2012 restated \$'000
Intangible assets	31,293	(522)	-	30,771
Property, plant and equipment	7,424	(851)	-	6,573
Other	344	7	(206)	145
	39,061	(1,366)	(206)	37,489

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

2013 **2012**
\$'000 **\$'000**

Note 22 Other non-current liabilities

Lease liabilities	4,296	4,491
Accrued interest – preference shares	6,484	5,638
Interest rate swap – cash flow hedge	1,244	1,805
	12,024	11,934

Note 23 Contributed equity

	2013 Shares '000	2013 \$'000	2012 Shares '000	2012 \$'000
Issued				
"A" Class shares – fully paid	117,500	117,500	117,500	117,500
"A" Class shares – unpaid	3,966	3,966	3,966	3,966
Less share issue costs (net of deferred tax)	-	(5,982)	-	(5,982)
Contributed equity	121,466	115,484	121,466	115,484

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

	2013 Shares '000	2013 \$'000	2012 Shares '000	2012 \$'000
Issued				
Redeemable convertible preference shares	40,000	40,000	40,000	40,000

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

2013 2012
\$'000 \$'000
Restated

Note 25 Reserves and accumulated profits

(a) Reserves

Foreign currency translation reserve	2,918	119
Cash flow hedge reserve	(871)	(1,264)
	<u>2,047</u>	<u>(1,145)</u>

Movement:

Foreign currency translation reserve

Balance at 1 January 2013	119	-
Exchange differences on translation of foreign operations	2,799	119
Balance at 31 December 2013	<u>2,918</u>	<u>119</u>

Cash flow hedge reserve

Balance at 1 January 2013	(1,264)	-
Revaluation of cash flow hedges	561	(1,805)
Deferred tax on cash flow hedge reserve	(168)	541
Balance at 31 December 2013	<u>(871)</u>	<u>(1,264)</u>

(b) Accumulated profits

Accumulated profits - beginning of the period	2,079	-
Net profit for the period	293	2,079
Accumulated profits - end of the period	<u>2,372</u>	<u>2,079</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	97,143	86,767
Later than one year but not later than five years	257,534	253,347
Later than five years	94,719	90,417
Total operating lease commitments	<u>449,396</u>	<u>430,531</u>

Representing:

Cancellable operating leases	10,014	13,667
Non-cancellable operating leases	439,382	416,864
Total operating lease commitments	<u>449,396</u>	<u>430,531</u>

Note 27 Capital commitments

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

Within one year	11,302	2,479
Later than one year but not later than five years	3,782	1,157
Total capital commitments	<u>15,084</u>	<u>3,636</u>

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

Note 28 Contingent liabilities

The Group has provided guarantees in respect of banking facilities. As at 31 December 2013 the facilities had been drawn down to the extent of \$123,671,740 (2012: AU\$125,917,065)

Note 29 Auditors' remuneration

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

	2013 \$'000	2012 \$'000
(i) Audit and review of financial statements		
PricewaterhouseCoopers – Australian firm	128	128
PricewaterhouseCoopers – Overseas firm	34	15
	<hr/> 162	<hr/> 143
(ii) Other audit related services		
PricewaterhouseCoopers – Australian firm	34	49
PricewaterhouseCoopers – Overseas firm	13	12
	<hr/> 47	<hr/> 61
(iii) Non-audit related services		
PricewaterhouseCoopers – Australian firm		
Advisory services	-	115
PricewaterhouseCoopers – Overseas firm		
Tax services - compliance	-	14
	<hr/> -	<hr/> 129
Total fees paid or payable to PricewaterhouseCoopers	<hr/> 209	<hr/> 333

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

2013 **2012**
\$'000 **\$'000**

Note 30 Parent entity financial information

(a) Summary financial information

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

Balance Sheet

Total current assets	40,976	40,976
Total non-current assets	178,504	179,017
Total assets	219,480	219,993

Total current liabilities	3,530	6,816
Total non-current liabilities	70,884	61,638
Total liabilities	74,414	68,454

Net assets	145,066	151,539
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Contributed equity	115,485	115,484
Redeemable convertible preference shares	40,000	40,000
Accumulated losses	(10,418)	(3,945)

Total equity	145,066	151,539
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Loss for the period after tax	(6,472)	(3,945)
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Total comprehensive loss for the period after tax	(6,472)	(3,945)
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(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 2013, 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

On 19 December 2013, APN Outdoor Group Pty Ltd incorporated a new wholly owned subsidiary, APNO Group Holdings Pty Ltd. Subsequently on 24 January 2014, APN Outdoor Group Pty Ltd transferred its entire holding in the company to APNO Group Holdings Pty Ltd.

(b) Transactions with related parties

During the year, the Group received \$230,650 from Asia Posters Pte Ltd, a company incorporated in Singapore and controlled by APN News & Media Limited, in respect of loan repayments. At 31 December 2013 the balance outstanding was \$nil.

APN Outdoor Group Pty Ltd and its Controlled Entities

Notes to the financial statements

Note 31 Related party transactions (continued)

(c) Loans with related parties

On 22nd 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"), an Australian domiciled subsidiary of APN News & Media Limited. 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. Interest expense of AU\$983,261 (2012: AU\$673,070 – unpaid) is payable on the debt for the year to APNO Finance Pty Ltd.

Note 32 Business Combinations

No business combinations during the year ended 2013.

