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**Wilson & Horton Limited**

**ANNUAL REPORT**

**for the year ended 31 December 2014**

WILSON & HORTON LIMITED


ANNUAL REPORT

FOR THE YEAR ENDED 31 December 2014

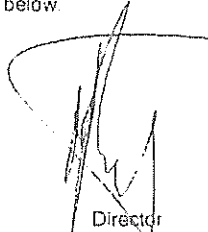
The directors are pleased to present the Annual Report of Wilson & Horton Limited incorporating the financial statements and auditor's report, for the year ended 31 December 2014.

The annual report and financial statements presented on pages 3 to 42 are signed for and on behalf of the Board of Directors, and are authorised for issue on the date below.

For and on behalf of the Board of Directors



Director



Director

Date: 12 August 2015

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WILSON & HORTON LIMITED

INCOME STATEMENTS  
for the year ended 31 December 2014

	Note	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
Revenue from operating activities	2	636,171	648,176	-	-
Other revenue and income	2	23,703	29,017	6,500	5,605
<b>Total revenue and other income</b>		<b>659,874</b>	<b>677,193</b>	<b>6,500</b>	<b>5,605</b>
Expenses from operations before finance costs	3	(559,583)	(562,190)	(295)	(31)
Impairment of intangible assets	11	(7,239)	-	-	-
Change in fair value of financial instrument	27	20,531	(3,787)	-	-
Reversal of impairment/(impairment) of investment in subsidiary	9	-	-	28,719	(28,719)
Finance costs	3	(26,037)	(25,978)	(39,855)	(39,577)
<b>Profit/(loss) before income tax expense</b>		<b>87,546</b>	<b>85,238</b>	<b>(4,931)</b>	<b>(62,722)</b>
Income tax (expense)/credit	5	(36,416)	(27,236)	9,673	8,666
<b>Profit/(loss) for the year</b>		<b>51,130</b>	<b>58,000</b>	<b>4,742</b>	<b>(54,056)</b>

Profit/(loss) for the year is attributable to:

Owners of the parent entity	31,195	27,176	4,742	(54,056)
Non-controlling interests	19,935	30,824	-	-
<b>Profit/(loss) for the year</b>	<b>51,130</b>	<b>58,000</b>	<b>4,742</b>	<b>(54,056)</b>

The above statements should be read in conjunction with the accompanying notes

WILSON & HORTON LIMITED

STATEMENTS OF COMPREHENSIVE INCOME  
for year ended 31 December 2014

	Note	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<b>Profit/(loss) for the year</b>		51,130	58,000	4,742	(54,056)
<b>Other comprehensive losses</b>					
<i>Items that may be reclassified to profit or loss</i>					
Exchange differences on translation of foreign operations	17	(4,794)	(74,023)	-	-
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation of freehold land and buildings	17	156	-	-	-
Exchange and other differences applicable to non-controlling interests		(8,263)	(23,159)	-	-
<b>Other comprehensive losses, net of tax</b>		<b>(12,901)</b>	<b>(97,182)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss)</b>		<b>38,229</b>	<b>(39,182)</b>	<b>4,742</b>	<b>(54,056)</b>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the parent entity		26,555	(46,847)	4,742	(54,056)
Non-controlling interests		11,674	7,665	-	-
		<b>38,229</b>	<b>(39,182)</b>	<b>4,742</b>	<b>(54,056)</b>

The above statements should be read in conjunction with the accompanying notes.

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## WILSON & HORTON LIMITED

### BALANCE SHEETS as at 31 December 2014

	Note	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<b>Current assets</b>					
Cash and cash equivalents	22	16,367	8,557	199	4
Trade and other receivables	6	349,411	473,673	515,668	588,558
Inventories	7	2,322	3,121	-	-
Tax receivable		1,798	-	-	-
Assets classified as held for sale	8	-	788	-	-
<b>Total current assets</b>		<b>369,898</b>	<b>486,139</b>	<b>515,867</b>	<b>588,562</b>
<b>Non-current assets</b>					
Other financial assets	9	132,370	111,891	602,565	573,846
Property, plant and equipment	10	91,503	100,797	-	-
Intangible assets	11	509,046	512,900	-	-
Deferred tax assets	12	38,371	21,808	81,319	73,377
<b>Total non-current assets</b>		<b>771,290</b>	<b>747,396</b>	<b>683,884</b>	<b>647,223</b>
<b>Total assets</b>		<b>1,141,188</b>	<b>1,233,535</b>	<b>1,199,751</b>	<b>1,235,785</b>
<b>Current liabilities</b>					
Payables	13	280,188	242,693	809,039	859,263
Interest bearing liabilities	14	1,722	31,414	-	29,870
Current tax provision		1,492	8,322	-	-
Provisions	15	11,008	12,154	-	-
Liabilities directly associated with assets classified as held for sale	8	-	3,132	-	-
<b>Total current liabilities</b>		<b>294,410</b>	<b>297,715</b>	<b>809,039</b>	<b>889,133</b>
<b>Non-current liabilities</b>					
Interest bearing liabilities	14	221,257	169,225	220,000	68,328
Deferred tax liabilities	12	33,527	-	-	-
Provisions	15	-	445	-	-
<b>Total non-current liabilities</b>		<b>254,784</b>	<b>169,670</b>	<b>220,000</b>	<b>68,328</b>
<b>Total liabilities</b>		<b>549,194</b>	<b>467,385</b>	<b>1,029,039</b>	<b>957,461</b>
<b>Net assets</b>		<b>591,994</b>	<b>766,150</b>	<b>170,712</b>	<b>278,324</b>
<b>EQUITY</b>					
Contributed equity	16	360,363	484,342	360,363	484,342
Reserves	17	(38,616)	(47,286)	-	-
Retained profits/(accumulated losses)	17	79,511	35,277	(189,651)	(206,018)
<b>Total parent entity interest</b>		<b>401,258</b>	<b>472,323</b>	<b>170,712</b>	<b>278,324</b>
Non-controlling interests	17	190,736	293,827	-	-
<b>Total equity</b>		<b>591,994</b>	<b>766,150</b>	<b>170,712</b>	<b>278,324</b>

The above statements should be read in conjunction with the accompanying notes.

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## WILSON & HORTON LIMITED

### STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2014

Group	Note	Attributable to owners of parent entity				Non-controlling interests \$'000	Total Equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total \$'000		
Balance at 1 January 2013		484,342	19,770	15,058	519,170	313,936	833,106
Profit for the year			-	27,176	27,176	30,824	58,000
Other comprehensive income			(74,023)	-	(74,023)	(23,159)	(97,182)
Total comprehensive income			(74,023)	27,176	(46,847)	7,665	(39,182)
Transfers within equity	17		6,957	(6,957)			
Equity transactions with non-controlling interests	17					(27,774)	(27,774)
Balance at 31 December 2013		484,342	(47,296)	35,277	472,323	293,827	766,150
Balance at 1 January 2014		484,342	(47,296)	35,277	472,323	293,827	766,150
Profit for the year				31,195	31,195	19,935	51,130
Other comprehensive income			(4,638)		(4,638)	(8,263)	(12,901)
Total comprehensive income			(4,638)	31,195	26,557	11,672	38,229
Return of contributed equity to shareholders	16	(123,979)		11,625	(112,354)		(112,354)
Transfers within equity	17		(1,414)	1,414			
Equity transactions with non-controlling interests <sup>(b)</sup>	17		14,732		14,732	(114,763)	(100,031)
Balance at 31 December 2014		360,363	(38,616)	79,511	401,258	190,736	591,994
Parent				Contributed equity \$'000	Accumulated losses \$'000	Total Equity \$'000	
Balance at 1 January 2013				484,342	(151,962)	332,380	
Total comprehensive income					(54,056)	(54,056)	
Balance at 31 December 2013				484,342	(206,018)	278,324	
Balance at 1 January 2014				484,342	(206,018)	278,324	
Total comprehensive income					4,742	4,742	
Return of contributed equity to shareholders	16			(123,979)	11,625	(112,354)	
Balance at 31 December 2014				360,363	(189,651)	170,712	

<sup>(b)</sup> This relates primarily to the purchase by the Level 3 Partnership of a A\$140.1m (NZ\$151.3m) debenture issued by Tibbar Broadcasting Pty Limited, a subsidiary of the ultimate parent. The issue of the debenture was associated with the acquisition of the 50% of Australian Radio Network (ARN) and the Radio Network (TRN) that APN News & Media Limited, the ultimate parent entity, did not already own. As part of the purchase, a A\$61.9m loan (NZ\$64.9m) held by ARN with the previous shareholder was settled. The investment in the debenture provided Wilson & Horton Limited with an additional 26.8% economic interest in ARN and TRN, resulting in a decrease in non-controlling interest of \$163.7m and an increase to equity attributable to the owners of the parent of \$14.7m. Refer to Note 20(c) for further details.

The above statements should be read in conjunction with the accompanying notes.

