APN NEWS & MEDIA

APN Interim Net Profit After Tax increases 17% to record A$66.1 million

Dear Shareholder

The Directors of your Company are pleased to report on the results for the half-year ended June 30, 2005.

APN News & Media Limited (APN) recorded a Net Profit After Tax of A$66.1 million for the 6 months ended June 30 2005, up 17% on the prior year.

Profit Before Tax increased 14% to A$109.4 million, on an increase in Group Revenue of 10% to A$652 million, and an increase in EBIT, before New Product Initiatives (NPI's), of 15% to A$147.5 million. Basic earnings per share were 13.7 cents, an increase of 15%.

The Directors have declared a 10% increase in the interim dividend to 8.8 cents per share.

We believe this is a high quality result. Key to this result was the strong first half performance from our Newspaper and Radio Divisions and an improved performance from Outdoor.

The results are after significant investment in a range of NPI's totaling over A$7 million. It is pleasing to report that two of these initiatives, Canvas and Tribe Outdoor, are now nearing profitability. The *Herald on Sunday*, *The Aucklander* and Buspak Hong Kong represent our principal initiatives in the first half and are expected to continue in their investment phase for a further 12 to 18 months.

In the press release which accompanied the half year results, the Board included the following comments in relation to the Company's outlook:

"Early results for the second half are as anticipated with underlying growth rates moderating as trading is set against the strong 2004 second half comparisons.

"The Board of APN continues to believe that, providing current trading conditions continue, the objective of double digit profit growth for the year as a whole will be achieved."

Divisional EBIT results

APN Group EBIT (AUD million)	**June 30 2005**	**June 30 2004***	**% Growth.**
Publishing	106.5	92.9	15%
New Zealand National Publishing	*52.7*	*46.4*	*14%*
Regional Newspapers	*53.8*	*46.5*	*16%*
Radio	35.3	27.6	28%
Outdoor	6.7	6.2	8%
Print	2.9	3.9	(27%)
Corporate	(3.9)	(2.1)	(86%)
Group EBIT(pre-NPI)	**147.5**	**128.5**	**15%**
NPI	(7.3)	(1.6)	
Group EBIT	**140.2**	**126.9**	**10%**

NPI = New Product Initiatives

*IFRS-adjusted

New Zealand National Publishing (NZNP)
The NZNP Division was formed in 2004 to enable the Group to co-ordinate a strategy for the Auckland market as a whole, New Zealand's largest metropolitan market.

The division includes *The New Zealand Herald*, *The Aucklander* (launched in October 2003), the *Herald on Sunday* (October 2004), and some of New Zealand's best read magazines.

Readership penetration of APN products in the Auckland market has increased from 56% in 2002 to 68% at June 2005 reflecting the success of the co-ordinated strategy.

Excluding NPI's, principally the *Herald on Sunday* and *The Aucklander*, the Division grew revenue by 9% and increased EBIT by 14%. Overall revenues, including NPI's, grew 12%.

Each week *The New Zealand Herald* is read by 70% of Aucklanders aged 15+, a total readership of 1 million people. The *Weekend Herald* is New Zealand's best read newspaper with a readership of 635,000.

The launch of the *Herald on Sunday* in October 2004 extended *The New Zealand Herald*'s franchise to seven days a week. In its first six months, circulation has exceeded expectations, reaching 101,355, with readership of 349,000. Readership of Sunday newspapers in Auckland overall has grown by 58% since the launch of the *Herald on Sunday*. 93% of *Herald on Sunday* subscriptions are now fully-paid. *Herald on Sunday* was Auckland's best read Sunday newspaper in a recent readership survey.

The Aucklander is New Zealand's largest circulating free weekly title and has just been expanded into seven zoned editions. *The Aucklander* has a readership of 453,000 and has now attained advertising market leadership in the food sector and is making good progress in the areas of retail and employment.

The Listener and the *New Zealand Woman's Weekly* magazines both grew subscription levels in the first half. *Creme*, New Zealand's fastest growing teen magazine was acquired during the year.

The Auckland market growth has moderated in recent weeks particularly in classified lineage. In contrast, classified display, national and retail advertising continues to show volume growth. Regional New Zealand continues to show good growth across all advertising categories.

Regional Newspapers
The Company operates 23 regional daily newspapers and more than 100 non-daily titles, which continued to trade well in the first half in both Australia and New Zealand. Excluding NPI's, revenue increased by 8% and EBIT by 16%.

