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**Wilson & Horton Limited**

**ANNUAL REPORT**

**for the year ended 31 December 2015**

WILSON & HORTON LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 December 2015

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 2015.

The annual report and financial statements presented on pages 3 to 39 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

Date:

25.05.16



Director

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## WILSON & HORTON LIMITED

### CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Revenue from operating activities	2	666,044	636,171
Other revenue and income	2	17,195	23,703
<b>Total revenue and other income</b>		<b>683,239</b>	<b>659,874</b>
Expenses from operations before impairment, finance costs, depreciation & amortisation	3	(554,724)	(535,041)
Impairment of intangible assets	10	-	(7,239)
Change in fair value of financial instrument	26	(12,623)	20,531
Finance costs	3	(19,229)	(26,037)
Depreciation & amortisation	3	(28,194)	(24,542)
<b>Profit before income tax expense</b>		<b>68,469</b>	<b>87,546</b>
Income tax expense	5	(25,572)	(36,416)
<b>Profit for the year</b>		<b>42,897</b>	<b>51,130</b>
<b>Profit for the year is attributable to:</b>			
Owners of the parent entity		24,735	31,195
Non-controlling interests		18,162	19,935
<b>Profit for the year</b>		<b>42,897</b>	<b>51,130</b>
		Cents	Cents
Earnings per share from continuing operations			
Basic/ diluted earnings per share	24	6.5	8.2

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

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## WILSON & HORTON LIMITED

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for year ended 31 December 2015

	2015	2014
	\$'000	\$'000
<b>Profit for the year</b>	<b>42,897</b>	<b>51,130</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	16	3,606
		(4,794)
<i>Items that will not be reclassified to profit or loss</i>		
Revaluation of freehold land and buildings	16	356
		156
Exchange and other differences applicable to non-controlling interests	7,110	(8,263)
<b>Other comprehensive income, net of tax</b>	<b>11,072</b>	<b>(12,901)</b>
<b>Total comprehensive income</b>	<b>53,969</b>	<b>38,229</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent entity	28,697	26,555
Non-controlling interests	25,272	11,674
	<b>53,969</b>	<b>38,229</b>

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

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## WILSON & HORTON LIMITED

### CONSOLIDATED BALANCE SHEET as at 31 December 2015

	Note	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	22	11,065	16,367
Receivables	6	409,870	349,411
Inventories		2,956	2,322
Tax receivable		770	1,798
<b>Total current assets</b>		<b>424,661</b>	<b>369,898</b>
<b>Non-current assets</b>			
Other financial assets	7	128,386	132,370
Property, plant and equipment	9	99,216	91,503
Intangible assets	10	597,100	509,046
Deferred tax assets	11	46,065	38,371
<b>Total non-current assets</b>		<b>870,767</b>	<b>771,290</b>
<b>Total assets</b>		<b>1,295,428</b>	<b>1,141,188</b>
<b>Current liabilities</b>			
Payables	12	414,775	280,188
Interest bearing liabilities	13	1,257	1,722
Current tax provision		1,620	1,492
Provisions	14	11,422	11,008
<b>Total current liabilities</b>		<b>429,074</b>	<b>294,410</b>
<b>Non-current liabilities</b>			
Payables	12	12,859	-
Interest bearing liabilities	13	184,500	221,257
Deferred tax liabilities	11	36,096	33,527
Provisions	14	1,075	-
<b>Total non-current liabilities</b>		<b>234,530</b>	<b>254,784</b>
<b>Total liabilities</b>		<b>663,604</b>	<b>549,194</b>
<b>Net assets</b>		<b>631,824</b>	<b>591,994</b>
<b>EQUITY</b>			
Contributed equity	15	360,363	360,363
Reserves	16	(34,992)	(38,616)
Retained profits	16	104,584	79,511
<b>Total parent entity interest</b>		<b>429,955</b>	<b>401,258</b>
Non-controlling interests	16	201,869	190,736
<b>Total equity</b>		<b>631,824</b>	<b>591,994</b>

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

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## WILSON & HORTON LIMITED

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2015

Group	Note	Attributable to owners of parent entity					Non-controlling interests \$'000	Total Equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained profits \$'000	Total			
<b>Balance at 1 January 2014</b>		484,342	(47,296)	35,277	<b>472,323</b>	293,827	<b>766,150</b>	
Profit for the year		-	-	31,195	<b>31,195</b>	19,935	<b>51,130</b>	
Other comprehensive income		-	(4,638)	-	<b>(4,638)</b>	(8,263)	<b>(12,901)</b>	
Total comprehensive income		-	(4,638)	31,195	<b>26,557</b>	11,672	<b>38,229</b>	
Return of contributed equity to Shareholders	15	(123,979)	-	11,625	<b>(112,354)</b>	-	<b>(112,354)</b>	
Transfers within equity	16	-	(1,414)	1,414	-	-	-	
Equity transactions with non-controlling interests	16	-	14,732	-	<b>14,732</b>	(114,763)	<b>(100,031)</b>	
<b>Balance at 31 December 2014</b>		<b>360,363</b>	<b>(38,616)</b>	<b>79,511</b>	<b>401,258</b>	<b>190,736</b>	<b>591,994</b>	
<b>Balance at 1 January 2015</b>		<b>360,363</b>	<b>(38,616)</b>	<b>79,511</b>	<b>401,258</b>	<b>190,736</b>	<b>591,994</b>	
Profit for the year		-	-	24,735	<b>24,735</b>	18,162	<b>42,897</b>	
Other comprehensive income		-	3,962	-	<b>3,962</b>	7,110	<b>11,072</b>	
Total comprehensive income		-	3,962	24,735	<b>28,697</b>	25,272	<b>53,969</b>	
Transfers within equity	16	-	(338)	338	-	-	-	
Equity transactions with non-controlling interests	16	-	-	-	-	(14,139)	<b>(14,139)</b>	
<b>Balance at 31 December 2015</b>		<b>360,363</b>	<b>(34,992)</b>	<b>104,584</b>	<b>429,955</b>	<b>201,869</b>	<b>631,824</b>	

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

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## WILSON & HORTON LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		742,182	719,123
Payments to suppliers and employees		(609,375)	(613,868)
Dividends received		4,031	2,037
Interest received		277	5,889
Interest paid		(10,838)	(19,522)
Income taxes paid		(5,359)	(14,164)
<b>Net cash inflows from operating activities</b>	22	<b>120,918</b>	<b>79,495</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(27,008)	(11,624)
Payments for intangible assets including software		(9,622)	(12,757)
Acquisition of controlled entities	20	(82,871)	-
Proceeds from sale of property, plant and equipment		868	4,213
Proceeds from sale of businesses and investments		-	2,645
Net loans repaid/(advanced) to other entities		480	-
<b>Net cash outflows from investing activities</b>		<b>(118,153)</b>	<b>(17,523)</b>
<b>Cash flows from financing activities</b>			
Loans advanced/repaid by related parties		45,752	139,760
Proceeds from borrowings		42,000	379,000
Repayments of borrowings		(79,222)	(359,914)
Return of contributed equity to shareholders	15	-	(46,634)
Proceeds from Partnership contribution		-	3,026
Net payments to non-controlling interests	19	(16,671)	(169,169)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(8,141)</b>	<b>(53,931)</b>
<b>Change in cash and cash equivalents</b>		<b>(5,376)</b>	<b>8,041</b>
Cash and cash equivalents at beginning of the year		16,367	8,557
Effect of exchange rate changes		74	(231)
<b>Cash and cash equivalents at end of the year</b>	22	<b>11,065</b>	<b>16,367</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

### GENERAL INFORMATION

Wilson & Horton Limited (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 financial statements were approved for issue by the Board of Directors on 25 May 2016.

