

West Australian
Newspapers Holdings
Limited

ACN 053 480 845



PROSPECTUS



4 for 7 accelerated non-renounceable pro rata entitlement offer of Convertible Unsecured Loan Securities (CULS) at an Issue Price of \$5.20 per CULS to raise approximately \$653 million (Entitlement Offer)

and

Public offer of 7.7 million New Shares at an Issue Price of \$5.20 to raise approximately \$40 million (Public Offer)

JOINT LEAD MANAGERS AND UNDERWRITERS

J.P.Morgan  UBS

LEGAL ADVISER

Allens Arthur Robinson



FINANCIAL ADVISER

O'Sullivan Partners

Important information

You should read this entire Prospectus carefully before deciding whether to invest in CULS or New Shares. In particular, you should consider the key risks that could affect the performance of WAN or the value of an investment in WAN, some of which are outlined in Section 9 of this Prospectus. However, the information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation, tax position or particular needs of individual investors.

Before deciding whether to apply for CULS or New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Offers, you should contact your stockbroker, accountant or other professional adviser.

The potential tax effects of the Entitlement Offer and Public Offer will vary between investors. A summary of potential Australian tax implications is contained in Section 8 of this Prospectus. However, all investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

This Prospectus is dated 21 February 2011 and a copy of this Prospectus was lodged with ASIC on that date. This Prospectus expires on the date 13 months after it was lodged (**Expiry Date**). No CULS or New Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date. ASIC and ASX take no responsibility for the contents of this Prospectus.

Within seven days after the date of this Prospectus, WAN will apply to ASX for CULS and New Shares to be quoted on ASX.

Prospectus availability

Eligible Shareholders and Eligible Investors in Australia and New Zealand can obtain a copy of this Prospectus before and during the Entitlement Offer Period or the Public Offer application period (as applicable) on the website at www.sevenwestproposal.com.au or by calling the WAN Offer Information Line on the numbers listed below under the heading 'Enquiries'. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Neither this Prospectus nor the accompanying Application Form may be sent to persons in the US or persons that are acting on behalf of, or for the account or benefit of, a person in the United States, or otherwise distributed or released in the US.

CULS are unsecured notes for the purposes of section 283BH of the Corporations Act.

Future performance and forward looking statements

Neither WAN nor any other person warrants or guarantees the future performance of CULS or WAN Shares or any return on any investment made pursuant to this Prospectus.

The pro forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of WAN's view on its future financial condition and/or performance.

The forward looking statements in this Prospectus are based on WAN's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of WAN and its Board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus.

Australia and New Zealand

This Prospectus has been prepared in accordance with the requirements of the Corporations Act and contains:

- An Entitlement Offer of CULS: a pro rata entitlement offer to Eligible Shareholders in Australia or New Zealand of WAN CULS; and
- A Public Offer of New Shares: an invitation to Eligible Investors in Australia or New Zealand to apply for new WAN Shares,

(the Entitlement Offer and the Public Offer collectively referred to as the **Offers**).

New Zealand

The offers to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (*Mutual Recognition of Offerings – Australia*) Regulations 2008. The Offers

and the content of the offer documents are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offers must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offers. If you need to make a complaint about an Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offers may involve a currency exchange risk. The currency for both of the securities is not New Zealand dollars. The value of both of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Other foreign jurisdictions

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia. No action has been taken to register or qualify the Entitlement Offer (including the Retail

Entitlement Offer), CULS, the Public Offer or WAN Shares, or otherwise permit the public offering of CULS or WAN Shares, in any jurisdiction other than Australia and New Zealand. Neither the Entitlement Offer nor the Public Offer is being extended to any person outside Australia and New Zealand, except, in the case of the Entitlement Offer, to Eligible Institutional Shareholders and certain other Institutional Investors as part of the Institutional Entitlement Offer. This Prospectus does not constitute an offer in the US, or in any other place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus (including an electronic copy) outside Australia and New Zealand is restricted by law. If you come into possession of this Prospectus, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws. Neither this Prospectus nor the accompanying Application Form may be distributed to, or relied upon by, persons in the US.

Neither CULS nor WAN Shares have been or will be registered under the US Securities Act or the securities laws of any state of the US and may not be offered or sold in the US, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

For details of selling restrictions that apply to CULS and New Shares in certain jurisdictions outside of Australia and New Zealand, please refer to Section 10.8 for further information.