WILSON & HORTON LIMITED

STATEMENTS OF CASH FLOWS  
for the year ended 31 December 2014

	Note	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		719,123	748,248	-	-
Payments to suppliers and employees		(613,868)	(623,411)	(349)	(62)
Dividends received		2,037	3,485	-	-
Interest received		5,889	6,130	12	-
Interest paid		(19,522)	(20,370)	(10,300)	(10,977)
Income taxes paid		(17,879)	(22,051)	-	-
<b>Net cash inflows/(outflows) from operating activities</b>	<b>22</b>	<b>75,700</b>	<b>92,031</b>	<b>(10,637)</b>	<b>(11,039)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(11,624)	(12,461)	-	-
Payments for intangible assets including software		(12,757)	(2,274)	-	-
Acquisition of controlled entities		-	(5,251)	-	-
Proceeds from sale of property, plant and equipment		4,213	2,837	-	-
Proceeds from sale of businesses and investments		2,645	1,437	-	-
<b>Net cash outflows from investing activities</b>		<b>(17,523)</b>	<b>(15,712)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Loans advanced/repaid by related parties		143,475	9,274	(63,164)	57,790
Proceeds from borrowings		379,000	67,000	379,000	67,000
Repayments of borrowings		(359,914)	(120,944)	(258,370)	(113,751)
Return of contributed equity to shareholders	16	(46,634)	-	(46,634)	-
Proceeds from Partnership contribution		3,026	-	-	-
Payments to non controlling interests	20	(168,169)	(29,642)	-	-
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(50,216)</b>	<b>(74,312)</b>	<b>10,832</b>	<b>11,039</b>
<b>Change in cash and cash equivalents</b>		<b>8,041</b>	<b>2,007</b>	<b>195</b>	
Cash and cash equivalents at beginning of the year		8,557	6,789	4	4
Effect of exchange rate changes		(231)	(239)	-	-
<b>Cash and cash equivalents at end of the year</b>	<b>22</b>	<b>16,367</b>	<b>8,557</b>	<b>199</b>	<b>4</b>

The above statements should be read in conjunction with the accompanying notes

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### GENERAL INFORMATION

Wilson & Horton Limited ("the Company") and its subsidiaries' (together "the Group") principal activities during the financial year were the publishing of newspapers and magazines, commercial printing, radio broadcasting in New Zealand and Australia and the operation of online businesses.

These Group and parent financial statements (collectively "financial statements") were approved for issue by the Board of Directors on 12 August 2015.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the parent, being Wilson & Horton Limited, and the Group consisting of Wilson & Horton Limited and its subsidiaries

##### (a) Basis of preparation

The financial statements presented here are for the reporting entity Wilson & Horton Limited. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS) and IFRIC interpretations as issued by IASB.

The Company's subsidiary, APN Media (NZ) Limited, was an issuer of debt securities on the NZDX during the year. On 19 September 2014, the bonds were repaid (see note 14). However, the Company remained an issuer under section 4 of the Financial Reporting Act 1993 for the entirety of the 2014 financial year. The financial statements for the period ending 31 December 2015 will comply with the requirements of New Zealand equivalents to International Financial reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR") as APN Media (NZ) Limited will not be defined as an issuer for the 2015 year. Parent entity information will not be required to be disclosed for the year ended 31 December 2015 as the Group will have transitioned from the Financial Reporting Act 1993 to the Financial Reporting Act 2013.

##### Statutory base

Wilson & Horton Limited is a company registered under the Companies Act 1993. It is incorporated and domiciled in New Zealand. The entity's registered office is 46 Albert Street, Auckland.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

##### Historical cost convention

These financial statements have been prepared under the historical cost convention with the exception of certain items for which specific accounting policies are identified.

##### Going concern

The Parent has earned profits from operations in the period of \$4,742,000 (2013: losses of \$54,056,000). However, the company has accumulated losses of \$189,651,000 (2013: \$206,018,000) and a working capital deficiency of \$293,172,000 at the balance date (2013: \$300,571,000). The ultimate parent company APN News & Media Ltd is committed to and is financially able to provide financial support to the Parent as necessary, to enable it to continue as a going concern.

##### (i) Changes in accounting for investment in Level 4 Partnership

During the year, the Group has reviewed the accounting for its 99% investment in The Level 4 Partnership. In line with NZIFRS 10, the Group is considered to control the partnership and has subsequently consolidated the Level 4 Partnership. Previously, the Group accounted for 99% of the Partnership's assets at fair value.

The 31 December 2013 financial information has been amended to consolidate the Level 4 Partnership and apply NZIFRS 10. The key amendments are as follows:

- Recognition of additional 1% value, and an associated minority interest (\$630,000)
- Reclassification of changes in fair value between the income statements and foreign currency translation reserves. In 2014 (\$2,690,000) of changes in fair value have been recognised within currency translation reserve. In 2013, \$18,900,000 of fair value decreases previously recognised in the income statement have been classified to foreign currency translation reserves
- Recognition of related party receivables of \$4,275,000 and related party payables of \$11,311,000 in the 2013 comparative financial information

The impact of this change had no material impact on the opening balance sheet at 1 January 2013 (being the start of the earliest period reported), and on this basis no separate balance sheet has been presented.



## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (b) Principles of consolidation

###### (i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Wilson & Horton Limited and its subsidiaries as defined under NZ IFRS. 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 business combinations by the Group (refer note 1 (h)).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively. The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the consolidated income statement. Any losses are allocated to the non-controlling interest in subsidiaries even if the accumulated losses should exceed the non-controlling interest in the individual subsidiary's equity.

###### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

##### (c) Segment Reporting

The Group has identified operating segments based on the format of internal reports which are reviewed by key management personnel in assessing performance and in allocating resources.

##### (d) Foreign currency translation

###### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

###### (iii) Group entities

The result and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments are taken to equity. When a foreign operation is sold or a partial disposal occurs, a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on disposal.

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

##### (e) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of commissions, returns, rebates and taxes paid. The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that the economic benefits will flow to the Group.

Advertising revenue from Publishing is recognised when a newspaper or magazine is published, from broadcasting when the advertisement is broadcast and from Online operations over the period when displayed. Circulation, printing and coupon revenue is recognised when control of the goods passes to the buyer.

Other income includes rental income, dividends and partnership income. These items are recognised when the services have been provided or the Group's right to receive payment has been established.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (f) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax income is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

##### (g) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits. All operating lease payments are charged to the income statement on a straight line basis over the term of the lease.

Assets acquired under finance leases are included as property, plant and equipment in the balance sheet. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum leased payments. A corresponding liability is also established and each lease payment is allocated between the liability and finance charges. The interest element is charged to profit and loss over the period of the lease.

##### (h) 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 contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value through profit or loss. Acquisition related costs are expensed as incurred.

The identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Non-controlling interests in an acquiree are recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the Group's share of the net identifiable assets acquired is recorded as goodwill.

##### (i) Common control

Business combinations in which all of the combining entities or businesses ultimately controlled by the same party or parties both before and after the combination are recognised as common control transactions.

The Group applies the predecessor values method, without any step up to fair value. The net assets acquired, including goodwill, are incorporated in the Group financial statements at the book values as per the consolidated financial statements of the highest entity that has common control (i.e. APN News & Media Limited). The difference between any consideration given and the aggregate book value of net assets (at the date of the transaction) of the acquired entity is recorded as an adjustment to equity. No additional goodwill is created.

The Group financial statements incorporate the acquired entity's results only from the date of acquisition. The corresponding amounts of the previous period are not restated.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment and whenever there is an indication that they may be impaired. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge 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 suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (k) Cash and cash equivalents

For cash flow presentation requirements, cash and cash equivalents comprises cash on hand, deposits held at call with banks and investments in money market instruments, net of outstanding bank overdrafts.

##### (l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally settled within 60 days.

Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement within other expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the income statement.

##### (m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory quantities on hand at balance date using the first in first out basis. Cost comprises material, labour and an appropriate proportion of fixed and variable overheads. Net realisable value is the estimated selling price in the ordinary course of the business less the estimated cost of completion and the estimated cost necessary to make the sale.

##### (n) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group are classified as held for sale continues to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component for the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

##### (o) Other financial assets

###### (i) Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are subsequently measured at fair value or where certain criteria are met at amortised cost.

###### (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.

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

###### (iii) Financial assets at fair value

Investments in equity instruments are measured at fair value. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate where gains and losses arising from changes in fair value are recognised, being either in profit and loss or in reserves.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (p) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Plant and equipment is stated at historical cost less depreciation. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same asset are first charged against the revaluation reserves directly to the extent of the remaining reserve attributable to the asset. All other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	50 years
Plant and Equipment	3 to 15 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

##### (q) Intangible assets

###### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of the acquisition. Goodwill is not amortised but rather is subject to periodic impairment testing.

###### (ii) Software

Costs incurred in developing systems and costs incurred in acquiring software and licences are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

###### (iii) Mastheads

Mastheads, being the titles of the newspapers and magazines produced by the Group are accounted for as identifiable assets and are brought to account at cost. The directors believe the mastheads have indefinite lives and accordingly, no amortisation has been provided against the carrying amount.

###### (iv) Radio licences - Australia

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The Directors believe the licences have indefinite lives and accordingly, no amortisation has been provided against the carrying amount. The commercial radio licences held by the consolidated entity are renewable every five years under the provisions of the Broadcasting Services Act 1992 and the Directors have no reason to believe that the licences will not be renewed from time to time for the maximum period allowable under the Act and without imposition of any conditions.

###### (v) Radio licences - New Zealand

Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The current New Zealand radio licences have been renewed to 31 March 2031 and are being amortised on a straight line basis to that date.

###### (vi) Brands

Brands are accounted for as identifiable assets and are brought to account at cost. The Directors have considered the geographic location, legislative environment and legal, technical and other commercial factors likely to impact on the useful lives of the brands and consider that they have indefinite lives. Accordingly, no amortisation has been provided against the carrying amount.

##### (r) Trade and other payables

Trade payables, including accruals not yet billed, are recognised when the Group becomes obliged to make future payments as a result of a purchase of assets or services. Trade accounts payable are unsecured and are generally settled within 30 days.

##### (s) Borrowings

Loans and bonds are carried at their principal amounts, which represent the present value of future cash flow associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of payables and accruals. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These ancillary costs are netted off against the carrying value of borrowings in the balance sheet.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (t) Compound financial Instruments

Compound financial Instruments issued by the Group comprise mandatory convertible notes that convert to share capital of the issuer and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

##### (u) Provisions

Provisions for restructuring costs and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### (v) Employee benefits

###### (i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months from the reporting date are recognised in payables and accruals 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

###### (ii) Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

###### (iii) Short-term incentive plans

A liability for short-term incentives is recognised in payables and accruals when there is an expectation of settlement and at least one of the following conditions is met.

- There are contracted terms in the plan for determining the amount of the benefit.
- The amounts to be paid are determined before the time of completion of the financial statements, or
- Past practice gives clear evidence of the amount of the obligation.

Liabilities for short-term incentives are expected to be settled within 12 months and are recognised at the amounts expected to be paid when they are settled.