The advertising pillars of employment and real estate recorded strong revenue increases in both markets. Employment advertising revenues in particular performed well, growing by 36% in Australia and 30% in New Zealand over the prior period. A strategy to introduce a unified employment section across APN's main Australian titles – the "Recruitment Superhighway" - under the in-paper employment banner, "Worksearch", has been well received by readers and advertisers. New non-daily products were introduced in the high growth Sunshine Coast and south-western Brisbane areas, leveraging existing infrastructure in Maroochydore and Ipswich.

Circulation of Australian newspapers was up 0.2% in the audit survey for the six months to June – the thirteenth consecutive quarterly circulation increase for The Group. The Group publishes the four fastest growing daily newspapers in Australia (Mon to Sat Average): *The Daily Examiner* (3.4%), *The Daily Mercury* (3.1%), *News Mail* (2.9%) and the *Gympie Times* (2.2%) and now own seven out of the ten fastest growing newspapers in Australia.

Circulation for New Zealand Regional Newspapers was also positive. APN publishes the two fastest growing newspapers in New Zealand: *Bay of Plenty Times* (1.6%) and the *Wanganui Chronicle* (1.4%). *Bay of Plenty Times* has consistently been the fastest growing newspaper in New Zealand over the past three years.

The A$35 million new printing facility announced last year on the Sunshine Coast at Yandina, is on target to be operational mid 2006. This facility will service the high growth South East Queensland market well into the next decade. In conjunction with the press investment, a A$14 million pre-press system upgrade is being rolled out across all Australian regional centres.

Radio

The radio division continues to show good growth. In the six months to June, total revenues increased 14% and EBIT increased a very satisfactory 28%.

In Australia, the Australian Radio Network (ARN) continued to reap the benefit of good ratings results in its target 25 – 54 demographic. Market Share of Agency advertising in the first half performed well and has increased by 56% since June 2002. ARN's revenue increased by 14% to A$69.9 million and EBIT was up 30% to A$22.0 million. Combined with its ongoing market leading position in direct advertising, ARN is well placed to continue profit growth into the second half.

The Radio Network (TRN) in New Zealand enjoyed good success with the launch of the new formats, *Coast* and *Flava* into the Auckland market last year, *Coast* is already Number 3 and *Flava* Number 4. TRN continues its aggressive roll out of its eight formats throughout New Zealand. During the half the Company launched *Classic Hits* into Central Otago and *Coast* into Taranaki and Manuatu. *Easy Listening I* was re-branded as *Viva* in April and has relaunched in Auckland, Bay of Plenty, Hawkes Bay and Rotorua. TRN grew revenue by 13% to A$56.4 million and increased EBIT by 24% to A$13.3 million.

Outdoor

The restructure of APN Outdoor continued to deliver improved results in the first half. Revenue, excluding NPI's, grew by 8% to A$106.2 million and EBIT grew by 8% to A$6.7 million.

During the period the group expanded panel numbers and added concessions in Australia including the prestigious Sydney Airports Corporation, Yarra trams and Adelaide buses. At the same time uneconomic sites and advertising contracts continued to be renegotiated and rationalised. In the past month, this division has secured the strategically important contract for State Rail of New South Wales.

In New Zealand the street furniture build-out continues, with 3,000 panels now installed nationally. APN outdoor has been awarded the remaining two out of three transit contracts in Hong Kong.

The acquisition of the remaining 50% of Look Outdoor in New Zealand was completed during the period.

The Outdoor Division remains on track for the forecasted improvement in 2006.

Print

Revenue in the Print & Specialist Publishing Division declined by 10% to A$44.8 million and EBIT declined by 27% to A$2.9 million.

The New Zealand print market is presently experiencing an excess of printing capacity after virtually all participants added to their asset base during the buoyant trading conditions of the last couple of years. This has resulted in short term pressure on margins.

APN Print is moving to a full service model, which will mean internal APN activity will represent an increasing proportion of the division's focus.

Share Buy-Back

In relation to the on market share buy-back announced during the first half, in the period to 13 September the company has bought back 8.7 million shares for an aggregate price of A$44.9 million. We are satisfied with the progress in the first few months of the buy-back. We have announced our intention to buy-back up to 47 million shares in 12 months, so we are well underway with this important capital management initiative. The buy-back will be earnings per share accretive.

