2011 annual report

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

APN at a glance

australian regional media

Australian Regional Media is the key publisher in regional Queensland and northern NSW. Our portfolio includes 12 daily newspapers, more than 56 non-daily newspapers and a digital regional news network of 29 web and mobile sites. Our titles represent over half of all regional daily newspapers sold in Queensland and many have been an integral part of their local communities for over 150 years. APN also operates major printing businesses in Australia.

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vibrant transforming diverse

2012 FINANCIAL CALENDAR

Record date for 2011 final dividend
8 March 2012
2011 final dividend paid
30 March 2012
Annual General Meeting
2 May 2012
2012 half year result announced
17 August 2012*
Record date for 2012 interim dividend
5 September 2012*
2012 interim dividend paid
26 September 2012*

* Dates are indicative only and are subject to change

new zealand media

APN is New Zealand's leading publisher with a weekly brand audience of 2.6 million people. Our flagship brand, The New Zealand Herald, is the best selling newspaper and nzherald.co.nz has around 60% of the nation's total online audience. APN's regional newspaper division publishes seven daily newspapers and news websites plus more than 40 community newspapers. Our magazine stable includes the New Zealand Woman's Weekly and the New Zealand Listener among its eight titles. APN also operates major printing businesses in New Zealand.

radio

Australian Radio Network operates the Mix and Classic Hits networks across Sydney, Melbourne, Adelaide and Brisbane. It also operates The Edge 96.1FM in Sydney and Cruise 1323AM in Adelaide.

The Radio Network in New Zealand operates the number one national network, Newstalk ZB and has three of the top five national networks – Newstalk ZB, Classic Hits and Coast. Our other networks are ZM, EasyMix, Hauraki, Flava and Radio Sport.

Australian Radio Network and The Radio Network are joint ventures between APN and Clear Channel International.

outdoor

APN is a leader in the outdoor advertising sector in the region. APN Outdoor has extensive large format billboard, transit and airport assets in Australia and New Zealand.

APN also has three outdoor joint ventures with Clear Channel International. Adshel specialises in street furniture in Australia and New Zealand. In Hong Kong, Buspak is the number one transit advertising operator and Cody provides premium billboard advertising.

In Indonesia, Rainbow Premium Outdoor has large format billboards and is a joint venture with a local partner.

digital

Digital is an integral element of all of APN's radio, publishing and outdoor brands. APN is continually looking at ways to enrich experiences for its audiences and drive commercial outcomes for its advertisers through apps, web and mobile sites, online radio, interactive outdoor products and more. APN is also building a portfolio of high growth digital ventures. This includes GrabOne – the number one group buying site in New Zealand, and CC Media – a digital retail advertising network.

key results

In a year where natural disasters and weak economic conditions have had a material impact, APN made substantial changes to remediate and improve immediate performance as well as reposition for growth.

1,072.4m
REVENUE
(AUD)

208.9m
EBITDA*
(AUD)

171.4m
EBIT*
(AUD)

78.2m
ADJUSTED NET PROFIT AFTER TAX*
(AUD)

(45.1)m
STATUTORY NET LOSS AFTER TAX
(AUD)

8.5c
TOTAL DIVIDEND
(AUD)

new leadership

New leadership in corporate, publishing, radio and digital

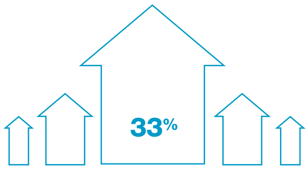
revenue up

Revenue up 1% or 3% in local currency terms

stronger in H2

Due to optimisation initiatives

* Before exceptional items based on segment reporting



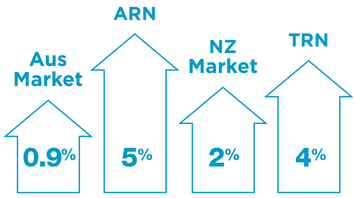
outdoor

- Stand out performance in all markets, EBIT up 33% on a local currency basis
- Announced joint venture with Quadrant Private Equity to accelerate growth

2.6m People

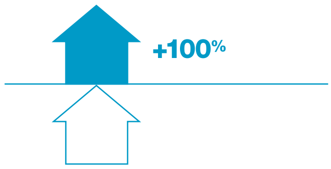
publishing

- New Zealand publishing brands connect with 2.6m people, or 7 out of 10 New Zealanders, each week
- Australian Regional Media publications reach 69% of consumers within its markets
- Delivered $25m in annualised savings



radio

- Australian radio advertising revenue up 0.9%, Australian Radio Network revenue up 5%
- Australian Radio Network best audience ratings since 2008
- New Zealand radio advertising revenue up 2%, The Radio Network revenue up 4% on a local currency basis
- The Radio Network maintains #1 national network Newstalk ZB



digital

- Strategic investments in GrabOne, CC Media and Jimungo
- APN digital revenue more than doubled over last 12 months
- GrabOne 70% market share in New Zealand

FY 2011 SEGMENT RESULT

AUD millions	**revenue FY 2011**	**Δ% local currency**	**Δ% as reported**	**EBIT FY 2011**	**Δ% local currency**	**Δ% as reported**
Australian Regional Media	272.8	(5%)	(5%)	43.6	(27%)	(27%)
New Zealand Media	303.3	(3%)	(5%)	51.8	(25%)	(27%)
Australian Radio Network	133.2	5%	5%	44.9	5%	5%
The Radio Network	86.7	4%	1%	12.5	0%	(3%)
Outdoor	263.7	13%	10%	38.0	33%	31%
Digital Ventures*	12.6			(4.9)		
Corporate				(14.5)		
Total	**1,072.4**	**3%**	**1%**	**171.4**	**(16%)**	**(17%)**

* Includes businesses acquired during the year

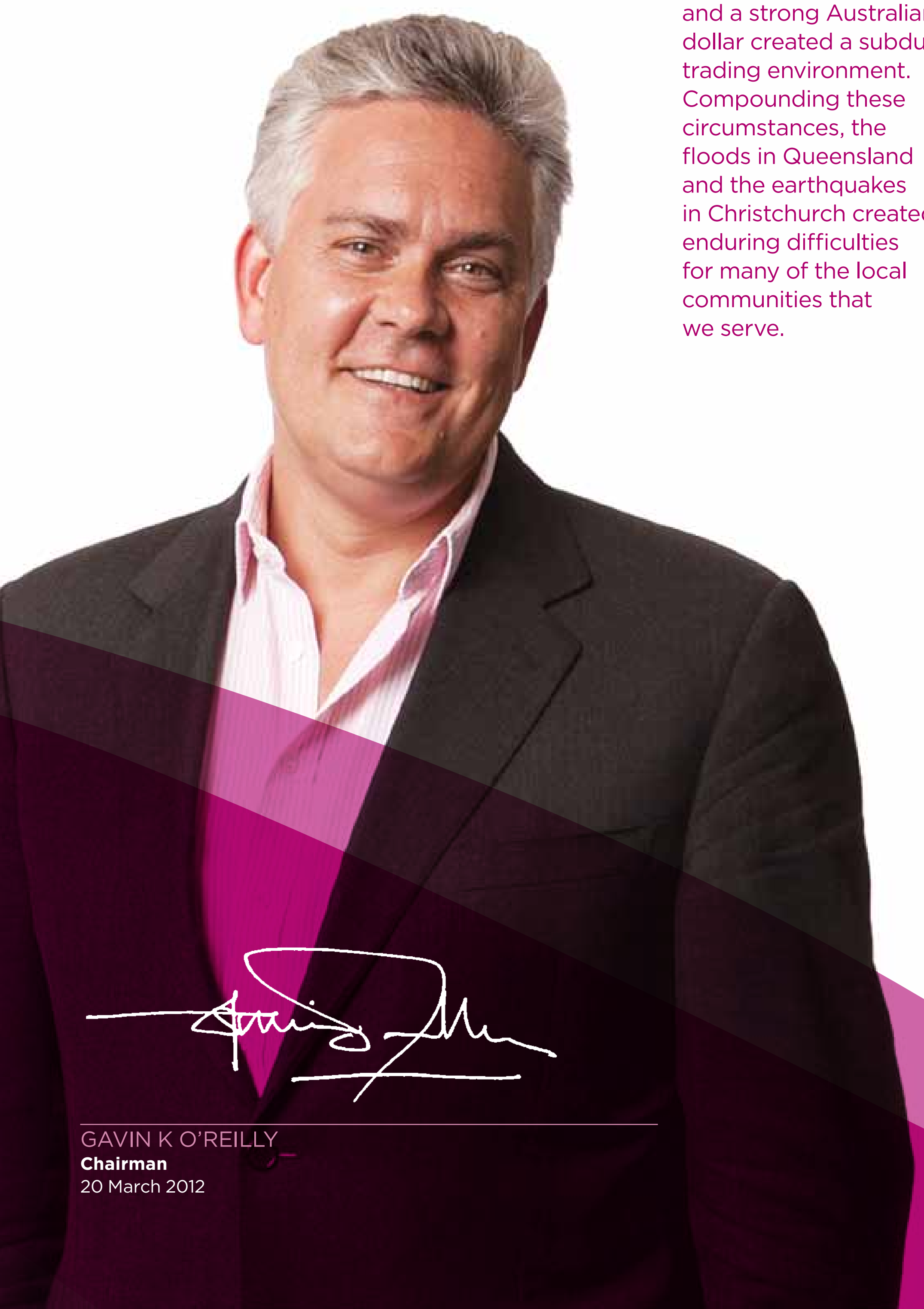
chairman's report

2011 was one of the most challenging years APN has faced. Economic uncertainty, weak retail and advertising markets and a strong Australian dollar created a subdued trading environment. Compounding these circumstances, the floods in Queensland and the earthquakes in Christchurch created enduring difficulties for many of the local communities that we serve.

These conditions have had a material impact on the earnings of several of our businesses. Trading for the second half of 2011 was significantly stronger than for the first, although still behind that of the prior year.

The silver lining from the tough market is the relentless focus and impatience of our Chief Executive Officer, Brett Chenoweth, and his team to optimise the financial performances of all of our businesses, both in terms of exceeding cost reduction targets to generate the highest possible margins and reviewing and evolving the way we do business in the fast moving media landscape.

Despite the difficult year, I would like to emphasise the strength of APN's underlying businesses. We continue to have valuable brands that generate significant profits and cash flows. Our publishing businesses, in particular, have robust market leading positions that uniquely and profitably serve their local communities.



GAVIN K O'REILLY
Chairman
20 March 2012

Building value

Restoring APN's share price and building long term shareholder value continue to be imperative for both the Board and the management team.

The Board is committed to ensuring the Company is able to maximise profits from our existing operations and generate new and exciting revenue opportunities in the digital arena.

Brett has a clear mandate and vision to better position APN for growth, and this year's Annual Report should give all shareholders a good understanding of how far the Company has transformed over the past 12 months.

Restoring APN's share price and building long term shareholder value continue to be imperative for both the Board and the management team.

FINANCIAL RESULTS

Revenue was $1,072 million, EBIT before exceptional items was $171 million and NPAT before exceptional items was $78 million. Taking into account the non-cash impairment charge (which chiefly relates to the value of our New Zealand mastheads) of $159 million announced in August 2011 and other exceptional items, APN reported a statutory loss of $45 million.

Diversification in our markets and media assets has been important to our overall result, with a strong performance in Outdoor and solid growth in Radio mitigating some of the shortfalls in publishing in local markets.

A final dividend of 5 cents a share, together with the interim dividend of 3.5 cents per share, brings the total dividend per share for 2011 to 8.5 cents.

BOARD RENEWAL

The Board of APN continued its program of renewal in 2011. In December, APN announced the appointment of Melinda Conrad to our Board of Directors, following the appointment of John Harvey in January 2011. Melinda's expertise in retail, particularly her experience in innovation, implementation of strategy and risk identification, will be a valuable contribution to the direction of the Company. Melinda's appointment commenced on 1 January 2012 and we are delighted to welcome her to the team.

In February 2012, Pierce Cody resigned from the Board. Pierce served on the Board for more than eight years and I would like to thank him for his contribution over that period.

2012

With the current turmoil in the Eurozone still impacting global sentiment, we are expecting local businesses and consumers to remain fairly cautious during 2012. Consistent with last year, APN will be working hard to optimise the performance of our businesses while continuing to evolve our approach, products and business models.

The debates regarding the regulatory framework governing media companies will also progress in 2012. The Convergence Review and Independent Media Inquiry are generating robust debate in Australia. Similarly, proposals for change are being discussed in relation to the New Zealand Law Commission's Issues Paper, *The News Media meets 'New Media'*. These reviews, and the responses from the Australian and New Zealand governments, have the potential to result in major changes in the legislative framework and opportunities for media companies. APN will continue to participate in these important policy debates and ensure that APN's brands remain at the vanguard of any change.

On behalf of the Board, I would like to thank Brett and all of our colleagues at APN for their commitment and achievements over the last 12 months. I also wish to thank my fellow Directors, who have served with great dedication. Finally, I want to thank you, our shareholders, for your ongoing support and belief in APN. I look forward to further updating you on our prospects at the Annual General Meeting on 2 May 2012.

CEO's thanks

"I wish to acknowledge the tremendous efforts of the teams across APN and thank them for these achievements. Their commitment in often demanding circumstances has been first class."

chief executive officer's report

When I joined APN one year ago, it was with a mandate and determination to substantially reposition the Company for growth: to tackle head on the opportunities and challenges of the competitive and rapidly changing world of media, to bring a strong digital focus, new capability and vigour to transform APN and to set it on a new course with a successful future. That mandate and resolve to succeed remain and I am pleased to say we have made great strides along this path.

However, the last 12 months have also provided extraordinary challenges: the devastating earthquakes in Christchurch, the floods in Queensland and the toughest economic conditions Australia and New Zealand have seen in years. The conditions were particularly arduous for our publishing businesses and our results reflect that. Enormous work has been done to remediate the impact and this has helped recovery in the second half of the year.

I wish to acknowledge the tremendous efforts of the teams across APN and thank them for these achievements. Their commitment in often demanding circumstances has been first class.

KEY ACHIEVEMENTS

We have restructured the leadership teams and brought in motivated and talented people across the business. Appointments to my team include Warren Bright, CEO of Australian Regional Media and Matt Crockett, Chief Development Officer. Similarly, there are new high calibre appointments in the management teams in our radio, publishing and digital businesses. The appointment of new CEOs for Adshel and for The Radio Network will further rejuvenate our teams.

Our Outdoor businesses have delivered an impressive result, outperforming the market in all major categories in Australia and New Zealand as well as strong performances in Hong Kong and Indonesia.

We have been successful in winning important new contracts and renewing others. We acquired OGGI Billboards in New Zealand and continued to deliver innovative products, from digital billboards, to free wireless internet on buses, to street furniture and posters that interact with smart phones.

Radio is gaining traction. The refreshed approach to programming, content, yield management and digital is all starting to pay off. Ratings are steadily increasing. Our Australian Radio Network finished the year with Mix 102.1 as number one in Adelaide and 97.3 as number one in Brisbane. In New Zealand, The Radio Network operates the number one national network, Newstalk ZB and has three of the top five national networks with Newstalk ZB, Classic Hits and Coast.

As part of our remediation efforts, we conducted a comprehensive cost reduction program in our publishing businesses, delivering $25 million in annualised savings. This included consolidating our printing operations, reducing 11 printing plants to eight.

We also made significant progress in rejuvenating our publishing business models. In Australian Regional Media, we have increased productivity in our commercial teams and improved efficiency in our editorial teams. We have introduced a digital first approach in two markets and we are redesigning all our print products.

In New Zealand, we have restructured the senior management team to pursue a multi-media approach and have established an integrated newsroom. The New Zealand Herald once again defied trends and delivered increases in circulation and readership, as well as growing overall audience across print, online and mobile. nzherald.co.nz was awarded Best New Zealand Website and has around 60% of the nation's total online audience.

APN has more than doubled its digital revenue over the last 12 months. Our new digital team has worked closely with the divisions to deliver a range of important digital achievements across the Company. We expect the lift in revenue and earnings momentum to continue.

Joint venture

In February 2012, we announced that APN has agreed to form a joint venture with Quadrant Private Equity to capitalise on opportunities in the outdoor sector.

TRANSFORMING APN

Critical to transforming APN is reshaping our portfolio of media assets to increase our exposure to high growth businesses.

In February 2012, we announced that APN has agreed to form a joint venture with Quadrant Private Equity to capitalise on opportunities in the outdoor sector.

Outdoor advertising is one of the fastest growing media sectors and APN is a leading outdoor player in this part of the world. The joint venture is an excellent opportunity to leverage APN's expertise and strong operational history into a well capitalised business that is able to rapidly grow. Opportunities include expansion in local markets, product innovation and investment in selected Asian markets. Quadrant Private Equity is a highly respected private equity group that will bring a strategic focus and investment capital to the business.

More modest, but strategically important, are our investments to build our portfolio of digital ventures. This included increasing our investment in GrabOne, taking a controlling position in CC Media and acquiring sports tipping platform Jimungo. Importantly, we also exited Eventfinder and Finda as they were inconsistent with our digital strategy. We will continue to make measured but strategic investments to expand our portfolio.

2012

We are anticipating the market conditions for 2012 to again be tough.

We will build on the progress made last year to continue to strengthen APN. This includes robust cost management in publishing, increasing our publishing audiences across all platforms, growing radio share above the market and continuing to ramp up our digital products and earnings.

Our journey to transform APN is underway. At all times, we will be looking to be innovative to bring the best we can to our audience and our clients and to pursue the best outcome for our shareholders.

BRETT CHENOWETH
Chief Executive Officer
20 March 2012

We're all connected.

Daily Mercury

local evolving relevant

australian regional media

Walkley Award Winner 2011
News Photography

Toowoomba Flood Rescue taken by Neville Madsen, the Toowoomba Chronicle.

APN appointed Warren Bright as CEO of Australian Regional Media in May 2011. Warren has strengthened his management team and made important changes to evolve the division's business model.

Australian Regional Media (ARM) connects with communities from Coffs Harbour to Mackay through its 12 daily newspapers, more than 56 non-daily newspapers and a digital regional news network of 29 web and mobile sites.

ARM's publications reach an audience of 1.2 million people each week in print and 1.1 million online and mobile users, offering the best coverage of local news and events. ARM's longstanding publications have excellent market positions and are strong cash generators for the Company.

The flourishing economic conditions in mining centres such as Mackay and Gladstone, where ARM publishes The Daily Mercury and The Observer, produced good financial results for the division. Unfortunately, many of our local communities were severely affected by widespread flooding and a significant downturn in the tourism industry. These factors, together with restrained levels of commerce being experienced elsewhere in Australia, had a significant net impact on the division's overall result. Revenue was down 5% and EBIT was down 27%.

In 2011, Warren and his team completed a detailed review of operations and evolved ARM's operating model to increase productivity in its commercial teams and improve efficiency in its editorial teams.

This included centralising ARM's advertising services bureau, which now produces the vast majority of creative work and prepress for each of the regional operations. Overall production headcount is down 24% and productivity per team member has improved by more than 30%.

Other changes included centralising the editorial production of each of the daily and non-daily newspapers at 'Centro', a sub-editing facility on the Sunshine Coast. This has improved both the quality and the efficiency of the sub-editing process.

Overall, the review delivered $14 million in sustainable cost reductions that resulted in no net increase in costs in 2011. ARM expects comparable costs to fall 3% in 2012.

ARM is actively addressing the changing ways in which people consume media and is redesigning all its print products, sales and editorial processes. The new approach is aimed at ensuring all print, web and mobile products are considered an essential part of its audiences' daily lives. Advertising sales are made across all platforms in joint packages and journalists file copy for online as well as print.

In two centres, Tweed Heads and Coffs Harbour, ARM has adopted a 'digital first' approach with an emphasis on reporting breaking news via web and mobile sites, supported by print publications twice a week. Since the conversion at the start of 2012, website traffic has increased by more than 29% for each title and both business units are recording substantially better earnings compared to those for the prior year.

ARM's products and teams have received a number of awards throughout the year.

The Observer in Gladstone and the Sunshine Coast Daily were named *Newspaper of the Year* in their respective categories at the annual Pacific Area Newspaper Publishers Association (PANPA) Awards. Toowoomba Chronicle photographer Neville Madsen won the *News Photography* award at the 2011 Walkley Awards, placing him among the best news photographers in Australia.

ARM also had strong readership results. ARM's portfolio of publications reaches 69% of regional consumers within its markets and ARM has eight of the 10 fastest growing, year-on-year regional readership performances in northern NSW and Queensland. Our daily titles in Toowoomba, Fraser Coast and Gympie have strong double digit readership growth.*

* Roy Morgan Survey, September 2011

Canon Media Awards 2011

The New Zealand Herald:
- **Newspaper of the Year**
- **Best Daily Newspaper**
- **Weekly Newspaper of the Year (Weekend Herald)**
- **Best Website (nzherald.co.nz)**

new zealand media

APN is New Zealand's leading publisher with a weekly brand audience of 2.6 million people. The New Zealand Media division's portfolio includes the best selling daily newspaper The New Zealand Herald, award-winning website nzherald.co.nz, national magazines the New Zealand Woman's Weekly and the New Zealand Listener, as well as regional newspapers.

The cumulative impact of challenging economic conditions, earthquakes and weak consumer confidence resulted in revenue for New Zealand Media (NZM) being down 3% and EBIT down 25% on a local currency basis.

To remediate, NZM undertook a comprehensive sustainable cost reduction program which delivered in excess of $10 million in annualised savings. As a result, total costs were flat compared to 2010. Productivity gains were achieved with the completion of the centralised production of advertising in Auckland. Staffing in media services has reduced by 35% in the past three years.

During the year, NZM strengthened and restructured its management team with a multi-media focus. It established an integrated newsroom and appointed a single Editor-in-Chief across all Herald titles. It also launched its own news service, APNZ, in partnership with independent daily publishers following the closure of the New Zealand Press Association.

The New Zealand Herald continued to reach new milestones, building circulation and readership. Total audience is 1.3 million people each week in print and online.

In the 12 months to December 2011, circulation was up for both The New Zealand Herald and The Herald on Sunday.

The Herald portfolio has achieved the strongest circulation performance of any daily newspaper in Australia or New Zealand. This was driven by 5.3% growth in The New Zealand Herald subscriber base to almost 60% of baseline sales. The Herald on Sunday remains the most read Sunday newspaper in its market and continues to lead the commercially important Auckland region.

The digital development of NZM's news titles keeps growing. The Herald's apps for iPad, iPhone and Android smart phones attracted 179,171 visitors in December 2011 and more than 7 million page views. nzherald.co.nz reaches around 60% of the total online audience in New Zealand with high levels of engagement.

NZM's publications continue to receive critical acclaim with successes at national and international awards. The New Zealand Herald was awarded *Newspaper of the Year* and nzherald.co.nz won *Best New Zealand Website* at the Canon Media Awards 2011, marking the fourth consecutive year the Herald has won the newspaper award. Further recognition included wins at the International Newsmedia Marketing Association (INMA) Awards, PANPA Awards and the International Webby Awards.

The Rugby World Cup provided strong commercial opportunities, with NZM producing 11 specialist magazines and one thousand extra pages published in the Herald during the 48 days of the tournament.

NZM has converted some of its regional daily newspapers from afternoon publications to morning tabloids. The Wairarapa Times-Age and the Oamaru Mail were both relaunched with a strong increase in advertising revenue and reader acceptance. Hawke's Bay Today will also convert to a morning title in the second quarter of 2012.

The expansion of the New Zealand Magazines portfolio now attracts more than 1 million unduplicated readers to its mass market weekly titles, New Zealand Woman's Weekly, New Idea and That's Life. The youth titles Crème and Girlfriend attract a further 231,000 unduplicated readers.

spearheading opinion

mix106.5

revitalised building momentum

Final ratings 2011

In the final surveys of 2011:
- **Mix 102.3 was #1 in Adelaide+**
- **97.3 was #1 in Brisbane+**
- **Newstalk ZB was the #1 national network in New Zealand***
- **Newstalk ZB, Classic Hits and Coast were 3 of the top 5 national networks in New Zealand***

radio

APN operates two successful radio businesses, with a combined weekly audience of 5.4 million people across Australia and New Zealand.

AUSTRALIAN RADIO NETWORK

Australian Radio Network (ARN) operates the Mix and Classic Hits networks across Sydney, Melbourne, Adelaide and Brisbane, reaching over 4 million listeners. It also operates The Edge 96.1FM in Sydney and Cruise 1323AM in Adelaide.

Over the past 18 months, CEO Ciaran Davis has appointed a new management team and revitalised ARN. This includes new programming and content underpinned by audience research, as well as attracting proven talent to host key breakfast and drive programs.

As a result, there have been steady improvements in ratings and more recently increases in advertising rates, overall revenues and market share. Momentum is building.

Total radio advertising in ARN's markets grew 0.9% over the prior year. At the same time, ARN increased revenue by 5% and EBIT by 5%, gaining market share in both direct and agency advertising. This growth was particularly strong in the last quarter and has continued into 2012.