Exposure Period

The Corporations Act prohibits the acceptance by WAN of applications for CULS in respect of the Entitlement Offer during the seven day period after the date this Prospectus was lodged with ASIC. This period is referred to as the "Exposure Period" and ASIC may extend this period by up to a further seven days (that is up to 14 days in total).

The purpose of the Exposure Period is to enable materials in the Prospectus which relate to the Entitlement Offer to be examined by market participants before the Entitlement Offer may be accepted by investors. No Applications will be processed until after the end of the Exposure Period.

Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Offers that is not contained in this Prospectus.

Any information or representation that is not in this Prospectus may not be relied on as having been authorised by WAN, the Joint Lead Managers or SMG or their respective related bodies corporate in connection with

the Offers. Except as required by law, and only to the extent so required, neither WAN, nor any other person, warrants or guarantees the future performance of WAN or any return on any investment made pursuant to this Prospectus.

The Joint Lead Managers have not authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this Prospectus. The Joint Lead Managers do not make, or purport to make, any statement in this Prospectus, and there is no statement in this Prospectus which is based on any statement by the Joint Lead Managers. To the maximum extent permitted by law, the Joint Lead Managers expressly disclaim all liability in respect of, make no representations regarding and take no responsibility for any part of this Prospectus.

Photographs and diagrams

Photographs used in this Prospectus that do not have a description are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Responsibility for information

Seven Group Holdings Limited (ACN 142 003 469) (SGH) has prepared, consented to the inclusion of, and is responsible for, the SMG Information. To the maximum extent permitted by law, none of WAN nor its respective directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the SMG Information.

The information about SMG that appears in this Prospectus (other than the SMG Information) is based upon the SMG Information and from audited and unaudited financial information and other information made available by or on behalf of SGH during the due diligence process conducted by WAN in connection with the Proposed Transaction.

There is no assurance that this due diligence was conclusive and that all material issues and risks in relation to the Proposed Transaction and SMG have been identified. To the extent that this information is incomplete, incorrect, inaccurate or misleading, there is a risk that the profitability and future results of the operations of the Combined Group may differ (including in a materially adverse way) from WAN's expectations as reflected in this Prospectus, or that additional liabilities may emerge.

CULS Trustee consent

The CULS Trustee, Australian Executor Trustees Limited:

- Has not made any statement or purported to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than as specified below;

- To the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, or omissions from the Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with its written consent; and
- Has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent:
 - To be named in this Prospectus in the form and context in which it is named; and
 - To the inclusion in this Prospectus of the statement(s) and/or report(s) (if any) by that person in the form and context in which they appear in this Prospectus.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings, which are explained in the Glossary set out in this Prospectus, as are certain rules of interpretation that apply to this Prospectus.

A reference to time in this Prospectus is to Perth time unless otherwise stated. All financial amounts in this Prospectus are expressed in Australian currency unless otherwise stated.

Enquiries

If you have any questions in relation to the Offers, please contact your stockbroker, accountant or other professional adviser. If you have questions in relation to how to complete the Application Form or, for Eligible Shareholders, the calculation of your Entitlement or how to take up your Entitlement, please call the WAN Offer Information Line on the phone number set out below:

Within Australia: 1300 133 562 (local call cost)