###### (iv) Long-term incentive plans – performance rights

Share-based compensation benefits are provided to employees by the ultimate parent entity via a Long-term Incentive (LTI) plan. The fair value of rights granted under the LTI plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the rights.

The fair value at grant date is independently determined using a combination of the Binomial option pricing model and the Monte-Carlo option pricing model which take into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the right.

The fair value of the rights granted is adjusted to reflect the market vesting condition, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, its estimate of the number of rights that are expected to become exercisable are revised. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity.

##### (w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### (x) Goods and Services Tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with exception of receivables and payables, which include GST invoiced. On the statements of cash flows receipts from customers and payments to suppliers are shown inclusive of GST.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (y) 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 (including mastheads and radio licenses) have suffered any impairment, in accordance with the accounting policy stated in note 1 (j). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to note 11 for details of these assumptions.

##### (ii) Valuations of other financial assets

The Group periodically revalues other financial assets in accordance with the accounting policy stated in note 1 (o). These valuations are based on available information at the time the valuation is conducted but is subject to estimation. Refer to note 27 for details of these assumptions.

##### (iii) Income taxes

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

Judgement is also required in relation to the recognition of carried forward tax losses as deferred tax assets. The Group assesses whether there will be sufficient future taxable profits to utilise the losses based on a range of factors, including forecast earnings and whether the unused tax losses resulted from identified causes which are unlikely to recur.

##### (iv) Investments in subsidiaries

There are a number of areas where judgement is exercised to establish whether an entity needs to be consolidated. In order to establish whether an entity is a consolidated subsidiary key areas of judgement include:

- Qualitative analysis of an entity including review of, among other factors, its capital structure, contractual terms, related party relationships and design of the entity;
- Rights of partners regarding significant business decisions, including disposals and acquisitions of assets;
- Board and management representation;
- Ability to make financing decisions; and
- Operating and capital budget approvals and contractual rights of other parties.

The exercise of judgement on these areas determines whether a particular entity is consolidated. In particular, the Group exercised its judgement in determining the nature of control in Australian Radio Network, the Level 3 Partnership and Level 4 Partnership.

##### (z) New standards and standards and interpretations issued but not yet effective

##### (i) New standards applied during the period

New accounting standards effective during the year are not considered to have a significant impact on the financial statements presented.

##### (ii) New standards, amendments, and interpretations to existing standards which are relevant to the Group but which the Group has not early adopted

NZ IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 for the first period beginning after its effective date and is currently assessing its full impact.

There are no other 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.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 2. REVENUE AND OTHER INCOME

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<i>Revenue from operations</i>				
Advertising revenue	524,610	523,536	-	-
Circulation revenue	98,392	112,243	-	-
Other revenue	13,169	12,397	-	-
<b>Revenue from operations</b>	<b>636,171</b>	<b>648,176</b>	<b>-</b>	<b>-</b>
<i>Other income</i>				
Dividends received	2,037	4,400	-	-
Gain on sale of properties and businesses	3,047	1,401	-	-
Derecognition of contingent consideration provision	-	2,608	-	-
Other	4,526	3,403	-	-
<b>Other income</b>	<b>9,610</b>	<b>11,812</b>	<b>-</b>	<b>-</b>
<i>Finance income</i>				
Interest received – related parties	13,731	16,774	6,409	5,605
Interest received – other entities	362	431	11	-
<b>Finance income</b>	<b>14,093</b>	<b>17,205</b>	<b>6,500</b>	<b>5,605</b>
<b>Total other revenue and income</b>	<b>23,703</b>	<b>29,017</b>	<b>6,500</b>	<b>5,605</b>
<b>Total revenue and other income</b>	<b>659,874</b>	<b>677,193</b>	<b>6,500</b>	<b>5,605</b>

#### 3. EXPENSES

<i>Expenses before finance costs</i>				
Employee benefits expense	229,757	234,636	-	-
Selling and production expense	190,394	188,138	-	-
Rental and occupancy expense	18,096	18,300	-	-
Depreciation and amortisation expense	24,542	24,266	-	-
Masthead license fees	28,739	30,213	-	-
Costs in relation to one-off projects	2,272	-	-	-
Redundancies and associated costs	4,871	3,008	-	-
Asset writedowns and business closures	1,811	4,214	-	-
Other	59,101	59,415	295	31
<b>Total expense before finance costs</b>	<b>559,583</b>	<b>562,190</b>	<b>295</b>	<b>31</b>
<i>Finance costs</i>				
Interest and finance charges – related parties	5,919	7,327	30,012	30,411
Interest and finance charges – other entities	16,864	16,617	8,672	8,244
Borrowing cost amortisation	3,254	2,034	1,171	922
<b>Total finance costs</b>	<b>26,037</b>	<b>25,978</b>	<b>39,855</b>	<b>39,577</b>

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 4. SEGMENT REPORTING

##### (a) Description of Segments

Management has determined the operating segments based on the Internal reports reviewed by the Directors and other senior management team in assessing performance and in allocating resources.

The four reportable segments are as follows:

NZME Publishing	Newspaper, magazine and online publishing
NZME Radio	Radio networks throughout New Zealand
GrabOne	e-Commerce business
Australian Radio Network	Metropolitan radio networks in Australia

##### (b) Results by operating segment

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

In 2014, the New Zealand Media segment was renamed NZME Publishing; The Radio Network segment was renamed NZME Radio and GrabOne is now being separately reported as a segment.

The segment information provided to the Directors and senior management team for the year ended 31 December 2014 is shown below.

2014	NZME Publishing \$'000	NZME Radio \$'000	GrabOne \$'000	Australian Radio Network \$'000	Unallocated \$'000	Total \$'000
Revenue from external customers	295,364	127,015	20,693	193,079	-	636,171
Segment result	51,591	25,112	4,364	72,546	(36,522)	117,091
Segment assets	97,931	162,408	28,410	509,931	322,508	1,141,188
Segment liabilities	45,236	12,600	8,666	79,435	403,257	549,194

##### Reconciliation of segment result to operating profit before tax

Segment result	117,091
Depreciation and amortisation	(24,542)
Net finance cost	(11,944)
Asset write downs, disposals and business closures	1,236
Redundancies and associated costs	(4,871)
Costs in relation to one-off projects	(2,272)
Impairment of intangible assets	(7,239)
Foreign exchange loss	(444)
Change in fair value of financial instrument	20,531
<b>Profit before tax</b>	<b>67,546</b>

Net finance costs includes an early redemption premium paid to holders of the New Zealand retail notes redeemed during the year of \$2.0 million; and the write off of unamortised borrowing costs associated with the previous financing arrangements of \$1.9 million.

Net gain on disposal of properties and businesses primarily relates to the gain on the sale of the NZ Magazines business to Bauer Media in February 2014



## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 4. SEGMENT REPORTING (continued)

Redundancies and associated costs relate to the ongoing restructuring of our NZME Publishing Division and integration of the New Zealand operations.

The costs relating to one off projects relate to costs related to the proposed NZME IPO process and costs related to the integration of NZME.

Change in fair value of financial instrument relates to Level 4 Partnership's investment in a debenture issued by Nathco Holdings Pty Ltd, a member of the APN News & Media Limited Group.

2013	NZME Publishing \$'000	NZME Radio \$'000	GrabOne \$'000	Australian Radio Network \$'000	Unallocated \$'000	Total \$'000
Revenue from external customers	330,453	120,584	21,594	175,545	-	648,176
Segment result	63,595	23,543	5,657	68,345	(35,863)	125,277
Segment assets	310,502	177,496	27,865	382,236	335,436	1,233,535
Segment liabilities	48,708	14,665	7,145	27,071	369,795	467,385
Reconciliation of segment result to operating profit before tax						
Segment result						125,277
Depreciation and amortisation						(24,266)
Net finance cost						(8,773)
Gains on derecognition of contingent consideration provision						2,608
Redundancies and associated costs						(3,008)
Asset write downs and business closures						(2,813)
Change in fair value of financial instrument						(3,757)
Profit before tax						85,238

The gain on derecognition of contingent consideration provision relates to adjustments to the amounts due under earn out arrangements relating to the acquisition of Idea HQ in 2012.

Redundancies and associated costs relate to the restructuring program put in place during the year in the NZ Media Division

Asset writedowns, disposals and business closures relate mainly to print and publishing properties and equipment.

#### (c) Other segment information

Segment revenues and expenses comprise amounts that are directly attributable to a segment and the relevant portion that can be allocated on a reasonable basis. Corporate overheads including centralised finance, legal and administrative costs and related party royalty charges are not allocated against operating segments but rather are included above as unallocated amounts.

Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment, goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other payables, employee benefits and provision for restructuring. Tax balances, the financial instrument and external borrowing are not allocated to operating assets or liabilities.

Segment revenues and results exclude transfers between segments. Such transfers are priced on an arm's length basis and are eliminated on consolidation.

The entity is domiciled in New Zealand and operates predominantly in New Zealand and Australia. The amount of its revenue from external customers in New Zealand is \$443,092,000 (2013: \$472,631,000) and Australia \$193,079,000 (2013: \$175,545,000). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in New Zealand is \$252,619,000 (2013: \$244,481,000) and Australia is \$518,671,000 (2013: \$502,915,000). Segment assets are allocated to countries based on where the assets are located.