### 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 Group consisting of Wilson & Horton Limited and its subsidiaries.

#### (a) Basis of preparation

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. The financial statements also comply with International Financial Reporting Standards (IFRS).

Parent entity information is not required to be disclosed for the year ended 31 December 2015 as the Group has transitioned from the Financial Reporting Act 1993 to the Financial Reporting Act 2013 and is reporting under the Companies Act 1993.

#### *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 2 Graham Street, Auckland.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 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.

#### *Comparatives*

Comparative information is reclassified, where required, for consistency with the current year's presentation.

### (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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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 internal reports reviewed by key management personnel in assessing performance and in the allocation of resources.

### (d) Going concern

As at 31 December 2015, the Group's current liabilities exceeded its current assets by \$4,413,000 (2014: current assets exceeded current liabilities by \$75,488,000). Based on the Group's operating performance, the working capital forecasts of the operating segments in the 12 months from the date of the signing of these financial statements and its available debt facilities, the Directors consider that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due and to carry on its business in the foreseeable future.

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

#### (e) 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 are translated at the closing rate at the date of the balance sheet;
- income and expenses 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.

#### (f) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates and taxes paid.

The Group recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that the economic benefits will flow to the Group; and
- the criteria for revenue recognition has been satisfied.

Advertising revenue is recognised when the advertisement is published for broadcast, when the coupon is sold, or over the period the advertisement is displayed.

Circulation and subscription revenue is recognised when the publication is purchased or on a straight-line basis over the subscription period.

Services revenue is recognised by reference to the stage of completion of the transaction, when it can be measured reliably. Services revenue includes printing and production.

Other income includes rental income and dividends.

#### (g) 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.

# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

#### (g) Current and deferred income tax (continued)

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.

#### (h) Leases

Finance leases are leases of property, plant and equipment where the Group, as lessee, has substantially all the risk and rewards of ownership. 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 lease 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 the income statement over the period of the lease. Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the Group will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over the shorter of the estimated useful life or the lease term.

Operating leases are other leases under which all the risks and benefits of ownership are effectively retained by the lessor. Operating lease payments, excluding contingent payments are charged to the income statement on a straight line basis over the period of the lease, net of lease incentives, which are classified as payables and amortised over the life of the associated lease.

#### (i) 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.

#### (j) 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.

#### (k) Cash and cash equivalents

For the purposes of presentation on the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with finance institutions, net of 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 30 to 45 days.

A provision for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable. The amount of 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.

# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

#### (m) Other financial assets

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

Financial assets are initially measured at fair value, plus transaction costs. This excludes those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Subsequent measurement of financial assets is at fair value or amortised cost where certain criteria are met.

##### (ii) Financial assets at amortised cost

The Group's loans and receivables meet the requirements for measurement at amortised cost based on the purpose 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 Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise all gains and losses are recognised in profit and loss.

#### (n) 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. 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 in equity to the extent of the remaining reserve attributable to the asset. All other decreases are charged to the income statement.

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

##### Depreciation

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 25 years

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

##### Impairment of assets

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. Assets that are subject to depreciation (amortisation) are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (o) 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, acquiring software and licences are capitalised to software. Costs capitalised include materials, services, payroll and payroll related costs of employees involved in development. Amortisation is calculated on a straight line basis over the useful life of the asset.

##### (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 as there is no foreseeable limit over which the mastheads are expected to generate net cash inflows for the Group. Accordingly, no amortisation has been provided against the carrying amount.

# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

#### (o) Intangible assets (continued)

##### (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, legal, technical and other commercial factors likely to impact the assets' useful lives and consider that they have indefinite lives. Accordingly, no amortisation has been provided against the carrying amount.

##### (vii) Impairment

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 exceed its recoverable amount. 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.

#### (p) 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 payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade payables are unsecured and are generally settled within 30 to 45 days.

#### (q) Borrowings

Borrowings are initially recognised at fair value less attributable transaction costs and subsequently measured at amortised cost. Any difference between cost and redemption value is recognised in the income statement over the period of the borrowing on an effective interest basis.

Costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing. These costs are netted off against the carrying value of borrowings in the balance sheet.

#### (r) 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.

#### (s) Provisions

Provisions 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 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.

#### (t) 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.

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

#### (u) Employee benefits (continued)

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

A liability for short-term incentives is recognised in trade payables 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.

##### (iii) 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 of the ultimate parent entity. 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.

#### (v) 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.

#### (w) 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.

#### (x) Critical accounting judgements and key sources of estimation uncertainty

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

##### (i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1 (p). 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 10 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 (n). These valuations are based on available information at the time the valuation is conducted but is subject to estimation. Refer to note 25 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 if the continuity of ownership test is met and 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.

# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

#### (x) Critical accounting judgements and key sources of estimation uncertainty (continued)

##### (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.

#### (y) 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 2018 and earlier application is permitted. The Group is still assessing the impact of the new rules on its revenue recognition policies and at this stage is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next 12 months.

In January 2016, the NZASB issued NZ IFRS 16 *Leases*, a new standard for the accounting of leases, replacing NZ IAS 17 *Leases*. The new standard will predominantly affect lessees, with almost all leases brought onto the balance sheet. It applies to annual reporting periods commencing on or after 1 January 2019. The Group has yet to fully assess the impact of the new standard on the financial statements when applied to future periods.

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 2015

#### 2. REVENUE AND OTHER INCOME

	2015 \$'000	2014 \$'000
<i>Revenue and other income</i>		
Advertising revenue	550,381	524,610
Circulation and subscription revenue	93,582	98,392
Services revenue	11,825	6,130
Other revenue	10,256	7,039
<b>Revenue from operations</b>	<b>666,044</b>	<b>636,171</b>
Dividends received	4,033	2,037
Gains on financial assets held at fair value through profit or loss	7,067	4,326
Gain on sale of properties and businesses	441	3,047
Other	-	200
<b>Other income</b>	<b>11,541</b>	<b>9,610</b>
<i>Finance income</i>		
Interest received – related parties	5,378	13,731
Interest received – other entities	276	362
<b>Finance income</b>	<b>5,654</b>	<b>14,093</b>
<b>Total other revenue and income</b>	<b>17,195</b>	<b>23,703</b>
<b>Total revenue and other income</b>	<b>683,239</b>	<b>659,874</b>