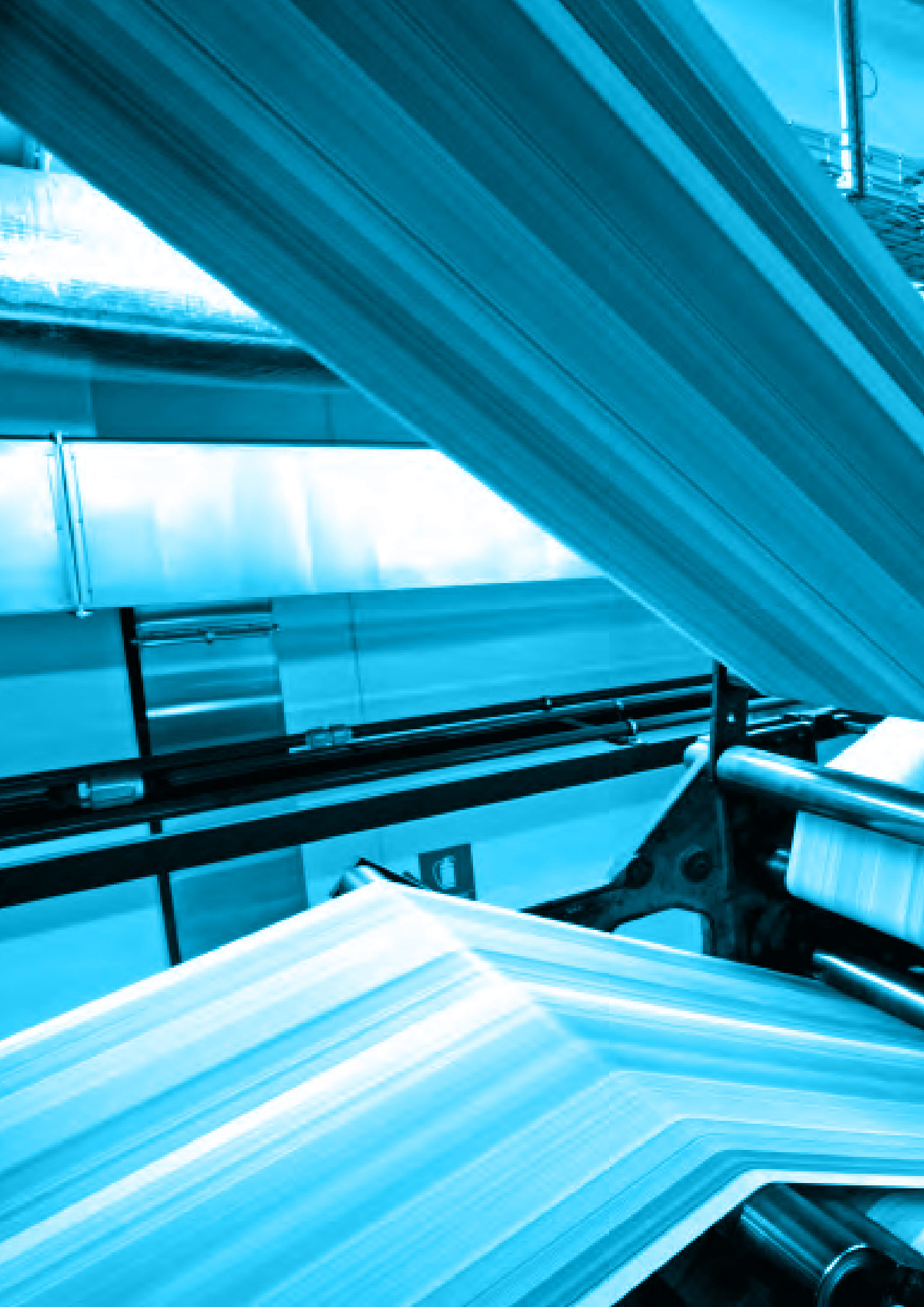
Outside Australia: +61 3 9415 4603

The WAN Offer Information Line is open from 6.00am to 5.00pm Perth time (9.00am to 8.00pm Sydney time¹) Monday to Friday during the Entitlement Offer Period and the Public Offer application period (as applicable).

Privacy

Please read the privacy statement located in Section 10.13. It is important you understand that by submitting an Application Form in or accompanying this Prospectus, you consent to the matters outlined in that statement.

¹ From 4 April 2011 the WAN Offer Information Line will be open 7.00am to 5.00pm Perth time (9.00am to 7.00pm Sydney time) to reflect the end of Australian Eastern Daylight Time.





ON AIR

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Letter from the Independent Board Committee

21 February 2011

Dear Investor,

On 21 February 2011, West Australian Newspapers Holdings Limited (**WAN**) (ASX: WAN) announced that it had agreed to acquire Seven Media Group (**SMG**) and that it proposed to conduct associated capital raisings. SMG is one of Australia's leading media groups and includes a portfolio of Free-To-Air (**FTA**) television, magazine and online media assets. SMG is owned by entities associated with Seven Group Holdings Limited (**SGH**) (ASX: SVW), funds affiliated with Kohlberg Kravis Roberts & Co. L.P. (**KKR**), mezzanine investors and members of management relating to SMG.