WILSON & HORTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

5. INCOME TAX EXPENSE

	Note	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
Income tax expense/(benefit) differs from the amount prima facie payable as follows					
Profit/ (loss) from operations before tax		87,546	85,238	(4,931)	(62,722)
Prima facie income tax at 28%		24,513	23,867	(1,381)	(17,562)
Non assessable asset sales and exempt distribution receipts		(3,324)	(2,172)	-	-
Non-deductible impairment/revaluation		(3,759)	1,060	(8,041)	8,041
Gains on derecognition of contingent consideration provision		-	(730)	-	-
Non deductible previously recognised tax losses		-	112	-	-
Differences in international tax treatments and rates		2,870	1,518	-	-
Non-deductible expenses		937	725	-	-
Non-deductible interest		-	854	-	854
Other		387	1,000	(495)	-
Prima facie tax adjusted for permanent differences		21,624	26,234	(9,917)	(8,667)
Recognition of deferred tax on ARN joining the tax consolidation group	20	14,935	-	-	-
(Over)/under provision in prior years		(143)	1,064	244	1
<b>Income tax expense / (benefit)</b>		<b>36,416</b>	<b>27,238</b>	<b>(9,673)</b>	<b>(8,666)</b>
Reported income tax expense / (benefit) comprises:					
Current tax expense/ (benefit)		23,061	24,977	(241)	(719)
Deferred tax expense/(benefit)		13,498	1,257	(9,676)	(7,948)
(Over)/under provision in prior years		(143)	1,064	244	1
<b>Income tax expense / (benefit)</b>		<b>36,416</b>	<b>27,238</b>	<b>(9,673)</b>	<b>(8,666)</b>

The Company is involved in a dispute with the New Zealand Inland Revenue Department (IRD) regarding certain financing transactions. The dispute involves tax of NZ\$64 million for the period up to 31 December 2014. The IRD are seeking to impose penalties of between 10% and 50% of the tax in dispute and interest in addition to the tax claimed. The Company has tax losses available to offset any amount of tax payable to the extent of \$48 million.

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

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WILSON & HORTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

6. RECEIVABLES	2014	2013	2014	2013
	Group \$'000	Group \$'000	Parent \$'000	Parent \$'000
Trade receivables	86,912	81,019	-	-
Provision for doubtful debts	(1,805)	(1,622)	-	-
	<b>85,107</b>	<b>79,397</b>		
Amounts due from related companies (note 21)	252,284	382,389	515,622	588,532
Other receivables and prepayments	12,020	11,887	46	26
<b>Total current receivables</b>	<b>349,411</b>	<b>473,673</b>	<b>515,668</b>	<b>588,558</b>

Trade receivables are generally settled within 60 days. The Directors consider the carrying amount of trade receivables approximates their net fair value. Loans to related companies are unsecured, interest bearing and repayable at call.

(a) Impaired trade receivables

As at 31 December 2014, current trade receivables of the Group with a nominal value of \$3,522,000 (2013: \$3,402,000) were impaired. For the purposes of NZ IAS 39 *Financial Instruments*, impaired receivables are regarded as those that are more than 90 days past due together with any other balances where the credit department considers collection to be in doubt. The amount of the provision was \$1,805,000 (2013: \$1,622,000). It was assessed that a portion of the impaired receivables is expected to be recovered.

The ageing of these receivables is as follows:

One to three months	1,511	986	-
Three to six months	971	1,350	-
Over six months	1,040	1,066	-
<b>Impaired receivables</b>	<b>3,522</b>	<b>3,402</b>	

Movements in the provision for doubtful debts are as follows:

Balance at beginning of the year	1,622	1,981	-
Provision for doubtful debts expensed	1,036	1,162	-
Receivables written off	(853)	(1,521)	-
<b>Provision for doubtful debts</b>	<b>1,805</b>	<b>1,622</b>	

(b) Past due but not impaired – trade receivables

As of 31 December 2014, trade receivables of \$18,454,000 (2013: \$18,399,000) were past due but not impaired. These receivables are 90 days or less past due.

Amounts charged to the provision account are generally written off when there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on previous collection history, these receivables would be expected to be collected.

(c) Fair value and credit risk

The fair value of current receivables is assumed to be their current value due to their short-term nature.

The maximum exposure to credit risk at the reporting date is the higher of the carrying amount and fair value of each receivable. The Group does not hold any collateral as security. Refer note 25 for further information on the risk management policy of the Group.

WILSON & HORTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

7. INVENTORIES	2014	2013	2014	2013
	Group \$'000	Group \$'000	Parent \$'000	Parent \$'000
Raw materials	2,322	3,121	-	-
<b>Total inventories</b>	<b>2,322</b>	<b>3,121</b>	<b>-</b>	<b>-</b>

8. ASSETS CLASSIFIED AS HELD FOR SALE

On 1 November 2013 the Company and the Bauer Media Group (Bauer) announced that they had entered into an agreement for the sale and purchase of New Zealand Magazines' consumer titles. Under the agreement, all the Group's wholly owned magazine brands, being the New Zealand Woman's Weekly, The Listener, Simply You, Simply You Living and Creme are sold to Bauer. The transaction completed on 28 February 2014.

The assets and liabilities associated with the titles sold to Bauer were being treated as assets held for sale at 31 December 2013:

(a) Assets classified as held for sale

	2013 \$'000
Disposal group held for sale	
Property, plant and equipment	161
Intangible assets	248
Other	379
<b>Total assets of disposal group held for sale</b>	<b>788</b>

(b) Liabilities directly associated with assets classified as held for sale

	2013 \$'000
Disposal group held for sale	
Payables	3,132
<b>Total liabilities directly associated with assets classified as held for sale</b>	<b>3,132</b>

9. OTHER FINANCIAL ASSETS	2014	2013	2014	2013
	Group \$'000	Group \$'000	Parent \$'000	Parent \$'000
Listed investments	1	1	-	-
Shares in subsidiary companies	-	-	602,565	573,846
Shares in other companies	27,649	25,011	-	-
Financial instrument held by Level 4 Partnership	104,720	88,879	-	-
<b>Total other financial assets</b>	<b>132,370</b>	<b>111,891</b>	<b>602,565</b>	<b>573,846</b>

All other financial assets except for shares in subsidiary companies are categorised as assets at fair value through the profit or loss and are reflected above at their fair values.

The financial instrument held by Level 4 Partnership refers to an investment in a debenture issued by Nathco Holdings Pty Ltd (Nathco), a member of the APN News & Media Limited Group. The terms of debenture entitle the Level 4 Partnership to receive 95% of the profits of Nathco.

On the basis of a sustainable increase in the net assets of its subsidiary, APN NZ Investments Limited the Company has reversed the 2013 impairment of \$28,719,000 and recognised the reversal in the current Income Statement.

The parent's investment in shares in subsidiary companies is stated at historical cost, in accordance with NZ IAS 27 *Separate Financial Statements*.

Shares in other companies represent ownership interests in companies that are not consolidated or equity accounted.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 9. OTHER FINANCIAL ASSETS (continued)

Shares in subsidiary companies  
Significant subsidiaries include:

Name of Entity	Principal Activity	Ownership interest	
		2014	2013
APN Holdings NZ Limited	Media and Publishing	100%	100%
APN Specialist Publications NZ Limited	Media and Publishing	100%	100%
NZME Publishing Limited (formerly APN New Zealand Limited)	Media and Publishing	100%	100%
APN Print NZ Limited	Printing	100%	100%
APN NZ Investments Limited	Investment	100%	100%
Idea HQ Limited	Investment	100%	100%
GrabOne Limited	Online businesses	100%	100%
Australian Radio Network Pty Ltd <sup>(1)</sup>	Commercial radio	50%	50%
NZME Radio Limited (formerly The Radio Network Limited) <sup>(1)</sup>	Commercial radio	50%	50%
The Level 4 Partnership <sup>(2)</sup>	Investment	99%	99%
The Level 3 Partnership <sup>(2)</sup>	Investment	98%	

All subsidiary entities listed above have a balance date of 31 December and are incorporated in New Zealand with the exception of Australian Radio Network Pty Ltd which is incorporated in Australia.

<sup>(1)</sup> Wilson & Horton Limited holds 50% of the issued capital. Wilson & Horton Limited exercises effective control over the entity based on the Board and management representation and the 76.8% economic interest held by the Group.

<sup>(2)</sup> During the year, the Group has reviewed the accounting for its 99% investment in The Level 4 Partnership. In line with NZIFRS 10, the Group is considered to control the partnership and has subsequently consolidated the Level 4 Partnership. Previously, the Group accounted for 99% of the Partnership's assets at fair value. In line with NZIFRS 10, the Group is considered to control the Level 3 Partnership and has consolidated The Level 3 Partnership, which was established for the first time in 2014.

WILSON & HORTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Total \$'000
<b>At 1 January 2013</b>				
Cost or fair value	5,913	3,582	427,319	436,814
Accumulated depreciation	-	-	(320,297)	(320,297)
<b>Net book amount</b>	<b>5,913</b>	<b>3,582</b>	<b>107,022</b>	<b>116,517</b>
<b>Year ended 31 December 2013</b>				
Opening net book amount	5,913	3,582	107,022	116,517
Additions	-	122	12,339	12,461
Transfers to assets for sale	-	-	(161)	(161)
Disposals	(420)	(1,154)	(2,394)	(3,968)
Depreciation	-	(308)	(18,495)	(18,803)
Impairment	-	-	(2,980)	(2,980)
Foreign exchange differences	(74)	(66)	(2,129)	(2,269)
<b>Net book amount</b>	<b>5,419</b>	<b>2,176</b>	<b>93,202</b>	<b>100,797</b>
<b>At 1 January 2014</b>				
Cost or fair value	5,419	2,296	392,384	400,099
Accumulated depreciation	-	(120)	(299,182)	(299,302)
<b>Net book amount</b>	<b>5,419</b>	<b>2,176</b>	<b>93,202</b>	<b>100,797</b>
<b>Year ended 31 December 2014</b>				
Opening net book amount	5,419	2,176	93,202	100,797
Additions	-	66	11,558	11,624
Disposals	(2,299)	(840)	(223)	(3,362)
Depreciation	-	(231)	(16,868)	(17,099)
Foreign exchange differences	(15)	(14)	(426)	(455)
<b>Net book amount</b>	<b>3,105</b>	<b>1,157</b>	<b>87,241</b>	<b>91,503</b>
<b>As at 31 December 2014</b>				
Cost or fair value	3,105	1,514	398,812	403,431
Accumulated depreciation and impairment	-	(357)	(311,571)	(311,928)
<b>Net book amount</b>	<b>3,105</b>	<b>1,157</b>	<b>87,241</b>	<b>91,503</b>

The Directors consider that freehold land and buildings are carried at fair value.