ARN's goal is to be the number one network for its target audience of listeners aged 25-54 years in all of its markets. Highlights from the final survey of 2011+ include:
- ARN improved to number one in 25-54 listeners in Adelaide and number two in all other markets;
- Mix 102.3 was number one in Adelaide and 97.3 was number one in Brisbane; and
- market share in 25-54 listeners was the highest since 2008.

This trajectory has continued into the new year.

Fresh programming initiatives have helped build audience across the day, offering greater reach for advertisers. This included launching the 3pm Pick-Up, targeting mothers on the school run. The show attracted a strong audience and opened up a new opportunity for fast moving consumer goods clients. Consequently, this timeslot now attracts a high demand from advertisers attracted to this key audience segment.

ARN is continually looking at digital product innovation opportunities. In 2011, ARN launched Chemist Warehouse Mix 90s, a digital radio station broadcasting in every Chemist Warehouse store. ARN's smart phone apps were downloaded 690,000 times, increasing its broadcasting reach through this new channel.

THE RADIO NETWORK

In New Zealand, The Radio Network (TRN) has eight radio networks which are some of New Zealand's largest and most popular stations. Overall, TRN has 45% share of listeners aged 10+ years.*

Newstalk ZB is the number one network, holding the largest 10+ national audience share.* For the first time, Newstalk ZB was number one in Auckland, Wellington and Christchurch at the same time during 2011.

TRN also has three of the top five national networks, being Newstalk ZB, Classic Hits and Coast, giving it the greatest share of 10+ audience in New Zealand.*

In 2011, the New Zealand radio market achieved solid growth of 2% in challenging economic conditions. TRN revenues outgrew the market, achieving 4% revenue growth in local currency terms.

In 2011, Newstalk ZB added a FM simulcast in six new markets. The station is now on both FM and AM in eight major markets, including Auckland, Wellington and Christchurch. The transition was immediately successful, growing the audience and strengthening its reach to a younger demographic.

TRN has a comprehensive digital strategy with high levels of engagement between its talent, stations and audience (over 200,000 social media connections). Over the past 12 months, TRN has made significant investments in digital platforms and capabilities.

The network re-launched its eight websites, with improved interactivity and greater social media utilisation. The number of unique browsers increased 21% and online revenue grew 38%. TRN also released smart phone apps for its premium brands: Newstalk ZB, Classic Hits, ZM and Hauraki and there have been 67,000 downloads to date.

TRN's immediate imperative is to build on its current momentum with improved ratings and market share, as well as grow digital revenues.

ARN and TRN are a joint venture between APN and Clear Channel International.

+ Nielsen Radio Ratings. Survey 8, 2011
* Research International: National Database 2/2011 Monday-Sunday 12mn-12mn

APN outdoor joint venture

Key aspects of the APN and Quadrant Private Equity joint venture:

- **Incorporates APN's wholly-owned outdoor businesses and the 50% interest in Rainbow Premium Outdoor, Indonesia**
- **Ownership will be 50% APN and 50% Quadrant Private Equity**
- **To be led by the current APN Outdoor management team**
- **APN Outdoor joint venture will be well capitalised to drive further innovation and growth**

outdoor

Australian outdoor advertising revenues have grown 91% since 2002 for the industry as a whole. APN has been a driving force behind that growth and is a market leader in Australia and New Zealand.

During the year, APN conducted a strategic review of the opportunities to expand its position in outdoor and in February 2012, APN announced a joint venture with Quadrant Private Equity to capitalise on the strong growth prospects of the sector.

The outdoor advertising market is one of the fastest growing media sectors. Product innovation, particularly digital and interactive products, will continue to increase engagement with audiences and outcomes for advertisers. MOVE, the outdoor industry-wide audience measurement system, is expected to continue to propel interest with improved accountability to advertisers and media buyers. Most important is APN Outdoor's operational expertise, reflected in ongoing and impressive growth against all of its key financial metrics.

In 2011, the outdoor sector was up in all of APN's markets. APN Outdoor produced an exceptional result, increasing revenue by 13% and EBIT by 33% on a local currency basis.

In Australia, APN Outdoor outperformed the market across all major categories, being billboards, posters, street furniture and transit. The division won a number of significant new contracts, including the Department of Transport and Main Roads (Qld), external signage for Top Ryde Shopping Centre and Perth Airport's internal signage, and was successful in renewing others, including WA Buses and Perth Airport's external signage. In Melbourne, Adshel won the Yarra Trams street furniture contract, securing its position as a leading street furniture supplier in Australia and New Zealand.

APN Outdoor continues to pursue digital innovation opportunities. For example, APN Outdoor rolled out sponsored Wi-Fi on Melbourne trams. In 2012, it partnered with Woolworths to create virtual supermarkets in prominent train stations, where customers could scan images of products and arrange payment and delivery using their smart phones. In the first half of 2012, APN Outdoor will install Brisbane's first digital billboard.

Adshel also took advantage of digital opportunities, building on its interactive Create initiative, where consumers use their mobile devices to access additional information about an advertiser's product through digitally-enabled street furniture panels.

In New Zealand, APN Outdoor returned impressive results, with the Rugby World Cup providing good promotional opportunities for clients. In 2011, APN acquired OGGI billboards and increased market share over the year. APN Outdoor successfully integrated more than 100 new sites into its inventory, predominantly in Auckland.

In Hong Kong, APN is the leading billboard provider and the sole contractor for advertising on buses on Hong Kong Island. A strong outcome from the banking, finance and telecommunication sectors helped deliver good advertising growth, up 21% in local currency terms, with solid forward bookings into 2012. APN's Webus initiative, providing free wireless internet to commuters, has also been very successful in that market. The Indonesian market also produced good revenue growth, up 12% in local currency terms.

innovative outperforming

strategic accelerating

Expanding our portfolio

APN is continuing to build a portfolio of high growth digital ventures, working in partnership with entrepreneurs. During 2011, we expanded the portfolio with strategic investments including GrabOne, CC Media and Jimungo.

digital

APN believes the digital media industry is entering an exciting phase in its development, where substantial value will be created. APN is approaching this opportunity by making measured but significant investments across a portfolio of digital businesses in areas where value is emerging.

During 2011, APN invested to accelerate its digital capabilities and as a result it has built significant digital revenue and earnings momentum.

APN's new digital team is implementing a digital strategy with a dual approach.

Firstly, APN is expanding digital capabilities in existing assets, with a focus on mobile, video, social, ad product and data analytics. Initiatives are being developed by the divisions with expert support from a centralised digital team. This allows APN to drive this innovation in a coordinated, cost effective and customer-responsive way.

The team has made a strong contribution to digital achievements, which has resulted in APN more than doubling its group-wide digital revenues to $33.7 million in 2011. Examples include the launch of 27 regional mobile sites and rapidly growing video audience (up 66%) and video advertising (up 100%) on nzherald.co.nz.

Secondly, APN is continuing to build a portfolio of high growth digital ventures, working in partnership with entrepreneurs.

In 2011, APN expanded its digital ventures portfolio by increasing its investment in GrabOne to 75%, taking a controlling position in CC Media and acquiring the online sports tipping platform Jimungo. APN also invested with digital incubator Pollenizer to explore new digital opportunities alongside APN's existing media assets. This includes a seed investment with Friendorse, a neighbourhood based community recommendations site for local businesses.

APN also exited digital ventures Eventfinder and Finda as they were inconsistent with ongoing strategy. APN continues to use the digital platform developed for Finda to underpin its regional websites.

Overall, the digital ventures portfolio has performed well during the year, particularly GrabOne and CC Media, which are now both profitable.

GrabOne is the largest online daily deal site in New Zealand with approximately 70% market share. In 2011, GrabOne sold more than 2.1 million coupons valued at $51 million and more than doubled its revenues between the first and second half of the year.

Over the last 12 months, GrabOne has expanded rapidly from one deal per day in Auckland, to more than 100 deals per day in three countries and 23 regions. GrabOne has created seven verticals, such as GrabOne Escapes and GrabOne Home and Gardens, and launched GrabOne Instant.

CC Media is Australia's leading online retail advertising network. Its iNC digital distribution network reaches around 6 million unique viewers per month and for the 2011 Christmas period CC Media delivered more than 2.2 million digital catalogues for retailers.

corporate social responsibility

APN is actively involved with the communities in which it operates.

DISASTER RELIEF

The integral role that APN's media assets play in their regions was particularly highlighted during the natural disasters in 2011.

In the aftermath of the February 2011 earthquake in Christchurch, our local newspaper, The Star, became a vital link for a city that was without power. Immediately, it was converted to a free daily, providing extensive earthquake coverage and information on emergency services. Our local radio stations, particularly Newstalk ZB, were also a critical source of information. In the week following the earthquake, more people came to nzherald.co.nz than to any other New Zealand news website.

The experiences in flood-affected areas of Rockhampton, Gympie, Toowoomba and Ipswich were similar. Our offices, newspapers and websites were an essential and trusted source of reliable, up-to-date local emergency information. The local teams went to extraordinary efforts to ensure newspapers and websites were published, emphasising their deep ties to the local communities.

We also played our part in tangible ways.

Following the Christchurch earthquakes in September 2010 and February 2011, APN significantly contributed to the community's recovery fundraising activity. New Zealand Media published commemorative titles, which facilitated donations of NZ$300,000 (2010) and NZ$178,000 (2011) to the Christchurch Earthquake Appeal. Another NZ$68,000 was raised by an online art auction run by sella.co.nz. Together with APN's donation of $100,000 (2010), total financial assistance to the Christchurch Appeal Fund amounted to NZ$646,000.

In addition, The Radio Network ran two successful fundraising campaigns following the February earthquake. Firstly, ZM ran the first "Tweetathon" in New Zealand, a unique appeal utilising Twitter and a video online stream supported by on-air activity. The appeal raised NZ$259,000 in 24 hours and over NZ$750,000 by the end of a week. Secondly, Radio Sport organised an auction of sports memorabilia from New Zealand's sporting stars. The auction generated over NZ$330,000.

After the 2010/2011 floods in Queensland, our Australian Regional Media publications helped to raise funds to support local communities re-establish their homes and businesses. The Queensland Times and the Rockhampton Morning Bulletin assisted the local mayors launch their respective Flood Appeals and provided ongoing coverage to encourage greater community participation. The Ipswich Mayor's Flood Appeal raised over $1 million and the Rockhampton Lady Mayor's Flood Appeal, which was chaired by the General Manager of the Rockhampton Morning Bulletin, raised over $450,000. Australian Regional Media also produced a glossy publication across its mastheads to commemorate the floods.

CHARITY

APN provided advertising support for a wide variety of national and local charities, including the Starship Foundation, the Leukemia Foundation, World Vision, Red Cross, Beyond Blue, the Cerebral Palsy Alliance, Mission Australia and Ronald McDonald House.

The New Zealand Herald worked with the charity 'KidsCan' to publish a high profile news campaign focusing on providing breakfast to children who arrive at school underfed. The campaign resulted in over 1,500 new sponsorships of NZ$15 a month for some of New Zealand's most underprivileged children to be served breakfast at their schools. Further, the 'At Home with the Herald' initiative offered a year-long complimentary subscription to the newspaper (Monday–Friday) delivered to the home of every student of 25 selected disadvantaged schools in the Auckland region, aiming to promote literacy skills. Over 2 million newspapers were delivered through this initiative.

COMMUNITY

Our businesses take pride in promoting the development and debate of key issues in our communities. The New Zealand Herald hosts the annual 'Mood of the Boardroom' breakfast for CEOs, announcing the results of a survey canvassing business and policy issues, as well as the 'Project Auckland' lunch with key business leaders. The New Zealand Herald supports the Sir Peter Blake Trust including publication of the Sir Peter Blake Trust's annual 'Leadership Magazine', and is a sponsor of the Trans Tasman Business Circle and the Auckland Chamber of Commerce Business Awards. The New Zealand Herald also runs an annual national 'Future Stars of Sport' program, which honours up-and-coming sports achievers. The program's award winners receive financial assistance and promotion of their media profiles.

In addition, The New Zealand Herald also assisted the Society for Prevention of Cruelty to Animals in finding homes for abandoned pets through newspaper coverage. Unprecedented adoption rates at peak times during 2011 occurred as a result.

The Radio Network held its Special Children's Christmas Party, enlisting the sponsorship of local businesses in New Zealand to provide an unforgettable experience for disabled and disadvantaged children in the community.

APN Outdoor's 'Think Sustainability' program continued to improve the division's environmental contributions. In 2011, APN Outdoor implemented new programs to progress waste management and further reduce energy consumption.

ARTS

In New Zealand, APN supports a wide variety of cultural organisations and events. In 2011, these included the Auckland Philharmonic Orchestra, the Auckland Writers and Readers Festival, the Royal New Zealand Ballet, the New Zealand Symphony Orchestra and the New Zealand International Arts Festival.

In Australia, APN Outdoor is a sponsor of iconic outdoor events such as the St. George Open Air Cinema, the Sydney Festival and the Adelaide Festival. APN proudly supported the Australian Chamber Orchestra, the Art Gallery of New South Wales, the Sydney Opera House and the Australian Ballet.

people and culture

Talent development and employee engagement are fundamental to the successful operation and future direction of APN. The Company made a number of significant investments in its people during 2011.

EMPLOYEE ASSISTANCE PROGRAM

The Employee Assistance Program, which offers APN employees access to free confidential counselling services, was especially important following the 2011 natural disasters. In New Zealand, additional counselling sessions, as well as group sessions, were made available to all affected print and publishing staff. In Australia, the program was extended to include employee self-referrals to attend special counselling sessions.

FAST TRACK PROGRAM

APN's Fast Track Program offers a small number of talented individuals with three to 10 years' professional experience the opportunity to work in a range of APN's newspaper, radio, digital and outdoor businesses over a two year period. The program is designed to give the participants exposure to a variety of media businesses and projects, while the businesses benefit from their capabilities, capacity and enthusiasm.

The first intake successfully completed their initial year of the Fast Track Program in April 2011 and in August we welcomed a second cohort of motivated individuals to APN. At the conclusion of the program, these people will move into key roles across the Company.

TALENT DEVELOPMENT

APN conducted an organisation-wide review of its high performing employees and identified around 250 people (6% of APN's employees) as having current or potential leadership qualities. APN then agreed development plans with them as part of a succession planning process. 24 of these people were offered the opportunity to participate in APN's Executive Leadership Development Program (ELDP), a program run in collaboration with the Queensland University of Technology. The ELDP aims to strengthen leadership capability through residential sessions, ongoing group tasks and mentoring, equipping them to contribute to the achievement of APN's strategic objectives.

SALES DEVELOPMENT PROGRAM

APN rolled out its Sales Development Program across key parts of its Australian Regional Media and New Zealand Media divisions. This program gives participating sales teams the opportunity to further their skills on the job, while working towards a nationally recognised Certificate IV in Business Sales. The program is eligible for funding rebates. Participants are trained in a number of key areas including improved knowledge and skills around digital products.

corporate governance

APN News & Media Limited and Controlled Entities

The Board of APN News & Media Limited endorses good corporate governance practices and oversees an organisation-wide commitment to high standards of legislative compliance and financial and ethical behaviour.

The Directors' overriding objective is to increase shareholder value within an appropriate framework that protects the rights and enhances the interests of all shareholders and ensures the Company is properly managed.

The Company has considered the best practice recommendations established by the ASX Corporate Governance Council "Corporate Governance Principles and Recommendations with 2010 Amendments" (2nd edition) in effect during the reporting period (Recommendations) and, except to the extent indicated below, has complied with the Recommendations for the entire reporting period. In addition, a description of the Company's main corporate governance practices and policies is set out below. This report is also available on the Company's website www.apn.com.au.

BOARD OF DIRECTORS

Board responsibilities

The Board is responsible for overseeing the long-term profitable growth of the Company. This is achieved through a process of regular reviews of strategy, operations and areas of risk. The Board sets overall corporate policy and provides guidance for senior management, as well as oversight of policy execution.

The responsibilities of the Board are to:

- oversee the workings of the Company, including its control and accountability systems;
- appoint and remove the Chief Executive Officer;
- appoint and remove the Chief Financial Officer (based on the recommendation of the Chief Executive Officer);
- appoint and remove the Company Secretary;
- provide input into and approve corporate strategy;
- provide input into and approve the annual operating budget (including the capital expenditure budget);
- approve and monitor the progress of major capital expenditure, capital management and acquisitions/divestitures;
- monitor compliance with legal and regulatory obligations; and
- review and ratify systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies.

Responsibility for the day-to-day operations of the Company is conferred on the Chief Executive Officer who reports to the Board and provides the Board with information in relation to the conduct of the business of the Company. The Chief Executive Officer exercises this responsibility in accordance with Board-approved annual operating budgets and reports to the Board at regular Board meetings. The Company's senior management team meets regularly (usually monthly) to examine the performance of the Company compared to Board-approved operating budgets and policies.

Term of office

The Constitution of the Company currently specifies that there shall be no fewer than three Directors and no more than nine or such other number as is determined by the Board from time to time by ordinary resolution.

The Constitution of the Company specifies that an election of Directors must be held at every Annual General Meeting. A Director (other than any Managing Director) must retire from office at the third Annual General Meeting after being last elected or re-elected and is eligible for re-election. If no Director is required to retire at an Annual General Meeting, then the Director with the longest period in office since last being elected or re-elected must retire and is eligible for re-election at the Annual General Meeting.

A Director appointed since the most recent Annual General Meeting shall hold office only until the next following Annual General Meeting and shall then be eligible for election by shareholders.

Composition and qualifications

The Board currently consists of nine members: eight non-executive Directors and one Managing Director (who is the Chief Executive Officer). During the reporting period, the Board consisted of nine members. After the reporting period, a non-executive Director joined the Board and a non-executive Director resigned from the Board.

Details of the names, qualifications, tenure, skills, experience and Board Committee memberships of the current Directors and the meeting attendances of Directors during the reporting period appear on pages 28 to 32 of this Annual Report.

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Board procedure

The Board meets formally on at least eight occasions during the financial year. From time to time, meetings are held at the offices of divisional operations, enabling Directors to obtain increased knowledge of individual Company operations.

Meeting agendas

Meeting agendas are settled by the Chairman of the Board with input from the Chief Executive Officer to ensure adequate coverage of financial, strategic and major risk areas throughout the financial year. Directors add items to the agenda. From time to time, non-executive Directors discuss issues, on an as needs basis, without management present.

Independent advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, however, this will not be unreasonably withheld.

Independence of Directors

The Board has engaged in a program of Board renewal and the Company complies with Recommendation 2.1 due to a majority of the Board comprising independent directors. During the reporting period, the Company did not, however, comply with Recommendation 2.2 due to the Chairman having an association with a significant shareholder, Independent News & Media PLC (INM).

The Board believes that the existence of this association in relation to the Chairman does not interfere with the independent judgement of any of the Directors or impedes any Director's ability to act in the best interests of the Company.

In terms of assessing independence, Directors are considered to meet the threshold for independence if they are independent of management and free from any business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Rather than applying materiality thresholds, materiality is assessed on a case-by-case basis.

In relation to the reporting period, the following non-executive Directors are considered by the Board to be independent:

- AE Harris (Deputy Chairman)
- KJ Luscombe
- JH Maasland
- PP Cody (resigned as a Director on 22 February 2012)
- PM Cosgrove
- EJ Harvey.

The Board does not accept the fact that a Director who was an executive of the Group within three years prior to the Director's Board appointment should automatically be regarded as interfering with the Director's independence or ability to act in the best interests of the Company.

During the reporting period, Pierce Cody was considered by the Board to be independent despite being a former executive as he exercised independent judgement. His executive role with the Company ceased in August 2003.

In relation to the reporting period, the following Directors were affiliated with INM:

- GK O'Reilly (Chairman)
- VC Crowley.

The Board appointed Brett Chenoweth as Managing Director and Chief Executive Officer effective 1 January 2011. He is not considered independent from management for the purposes of the Recommendations due to his executive role.

Performance evaluation

From time to time, including during the reporting period, the operation of the Board, its Committees and individual Directors and their performance are discussed and, where appropriate, measures are taken to enhance their effectiveness. The Company uses various methods to evaluate performance including interviews with Directors. Outside advisers are also engaged to provide advice from time to time.

In April 2011, the Company engaged a highly regarded professional firm Cameron Ralph Pty Limited (Cameron Ralph) to undertake an independent Board evaluation and to provide an opinion on the Board's current effectiveness. In addition, the review covered whether the Board does, in fact, bring independent judgment to bear in its decision-making.

The evaluation undertaken by Cameron Ralph entailed the following:

- a review of publically available research on the Company;
- a review of documents available to the Board, including:
  - Board and Committee papers and minutes for the period April 2010 to June 2011;
  - various Board and Committee charters and policies;
  - annual and half-year reports, ASX/ASIC filings and minutes of shareholder meetings;
  - relevant stockbroker research reports;
- questionnaires completed by the Directors and some senior executives; and
- interviews conducted with the Directors and some senior executives.

The review highlighted some areas for improvement, which the Board is currently implementing.

corporate governance

APN News & Media Limited and Controlled Entities

Cameron Ralph agreed to the inclusion of the following summary of its review:

> Overall, Cameron Ralph rates the Board of APN News & Media Limited as SOUND(2011). The Board's practices deliver sound capabilities across the range of critical elements of Board effectiveness. The Board's governance practices are competent to meet most challenges. This Board demonstrates the independence and ability to act in the best interests of the Company.[1]

Board Committees

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of various issues.

Current Committees of the Board include, among others, the Nomination Committee, Remuneration Committee and Audit Committee which all consist entirely of non-executive Directors.

Each of these Committees has its own formal charter setting out the authority delegated to it by the Board. Copies of the charters are available on the Company's website.

All matters determined by these Committees are submitted to the full Board for ratification.

Nomination Committee

The Board established a Nomination Committee in 1997. During the reporting period, the Nomination Committee consisted of the following non-executive Directors:

- **GK O'Reilly (Chairman)**
- **JH Maasland**
- **PM Cosgrove**
- **PP Cody** (resigned as a Director on 22 February 2012).

Since the end of the reporting period, Gavin O'Reilly resigned from the Nomination Committee and was replaced by Melinda Conrad as Chair and member of the Nomination Committee.

The main role of the Nomination Committee is to:

- review the composition of the Board to ensure it is comprised of members who provide the required breadth and depth of experience and knowledge to achieve the objectives of the Board;
- ensure the filling of any vacancies on the Board with the best possible candidate through the use of executive search firms and/or by direct approach; and
- consider the appointment of additional Directors to provide the expertise to achieve the strategic and economic goals of the Group.

The Board appreciates that having a range of backgrounds, skills and experiences contributes to a well functioning Board that robustly considers issues and makes decisions. The range of skills and experience currently represented on the Board includes, by way of example, management, business and operations (across a range of industries including in Australia, New Zealand and Asia), accounting and financial, and advertising and marketing.

Once a potential candidate for the Board is identified, the Nomination Committee conducts a review of the relevant candidate's experience and qualifications and the needs of the Company and the Board. Following the review, the Nomination Committee may recommend to the Board that the candidate be appointed a Director.

Remuneration Committee

The Board established a Remuneration Committee in 1997. During the reporting period, the Remuneration Committee consisted of the following non-executive Directors:

- **AE Harris (Chairman)**
- **KJ Luscombe**
- **GK O'Reilly**
- **VC Crowley**

Since the end of the reporting period, Mr Crowley resigned from the Remuneration Committee to ensure that it consists of a majority of independent Directors in accordance with Recommendation 8.2.

The main role of the Remuneration Committee is to:

- ensure that remuneration policies and practices are consistent with the strategic goals of the Group and are relevant to the achievement of those goals;
- review on an annual basis the remuneration of executive Directors, including establishing the overall benefits and incentives;
- review in consultation with the Chief Executive Officer, remuneration packages of executives reporting directly to the Chief Executive Officer;
- review non-executive Directors' remuneration and benefits;
- obtain independent advice, as necessary, on the appropriateness of remuneration; and
- be responsible for reviewing general incentive schemes and superannuation plans.

(1) Cameron Ralph considers materials provided by the organisation and interviews with Directors and some senior executives, to make this assessment solely of the corporate governance risk with respect to this organisation at the specified point in time. The rating cannot, and does not, represent either a credit assessment, or an assessment of the organisation's strategies or performance, or an assessment with respect to its corporate governance risk at any other time or in changed circumstances.

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The performance of senior executives is evaluated on an ongoing basis by the Chief Executive Officer who then makes recommendations to the Remuneration Committee in relation to the appropriate level of remuneration for the senior executives based on their performance against budgeted profitability targets (either Group or divisional as appropriate) and the achievement of individual business objectives. The Remuneration Committee reviewed the remuneration of the senior executives (including the Chief Executive Officer) during the reporting period in accordance with this process.

Non-executive Directors may receive retirement benefits in accordance with the Company's Constitution and the *Corporations Act 2001*.