International Financial Reporting Standards

These results are reported under International Financial Reporting Standards (A-IFRS) for the first time. As part of the changes, comparative financial information has been restated in accordance with the transitional arrangements governing the introduction of A-IFRS.

The introduction of A-IFRS is expected to have a positive impact on future reported results, principally relating to the removal of the requirement to amortise goodwill.

Whilst the first time adoption of A-IFRS results in some changes to the Group's balance sheet it is important to appreciate that A-IFRS will not impact the Group's cash flows or its capacity to pay dividends.

The Board wishes to thank all APN employees for their contribution to the Company's ongoing success.

James J Parkinson

Chairman

27 September 2005

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 30 JUNE 2005

	Note	June 2005 $'000	Restated June 2004 $'000
Revenue from operating activities		637,697	580,168
Revenue from outside the operating activities		14,270	12,331
Revenue from continuing operations		651,967	592,499
Expenses from continuing operations	3	(503,253)	(462,952)
Borrowing costs		(43,253)	(37,430)
Share of profits of associates accounted for using the equity method		3,903	1,916
Profit before income tax expense		**109,364**	**94,033**
Income tax expense	4	(26,890)	(23,492)
Profit from continuing operations		**82,474**	**70,541**
Net profit attributable to minority interest		(16,396)	(14,110)
Net profit attributable to members of the Parent entity		**66,078**	**56,431**

	Cents	Cents
Basic earning per share	13.7	11.9
Diluted earnings per share	13.2	11.9

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

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	Note	June 2005 $'000	Restated December 2004 $'000
Current assets			
Cash and cash equivalents		212,429	108,292
Receivables		237,052	244,836
Inventories		26,441	23,813
Tax assets		16,318	15,094
Other		30,309	33,413
Total current assets		522,549	425,448
Non-current assets			
Receivables		14,263	20,130
Other financial assets		29,531	22,392
Investments accounted for using the equity method		15,395	13,164
Property, plant and equipment		279,833	284,733
Intangible assets	6	1,737,103	1,748,578
Deferred tax assets		40,504	60,331
Other		-	9,273
Total non-current assets		2,116,629	2,158,601
Total assets		**2,639,178**	**2,584,049**
Current liabilities			
Payables		182,253	181,105
Derivative financial instruments		5,619	-
Interest bearing liabilities		82,845	23,284
Current tax provisions		7,849	7,225
Provisions		15,771	18,300
Total current liabilities		294,337	229,914
Non-current liabilities			
Interest bearing liabilities		885,428	874,684
Deferred tax liabilities		209,843	217,009
Provisions		2,260	2,216
Total non-current liabilities		1,097,531	1,093,909
Total liabilities		**1,391,868**	**1,323,823**
Net assets		**1,247,310**	**1,260,226**
Equity			
Contributed equity		960,017	965,165
Reserves		32,221	34,705
Retained profits		4,372	9,810
Total parent entity interest		996,610	1,009,680
Minority interest		250,700	250,546
Total equity		**1,247,310**	**1,260,226**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2005

	Note	June 2005 $'000	June 2004 $'000
Total equity at the beginning of the half-year		**1,260,226**	**1,156,004**
Adjustment on adoption of AASB 132 and AASB 139, net of tax		(3,933)	-
Exchange differences on translation of foreign operations		(6,575)	25,105
Increase in investment revaluation reserve		4,093	-
Reclassification from foreign currency reserve		-	(4,892)
Value of options		738	464
Net income recognised directly in equity		(5,677)	20,677
Profit for the half-year		82,474	70,541
Total recognised income and expense for the year		76,797	91,218
Transactions with equity holders in their capacity as equity holders			
Contributions of equity	7	19,721	16,868
Dividends provided for or paid		(67,583)	(55,824)
Shares purchased pursuant to on-market buy-back		(25,606)	-
Other transactions with minority interests		(16,245)	(2,248)
Total equity at the end of the half-year		**1,247,310**	**1,206,018**
Total recognised income and expense for the half-year is attributable to:			
Members of APN News & Media Limited		60,401	77,108
Minority interest		16,396	14,110
		76,797	91,218