Independent valuations were carried out in 2012 by certified valuers and carrying values have been adjusted to reflect their valuations.

Group property located in Auckland was sold in the period. In 2013 group properties in Bay of Plenty, Wairarapa and Hawkes Bay were sold.

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WILSON & HORTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

11. INTANGIBLE ASSETS

	Goodwill	Software (i)	Mastheads	Radio Licences	Brands	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2013</b>						
Cost	166,021	32,220	15,830	447,673	59,148	720,892
Accumulated amortisation	(95,614)	(22,986)	(8,591)	(24,525)	-	(151,716)
<b>Net book amount</b>	<b>70,407</b>	<b>9,234</b>	<b>7,239</b>	<b>423,148</b>	<b>59,148</b>	<b>569,176</b>
<b>Year ended 31 December 2013</b>						
Opening net book amount	70,407	9,234	7,239	423,148	59,148	569,176
Additions	-	2,274	-	-	-	2,274
Disposals	-	(286)	-	-	-	(286)
Transfers to assets held for sale	-	(248)	-	-	-	(248)
Amortisation	-	(2,980)	-	(2,480)	-	(5,460)
Other adjustments	76	-	-	-	(72)	4
Foreign exchange differences	(35)	1	-	(52,520)	-	(52,560)
<b>Net book amount</b>	<b>70,448</b>	<b>7,995</b>	<b>7,239</b>	<b>368,142</b>	<b>59,076</b>	<b>512,900</b>
<b>At 1 January 2014</b>						
Cost	166,062	32,433	15,830	395,147	59,076	665,548
Accumulated amortisation	(95,614)	(24,438)	(8,591)	(27,005)	-	(155,648)
<b>Net book amount</b>	<b>70,448</b>	<b>7,995</b>	<b>7,239</b>	<b>368,142</b>	<b>59,076</b>	<b>512,900</b>
<b>Year ended 31 December 2014</b>						
Opening net book amount	70,448	7,995	7,239	368,142	59,076	512,900
Additions	-	4,732	-	17,457	-	22,189
Amortisation	-	(4,174)	-	(3,269)	-	(7,443)
Impairment	-	-	(7,239)	-	-	(7,239)
Other adjustments	(215)	-	-	-	-	(215)
Foreign exchange differences	1	(22)	-	(11,120)	0	(11,140)
<b>Net book amount</b>	<b>70,234</b>	<b>8,531</b>	<b>-</b>	<b>371,202</b>	<b>59,076</b>	<b>509,043</b>
<b>At 31 December 2014</b>						
Cost	165,848	37,140	15,830	401,447	59,079	679,344
Accumulated amortisation and impairment	(95,614)	(28,609)	(15,830)	(30,245)	-	(170,298)
<b>Net book amount</b>	<b>70,234</b>	<b>8,531</b>	<b>-</b>	<b>371,202</b>	<b>59,079</b>	<b>509,043</b>

(i) Software additions for the year include \$1,600,000 (2013: \$1,808,000) which were internally generated.

Allocation of goodwill and non-amortising intangible assets

Name of CGU	2014	2013	2014	2013
	Group \$'000	Group \$'000	Parent \$'000	Parent \$'000
NZME Publishing - Regional (formerly New Zealand Media - Regional)	-	7,239	-	-
NZME Radio (formerly New Zealand Radio)	103,751	103,751	-	-
GrabOne	25,559	25,559	-	-
Australian Radio	314,558	325,578	-	-
<b>Total goodwill and non-amortising intangible assets</b>	<b>443,868</b>	<b>462,127</b>	<b>-</b>	<b>-</b>

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 11. INTANGIBLE ASSETS (continued)

##### Impairment of cash generating units (CGUs) including indefinite life intangible assets

During the year, it was determined that there were indicators of impairment of New Zealand publishing assets, arising from the challenging trading conditions impacting performance. Therefore, an impairment review of the respective CGU was performed.

As a result of the review the carrying amount of mastheads allocated to the NZME Publishing – Regional CGU was reduced to their recoverable amounts through the recognition of an impairment charge of \$7.2 million. The impairment of the New Zealand assets was a result of a number of factors including the challenging trading conditions and the continuation of the structural changes in the advertising market

The impairment charge impacted the NZME Publishing – Regional CGU as follows:

2014	Impairment charge \$'000	Carrying value of intangible assets \$'000
NZME Publishing – Regional (formerly New Zealand Media – Regional)	7,239	

##### Year-end impairment review

A comprehensive impairment review was conducted at 31 December 2014. The recoverable amount of each CGU which includes goodwill or indefinite life intangible assets has been reviewed. The recoverable amount of each CGU is determined based on the higher of fair value less costs to sell and value in use calculations using management budgets and forecasts for a three year period after adjusting for central overheads. Cash flows beyond five years are extrapolated at growth rates not exceeding the long term average growth rate for the business in which the CGU operates. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate

The key assumptions used in the value in use calculations are:

Name of CGU	2014 Post-tax discount rate	2014 Long-term growth rate	2013 Post-tax discount rate	2013 Long-term growth rate
NZME Publishing – Metro (formerly New Zealand Media – Metro)	10.5%	0.0%	11.0%	0.0%
NZME Publishing – Regional (formerly New Zealand Media – Regional)	10.5%	0.0%	11.0%	(2.0%)
NZME Radio (formerly New Zealand Radio)	10.5%	2.0%	11.0%	2.0%
GrabOne	10.5%	2.5%	12.0%	4.0%
Australian Radio	10.0%	2.0%	10.0%	2.0%

Fair value less costs to sell and value in use calculations are sensitive to changes in key assumptions. All CGUs have sufficient headroom such that reasonable changes to key assumptions would not give rise to an impairment charge.

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NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

12. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax - Group	Balance 1 Jan 13 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Other movements \$'000	Balance 31 Dec 13 \$'000
Tax credits	4	2,170			2,174
Tax losses	54,239	7,423		(9,228)	52,434
Employee benefits	3,176	(626)			2,550
Doubtful debts	580	(122)			458
Accruals/restructuring	2,965	(3,959)		3,116	2,122
Intangible assets	(29,832)	1,387	939	(3,116)	(30,622)
Depreciation	(11,846)	(498)			(12,344)
Financial instruments	16,134	(7,770)			8,364
Other	(4,066)	736			(3,330)
	31,354	(1,257)	939	(9,228)	21,808
	Balance 1 Jan 14 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Other movements \$'000	Balance 31 Dec 14 \$'000
Tax credits	2,174	(1,262)			912
Tax losses	52,434	11,857		(3,715)	60,576
Employee benefits	2,550	(152)			2,398
Doubtful debts	458	62			520
Accruals/restructuring	2,122	(3,635)			(1,563)
Intangible assets	(30,622)	(11,023)	249		(41,396)
Depreciation	(12,344)	(619)			(12,963)
Financial instruments	8,364	(8,364)			
Other	(3,328)	(312)			(3,640)
	21,808	(13,498)	249	(3,715)	4,844
Movements in deferred tax - Parent	Balance 1 Jan 13 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Other movements \$'000	Balance 31 Dec 13 \$'000
Tax losses	52,108	15,428		(2,760)	64,776
Financial instruments	16,134	(7,770)			8,364
Other	(653)	290			(363)
	66,189	7,948	-	(2,760)	73,377
	Balance 1 Jan 14 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Other movements \$'000	Balance 31 Dec 14 \$'000
Tax losses	64,776	18,501		(1,734)	81,543
Financial instruments	8,364	(8,364)			
Other	(237)	(461)			(224)
	73,377	9,676	-	(1,734)	81,319

Group deferred income tax assets and liabilities are presented net in the analysis above. These include net deferred income tax liabilities of \$33,527,000 (2013: \$17,204,000) arising from the Group's Australian subsidiaries.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

13. PAYABLES	2014	2013	2014	2013
	Group \$'000	Group \$'000	Parent \$'000	Parent \$'000
Trade and other payables	75,050	75,376	1,766	4,085
Amounts due to subsidiary companies (note 21)	-	-	806,551	854,481
Amounts due to related companies (note 21)	205,138	167,317	722	697
<b>Total payables</b>	<b>280,188</b>	<b>242,693</b>	<b>809,039</b>	<b>859,263</b>

Trade and other payables are generally settled within 30 days from the end of the months in which they are incurred.

### 14. INTEREST BEARING LIABILITIES

	2014	2013	2014	2013
	Group \$'000	Group \$'000	Parent \$'000	Parent \$'000
<b>Current</b>				
Mandatory convertible notes	-	29,870	-	29,870
Other financing	1,722	1,544	-	-
<b>Total current interest bearing liabilities</b>	<b>1,722</b>	<b>31,414</b>	<b>-</b>	<b>29,870</b>
<b>Non-current</b>				
Bank loans – secured <sup>(i)</sup>	220,000	-	220,000	-
Bank loans – unsecured <sup>(i)</sup>	-	69,500	-	69,500
New Zealand Bonds	-	100,000	-	-
Other financing	1,257	2,979	-	-
<b>Total non-current interest bearing liabilities</b>	<b>221,257</b>	<b>172,479</b>	<b>220,000</b>	<b>69,500</b>
<b>Deduct</b>				
Borrowing costs	-	11,568	-	6,617
Accumulated amortisation	-	(8,315)	-	(5,645)
<b>Net borrowing costs</b>	<b>-</b>	<b>3,254</b>	<b>-</b>	<b>1,172</b>
<b>Total non-current interest bearing liabilities, net of borrowing costs</b>	<b>221,257</b>	<b>169,225</b>	<b>220,000</b>	<b>68,328</b>

<sup>(i)</sup> The APN News & Media Limited group's debt facilities were refinanced in September 2014 with a syndicate of domestic and international banks. The bank loans are secured by mortgages over a portion of the assets of APN News and Media Limited and its subsidiaries, which include assets of the Wilson & Horton group.