Further details on remuneration policy and the structure of executive and non-executive Director remuneration and further details of the appraisal and performance evaluation applicable to senior executives appear on pages 34 to 43 of this Annual Report.

Audit Committee

The Board established an Audit Committee in 1993. During the reporting period, the Audit Committee consisted of the following non-executive Directors:

- **JH Maasland (Chairman)**
- **AE Harris**
- **KJ Luscombe**
- **EJ Harvey** (appointed to the Audit Committee on 4 April 2011).

The main role of the Audit Committee is to:

- review the scope and effectiveness of the internal and external audit functions, financial reporting and risk management;
- review and consider any reports or findings arising from any audit function either internally or externally;
- review the interim and annual financial statements;
- ensure that there are adequate disclosures and that the financial statements are consistent with previous statements and disclosures;
- assess the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets and other public bodies;
- review the appointment, independence, performance and remuneration of external auditors and assess the ability of the external auditors to provide additional services which may be occasionally required;
- review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles;
- review and monitor internal financial controls to ensure they are adequate and effective to minimise financial and other major operating risks;
- review the integrity and prudence of procedures for management control;
- consider the adequacy of internal controls by reviewing management letters and the response of management;
- review and approve risk management policy and consider reports on risk management; and
- assess the effectiveness of risk management throughout the Company and the Group and report to the Board on risk management.

The Audit Committee has unlimited and unrestricted access to management and employees and regular meetings are held with the external auditors, providing an essential direct link between the auditors, management and the Board.

Audit Committee meetings are held at least twice every financial year to evaluate the financial information submitted to it and to review any procedures and policies that would affect the accuracy of that information.

Audit Committee meetings are regularly attended by the Chief Executive Officer, Chief Financial Officer, Company Secretary, Internal Audit Manager and the external auditors.

An ongoing five year rotation policy applies to the engagement partner of the external auditor of the Company.

ENVIRONMENT

The Company supports best practice and is committed to complying with all relevant legislation in relation to both the production of its products and environmental issues generally. The Group regularly discusses new products and processes with its suppliers and environmental issues are considered as part of the decision-making process for such matters.

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RISK MANAGEMENT

In addition to the role of the Audit Committee in the area of risk oversight and management, the Board monitors the operational and financial performance of all business units through regular reports from the Chief Executive Officer and Chief Financial Officer to enable the identification of the key business and financial risks which may prevent the Group from achieving its objectives.

This enables the Directors and senior executives to be fully informed of such risks, to ensure that appropriate controls are in place to effectively manage those risks.

The Company maintains a Risk Management Policy to facilitate the oversight and management of material business risk. The approach of the Group to risk management is based on:

- ensuring the Group:
  - identifies actual and potential risks which would have a material impact on the Group;
  - assesses their impact on business and financial objectives of the Group; and
  - implements effective and appropriate strategies and actions to address risk issues;
- clearly identifies responsibility and accountability for financial, operational and risk management issues; and
- continuously reviews and assesses the Group's approach to risk management.

Where appropriate, external professional advice is obtained to evaluate, assess and/or rectify potential key business or financial risks within the Group.

Implementation of enhancements to the Risk Management Policy and risk management framework endorsed by the Board are pursued on an ongoing basis. For example, the Board has adopted a Fraud Policy to facilitate the development of controls which will aid in the detection and prevention of fraud. The Risk Management Policy and Fraud Policy are available on the Company's website. In addition, management further enhanced its risk management process by developing and implementing the Group Risk Register. The Group Risk Register is used by management to ensure that the significant risks faced by the Company are identified, assessed and managed appropriately. The results are communicated to the Audit Committee periodically.

As part of the Company's risk management and internal compliance procedures, the Chief Executive Officer and Chief Financial Officer are required to state to the Board in writing and in accordance with section 295A of the *Corporations Act 2001* that the Company's financial reports present a true and fair view of the Company's financial condition and operational results, and are in accordance with relevant accounting standards. The Chief Executive Officer and Chief Financial Officer also confirm to the Board that their statements are based on a sound system of risk management and internal compliance and controls and that this system is operating effectively in all material respects, and all material Group risks are being managed effectively. Accordingly, through this statement, management reports to the Board as to the effectiveness of the Company's management of its material business risks.

SHAREHOLDER COMMUNICATION AND CONTINUOUS DISCLOSURE

As part of an overall policy of open disclosure, the Company ensures that all material communications regarding its operations are made available for all interested stakeholders in a timely fashion. The Company has a policy in place to ensure compliance with Australian Securities Exchange (ASX) and NZX Limited (NZX) Listing Rules regarding disclosure and to ensure accountability at a senior executive level for compliance. The Market Disclosure Policy is designed to ensure that there is full and timely disclosure of the Company's activities to shareholders and the market in accordance with the Company's legal and regulatory obligations. In summary, the Market Disclosure Policy provides for the following:

- the disclosure of price-sensitive information (unless there is an applicable exception);
- the Company's approach to market speculation;
- disclosure responsibilities and procedures; and
- how external communications are conducted.

During the reporting period, the Market Disclosure Policy was amended to provide that:

- where possible, the Company will arrange for advance notification of significant briefings (including, but not limited to, results announcements) and make them widely accessible, including through the use of webcasting or any other mass communication mechanism as may be practical; and
- for shareholders who wish to attend General Meetings by proxy, to the extent considered practicable, the Company will provide for the electronic lodgement of proxy forms.

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A copy of the Market Disclosure Policy is available on the Company's website.

The Company's website lists announcements made to the market, presentations to industry analysts and investors, information on dividends and the Dividend Reinvestment Plan, summary historical financial fundamentals information and information regarding annual and interim financial results among other matters. ASX and NZX announcements are posted to the website as soon as practicable after release to the ASX and NZX. Copies of recent past Company Annual Reports and details of the outcome of Annual General Meetings are also available from the website, or upon request directly from the Company.

Announcements and financial data for the past three years are available on the Company's website. Shareholders also have the option to receive certain electronic communications from the Company.

In relation to shareholder participation at Annual General Meetings, shareholders are encouraged to attend either in person or by proxy or corporate representative (if applicable). The Company provides a facility for the electronic lodgement of proxies. The Company has also provided live webcasts of its Annual General Meetings through the Company's website. Shareholders attending Annual General Meetings are able to ask questions regarding the Directors' Report, Financial Report and Independent Auditor's Report or on company management. In addition, shareholders may also ask questions of the external auditor, who is requested by the Company to attend each Annual General Meeting to respond to queries about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies adopted by the Company and the independence of the Auditor.

As required by the NZX Listing Rules, the Company discloses that the rules set out in Appendix 17 of the NZX Listing Rules do not apply to the Company as it is a "Dual Listed Issuer" (as defined in the NZX Listing Rules).

SECURITIES TRADING

Directors and executives are made aware that the law prohibits insider trading. The Directors are aware that the *Corporations Act 2001* and the ASX Listing Rules and NZX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in Company securities. Executives are also aware that the NZX Listing Rules impose certain disclosure obligations on some executives.

In addition to these requirements and obligations, the Company has also adopted a Securities Trading Policy and Guidelines. To ensure ongoing compliance with recent changes to the ASX Listing Rules an updated Securities Trading Policy and Guidelines was adopted by the Company effective 1 January 2011.

The Securities Trading Policy and Guidelines in force during the reporting period contained trading restrictions on Directors, the Chief Executive Officer and all his direct reports (and those executives directly reporting to them), key management personnel and participants in any APN Employee Incentive Plan (as defined in the Policy) where trading is not permitted by law and also during Company-designated closed periods prior to the release of half and full year results and any additional periods imposed by the Company from time to time when the Company is considering confidential matters which are not required to be disclosed to the market under ASX Listing Rule 3.1A. This Policy also prohibits the entering into of any hedging or other arrangements by which the economic risk associated with any unvested options, rights or similar instruments held pursuant to an APN Employee Incentive Plan are limited. The Policy states that breaches of the Securities Trading Policy and Guidelines will be subject to disciplinary action, which may include termination of employment. A copy of the Securities Trading Policy and Guidelines is available on the Company's website.

ETHICAL STANDARDS

The Group has developed a Code of Conduct covering policies and other standards within which employees are expected to act. A copy of the Code of Conduct is available on the Company's website.

Under the Code of Conduct, the practices necessary to maintain confidence in the Company's integrity, legal obligations and the reasonable expectations of stakeholders are summarised as follows:

- all Directors and employees are required to abide by laws and regulations and the requirements of the Code of Conduct and to respect confidentiality and the proper handling of information;
- all Directors and employees are required to act with the highest standards of honesty, integrity and ethics in all dealings with each other, the Group, customers, suppliers and the community;
- Directors or employees giving and receiving gifts in connection with the operation of the Company and its subsidiaries are covered by the Code of Conduct, as are political contributions which must not be made directly or indirectly on behalf of the Company (or its subsidiaries) without Board approval;
- bribes or similar illegal payments must not be made to government officials, customers, suppliers or any other person in connection with obtaining orders or favourable treatment; and
- full cooperation with internal and external auditors, proper record keeping and the avoidance of conflicts of interest are all required.

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It is a term of standard Group employment contracts that employees are expected to comply with Company policy (which includes the Code of Conduct) and failure to do so is considered serious and may have consequences depending on the facts in each case, including termination of employment. Reporting of instances of breaches of the Code of Conduct is encouraged and the Company has adopted a Whistleblower Policy to assist in the identification and reporting of breaches of Company policy and similar matters. A copy of the Whistleblower Policy is available on the Company's website. In the event a concern is submitted under the Whistleblower Policy, decisions as to the appropriate action to take in order to investigate and validate any allegations are taken jointly by the Internal Audit Manager, the Group General Counsel and the Chairman of the Audit Committee.

DIVERSITY

Approach to diversity

The Company views diversity as being important to facilitating the achievement of corporate objectives and the continued growth and success of its businesses. In particular, it is the view of the Board that a diverse workforce is essential for the Company to be able to deliver its strategic objectives and continue to meet its responsibilities to its customers, its employees, the communities in which it works, and its shareholders. In particular, diversity has direct benefits in relation to:

- staff recruitment and retention;
- customer interaction and relationship development; and
- leveraging of diverse talent to better pursue business opportunities and response to business challenges.

Specific steps have been taken at Board level to enhance gender diversity and the Company is continuing to further refine its diversity objectives.

Principles

The Group believes that continued success and competitive advantage will be achieved by the Company providing an environment that respects, values and works to enhance a richness of diversity among its employees.

The Group will, accordingly, focus on operating in a manner which:

- recognises the value of diversity relevant work practices;
- differentiates in favour of and promotes structures and programs of diversity and inclusiveness;
- develops leaders who are active and visible sponsors of diversity and inclusiveness; and
- sets meaningful objectives that demonstrate the commitment of the Group to align its operations to its diversity and inclusion objectives.

Oversight and sponsorship

The Board oversees the Group's focus on diversity, and delegates the responsibility for the management oversight and administration of the policy to the Chief Executive Officer.

At business level, divisional chief executive officers, with their human resources team, will oversee and coordinate programs that improve the mix of diversity across the Group.

Programs and initiatives

The Group has in place and will continue to enhance practices and programs which enable the identification, development, retention and recognition of programs and practices that promote and support an environment of diversity and inclusiveness.

Such programs and practices do, and will, encompass wherever possible:

- employee recruitment;
- employment terms, including flexible work arrangements, job sharing, teleworking, parental leave and return to work, among others;
- leadership development, including training in enhancing diversity practices and leading diverse teams; and
- reward and recognition.

Diversity at Board and senior management level

During the reporting period, the Company has taken a number of steps in response to the ASX Recommendations on diversity, including:

- successful identification of a female Director, Melinda Conrad, who was formally appointed to the Board on 1 January 2012;
- the appointment of an additional female direct report to the Chief Executive Officer, meaning as at the end of the reporting period women comprised 25% of direct reports to the Chief Executive Officer (2010: 16%);
- establishment of a workstream, under the sponsorship of the Chief Executive Officer, to further develop, embed and distil a diversity policy which has been prepared, and programs in support of the diversity policy;
- enhancement of systems for tracking gender proportions in the Group's workforce; and
- analysis of employee diversity profiles across the Group's businesses, including formal consultation with managers and employees to ascertain attitudes to key Group employment activities and opportunities for enhancement.

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Gender balance

- Women constitute approximately 55% of the Group's workforce in Australia and New Zealand.
- Women constitute 25% of the direct reports to the Chief Executive Officer.
- Currently, the Board has one female member.

Objectives for gender diversity

The Company has an aspirational objective of increasing diversity within its workforce and is in the process of identifying specific objectives. Divisional input will be sought on the level and timeline for measureable objectives and will be disclosed in the next Corporate Governance report.

The Company has made considerable progress in relation to the new ASX Recommendations on diversity but does not consider that it complied in full with Recommendation 3.2, 3.3, 3.4 or 3.5 during the reporting period due to the desire to set in place a robust and well considered position on the ASX Recommendations on diversity.

directors' report

APN News & Media Limited and Controlled Entities

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited (Company or parent entity) and the entities it controlled at the end of, or during, the year ended 31 December 2011.

1. DIRECTORS

The following persons were Directors of APN News & Media Limited during the whole year and up to the date of this report unless otherwise stated:

Gavin O'Reilly	(Chairman)
Ted Harris	(Deputy Chairman)
Brett Chenoweth	(Chief Executive Officer)
Pierce Cody	(resigned from the Board on 22 February 2012)
Melinda Conrad	(appointed to the Board on 1 January 2012)
Peter Cosgrove	
Vincent Crowley	
John Harvey	
Kevin Luscombe	
John Maasland	

Details of each Directors' qualifications, experience and special responsibilities are set out below.

Director	Qualifications and Experience	Responsibility
Gavin O'Reilly	BScBA (Hons). Mr O'Reilly was appointed to the Board in 2004 and has served as Chairman since 2008, re-elected to the Board in May 2011. He is Group Chief Executive Officer of Independent News & Media PLC (INM), having joined INM in 1993 and has held various roles. He formerly worked in London for the global advertising group DDB Needham. In the late 80s, he also worked in stockbroking in London and Asia. He is a member (and former President, 2005–2011) of WAN-IFRA, the World Association of Newspapers and News Publishers, Chairman of Dromoland Castle Hotel and serves on the board of INM (since May 1997), Jagran Prakashan Limited (India) (since 2005), PT Mahaka Media (since 2008), Tbk (Indonesia) (since 2005), and TVC PLC (since 2007).	Non-Executive Chairman of the Board of Directors, Chairman of Nomination Committee (until 27 February 2012), Chairman of Allotment Committee, Chairman of Options Committee, Member of Remuneration Committee
Ted Harris AC	F.INST.D, FAIM, FAICD. Mr Harris has been a Board Member since March 1992 and Deputy Chairman since December 1994. He was Managing Director and Chief Executive Officer of the Ampol Group from 1977 to 1987 and Chairman of Australian Airlines from 1987 to 1992. Currently, Mr Harris is Chairman of Thakral Holdings (Director since 1994) and the Australian Radio Network and President of St Vincent's Clinic Foundation. He is Life Governor of the Melanoma Foundation and a Life Member of the Australian Sports Commission. He was Chairman of the Zoological Parks Board of NSW from 1973 to 1990 and Chairman of the Australian Sports Commission from 1984 to 1994. Mr Harris started his career as a broadcaster and journalist with the Macquarie Broadcasting Service and he is a former Commissioner of the ABC. He was Trustee for the Walkley Awards from 1976 to 1980. He was previously Chairman of Gazal Corporation Limited (Director 1989 to 2004) and Deputy Chairman of Metcash Limited (Director 1994 to 2007).	Non-Executive Director, Deputy Chairman, Chairman of Remuneration Committee, Member of Audit Committee

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Director	Qualifications and Experience	Responsibility
Brett Chenoweth	Mr Chenoweth was appointed Chief Executive Officer on 1 January 2011 and has been a Board Member since that time. He has more than 18 years of professional experience working exclusively in the areas of media, technology, telecommunications and online businesses, having held senior executive roles at Telecom New Zealand (2001 to 2005: including Head of Group Strategy and Mergers & Acquisitions; Head of Australian Consumer Group; Director on a number of TCNZ group company Boards), the PBL group of companies (ecorp Ltd and ninemsn Pty Ltd 1997 to 2001: Head of Business Development) and Village Roadshow Pictures Pty Ltd (1991-1997: General Manager and Vice President). Mr Chenoweth was recently the Managing Director and Head of Asia Pacific for The Silverfern Group, a New York based specialist merchant bank and was previously a Director of Living and Leisure Ltd (December 2008 to October 2010). He holds a Bachelor of Laws and a Bachelor of Economics degree from the University of Queensland and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.	Chief Executive Officer, Member of Allotment and Options Committees
Melinda Conrad	Ms Conrad was appointed to the Board on 1 January 2012. Ms Conrad is the former founder and CEO of a retail chain of stores and was previously an executive at Colgate Palmolive. Ms Conrad has extensive expertise in retail, strategy and marketing to consumer facing organisations. Ms Conrad is a Director of The Reject Shop Limited (since August 2011), a Director of the NSW Government's Clinical Excellence Commission and Agency for Clinical Innovation, a Director of the Garvan Medical Research Institute Foundation and also a Director of the Australian Brandenburg Orchestra. Ms Conrad holds an MBA from Harvard Business School and is a member of the Australian Institute of Company Directors.	Non-Executive Director Chair of Nomination Committee (from 27 February 2012)
Peter Cosgrove	Mr Cosgrove has been a Board Member since December 2003. Founder of the Buspak group of companies in Australia, New Zealand and Hong Kong, he has more than 20 years' experience in the outdoor advertising industry. He is non-executive Chairman of Buspak Hong Kong (since June 2003), as well as non-executive Deputy Chairman of Clear Media Limited (Director since April 2001), which is listed on the Stock Exchange of Hong Kong. He is Chairman of GlobeCast Australia Pty Limited (since June 2002), a broadcasting company. He was previously a Director of Independent News & Media PLC (April 1988 to June 2009).	Non-Executive Director, Member of Nomination Committee
Vincent Crowley	BA, FCA. Mr Crowley was appointed to the Board in March 2009. He was Chief Executive of APN from 2000 to 2002, having previously held the position of Finance Director from 1996 to 2000. A chartered accountant, he joined Independent News & Media PLC (INM) in 1990, became a Director in 1997 and was appointed Chief Executive of Independent News & Media – Ireland in August 2002. In June 2009, he retired from the Board of INM, and in January 2010, he was appointed Group Chief Operating Officer of INM. Mr. Crowley was previously an audit manager with an international accountancy firm. He is also a director of a number of INM subsidiaries and associated companies.	Non-Executive Director Member of Remuneration Committee (until 9 March 2012)

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1. DIRECTORS (CONTINUED)

Director	Qualifications and Experience	Responsibility
John Harvey	Mr Harvey commenced as a Board Member on 1 January 2011. He has over 39 years' professional experience as a chartered accountant and a company Director. He was a Partner of PricewaterhouseCoopers for 23 years and held a number of management and governance responsibilities for PricewaterhouseCoopers in New Zealand. He retired from PricewaterhouseCoopers in June 2009. Mr Harvey is currently a Director of DNZ Property Fund Limited (since September 2009), Kathmandu Holdings Limited (since October 2009), Combined Building Society (since March 2010), Port Otago Limited (since December 2008), Ballance Agri-Nutrients Limited (since February 2012) and New Zealand Opera Limited (since January 2002) and is an Advisor to the Board of Resource Coordination Partnership Limited (since July 2010). He holds a Bachelor of Commerce degree from the University of Canterbury and is a member of the Institute of Directors of New Zealand.	Non-Executive Director, Member of Audit Committee (from 4 April 2011)
Kevin Luscombe AM	FAICD, FAIM, CPM. Mr Luscombe has been a Board Member since October 1997. Following a successful corporate career in Australia and USA, and Board roles in several South East Asian companies, he founded a marketing and research consultancy in 1976. In 1980, he started the advertising agency Luscombe & Partners, sold it to Clemenger BBDO in 1998, and joined their Board. He is Chairman of the management consultancy Growth Solutions Group. He is Deputy Chairman of Melbourne Food and Wine and a Board member of the John Truscott Design Foundation. In 1998, he was appointed Adjunct Professor at the Graduate School of Management, Swinburne University. He was the recipient of the 2001 Sir Charles McGrath Award for marketing excellence.	Non-Executive Director, Member of Audit and Remuneration Committees
John Maasland	MA (Cantab). Mr Maasland has been a Board Member since December 2003. Mr Maasland has extensive business experience in the media industry and in New Zealand, and serves on a number of private and public company boards. He is Chairman of Hellaby Holdings Ltd (Director since April 2008) and a Director of Delegat's Group Ltd (since October 2004). He is a member of the Council of AUT University and was also Chairman and a Trustee of the Royal New Zealand Ballet (October 1998 to October 2007).	Non-Executive Director, Chairman of Audit Committee, Member of Nomination Committee

Directors who held office during the year

Director	Qualifications and Experience
Pierce Cody	Mr Cody had been a Board Member since 2003. Mr Cody has more than 27 years' experience in the advertising industry and founded Cody Outdoor Australasia. Mr Cody was formerly the Chief Executive of APN Outdoor, after selling Cody Outdoor to APN in 2001. Mr Cody founded Macro Wholefoods Market, Australia's largest organic and natural food retailer. In 2009 Mr Cody sold Macro to Woolworths Australia. Mr Cody is a Life Governor & Director of The Australian Ireland Fund. During 1999 to 2007 Mr Cody was non-executive Director of Adcorp Australia Ltd. Prior to that he was a Trustee of the Art Gallery of New South Wales.

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2. QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY

Yvette Lamont – Group General Counsel and Company Secretary

Yvette Lamont is a Solicitor who was admitted to the Supreme Court of NSW in 1987 and the High Court of Australia in 1988.

Ms Lamont has been in her current role with the Company since November 1998 and was previously the General Counsel of the publicly listed pay television company Australis Media Limited, was a Senior Associate with the law firm Allens Arthur Robinson in the Media and Technology Group and was a Solicitor with the law firm Boyd, House & Partners.

She is a Committee Member of the Media and Communications Committee of the Law Council of Australia, is a Graduate of the Australian Institute of Company Directors and has attended courses at the Chartered Secretaries Institute.

3. PRINCIPAL ACTIVITIES

APN is one of the key newspaper publishers in New Zealand, including The New Zealand Herald and a range of regional newspapers. It is also a major publisher of regional newspapers in Queensland. APN is a leading outdoor operator in Australia and New Zealand and has joint venture outdoor businesses in Australia, Hong Kong and Indonesia. APN has a prominent position in the radio market, with The Radio Network in New Zealand and the Australian Radio Network, both joint ventures. APN also owns a number of online businesses including GrabOne and CC Media. APN has been listed on the Australian Securities Exchange since 1992 and on the New Zealand Stock Exchange since 2004.

The nature of the consolidated entity's activities did not change significantly during the financial year.

4. DIVIDENDS

Dividends paid to owners during the financial year were as follows:

	2011 $'000	2010 $'000
Final dividend for the year ended 31 December 2010 of 7.0 cents per share, franked to 2.0 cents paid on 30 March 2011 (2009: 4.0 cents per share franked paid on 30 March 2010)	**42,426**	23,812
Franked interim dividend for the year ended 31 December 2011 of 3.5 cents per share paid on 28 September 2011. (2010: 5.0 cents per share unfranked paid on 28 September 2010)	**21,650**	29,942
	64,076	53,754

In addition to the above dividends, since the end of the financial year the Directors have declared the payment of a final dividend of 5.0 cents, franked to 1.5 cents to be paid on 30 March 2012.

5. CONSOLIDATED RESULT AND REVIEW OF OPERATIONS

The consolidated loss attributable to owners of the parent entity for the financial year (after exceptional items and discontinued operations) was $45,070,000 (2010: profit of $93,756,000). A review of operations of the consolidated entity for the year ended 31 December 2011 is set out on pages 4 to 17.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 23 February 2012, the Group announced that it had reached an agreement to form a joint venture with Quadrant Private Equity to target expansion in the Outdoor advertising segment in Australia, New Zealand and Asia. The Outdoor joint venture, to retain the name APN Outdoor, will incorporate all of APN's wholly-owned Outdoor businesses in Australia and New Zealand as well as APN's 50% interest in Rainbow Premium Outdoor, in Indonesia. The transaction values APN Outdoor at $272 million on an enterprise value basis and will generate gross cash proceeds of approximately $190 million for APN upon completion. APN's 50% ownership in Adshel (street furniture) and Hong Kong (Buspak and Cody) operations remain outside the new APN Outdoor joint venture.

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

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8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Overall strategic direction and prospects are discussed in the Chairman's and Chief Executive's Reviews on pages 4 to 7 and the operational review on pages 9 to 17.

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

9. ENVIRONMENTAL REGULATION

The Directors recognise the importance of environmental and occupational health and safety issues. The Directors are committed to compliance with all relevant laws and regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the consolidated entity are not subject to any particular and significant environmental regulation under the law of the Commonwealth of Australia or any of its states or territories, or New Zealand.