#### 3. EXPENSES

<i>Expenses before impairment, finance costs, depreciation and amortisation</i>		
Employee benefits expense	248,300	229,757
Production and distribution expense	118,315	119,612
Selling and marketing expense	82,849	80,804
Rental and occupancy expense	31,006	28,379
Masthead license fees	22,853	28,739
Costs in relation to one-off projects	5,312	2,272
Redundancies and associated costs	7,178	4,871
Asset write-downs and business closures	3,028	1,811
Acquisition costs	1,403	-
Repairs and maintenance costs	7,077	6,188
Travel and entertainment costs	6,561	6,015
Other	20,842	26,593
<b>Total expenses before impairment, finance costs, depreciation and amortisation</b>	<b>554,724</b>	<b>535,041</b>
<b>Finance costs</b>		
Interest and finance charges – related parties	6,727	5,919
Interest and finance charges – other entities	12,502	16,864
Borrowing cost amortisation	-	3,254
<b>Total finance costs</b>	<b>19,229</b>	<b>26,037</b>
<b>Depreciation and amortisation</b>		
Depreciation	17,598	17,099
Amortisation	10,596	7,443
<b>Total depreciation and amortisation</b>	<b>28,194</b>	<b>24,542</b>

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

### 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:

Reporting Segment	Principal Activities
NZME Publishing	Newspaper, magazine, online publishing and events (New Zealand)
NZME Radio	Radio networks (New Zealand)
GrabOne	e-Commerce business (New Zealand)
Australian Radio Network	Metropolitan radio networks (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.

The segment information provided to the Directors and senior management team for the year ended 31 December 2015 is shown below.

2015	NZME Publishing \$'000	NZME Radio \$'000	GrabOne \$'000	Australian Radio Network \$'000	Unallocated \$'000	Total \$'000
Revenue from external customers	292,632	120,234	17,331	235,847	-	666,044
Segment result	44,308	24,259	4,461	89,769	(27,735)	135,062
Segment assets	110,173	193,845	29,202	563,356	398,852	1,295,428
Segment liabilities	57,657	15,942	5,010	151,794	433,201	663,604

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

Segment result	135,062
Depreciation and amortisation	(28,194)
Net finance cost	(13,575)
Gains on financial assets held at fair value through profit or loss <sup>A</sup>	4,279
Gains on disposal of properties and businesses <sup>B</sup>	441
Redundancies and associated costs <sup>C</sup>	(7,178)
Costs in relation to one-off projects <sup>D</sup>	(5,312)
Asset write downs, disposals and business closures <sup>E</sup>	(3,028)
Acquisition costs <sup>F</sup>	(1,403)
Change in fair value of financial instrument <sup>G</sup>	(12,623)
<b>Profit before tax</b>	<b>68,469</b>

#### Explanation of statutory adjustments

- A Gains on financial assets held at fair value through profit or loss refer to gain on the Group's interest in Nova 93.7, an FM radio station in Perth, Western Australia.
- B Gains on disposal of properties and businesses is the gain on sale of an NZME property in Invercargill, New Zealand

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 4. SEGMENT REPORTING (continued)

- C The redundancies and associated costs relate to the restructuring of the Group's publishing division and Integration of the New Zealand operations.
- D The costs related to one off projects refers primarily to costs of external consultants assisting with the integration and co-location in New Zealand
- E The asset write downs, disposals and business closures includes the write off of leasehold improvements in NZME as a result of the office co-location.
- F Acquisition costs are the costs associated with the acquisition of Radio Perth 96FM Pty Limited.
- G Change in fair value of financial instruments relates to the Level 4 Partnership's investments in a debenture issued by Nathco Holdings Pty Ltd, a member of the APN News & Media Limited Group.

2014	NZME Publishing \$'000	NZME Radio \$'000	GrabOne \$'000	Australian Radio Network \$'000	Unallocated \$'000	Total \$'000
Revenue from external customers	295,384	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	182,408	28,410	509,931	322,508	1,141,188
Segment liabilities	45,236	12,600	8,666	79,435	403,257	549,194
<b>Reconciliation of segment result to operating profit before tax</b>						
<b>Segment result</b>						<b>117,091</b>
Depreciation and amortisation						(24,542)
Net finance cost <sup>A</sup>						(11,944)
Asset write downs, disposals and business <sup>B</sup>						1,236
Redundancies and associated costs <sup>C</sup>						(4,871)
Costs in relation to one-off projects <sup>D</sup>						(2,272)
Impairment of Intangible assets						(7,239)
Foreign exchange loss						(444)
Change in fair value of financial instrument <sup>E</sup>						20,531
<b>Profit before tax</b>						<b>87,546</b>

#### Explanation of statutory adjustments

- A 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.
- B 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.
- C Redundancies and associated costs relate to the ongoing restructuring of our NZME Publishing division and integration of the New Zealand operations.
- D The costs relating to the one off projects relate to costs related to the proposed IPO process and costs related to the integration of NZME.
- E Change in fair value of financial instruments relates to the Level 4 Partnership's investments in a debenture issued by Nathco Holdings Pty Ltd, a member of the APN News & Media Limited Group.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### (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, related party 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 \$430,197,000 (2014: \$443,092,000) and Australia \$235,847,000 (2014: \$193,079,000). 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 \$227,905,000 (2014: \$252,619,000) and Australia is \$642,863,000 (2014: \$518,671,000). Segment assets are allocated to countries based on where the assets are located.

#### 5. INCOME TAX EXPENSE

	Note	2015 \$'000	2014 \$'000
Income tax expense differs from the amount prima facie payable as follows:			
Profit from operations before tax		68,469	87,546
Prima facie income tax at 28%		19,171	24,513
Non assessable asset sales and exempt distribution receipts		(773)	(3,324)
Non-deductible impairment/revaluation		3,748	(3,759)
Differences in international tax treatments and rates		2,943	2,870
Non-deductible expenses		664	937
Other		467	387
Recognition of deferred tax on ARN joining the tax consolidation group	19	-	14,935
(Over)/under provision in prior years		(648)	(143)
<b>Income tax expense</b>		<b>25,572</b>	<b>36,416</b>
Reported income tax expense / (benefit) comprises:			
Current tax expense/ (benefit)		26,536	23,061
Deferred tax expense/(benefit)		(316)	13,498
(Over)/under provision in prior years		(648)	(143)
<b>Income tax expense</b>		<b>25,572</b>	<b>36,416</b>

The Company is involved in a dispute with the IRD regarding certain financing transactions. The dispute involves tax of NZ\$64 million for the period up to 31 December 2014 (when the transactions completed). The IRD is seeking to impose penalties of between 10% and 50% of the tax in dispute in addition to the tax claimed. The Company has tax losses available to offset any amount of tax payable to the extent of NZ\$48 million. Interest would accrue on any tax payable.

On 22 February 2013, the Adjudication Unit of the IRD advised that it agrees with the position taken by the IRD. Accordingly, Notices of Assessment were issued denying deductions in relation to interest claimed on those financing transactions. In response to this step, litigation was commenced by the Company in the High Court of New Zealand to defend its position in relation to this matter. The dispute is expected to be litigated in the High Court in March 2017 and the dispute has the potential to progress through further appeal courts.