#### New Zealand Bonds

In September 2014 the fixed rate bonds ("New Zealand Bonds") issued by APN Media (NZ) Limited on 15 December 2010, with a coupon rate of 7.86% per annum and maturing 15 March 2016, were redeemed early as part of a refinancing undertaken by APN News and Media Limited.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 14. INTEREST BEARING LIABILITIES (continued)

##### Mandatory Convertible Notes

On 17 February 2005, the parent entity issued 150,000,000 9.03% convertible notes for \$349,500,000 to Marnin Limited ('Marnin'), an entity controlled by the Group's ultimate parent company. Interest was payable in June and December each year. On 10 December 2014, Marnin delivered the convertible notes to APN International Pty Limited, a member of the APN News & Media Limited Group. On 20 December 2014 each issued note converted to one ordinary share in the parent entity.

The mandatory convertible notes are presented in the balance sheet as follows:

	2014 \$'000	2013 \$'000
Face value of convertible notes issued on 17 February 2005	349,500	349,500
Equity component	(132,885)	(132,885)
<b>Liability component on initial recognition</b>	<b>216,615</b>	<b>216,615</b>
Interest expense to date	93,017	91,328
Total repayments to date	(309,632)	(276,073)
<b>Liability component at 31 December</b>	<b>-</b>	<b>29,870</b>

The liability is split between the current and non-current elements as follows:

	2014 \$'000	2013 \$'000
Current liabilities	-	29,870
Non-current liabilities	-	-
<b>Liability component at 31 December</b>	<b>-</b>	<b>29,870</b>

#### 15. PROVISIONS

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<b>Current provision</b>				
Employee entitlements	10,298	10,194	-	-
Restructuring provision	710	1,960	-	-
<b>Total current provision</b>	<b>11,008</b>	<b>12,154</b>	<b>-</b>	<b>-</b>
<b>Non-Current</b>				
Restructuring provision	-	445	-	-
<b>Total non-current provision</b>	<b>-</b>	<b>445</b>	<b>-</b>	<b>-</b>

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 15. PROVISIONS (continued)

##### Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

Group 2014	Restructuring \$'000	Total \$'000
Carrying amount at beginning of year	2,405	2,405
Charged to profit or loss		
Additional provisions recognised	60	60
Amounts used	(1,755)	(1,755)
<b>Carrying amount at end of the year</b>	<b>710</b>	<b>710</b>

The restructuring provision includes onerous rental contracts and expected redundancy costs related to formally announced restructuring plans.

#### 16. CONTRIBUTED EQUITY

	2014 Number	2013 Number	2014 \$'000	2013 \$'000
Share capital				
Issued and paid up capital	228,550,000	228,550,000	279,974	279,974
Conversion of mandatory convertible notes <sup>(a)</sup>	150,000,000		204,368	
Return of capital to shareholders <sup>(b)</sup>			(123,979)	
<b>Other equity securities</b>				
Value of conversion rights – mandatory convertible notes				204,368
<b>Total contributed equity</b>	<b>378,550,000</b>	<b>228,550,000</b>	<b>360,363</b>	<b>484,342</b>

All ordinary shares rank equally with one vote attached to each ordinary share and have no par value.

<sup>(a)</sup> On 20 December 2014, each of the 150,000,000 mandatory convertible notes on issue converted to one ordinary share in the Parent

<sup>(b)</sup> On 19 December 2014 the Directors approved a partial repayment of share capital, representing a repayment of A\$0.28 per ordinary share. A total repayment of capital of A\$105,994,000 was made on 23 December 2014. The repayment made by the Parent was in part funded via a promissory note for A\$62,000,000 (NZ\$65,720,000) endorsed to the Company by APN Holdings NZ Ltd.

WILSON & HORTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

17. RESERVES AND RETAINED PROFITS/(ACCUMULATED LOSSES)

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<b>(a) Reserves</b>				
Asset revaluation reserve	1,185	2,408	-	-
Foreign currency translation reserve	(48,160)	(43,331)	-	-
Transactions with non-controlling interests reserve	8,359	(6,373)	-	-
<b>Total reserves</b>	<b>(38,616)</b>	<b>(47,296)</b>	<b>-</b>	<b>-</b>
<b>Asset revaluation reserve</b>				
Balance at beginning of the year	2,408	2,297	-	-
Revaluation of freehold land and buildings	156	-	-	-
Transfer to foreign currency translation reserve	35	295	-	-
Transfer to retained profits	(1,414)	(184)	-	-
<b>Balance at end of year</b>	<b>1,185</b>	<b>2,408</b>	<b>-</b>	<b>-</b>
<b>Foreign currency translation reserve</b>				
Balance at beginning of the year	(43,331)	23,845	-	-
Foreign exchange transfers from other reserves	(35)	6,847	-	-
Net exchange difference on translation of foreign operations	(4,794)	(74,023)	-	-
<b>Balance at end of year</b>	<b>(48,160)</b>	<b>(43,331)</b>	<b>-</b>	<b>-</b>
<b>Transactions with non-controlling interests reserve</b>				
Balance at beginning of the year	(6,373)	(6,373)	-	-
Decrease/(increase) in purchase consideration for controlled business	14,732	-	-	-
<b>Balance at end of year</b>	<b>8,359</b>	<b>(6,373)</b>	<b>-</b>	<b>-</b>
<b>(b) Retained profits/(accumulated losses)</b>				
Balance at beginning of the year	35,277	15,058	(206,018)	(151,962)
Transfer to/from reserves	1,414	(6,957)	-	-
Gain on return of capital to shareholders	11,625	-	11,625	-
Profit/(losses) attributable to owners of the parent entity	31,195	27,176	4,742	(54,056)
<b>Balance at end of year</b>	<b>79,511</b>	<b>35,277</b>	<b>(189,651)</b>	<b>(206,018)</b>

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policies. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of any foreign controlled entities are taken to the foreign currency translation reserve, as described in accounting policies.

(iii) Transactions with non-controlling interests reserve

This reserve is used to record the differences described in note 1(b)(i) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 17. RESERVES AND RETAINED PROFITS (continued)

##### (d) Non-controlling interest

	2014	2013
	Group	Group
	\$'000	\$'000
Share capital	207,583	210,887
Reserves	(1,924)	2,059
Retained Profits	157,045	159,329
Other	(171,968)	(70,440)
<b>Non-controlling interests</b>	<b>190,736</b>	<b>293,827</b>

#### 18. CONTINGENT LIABILITIES

##### (a) Guarantees

The ultimate parent entity and all wholly-owned controlled entities, including those in the Wilson & Horton Limited group, have provided guarantees in respect of banking facilities. As at 31 December 2014 the facilities had been drawn down to the extent of A\$497,647,000 (2013: A\$454,270,000).

The ultimate parent entity and all wholly-owned controlled entities, including those in the Wilson & Horton Limited group, have given guarantees in respect of certain banking facilities of A\$1,904,000 (2013: A\$6,581,000).

##### (b) Claims

Claims for damages are made against the Group from time to time in the ordinary course of business. The Directors are not aware of any claim that is expected to result in material costs or damages.

The Parent entity is involved in a dispute with the New Zealand Inland Revenue Department regarding certain financing transactions. Refer to note 5 for further details.

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WILSON & HORTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

19. COMMITMENTS

(a) Lease commitments

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

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
Not later than one year	19,577	19,898	-	-
Later than one year but not later than five years	36,793	45,530	-	-
Later than five years	19,155	29,175	-	-
<b>Commitments not recognised in the financial statements</b>	<b>75,525</b>	<b>93,603</b>	<b>-</b>	<b>-</b>
Representing:				
Cancellable operating leases	2,442	1,892	-	-
Non-cancellable operating leases	73,083	91,711	-	-
<b>Commitments not recognised in the financial statements</b>	<b>75,525</b>	<b>93,603</b>	<b>-</b>	<b>-</b>

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
(b) Masthead commitments				
Not later than one year	22,600	29,400	-	-
Later than one year but not later than five years	90,400	117,600	-	-
Later than five years	22,600	55,800	-	-
<b>Total masthead commitments</b>	<b>135,600</b>	<b>205,800</b>	<b>-</b>	<b>-</b>

The Masthead License Agreement with Wilson & Horton Finance Pty Limited (NZ Branch) requires an annual review be performed to determine the masthead royalty payments for the following year. As such, the masthead commitments disclosed in the above table may vary.

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
(c) Capital commitments				
Capital expenditure contracted for at balance date but not recognised as liabilities:				
Payable not later than one year	289	540	-	-
<b>Total capital commitments</b>	<b>289</b>	<b>540</b>	<b>-</b>	<b>-</b>

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 20. INTERESTS IN OTHER ENTITIES

##### (a) Material subsidiaries with non-controlling interests

Set out below are the Group's material subsidiaries with non-controlling interests at 31 December 2014. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group.

Name of entity	Place of business	Country of incorporation	Ownership interest held by the group		Ownership interest held by non-controlling interests		Principal activities
			2014	2013	2014	2013	
Australian Radio Network Pty Ltd <sup>(1)</sup>	Australia and New Zealand	Australia	50%	50%	50%	50%	Commercial radio

<sup>(1)</sup> The Australian Radio Network owns 100% of NZME Radio Limited

##### (b) Non-controlling interests (NCI)

Set out below is the summarised financial information for the subsidiary. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Australian Radio Network Pty Ltd	
	2014	2013
	\$'000	\$'000
<b>Summarised balance sheet</b>		
Current assets	172,510	188,705
Current liabilities	47,547	41,062
Current net assets	124,963	147,643
Non-current assets	620,095	566,697
Non-current liabilities	35,884	21,484
Non-current net assets	584,211	545,213
Net assets	709,174	692,856
Accumulated NCI	187,506	261,814
<b>Summarised statement of comprehensive income</b>		
Revenue	326,572	302,966
Profit for the period	62,038	56,794
Other comprehensive income	5,084	33,187
Total comprehensive income	67,122	89,981
NCI within the ARN Group <sup>(1)</sup>	4,294	2,464
Total comprehensive income allocated to NCI	19,732	47,455
Dividends paid to NCI	17,600	22,967

<sup>(1)</sup> ARN has a controlling 50% interest in Brisbane FM Radio Pty Ltd

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 20. INTERESTS IN OTHER ENTITIES (continued)

Summarised cash flows	Australian Radio Network Pty Ltd	
	2014 \$'000	2013 \$'000
Cash flows from operating activities	70,690	69,986
Cash flows from investing activities	(13,856)	(8,579)
Cash flows from financing activities	(53,833)	(57,352)
<b>Net increase in cash and cash equivalents</b>	<b>3,309</b>	<b>4,055</b>

#### (c) Transactions with non-controlling interests

In February 2014, APN News & Media Limited the ultimate parent through its subsidiary, Tibbar Broadcasting Pty Limited (Tibbar), acquired the 50% of Australian Radio Network (ARN) and the Radio Network (TRN) that it did not already own. This transaction was treated as a transaction with a non-controlling interest as the APN News & Media Limited Group previously controlled and consolidated ARN and TRN.