10. REMUNERATION REPORT

A remuneration report is set out on pages 34 to 43 and forms part of this Directors' Report.

11. DIRECTORS' MEETINGS

The number of meetings of the full Board of Directors and Board Committees held in the period each Director held office during the financial year and the number of those meetings attended by each Director were:

Director	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
GK O'Reilly	11	11			5	5	1	1
AE Harris	11	11	9	9	5	5		
BD Chenoweth	11	11						
PP Cody	11	10[(1)]					1	1
PM Cosgrove	11	11					1	1
VC Crowley	11	11			5	5		
EJ Harvey	11	11	9	7[(2)]				
KJ Luscombe	11	11	9	8	5	5		
JH Maasland	11	10	9	9			1	1

(1) Non-attendance due to declaration of interest.
(2) Two meetings of the Audit Committee were held prior to EJ Harvey's appointment to the Audit Committee.

Two meetings of the Allotment Committee were held and were attended by GK O'Reilly (2) and BD Chenoweth (2). Two meetings of the Options Committee were held and attended by GK O'Reilly (2) and BD Chenoweth (2). Five meetings of a Board Committee formed for purposes including reviewing and approving the half-yearly and annual financial statements, dividend payments, 2010 Annual Report and Shareholder Review, and Notice of Meeting were held and were attended by AE Harris (5) and BD Chenoweth (5).

12. DIRECTORS' INTERESTS

Note 26 to the financial statements contains details of shareholdings of the Directors and Senior Executives as at 31 December 2011.

13. SHARES UNDER OPTION

Note 18 to the financial statements contains details of the number of unissued shares of APN News & Media Limited under option at 31 December 2011 and shares issued during the financial year as a result of the exercise of options. No options have been granted since the end of the financial year.

14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The parent entity's Constitution provides for an indemnity for Directors against any liability incurred by a Director in their capacity as an officer. Under the *Corporations Act 2001*, this indemnity does not extend to a liability to the parent entity or a related body corporate of the parent entity, a liability for a pecuniary penalty or compensation order under certain provisions of the *Corporations Act 2001* or a liability that is owed to someone other than the parent entity or a related body corporate of the parent entity which did not arise out of conduct in good faith.

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15. INSURANCE OF DIRECTORS AND OFFICERS

The parent entity has paid for an insurance policy for the benefit of all persons who are or have been Directors or officers of the parent entity or the consolidated entity against liabilities incurred during the financial year. The insured persons include current and former Directors, officers and company secretaries of the parent entity and the consolidated entity. The insurance policy specifically prohibits the disclosure of the nature of the liability covered and the premium paid.

16. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

17. NON-AUDIT SERVICES

Full details of the amounts paid or payable to the auditors for audit and non-audit services provided during the financial year are set out in note 28 to the financial statements.

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $1,323,000 for the provision of non-audit services. In addition, KPMG (auditors of a controlled entity) received or is due to receive $185,000 for the provision of non-audit services.

The Company auditor has provided the Directors with an Auditor's Independence Declaration in relation to the audit, a copy of which follows immediately after this Directors' Report. The auditor has also confirmed to the Directors that it has in place independence quality control systems which support its assertions in relation to its professional and regulatory independence as auditor of the consolidated entity (including the requirements of APES 110 *Code of Ethics for Professional Accountants*).

The Audit Committee has reviewed the fees provided to the auditor for non-audit services in the context of APES 110, the requirements of the Audit Committee Charter and general corporate governance practices adopted by the consolidated entity.

Based on the above factors, the Audit Committee has no reason to believe that there has been any compromise in the independence of the auditor due to the provision of these non-audit services and has advised the Board accordingly.

In accordance with the advice of the Audit Committee, the Directors are therefore satisfied that the provision of non-audit services during the financial year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and that the provision of non-audit services during the financial year did not compromise the auditor independence requirements of the *Corporations Act 2001*.

18. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, follows immediately after this Directors' Report.

19. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

This report is issued in accordance with a resolution of the Directors.

Gavin O'Reilly
Chairman

Brett Chenoweth
Director

Sydney
20 March 2012

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APN News & Media Limited and Controlled Entities

CONTENTS AND SCOPE OF THIS REMUNERATION REPORT

Contents

The Remuneration Report is set out under the following headings:

Scope

This Remuneration Report for the financial year has been prepared to comply with section 300A of the *Corporations Act 2001*.

Directors

The Directors of APN News & Media Limited during the financial year are listed in section 1 of the Directors' Report.

Senior executives of APN News & Media Limited

The following Senior Executives, together with the Directors, were the key management personnel (KMP) having authority and responsibility for planning, directing and controlling the activities of the parent entity and consolidated entity during 2011:

Name	Position
Brett Chenoweth	Chief Executive Officer
Peter Myers	Chief Financial Officer
Matt Crockett	Chief Development Officer (from 21 March 2011)
Martin Simons	Chief Executive, New Zealand Media
Warren Bright	Chief Executive, Australian Regional Media (from 16 May 2011)
Richard Herring	Group Radio and Outdoor Chief Executive
Warren Lee	Group Director – Content Strategy and Integration (to 5 April 2011)
Rob Lourey	Group Human Resources Director (to 31 December 2011)

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A: REMUNERATION SNAPSHOT

A summary of remuneration arrangements for 2011 are outlined in the table below.

Senior Executive remuneration	
Fixed remuneration	Fixed remuneration includes base salary, other fixed remuneration including fully costed salary packaged benefits such as motor vehicles (including fringe benefits tax as applicable) and superannuation. Senior Executive fixed remuneration is set with reference to market data, the individual's experience and performance. There are no guaranteed fixed remuneration increases for executives.
Short-term incentive (STI)	STIs are paid in cash subject to achieving specific performance objectives, both financial (75%) and individual (25%). 50% of the financial award is payable for on-target performance and 100% at 10% over-target, except as disclosed in section C of this report. Financial targets include Group NPAT for Group executives and a mix of business unit specific EBIT and Group EBIT for business unit Chief Executives.
Long-term incentive (LTI)	The LTI plan awards Performance Rights subject to performance over a three year performance period. Awards are subject to two performance conditions: - Seventy-five percent (75%) of the award will be subject to an EPS target set by the Board. - Twenty-five percent (25%) of the award will be subject to a relative Total Shareholder Return (TSR) performance condition, compared against companies in the GICS Consumer Discretionary index.
Employment contracts	Senior Executives, including the Chief Executive Officer, are entitled to receive fixed remuneration inclusive of superannuation and benefits and are eligible to participate in the Company's STI and LTI plans. All Senior Executive contracts, except for the Chief Executive Officer's are continuing contracts which require 6 to 12 months notice in order to terminate the contract. The Chief Executive Officer is employed on a three year contract which commenced on 1 January 2011.
Non-executive Directors	
Directors fees	APN aims to provide remuneration commensurate with the expected time commitment, level of expertise and experience and considers fees paid to Directors in similar companies. Directors are paid a base fee for services to the Board, and a fee for each Board Committee on which they sit.

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B: EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

To ensure that the Company is able to attract and retain executives capable of managing the consolidated entity's operations and achieve its performance goals, remuneration packages of executives are structured to:

- Create value for shareholders;
- Be competitive in the market;
- Align executive reward with company performance; and
- Reward the achievement of strategic objectives.

In 2010 the Company engaged independent external consultants, Ernst & Young, to undertake a review of the remuneration framework as it relates to the Senior Executives. The review was undertaken to ensure our arrangements continue to be in line with evolving market practice and our remuneration strategy while ensuring the appropriate mix of retention and performance focus. We believe the framework supports our business strategy implementation and aligns to shareholders' interests by:

- Having profit as a core component of STI;
- Focusing on sustained growth in earnings by using EPS as a key driver of the LTI;
- Aligning to shareholder interests by introducing a relative TSR performance focus to the LTI; and
- Having a significant portion of remuneration "at-risk".

The framework provides a mix of fixed and variable pay, and a blend of short and long-term performance focussed elements.

The Company's executive remuneration framework comprises three key components. The purpose of each element, and the approach to determining the remuneration outcomes are outlined in the table below. The Company believes that a mix of fixed and variable (i.e. at-risk) elements provides an appropriate retention, as well as performance, incentive.

	Remuneration element	Form of reward	Purpose of award
Fixed	Fixed remuneration	Base salary, superannuation and other benefits	Recognise capability, experience and scope of role.
Variable	Short-term incentives	Cash	Reward for achievement of annual Company and business unit targets as well as individual performance.
	Long-term incentives	Equity	Reward for achievement of long-term sustained Company performance. Provides a multi-year performance focus and alignment to shareholder value creation.

Other remuneration related costs

The Company incurs other remuneration related costs in respect of certain executives which are not regarded as part of the executive's fixed remuneration. Typically, such payments are ancillary to the executive's employment such as rental assistance or family travel in circumstances where the Company requires the executive to relocate. The costs include fringe benefits tax if applicable.

Retirement benefits

Retirement benefits are delivered to executives in the form of statutory superannuation contributions to a number of different funds. All contributions made on behalf of executives are based on a percentage of fixed salary. No Senior Executives are members of defined benefit schemes.

Approach to setting executive remuneration levels

The Remuneration Committee advises the Board on remuneration policy and principles generally, and makes recommendations on remuneration packages and other terms of employment annually for Senior Executives.

The Company considers available market data for comparable roles in Australian organisations of similar size to APN. When positioning against the market data, APN positions fixed remuneration toward the 75th percentile of the market and on-target total remuneration between the median and the 75th percentile.

Securities Trading Policy

The Company's Securities Trading Policy and Guidelines is outlined in the Corporate Governance section of this Annual Report. The policy was updated effective 1 January 2011. Under the policy restricted persons, which includes key management personnel, are not permitted to hedge any options, rights or similar instruments prior to them becoming vested or otherwise tradable under the applicable plan.

Voting and comments made at the Company's 2011 Annual General Meeting

The Company received more than 98% of 'yes' votes on its remuneration report for the 2010 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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C: EXECUTIVE REMUNERATION – DETAIL

Short-term incentive (STI) plan

Senior Executives participate in an STI plan. The following table summarises the key terms.

Form of award, frequency and timing	STIs are paid in cash subject to achieving specific performance objectives determined by the Board, as outlined below. STIs in respect of any year will be paid early in the next financial year following the finalisation of the audited results.
Measures, weightings and targets	**Corporate roles** – Seventy-five percent (75%) of an individual's award is based on the achievement of target Group NPAT performance. – Twenty-five percent (25%) of an individual's award is assessed against individual Key Performance Indicators linked to strategic objectives. **Business unit roles** – Twenty-five percent (25%) of an individual's award is assessed against target Group EBIT performance. – Fifty percent (50%) of an individual's award is assessed against the relevant Business Unit's EBIT. – Twenty-five percent (25%) of an individual's award is assessed against individual Key Performance Indicators linked to strategic objectives.
Performance assessment and leverage	The maximum STI opportunity for participants, other than the Chief Executive Officer and the Chief Development Officer, is 200% of the target STI opportunity. The maximum STI opportunity for the Chief Executive Officer is 246% of the target STI opportunity. The maximum STI opportunity for the Chief Development Officer is 167% of the target STI. The maximum STI is payable if targets are exceeded by 10%, other than as detailed in the individual contracts disclosed in this report. In certain exceptional circumstances, the Remuneration Committee may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved. The Remuneration Committee considers evaluation of financial performance to be a critical criterion and one which can be objectively assessed against the actual audited results. The Remuneration Committee considers that the use of objective and verifiable data to test the achievement of performance aids transparency.
Service condition	Typically, no part of the STI is payable where an executive leaves APN's employ during the year.

Long-term incentive (LTI) plan

The LTI plan provides for the grant of equity awards. Awards are split into two separate tranches, which vest independently. Seventy-five percent (75%) of the total award vests based on the achievement of an EPS growth performance hurdle, while the remaining 25% of the total award vests based on a relative TSR hurdle.

	EPS tranche (75% of total annual award)	TSR tranche (25% of total annual award)
Form of award	Awards under the Plan are structured as rights to acquire fully paid ordinary shares in the Company for nil consideration (i.e. Performance Rights). The number of Performance Rights (Rights) to be issued to Senior Executives is based on the individual's LTI opportunity, expressed as a percentage of fixed remuneration. Rights were chosen as an appropriate vehicle as they are in line with market practice, provide alignment to the interests of shareholders and have simpler tax treatment than share options. Subject to the satisfaction of the performance hurdles, vested Rights will convert to fully paid ordinary shares on the date APN announces its annual results to the Australian Securities Exchange (ASX), immediately following the performance period of three years. Vested Rights will automatically convert into shares without the requirement for the participant to exercise their Rights.	
Eligibility	The CEO, and other Senior Executives (at the discretion of the Board), are eligible to participate in the LTI plan.	
Frequency of grants	It is envisaged that awards under the LTI plan will be made on an annual basis.	

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C: EXECUTIVE REMUNERATION – DETAIL (CONTINUED)

		EPS tranche (75% of total annual award)		TSR tranche (25% of total annual award)	
Performance conditions	Performance period	The number of Rights that vest is dependent on performance over a three year period. Any awards which do not vest when performance is tested (at the end of the three year performance period) will lapse.			
	Performance measures	EPS has been chosen as it focuses participants on earnings growth. EPS is the base earnings per share (as disclosed in the Company's Income Statement) adjusted for any non-recurring or non-trading items as determined by the Board. EPS growth will be measured as the annual compound percentage increase in EPS over three consecutive financial years beginning the year in which the Rights are granted.		Relative TSR has been chosen as a performance hurdle because it aligns executive interests with those of shareholders by measuring the change in the Company's share price and the payment of dividends. The Company's TSR performance will be measured relative to constituents of the Global Industry Classification Standard (GICS) Consumer Discretionary Index at the date of grant. The GICS Consumer Discretionary Index was chosen as the companies in the peer group operate in similar industries to the Company and face similar challenges, opportunities and market conditions. Therefore, the Company must outperform companies with similar opportunities to receive any benefit in relation to the TSR-based tranche of awards. In order for any of the TSR-based portion of the award to vest, APN's TSR must be at or above the 51st percentile of the comparator group's companies' TSRs over the three-year performance period.	
	Vesting schedule	For awards granted in 2011 the EPS targets are:		The TSR vesting schedule is as follows:	
		Compound annual EPS growth	Proportion of EPS grant vesting	Relative TSR percentile ranking	Proportion of Rights that will vest if the TSR hurdle is met
		Less than 7% per annum	0%	Less than the 51st percentile	0%
		At least equal to 7% per annum	50%	51st percentile	50%
		Between 7% and 10% per annum	Pro-rata straight line	Between the 51st and 75th percentile	Straight line vesting between the 51st and 75th percentile
		At least 10% per annum	100%	75th percentile	100%
Treatment of awards on cessation of employment		The plan rules will allow flexibility for participants to remain in the plan post cessation of employment or for awards to be pro-rated for time and performance up to the date of cessation. For the initial grants where participants leave in certain "good leaver" circumstances, awards will be pro-rated for time and may vest to the extent performance hurdles are met as at the date of termination. For the CEO, annual awards that have been granted may vest on termination, to the extent that the performance hurdles are met, other than in certain "bad leaver" circumstances.			
Treatment of awards on change of control		The Board will have discretion to pro-rate outstanding awards for time and performance in an event which the Board considers to be a change of control event. A change of control event is defined in the LTI plan rules.			

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D: REMUNERATION OUTCOMES FOR SENIOR EXECUTIVES IN 2011

Overview of the link between remuneration and 2011 performance

APN's performance-linked remuneration framework, as outlined in Section B ensures there is alignment between the generation of shareholder wealth and remuneration of key management personnel.

The performance of the Group in 2011 was not uniform across the divisions, and as a consequence, overall Group financial targets were not met and were insufficient to meet most STI performance targets. The Outdoor division did experience strong growth and significantly exceeded its budgeted targets. As a result, Outdoor Chief Executive Richard Herring received an STI payment. Warren Bright and Matt Crockett achieved certain individual key performance indicators as agreed with the Chief Executive Officer and received an STI award.

Summary of five year performance

	2011	2010	2009	2008	2007
Net profit after tax (NPAT)(i)	**$78.2m**	$103.1m	$94.2m	$143.1m	$169.4m
Annual change in NPAT	**(24.2%)**	9.5%	(34.2%)	(15.5%)	7.6%
Dividends per share	**8.5c**	12.0c	4.0c	22.5c	31.5c
Diluted EPS(i) (ii)	**12.6c**	17.2c	17.0c	28.3c	32.9c
Annual change in diluted EPS	**(26.4%)**	1.2%	(39.9%)	(14.0%)	10.4%
Share price at 31 December	**$0.71**	$1.94	$2.32	$2.48	$5.27

(i) Pre exceptional items and discontinued operations

(ii) Adjusted for bonus element of 2009 rights issue

Short-term incentives

The following table outlines, for 2011, the proportion of the STI payable under the STI plan as determined by the Remuneration Committee.

	STI payable %	STI forfeited %
Brett Chenoweth	0	100
Peter Myers	0	100
Matt Crockett	11	89
Martin Simons	0	100
Warren Bright	10	90
Richard Herring	68	32
Warren Lee	0	100
Rob Lourey	0	100

Long-term incentives

Mr Chenoweth was awarded 750,000 performance rights in 2011 in accordance with his contractual arrangements. No other performance rights were issued to Senior Executives during 2011.

No awards issued under existing long-term incentive plans vested to Senior Executives during 2011.

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APN News & Media Limited and Controlled Entities

D: REMUNERATION OUTCOMES FOR SENIOR EXECUTIVES IN 2011 (CONTINUED)

Details of remuneration of Senior Executives in 2011 (and comparatives)

Details of short-term and post-employment benefits of each Senior Executives (including the five receiving the highest emoluments) of the consolidated entity are set out in the following table.

	Short term benefits			Post Employment benefits		Total
	Cash salary and fees $	STI $	Non-monetary benefits $	Superannuation $	Termination benefits $	$
Brett Chenoweth						
2011	**1,484,513**	**–**	**81,350**	**15,487**	**–**	**1,581,350**
2010	–	–	–	–	–	–
Peter Myers						
2011	**664,002**	**–**	**–**	**42,385**	**–**	**706,387**
2010	662,819	250,000	–	43,568	–	956,387
Matt Crockett (from 21 March 2011)						
2011	**449,475**	**56,250**	**88,035**	**12,213**	**–**	**605,973**
2010	–	–	–	–	–	–
Martin Simons						
2011	**747,270**	**–**	**126,881**	**–**	**–**	**874,151**
2010	742,316	–	127,866	10,837	–	881,019
Warren Bright (from 16 May 2011)						
2011	**336,363**	**40,000**	**–**	**9,855**	**–**	**386,218**
2010	–	–	–	–	–	–
Richard Herring						
2011	**651,229**	**320,000**	**22,475**	**29,771**	**–**	**1,023,475**
2010	624,771	400,000	21,152	56,229	–	1,102,152
Rob Lourey (to 31 December 2011)						
2011	**440,000**	**–**	**–**	**60,000**	**258,198**	**758,198**
2010	416,667	–	–	50,000	–	466,667
Brendan Hopkins (to 31 December 2010)						
2011	**–**	**–**	**–**	**–**	**–**	**–**
2010	1,726,575	–	412,544	406,756	–	2,545,875
Warren Lee (to 5 April 2011)						
2011	**161,816**	**–**	**4,580**	**7,600**	**736,737**	**910,733**
2010	529,529	–	10,795	14,461	–	554,785
Total 2011	**4,934,667**	**416,250**	**323,321**	**177,311**	**994,935**	**6,846,484**
Total 2010	4,702,677	650,000	572,357	581,851	–	6,506,885

In relation to share options held by Senior Executives, no cost has been recognised in profit or loss during the year as it is considered unlikely that the awards will vest. In relation to the performance rights held by the Chief Executive Officer, a charge of $80,625 has been recognised in profit of loss in relation to the TSR tranche. No cost has been recognised in relation to the EPS tranche as it is considered unlikely that the awards will vest. Including this charge, Mr Chenoweth's total cost to the company is $1,661,975 and the total cost to the Company of all Senior Executives is $6,927,109.

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E: EXECUTIVE EMPLOYMENT CONTRACTS

Remuneration and other terms of employment for the Senior Executives are formalised in employment contracts. The extent to which each executive's remuneration is performance-based is described in Section B.

Fixed-term contracts

Brett Chenoweth, Chief Executive Officer (commenced 1 January 2011)

Brett Chenoweth commenced employment with APN on 1 January 2011. Mr. Chenoweth is employed on a 3-year contract. Key details of Mr. Chenoweth's contract are as outlined below:

- **Fixed remuneration:** Mr. Chenoweth receives fixed remuneration, inclusive of superannuation and other benefits, of $1.5 million per annum.
- **STI:** For achievement of target performance under the STI plan, Mr. Chenoweth is entitled to an award of $600,000. For each 1% increase (up to 5%) above target, Mr. Chenoweth is eligible for an additional $75,000. In addition, for each 1% increase above 6%, up to 10% above target, Mr. Chenoweth is eligible for an additional $100,000.
- **LTI:** Mr. Chenoweth is eligible for an annual award of Performance Rights under the LTI plan as follows:
  - 750,000 Performance Rights for the year ended 31 December 2011
  - Performance Rights to the value of 100% of fixed remuneration for each of the years ending 31 December 2012 and 2013 to be granted in 2012 and 2013.

  Vesting is subject to meeting TSR and EPS performance hurdles for the three-year period 1 January 2011 to 31 December 2013 as outlined in Section C of this report.
- **Notice period:** Employment may be terminated by either party giving 12 months' notice or, where employment is terminated by the Company, payment may be made in lieu of notice.
- **Termination:** If Mr Chenoweth is considered a "good leaver" (i.e. leaves by reason of death, total disablement, redundancy or certain other circumstances defined in Mr Chenoweth's employment contract), and subject to shareholder approval, Mr. Chenoweth will be entitled to all remuneration and statutory leave entitlements up to and including the date of termination, payment of STI for the relevant calendar year, pro-rated to the date of termination and payment of the unvested LTI awards to the extent that performance hurdles are met.

Rolling contracts

Other Senior Executives

Peter Myers	Chief Financial Officer
Matt Crockett	Chief Development Officer
Martin Simons	Chief Executive, New Zealand Media
Warren Bright	Chief Executive, Australian Regional Media
Richard Herring	Group Radio and Outdoor Chief Executive
Warren Lee	Group Director – Content Strategy and Integration
Rob Lourey	Group Human Resources Director

Contractual operating terms for these other Senior Executives are substantially similar and contain confidentiality provisions:

Length of contract	Continuing.
Fixed compensation	Other Senior Executives receive fixed remuneration, inclusive of superannuation, and benefits which are reviewed annually by the Chief Executive Officer, subject to approval of the Remuneration Committee.
Short-term incentives	Other Senior Executives are eligible to receive a STI payment, heavily weighted towards the financial performance of the Group or the relevant division and determined in accordance with the principles for STIs detailed in Section B.
Long-term incentives	Other Senior Executives are eligible to participate in the Company's LTI at the Board's discretion.
Termination	Employment may be terminated by either party giving 12 months' notice (six months in the case of Mr Crockett giving notice to APN) or, where employment is terminated by the Company, payment may be made in lieu of notice.
Redundancy	If the Company terminates the employment of Mr Crockett, Mr Simons, Mr Bright or Mr Herring, for reasons of redundancy, a termination payment would be paid depending on the length of their service, in each case not exceeding the following amounts: Mr Crockett – 12 months base salary, Mr Simons – two years' base salary, Mr Bright – six months base salary and Mr Herring – 12 months' remuneration.
Non-compete	Other Senior Executives are subject to non-compete provisions for the term of their notice period. In the case of Mr Herring, the Company may elect to extend the non-compete by up to a further six months with the payment of up to a further six months' remuneration.

All contracts provide that employment may be terminated at any time without notice for serious misconduct.

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APN News & Media Limited and Controlled Entities

F: NON-EXECUTIVE DIRECTOR REMUNERATION

Approach to determining NED fees

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Remuneration Committee has responsibility for reviewing and recommending the level of remuneration for non-executive Directors in relation to Board and Committee duties.

Approved fee pool

The maximum amount approved by shareholders is $750,000 per annum.

Retirement benefits

Non-executive Directors may receive retirement benefits in accordance with the Company's Constitution and the *Corporations Act 2001*.