Summary of the Proposed Transaction

- WAN has contracted to acquire 100% of SMG from SGH for an enterprise value of \$4,085 million comprising:
 - \$1,081 million in WAN Shares issued to SGH at a price of \$5.99 per WAN Share being a 3.2% premium to the Theoretical Ex-Rights Price¹ (**TERP**);
 - \$250 million of new WAN Convertible Preference Shares (**CPS**) issued to SGH;
 - \$650 million repayment of SGH loan owed by SMG; and
 - \$2,104 million of external net debt assumed² (before debt reduction of approximately \$450 million to \$1,654 million) on a pro forma basis,(the **Acquisition**).
- WAN will also conduct a placement of approximately \$461 million WAN Shares to KKR, mezzanine investors and members of management relating to SMG at a price of \$5.99 per WAN Share (the **KKR Investment**).

The Proposed Transaction is subject to a number of conditions precedent, including WAN Shareholder approval at an Extraordinary General Meeting (**EGM**) which is expected to be held on 11 April 2011.

SGH and its associates are excluded from voting on a number of resolutions which are required to be passed at the EGM.

In conjunction with the Proposed Transaction, WAN proposes to conduct:

- A fully underwritten accelerated non-renounceable pro rata entitlement offer of convertible unsecured loan securities (**CULS**) (the **Entitlement Offer**); and
- A fully underwritten general public offer of new WAN ordinary shares (**New Shares**) (the **Public Offer**),

(together, the **Offers**).

CULS are convertible unsecured loan securities which will convert into WAN Shares if the Proposed Transaction proceeds or will otherwise be redeemed for cash at their issue prices plus a Redemption Premium. CULS are being issued to provide certainty to meet WAN's funding requirements for the Proposed Transaction while ensuring that WAN is not over capitalised if the Proposed Transaction does not proceed.

In conjunction with the Proposed Transaction, SGH will sell its existing 24.3% interest in WAN (**SGH Sell Down**) and as such will not take up its Entitlement under the Entitlement Offer, with the sale being conditional upon the Proposed Transaction being effected. As discussed above, SGH will subsequently receive \$1,081 million in WAN Shares as partial

consideration for SMG resulting in an anticipated shareholding of 29.6% in WAN. In addition, as described above, SGH will also receive \$250 million of CPS resulting in a total investment in WAN of \$1,331 million.

As part of the Proposed Transaction, WAN's existing Board membership would remain intact. One further director will be appointed, namely, David Leckie, the new Combined Group Chief Executive Officer (**CEO**) and Managing Director. KKR may also nominate a director following Completion of the Proposed Transaction.

The executive team of the Combined Group will also include Peter Lewis (Group CFO), Chris Wharton (CEO, WAN/WA Media) and Peter Bryant (CFO, WAN/WA Media).

Summary of the Offers

On behalf of WAN's Independent Board Committee, I am pleased to invite you to participate in the fully underwritten Offers (comprising the Entitlement Offer and Public Offer).

The Entitlement Offer enables eligible existing WAN Shareholders (**Eligible Shareholders**) to acquire 4 CULS for every 7 existing WAN Shares they held at 4pm Perth time (7pm Sydney time) on 24 February 2011. In addition, Eligible Shareholders and new WAN investors (**Eligible Investors**) will also be afforded the opportunity to apply for new WAN Shares through the Public Offer.

If the necessary shareholder approvals and other conditions are satisfied and the Proposed Transaction is completed, CULS issued under the Entitlement Offer will be converted into WAN Shares on a one for one basis. If the Proposed Transaction does not complete, then the CULS will be redeemed and you will be repaid the money you have invested plus a Redemption Premium between 2.5% to 4.5% of the Issue Price³. In addition, the Public Offer will only occur if the Proposed Transaction proceeds. If the Proposed Transaction does not proceed, all Application Monies for New Shares will be refunded.

The Issue Price for the Offers of \$5.20 per security represents a 15.4% discount to WAN's closing share price of \$6.15⁴ per share on 18 February 2011, and a 10.4% discount to TERP¹.

