

APN Outdoor Group Pty Ltd and its Controlled Entities
ACN 155 848 589
Special Purpose Half Year Financial Report
For the period 30 June 2014

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APN Outdoor Group Pty Ltd and its Controlled Entities

Directors' report

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

1. Directors

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

Chris Hadley
Justin Ryan
Jason Cachia
Richard Herring (appointed 24 February 2014)
Jeff Howard (appointed 4 February 2013, resigned 24 January 2014)
Adam Trippe-Smith (appointed 5 June 2013, resigned 24 January 2014)
Michael Miller (appointed 25 June 2013, resigned 24 January 2014)

2. Review of operations

The results of the Company for the half year include:

Revenue from operations of \$109.3m, 11% above prior corresponding period and earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptional items of \$13.5m, up 60% on the prior corresponding period. Net loss after tax for the 6 month period to June 2014 of (\$3.7m), an improvement of \$1.8m on the prior corresponding period.

Refer to the Operating and Financial review on page 3 for additional details.

3. Dividends

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

4. Rounding of amounts

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

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



Justin Ryan
Chairman

11 September 2014
Sydney

APN Outdoor Group Pty Ltd and its Controlled Entities

Operating and Financial review

The 6 months to June 2014 was a period of strong growth underpinned by continued upgrade of the quality of our assets. Underlying earnings before interest, tax depreciation and amortisation (EBITDA) was \$13.5m, up \$5m or 60% over the prior comparative period. Australian EBITDA grew \$4.8m to \$12.5m and New Zealand EBITDA increased \$0.2m to \$1.0m.

After deducting one-off costs and interest the net loss after tax was \$3.7m, a \$1.8m improvement on prior period.

Our markets remain positive with Outdoor continuing to outperform other traditional media with the Australian and New Zealand markets growing 5.3% and 1.5% respectively. We also grew market share in both markets.

Operationally we continued our programme of upgrading the quality of the assets we offer to our markets. Over the last 6 month period, we rolled out a second national pack of 75, standardised, high impact Billboards (the "LUX" Collection) into the Australian market following the successful launch of our first pack of 75 panels during 2013. The LUX Collection has been well received by agencies and advertisers alike with strong support from car manufacturers and high quality brands in particular.

Our digital screen development saw a significant number of new digital panels being launched in most major markets. Currently we have 27 large format digital screens across Australia and New Zealand with a further screen to be commissioned by 30 September 2014. Our high definition screens in premium locations have attracted positive advertiser support and continue to attract new advertising revenue due to the immediacy and creative flexibility they provide.

All key contracts which expired in the period were successfully renewed on satisfactory terms and good progress was made with reducing sites costs where the opportunity permitted.

APN Outdoor Group Pty Ltd and its Controlled Entities

Consolidated statement of comprehensive income

For the period 30 June 2014

	Notes	June 2014 \$'000	June 2013 \$'000
Revenue from operations	2	109,312	98,389
Sales and marketing expense		(11,279)	(8,669)
Raw materials and consumables used		(3,991)	(3,620)
Production and installation costs		(8,690)	(8,123)
Employee benefits expense		(13,692)	(13,695)
Depreciation and amortisation expense		(4,864)	(4,394)
Rental of advertising space		(51,886)	(50,828)
Finance costs		(10,418)	(10,337)
Onerous lease contract		(4,372)	-
Other expenses		(5,826)	(6,399)
Loss before income tax		(5,706)	(7,676)
Income tax benefit	3	2,004	2,147
Loss for the period		(3,702)	(5,529)
Other comprehensive income / (loss)			
Exchange differences on translation of foreign operations		238	1,071
Revaluation of cash flow hedges		(349)	-
Other comprehensive income / (loss) for the period, net of tax		(111)	1,071
Total comprehensive loss for the period		(3,813)	(4,458)