Fees paid to non-executive Directors of APN News and Media Limited during 2011 (and comparatives)

	Short term benefits			Post employment benefits	Total
	Cash salary and fees $	STI $	Non-monetary benefits $	Superannuation $	$
Amounts paid by APN News & Media Limited					
AE Harris					
2011	**150,000**	**–**	**–**	**–**	**150,000**
2010	150,000	–	–	–	150,000
PP Cody					
2011	**68,808**	**–**	**–**	**6,192**	**75,000**
2010	68,807	–	–	6,193	75,000
PM Cosgrove					
2011	**17,234**	**–**	**–**	**49,766**	**67,000**
2010	61,468	–	–	5,532	67,000
EJ Harvey					
2011	**70,337**	**–**	**–**	**6,330**	**76,667**
2010	–	–	–	–	–
KJ Luscombe					
2011	**90,000**	**–**	**–**	**–**	**90,000**
2010	90,000	–	–	–	90,000
JH Maasland					
2011	**87,156**	**–**	**–**	**7,844**	**95,000**
2010	87,156	–	–	7,844	95,000
AC O'Reilly					
2011	**–**	**–**	**–**	**–**	**–**
2010	68,807	–	–	6,193	75,000
Total 2011	**483,535**	**–**	**–**	**70,132**	**553,667**
Total 2010	526,238	–	–	25,762	552,000
Amounts paid by subsidiaries of APN News & Media Limited					
PM Cosgrove – Chairman's fee Buspak Hong Kong					
2011	**7,462**	**–**	**–**	**–**	**7,462**
2010	8,402	–	–	–	8,402
Total 2011	**490,997**	**–**	**–**	**70,132**	**561,129**
Total 2010	534,640	–	–	25,762	560,402

Directors not specified in the above table received no remuneration.

Consistent with previous years, certain Directors affiliated with Independent News and Media PLC do not receive Directors' fees from the Company.

Refer note 27 to the financial statements for details of related party transactions.

remuneration report

APN News & Media Limited and Controlled Entities

G: ADDITIONAL STATUTORY DISCLOSURES

Equity instrument disclosures relating to Directors and Senior Executives

The key terms and conditions of each grant of options affecting remuneration of Directors and Senior Executives in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date first exercisable (subject to performance hurdles)
2 May 2006	2 May 2011	$4.99	$0.80	2 May 2009
2 June 2008	2 June 2013	$3.93	$0.55	2 June 2011

The 2006 awards were tested on 31 December 2010, and it was determined that the minimum performance hurdles had not been satisfied. Consequently all 2006 awards lapsed in May 2011. In respect of the 2008 awards, the minimum performance hurdles have not been satisfied as at 31 December 2011 and they are not likely to be achieved during the remaining life of the options.

Option holdings

Options held by Senior Executives during the year ended 31 December 2011 are shown in the table below.

	Balance at start of the year	Lapsed	Exercised	Balance at end of the year	Options vested during the year	Vested and exercisable at end of the year
Senior Executives						
P Myers	1,000,000	(500,000)	–	500,000	–	–
M Simons	800,000	(400,000)	–	400,000	–	–
R Herring	800,000	(400,000)	–	400,000	–	–
W Lee	800,000	(800,000)	–	–	–	–
R Lourey	200,000	–	–	200,000	–	–
Total	**3,600,000**	**(2,100,000)**	**–**	**1,500,000**	**–**	**–**

Senior Executives not specified in the above table hold no options. No Directors hold any options.

Performance right holdings

Brett Chenoweth holds 750,000 performance rights issued under the LTI plan at 31 December 2011.

Value of options exercised and shares issued

No ordinary shares in the Company were issued as a result of the exercise of options by any Director of APN News & Media Limited or any Senior Executive of the consolidated entity during the year.

The information provided in the above table is based on information known to the Directors and Senior Executives of the Company.

In relation to any holdings of related parties (as defined in AASB 124 *Related Party Disclosures*), the Directors and Senior Executives have no control or influence over the financial affairs of the related parties to substantiate their holdings.

Loans to Directors and Senior Executives

There are no loans made to Directors of the Company or Senior Executives.

Other transactions with Directors and Senior Executives

Details of other transactions with Directors and Senior Executives are provided in note 27 to the financial statements.

auditor's independence declaration

APN News & Media Limited and Controlled Entities

Auditor's Independence Declaration

As lead auditor for the audit of APN News & Media Limited for the year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of APN News & Media Limited and the entities it controlled during the period.

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
20 March 2012

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consolidated income statement

APN News & Media Limited and Controlled Entities

for the year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Revenue from continuing operations	2	**1,072,394**	1,059,085
Other revenue and income	2	**24,538**	4,731
Total revenue and other income		**1,096,932**	1,063,816
Impairment of intangible assets	12	**(159,495)**	–
Expenses from operations before finance costs	3	**(944,652)**	(866,714)
Finance costs	3	**(57,214)**	(50,457)
Share of profits of associates	10	**5,807**	3,002
Profit/(loss) before income tax expense		**(58,622)**	149,647
Income tax credit/(expense)	5	**39,686**	(30,061)
Profit/(loss) from continuing operations		**(18,936)**	119,586
Loss from discontinued operations	8	**-**	(4,862)
Profit/(loss) for the year		**(18,936)**	114,724
Profit/(loss) is attributable to:			
Owners of the parent entity		**(45,070)**	93,756
Non-controlling interests		**26,134**	20,968
		(18,936)	114,724
Earnings per share from continuing operations			
Basic/diluted earnings per share	30	**(7.3) cents**	16.4 cents
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	30	**(7.3) cents**	15.6 cents

consolidated statement of comprehensive income

APN News & Media Limited and Controlled Entities

for the year ended 31 December 2011

	Note	2011 $'000	2010 $'000
Profit/(loss) for the year		**(18,936)**	114,724
Other comprehensive income			
Exchange differences on translation of foreign operations	19	**4,758**	(31,580)
Change in fair value of hedges	19	**(3,608)**	(666)
Exchange and other differences applicable to non-controlling interests		**(288)**	(6,574)
Other comprehensive income, net of tax		**862**	(38,820)
Total comprehensive income		**(18,074)**	75,904
Total comprehensive income is attributable to:			
Owners of the parent entity		**(43,920)**	61,510
Non-controlling interests		**25,846**	14,394
		(18,074)	75,904

consolidated balance sheet

APN News & Media Limited and Controlled Entities

as at 31 December 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	31	**23,885**	63,539
Trade and other receivables	6	**169,085**	169,185
Inventories	7	**9,053**	12,404
Derivative assets	14	**-**	263
Income tax receivable		**546**	-
Other current assets		**27,907**	26,417
Total current assets		**230,476**	271,808
Non-current assets			
Receivables	6	**1,516**	4,186
Other financial assets	9	**31,164**	26,172
Investments accounted for using the equity method	10	**43,331**	41,152
Property, plant and equipment	11	**233,066**	243,335
Intangible assets	12	**1,456,952**	1,573,998
Derivative assets	14	**-**	753
Retirement benefit asset	22	**1,471**	1,518
Total non-current assets		**1,767,500**	1,891,114
Total assets		**1,997,976**	2,162,922
Current liabilities			
Payables	13	**135,667**	119,729
Derivative liabilities	14	**778**	483
Interest bearing liabilities	15	**27,504**	25,765
Current tax liabilities		**5,925**	5,574
Provisions	16	**16,436**	10,432
Total current liabilities		**186,310**	161,983
Non-current liabilities			
Payables	13	**4,043**	2,596
Interest bearing liabilities	15	**633,526**	694,328
Derivative liabilities	14	**3,839**	2,460
Deferred tax liabilities	17	**47,638**	106,455
Provisions	16	**9,819**	6,895
Total non-current liabilities		**698,865**	812,734
Total liabilities		**885,175**	974,717
Net assets		**1,112,801**	1,188,205
Equity			
Contributed equity	18	**1,074,115**	1,045,999
Reserves	19	**(77,441)**	(75,796)
Accumulated losses	19	**(117,700)**	(8,170)
Total parent entity interest		**878,974**	962,033
Non-controlling interests	19	**233,827**	226,172
Total equity		**1,112,801**	1,188,205

consolidated statement of changes in equity

APN News & Media Limited and Controlled Entities

for the year ended 31 December 2011

		Attributable to owners of parent entity					
	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interest $'000	**Total equity $'000**
Balance at 1 January 2010		1,024,815	(43,550)	(48,172)	**933,093**	223,443	**1,156,536**
Total comprehensive income		–	(32,246)	93,756	**61,510**	14,394	**75,904**
Transactions with equity holders							
Contributions of equity	18	21,184	–	–	**21,184**	–	**21,184**
Dividends paid	20	–	–	(53,754)	**(53,754)**	–	**(53,754)**
Equity transactions with non-controlling interests		–	–	–	**-**	(11,665)	**(11,665)**
Balance at 31 December 2010		1,045,999	(75,796)	(8,170)	**962,033**	226,172	**1,188,205**
Balance at 1 January 2011		1,045,999	(75,796)	(8,170)	**962,033**	226,172	**1,188,205**
Total comprehensive income		–	1,150	(45,070)	**(43,920)**	25,846	**(18,074)**
Transfer between reserves	19	–	384	(384)	**-**	–	**-**
Transactions with equity holders							
Contributions of equity	18	28,116	–	–	**28,116**	–	**28,116**
Dividends paid	20	–	–	(64,076)	**(64,076)**	–	**(64,076)**
Equity transactions with non-controlling interests	19	–	(3,179)	–	**(3,179)**	(18,191)	**(21,370)**
Balance at 31 December 2011		1,074,115	(77,441)	(117,700)	**878,974**	233,827	**1,112,801**

consolidated statement of cash flows

APN News & Media Limited and Controlled Entities

for the year ended 31 December 2011

	Note	**2011 $'000**	2010 $'000
Cash flows from operating activities			
Receipts from customers		**1,212,500**	1,209,024
Payments to suppliers and employees		**(1,015,818)**	(982,099)
Dividends received		**474**	685
Interest received		**1,270**	655
Interest paid		**(52,729)**	(47,132)
Income taxes paid		**(22,634)**	(15,888)
Net cash inflows from operating activities	31	**123,063**	165,245
Cash flows from investing activities			
Payments for property, plant and equipment		**(31,743)**	(21,277)
Payments for goodwill		**(920)**	(159)
Payments for software		**(2,152)**	(3,082)
Payments for other intangible assets		**(3,492)**	(33,697)
Acquisition of controlled entities		**(9,061)**	–
Proceeds from sale of property, plant and equipment		**3,705**	8,442
Net payments for purchase/proceeds from sale of investments		**(815)**	–
Proceeds from sale of associate		**689**	–
Loans repaid by other entities		**2,775**	–
Dividends received from associates		**2,500**	3,848
Other		**–**	281
Net cash outflows from investing activities		**(38,514)**	(45,644)
Cash flows from financing activities			
Loans repaid by/(advanced to):			
Director related entities		**(324)**	(164)
Associates		**(5)**	1,575
Other entities		**–**	48
Proceeds from borrowings		**261,194**	228,797
Repayments of borrowings		**(323,156)**	(262,620)
Payments for borrowing costs		**(582)**	(8,170)
Principal repayments under finance leases		**(2,408)**	(2,225)
Dividends paid to shareholders		**(35,959)**	(32,570)
Net payments to non-controlling interests		**(23,075)**	(11,666)
Net cash outflows from financing activities		**(124,315)**	(86,995)
Change in cash and cash equivalents		**(39,766)**	32,606
Cash and cash equivalents at beginning of the year		**63,539**	32,727
Effect of exchange rate changes		**112**	(1,794)
Cash and cash equivalents at end of the year	31	**23,885**	63,539

notes to the financial statements

APN News & Media Limited and Controlled Entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated 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 consolidated entity consisting of APN News & Media Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of APN News & Media Limited (Company or parent entity) and its subsidiaries as defined in AASB 127 *Consolidated and Separate Financial Statements*. APN News & Media Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

The acquisition method of accounting is used to account for 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 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 and joint ventures

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.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the consolidated financial statements as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

The proportionate interests in assets, liabilities and results of joint ventures have been incorporated in the financial statements under the appropriate headings.

The accounting policies of associates and joint ventures are consistent with the policies adopted by the Group in all material respects.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is APN News & Media Limited'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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group entities

The results 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 in other comprehensive income.

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APN News & Media Limited and Controlled Entities

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

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

(e) Revenue recognition

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

Advertising revenue from Publishing is recognised when a newspaper or magazine is published, from Broadcasting when the advertisement is broadcast and from Outdoor and Online operations over the period when displayed.

Circulation, printing and coupon revenue is recognised when control of the goods passes to the buyer.

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

(f) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates 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 provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those enacted tax rates applicable to each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Temporary differences in relation to indefinite life intangible assets are determined with reference to their respective capital gains tax bases in respect of assets for which capital gains tax will apply.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income are also recognised in other comprehensive income.

(g) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Assets acquired under finance leases are included as property, plant and equipment in the balance sheet. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum 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 profit or loss 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 consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over periods ranging from one to five years.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments, excluding contingent payments, are charged to profit or loss on a straight line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value through profit or loss. Acquisition related costs are expensed as incurred.

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

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APN News & Media Limited and Controlled Entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

(l) Inventories

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

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

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

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

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

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

(n) Financial assets

In 2009 the Group elected to early adopt AASB 9 *Financial Instruments*.

(i) Classification and initial measurement of financial assets

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

(ii) Financial assets at amortised cost

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

(iii) Financial assets at fair value

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 33. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading in other comprehensive income. Otherwise all gains and losses are recognised in profit or loss.

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

(o) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value is determined with reference to quoted market prices. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

notes to the financial statements

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(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss in other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in profit or loss within other income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised in profit or loss.

(p) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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 3–25 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is not amortised but rather is subject to periodic impairment testing as described in note 1(i).

(ii) Software

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

(iii) Mastheads

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

Australian Accounting Standards state explicitly that an active market does not exist in respect of newspaper mastheads, brands and other assets as such assets are unique. The Board of Directors does not agree that an active market does not exist in respect of newspaper mastheads; however, it has complied with the requirements of the relevant standard to reverse all past revaluation of such assets.

(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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(vi) Transit and outdoor advertising systems

Transit and outdoor advertising systems are accounted for as identifiable assets and are brought to account at cost. The Directors believe these assets have indefinite lives and accordingly, no amortisation has been provided against the carrying amount.

(vii) Brands

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

(viii) Lease intangibles

Lease intangibles are accounted for as identifiable assets and are brought to account at cost. These assets represent capitalised outdoor site leases and are being amortised over the estimated lease term of the site leases, including expected renewal periods.

(r) Trade and other payables

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

(s) Borrowings

Loans, bonds and convertible notes are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of trade and other payables.

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

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

(t) Provisions

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

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

(u) 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 settled within 12 months from the reporting date are recognised in trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with the above paragraph. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Short-term incentive plans

A liability for short-term incentives is recognised in trade and other 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 report; 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 measured at the amounts expected to be paid when they are settled.

(iv) Defined benefit superannuation plans

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses), less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Actuarial gains and losses are recognised, under the corridor method as outlined in AASB 119 *Employee Benefits*, in the income statement in the periods in which they arise. The portion recognised is the excess of the unrecognised gain/loss at the start of the year over the greater of 10% of the value of assets and 10% of the defined benefit obligation at the start of the year, divided by the expected future service of members.

(v) Share-based payments

Share-based compensation benefits are provided to employees via the Executive and Director Option Plan.

The fair value of options granted under the Executive and Director Option Plan is recognised as an employee benefits expense with a

notes to the financial statements

APN News & Media Limited and Controlled Entities

corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the options vest.

The fair value at grant date is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option, 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 option.

The fair value of the options granted excludes the impact of any non market vesting conditions (eg profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. The employee benefits expense recognised each period takes into account the most recent estimate.

(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) Earning per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors at or before the end of the financial year but not distributed at balance date.

(y) Rounding of amounts

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

(z) Parent entity financial information

The financial information for the parent entity, APN News & Media Limited, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

Investments in subsidiaries, are accounted for at cost in the financial statements of APN News & Media Limited.

(ii) Tax consolidation legislation

APN News & Media Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated group. Each member of the tax consolidated group accounts for their own current and deferred tax amounts using the 'separate taxpayer within group' approach.

In addition to its own current and deferred tax amounts, APN News & Media Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from available tax losses assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. The amounts receivable/payable under the tax funding arrangements are due upon demand from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

(aa) 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(i). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer note 12 for details of these assumptions and the potential impact of changes to these assumptions.

(ii) Property valuations

The Group periodically revalues land and buildings in accordance with the accounting policy stated in note 1(p). These valuations are based on available evidence at the time the valuation is conducted but is subject to estimation.

(iii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions 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 amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 112 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. There is also new guidance on participating and protective rights and on agent/principal relationships.

While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group does not currently hold any joint arrangements. The new outdoor joint venture will be classified as a joint venture under the new rules and be accounted for under the equity method

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 December 2013.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 December 2013.

(iii) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* (September 2011) and AASB 2011-11 *Amendments to AASB 119* (September 2011) *arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The impact of the new rules on the Group is not expected to be material. The Group has not yet decided when to adopt the new standard.

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

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APN News & Media Limited and Controlled Entities

2. REVENUE AND OTHER INCOME

	2011 $'000	2010 $'000
Advertising revenue	**1,065,652**	1,053,598
Revenue from sale of goods	**6,742**	5,487
Revenue from continuing operations	**1,072,394**	1,059,085
Dividends received	**474**	685
Rent received	**1,401**	890
Foreign exchange gains	**3,925**	896
Gains on insurance claims	**4,377**	–
Gain on disposal of properties and businesses	**788**	1,051
Fair value adjustment on acquisition of associate	**8,307**	–
Gains on equity instruments	**3,652**	–
Bad debts or expenses recovered	**249**	240
Net gain on disposal of property, plant and equipment	**95**	56
Other	**-**	258
Other income	**23,268**	4,076
Interest received – associates	**-**	48
Interest received – other entities	**1,270**	607
Finance income	**1,270**	655
Total revenue and other income	**1,096,932**	1,063,816

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APN News & Media Limited and Controlled Entities

3. EXPENSES

	2011 $'000	2010 $'000
Expenses before finance costs		
Employee benefits expense	**358,064**	327,418
Selling and production expense	**284,887**	288,521
Rental and occupancy expense	**170,562**	162,180
Depreciation and amortisation expense	**37,123**	38,900
Redundancies and associated costs	**17,332**	3,301
Asset write downs and business closures	**18,298**	–
Other	**58,386**	46,394
Total expenses before finance costs	**944,652**	866,714
Depreciation		
Buildings	**1,017**	1,107
Plant and equipment	**27,888**	29,837
Plant and equipment under finance leases	**3,186**	3,315
Total depreciation	**32,091**	34,259
Amortisation		
Software	**2,541**	2,206
Radio licences	**1,910**	1,935
Other	**581**	500
Total amortisation	**5,032**	4,641
Finance costs		
Interest and finance charges	**54,188**	48,853
Borrowing costs amortisation	**3,026**	1,604
Total finance costs	**57,214**	50,457
Rental expense relating to operating leases		
Property	**25,364**	22,951
Outdoor site rentals		
Minimum lease payments	**109,137**	104,169
Contingent rentals	**16,434**	12,213
Other	**4,746**	3,711
Total rental expense relating to operating leases	**155,681**	143,044
Impairment of receivables	**3,787**	4,849
Contributions to employee superannuation plans	**16,334**	15,012

notes to the financial statements

APN News & Media Limited and Controlled Entities

4. SEGMENT INFORMATION

(a) Description of segments

The Group has identified its operating segments based on the internal reports reviewed and used by the Board of Directors and the senior management team in assessing performance and determining the allocation of resources. There are six reportable segments as follows:

Australian Regional Media	Newspaper and online publishing
New Zealand Media	Newspaper, magazine and online publishing
Australian Radio	Metropolitan radio networks
New Zealand Radio	Radio networks throughout New Zealand
Outdoor	Roadside billboard, transit and other outdoor advertising
Digital Ventures	Digital businesses

(b) Results by operating segment

The Directors and senior management team assess the performance of the operating segments based on a measure of EBIT which excludes the effects of exceptional items such as restructuring costs and impairment of intangible assets.

The segment information provided to the Directors and senior management team for the year ended 31 December 2011 is as follows:

2011	Australian Regional Media $'000	NZ Media $'000	Australian Radio $'000	NZ Radio $'000	Outdoor $'000	Digital Ventures $'000	Unallocated $'000	**Total $'000**
Revenue from external customers	272,807	303,320	133,212	86,712	263,740	12,603	–	**1,072,394**
Segment result	43,642	51,765	44,906	12,503	38,006	(4,925)	(14,499)	**171,398**
Share of profits of associates	–	–	–	–	6,143	(336)	–	**5,807**
Segment assets	238,580	697,166	363,824	197,052	379,638	8,934	112,782	**1,997,976**
Segment liabilities	35,340	168,347	44,789	20,420	133,454	13,029	469,796	**885,175**

Reconciliation of segment result to operating profit before income tax	
Segment result	171,398
Net finance costs	(55,944)
Gains on disposal of properties and businesses	788
Gains on insurance claims	4,377
Fair value adjustment on acquisition of associate	8,307
Gains on equity instruments	3,652
Foreign exchange gains	3,925
Redundancies and associated costs	(17,332)
Asset write downs and business closures	(18,298)
Impairment of intangible assets (note 12)	(159,495)
Loss before tax from continuing operations	**(58,622)**

Gains on insurance claims relates to claims made against damage to property, plant and equipment as a result of the Christchurch earthquakes during 2011. Total proceeds received were $4,792,000.

The fair value adjustment on acquisition of associate is the uplift in fair value that arose from the acquisition in February 2011 of the further 25% of Idea HQ Limited.

Redundancies and associated costs relate to the restructuring program put in place during the year with approximately 300 staff being made redundant in the Group's publishing divisions, delivering $25 million in annualised costs savings

Asset write downs and business closures relate mainly to the closure of certain loss making magazines in the Australian Regional Media division, the closure of the Bundaberg and Mackay printing facilities and the move to a digital first approach in the Tweed and Coffs Coast markets.

notes to the financial statements

APN News & Media Limited and Controlled Entities

4. SEGMENT INFORMATION (CONTINUED)

2010	Australian Regional Media $'000	NZ Media $'000	Australian Radio $'000	NZ Radio $'000	Outdoor $'000	Digital Ventures $'000	Unallocated $'000	**Total $'000**
Revenue from external customers	288,036	320,077	127,307	85,682	237,983	–	–	**1,059,085**
Segment result	60,005	71,304	42,942	12,847	28,901	–	(10,555)	**205,444**
Share of profits of associates	–	(182)	–	–	3,184	–	–	**3,002**
Segment assets	268,909	845,349	322,023	235,608	380,748	–	110,285	**2,162,922**
Segment liabilities	17,504	168,780	49,882	18,569	131,709	–	588,273	**974,717**

Reconciliation of segment result to operating profit before income tax	
Segment result	205,444
Net finance costs	(49,802)
Gain on disposal of properties	1,051
Redundancies and associated costs	(3,301)
New Zealand music royalties	(1,847)
Corporate, legal and other costs	(3,174)
Multimedia restructure costs	(1,724)
Reversal of impairment of investment in associate	3,000
Profit before tax from continuing operations	**149,647**

Redundancies and associated costs include redundancy payments, payments in lieu of notice together with salary costs of redundant roles from the date that the redundancy programme is initiated and other costs related to the Group's restructuring programme.

New Zealand music royalties represent backdated payments since 2007 following the conclusion of the music royalty rate litigation between the New Zealand radio industry and the governing body.

Corporate legal and other costs reflects adjustments relating to prior years for one of the Group's associates as well as certain contractual break costs and asset disposals.

Multimedia restructure costs include costs of developing new product offerings as well as the cost of now discontinued strategies.

(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 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 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 Australia and operates predominantly in Australia, New Zealand and Asia. The amount of its revenue from external customers in Australia is $604,730,000 (2010: $589,136,000), in New Zealand is $411,542,000 (2010: $416,832,000) and in Asia is $56,122,000 (2010: $53,117,000). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is $819,775,000 (2010: $803,034,000) and in other countries is $947,725,000 (2010: $1,088,080,000). Segment assets are allocated to countries based on where the assets are located.

notes to the financial statements

APN News & Media Limited and Controlled Entities

5. INCOME TAX

	2011 $'000	2010 $'000
Current tax expense	**17,203**	19,043
Deferred tax expense/(credit)	**(57,396)**	9,089
Adjustment for current tax of prior periods	**507**	(155)
Income tax expense/(credit)	**(39,686)**	27,977
Income tax is attributable to:		
Profit/(loss) from continuing operations	**(39,686)**	30,061
Loss from discontinued operations	**-**	(2,084)
Aggregate income tax expense/(credit)	**(39,686)**	27,977
Income tax expense differs from the amount prima facie payable as follows:		
Profit/(loss) from continuing operations before income tax expense	**(58,622)**	149,647
Loss from discontinued operations before income tax expense	**-**	(6,946)
	(58,622)	142,701
Prima facie income tax at 30%	**(17,587)**	42,810
Tax effects of differences:		
Difference in international tax treatments and rates	**(21,528)**	(16,502)
Impairment and reversals of impairment	**643**	(900)
Assets write downs and business closures	**2,304**	-
Fair value adjustment on acquisition of associate	**(2,476)**	-
Foreign exchange gains	**(1,538)**	-
Other	**(11)**	271
Prima facie tax adjusted for differences	**(40,193)**	25,679
Adjustment for current tax of prior periods	**507**	(155)
Impact of change in New Zealand tax rate	**-**	2,453
Income tax expense/(credit)	**(39,686)**	27,977

The Company is involved in a dispute with the New Zealand Inland Revenue Department regarding certain financing transactions. The dispute involves tax of NZ$41 million for the period up to 31 December 2011. No assessments have been issued at this time and the Company is satisfied that its treatment satisfies all relevant legislation and that no tax will become payable. The Company has tax losses available to offset the amount payable to the extent of NZ$25 million. The IRD are seeking to impose penalties of between 10% and 50% of the tax in dispute in addition to the tax claimed.

notes to the financial statements

APN News & Media Limited and Controlled Entities

6. TRADE AND OTHER RECEIVABLES

	2011 $'000	2010 $'000
Current		
Trade receivables	**158,612**	164,224
Provision for doubtful debts	**(5,125)**	(7,551)
	153,487	156,673
Loans to associates	**734**	2,186
Other receivables	**14,864**	10,326
Total current receivables	**169,085**	169,185
Non-current		
Loans to related parties	**1,516**	4,186
Total non-current receivables	**1,516**	4,186

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

(a) Impaired trade receivables

As at 31 December 2011, current trade receivables of the Group with a nominal value of $7,133,000 (2010: $9,441,000) were impaired. For the purposes of AASB 7 *Financial Instruments: Disclosures*, impaired receivables are regarded as those that are more than 90 days past due together with any other balances where the credit department considers collection to be in doubt. The amount of the provision was $5,125,000 (2010: $7,551,000). It was assessed that a portion of the impaired receivables is expected to be recovered.