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2005

	June 2005 $'000	June 2004 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	717,377	653,332
Payments to suppliers and employees (inclusive of goods and services tax)	(576,866)	(515,681)
Interest received	11,430	5,308
Borrowing costs	(39,762)	(35,169)
Dividends received	364	291
Income taxes paid	(19,654)	(24,984)
Income tax refund	15,159	-
Net cash inflows from operating activities	**108,048**	**83,097**
Cash flows from investing activities		
Payments for property, plant and equipment	(18,568)	(20,771)
Payments for mastheads, radio licences and transit and electronic systems	(1,286)	(8,896)
Proceeds from sale of property, plant & equipment	2,327	6,858
Net cash outflows from investing activities	**(17,527)**	**(22,809)**
Cash flows from financing activities		
Repayment of loan from associated entities	1,601	5,251
Loans from / (to) Director and Director related entities	(51)	953
Proceeds from bank loans	327,909	29,552
Repayment of bank loans	(234,777)	(114,716)
Loans repaid by other entities	5,886	2,300
Repayment of borrowings to other entities	(2,658)	-
Principal repayments under finance leases	(633)	(224)
Payments for borrowing costs	(4,192)	(751)
Proceeds from issues of securities	2,695	1,940
Shares purchased pursuant to on-market buy-back	(10,642)	-
Dividends paid to shareholders	(58,304)	(40,896)
Dividends paid and other payments to minority interest	(12,893)	(11,068)
Net cash outflows / (inflows) from financing activities	**13,941**	**(127,659)**
Net increase / (decrease) in cash held	**104,462**	**(67,371)**
Cash at the beginning of the reporting period	108,292	160,475
Effects of exchange rate changes on cash	(325)	1,521
Cash at the end of the reporting period	**212,429**	**94,625**

Non-cash financing and investing activities

During the half-year the Company issued shares pursuant to a Dividend Reinvestment Plan to the value of $9,279,418 (2004: $14,927,917).

The adoption of A-IFRS has not resulted in any material adjustments to the Statement of Cash Flows.

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The consolidated entity changed its accounting policies on 1 January 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 January 2004 as the date of transition. An explanation of how the transition from AGAAP to A-IFRS has affected the consolidated entity's financial position and financial performance is discussed in note 2.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 30 June 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 January 2004 (as disclosed in note 2), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments as described in note (n). The consolidated entity has not restated comparative information for financial instruments (AASB 132 and AASB 139), including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the 2004 annual financial report.

(a) PRINCIPLES OF CONSOLIDATION

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of the Company and of all subsidiaries of APN News & Media Limited ("Company" or "parent entity") as defined in Accounting Standard AASB 127. 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

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.

Minority interest in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not 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.

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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 associate are eliminated to the extent of the Group's interest in the associates.

(b) SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Business segments are our primary reporting format.

(c) FOREIGN CURRENCY TRANSLATION

(i) *Functional and presentation currency*

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the 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 the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) *Group companies*

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange difference are recognised as a separate component of equity.

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

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.

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(d) REVENUE RECOGNITION

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

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

Other revenue includes interest earned on short-term deposits, rental income and dividends received from other corporations, profit from the sale of property, plant and equipment and, in the case of the parent entity, dividends received and receivables from controlled entities.

Revenue for services is recorded when the services are provided or the fee in respect of services provided is receivable.

(e) INCOME TAX

The income tax expense for the period is the tax payable on the current period's taxable income based on the national 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 tax losses utilised in the period.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Temporary differences are not recognised on transactions that do not affect accounting or taxable profit/loss.

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

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 jurisdictions where a capital gains tax exists.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

APN News & Media Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

(f) 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. Where assets are acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight-line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge.

The leased asset is amortised on a straight-line basis over the term of the lease, or where it is likely that

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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 are charged to expense over the periods in which they are incurred.

(g) ACQUISITIONS OF ASSETS

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(h) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed 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 substantially independent cash flows (cash generating units).

(i) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts.

(j) RECEIVABLES AND PAYABLES

Trade accounts receivable are generally settled within 60 days and are carried at amounts due. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. A provision for doubtful receivables is established where there is objective evidence that the Group will not be able to collect all amounts due to the original terms of receivables. Bad debts are written off during the period in which they are identified.

Trade accounts payable, 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 accounts payable are unsecured and are generally settled within 30 days.

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(k) INVENTORIES

Finished goods, raw materials and stores work in progress are stated at the lower of cost and net realisable value. Costs have been 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.

(l) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative assets. They mainly include investments in equity securities in which the Group does not have significant influence or control. They are included in non-current assets (and classified as "Other financial assets" on the balance sheet) unless management intends to dispose of the investment within 12 months of the balance sheet date.

Investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value (unless the fair value cannot be reliably determined in which case they are carried at cost less impairment losses). Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When non-monetary securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments, previously recognised in equity, are included in the income statement as gains and losses from investment securities. The fair values of quoted investments are based on current bid prices.

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. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists on available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss – is removed from equity and recognised in the income statement.

(m) MASTHEADS, RADIO LICENCES, TRANSIT AND ELECTRONIC SYSTEMS AND BRANDS

(i) *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.

(ii) *Radio licences – Australia*
Commercial radio licences are accounted for as identifiable assets and are brought to account at cost. The Directors have considered the geographic location, bandwidth/ frequencies provided by the licences and other commercial and technical factors likely to impact on the useful life of the radio licences and believe the commercial radio licences have indefinite lives. 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. Accordingly, no amortisation has been provided against the carrying amount.

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(iii) *Radio licences – New Zealand*
The New Zealand radio licences expire on 31 March 2011. Ownership of these frequencies reverts to the Government at this time. However, the New Zealand Government has agreed that incumbents will have first right of refusal in renewing the licences to 2031 based on an agreed maximum price. Therefore, after making allowance for the cost of renewal, such licenses are being amortised on a straight line basis to 31 March 2031.

(iv) *Transit and electronic systems*
Transit and electronic systems are accounted for as identifiable assets and are brought to account at cost. The Directors believe the transit systems have indefinite lives and accordingly, no amortisation has been provided against the carrying amount.

(v) *Brands*
Brands are accounted for as identifiable assets and recorded at the fair value of the asset acquired on acquisition. The Directors have considered the geographic location, 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.

(n) DERIVATIVES

From 1 January 2004 to 31 December 2004

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 January 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The following sets out how derivatives are accounted for under previous AGAAP.

Forward foreign exchange contracts

Gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from re-measurement of those contracts by reference to movements in spot exchange rates are deferred in the balance sheet from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

Gains and losses on speculative foreign currency transactions are brought to account as they arise. These gains and losses are measured by reference to movements in the forward exchange rates for the relative currencies.

Adjustments on transition date: 1 January 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 January 2005) changes in the carrying amounts of derivatives are taken to retained earnings. Further information concerning the adjustments on transition date is contained in note 2.

From 1 January 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2005

recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

(i) *Fair value hedge*

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

(ii) *Cash flow hedge*

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

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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(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 immediately in the income statement.

(o) PROPERTY, PLANT AND EQUIPMENT

Land and buildings are shown at fair value, based on periodic, but at least triennial, 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. All other property, 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 other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. 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.

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FOR THE HALF-YEAR ENDED 30 JUNE 2005

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 10-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) BORROWINGS

Loans 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 creditors.

(q) BORROWING COSTS

Borrowing costs incurred in establishing a loan facility are deferred and amortised over the life of the facility. Other borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets.

Other borrowing costs include:

- Interest on bank overdrafts and short-term and long-term borrowings; and
- Finance lease charges.

APN has elected to apply AASB 132 and AASB 139 from 1 January 2005 and accordingly the 2004 comparative balances have not been restated.

(r) 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 creditors 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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2005

reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Bonus plans*

A liability for employee benefits in the form of bonus plans is recognised in trade creditors when there is no realistic alternative but to settle the liability 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 bonus plans 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.

(v) *Employee benefit on-costs*

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

(vi) *Share-based payments*

Share-based compensation benefits are provided to employees via the APN News & Media Limited Executive and Director Option Plan.

Share options granted before 7 November 2002 and/ or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted under the APN News & Media Limited Executive and Director Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes 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.

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The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, 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 entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(s) 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.

(t) EARNINGS PER SHARE

(i) *Basic earnings per share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members 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.

(u) DIVIDENDS

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

(v) ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class order 98/ 0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2005

2. Explanation of transition to Australian equivalents of IFRS (A-IFRS)

i) Reconciliation of total equity as presented under AGAAP to that under A-IFRS

		Consolidated		
	Note	31 Dec 2004 $'000	30 June 2004 $'000	1 Jan 2004 $'000
Total equity under AGAAP		1,674,590	1,618,093	1,556,576
Reverse revaluation of intangible assets	(i)	(198,205)	(198,205)	(198,205)
Deferred tax liabilities	(ii)	(188,807)	(184,092)	(170,500)
Goodwill amortisation	(iii)	11,434	5,740	-
Impairment charge	(iv)	(7,005)	(7,005)	(7,005)
Internally generated assets – intangibles	(v)	(26,398)	(23,360)	(22,360)
Internally generated assets – property, plant and equipment	(v)	(3,451)	(3,729)	(4,007)
Land at deemed cost	(vi)	-	-	2,597
Share-based payments	(viii)	(1,600)	(862)	(398)
Other	(vii)	(332)	(562)	(694)
Total equity under A-IFRS		**1,260,226**	**1,206,018**	**1,156,004**