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

APN Outdoor Group Pty Ltd and its Controlled Entities

Consolidated balance Sheet

As at 30 June 2014

	Notes	30 June 2014 \$'000	31 Dec 2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		21,855	12,616
Trade and other receivables		37,627	45,677
Inventories		726	876
Other		7,834	48,265
Total current assets		68,042	107,434
Non-current assets			
Plant and equipment		67,899	64,560
Investments		591	643
Intangible assets	4	212,147	214,880
Deferred tax asset		6,187	5,090
Other		3,967	3,966
Total non-current assets		290,791	289,139
Total assets		358,833	396,573
LIABILITIES			
Current liabilities			
Trade and other payables		22,457	19,846
Current tax liability		311	2,276
Borrowings	5	7,836	6,268
Provisions		913	693
Other		8,876	344
Total current liabilities		40,393	29,427
Non-current liabilities			
Borrowings	5	159,564	159,370
Provisions		48	189
Deferred tax liability		34,340	35,660
Other		8,838	12,024
Total non-current liabilities		202,790	207,243
Total liabilities		243,183	236,670
Net assets		115,650	159,903
Equity			
Contributed equity	6	115,044	115,484
Redeemable convertible preference shares	7	-	40,000
Reserves		1,936	2,047
Accumulated (losses) / profits		(1,330)	2,372
Total equity		115,650	159,903

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

APN Outdoor Group Pty Ltd and its Controlled Entities

Consolidated cash flow statement

Notes

For the period 30 June 2014

	June 2014 \$'000	June 2013 \$'000
Cash flows from operating activities		
Loss before taxation	(5,706)	(7,676)
Depreciation and amortisation expense	4,864	4,394
Loss on sale of assets	426	609
Net finance costs	10,258	10,198
Other non-cash items	3,204	(416)
Changes in assets and liabilities:		
Trade and other receivables	8,295	6,502
Inventories	150	(119)
Trade and other payables	1,763	228
Prepayments	310	347
Cash generated from operations	23,564	14,067
Interest paid	(9,291)	(5,149)
Income taxes paid	(579)	(353)
Net cash inflows from operating activities	13,694	8,565
Cash flows from investing activities		
Payments for plant and equipment	(8,643)	(5,890)
Cash receipts from the repayment of loans	-	231
Net cash outflows from investing activities	(8,643)	(5,659)
Cash flows from financing activities		
Repayment of redeemable preference shares	(32,200)	-
Proceeds from loan note	9,000	-
Proceeds from mezzanine facility	30,000	-
Proceeds from senior facility	3,500	2,500
Repayment of loans	(3,134)	(11,367)
Transaction costs paid	(3,015)	-
Net cash inflows / (outflows) from financing activities	4,151	(8,867)
Net increase / (decrease) in cash and cash equivalents	9,202	(5,961)
Cash and cash equivalents at the beginning of the financial period	12,616	16,815
Effect of exchange rate changes	37	71
Cash at the end of the financial period	21,855	10,925

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

APN Outdoor Group Pty Ltd and its Controlled Entities

Consolidated statement of changes in equity

For the period 30 June 2014

	Attributable to members of APN Outdoor Group Pty Ltd				
	Contributed equity	Redeemable convertible preference shares	Reserves	Accum. profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2013	115,484	40,000	(1,145)	2,079	156,418
Profit for the period	-	-	-	293	293
Other comprehensive income	-	-	3,192	-	3,192
Total comprehensive income for the period	-	-	3,192	293	3,485
Balance at 31 December 2013	115,484	40,000	2,047	2,372	159,903
Balance at 1 January 2014	115,484	40,000	2,047	2,372	159,903
Loss for the period	-	-	-	(3,702)	(3,702)
Other comprehensive loss	-	-	(111)	-	(111)
Total comprehensive loss for the period	-	-	(111)	(3,702)	(3,813)
Contributions of equity net of transaction costs	(440)	-	-	-	(440)
Preference shares extinguished	-	(40,000)	-	-	(40,000)
Balance at 30 June 2014	115,044	-	1,936	(1,330)	115,650

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

APN Outdoor Group Pty Ltd and its Controlled Entities

For the period 30 June 2014

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").