This acquisition was funded in part by Tibbar issuing a debenture to the Level 3 Partnership, a subsidiary of Wilson & Horton Limited

The investment in the debenture provides Wilson & Horton Limited with an additional 26.8% economic interest in ARN and TRN. The investment in the debenture by Level 3 Partnership has been treated as a transaction with a non-controlling interest. The consideration paid was A\$140,081,000 (NZ\$151,288,000). The carrying amount of the non-controlling interests in ARN on the date of the transaction was \$305,364,000. The carrying value of the 26.8% non-controlling interest on the date of the transaction was \$163,675,000. The Group recognised a decrease in non-controlling interests of \$163,675,000 and an increase in equity attributable to owners of the parent of \$14,732,000. Upon ARN joining the ultimate parent Australian tax consolidated group, ARN recognised a deferred tax liability of \$14,935,000, which has been expensed in the current year.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 21. RELATED PARTY INFORMATION

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
Total remuneration for Directors and other key management personnel				
Short term benefits	4,419	2,969	-	-
Post-employment benefits	166	76	-	-
Termination benefits	2,087	564	-	-
Share-based payments	369	-	-	-
	7,241	3,609	-	-

Wilson & Horton Limited is a wholly owned subsidiary of Australian Provincial Newspapers International Pty Ltd, a company incorporated in Australia. Its ultimate parent company is APN News & Media Limited, a company incorporated in Australia.

The Group charged interest of \$6,667,646 (2013: \$10,614,000) to Biffin Pty Ltd a member of the APN News & Media Limited Group. Biffin Pty Ltd charged management fees to APN Holdings NZ Limited of \$3,447,000 (2013: \$3,595,000). A group company, APN Holdings NZ Limited charged shared services fees totalling \$2,966,000 (2013: \$4,079,311) to related parties. The Group purchased print services worth \$8,569,000 (2013: \$1,358,000) from Beacon Print Ltd, a company in which the Group holds an interest in. The Group settled loans of \$5,783,000 to NZME Educational Media (NZ) Ltd in the period (2013:\$nil)

Wilson & Horton Limited had issued mandatory convertible notes to Marnin Ltd, an entity controlled by the Group's ultimate parent company (refer to note 14). Wilson & Horton Limited has made total payments of \$31,560,000 during the 2014 year (2013: \$31,560,000). Using the effective interest method, these payments have been classified as interest of \$1,689,000 (2013: \$3,809,000) and principal repayments of \$29,870,000 (2013: \$27,751,000). The note converted to ordinary shares on 20 December 2014 (refer to note 14) and \$nil was outstanding at balance date (2013: \$29,870,000). Wilson & Horton Ltd charged certain subsidiary companies interest totalling \$6,488,000 in the 2014 year (2013:\$5,605,000).

Biffin Pty Ltd repaid loans of \$236,232,856 (2013: \$25,916,277) to group companies and borrowed \$53,278,000 (2013:\$10,613,000) from group companies. It was charged interest of \$6,901,000 from group companies.

Wilson & Horton Finance Pty Ltd, New Zealand Branch, charged royalty fees of \$28,739,000 (2013: \$30,213,000), advanced \$22,565,000 (2013: \$15,150,000), repaid loans of \$3,036,000 (2013: \$13,893,000) and charged interest of \$4,651,000 (2013: \$3,389,000) to the Group. The Group charged Wilson & Horton Finance Pty Ltd, New Zealand Branch, office rental and service fees of \$168,000 (2013: \$168,000). Group entities offset tax losses for consideration of \$3,715,000 (2013: \$9,228,000) with other APN Group companies.

Group	2014	2013	2014	2013
	Receivables \$'000	Receivables \$'000	Payables \$'000	Payables \$'000
Balances with related party				
Biffin Pty Limited	105,887	282,149	21,702	12,008
Media Tek Pty Limited	50,782	51,544	1,048	1,084
APN Newspapers Pty Limited	95,311	45,304	220	227
NZME, Educational Media Limited (formerly APN Educational Media (NZ) Limited)	2	3,107	450	9,337
Wilson & Horton Finance Pty Limited – New Zealand Branch	-	-	129,545	106,356
APN News & Media Limited	-	-	47,608	34,786
Other related party balances	302	205	4,565	3,519
<b>Total related party receivables and payables</b>	<b>252,284</b>	<b>382,309</b>	<b>205,138</b>	<b>167,317</b>
Parent	2014	2013	2014	2013
	Receivables \$'000	Receivables \$'000	Payables \$'000	Payables \$'000
Balances with related party				
Biffin Pty Limited	-	-	722	697
APN Holdings NZ Limited	353,913	428,074	806,542	854,471
APN New Zealand Limited	92,039	92,039	-	-
APN Specialist Publications NZ Limited	69,637	67,947	-	-
Other related party balances	33	472	9	10
<b>Total related party receivables and payables</b>	<b>515,622</b>	<b>588,532</b>	<b>807,273</b>	<b>855,178</b>

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NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

22. CASH FLOW INFORMATION

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<b>Reconciliation of cash</b>				
Cash at end of the year, as shown in the statements of cash flows, comprises:				
Cash and cash equivalents	16,367	8,557	199	4
<b>Reconciliation of net cash inflows (outflows) from operating activities to profit/ (loss) for the year:</b>				
Profit/ (loss) for the year	51,130	58,000	4,742	(54,056)
Depreciation and amortisation expense	24,542	24,266	-	-
Borrowing cost amortisation	3,254	2,034	691	922
Net gain on sale of non-current assets	(3,189)	(88)	-	-
Change in current / deferred tax payable	22,000	(10,126)	12,205	5,188
Foreign exchange losses / (gains)	1,856	(846)	444	-
Asset write offs and business closure	1,696	-	-	-
Amounts credited to provision against assets	-	-	-	-
Revaluation/impairment of financial assets	(4,326)	-	-	-
Revaluation/impairment of investment in subsidiary	-	-	(28,719)	28,719
Change in fair value of financial instrument	(20,531)	3,787	-	-
Impairment of intangible assets	7,239	-	-	-
Reversal of contingent consideration provision	-	2,608	-	-
Changes in assets and liabilities net of effect of acquisitions				
Trade and other receivables	(5,875)	23,342	-	-
Inventories	793	333	-	-
Prepayments	413	314	-	-
Trade and other payables and employee benefits	(3,222)	(1,593)	-	8,166
<b>Net cash inflows/(outflows) from operating activities</b>	<b>75,780</b>	<b>92,031</b>	<b>(10,637)</b>	<b>(11,039)</b>

**Finance facilities**

Details of credit standby arrangements and loan facilities are included in note 24

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NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2014

23. REMUNERATION OF AUDITORS

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
<b>(i) Remuneration for audit or review of the financial reports</b>				
PricewaterhouseCoopers – New Zealand firm	372	376	-	-
Other firms	152	349	-	-
<b>(ii) Remuneration for other assurance services</b>				
PricewaterhouseCoopers – New Zealand firm	18	18	-	-
PricewaterhouseCoopers – overseas firm	89	-	-	-
Other firms	28	76	-	-
<b>Total audit and other assurance services</b>	<b>659</b>	<b>819</b>	<b>-</b>	<b>-</b>

**(iii) Remuneration for other services**

PricewaterhouseCoopers – New Zealand firm				
Tax Services				
• Transactional advice	1,042	184	-	-
• Compliance	185	139	-	-
PricewaterhouseCoopers – overseas firms				
Tax Services				
• Consulting and advice	1,167	-	-	-
• Other advisory services	32	60	-	-
Other firms				
Tax Services				
• Transactional advice	-	22	-	-
• Compliance	96	106	-	-
Other advisory services	3,802	-	-	-
<b>Total non-audit services</b>	<b>6,324</b>	<b>511</b>	<b>-</b>	<b>-</b>

24. STANDBY ARRANGEMENTS AND CREDIT FACILITIES

	2014 Group \$'000	2013 Group \$'000	2014 Parent \$'000	2013 Parent \$'000
Entities in the Group have access to:				
<b>Overdraft facilities</b>				
Unsecured bank overdraft facility totalling	5,096	9,168	-	-
Amount of credit utilised	-	-	-	-
<b>Amount of available credit</b>	<b>5,096</b>	<b>9,168</b>	<b>-</b>	<b>-</b>
<b>Loan facilities</b>				
Secured bank loan facility totalling	340,600	-	340,600	-
Unsecured bank loan facility totalling	-	238,485	-	238,485
New Zealand Bonds	-	100,000	-	-
Amount of facility utilised	(220,000)	(230,841)	(220,000)	(130,841)
<b>Amount of available facility</b>	<b>120,600</b>	<b>107,644</b>	<b>120,600</b>	<b>107,644</b>

Loan facilities as at 31 December 2014 includes \$nil for letters of credit (2013: \$31,470,000)

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 25 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange and ageing analysis for credit risk.

Other than as set out below in relation to interest rate risk and credit risk, the Parent is not directly exposed to any significant financial risk.