Year on year movements impacted by changes in foreign currency rates.

ii) Adjustments to balance sheet classifications at 1 January 2004

	Assets					*Liabilities*
	Inventories	Property, plant and equipment	Intangibles	Deferred tax assets	Other	Deferred tax liabilities
Type	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Reclassification of Spares	(802)	802	-	-	-	-
Reclassification of Software	-	(8,076)	8,076	-	-	-
Grossing up of deferred tax assets and liabilities previously offset	-	-	-	6,208	-	(6,208)
Reclassification of assets characterised as intangibles	-	-	1,480,709	-	(1,480,709)	-
Total	**(802)**	**(7,274)**	**1,488,785**	**6,208**	**(1,480,709)**	**(6,208)**

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005

2. Explanation of transition to Australian equivalents of IFRS (A-IFRS)

iii) Reconciliation of profit after tax under AGAAP to that under A-IFRS

		Consolidated	
	Note	Year ended 31 December 2004 $'000	Half year ended 30 June 2004 $'000
Profit after tax under AGAAP		128,269	56,012
Goodwill no longer amortised	(iii)	11,387	5,680
Internally generated intangibles	(v)	(3,773)	(905)
Land at deemed cost	(vi)	(2,597)	(2,597)
Share-based payments	(viii)	(1,202)	(464)
Deferred tax on Licences	(ix)	(635)	(85)
Minority interests	(x)	(1,772)	(946)
Other	(vii)	(266)	(264)
Profit after tax under A-IFRS		**129,411**	**56,431**

Year on year movements impacted by changes in foreign currency rates.

iv) Notes

(i) Intangible assets

AASB 138 allows intangible assets to be revalued where an "active market" exists. The standard states 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 APN does not agree that an active market does not exist in respect of newspaper mastheads; however, it has complied with the requirements of AASB 138 to reverse all past revaluation of such assets.

(ii) Deferred tax liabilities

Deferred tax liabilities have been recognised where the book value of assets exceeds their respective tax bases. These deferred tax liabilities were not required under AGAAP.

(iii) Goodwill amortisation

Goodwill acquired in business combinations is no longer amortised, but rather is subject to regular impairment testing. This adjustment lowers amortisation expenses and increases profit from continuing operations.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2005

(iv) Impairment charge

An impairment test was performed on all relevant assets with the result that an impairment charge has been raised on transition to A-IFRS and has been charged against retained earnings as at 1 January 2004. The impairment charge represents a number of CGUs, none of which is material.

This charge did not previously arise under AGAAP as shortfalls in the relevant CGUs were more than offset by excess valuations within the same class of assets.

(v) Internally generated assets

Certain costs were previously capitalised (at 1 January 2004 and during the 12 months ended 31 December 2004) under the then prevailing AGAAP but are required to be charged as an expense as incurred under A-IFRS. As a result of the foregoing, other non-current assets have been reduced by expenditure in relation to web-site, software development and intangibles.

(vi) Land at deemed cost

The consolidated entity elected to measure a parcel of land held by one of its subsidiaries on transition to A-IFRS at fair value and has used that fair value as the item's deemed cost at that date. The parcel of land was sold during the 2004 financial year at an amount equal to such fair value. The affect of the revaluation to fair value is to increase the value of property, plant & equipment and the asset revaluation reserve by $2,597,000 at 1 January 2004. On disposal of the parcel of land in 2004, the amount carried in the asset revaluation reserve of $2,597,000 has been transferred to retained earnings.

(vii) Other

Other adjustments which are minor in value and quantity and do not warrant specific disclosure.

(viii) Share-based payments

The value of certain options (refer note 1(r)) granted to Directors and employees is amortised over the relevant vesting period with a corresponding increase in equity.

(ix) Deferred tax on licences

Radio licences have generated a deferred tax liability on the amortisation of licences.

(x) Minority Interests

Change in earnings of non-wholly owned entities has resulted in a change in minority interests.