Following an audit of certain transactions to finance the acquisition of mastheads by Wilson & Horton Finance Pty Limited (WHF), New Zealand branch, a related party of Wilson and Horton Limited, the IRD has issued a Notice of Proposed Adjustment ("NOPA") in May 2016 relating to non-resident withholding tax ("NRWT") and thin capitalisation issues. Refer to the Note 27 Subsequent Events for more detail.

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

6. RECEIVABLES	2015	2014
	\$'000	\$'000
Trade receivables	96,382	86,912
Provision for doubtful debts	(2,146)	(1,805)
	<b>94,236</b>	<b>85,107</b>
Amounts due from related companies (note 21)	<b>304,931</b>	<b>252,284</b>
Other receivables and prepayments	10,703	12,020
<b>Total current receivables</b>	<b>409,870</b>	<b>349,411</b>

Movements in the provision for doubtful debts are as follows:

Balance at beginning of the year	1,805	1,622
Provision for doubtful debts expense	1,356	1,036
Receivables written off	(1,015)	(853)
<b>Provision for doubtful debts</b>	<b>2,146</b>	<b>1,805</b>

Refer below for an analysis of the ageing of the Group's trade receivables net of provision for doubtful debts:

	Current	Past due				Total
		Less than one month	One to three months	Three to six months	Over six months	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2015</b>						
Trade Receivables	63,067	24,131	5,708	1,397	2,079	96,382
Impaired receivables	(35)	(345)	(401)	(912)	(453)	(2,146)
	<b>63,032</b>	<b>23,786</b>	<b>5,307</b>	<b>485</b>	<b>1,626</b>	<b>94,236</b>
<b>2014</b>						
Trade Receivables	64,636	16,846	3,318	980	1,132	86,912
Impaired receivables	(68)	(289)	(608)	(651)	(189)	(1,805)
	<b>64,568</b>	<b>16,557</b>	<b>2,710</b>	<b>329</b>	<b>943</b>	<b>85,107</b>

Trade receivables are generally settled within 30 to 45 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.

As of 31 December 2015, trade receivables of \$15,258,000 (2014: \$18,454,000) were past due but not impaired.

Based on the credit history of the trade receivables, it is expected that these amounts will be received. All other receivables are not past due and not considered impaired.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer to note 24 for credit risk and note 25 for fair value information.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

7. OTHER FINANCIAL ASSETS	2015 \$'000	2014 \$'000
Listed investments	1	1
Shares in other companies	34,290	27,649
Financial instrument held by Level 4 Partnership	94,095	104,720
<b>Total other financial assets</b>	<b>128,386</b>	<b>132,370</b>

All other financial assets 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.

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

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 Fair value measurements:

Description	Fair value at 31 December 2015	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Shares in other corporations	30,089	Discounted Cashflow	Cashflow growth factor	Between -3.7% and +2.1% (+1.7%)	Increased cash growth factor by 50 basis points and lowering discount rate by 100 basis points would increase the fair value by \$5.0 million. Lowering cash growth factor by 50 basis points and increasing discount rate by 100 basis points would decrease the fair value by \$4.1 million
			Risk adjusted discount rate	14.0%	
	4,201	Capitalisation multiple	EBITDA multiples	Between 2.0x and 3.5x	The higher the capitalisation multiple, the higher the value
Financial instrument	94,095	Discounted cash flow	Cash flow growth factor	Between -12.2% and 0.2% (-6.5%)	Increased cash growth factor by 100 basis points and lowering discount rate by 100 basis points would increase the fair value by \$8.3 million. Lowering cash growth factor by 100 basis points and increasing discount rate by 100 basis points would decrease the fair value by \$6.7 million
			Risk adjusted discount rate	10%	
	<b>128,385</b>				

### 8. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries:

Name of Entity	Principal Activity	Ownership interest	
		2015	2014
APN Holdings NZ Limited	Media and Publishing	100%	100%
APN Specialist Publications NZ Limited	Media and Publishing	100%	100%
NZME. Publishing 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	Commercial radio	50%	50%
The Level 4 Partnership	Investment	99%	99%
The Level 3 Partnership	Investment	98%	98%

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 8. CONTROLLED ENTITIES (continued)

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>(i)</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.

#### 9. PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>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)	(428)	(457)
<b>Net book amount</b>	<b>3,105</b>	<b>1,157</b>	<b>87,241</b>	<b>91,503</b>
<b>Cost or fair value</b>	<b>3,105</b>	<b>1,514</b>	<b>398,812</b>	<b>403,431</b>
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>
<b>2015</b>				
Opening net book amount	3,105	1,157	87,241	91,503
Additions	-	31	27,399	27,430
Acquisitions of controlled entity	-	-	426	426
Disposals	(341)	(771)	(2,365)	(3,477)
Depreciation	-	(290)	(17,308)	(17,598)
Revaluations	224	375	-	599
Foreign exchange differences	2	(22)	353	333
<b>Net book amount</b>	<b>2,990</b>	<b>480</b>	<b>95,746</b>	<b>99,216</b>
<b>Cost or fair value</b>	<b>2,990</b>	<b>480</b>	<b>404,483</b>	<b>407,953</b>
Accumulated depreciation and impairment	-	-	(308,737)	(308,737)
<b>Net book amount</b>	<b>2,990</b>	<b>480</b>	<b>95,746</b>	<b>99,216</b>

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

### 10. INTANGIBLE ASSETS

	Goodwill	Software	Mastheads	Radio licences	Brands	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>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)	-	(11,128)	3	(11,146)
<b>Net book amount</b>	<b>70,234</b>	<b>8,531</b>	<b>-</b>	<b>371,202</b>	<b>59,079</b>	<b>509,046</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>509,046</b>
<b>2015</b>						
Opening net book amount	70,234	8,531	-	371,202	59,079	509,046
Additions	-	9,622	-	-	-	9,622
Disposals	-	(189)	-	-	-	(189)
Acquisition of controlled entities	11,237	-	-	72,408	-	83,645
Amortisation	-	(6,707)	-	(3,889)	-	(10,596)
Foreign exchange differences	(79)	14	-	5,637	-	5,572
<b>Net book amount</b>	<b>81,392</b>	<b>11,271</b>	<b>-</b>	<b>445,358</b>	<b>59,079</b>	<b>597,100</b>
Cost	177,006	45,036	-	479,500	59,079	760,621
Accumulated amortisation and impairment	(95,614)	(33,765)	-	(34,142)	-	(163,521)
<b>Net book amount</b>	<b>81,392</b>	<b>11,271</b>	<b>-</b>	<b>445,358</b>	<b>59,079</b>	<b>597,100</b>

### Allocation of goodwill and non-amortising intangible assets

Name of CGU	2015	2015	2014	2014
	Goodwill \$'000	Non-amortising Intangible Assets <sup>(i)</sup> \$'000	Goodwill \$'000	Non-amortising Intangible Assets <sup>(i)</sup> \$'000
NZME Publishing	549	-	-	-
NZME Radio	49,104	54,647	49,104	54,647
GrabOne	21,130	4,429	21,130	4,429
Australian Radio Network	10,609	393,043	-	314,558
<b>Total</b>	<b>81,392</b>	<b>452,119</b>	<b>70,234</b>	<b>373,634</b>

<sup>(i)</sup> Non-amortising intangible assets includes brands and radio licenses in Australia (refer to note 1(c)).