SGH's continued commitment to WAN and the combined business is evidenced by the fact that it will acquire an increased holding in WAN for \$5.99 per WAN Share being a 3.2% premium to TERP¹ which is a higher price than the Issue Price at which WAN Shareholders will be invited to subscribe for WAN Shares through the Offers. Immediately following Completion of the Proposed Transaction, SGH's anticipated shareholding in WAN will be 29.6%. In addition, as described above, SGH will also receive \$250 million of CPS⁵.

WAN will raise approximately \$693 million through the Offers, comprising:

- \$653 million from the Entitlement Offer; and
- \$40 million from the Public Offer.

In addition, WAN will conduct a placement of 77.0 million shares to KKR, mezzanine investors and members of management relating to SMG at \$5.99 per WAN Share being a 3.2% premium to TERP¹ per share (\$461 million).

3 In the event of a delay in the timetable, the Redemption Premium will increase at a rate of 1.0% a month so that the Redemption Premium where the Redemption Date occurs in May 2011 will be 3.5% of the Issue Price and where the Redemption Date occurs in June 2011 it will be 4.5% of the Issue Price.

4 Adjusted for the 1H11 dividend of 19.0 cents per share. New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend.

5 Before allowance for any dilution resulting from a possible conversion of the CPS. Refer to Section 10.5 for further details.

1 Equates to the theoretical WAN share price (adjusted for the 1H11 dividend) after allowing for the impact of the pro rata Entitlement Offer. Refer to Section 6.10.8 for further details.

2 At 25 December 2010 pursuant to the Share Sale Agreement.

Proceeds from the Entitlement Offer, Public Offer and the KKR Investment will be used to reduce SMG's debt (including repayment of the SMG shareholder loan to SGH) and pay transaction costs of \$45 million.

Following the completion of the Offers, WAN's consolidated leverage (based on Combined Group Pro Forma Net Debt / FY11PF EBITDA) will be 3.1x⁶.

As the Entitlement Offer is non-renounceable, Entitlements are not tradable. Eligible Shareholders who do not participate in the Entitlement Offer will not receive any value for their Entitlement and if CULS convert into WAN Shares then their percentage shareholdings will be diluted.

Eligible Shareholders and Eligible Investors are encouraged to invest through the relevant Offers in order to participate in WAN's future performance.

If the Proposed Transaction is completed, WAN has today provided guidance that it expects to deliver a full year fully franked dividend for FY11F of 45.0 cents per share, having today declared an interim dividend of 19.0 cents per share for the six months ended 31 December 2010⁷. New Shares issued under the Offers will not be entitled to the interim dividend.

The Independent Directors unanimously recommend the Proposed Transaction

The consideration and negotiation of the Proposed Transaction has been under the supervision and control of the Independent Directors of WAN; Mr Doug Flynn, Mr Graeme John AO, Mr Don Voelte and Mr Sam Walsh AO (the **Independent Board Committee**). The Independent Directors unanimously recommend that WAN Shareholders vote in favour of the Proposed Transaction and its associated resolutions, in the absence of a superior proposal.

The Independent Board Committee commends the Offers to Eligible Shareholders and Eligible Investors. Each Independent Director who holds or controls WAN Shares intends to invest, or cause those controlled entities to invest, in the Entitlement Offer.

The Directors of WAN associated with SGH, Mr Kerry Stokes AC and Mr Peter Gammell, have stood aside from all WAN Board considerations and decisions concerning the Proposed Transaction.

The Independent Board Committee has obtained an Independent Expert's Report from Ernst & Young Transaction Advisory Services Limited to assist WAN Shareholders in deciding whether or not to approve the resolutions which must be passed at the WAN EGM in order for the Proposed Transaction to proceed. In that report, the Independent Expert has concluded that the acquisition of SMG and issue of WAN Shares and CPS to SGH is fair and reasonable to WAN Shareholders (other than SGH and any WAN Shareholders associated with SGH).

The Independent Expert's Report has been prepared for the sole purpose of assisting WAN Shareholders in deciding whether or not to approve the resolutions at the EGM. It has not been prepared for the purpose of the Offers. The Independent Expert's Report and the draft notice and Explanatory Memorandum for the EGM have been lodged with ASIC today, and remain subject to ASIC review. Those documents are expected to be despatched to all Shareholders on or around 11 March 2011. The Independent Expert's Report may need to be updated prior to despatch to reflect any material changes in market conditions and circumstances. A copy of the Independent Expert's Report has also been lodged by WAN with ASX today.