Basis of preparation

The half-year financial report is a special purpose financial report prepared in accordance with AASB 134 *Interim Financial Reporting*. The half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the most recent annual report.

The accounting policies adopted are consistent with those detailed in the 2013 Annual Report.

a) Critical accounting judgements and key sources of estimation uncertainty

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

(i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions.

(ii) Income taxes

The Group is subject to income taxes in Australia and New Zealand. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

b) Standards and interpretations issued but not yet effective

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

(c) 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
For the period 30 June 2014

	June 2014 \$'000	June 2013 \$'000
2. Revenue		
Advertising revenue	109,078	98,112
Interest revenue	161	139
Sundry revenue	61	77
Other – rent received	12	61
	<u>109,312</u>	<u>98,389</u>

3. Income tax expense

Income tax expense differs from the amount of prima facie tax payable as follows:

Loss before income tax expense	(5,706)	(7,676)
Prima facie tax at 30%	(1,712)	(2,303)
<i>Tax effect of differences:</i>		
Non-deductible expenses	105	115
Share of loss from associates	16	49
Other	(403)	-
Difference in international tax rates	(10)	(8)
Under provision in prior period		
Income tax expense / (benefit)	<u>(2,004)</u>	<u>(2,147)</u>

APN Outdoor Group Pty Ltd and its Controlled Entities
For the period 30 June 2014

	30 June 2014 \$'000	31 Dec 2013 \$'000		
4. Intangibles				
Goodwill	113,455	114,865		
Licenses, systems and process – net of amortisation	98,659	99,963		
Software – net of amortisation	33	52		
	<u>212,147</u>	<u>214,880</u>		
5. Borrowings – current				
Bank loans - secured	<u>7,836</u>	<u>6,268</u>		
	<u>7,836</u>	<u>6,268</u>		
Borrowings – non-current				
Bank loans – secured	129,672	100,874		
Redeemable preference shares	37,030	64,400		
Less net borrowing costs	(7,138)	(5,904)		
	<u>159,564</u>	<u>159,370</u>		
6. Contributed equity				
	30 June 2014 Shares '000	30 June 2014 \$'000	31 Dec 2013 Shares '000	31 Dec 2013 \$'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)	-	(6,422)	-	(5,982)
Contributed equity	<u>121,466</u>	<u>115,044</u>	<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.

APN Outdoor Group Pty Ltd and its Controlled Entities
For the period 30 June 2014

7. Redeemable convertible preference shares

	30 June 2014 Shares '000	30 June 2014 \$'000	31 Dec 2013 Shares '000	31 Dec 2013 \$'000
Issued				
Redeemable convertible preference shares	-	-	40,000	40,000

8. Lease commitments

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	98,816	97,143
Later than one year but not later than five years	218,492	257,534
Later than five years	77,852	94,719
Total operating lease commitments	395,160	449,396

Representing:

Cancellable operating leases	3,535	10,014
Non-cancellable operating leases	391,625	439,382
Total operating lease commitments	395,160	449,396

9. Capital commitments

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

Within one year	10,470	11,302
Later than one year but not later than five years	3,526	3,782
Total capital commitments	13,996	15,084

10. Contingent liabilities

The Group has provided bank guarantees of \$12,433,259 in respect of landlord rental leases.

11. 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 periods.

**APN Outdoor Group Pty Ltd and its Controlled Entities
For the period 30 June 2014**

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 11 are:
 - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the period 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.

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



Justin Ryan
Chairman

Sydney
11 September 2014



Independent auditor's review report to the members of APN Outdoor Group Pty Ltd Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of APN Outdoor Group Pty Ltd, which comprises the balance sheet as at 30 June 2014, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for APN Outdoor Group Pty Ltd (the consolidated entity). The consolidated entity comprises both APN Outdoor Group Pty Ltd (the Group) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report does not give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*. As the auditor of APN Outdoor Group Pty Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of APN Outdoor Group Pty Ltd does not:

- (a) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) comply with Accounting Standard AASB 134 *Interim Financial Reporting*.

DS Wiadrowski
Authorised Representative

Sydney
11 September 2014

**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian
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