(xi) Foreign currency translation reserve

APN has adopted the election allowed for in AASB 1 and reset the balance of the foreign currency translation reserve to zero as at the date of transition. This adjustment has no net impact on equity, but reduces the value of the foreign currency translation reserve and increases retained earnings by $39,616,000 at all dates.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2005

3. Segment information

	June 2005 $'000	**Restated June 2004 $'000**
Segment Revenue		
Publishing	358,259	326,481
Radio	126,349	111,118
Outdoor	110,009	98,303
Print – sale of goods	44,813	50,055
Corporate	84	110
Revenue from continuing operations (excluding interest revenue)	639,514	586,067
Segment Results		
Publishing	100,087	91,207
Radio	35,153	27,560
Outdoor	2,049	4,374
Print	2,870	3,942
Corporate	(3,898)	(2,100)
Individually significant items		
Outdoor – business restructure and closure costs	-	(1,868)
Profit from continuing operations before interest, tax and equity accounting	136,261	123,115
Net borrowing costs (including interest revenue)	(30,800)	(30,998)
Outdoor – share of profits of associates accounted for using the equity method	3,903	1,916
Profit before income tax expense	109,364	94,033
Individually significant items		
Outdoor – business restructure and closure costs	-	(1,868)
	-	(1,868)

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	June 2005 $'000	Restated June 2004 $'000
Segment Expense		
Publishing	258,172	235,274
Radio	91,196	83,558
Outdoor	107,960	95,797
Print – cost of sales	36,036	35,621
Print – other costs	5,907	10,492
Corporate	3,982	2,210
	503,253	462,952

4. Income Tax Expense

The amount of income tax attributable to the year differs from the amount prima facie payable on the statutory operating profit.

The differences are recognised as follows:

	June 2005 $'000	Restated June 2004 $'000
Profit before income tax expense	109,364	94,033
Prima facie income tax on operating profit at 30%	32,809	28,210
Tax effect of permanent differences		
Effect of tax rates on overseas income	761	931
Differences in overseas tax treatments	(4,934)	(5,422)
Sundry items	(1,844)	(586)
Prima facie tax adjusted for permanent differences	26,792	23,133
Under provision in prior years	98	359
Income tax attributable to profit from ordinary activities	26,890	23,492

5. Dividends	June 2005 $'000	June 2004 $'000
Ordinary Shares		
Dividends provided for and/ or paid during the half-year	67,583	55,824
Dividends not recognised at the end of the half year		
In addition to the above dividends, since the end of the half-year the Directors have declared the payment of an interim dividend of 8.8 cents per share (2004 – 8.0 cents), franked to 30%. The aggregate amount of the proposed dividend expected to be paid on 27 September 2005 but not recognised as a liability at the end of the half-year is:	42,433	38,306

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2005

6. Intangible Assets

	June 2005 $'000	Restated Dec 2004 $'000
Goodwill - net	190,766	190,580
Software – net	7,233	7,336
Mastheads	1,120,255	1,129,868
Radio Licences – net	312,665	313,775
Transit and electronic systems	54,043	54,043
Brands	52,141	52,976
	1,737,103	1,748,578

7. Equity Securities Issued

	June 2005 No. of Shares	June 2004 No. of Shares	June 2005 $'000	June 2004 $'000
Issues of ordinary shares during the half–year				
Exercise of options issued under the APN Employee Option Plan	754,000	625,000	2,695	1,940
Issued pursuant to dividend reinvestment plan	1,884,515	4,020,244	9,279	14,928
Conversion of Notes	1,961,293	-	7,747	-
	4,599,808	4,645,244	19,721	16,868

8. Contingent Liabilities

Guarantees

The Parent entity and all wholly owned controlled entities have provided guarantees in respect of its credit facilities. As at 30 June 2005, the facilities have been drawn to the extent of $478,666,548 (December 2004: $396,104,131). A standby letter of credit has been issued by Cedar Hill International Corporation, a subsidiary of JP Morgan Chase, on behalf of Biffin Pty Limited to a maximum value of NZ$317,616,133 (December 2004: NZ$309,353,241) to support the masthead financing liability arising on the acquisition of Wilson & Horton. As at 30 June 2005, no claims have been made against the standby letter of credit.

The parent entity and some wholly owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of $40,000,000 (December 2004: $40,000,000).

Claims

Claim 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 significant costs or damages.