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
	Restated
Cash	8,632
Receivables	40,211
Prepayments	4,837
Inventories	430
Total current assets	54,110
Financial assets	55
Plant & equipment	53,647
Intangible assets	216,604
Investments in associates	6,119
Deferred tax asset	3,759
Total non-current assets	280,184
Payables and accruals	10,084
Provisions	1,345
Interest bearing liabilities	1,000
Total current liabilities	12,429
Payables and accruals	4,107
Deferred tax liability	39,061
Provisions	214
Interest bearing liabilities	105,483
Total non-current liabilities	148,865

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 in 2012 of \$377,000.

Note 33 Reconciliation of cash generated from operations to direct method

	2013	10 month period ended 31 Dec 2012
	\$'000	
Receipts from customers (inclusive of goods and services tax)	223,220	140,125
Payments to suppliers and employees (inclusive of goods and services tax)	(193,785)	(124,551)
Cash generated from operations	29,435	15,574

APN Outdoor Group Pty Ltd and its Controlled Entities

Notes to the financial statements

Note 34 Acquisition of investments reconciliation

	2013 \$'000	10 month period ended 31 Dec 2012 \$'000
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)
Acquisition of investments net of cash acquired	-	176,736

Note 35 Subsequent events

On 24 January 2014, APN News and Media Limited sold its remaining interest in APN Outdoor Group Pty Ltd, comprising ordinary shares and preference shares, for \$69,000,000 to investors of Quadrant Private Equity Fund No.3. Redeemable convertible preference shares held by APN News & Media Pty Limited and related receivable of \$40,000,000 were extinguished. Immediately subsequent to this transaction, APN Outdoor Group Pty Ltd transferred its 100% holding in APNO Finance Pty Ltd to APNO Group Holdings Pty Ltd, a wholly owned subsidiary incorporated on 19 December 2013.

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.

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 as at 31 December 2013 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 for the year ended 31 December 2013.

The deed in place at 31 December 2013 has been terminated as a result of the transaction on 24 January 2014. A new deed of cross guarantee was stamped on 11 February 2014 which includes the new subsidiary APNO Group Holdings Pty Ltd.

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

Note 36 Deed of Cross Guarantee (continued)

(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 2013 of the closed group.

Statement of comprehensive income	2013 \$'000	2012 \$'000 Restated
Revenue from continuing operations	209,528	134,709
Other revenue from ordinary activities	1,280	982
Other income	123	1,310
Total revenue and other income	210,931	137,001
Sales and marketing expense	(17,802)	(10,296)
Raw materials and consumables used	(8,428)	(5,086)
Production and installation costs	(16,805)	(9,922)
Employee benefits expense	(25,994)	(16,772)
Depreciation and amortisation expense	(8,901)	(5,485)
Rental of advertising space	(97,573)	(63,521)
Finance costs	(20,928)	(14,106)
Other expenses	(14,295)	(8,915)
Profit before income tax	205	2,898
Income tax (expense) / income	(321)	(659)
Profit for the period	(116)	2,239
Other comprehensive income		
Exchange differences on translation of foreign operations	1,487	68
Revaluation of cash flow hedges	561	(1,805)
Income tax relating to other comprehensive income	(168)	541
Other comprehensive income for the period, net of tax	1,880	(1,196)
Total comprehensive income for the period	1,764	1,043
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the period	2,239	-
Profit for the year	(116)	2,239
Retained earnings at the end of the period	2,123	2,239

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 2013.

	2013 \$'000	2012 \$'000 Restated
ASSETS		
Current assets		
Cash and cash equivalents	9,222	15,745
Trade and other receivables	60,160	50,922
Inventories	876	500
Other	47,441	46,271
Total current assets	117,699	113,438
Non-current assets		
Plant and equipment	61,533	54,507
Investments	8,767	9,057
Intangible assets	198,034	200,572
Deferred tax asset	3,661	5,056
Other	3,966	3,966
Total non-current assets	275,961	273,158
Total assets	393,660	386,596
LIABILITIES		
Current liabilities		
Trade and other payables	18,546	14,322
Current tax liability	2,276	1,457
Borrowings	6,268	8,826
Provisions	693	541
Other	343	774
Total current liabilities	28,126	25,920
Non-current liabilities		
Borrowings	159,370	154,498
Provisions	189	228
Deferred tax liability	35,660	37,488
Other	12,024	11,934
Total non-current liabilities	207,243	204,148
Total liabilities	235,369	230,068
Net assets	158,291	156,528
Equity		
Contributed equity	115,485	115,485
Redeemable convertible preference shares	40,000	40,000
Reserves	684	(1,196)
Accumulated profits	2,122	2,239
Total equity	158,291	156,528

APN Outdoor Group Pty Ltd and its Controlled Entities

Directors' declaration

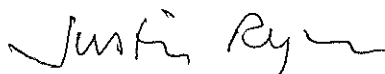
As stated in Note 1 to the financial statements, the Company and consolidated entity are not reporting entities because, in the directors' opinion, it is unlikely that users exist who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs. 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 29 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 2013 and of its performance for the year ended on that date.
- (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.



Justin Ryan
Director

Sydney
27 May 2014



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 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for APN Outdoor Group Pty Ltd (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view 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 consolidated 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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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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 consolidated entity's financial position as at 31 December 2013 and of its performance for the year 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.


PricewaterhouseCoopers


DS Wiadrowski
Partner

Sydney
27 May 2014