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 10. INTANGIBLE ASSETS (continued)

##### (i) Year-end impairment review

A comprehensive impairment review was conducted at 31 December 2015. 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 three 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.

In calculating the value in use, the key assumptions used in each calculation are:

Cashflows	Based on Board approved annual budget
Year 1 cash flows	Revenue forecasts are prepared based on management's current assessments for each CGU, with consideration given to internal information and relevant external industry data and analysis. In general:
Year 2 and 3 cash flows	<ul style="list-style-type: none"> <li>- Traditional publishing revenues are forecast to decline in line with recent experience and industry trends.</li> <li>- Digital revenues are forecast to grow at rates in line with industry trends and independent forecasts.</li> <li>- Market growth in each Radio CGU is forecast across the cash flow period. Revenue forecasts assume each CGU will secure additional market share or reclaim lost market share through continued investment in content, marketing and operations.</li> <li>- Expenses are forecast on a detailed basis, based on their nature. Variable costs are forecast to move in line with revenue movements. Personnel costs are forecast to move in line with headcount and adjusted for expected inflation. Other costs are forecast based on management expectations, taking into account existing contractual arrangements.</li> </ul>

Name of CGU	2015	2015	2014	2014
	Post-tax discount rate	Long-term growth rate	Post-tax discount rate	Long-term growth rate
NZME Publishing – Metro	10.5%	0.0%	10.5%	0.0%
NZME Radio	10.5%	2.0%	10.5%	2.0%
GrabOne	10.5%	0.0%	10.5%	2.5%
Australian Radio Network	10.0%	2.0%	10.0%	2.0%

##### (ii) Impact of reasonably possible change in key assumptions

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.

For GrabOne there is limited headroom such that a change in any of the key assumptions in isolation could potentially result in the CGU's carrying value being in excess of its value in use.

The carrying value of the CGU would equal its value in use if any of the key assumptions, in isolation, changed as follows:

GrabOne	
Discount rate	increase from 10.5% to 10.7%
Long term growth rate	decrease from 0% to -0.3%
Terminal EBITDA forecast	decrease of 2.3%

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 11. DEFERRED TAX ASSETS AND LIABILITIES

	Balance 1 Jan 14	Recognised in income	Recognised in equity	Other movements	Balance 31 Dec 14
	\$'000	\$'000	\$'000	\$'000	\$'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	(3,685)	-	-	(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)
	<b>21,808</b>	<b>(13,498)</b>	<b>249</b>	<b>(3,715)</b>	<b>4,844</b>
	Balance 1 Jan 15	Recognised in income	Recognised in equity	Other movements	Balance 31 Dec 15
	\$'000	\$'000	\$'000	\$'000	\$'000
Tax credits	912	978	-	-	1,890
Tax losses	60,576	1,593	-	4,980	67,149
Employee benefits	2,398	589	-	-	2,987
Doubtful debts	520	116	-	-	636
Accruals/restructuring	(1,563)	(849)	-	3,117	705
Intangible assets	(41,396)	1,529	(171)	(3,117)	(43,155)
Depreciation	(12,963)	(4,787)	-	8,890	(8,860)
Other	(3,640)	1,147	-	(8,890)	(11,383)
	<b>4,844</b>	<b>316</b>	<b>(171)</b>	<b>4,980</b>	<b>9,969</b>

Group deferred income tax assets and liabilities are presented net in the analysis above. These include net deferred income tax liabilities of \$36,944,000 (2014: \$33,527,000) arising from the Group's Australian subsidiaries.

On 11 May 2016, APN News and Media Limited, the ultimate parent entity announced a Demerger of 100% of Wilson and Horton Limited Group to APN shareholders ('Demerger'), subject to a majority shareholder vote to be held on 16 June 2016.

If the Demerger is approved by the requisite majority of APN Shareholders and all other conditions precedent to the Demerger are satisfied or waived, prior to or on implementation of the Demerger, historical recognised tax losses of NZ\$56 million will be fully impaired due to Wilson and Horton Limited no longer satisfying shareholder continuity tests to carry forward tax losses. Although such denied tax losses will no longer be utilised to shelter future income, they may still be available to shelter historic tax risks.

Refer to the Note 27 Subsequent Events for more detail.

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

12. PAYABLES	2015 \$'000	2014 \$'000
<b>Current payables</b>		
Trade and other payables	91,638	75,050
Lease liability <sup>(1)</sup>	833	-
Amounts due to related companies (note 21)	322,304	205,138
<b>Total current payables</b>	<b>414,775</b>	<b>280,188</b>
<b>Non-current payable</b>		
Lease liability <sup>(1)</sup>	12,859	-
<b>Total non-current payables</b>	<b>12,859</b>	<b>-</b>

<sup>(1)</sup> Lease liability includes lease incentives received on operating leases.

Trade and other payables are generally settled within 30 to 45 days.

### 13. INTEREST BEARING LIABILITIES

	2015 \$'000	2014 \$'000
<b>Current</b>		
Loan payable	1,257	1,722
<b>Total current interest bearing liabilities</b>	<b>1,257</b>	<b>1,722</b>
<b>Non-current</b>		
Bank loans – secured	184,500	220,000
Loan payable	-	1,257
<b>Total non-current interest bearing liabilities</b>	<b>184,500</b>	<b>221,257</b>

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

##### Standby arrangements and credit facilities

	2015	2014
	\$'000	\$'000
Entities in the Group have access to:		
<b>Overdraft facilities</b>		
Unsecured bank overdraft facility totalling	6,136	5,096
Amount of credit utilised	-	-
<b>Amount of available credit</b>	<b>6,136</b>	<b>5,096</b>

##### Bank loans – secured

The APN News & Media Limited group extended its debt facilities with a syndicate of domestic and international banks in July 2015. The facility now matures in July 2019.

The interest rate for the drawn facility is the applicable bank screen rate plus credit margin.

The APN News & Media Limited group has available an A\$645,000,000 (2014: A\$630,000,000) and HK\$50,000,000 (2014: HK\$nil) revolving cash advance facility of which A\$25,000,000 (2014: A\$25,000,000) and HK\$50,000,000 (2014: \$nil) are available for letters of credit. Of the A\$645,000,000 cash advance facility, A\$360,000,000 (2014: A\$325,000,000) refers to multicurrency revolving cash advance facilities of which the Group has access to. At 31 December 2015, the APN News & Media Limited group has used A\$482,851,000 of the facility (2014: A\$497,647,000).