	2011 $'000	2010 $'000
The ageing of these receivables is as follows:		
One to three months	**3,169**	3,205
Three to six months	**2,779**	2,986
Over six months	**1,185**	3,250
Impaired receivables	**7,133**	9,441
Movements in the provision for doubtful debts are as follows:		
Balance at beginning of the year	**7,551**	5,405
Provision for doubtful debts expensed	**3,787**	4,849
Receivables written off	**(6,213)**	(2,703)
Provision for doubtful debts	**5,125**	7,551

(b) Past due but not impaired – trade receivables

As of 31 December 2011, trade receivables of $37,280,000 (2010: $35,106,000) were past due but not impaired. These receivables are 90 days or less past due.

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

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on previous collection history, over 98% of these receivables would be expected to be collected.

notes to the financial statements

APN News & Media Limited and Controlled Entities

(c) Foreign exchange risk

The carrying amounts of the Group's current and non-current receivables are denominated in the following currencies:

	2011 $'000	2010 $'000
Australian dollars	**109,815**	113,695
New Zealand dollars	**51,902**	52,686
Hong Kong dollars	**4,492**	4,165
Indonesian rupiah	**4,392**	2,825
	170,601	173,371

(d) Fair value and credit risk

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

The fair value and carrying values of non-current receivables of the Group are as follows:

Loans to related parties	**1,516**	4,186

The loans to related parties have no fixed term.

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 note 33 for further information on the risk management policy of the Group.

7. INVENTORIES

Raw materials and stores	**9,013**	12,387
Finished goods	**40**	17
Total inventories	**9,053**	12,404

8. DISCONTINUED OPERATION AND ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During 2010 it was decided to close the Group's Auckland based heatset printing business. Financial information related to the discontinued operation is shown below:

	2011 $'000	2010 $'000
Financial performance		
Revenue	**-**	19,780
Expenses	**-**	(20,827)
Operating loss before income tax credit	**-**	(1,047)
Income tax credit	**-**	314
Operating loss from discontinued operation	**-**	(733)
Costs of closure	**-**	(5,899)
Income tax credit	**-**	1,770
Loss from discontinued operation	**-**	(4,862)

9. OTHER FINANCIAL ASSETS

Listed securities	**7,636**	5,305
Shares in other corporations	**23,528**	20,867
Total other financial assets	**31,164**	26,172

notes to the financial statements

APN News & Media Limited and Controlled Entities

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Name of associate	Principal activity	Country of incorporation and principal place of business	Ownership interest		Consolidated Carrying values	
			2011 %	2010 %	**2011 $'000**	2010 $'000
Adshel Street Furniture Pty Limited	Outdoor advertising	Australia	**50**	50	**37,331**	33,689
Eventfinder Limited[1]	Online events directory	New Zealand	**-**	29	**-**	459
Idea HQ Limited[2]	Online businesses	New Zealand	**75**	50	**-**	1,004
Soprano Design Pty Limited	Independent software vendor	Australia	**25**	25	**6,000**	6,000
					43,331	41,152

(1) Eventfinder Limited was sold in November 2011

(2) Additional 25% interest acquired in February 2011 and consolidated from that date – Refer note 29 for further details.

	2011 $'000	2010 $'000
(a) Movements in carrying amounts of investments in associates		
Carrying amount at beginning of the year	**41,152**	39,190
Share of profits after income tax	**5,807**	3,002
Dividends received	**(2,500)**	(3,848)
Reversal of impairment of investment	**-**	3,000
Disposals and other	**(1,128)**	(192)
Carrying amount at end of the year	**43,331**	41,152
(b) Results attributable to associates		
Earnings before interest and tax	**9,103**	5,452
Net finance costs	**(548)**	(959)
Profit before income tax expense	**8,555**	4,493
Income tax expense	**(2,748)**	(1,491)
Profit after income tax expense	**5,807**	3,002
Dividends received	**(2,500)**	(3,848)
	3,307	(846)
Retained profits attributable to associates at beginning of the year	**26,011**	26,857
Retained profits attributable to associates at end of the year	**29,318**	26,011
(c) Share of associates' expenditure commitments		
Capital commitments	**4,082**	6,428
Lease commitments	**124,208**	99,735
	128,290	106,163

(d) Summarised financial information of associates

	Group's share of:		
	Assets $'000	Liabilities $'000	Revenue $'000
2011	**60,304**	**23,746**	**61,133**
2010	68,534	29,872	57,568

notes to the financial statements

APN News & Media Limited and Controlled Entities

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land(i) $'000	Buildings(i) $'000	Plant and equipment $'000	Plant and Equipment under finance lease $'000	**Total $'000**
At 1 January 2010					
Cost or fair value	16,284	38,602	460,744	53,352	**568,982**
Accumulated depreciation	–	–	(303,462)	(2,388)	**(305,850)**
Capital works in progress	–	–	3,802	–	**3,802**
Net book amount	16,284	38,602	161,084	50,964	**266,934**
Year ended 31 December 2010					
Opening net book amount	16,284	38,602	161,084	50,964	**266,934**
Additions	–	56	21,221	–	**21,277**
Disposals	–	(2,394)	(3,684)	–	**(6,078)**
Depreciation	–	(1,107)	(30,028)	(3,315)	**(34,450)**
Transfers and other adjustments	–	50	3,690	–	**3,740**
Foreign exchange differences	(758)	(1,260)	(6,070)	–	**(8,088)**
Closing net book amount	15,526	33,947	146,213	47,649	**243,335**
At 1 January 2011					
Cost or fair value	15,526	36,170	501,757	53,352	**606,805**
Accumulated depreciation	–	(2,223)	(363,057)	(5,703)	**(370,983)**
Capital works in progress	–	–	7,513	–	**7,513**
Net book amount	15,526	33,947	146,213	47,649	**243,335**
Year ended 31 December 2011					
Opening net book amount	15,526	33,947	146,213	47,649	**243,335**
Additions	–	70	32,788	–	**32,858**
Acquisition of controlled entities	–	–	28	–	**28**
Disposals	(2,032)	(1,689)	(3,897)	–	**(7,618)**
Depreciation	–	(1,017)	(27,888)	(3,186)	**(32,091)**
Impairment	–	–	–	(3,486)	**(3,486)**
Transfers and other adjustments	–	(141)	(743)	–	**(884)**
Foreign exchange differences	105	174	645	–	**924**
Closing net book amount	13,599	31,344	147,146	40,977	**233,066**
At 31 December 2011					
Cost or fair value	13,599	34,376	477,174	53,352	**578,501**
Accumulated depreciation and impairment	–	(3,032)	(346,690)	(12,375)	**(362,097)**
Capital works in progress	–	–	16,662	–	**16,662**
Net book amount	13,599	31,344	147,146	40,977	**233,066**

(i) The Directors consider that freehold land and buildings are carried at fair value. Independent valuations were carried out in 2009 and carrying values have been adjusted to reflect such valuations. Independent valuations in 2009 were carried out by certified registered valuers.

notes to the financial statements

APN News & Media Limited and Controlled Entities

12. INTANGIBLE ASSETS

	Goodwill $'000	Software $'000	Mastheads $'000	Radio licences $'000	Transit and outdoor advertising systems $'000	Brands $'000	Lease intangibles $'000	**Total $'000**
At 1 January 2010								
Cost	298,931	22,443	1,023,009	320,861	54,713	41,167	4,313	**1,765,437**
Accumulated amortisation and impairment	(101,160)	(18,504)	(25,082)	(13,802)	–	–	(2,453)	**(161,001)**
Net book amount	197,771	3,939	997,927	307,059	54,713	41,167	1,860	**1,604,436**
Year ended 31 December 2010								
Opening net book amount	197,771	3,939	997,927	307,059	54,713	41,167	1,860	**1,604,436**
Additions	159	3,082	398	33,299	–	–	–	**36,938**
Disposals	–	–	–	–	–	–	–	**-**
Amortisation	–	(2,206)	–	(1,935)	–	–	(500)	**(4,641)**
Foreign exchange differences	(1,678)	13	(60,120)	(446)	–	(419)	(85)	**(62,735)**
Closing net book amount	196,252	4,828	938,205	337,977	54,713	40,748	1,275	**1,573,998**
At 1 January 2011								
Cost	297,670	25,481	963,287	352,721	54,713	40,748	3,961	**1,738,581**
Accumulated amortisation and impairment	(101,418)	(20,653)	(25,082)	(14,744)	–	–	(2,686)	**(164,583)**
Net book amount	196,252	4,828	938,205	337,977	54,713	40,748	1,275	**1,573,998**
Year ended 31 December 2011								
Opening net book amount	196,252	4,828	938,205	337,977	54,713	40,748	1,275	**1,573,998**
Additions	28,864	3,611	27	57	–	3,406	3,452	**39,417**
Disposals	(775)	(3)	(4,451)	–	–	–	–	**(5,229)**
Amortisation	–	(2,541)	–	(1,910)	–	–	(581)	**(5,032)**
Impairment	(2,297)	–	(157,198)	–	–	–	–	**(159,495)**
Other adjustments	511	652	–	–	–	(638)	–	**525**
Foreign exchange differences	1,330	10	10,261	357	–	819	(9)	**12,768**
Closing net book amount	**223,885**	**6,557**	**786,844**	**336,481**	**54,713**	**44,335**	**4,137**	**1,456,952**
At 31 December 2011								
Cost	327,636	29,822	968,166	353,258	54,713	44,335	7,021	**1,784,951**
Accumulated amortisation and impairment	(103,751)	(23,265)	(181,322)	(16,777)	–	–	(2,884)	**(327,999)**
Net book amount	**223,885**	**6,557**	**786,844**	**336,481**	**54,713**	**44,335**	**4,137**	**1,456,952**

notes to the financial statements

APN News & Media Limited and Controlled Entities

	2011 $'000	2010 $'000
Allocation of goodwill and non-amortising intangible assets to CGUs		
Name of CGU		
Australian Regional Media	**205,896**	211,086
New Zealand Media – Metro	**561,889**	694,919
New Zealand Media – Regional	**107,828**	122,614
Australian Radio	**300,158**	300,158
New Zealand Radio	**79,418**	78,699
Outdoor – Australia	**105,472**	105,472
Digital Ventures	**27,744**	–
Other	**17,172**	17,112
Total goodwill and non-amortising intangible assets	**1,405,577**	1,530,060

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

At the half year, it was determined that there were indicators of impairment of the Group's New Zealand publishing assets, arising from the natural disasters and subdued economic environment affecting the areas in which they operate. Therefore, in accordance with AASB 136 *Impairment*, management performed an impairment review of the respective cash generating units.

As a result of the review, the carrying amount of goodwill and mastheads allocated to the New Zealand Metro and New Zealand Regionals CGUs were reduced to their recoverable amounts through the recognition of an impairment loss. This impairment was a result of a number of factors, including the impact of the Christchurch earthquakes on the New Zealand economy, the slower than expected recovery of the advertising markets and the ongoing impacts of the global financial crisis. The impairment charge against the New Zealand Metro CGU was $143.5 million and against the New Zealand Regionals CGU was $16.0 million.

Year-end impairment review

A comprehensive impairment review was conducted at 31 December 2011. 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 value in use calculations using management budgets and forecasts for a five year period after adjusting for central overheads. Cash flows beyond five years are extrapolated at growth rates not exceeding the long term average growth rate for the business in which the CGU operates.

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

- Long term growth rates ranging from 2.5% to 4.0% (2010: 2.5% to 4.0%) per annum; and
- Post tax discount rates ranging from 9.5% to 10.0% (2010: 10.0% to 10.2%) per annum. The current year discount rate equates to pre-tax rates in the range of 12% to 14% per annum.

Value in use calculations are highly sensitive to changes in certain key assumptions. All CGUs except for the New Zealand Media division CGUs, have sufficient headroom such that reasonable changes to key assumptions would not give rise to an impairment charge. For the New Zealand Media CGU's a 0.5% increase in the discount rate used would result in an increase in the impairment provision recognised by $52 million. A 0.5% decrease in long-term growth rates would increase the impairment provision recognised by $45 million. If forecasted cash flows were to decrease by 10% in each of the New Zealand Media CGUs, an increase in the impairment provision of $77 million would be required.

The Directors remain satisfied with the carrying value of the Group's intangible assets and have determined that no adjustment to the impairment provisions recognised previously is required.

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APN News & Media Limited and Controlled Entities

13. PAYABLES

	2011 $'000	2010 $'000
Current		
Trade and other payables	**133,408**	114,555
Amounts due to related entities[(i)]	**956**	3,528
Loans from Directors and Director related entities (refer note 27)	**1,303**	1,646
Total current payables	**135,667**	119,729

(i) Includes amounts payable to Independent News & Media PLC and related companies of $542,000 (2010 : $3,363,000)

Loans from a Director of PT Rainbow Asia Posters, F Moniaga, of $1,303,000 (2010: $1,646,000) are unsecured, non interest bearing and repayable at call.

	2011 $'000	2010 $'000
Non-current		
Trade and other payables	**4,043**	2,596
Total non-current payables	**4,043**	2,596

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

Foreign currency risk

The carrying amounts of payables are denominated in the following currencies:

	2011 $'000	2010 $'000
Australian dollars	**65,110**	52,949
New Zealand dollars	**53,812**	51,759
Hong Kong dollars	**4,909**	4,685
Indonesian rupiah	**15,879**	12,646
Singapore dollars	**-**	286
	139,710	122,325

notes to the financial statements

APN News & Media Limited and Controlled Entities

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 $'000	2010 $'000
Current assets		
Interest rate swaps – cash flow hedge	**-**	263
Total current derivative assets	**-**	263
Non-current assets		
Interest rate swaps – cash flow hedge	**-**	753
Total non-current derivative assets	**-**	753
Current liabilities		
Interest rate swaps – cash flow hedge	**646**	-
Foreign currency contracts	**132**	235
Equity swap	**-**	248
Total current derivative liabilities	**778**	483
Non-current liabilities		
Interest rate swaps – cash flow hedge	**3,839**	2,355
Foreign currency contracts	**-**	105
Total non-current derivative liabilities	**3,839**	2,460

(a) Interest rate swaps

The Group's borrowings include amounts that bear variable interest rates. It is Group policy to protect part of the loans from exposure to interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 56% (2010: 57%) of the variable loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 4.1% and 5.3% (2010: 4.1% and 5.3%) per annum.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 31 December 2011 a loss of $2.3 million was reclassified into profit or loss (2010: loss of $2.7 million) and included in finance costs. There was no hedge ineffectiveness in the current or prior year.

Two of the interest rate swaps held by the consolidated entity as at 31 December 2011 offset each other, having a notional principal amount of NZ$83,538,019 (2010: NZ$107,420,200) each, and mature in the next 12 months.

The remaining swaps have a mark to market loss of $4,485,243 (2010: loss of $1,338,931). The tables below analyse these net settled interest rate swaps into relative maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For interest rate swaps, the cash flows have been estimated using current interest rates applicable at the reporting date.

	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
31 December 2011				
Net settled – interest rate swaps (outflow)	**(2,124)**	**(577)**	**-**	**-**
31 December 2010				
Net settled – interest rate swaps (outflow)	(2,068)	(1,290)	(381)	-

notes to the financial statements

APN News & Media Limited and Controlled Entities

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Forward exchange contracts – cash flow hedges

During the year forward exchange contracts were used to hedge future foreign capital purchase commitments. The contracts are timed to mature as payments are scheduled to be made to suppliers.

The tables below analyse the Group's derivative financial instruments that will be settled on a gross basis, into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
31 December 2011				
Forward foreign exchange contracts				
Cash flow hedges				
– inflow	**441**	**–**	**–**	**–**
– outflow	**578**	**–**	**–**	**–**
31 December 2010				
Forward foreign exchange contracts				
Cash flow hedge				
– inflow	942	442	–	–
– outflow	1,197	578	–	–

As at balance date the details of the outstanding contracts are:

Buy British Pounds	Sell Australian dollars		Average exchange rate	
	2011 $'000	2010 $'000	**2011**	2010
Maturity				
Zero to 12 months	**578**	1,197	**0.502**	0.516
One to two years	**–**	578	**–**	0.502

The foreign currency contracts are considered to be fully effective hedges as they are matched against the highly probable foreign capital purchases with any gain or loss on the contracts taken to equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by removing the related amount from other comprehensive income.

During the year ended 31 December 2011 a loss of $0.1 million (2010: $0.3 million) was reclassified from other comprehensive income and included in the initial measurement of capital purchases.

notes to the financial statements

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15. INTEREST BEARING LIABILITIES

	2011 $'000	2010 $'000
Current		
Bank loans – unsecured	**25,057**	23,344
Lease liabilities (refer note 24)	**2,447**	2,421
Total current interest bearing liabilities	**27,504**	25,765
Non-current		
Bank loans – unsecured	**520,390**	581,857
New Zealand Bond	**76,104**	75,415
Lease liabilities (refer note 24)	**45,452**	47,884
	641,946	705,156
Deduct		
Borrowing costs	**15,550**	17,873
Accumulated amortisation	**(7,130)**	(7,045)
Net borrowing costs	**8,420**	10,828
Total non-current interest bearing liabilities	**633,526**	694,328

Fair value and risk management

The fair value of interest bearing liabilities equals their carrying value.

(a) Risk exposures

The exposure of borrowings to interest rate changes and the contractual repricing at the balance dates are as follows:

	2011 $'000	2010 $'000
Six months or less	**190,676**	227,896
Six to twelve months	**121,648**	40,685
One to five years	**357,126**	386,925
Greater than five years	**-**	75,415
Interest bearing liabilities	**669,450**	730,921

The carrying amounts of borrowings are denominated in the following currencies:

Australian dollars	**388,566**	415,305
New Zealand dollars	**280,884**	315,616
Interest bearing liabilities	**669,450**	730,921

For an analysis of the sensitivity of borrowings to interest rate risk, refer note 33.

(b) Capital risk management

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

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

notes to the financial statements

APN News & Media Limited and Controlled Entities

16. PROVISIONS

	2011 $'000	2010 $'000
Current		
Employee benefits	**7,133**	7,388
Restructuring	**2,797**	3,044
Contingent consideration	**6,506**	–
Total current provisions	**16,436**	10,432
Non-current		
Employee benefits	**2,282**	2,002
Restructuring	**4,358**	4,893
Contingent consideration	**3,179**	–
Total non-current provisions	**9,819**	6,895

Movements in provisions

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

	Restructuring $'000	Contingent consideration $'000	Total $'000
Carrying amount at beginning of the year	7,937	–	**7,937**
Charged/(credited) to profit or loss			
– additional provisions recognised	2,336	10,176	**12,512**
Amounts used during the period	(3,118)	(491)	**(3,609)**
Carrying amount at the end of the year	7,155	9,685	**16,840**

The restructuring provision includes onerous rental contracts related to closure of certain New Zealand commercial printing operations and expected redundancy costs related to formally announced restructuring plans.

The provision for contingent consideration represents the fair value of amounts payable on business combinations should certain pre determined gross margin thresholds be met by the acquired businesses.

	2011 $'000	2010 $'000
Aggregate employee benefit liabilities		
Current provision	**7,133**	7,388
Non-current provision	**2,282**	2,002
Included in trade and other payables	**12,156**	11,661
Total employee benefit liabilities	**21,571**	21,051

notes to the financial statements

APN News & Media Limited and Controlled Entities

17. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax

	Balance 1 Jan 11 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 11 $'000
Tax losses	22,595	13,146	–	–	**35,741**
Employee benefits	6,094	(492)	–	–	**5,602**
Doubtful debts	2,265	(1,455)	–	–	**810**
Accruals/restructuring	3,438	2,613	–	–	**6,051**
Intangible assets	(134,552)	45,759	1,159	262	**(87,372)**
Depreciation	(24,659)	21,104	–	–	**(3,555)**
Other	18,364	(23,279)	–	–	**(4,915)**
	(106,455)	57,396	1,159	262	**(47,638)**

	Balance 1 Jan 10 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 10 $'000
Tax losses	28,643	(6,048)	–	–	22,595
Employee benefits	6,112	(18)	–	–	6,094
Doubtful debts	1,621	644	–	–	2,265
Accruals/restructuring	4,178	(740)	–	–	3,438
Intangible assets	(142,426)	1,347	7,228	(701)	(134,552)
Depreciation	(20,051)	(4,608)	–	–	(24,659)
Other	8,613	334	9,542	(125)	18,364
	(113,310)	(9,089)	16,770	(826)	(106,455)

There are no material unbooked tax losses as at 31 December 2011.

notes to the financial statements

APN News & Media Limited and Controlled Entities

18. CONTRIBUTED EQUITY

	2011 $'000	2010 $'000
Issued and paid up share capital	**1,074,115**	1,045,999

(a) Movements in contributed equity during the financial year

	2011 number	2010 number	2011 $'000	2010 $'000
Balance at beginning of the year	**606,084,019**	595,311,925	**1,045,999**	1,024,815
Dividend reinvestment plan	**24,127,396**	10,772,094	**28,116**	21,184
Balance at end of the year	**630,211,415**	606,084,019	**1,074,115**	1,045,999

(b) Executive and Director Option Plan (EDOP)

An option plan is operated by the Company to allow selected employees and Directors to participate in the growth of the Company through the issue of options over ordinary shares in the Company. Eligibility for participation is at the discretion of the Board.

The options are granted for no consideration and carry no dividend or voting rights. The options are generally exercisable between three and five years from the date of grant at the exercise price, subject to the satisfaction of performance hurdles. The options expire five years from the date of grant. Each option issued is convertible into one ordinary share.

The exercise price of the options is the weighted average market price of the Company's shares sold on the ASX during the week immediately prior to and including the grant date. The exercise price is payable at the time of exercise of the options. The options must not be transferred, encumbered or otherwise disposed of without the prior consent of the Board.

Options normally lapse if the option holder ceases to be an employee of the Company or any of its subsidiaries and in the case of a Director, ceases to hold office, otherwise than by death, permanent incapacity, redundancy or retirement. In these events, options are normally exercisable within 12 months of the occurrence of the event.

The maximum number of ordinary shares in respect of which options may be granted under the EDOP may not exceed 10% of the total issued share capital of the Company from time to time without shareholder approval.

In addition to their standard terms, all of the current options of the Company have performance criteria that must be satisfied before an option or tranche of options may be exercised. The performance hurdles for an option or tranche of options involve a comparison of the Company's EPS performance over a period of time with a specified rate of growth.

(c) Options issued under EDOP

Grant date	Exercise price $	Balance at start of the year number	Issued number	Exercised number	Lapsed number	Balance at end of the year number
2 May 2006	4.99	4,800,000	–	–	(4,800,000)	**–**
2 June 2008	3.93	6,325,000	–	–	(1,200,000)	**5,125,000**
		11,125,000	–	–	(6,000,000)	**5,125,000**

The 2006 awards were tested on 31 December 2010, and it was determined that the minimum performance hurdles had not been satisfied. Consequently all 2006 awards lapsed in May 2011. In respect of the 2008 awards, the minimum performance hurdles have not been satisfied as at 31 December 2011 and they are not likely to be achieved during the remaining life of the options.

(d) Dividend reinvestment plan (DRP)

Under the DRP, the holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than being paid in cash. Shares may be issued under the DRP at a discount to the market price. The Directors have set the current rate of discount applicable to the DRP at 2.5%.