Risk management is carried out by a central Treasury Function under policies approved by the Board of Directors. The policies provide principles for overall risk management, as well as areas covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

##### (a) Market risk

###### (i) Cash flow and fair value interest rate risk

The Group and Parent's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain a mix of fixed and variable rate borrowings.

Based on the outstanding net floating debt at 31 December 2014, a change in interest rates of +/-1% per annum with all other variables being constant would impact post-tax profit and equity by \$1.5 million lower/higher (2013: \$0.5 million lower/higher).

###### (ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Whilst the Group as a whole has assets and liabilities in multiple currencies, individual entities in the Group do not have a significant foreign exchange exposure to receivables or payables in currencies that are not their functional currency.

###### (iii) Price risk

The Group is not exposed to significant price risk. There is some risk associated with other financial assets however this is not deemed to be significant as other financial assets are categorised as level 3 in the fair value hierarchy and have been impaired, where applicable, to the present value of expected future cash flows.

##### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, the creditworthiness is assessed prior to entering into arrangements and approved by the Board. For other customers, risk control assesses the credit quality, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The Parent has credit risk associated with the receivable balances from other group entities and the maximum exposure to credit risk is the total of the related party receivables.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 18 for details).

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 25. FINANCIAL RISK MANAGEMENT (continued)

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The tables below analyse the Group's financial liabilities including interest to maturity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

31 December 2014	Less than one year \$'000	Between one and two years \$'000	Between two and five years \$'000	Over five years \$'000
Trade payables	75,050	-	-	-
Bank loans	13,444	13,444	234,622	-
Related party loans	193,442	1,310	-	-
<b>Gross liability</b>	<b>281,936</b>	<b>14,754</b>	<b>234,622</b>	<b>-</b>
Less interest	(13,686)	(13,497)	(14,622)	-
<b>Principal</b>	<b>268,250</b>	<b>1,257</b>	<b>220,000</b>	<b>-</b>

31 December 2013	Less than one year \$'000	Between one and two years \$'000	Between two and five years \$'000	Over five years \$'000
Trade payables	75,376	-	-	-
Bank loans	3,594	71,516	-	-
Mandatory convertible notes	31,560	-	-	-
New Zealand Bonds	7,860	7,860	101,965	-
Related party loans	169,282	1,965	1,310	-
<b>Gross liability</b>	<b>287,672</b>	<b>81,341</b>	<b>103,275</b>	<b>-</b>
Less interest	(13,694)	(10,119)	(2,018)	-
<b>Principal</b>	<b>274,108</b>	<b>71,222</b>	<b>101,257</b>	<b>-</b>

#### 26. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 27. FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis:

Financial assets at fair value through profit or loss (FVTPL);

- Land and buildings.

The Group has also measured assets and liabilities at fair value on a non-recurring basis as a result of the reclassification of assets and liabilities as held for sale.

#### (a) Fair value hierarchy

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

#### (b) Recognised fair value measurements

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2014. Comparative information for non-financial assets and liabilities has not been provided as permitted by the transitional provisions of the new rules.

31 December 2014	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Recurring fair value measurements</i>					
<b>Financial assets</b>					
Financial assets at fair value through profit and loss					
Shares in other companies	9			27,650	27,650
Financial instrument	9			104,720	104,720
<b>Total financial assets</b>				<b>132,370</b>	<b>132,370</b>
<b>Non-financial assets</b>					
<b>Land and buildings</b>					
Land	10			3,105	3,105
Buildings	10			1,157	1,157
<b>Total assets</b>				<b>4,262</b>	<b>4,262</b>

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### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 27. FAIR VALUE MEASUREMENTS (continued)

31 December 2013	Notes	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Recurring fair value measurements</i>					
<b>Financial assets</b>					
Financial assets at fair value through profit and loss					
Shares in other companies	9	-	-	25,012	25,012
Financial instrument	9	-	-	86,879	86,879
<b>Total financial assets</b>				111,891	111,891
<b>Non-financial assets</b>					
Land and buildings					
Land	10	-	-	5,419	5,419
Buildings	10	-	-	2,176	2,176
<b>Total assets</b>				7,595	7,595
<i>Non-recurring fair value measurements</i>					
Assets held for sale	8	-	-	788	788
<b>Total non-recurring assets</b>				788	788
<b>Liabilities directly associated with assets held for sale</b>					
	8	-	-	3,132	3,132
<b>Total non-recurring liabilities</b>				3,132	3,132

The parent entity holds no assets or liabilities measured and recognised at fair value.

There were no transfers between levels for recurring fair value measurements during the year.

The Group's policy is to recognise transfers between fair value hierarchy levels as at the end of the reporting period.

#### (c) Disclosed fair values

The Group also has a number of assets and liabilities which are not measured at fair value but for which fair values are disclosed in these notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. There are no outstanding non-current receivables as at 31 December 2014 (level 3).

The fair value of non-current borrowings disclosed in note 14 is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the group for similar financial instruments. For the period ending 31 December 2014, the borrowing rates were determined to be between 5.7% and 11.0%, depending on the type of borrowing. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant (level 2).

#### (d) Valuation techniques used to derive level 2 and 3 fair values

##### *Recurring fair value measurements*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for shares in other companies.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS  
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27. FAIR VALUE MEASUREMENTS (continued)

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment), less subsequent depreciation for buildings. This is considered sufficient regularity to ensure that they carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. All resulting fair value estimates for properties are included as Level 3.

*Non-recurring fair value measurements*

Assets classified as held for sale during the reporting period were measured at the lower of its carrying amount and fair value less cost to sell at the time of the reclassification. The fair value was determined in reference to current market offers.

(e) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2014 and 2013 for recurring fair value measurements:

	Shares in other corporations \$'000	Financial instrument \$'000	Land \$'000	Buildings \$'000	Total \$'000
Opening balance 1 January 2013	27,543	109,534			137,077
Adoption of NZ IFRS 13		-	5,913	3,582	9,495
Acquisitions		-		122	122
Disposals and other transfers			(420)	(1,154)	(1,574)
Depreciation				(308)	(308)
Change in fair value		(3,787)			(3,787)
Exchange losses recognised in other comprehensive income	(3,489)	(18,868)			(22,357)
Gains recognised in other income*	958	-	(74)	(66)	818
Closing balance 31 December 2013	25,012	86,879	5,419	2,176	119,486
Acquisitions				66	66
Disposals and other transfers	(2,264)		(2,299)	(840)	(5,403)
Depreciation				(231)	(231)
Change in fair value		20,531			20,531
Exchange losses recognised in other comprehensive income	(891)	(2,890)			(3,581)
Gains recognised in other income *	5,793	-	(15)	(14)	5,764
Closing balance 31 December 2014	27,650	104,720	3,105	1,157	136,632

\* Unrealised gains or (losses) recognised in profit or loss attributable to assets held at the end of the reporting period (included in gains/(losses) recognised in other income above).

2014	5,793	-			5,793
2013	958				958

There were no changes in valuation technique during the year

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### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2014

#### 27. FAIR VALUE MEASUREMENTS (continued)

(f) Fair value measurements using significant unobservable inputs (level 3)

(i) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (d) above for the valuation techniques adopted

Description	Fair value as at 31 Dec 2014 \$'000	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	23,261	Discounted cash flows	Cash flow growth factor	Between -6.0% and +10.5% (+1.4%)	Increasing cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the FV by \$3.6m. Lowering cash growth factor by 50 basis points and raising the discount rate by 100 basis points would decrease the fair value by \$2.9m
			Risk - adjusted discount rate	14.0%	
	4,389	Capitalisation multiple	EBITDA multiples	Between 3.5x and 5.5x (3.5x)	The higher the capitalisation multiple the higher the value.
Financial instrument	104,720	Discounted cash flows	Cash flow growth factor	Between -25.8% and 1.5% (-8.3%)	Increasing cash growth factor by 100 basis points and lowering discount rate by 100 basis points would increase the FV by \$8.8m. Lowering cash growth factor by 100 basis points and raising the discount rate by 100 basis points would decrease the FV by \$7.1m.
			Risk - adjusted discount rate	10%	
	132,370				

(ii) Valuation processes

The finance department of the Group performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This department reports directly to the APN Group's Chief Financial Officer and the Audit Committee. Discussions of valuation processes and results are held between the Chief Financial Officer, the Audit Committee and the finance team at least once every six months, in line with the Group's half-yearly reporting dates.

The Group engages external, independent, qualified valuers to determine the fair value of the Group's land and buildings at least every three years.

The level 3 inputs used by the Group are derived and evaluated as follows:

- The value of shares in other corporations and financial instrument – discount rates, forecasted cashflows, EBITDA multiples estimated by management based on comparable transactions and industry data.

#### 28. SUBSEQUENT EVENTS

Since the end of the financial year, the Group has acquired 100% of Radio 96FM Perth Pty Limited (96FM) from Fairfax Media. The purchase was A\$78.0 million and was funded from cash and existing debt facilities. 96FM's revenue for the 12 months to 31 December 2014 was A\$18.7m.

In July 2015, the APN News & Media Limited Group completed the refinancing of its debt facilities with a syndicate of domestic and international banks. The facility matures in June 2019.

Other than the matter described above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year 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.

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## ***Independent Auditors' Report*** to the shareholders of Wilson & Horton Limited

### ***Report on the Financial Statements***

We have audited the financial statements of Wilson & Horton Limited ("the Company") on pages 3 to 42, which comprise the balance sheets as at 31 December 2014, the income statements, statements of comprehensive income and statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2014 or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Statements***

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of taxation and other assurance and advisory services. The provision of these other services has not impaired our independence.



## ***Independent Auditors' Report***

Wilson & Horton Limited

### ***Opinion***

In our opinion, the financial statements on pages 3 to 42:

- (i) comply with generally accepted accounting practice in New Zealand; and
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 31 December 2014, and their financial performance and cash flows for the year then ended.

### ***Report on Other Legal and Regulatory Requirements***

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 December 2014:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

### ***Restriction on Use of our Report***

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

*Priscilla Havelock*

Chartered Accountants  
12 August 2015

Auckland

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