#### 14. PROVISIONS

	2015	2014
	\$'000	\$'000
<b>Current provision</b>		
Employee entitlements	11,302	10,298
Restructuring provision	120	710
<b>Total current provision</b>	<b>11,422</b>	<b>11,008</b>
<b>Non-current</b>		
Employee entitlements	1,075	-
<b>Total non-current provision</b>	<b>1,075</b>	<b>-</b>

##### Movements in provisions

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

2015	Restructuring	Total
	\$'000	\$'000
Carrying amount at beginning of year	710	710
Charged to profit or loss		
Additional provisions recognised	-	-
Amounts used	(590)	(590)
<b>Carrying amount at end of the year</b>	<b>120</b>	<b>120</b>

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

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 15. CONTRIBUTED EQUITY

	2015 Number	2014 Number	2015 \$'000	2014 \$'000
<b>Share capital</b>				
issued and paid up capital	378,550,000	228,550,000	360,363	279,974
Conversion of mandatory convertible notes <sup>(i)</sup>	-	150,000,000	-	204,368
Return of capital to shareholders <sup>(ii)</sup>	-	-	-	(123,979)
<b>Total contributed equity</b>	<b>378,550,000</b>	<b>378,550,000</b>	<b>360,363</b>	<b>360,363</b>

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

<sup>(i)</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>(ii)</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.

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

### 16. RESERVES AND RETAINED PROFITS

	2015 \$'000	2014 \$'000
<b>(a) Reserves</b>		
Asset revaluation reserve	1,186	1,185
Foreign currency translation reserve	(44,537)	(48,160)
Transactions with non-controlling interests reserve	8,359	8,359
<b>Total reserves</b>	<b>(34,992)</b>	<b>(38,616)</b>
<b>Asset revaluation reserve</b>		
Balance at beginning of the year	1,185	2,408
Revaluation of freehold land and buildings	356	156
Transfer to foreign currency translation reserve	(17)	35
Transfer to retained profits	(338)	(1,414)
<b>Balance at end of year</b>	<b>1,186</b>	<b>1,185</b>
<b>Foreign currency translation reserve</b>		
Balance at beginning of the year	(48,160)	(43,331)
Foreign exchange transfers from other reserves	17	(35)
Net exchange difference on translation of foreign operations	3,606	(4,794)
<b>Balance at end of year</b>	<b>(44,537)</b>	<b>(48,160)</b>
<b>Transactions with non-controlling interests reserve</b>		
Balance at beginning of the year	8,359	(6,373)
Decrease/(increase) in purchase consideration for controlled business	-	14,732
<b>Balance at end of year</b>	<b>8,359</b>	<b>8,359</b>
<b>(b) Retained profits</b>		
Balance at beginning of the year	79,511	35,277
Transfer to/from reserves	338	1,414
Gain on return of capital to shareholders	-	11,625
Profit attributable to owners of the parent entity	24,735	31,195
<b>Balance at end of year</b>	<b>104,584</b>	<b>79,511</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. In the event of the sale of an asset, the revaluation surplus is transferred to retained earnings.

##### (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 2015

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

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

	2015	2014
	\$'000	\$'000
Share capital	210,634	207,583
Reserves	70	(1,924)
Retained profits	154,302	157,045
Other	(163,137)	(171,968)
<b>Non-controlling interests</b>	<b>201,869</b>	<b>190,736</b>

During 2014, the Level 3 Partnership purchased 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 19(c) for further details.

#### 17. CONTINGENT LIABILITIES

##### 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 2015

#### 18. 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:

	2015 \$'000	2014 \$'000
Not later than one year	19,121	17,963
Later than one year but not later than five years	53,048	35,156
Later than five years	89,983	19,155
<b>Commitments not recognised in the financial statements</b>	<b>162,152</b>	<b>72,274</b>
Representing:		
Cancellable operating leases	1,087	2,442
Non-cancellable operating leases	161,065	69,832
<b>Commitments not recognised in the financial statements</b>	<b>162,152</b>	<b>72,274</b>

	2015 \$'000	2014 \$'000
<b>(b) Masthead commitments</b>		
Not later than one year	25,200	22,600
Later than one year but not later than five years	98,314	90,400
Later than five years	-	22,600
<b>Total masthead commitments</b>	<b>123,514</b>	<b>135,600</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.

	2015 \$'000	2014 \$'000
<b>(c) Capital commitments</b>		
Capital expenditure contracted for at balance date but not recognised as liabilities:		
Payable not later than one year	340	289
<b>Total capital commitments</b>	<b>340</b>	<b>289</b>

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 19. 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 2015. 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
			2015	2014	2015	2014	
Australian Radio Network Pty Ltd <sup>(i)</sup>	Australia and New Zealand	Australia	50%	50%	50%	50%	Commercial radio

<sup>(i)</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	
	2015	2014
	\$'000	\$'000
<b>Summarised balance sheet</b>		
Current assets	291,248	172,510
Current liabilities	168,273	47,547
Current net assets	122,975	124,963
Non-current assets	673,477	620,095
Non-current liabilities	59,889	35,884
Non-current net assets	613,588	584,211
<b>Net assets</b>	<b>736,563</b>	<b>709,174</b>
Accumulated NCI	197,979	187,506
<b>Summarised statement of comprehensive income</b>		
Revenue	363,475	326,572
<b>Profit for the period</b>	<b>59,144</b>	<b>62,038</b>
Other comprehensive income	8,664	5,084
<b>Total comprehensive income</b>	<b>67,808</b>	<b>67,122</b>
NCI within the ARN Group <sup>(i)</sup>	4,760	4,294
<b>Total comprehensive income allocated to NCI</b>	<b>20,356</b>	<b>19,732</b>
Dividends paid to NCI	25,212	17,600

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

	Australian Radio Network Pty Ltd	
	2015	2014
	\$'000	\$'000
<b>Summarised cash flows</b>		
Cash flows from operating activities	110,597	70,698
Cash flows from investing activities	(90,283)	(13,856)
Cash flows from financing activities	(22,624)	(53,533)
<b>Net increase in cash and cash equivalents</b>	<b>(2,310)</b>	<b>3,309</b>

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

##### (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 was expensed in 2014.

#### 20. BUSINESS COMBINATIONS

##### Material acquisitions

The Group gained control over the following entity during the year:

Entity or Business acquired	Principal Activity	Date of acquisition	Ownership interest
Radio 96FM Perth Pty Limited	Radio Broadcaster	30 January 15	100%
			<b>Radio 96FM Perth Pty Ltd 2015 \$'000</b>
Purchase consideration:			
Cash paid			81,279
<b>Total purchase consideration</b>			<b>81,279</b>
The assets and liabilities recognised as a result of the acquisition:			
Receivables			80
Prepayments			29
Property, plant and equipment			423
Intangible assets			71,882
Other assets			48
Payables			(442)
Provisions			(827)
Value of identifiable assets			71,193
Add: goodwill			10,086
<b>Net assets acquired</b>			<b>81,279</b>

On 30 January 2015, the Company acquired 100% of Radio FM Perth Pty Limited. The purchase consideration was the purchase price of A\$78,000,000 less working capital adjustments.

Goodwill recognised represents the ability to offer national advertising campaigns and realise synergies expected to rise after the acquisition. This goodwill will not be tax deductible. Acquisition related costs of \$1,403,000 are included in the income statement.

The acquired business contributed revenue of \$20,141,000 and net profit after tax of \$4,547,000 to the group for the period to 31 December 2015

If the acquisition had occurred on 1 January 2015, consolidated revenue and profit for the year ended 31 December 2015 would have been \$21,508,000 and \$4,880,000 respectively. These values have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to the property, plant and equipment and intangible assets had applied from 1 January 2015.



## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 21. RELATED PARTY INFORMATION

##### Key management compensation

	2015	2014
	Group	Group
	\$'000	\$'000
Total remuneration for Directors and other key management personnel		
Short term benefits	3,838	4,419
Post-employment benefits	125	166
Termination benefits	482	2,087
Share-based payments	315	569
	<b>4,760</b>	<b>7,241</b>

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 \$1,032,232 (2014: \$6,667,646) 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 \$2,050,000 (2014: \$3,447,000). A group company, APN Holdings NZ Limited charged shared services fees totalling \$2,258,000 (2014: \$2,966,000) to related parties. The Group purchased print services worth \$4,949,000 (2014: \$8,569,000) from Beacon Print Ltd, a company in which the Group holds an interest in. The Group settled loans of \$nil to NZME Educational Media (NZ) Ltd in the period (2014: \$5,783,000).

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 \$nil during the 2015 year (2014: \$31,560,000). The note converted to ordinary shares on 20 December 2014 (refer to note 14).

Biffin Pty Ltd repaid loans of \$104,990,779 (2014: \$236,232,856) to group companies and borrowed \$3,452,707 (2014: \$53,278,000) from group companies. It was charged interest of \$1,032,000 from group companies.

Wilson & Horton Finance Pty Ltd, New Zealand Branch, charged royalty fees of \$22,853,000 (2014: \$28,739,000), advanced \$17,762,603 (2014: \$22,565,000), repaid loans of \$297,000 (2014: \$3,036,000) and charged interest of \$6,186,000 (2014: \$4,651,000) to the Group. The Group charged Wilson & Horton Finance Pty Ltd, New Zealand Branch, office rental and service fees of \$168,000 (2014: \$168,000).

New Zealand entities within the Group received tax losses from New Zealand entities outside the Group of \$18,437,826 (2014: \$nil) for consideration of \$5,162,591 (2014: \$nil). New Zealand entities in the Group offset tax losses to New Zealand entities outside the Group of \$650,905 (2014: \$13,267,857) for consideration of \$182,253 (2014: \$3,715,000).

Australian entities within the Group received tax losses from Australian entities outside the Group of \$62,809,162 (2014: \$44,532,791) for consideration of \$18,842,749 (2014: \$13,659,837).

Group	2015	2014	2015	2014
	Receivables	Receivables	Payables	Payables
	\$'000	\$'000	\$'000	\$'000
Balances with related party				
Biffin Pty Limited	25,807	105,887	37,785	21,702
Media Tek Pty Limited	53,434	50,782	1,068	1,048
APN Newspapers Pty Limited	225,184	95,311	55,206	220
NZME, Educational Media Limited	216	2	1,428	450
Wilson & Horton Finance Pty Limited – New Zealand Branch	-	-	153,224	129,545
APN News & Media Limited	-	-	67,898	47,608
Other related party balances	290	302	5,695	4,565
Total related party receivables and payables	<b>304,931</b>	<b>252,284</b>	<b>322,304</b>	<b>205,138</b>

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## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 22. CASH FLOW INFORMATION

	2015 \$'000	2014 \$'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	11,065	16,367
Reconciliation of net cash inflows (outflows) from operating activities to profit/ (loss) for the year:		
Profit/ (loss) for the year	42,897	51,130
Depreciation and amortisation expense	28,194	24,542
Borrowing cost amortisation	-	3,254
Net gain on sale of non-current assets	(492)	(3,189)
Change in current / deferred tax payable	(3,969)	22,000
Current tax funded through related party balances	24,870	17,375
Foreign exchange losses / (gains)	(763)	1,856
Asset write offs and business closure	597	1,696
Revaluation/impairment of financial assets	(7,067)	(4,326)
Change in fair value of financial instrument	12,623	(20,531)
Impairment of intangible assets	-	7,239
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	(8,572)	(5,875)
Inventories	(634)	793
Prepayments	758	413
Trade and other payables and employee benefits	32,476	(16,882)
Net cash inflows/(outflows) from operating activities	120,918	79,495

#### Finance facilities

Details of credit standby arrangements and loan facilities are included in note 13.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

#### 23. REMUNERATION OF AUDITORS

	2015 \$'000	2014 \$'000
<b>(i) Remuneration for audit or review of the financial reports</b>		
PricewaterhouseCoopers – New Zealand firm	379	372
Other firms	-	152
<b>(ii) Remuneration for other assurance services</b>		
PricewaterhouseCoopers – New Zealand firm <sup>(i)</sup>	30	18
PricewaterhouseCoopers – overseas firm <sup>(ii)</sup>	34	89
Other firms	-	28
<b>Total audit and other assurance services</b>	<b>443</b>	<b>659</b>
<b>(iii) Remuneration for other services</b>		
PricewaterhouseCoopers – New Zealand firm		
Tax Services		
• Transactional advice	429	1,042
• Compliance	236	185
Other advisory services	27	-
PricewaterhouseCoopers – overseas firms		
Tax Services		
• Consulting and advice	85	1,167
Other advisory services	66	32
Other firms		
Tax Services		
• Compliance	-	96
Other advisory services	-	3,802
<b>Total non-audit services</b>	<b>843</b>	<b>6,324</b>

<sup>(i)</sup> This refers to assurance work performed around New Zealand circulations

<sup>(ii)</sup> This refers to assurance work performed around regulatory requirements

#### 24. EARNINGS PER SHARE

	2015 \$'000	2014 \$'000
<b>(a) Reconciliation of earnings used in calculating earnings per share (EPS)</b>		
Profit from continuing operations attributable to owners of the parent entity	27,357	31,195
Profit attributable to owners of the parent entity used in calculating basic/diluted EPS	<b>27,357</b>	<b>31,195</b>
	<b>Number</b>	<b>Number</b>
<b>(b) Weighted average number of shares</b>		
Weighted average number of shares used as the denominator in calculating basic EPS <sup>(i)</sup>	378,550,000	378,550,000
Adjusted for calculation of diluted EPS		
Weighted average number of shares used as the denominator in calculating diluted EPS	378,550,000	378,550,000

<sup>(i)</sup> This includes the mandatory convertible notes

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2015

#### 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, 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.

Risk management is carried out by the Group 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

Long term 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 2015, a change in interest rates of +/-1% per annum with all other variables being constant would impact post-tax profit and equity by \$1.3 million lower/higher (2014: \$1.5 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. Individual transactions are assessed and forward exchange contracts are used to hedge the risk where deemed appropriate.

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.

Credit risk associated with the receivable balances from other related 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.

##### (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.

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

31 December 2015	Less than one year \$'000	Between one and two years \$'000	Between two and five years \$'000	Over five years \$'000
Trade payables <sup>(i)</sup>	91,638	-	-	-
Bank loans	9,694	9,694	199,054	-
Related party loans	323,612	-	-	-
<b>Gross liability</b>	<b>424,944</b>	<b>9,694</b>	<b>199,054</b>	<b>-</b>
Less: interest	(9,746)	(9,694)	(14,554)	-
<b>Total financial liabilities</b>	<b>415,198</b>	<b>-</b>	<b>184,500</b>	<b>-</b>

  

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>Total financial liabilities</b>	<b>268,250</b>	<b>1,257</b>	<b>220,000</b>	<b>-</b>

<sup>(i)</sup> The carrying amount of trade and other payables excludes \$833,000 of current and \$12,859,000 of non-current amounts as they do not meet the definition of a financial liability under New Zealand Accounting Standards.