(e) Ordinary shares

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

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, representative or attorney is entitled to one vote, and upon a poll each share is entitled to one vote.

notes to the financial statements

APN News & Media Limited and Controlled Entities

19. RESERVES AND RETAINED PROFITS

(a) Reserves

	2011 $'000	2010 $'000
Asset revaluation reserve	**13,661**	14,816
Foreign currency translation reserve	**(89,981)**	(94,739)
Capital profits reserve	**120**	120
Share-based payments reserve	**5,181**	5,181
Hedging reserve	**(3,243)**	(1,174)
Transactions with non-controlling interests reserve	**(3,179)**	–
Total reserves	**(77,441)**	(75,796)
Asset revaluation reserve		
Balance at beginning of the year	**14,816**	14,816
Transfer between reserves	**(1,539)**	–
Transfer to accumulated losses	**384**	–
Balance at end of the year	**13,661**	14,816
Foreign currency translation reserve		
Balance at beginning of the year	**(94,739)**	(63,159)
Net exchange difference on translation of foreign operations	**4,758**	(31,580)
Balance at end of the year	**(89,981)**	(94,739)
Hedging reserve		
Balance at beginning of the year	**(1,174)**	(508)
Net gain/(loss) on hedge contracts	**(3,608)**	(666)
Transfer between reserves	**1,539**	–
Balance at end of the year	**(3,243)**	(1,174)
Transactions with non-controlling interests reserve		
Balance at beginning of the year	**-**	–
Acquisition of controlled businesses	**(3,179)**	–
Balance at end of the year	**(3,179)**	–

(b) (Accumulated losses)/retained profits

	2011 $'000	2010 $'000
Balance at beginning of the year	**(8,170)**	(48,172)
Profit/(loss) attributable to owners of the parent entity	**(45,070)**	93,756
Transfer from revaluation reserve	**(384)**	–
Dividends paid	**(64,076)**	(53,754)
Balance at end of the year	**(117,700)**	(8,170)

notes to the financial statements

APN News & Media Limited and Controlled Entities

19. RESERVES AND RETAINED PROFITS (CONTINUED)

(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 the accounting policies. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances as permitted by law.

(ii) Foreign currency translation reserve

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

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

(iv) Hedging reserve

The hedging reserve is used to record unrealised gains/losses on cash flow hedging instruments.

(iv) Transactions with non-controlling interests

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

(d) Non-controlling interests

	2011 $'000	2010 $'000
Share capital	**210,393**	208,767
Reserves	**(7,521)**	(5,457)
Retained profits	**13,485**	4,699
Other	**17,470**	18,163
Non-controlling interests	**233,827**	226,172

20. DIVIDENDS

	2011 $'000	2010 $'000
Final dividend for the year ended 31 December 2010 of 7.0 cents per share of which 2.0 cents was franked, paid on 31 March 2011 (2009: 4.0 cents per share franked paid on 30 March 2010)	**42,426**	23,812
Franked interim dividend for the year ended 31 December 2011 of 3.5 cents per share paid on 28 September 2011 (2010: unfranked interim dividend of 5.0 cents per share paid on 28 September 2010.)	**21,650**	29,942
Total dividends	**64,076**	53,754
Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and tax refunds due	**2,644**	13,067

Dividends not recognised at year end

In addition to the above dividends, since year the Directors have declared the payment of a final dividend of 5.0 cents (2010: 7.0 cents) per share partly franked to 1.5 cents (2010: franked to 2.0 cents). The aggregate amount of the dividend expected to be paid 30 March 2012 out of retained profits at 31 December 2011, but not recognised as a liability at year end, is:	**31,511**	42,426

21. CONTINGENT LIABILITIES

(a) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, refer to Note 35.

(b) Claims

Claims for damages are made against the consolidated entity 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 company is involved in a dispute with the New Zealand Inland Revenue Department regarding certain financing transactions. Refer to note 5 for further details.

notes to the financial statements

APN News & Media Limited and Controlled Entities

22. RETIREMENT BENEFIT OBLIGATIONS

(a) Superannuation plans

The Company operates superannuation plans under which eligible employees and their dependants are entitled to benefits on retirement, disability or death. Employees contribute to the plans at various percentages of their wages and salaries. The respective employer entities within the consolidated entity also contribute to the plans at rates recommended by actuaries, industrial awards or the *Superannuation Guarantee Charge* legislation. The continuation of contributions, except those made pursuant to an award set down under a national wage case or the S*uperannuation Guarantee Charge* legislation, are not legally enforceable.

Scheme information

The defined benefit section of the scheme is closed to new members. All new members receive accumulation only benefits.

(b) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

	2011 $'000	2010 $'000
Australian shares	**2,890**	4,293
International shares	**2,890**	3,553
Other	**4,922**	6,957
Fair value of defined benefit scheme assets	**10,702**	14,803
Present value of the defined benefit obligation	**(12,396)**	(15,375)
Shortfall of assets	**(1,694)**	(572)
Unrecognised net loss	**3,165**	2,090
Net asset	**1,471**	1,518
Reconciliation of the defined benefit obligation		
Defined benefit obligation at beginning of the year	**15,375**	18,157
Company service cost	**453**	508
Interest cost	**714**	841
Estimated member contributions	**185**	211
Estimated benefit payments and tax	**(4,741)**	(4,045)
Expected defined benefit obligation at end of the year	**11,986**	15,672
Actual defined benefit obligation at end of the year	**12,396**	15,375
Actuarial gain/(loss) on defined benefit obligation	**(410)**	297
Reconciliation of the fair value of scheme assets		
Value of assets at beginning of the year	**14,803**	17,175
Expected return on assets	**897**	1,059
Estimated Employer contributions	**522**	673
Estimated member contributions	**185**	211
Estimated benefit payments and tax	**(4,741)**	(4,045)
Expected market value of assets at end of the year	**11,666**	15,073
Actual value of assets at end of the year	**10,702**	14,803
Actuarial gain/(loss) on assets	**(964)**	(270)

The Group has recognised an asset in the balance sheet in respect of its defined benefit superannuation arrangements. The APN Superannuation Scheme does not impose a legal liability on the Group to cover any deficit that exists in the scheme. If the scheme were wound up, there would be no legal obligation on the Group to make good any shortfall. The trust deed of the scheme states that if the scheme winds up, the remaining assets are to be distributed by the trustee of the scheme in an equitable manner as it sees fit.

The Group may at any time, by notice to the trustee, terminate its contributions. The Group has a liability to pay the monthly contributions due prior to the effective date of the notice, but there is no requirement for the Group to pay any further contributions, irrespective of the financial condition of the scheme.

notes to the financial statements

APN News & Media Limited and Controlled Entities

22. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Key assumptions used in the latest actuarial valuation are discount rate 3.2% (2010: 4.7%), salary inflation 4.0% (2010: 4.0%) and expected return on plan assets 5.5% (2010: 6.0%). As at 31 December 2011, the plan assets have been invested in the following asset classes: Australian equities 27% (2010: 29%), international equities 27% (2010: 24%), property 9% (2010: 7%), cash and fixed interest 17% (2010: 17%) and other 20% (2010: 23%).

	2011 $'000	2010 $'000
Amounts recognised in income statement		
Company service cost	**453**	508
Interest cost on defined benefit obligation	**714**	841
Actuarial loss recognised	**69**	43
Expected return on assets	**(897)**	(1,059)
Expense recognised in income statement	**339**	333
Actual return on plan assets	**(67)**	789

23. CAPITAL COMMITMENTS

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

Not later than one year	**6,012**	2,168
Later than one year but not later than five years	**2,221**	1,495
Total capital commitments	**8,233**	3,663

24. LEASE COMMITMENTS

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

Not later than one year	**99,015**	104,656
Later than one year but not later than five years	**207,582**	196,453
Later than five years	**139,318**	73,675
Commitments not recognised in the financial statements	**445,915**	374,784
Representing:		
Cancellable operating leases and rental commitments	**6,708**	11,417
Non-cancellable operating leases and rental commitments	**439,165**	363,274
Future finance lease charges	**42**	93
Commitments not recognised in the financial statements	**445,915**	374,784
Commitments for finance leases are payable as follows:		
Not later than one year	**6,376**	6,438
Later than one year but not later than five years	**50,649**	57,002
	57,025	63,440
Less future finance charges on finance leases	**(9,126)**	(13,135)
Total lease liabilities	**47,899**	50,305
Representing lease liabilities (refer note 15):		
Current	**2,447**	2,421
Non-current	**45,452**	47,884
Total lease liabilities	**47,899**	50,305

The weighted average interest rate implicit in the leases is 8.1% (2010: 8.1%) per annum. The rental commitments represent fixed portions of long-term rental contracts. The Directors believe that the associated future revenue streams will be sufficient to cover these commitments.

notes to the financial statements

APN News & Media Limited and Controlled Entities

25. CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following entities in accordance with the accounting policy described in note 1.

Name of entity	Country of incorporation	Equity holding 2011 %	Equity holding 2010 %
Actraint No. 116 Pty Limited(1), (4)	Australia	50	50
Adhoc Pty Ltd	Australia	75	75
Adhub Limited(1)	New Zealand	78	60
Adspace Pty Ltd	Australia	100	100
Airplay Media Services Pty Limited(1), (4)	Australia	50	50
APN AP National Sales Pty Ltd(2)	Australia	100	100
APN Braeside Pty Ltd	Australia	100	100
APN Broadcasting Investments Pty Limited(2), (3)	Australia	100	100
APN Broadcasting (Regionals) Pty(1), (4)	Australia	50	50
APN Business Information Group Pty Ltd(2)	Australia	100	100
APN Business Magazines Pty Ltd(2)	Australia	100	100
APN Computing Group Pty Ltd(2)	Australia	100	100
APN Digital Pty Ltd(2)	Australia	100	100
APN Digital NZ Limited	New Zealand	100	100
APN Educational Media Pty Limited(2)	Australia	100	100
APN Educational Media (NZ) Limited	New Zealand	100	100
APN Finance Pty Limited(2).	Australia	100	100
APN Holdings NZ Limited	New Zealand	100	100
APN Media (NZ) Limited	New Zealand	100	100
APN Milperra Pty Ltd	Australia	100	100
APN New Zealand Limited	New Zealand	100	100
APN Newspapers Pty Ltd(2), (3)	Australia	100	100
APN NZ Investments Limited	New Zealand	100	100
APN Occupational Superannuation Pty Ltd	Australia	–	100
APN Online (Australia) Pty Limited	Australia	100	100
APN Online (New Zealand) Limited	New Zealand	100	100
APN Outdoor Limited	New Zealand	100	100
APN Outdoor Pty Limited(2), (3)	Australia	100	100
APN Outdoor (Trading) Pty Ltd(2), (3)	Australia	100	100
APN Print NZ Limited	New Zealand	100	100
APN Printing Services Pty Ltd(2), (3)	Australia	100	100
APN Specialist Publications NZ Limited	New Zealand	100	100
APN Superannuation Pty Ltd	Australia	–	100
ARN Adelaide Pty Ltd(1), (4)	Australia	50	50
ARN Brisbane Pty Ltd(1), (4)	Australia	50	50
ARN Broadcasting Pty Ltd(1), (4)	Australia	50	50
ARN Communications Pty Ltd(1), (4)	Australia	50	50
ARN New Zealand Pty Limited(1), (4)	Australia	50	50
ARN NZ Investments Limited(1), (4)	New Zealand	50	50
ARN Overseas Pty Limited(1), (4)	Australia	50	50
ARN Perth Pty Ltd(1), (4)	Australia	50	50

notes to the financial statements

APN News & Media Limited and Controlled Entities

25. CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation	Equity holding 2011 %	Equity holding 2010 %
ARN South Australia Pty Ltd(1), (4)	Australia	50	50
ARN Superannuation Pty Ltd(1), (4)	Australia	50	50
ARNSAT Pty Limited(1), (4)	Australia	50	50
Asia Posters Pte Ltd	Singapore	100	100
Asia Posters Sdn Bhd	Malaysia	100	100
The Australasian Advertising Company Pty Limited(2)	Australia	100	100
Australian Posters Pty Ltd(2)	Australia	100	100
Australian Provincial Newspapers International Pty Limited(2), (3)	Australia	100	100
Australian Provincial Newspapers Ltd(2), (3)	Australia	100	100
ARN Limited Partnership(1), (4)	Australia	50	50
Australian Radio Network Pty Limited(1), (4)	Australia	50	50
Australian Radio Network Sales Pty Ltd(1), (4)	Australia	50	50
Biffin Pty Limited(2), (3)	Australia	100	100
Blue Mountains Broadcasters Pty Limited(1), (4)	Australia	50	50
Border Newspapers Pty Ltd(2)	Australia	100	100
Brisbane FM Radio Pty Ltd(1), (5)	Australia	25	25
The Brisbane Publishing Company Pty Ltd(2)	Australia	100	100
The Bundaberg Newspaper Company Pty Limited(2), (3)	Australia	100	100
Buspak Advertising (China) Limited	Hong Kong	100	100
Buspak Advertising Group Pty Ltd(2), (3)	Australia	100	100
Buspak Advertising (Hong Kong) Limited(6)	Hong Kong	50	50
Byron Shire News Pty Ltd(2)	Australia	100	100
Campus Review Pty Ltd(2)	Australia	100	100
Capital City Broadcasters Pty Limited(1), (4)	Australia	50	50
Capricornia Newspapers Pty Ltd(2), (3)	Australia	100	100
Cardcorp (Manufacturing) Pty Limited	Australia	100	100
Catalogue Central Pty Limited	Australia	79	–
Central Coast Broadcasting Pty(1), (4)	Australia	50	50
Central Queensland News Publishing Company Pty Ltd(2)	Australia	100	100
Central Telegraph Pty Ltd(2)	Australia	100	100
Chinchilla Newspapers Pty Ltd(2)	Australia	100	100
Cody Link Pty Ltd(2), (3)	Australia	100	100
Cody Outdoor International (HK) Limited(7)	Hong Kong	50	50
Coffs Coast RE Marketing Pty Ltd	Australia	70	70
Commonwealth Broadcasting Corporation Pty Ltd(1), (4)	Australia	50	50
Covette Investments Pty Limited(2), (3)	Australia	100	100
Daily Commercial News Pty Ltd(2)	Australia	100	100
The Daily Examiner Pty Ltd(2)	Australia	100	100
Dalby Herald Pty Ltd(2)	Australia	100	100
DCN (Electronic Services) Pty Ltd(2)	Australia	100	100
Double T Radio Pty Ltd(1), (4)	Australia	50	50
Eastcott Investments Pty Ltd(2), (3)	Australia	100	100

notes to the financial statements

APN News & Media Limited and Controlled Entities

Name of entity	Country of incorporation	Equity holding 2011 %	Equity holding 2010 %
Esky Limited	New Zealand	100	100
Everfact Pty Limited(2)	Australia	100	100
Everfact Unit Trust	Australia	100	100
5AD Broadcasting Company Pty Ltd(1), (4)	Australia	50	50
Gatton Star Pty Ltd(2)	Australia	100	100
Gergdaam Capital Pty Limited(2), (3)	Australia	100	100
Gladstone Newspaper Company Pty Ltd(2)	Australia	100	100
The Gold Coast Press Pty Limited(2)	Australia	100	100
Grab One Australia Pty Limited	Australia	75	50
GrabOne Investments Limited	UK	75	–
GrabOne Limited(1)	New Zealand	75	50
GSP Print Pty Ltd(2)	Australia	100	100
Gulgong Pty Limited(2), (3)	Australia	100	100
Gympie Times Pty Ltd(2)	Australia	100	100
Haswell Pty Limited(2), (3)	Australia	100	100
The Hive Online Limited	New Zealand	100	100
Idea HQ Limited(1)	New Zealand	75	50
The Internet Amusements Group Pty Limited(1), (4)	Australia	50	50
KAFM Broadcasters Proprietary Limited(1), (4)	Australia	50	50
Kelly Publications Pty Ltd(2)	Australia	100	100
Level 4 Investments Pty Limited(2)	Australia	100	100
The Level 4 Partnership	Australia	100	100
Longbeach Publications Pty Ltd(2)	Australia	100	100
Longbeach Publications Unit Trust	Australia	100	100
The Mackay Printing and Publishing Company Pty Limited(2), (3)	Australia	100	100
The Maryborough Hervey Bay Newspaper Company Pty Ltd(2), (3)	Australia	100	100
Marnin Limited(9)	Ireland	–	–
Media Tek Pty Limited(2), (3)	Australia	100	100
Melbourne Independent Newspapers Pty Ltd(2)	Australia	100	100
Mt Maunganui Publishing Co Limited	New Zealand	100	100
Nathco Holdings Pty Ltd(2), (3)	Australia	100	100
National Outdoor Advertising Pty Limited(2)	Australia	100	100
Nettlefold Advertising Pty Ltd(2)	Australia	100	100
Nettlefold Outdoor Advertising Trust	Australia	100	100
New Hobsons Press Pty Limited	Australia	100	100
New Zealand Radio Network Limited(1), (4)	New Zealand	50	50
North Coast News Pty Ltd(2)	Australia	100	100
Northern Star Ltd(2), (3)	Australia	100	100
Observer Times (Hervey Bay) Pty Ltd(2)	Australia	100	100
Outdoor Network Co Ltd	Thailand	100	100
Peterhouse Proprietary Limited(2)	Australia	100	100
Provincial Investments Pty Ltd(2), (3)	Australia	100	100

notes to the financial statements

APN News & Media Limited and Controlled Entities

25. CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation	Equity holding 2011 %	Equity holding 2010 %
PT Rainbow Asia Posters[8]	Indonesia	50	50
The Queensland Times Pty Limited[2, 3]	Australia	100	100
The Radio Bureau Limited[1, 4]	New Zealand	50	50
The Radio Network Limited[1, 4]	New Zealand	50	50
RadioWise Pty Ltd[1, 4]	Australia	50	50
Regional Publishers Limited	New Zealand	100	100
Regmax Pty Limited[1, 4]	Australia	50	50
Sabawin Pty Limited[2]	Australia	100	100
Sella Limited[1]	New Zealand	75	50
Sell Me Free Limited	New Zealand	100	100
SOL Australia Pty Ltd[2]	Australia	100	100
The South Burnett Times Pty Ltd[2]	Australia	100	100
Southern State Broadcasters Pty Limited[1, 4]	Australia	50	50
Speedlink Services Pty Ltd[1, 4]	Australia	50	50
Stanley Newcomb & Co Limited	New Zealand	100	100
Stanthorpe Newspapers Services Unit Trust	Australia	100	100
Style Magazines Pty Ltd[10]	Australia	–	50
SunCoastal FM Radio Pty Ltd [1, 4]	Australia	50	50
Sunshine Coast Newspaper Company Pty Ltd[2, 3]	Australia	100	100
Taxi Top Advertising Co Ltd	Thailand	–	100
Taximedia Pty Ltd[2]	Australia	100	100
TMS Outdoor Advertising Pty Limited[2]	Australia	100	100
Toowoomba Newspapers Ltd[2, 3]	Australia	100	100
Total Cab Media Pty Ltd	Australia	100	100
Trade Debts Collecting Co Limited	New Zealand	100	100
The Tweed Newspaper Co Pty Ltd[2]	Australia	100	100
Universal Outdoor Co Ltd	Thailand	–	100
Universal Outdoor Pty Limited[2, 3]	Australia	100	100
Universal Radio Pty Ltd[1, 4]	Australia	50	50
Valtoff Pty Limited[2, 3]	Australia	100	100
The Warwick Newspaper Pty Limited[2, 3]	Australia	100	100
Web Metrics Limited[1]	New Zealand	75	50
Wesgo[1, 4]	Australia	50	50
West Sydney Radio Pty Ltd [1, 4]	Australia	50	50
Westat Research Pty Ltd[1, 4]	Australia	50	50
Western Star Pty Ltd[2]	Australia	100	100
Whitsunday Times Unit Trust	Australia	75	75
Wilson & Horton Australia Pty Ltd	Australia	100	100
Wilson & Horton Finance Pty Ltd[2, 3]	Australia	100	100
Wilson & Horton Limited	New Zealand	100	100
W&H Interactive Limited	New Zealand	100	100
Zodiac Australia Pty Ltd[2]	Australia	100	100

notes to the financial statements

APN News & Media Limited and Controlled Entities

(1) Denotes controlled entities audited by auditors other than PricewaterhouseCoopers.

(2) These companies are parties to a Deed of Cross Guarantee dated 5 December 2006 under which each company guarantees the debts of the others. These companies represent a Closed Group for the purposes of ASIC Class Order 98/1418. There are no other members of the Extended Closed Group.

(3) These wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(4) Under the shareholders agreement, whilst APN News & Media Limited holds 50% of the issued capital and is entitled to appoint 50% of the Directors, APN News & Media Limited has the right to appoint the chief executive of this entity and so exercises effective positive and sustained control over the financial policies of this entity.

(5) The Australian Radio Network Group has a 50% controlling interest in Brisbane FM Radio Pty Ltd, resulting in APN News & Media Limited having control of this entity and an effective interest of 25%.

(6) Under the shareholders agreement, whilst the immediate parent entity holds 50% of the issued capital and is entitled to appoint 50% of the Directors, the Executive Chairman of the controlled entity, who is a Director on the APN News & Media Limited Board, exercises positive and sustained control over the strategic and financial policies of this entity.

(7) This entity is 100% owned by Buspak Advertising (Hong Kong) Limited.

(8) Under the memorandum of understanding, APN News & Media Limited has the right to appoint 50% of the Directors including the Vice President who has the authority to resolve any deadlocks between the shareholders.

(9) The consolidated entity holds no equity interest in Marnin Limited but is deemed to exercise control in accordance with UIG Interpretation 112 *Consolidation – Special Purpose Entities*. Marnin Limited was established in 2005 to enter into a finance transaction on behalf of the Group. The debt owed by Marnin Limited is fully disclosed in the consolidated financial statements.

(10) Under the shareholders agreement, the immediate parent entity, whilst it held 50% of the issued capital, was entitled to appoint 50% of the Directors and the Chairman who had the right to use a casting vote.

Deed of Cross Guarantee

Set out below is the consolidated income statement for the year ended 31 December 2011 for the Closed Group:

	2011 $'000	2010 $'000
Revenue from continuing operations	**466,184**	469,482
Other revenue and income	**204,645**	80,057
Expenses from operations before finance costs	**(459,874)**	(424,755)
Finance costs	**(89,556)**	(90,794)
Share of profits of associates	**6,143**	3,184
Profit before income tax credit	**127,542**	37,174
Income tax credit	**6,783**	3,359
Profit from continuing operations	**134,325**	40,533
Profit/(loss) attributable to non-controlling interests	**(193)**	119
Profit attributable to owners of the parent entity	**134,132**	40,652
Accumulated losses		
Balance at beginning of the year	**(584,764)**	(542,761)
Profit attributable to owners of the parent entity	**134,132**	40,652
Transfer from foreign currency translation reserve	**-**	(28,901)
Dividends paid	**(64,076)**	(53,754)
Balance at end of the year	**(514,708)**	(584,764)

notes to the financial statements

APN News & Media Limited and Controlled Entities

25. CONTROLLED ENTITIES (CONTINUED)

Set out below is a consolidated balance sheet as at 31 December 2011 of the Closed Group:

	2011 $'000	2010 $'000
Current assets		
Cash and cash equivalents	**2,875**	23,305
Trade and other receivables	**198,406**	185,889
Inventories	**6,107**	6,144
Other current assets	**7,124**	7,478
Total current assets	**214,512**	222,816
Non-current assets		
Receivables	**102,696**	101,733
Other financial assets	**296,347**	580,642
Investment accounted for using equity method	**43,331**	39,689
Property, plant and equipment	**114,206**	121,299
Intangible assets	**720,612**	722,081
Retirement benefit asset	**1,471**	–
Other non current assets	**22,501**	57,560
Total non-current assets	**1,301,164**	1,623,004
Total assets	**1,515,676**	1,845,820
Current liabilities		
Payables	**563,340**	955,403
Derivative liabilities	**778**	1,928
Interest bearing liabilities	**2,433**	2,348
Current tax liabilities	**14,928**	27,428
Provisions	**8,646**	6,329
Total current liabilities	**590,125**	993,436
Non-current liabilities		
Payables	**4,043**	2,595
Interest bearing liabilities	**372,140**	396,884
Derivative liabilities	**3,839**	–
Provisions	**4,395**	21,641
Total non-current liabilities	**384,417**	421,120
Total liabilities	**974,542**	1,414,556
Net assets	**541,134**	431,265
Equity		
Contributed equity	**1,074,115**	1,045,999
Reserves	**(18,273)**	(29,777)
Accumulated losses	**(514,708)**	(584,764)
Total parent entity interest	**541,134**	431,458
Non-controlling interests	**–**	(193)
Total equity	**541,134**	431,265

notes to the financial statements

APN News & Media Limited and Controlled Entities

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Total remuneration for Directors and other key management personnel

	2011 $	2010 $
Short term employee benefits	**6,165,236**	6,459,674
Post employment benefits	**247,442**	607,613
Termination benefits	**994,935**	–
Share based payments	**80,625**	–
	7,488,238	7,067,287

Detailed remuneration disclosures are provided in the Remuneration Report.

Shareholding information

The number of ordinary shares in the Company held by each Director of APN News & Media Limited and each of the other key management personnel for the year ended 31 December 2011, including their related parties, is set out below:

	Balance at start of the year	Received on exercise of options	Other changes	Balance at end of the year
Directors of APN News & Media Limited				
GK O'Reilly	20,000	–	–	**20,000**
AE Harris	724,792[(1)]	–	–	**724,792**
PP Cody	104,756	–	430	**105,186**
PM Cosgrove	120,000	–	30,000	**150,000**
VC Crowley	760,404	–	–	**760,404**
KJ Luscombe	67,052	–	–	**67,052**
Other key management personnel				
P Myers	252,000	–	–	**252,000**
M Simons	55,000	–	–	**55,000**
R Herring	24,000	–	–	**24,000**

(1) In addition, Mr AE Harris is a Director of a trustee company which holds 403,078 shares (2010: 403,078) for the benefit of other parties

(2) Directors and other key management personnel not listed above do not hold any ordinary shares in the Company.

The information provided in the above table is based on information known to the Directors and other key management personnel of the Company.

Loans to Directors and other key management personnel

There are no loans made to Directors of the Company or other key management personnel.

notes to the financial statements

APN News & Media Limited and Controlled Entities

27. RELATED PARTY INFORMATION

Unsecured and interest bearing loans

Loans from Directors of entities in the consolidated entity and their Director related entities, are disclosed in note 13.

	2011 $'000	2010 $'000
Loan repayments – F Moniaga	**331**	180

Transactions with other related parties

The aggregate amounts recognised in respect of the following types of transactions and each class of related party involved were:

Transaction type	Class of other related party	2011 $'000	2010 $'000
Loan interest received	Associates(i)	**–**	48
Consulting services received	Key management personnel(ii)	**55**	62
Dividends paid	Other related parties(iii)	**20,112**	17,239
Independent News & Media fees	Other related party(iv)	**1,115**	1,115
Contractual payment	Other related party(v)	**–**	1,750
Management fees receivable	Associates(vi)	**300**	478
Associate company fee	Associates(vii)	**50**	50

The above transactions were made on commercial terms and conditions and at market rates except where indicated.

(i) These loans are subject to interest.
(ii) Consultancy fees paid to a company associated with Peter Cosgrove for marketing services rendered.
(iii) Dividends paid to Independent News & Media (Australia) Limited and News & Media NZ Limited.
(iv) Payments to Independent News & Media PLC include reimbursements for services provided including travel and ancillary expenses, provision of unlimited live editorial copy, services of directors and for advisory services on a range of matters including global media and advertising trends and product development.
(v) Contractual payment to Independent News & Media PLC relevant to the shortening of the secondment agreement with the Company's outgoing Chief Executive.
(vi) Management fees received/receivable from associates.
(vii) Chairman's fee paid to Peter Cosgrove by Adshel Street Furniture Pty Limited.

notes to the financial statements

APN News & Media Limited and Controlled Entities

28. REMUNERATION OF AUDITORS

	2011 $'000	2010 $'000
Remuneration for audit or review of the financial reports		
PricewaterhouseCoopers – Australian firm	**717**	653
PricewaterhouseCoopers – overseas firm	**534**	604
Other firms	**310**	350
Remuneration for other assurance services		
PricewaterhouseCoopers – Australian firm	**17**	21
PricewaterhouseCoopers – overseas firm	**26**	20
Other firms	**54**	54
Total audit and other assurance services	**1,658**	1,702
Remuneration for other services		
PricewaterhouseCoopers – Australian firm		
Tax services		
- Transactional advice	**269**	334
- Compliance	**88**	124
Other advisory services*	**496**	78
PricewaterhouseCoopers – overseas firm		
Tax services		
- Transactional advice	**274**	265
- Compliance	**122**	292
Other advisory services	**74**	20
Other firms		
Tax services		
- Transactional advice	**24**	164
- Compliance	**88**	91
Other advisory services	**73**	8
Total non-audit services	**1,508**	1,376

*Includes $470,000 for due diligence services in relation to the Outdoor joint venture.

notes to the financial statements

APN News & Media Limited and Controlled Entities

29. BUSINESS COMBINATIONS

On 25 February 2011 the Group acquired a further 25% of Idea HQ Limited (Idea HQ), a Group of online businesses based in New Zealand, including the Group buying business GrabOne. The acquisition increased the Group's shareholding to 75% and Idea HQ has been consolidated from that date.

On 31 August 2011 the Group acquired 79% of Catalogue Central Pty Limited (CC Media), an online catalogue distribution business based in Australia. The purchase agreement includes put and call options over the remaining shares.

Details of the purchase consideration, net assets acquired and goodwill are as follows:

	CC Media $'000	Idea HQ $'000
Purchase consideration		
Cash paid	7,895	1,932
Contingent consideration	4,679	2,318
Fair value of previously held interest	–	9,660
Total purchase consideration	**12,574**	**13,910**
Cash and cash equivalents	679	441
Receivables	846	659
Investments	–	468
Property, plant and equipment	32	305
Intangible assets	41	4,820
Deferred tax assets	269	–
Tax receivable	213	–
Other	87	–
Total assets	2,167	6,693
Payables	794	3,530
Deferred tax liabilities	–	945
Total liabilities	794	4,475
Value of net identifiable net assets	1,373	2,218
Less: Non-controlling interests	(364)	(4,637)
Add: Goodwill	11,565	16,329
Net assets acquired	**12,574**	**13,910**

The goodwill relating to both businesses is attributable to the fast rate of forecast growth in sales and resulting profitability. The goodwill is not deductable for tax purposes.

(i) Contingent consideration

Idea HQ

In the event that certain pre-determined gross margin thresholds are achieved by Idea HQ, contingent consideration up to a maximum of NZ$3,000,000 may be payable in cash. NZ$600,000 has been paid during 2011.

CC Media

In the event that certain pre-determined gross margin thresholds are achieved by CC Media, contingent consideration up to a maximum of $4,679,000 may be payable in cash.

(ii) Non-controlling interests

The non-controlling interest in CC Media has been recognised using the proportionate share method. The non-controlling interest in Idea HQ has been recognised at fair value.

(iii) Revenue and profit contribution

Idea HQ – The acquired business contributed revenues of $10,125,000 and a net loss after tax of $1,154,000 to the Group for the period from 25 February 2011 to 31 December 2011.

CC Media – The acquired business contributed revenues of $1,968,000 and a profit after tax of $396,000 to the Group for the period 31 August 2011 to 31 December 2011.

notes to the financial statements

APN News & Media Limited and Controlled Entities

30. EARNINGS PER SHARE

	2011 $'000	2010 $'000
(a) Reconciliation of earnings used in calculating earnings per share		
Profit/(loss) from continuing operations attributable to owners of the parent entity	**(45,070)**	98,618
Loss from discontinued operations attributable to owners of the parent entity	**-**	(4,862)
Profit/(loss) attributable to owners of the parent entity used in calculating basic/diluted earnings per share	**(45,070)**	93,756

	Number	Number
(b) Weighted average number of shares		
Weighted average number of shares used as the denominator in calculating basic earnings per share	**618,522,559**	599,824,903
Adjusted for calculation of diluted earnings per share	**-**	–
Weighted average number of shares used as the denominator in calculating diluted earnings per share	**618,522,559**	599,824,903

31. CASH FLOW INFORMATION

Reconciliation of cash

Cash at end of the year, as shown in the statement of cash flows, comprises:

	2011 $'000	2010 $'000
Cash and cash equivalents	**23,885**	63,539
Reconciliation of net cash inflows from operating activities to profit for the year:		
Profit/(loss) for the year	**(18,936)**	114,724
Depreciation and amortisation expense	**40,148**	40,505
Net gain on sale of non-current assets	**(900)**	(2,482)
Share of profits of associates	**(5,807)**	(3,002)
Fair value gains on financial assets	**(2,400)**	–
Impairment of intangible assets	**159,495**	–
Change in current/deferred tax payable	**(62,320)**	12,089
Fair value gains on acquisition of associate	**(8,307)**	–
Foreign exchange gains	**(3,926)**	–
Fair value gains on equity instruments	**(3,652)**	–
Asset write offs and business closures	**16,594**	–
Reversal of impairment of associate	**-**	(3,000)
Other non-cash items	**(730)**	1,266
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	**9,449**	(3,085)
Inventories	**3,408**	1,003
Prepayments	**(1,727)**	(3,667)
Trade and other payables and employee benefits	**2,674**	10,894
Net cash inflows from operating activities	**123,063**	165,245

Non-cash financing and investing activities

Share issue

Share issues other than for cash referred to in note 18 are not reflected in the statement of cash flows.

Finance facilities

Details of credit standby arrangements and loan facilities are included in note 32.

Restricted cash

Restricted cash included in cash and cash equivalents totalled $4.7 million at 31 December 2011 and $3.4 million at 31 December 2010.

notes to the financial statements

APN News & Media Limited and Controlled Entities

32. STANDBY ARRANGEMENTS AND CREDIT FACILITIES

Entities in the consolidated entity have access to:

	2011 $'000	2010 $'000
Overdraft facilities		
Unsecured bank overdraft facility totalling	**11,659**	11,978
Amount of credit utilised	**(714)**	(839)
Amount of available credit	**10,945**	11,139
Loan facilities		
Unsecured bank loan facility totalling	**920,234**	966,018
New Zealand Bond	**76,104**	75,415
Amount of facility utilised	**(621,550)**	(680,616)
Amount of available facility	**374,788**	360,817

33. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. 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 risk and ageing analysis for credit risk.

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

(a) Market risk

(i) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Group to fair value interest rate risk. Group policy is to maintain a mix of fixed and variable rate borrowings using interest rate swap arrangements where necessary. Refer to note 14 for further detail of the Group's interest rate swap arrangements.

Based on the outstanding net floating debt at 31 December 2011, a change in interest rates of +/–1% per annum with all other variables being constant would impact post-tax profit by $2.5 million lower/higher (2010: $2.6 million lower/higher). The parent entity has no significant exposure to a change in interest rates.

(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.

A US dollar denominated bank account is held for the purpose of paper contract purchases, which is kept at a minimum balance. As such, any foreign exchange exposure is considered immaterial.

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.

notes to the financial statements

APN News & Media Limited and Controlled Entities

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments 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 further arises in relation to financial guarantees given to certain parties (refer note 21 for details).

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date, no amount was receivable (Australian dollar equivalents) for the Group from forward exchange contracts (2010: $nil). The Group undertakes 100% of its transactions in foreign exchange contracts with financial institutions.

(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.

	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
31 December 2011				
Trade and other payables	133,408	1,348	2,696	–
Bank loans	272,344	53,292	357,497	–
New Zealand Bond	5,982	5,982	89,562	–
Other loans	2,331	–	–	–
Gross liability	414,065	60,622	449,755	–
Less interest	(39,598)	(30,065)	(45,635)	–
Principal	374,467	30,557	404,120	–
31 December 2010				
Trade and other payables	114,555	865	1,731	–
Bank loans	92,023	321,599	380,526	–
New Zealand Bond	5,928	5,928	17,783	76,897
Other loans	5,264	–	–	–
Gross liability	217,770	328,392	400,040	76,897
Less interest	(47,350)	(46,050)	(75,044)	(1,482)
Principal	170,420	282,342	324,996	75,415

(i) The majority of bank loans have been extended to September 2015 with $211 million due to mature in 2012. See note 32 for details of available facilities

notes to the financial statements

APN News & Media Limited and Controlled Entities

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* 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 (as prices) or indirectly (derived from prices).
- **Level 3** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2011 and 31 December 2010.

31 December 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Listed securities	**7,636**	**–**	**–**	**7,636**
Shares in other corporations	**–**	**–**	**23,528**	**23,528**
Total assets	**7,636**	**–**	**23,528**	**31,164**
Liabilities				
Financial liabilities at fair value through equity				
Derivatives used for hedging	**–**	**(4,617)**	**–**	**(4,617)**
Total liabilities	**–**	**(4,617)**	**–**	**(4,617)**

31 December 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Listed securities	5,305	–	–	5,305
Shares in other corporations	–	–	20,867	20,867
Financial assets at fair value through equity				
Derivatives used for hedging	–	1,016	–	1,016
Total assets	5,305	1,016	20,867	27,188
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives	(248)	–	–	(248)
Financial liabilities at fair value through equity				
Derivatives used for hedging	–	(2,695)	–	(2,695)
Total liabilities	(248)	(2,695)	–	(2,943)

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods, including discounted cash flow models, and makes assumptions that are based on market conditions existing at the end of each reporting period. Assumptions used in the discounted cash flow models are consistent with those used in the Group's impairment review. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise debt investments and derivative financial instruments.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

notes to the financial statements

APN News & Media Limited and Controlled Entities

34. SUBSEQUENT EVENTS

On 23 February 2012, the Group announced that it had reached an agreement to form a joint venture with Quadrant Private Equity to target expansion in the Outdoor advertising segment in Australia, New Zealand and Asia. The Outdoor joint venture, to retain the name APN Outdoor, will incorporate all of APN's wholly-owned Outdoor businesses in Australia and New Zealand as well as APN's 50% interest in Rainbow Premium Outdoor, in Indonesia. The transaction values APN Outdoor at $272 million on an enterprise value basis and will generate gross cash proceeds of approximately $190 million for APN upon completion. APN's 50% ownership in Adshel (street furniture) and Hong Kong (Buspak and Cody) operations remain outside the new APN Outdoor joint venture.

Following formation of the joint venture the Group will account for its interest using the equity method, and recognise its 50% share of the net assets and net profits of the venture, as it currently does for its interest in Adshel. The interests in Hong Kong will continue to be consolidated. The businesses that will form the joint venture contributed $28.0 million to the Outdoor segment result of $38.0 million in 2011. The balance of $10.0 million comprises the consolidated EBIT of the Hong Kong businesses and the 50% share of net profits of Adshel recognised using the equity method.

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

35. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2011 $'000	2010 $'000
Balance sheet		
Current assets	**558**	69
Total assets	**1,346,250**	1,255,063
Current liabilities	**-**	11,296
Total liabilities	**214,337**	138,710
Shareholders equity		
Issued capital	**1,074,115**	1,045,999
Reserves		
Share based payments reserve	**5,181**	5,181
Retained profits	**52,617**	65,173
	1,131,913	1,116,353
Profit for the year	**51,520**	47,089
Total comprehensive income	**51,520**	47,089

(b) Guarantees entered into by the parent entity

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2011, the facilities had been drawn to the extent of $594,911,000 (2010: $656,950,000).

The parent entity and some wholly-owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of $45,000,000 (2010: $45,000,000).

(c) Contingent liabilities and contractual commitments

The parent entity did not have any contingent liabilities or contractual commitments as at 31 December 2011 or 31 December 2010.

directors' declaration

APN News & Media Limited and Controlled Entities

In the Directors' opinion:

(a) the financial statements and notes set out on pages 45 to 93 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors, after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001.*

Gavin O'Reilly
Chairman

Brett Chenoweth
Director

Sydney
20 March 2012

independent auditor's report

APN News & Media Limited and Controlled Entities

Independent auditor's report to the members of APN News & Media Limited

Report on the financial report

We have audited the accompanying financial report of APN News & Media Limited (the company), which comprises the balance sheet as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the APN News & Media group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

independent auditor's report

APN News & Media Limited and Controlled Entities

Auditor's opinion

In our opinion:

(a) the financial report of APN News & Media Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 34 to 43 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of APN News & Media Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

DS Wiadrowski

DS Wiadrowski
Partner

Sydney
20 March 2012

shareholder information

APN News & Media Limited

1. SHARES

(a) Substantial shareholders

The following information is extracted from substantial shareholder notices received by the Company as at 16 March 2012:

Name	Number of shares
Independent News & Media PLC	191,541,073
Baycliffe Limited	199,783,031[(1)]
Orbis Investment Management (Australia) Pty Ltd	116,068,049
Perpetual Limited	33,693,483

(1) The substantial shareholder notice from Baycliffe Limited noted that, through its holding in Independent News & Media PLC (INM), it holds a relevant interest in 191,541,073 shares in the Company held by INM.

(b) Top 20 holders of fully paid ordinary shares at 16 March 2012

Name	Number of shares	% of total shares
Independent News & Media (Australia) Limited	116,541,073	18.49
National Nominees Limited	94,890,468	15.06
JP Morgan Nominees Australia Limited	92,964,145	14.75
News & Media NZ Limited	75,000,000	11.90
HSBC Custody Nominees (Australia) Limited	41,772,858	6.63
Citicorp Nominees Pty Limited	39,777,228	6.31
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPooled a/c)	18,626,720	2.95
RBC Dexia Investor Services Australia Nominees Pty Limited	14,818,904	2.35
Custodial Services Limited (Beneficiaries Holding a/c)	12,510,159	1.99
Cogent Nominees Pty Limited	9,387,019	1.49
RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST a/c)	9,003,230	1.43
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	6,992,246	1.11
Queensland Investment Corporation	4,003,351	0.64
Argo Investments Limited	3,811,844	0.60
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC a/c)	2,999,670	0.48
HSBC Custody Nominees (Australia) Limited – a/c 3	2,767,975	0.44
JP Morgan Nominees Australia Limited (Cash Income a/c)	1,995,971	0.32
Sydney Equities Pty Ltd (Superannuation Fund a/c)	1,382,339	0.22
Sandhurst Trustees Ltd (SISF a/c)	1,354,000	0.21
Milton Corporation Limited	1,309,855	0.21
Total	**551,909,055**	**87.58**

shareholder information

APN News & Media Limited

1. SHARES (CONTINUED)

(c) Analysis of individual ordinary shareholdings as at 16 March 2012

Holding	Number of shareholders	% of total	Number of shares	% of issued capital
1–1,000	2,415	25.56	1,018,861	0.16
1,001–5,000	3,988	42.21	10,886,550	1.73
5,001–10,000	1,558	16.49	11,549,319	1.83
10,001–100,000	1,385	14.66	32,243,788	5.12
100,001 and over	102	1.08	574,512,897	91.16
Total holdings	**9,448**	**100.00**	**630,211,415**	**100.00**

There were 1,665 holders of less than a marketable parcel.

(d) Voting rights of shareholders

The voting rights are governed by rule 16 of the Constitution. In summary, shareholders are entitled to vote in person or by proxy, attorney or corporate representative at any meeting of shareholders of the Company on:

- a show of hands – one vote per shareholder; and
- a poll – one vote per share.

2. OPTIONS

Analysis of individual option holdings as at 16 March 2012:

Holding	Number of optionholders	% of total	Number of options	% of total options
1–1,000	–	–	–	–
1,001–5,000	–	–	–	–
5,001–10,000	2	3.28	20,000	0.39
10,001–100,000	52	85.25	2,895,000	56.49
100,001 and over	7	11.47	2,210,000	43.12
Total holdings	**61**	**100.00**	**5,125,000**	**100.00**

3. DIRECTORS' INTERESTS

The relevant interest of each Director in the securities of the parent entity as at 16 March 2012 is:

Director	Number of shares	Number of options
GK O'Reilly	20,000	–
AE Harris	724,792	–
BD Chenoweth	–	–
MB Conrad	–	–
PM Cosgrove	150,000	–
VC Crowley	760,404	–
EJ Harvey	–	–
KJ Luscombe	67,052	–
JH Maasland	–	–

As at 16 March 2012, BD Chenoweth holds 750,000 performance rights. There are no other holders of performance rights.

shareholder information

APN News & Media Limited and Controlled Entities

STOCK EXCHANGE LISTING

APN News & Media Limited shares are listed on the Australian Securities Exchange (ASX) and the New Zealand Exchange (NZX) (code APN).

ENQUIRIES

Shareholders or investors with any enquiries concerning their holdings, shareholder details, dividend information, or administrative matters, should direct their enquiries to the Share Registry. Contact details for the Share Registry appear on the inside back cover.

DIVIDEND PAYMENTS

Dividends to shareholders may be paid direct to any bank, building society or credit union account in Australia. Shareholders who wish to receive dividends by electronic transfer should advise the Share Registry.

TAX FILE NUMBER (TFN)

The Company is obliged to deduct tax from unfranked or partially franked dividend payments to shareholders resident in Australia who have not supplied their TFN to the Share Registry. To avoid this deduction, you should advise the Share Registry of your TFN.

REGISTER YOUR EMAIL ADDRESS

Shareholders are encouraged to register their email address to receive dividend advices, notification of availability of annual reports and other shareholder communications. To register, shareholders should go to www.linkmarketservices.com.au. Other services available to shareholders at this website include: viewing details of their shareholdings, updating address details, updating bank details and obtaining a variety of registry forms.

CONSOLIDATION OF HOLDINGS

Shareholders who have multiple issuer-sponsored holdings and wish to consolidate their separate shareholdings into one account should advise the Share Registry in writing.

CHANGE OF NAME OR ADDRESS

Shareholders who are issuer sponsored should notify the Share Registry in writing of any change in either their name or registered address. If a change of name has occurred, it will be necessary to supply a copy of the relevant deed poll or marriage certificate. Shareholders sponsored by a broker (CHESS) should advise their broker of the amended details.

DIVIDEND REINVESTMENT PLAN (DRP)

Shareholders may elect to participate in the DRP for all or part of their shareholding. Shareholders wishing to participate in the DRP should contact the Share Registry. Terms and conditions of the DRP and forms to apply for, vary or cancel participation in the DRP are also available on the corporate website, www.apn.com.au.

The Directors have set the current rate of discount applicable to the DRP at 2.5%. No brokerage, commission, stamp duty or other transaction costs are payable on any allotment of shares under the DRP.

INVESTOR INFORMATION

The Annual Report is the most comprehensive publication with information for investors. Copies of the 2011 Annual Report and Shareholder Review may be obtained by contacting the Share Registry or on the corporate website, www.apn.com.au. Other financial and relevant information, including press releases on financial results and Chairman's addresses, are available from the corporate office in Sydney, or at the corporate website.

five year financial history

APN News & Media Limited and Controlled Entities

	2011 $'m	2010 $'m	2009 $'m	2008 $'m	2007 $'m
Income Statement					
Revenue from continuing operations	**1,072**	1,059	1,031	1,226	1,315
EBITDA(1)	**209**	244	230	320	361
EBIT(2)	**171**	205	189	279	324
Adjusted net profit(3)	**78**	103	94	143	169
Statutory net profit	**(45)**	94	93	(24)	167
Balance Sheet					
Equity excluding non-controlling interests	**879**	962	933	816	1,032
Total assets	**1,998**	2,163	2,203	2,323	2,581
Total borrowings	**661**	720	783	968	941
Statistical Analysis					
EBITDA/total revenue	**19.5%**	23.1%	22.3%	26.1%	27.5%
Bank borrowings/EBITDA	**3.2**	3.0	3.4	3.0	2.6
Interest cover based on EBITDA (times)	**3.7**	4.9	4.5	4.2	5.7
Earnings per share – basic (cents)(4)	**12.6**	17.2	17.0	28.3	33.8
– diluted (cents)(4)	**12.6**	17.2	17.0	28.3	32.9
Dividend per share (cents)	**8.5**	12.0	4.0	22.5	31.5
Dividend payout ratio(5)	**67%**	70%	25%	79%	92%
No. of shares on issue ('000)	**630,211**	606,084	595,312	490,413	489,124
No. of shareholders	**9,419**	9,891	11,138	11,593	12,734
Market capitalisation ($'m)	**447**	1,176	1,381	1,216	2,578
Market price per share at 31 December	**$0.71**	$1.94	$2.32	$2.48	$5.27

(1) Profit from continuing operations before exceptional items, interest, tax, depreciation and amortisation. Based on segment reporting.
(2) Profit from continuing operations before exceptional items, interest and tax. Based on segment reporting.
(3) Net profit after tax from continuing operations before exceptional items.
(4) Earnings per share are before exceptional items and discontinued operations and have been restated for prior years for the bonus element of the pro-rata entitlement offer in 2009.
(5) Before exceptional items.

corporate directory

APN News & Media Limited

APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

Directors
GK O'Reilly (Chairman)
AE Harris (Deputy Chairman)
BD Chenoweth
(Chief Executive Officer)
MB Conrad
PM Cosgrove
VC Crowley
EJ Harvey
KJ Luscombe
JH Maasland

Secretary
Y Lamont

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Share registry
Link Market Services Limited
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Locked Bag A14
Sydney South NSW 1235

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Fax:
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(International) +61 2 9287 0303

Email: registrars@
linkmarketservices.com.au

Website:
www.linkmarketservices.com.au

Auditors
PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

Principal bankers
ANZ
Commonwealth Bank
HSBC
National Australia Bank
RBS
Westpac Banking Corporation

Notice is hereby given that the Annual General Meeting of members of APN News & Media Limited will be held at The Four Seasons Hotel, 199 George Street, Sydney NSW 2000 on Wednesday, 2 May 2012 at 11am.

www.apn.com.au

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