#### 26. 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.

##### (a) Fair value hierarchy

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

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

##### (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 2015.

31 December 2015	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	2015 \$'000
<i>Recurring fair value measurements</i>					
<b>Financial assets</b>					
Financial assets at fair value through profit and loss					
Shares in other companies	7	-	-	34,291	34,291
Financial instrument	7	-	-	94,095	94,095
<b>Total financial assets</b>		-	-	128,386	128,386
<b>Non-financial assets</b>					
<b>Land and buildings</b>					
Freehold land	9	-	-	2,990	2,990
Buildings	9	-	-	480	480
<b>Total assets</b>		-	-	3,470	3,470

## WILSON & HORTON LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

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

31 December 2014	Note	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	7	-	-	27,650	27,650
Financial instrument	7	-	-	104,720	104,720
<b>Total financial assets</b>		-	-	132,370	132,370
<b>Non-financial assets</b>					
<b>Land and buildings</b>					
Freehold land	9	-	-	3,105	3,105
Buildings	9	-	-	1,157	1,157
<b>Total assets</b>		-	-	4,262	4,262

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 2015 (level 3).

The fair value of non-current borrowings disclosed in note 13 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 2015, the borrowing rates were determined to be between 5.0% and 6.1%, 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 corporations disclosed in note 7, which are valued using discount rates, forecast cash flows, EBITDA multiples estimated by management based on comparable transactions and industry data.

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.

The Group obtains independent valuations at least every three years for its freehold land and buildings (classified as property, plant and equipment in note 9), 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.

During the year, a fair value gain of \$7.1m was recorded in other income for shares in other corporations while a loss of \$12,623,000 was recorded in the income statement for the financial instrument held by Level 4 Partnership (refer to note 7). Further, freehold land and buildings were adjusted to reflect independent valuations carried out in the year (refer to note 9). There were no other material level 3 fair value movements during the year.

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# WILSON & HORTON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

### 27. SUBSEQUENT EVENTS

#### *Proposed Demerger*

On 11 May 2016, APN News and Media Limited ('APN'), the ultimate parent entity announced a Demerger of 100% of Wilson and Horton Limited Group (to be renamed NZME Limited Group ('NZME')) to APN shareholders ('Demerger'), subject to a majority shareholder vote to be held on 16 June 2016.

The key aspects of the Demerger announcement were:

- NZME to be listed on NZX Main Board and ASX through a secondary foreign exempt listing;
- Independent Board and management team for NZME;
- Demerger to be effected by way of an equal capital reduction (subject to shareholder approval) with an in-specie distribution of shares in NZME as consideration;
- APN and NZME to provide support services to each other under a shared services agreement for a period of up to 3 years, with an option to extend, to facilitate separation;
- Centralised group financial services function based in New Zealand to be retained by NZME with these services provided to APN under a shared services agreement; and
- Separation along business lines with certain tax and litigation matters allocated between APN and NZME.

If the Demerger is approved by the requisite majority of APN Shareholders and all other conditions precedent to the Demerger are satisfied or waived, prior to or on implementation of the Demerger:

- Certain subsidiaries, business, assets and liabilities relating to the NZME business will be aligned or transferred from APN to entities that will be subsidiaries of NZME after the Demerger, specifically, NZME will acquire certain NZ publishing mastheads on normal commercial terms from a subsidiary company of APN;
- Certain subsidiaries, business, assets and liabilities relating to the APN business which are held by subsidiaries of NZME Limited will be aligned or transferred to entities that will be subsidiaries of APN (after the Demerger), specifically, The Australian Radio Network segment, The Level 3 Partnership and The Level 4 Partnership will be acquired by APN or a subsidiary company on normal commercial terms;
- Various intercompany loans, receivables and payables may be repaid or forgiven (other than ordinary trading receivables and payables which will be settled on normal commercial terms) so that upon the Demerger there will be no loans between APN and NZME outstanding;
- Various distributions may be made between the subsidiaries of NZME and subsidiaries of APN;
- APN will restructure the current financing arrangements for NZME by NZME entering into bilateral banking facilities with two banks; and
- Historical recognised tax losses of NZ\$56 million will be fully impaired due to Wilson and Horton Limited no longer satisfying shareholder continuity tests to carry forward tax losses. Although such denied tax losses will no longer be utilised to shelter future income, they may still be available to shelter historic tax risks.

The on-going business of NZME will comprise; NZME Publishing, NZME Radio and GrabOne operating segments.

At the date of this report, detailed accounting for the Demerger is yet to be finalised and accordingly an estimate of the financial effects of the Demerger has not been included. It is therefore possible there are further unforeseen costs or consequences of the Demerger.

Refer to APN NZX announcements on 11 May 2016 for further details, which includes unaudited pro forma financial information in relation to the proposed demerged NZME business.

#### *Tax Matters*

Following an audit of certain transactions to finance the acquisition of mastheads by Wilson & Horton Finance Pty Limited (WHF), New Zealand branch, a related party of Wilson and Horton Limited, the IRD has issued a Notice of Proposed Adjustment ("NOPA") in May 2016 relating to non-resident withholding tax ("NRWT") and thin capitalisation issues.

The NOPA asserts that certain income tax deductions be denied in respect of the thin capitalisation position of the APN Group, which could result in tax of approximately NZ\$8-14 million being payable for the period to 31 December 2014 (after utilising currently available tax losses), although the exact figure would depend on a range of factors including the outcome of the MCN dispute mentioned above (note 5) and the availability of tax losses.

The IRD also seeks to impose penalties in respect of the taxes in dispute. Interest would accrue on any tax payable. With the issue of the NOPA, the IRD formal disputes process commences, which can take a period of approximately 12-18 months. On completion of this disputes process, either the matter is resolved in the taxpayer's favour, or a formal Notice of Assessment is issued by the IRD, after which there is the ability to contest the assessment through litigation proceedings.

The intention is that following the Demerger, the tax risk associated with the NRWT will remain with WHF, and the income tax risk associated with the thin capitalisation matters will be spread across WHF and the relevant entities within the NZME Limited Group. It is expected the majority of the income tax risk would sit with WHF, however the manner in which this risk would ultimately be borne by the relevant entities will depend on a range of factors including the availability of tax losses to WHF and NZME at the relevant time.

Other than the matters 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 / Company's operations, the results of those operations or the Group's / Company's state of affairs in future years.

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

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

We have audited the Group financial statements of Wilson & Horton Limited ("the Company") on pages 3 to 39, which comprise the balance sheet as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement 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 the Group. The Group comprises the Company and the entities it controlled at 31 December 2015 or from time to time during the financial year.

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

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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's preparation and fair presentation of the financial statements 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'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 advisory, tax advisory, other assurance 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 39 present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

### ***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 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants  
25 May 2016

Auckland

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