Rationale for the acquisition of SMG

The Independent Board Committee considers that the Proposed Transaction is expected to deliver significant benefits for WAN, including:

- Business diversification across a range of media formats including Australia's leading FTA television network, the second largest

magazine group in Australia by readership and one of Australia and New Zealand's leading online platforms;

- Geographic diversification with the combined operations of the Combined Group, to be named "Seven West Media" covering all major Australian metropolitan markets, and when including arrangements with regional affiliates, reaching most of Australia's population;
- SMG's digital multi-channelling and online properties providing WAN with new growth avenues where consumer trends and the regulatory environment are underpinning the potential value in FTA television and online media formats;
- Exposure to the recovery in media advertising spend across all media formats;
- Synergistic benefits, including access to content and deploying across different formats, from magazines to newspapers to online sites;
- The ability to harness the online business expertise in the Yahoo!7 joint venture, which is expected to enable WAN to fast track its online strategy;
- Immediate value accretion for WAN, including earnings per share (EPS) accretion of 6.8% based on the forecast pro forma financial year ending 30 June 2011⁸; and
- Balance sheet strength and the ability to pursue growth opportunities as they arise.

Further information

This Prospectus sets out further details of the Offers. You should read this Prospectus carefully and consider, in particular, the Key Risks on page 20 and a longer description of these and other risks set out in Section 9 of this Prospectus before deciding whether to apply under the Entitlement Offer or the Public Offer.

If you have any questions in relation to the details of the Offers or this Prospectus, please contact the WAN Offer Information Line on 1300 133 562 (within Australia) or +61 3 9415 4603 (outside Australia) between 6.00am to 5.00pm Perth time (9.00am to 8.00pm Sydney time⁹), Monday to Friday during the Entitlement Offer Period or the Public Offer application period (as applicable).

If you have questions about how these Offers fit with your personal investment circumstances, you should contact your stockbroker, accountant or other professional adviser.

Your Independent Directors consider that the Proposed Transaction represents an attractive opportunity to transform WAN into the pre-eminent media company in Australia, and encourage you to support the Proposed Transaction and commend the Offers to you.

Yours faithfully



Doug Flynn

Non Executive Director

On behalf of the WAN Independent Board Committee

6 Based on a Combined Group Pro Forma Net Debt of \$1,991 million.

7 New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend.

8 Based on diluted EPS calculated assuming the Combined Group was together for the full year FY11F (with SMG's pro forma net debt of \$1,654 million remaining constant) and forecast synergies as set out in Section 6.10 but excludes any one-off costs associated with the synergies, any additional amortisation resulting from the final purchase price allocation or transaction costs. WAN expects identified synergies to be implemented in full during the remainder of FY11 and FY12. WAN's standalone FY11F diluted EPS is before transaction costs. Refer calculation set out in Section 6.10. Basic EPS accretion of 13.1% on the same basis.

9 From 4 April 2011 the WAN Offer Information Line will be open 7.00am to 5.00pm Perth time (9.00am to 7.00pm Sydney time) to reflect the end of Australian Eastern Daylight Time.

Key Offer Information

Total amount of the Offers	Approximately \$693 million, fully underwritten
Entitlement Offer	
Entitlement Offer ratio	4 CULS for every 7 WAN Shares held at the Entitlement Offer Record Date
Entitlement Offer Issue Price	\$5.20 per CULS
Institutional Entitlement Offer	Approximately 62.8 million CULS to raise approximately \$326 million
Retail Entitlement Offer	Approximately 62.8 million CULS to raise approximately \$326 million
Total Entitlement Offer	Approximately 125.5 million CULS to raise approximately \$653 million
Public Offer	
Public Offer Issue Price	\$5.20 per New Share
Total Public Offer	7.7 million New Shares to raise approximately \$40 million

Key Dates

The below timetable is indicative only and subject to change. WAN, in conjunction with the Joint Lead Managers and subject to the Corporations Act, ASX Listing Rules and other applicable laws, reserves the right to vary any of the below dates, including to close the Offers early, to accept late Applications, or to cancel the Offers without notifying any recipient of this Prospectus or any Applicants. WAN will announce all changes through ASX.

Event	Date and time
Lodgement of this Prospectus with ASIC	21 February 2011
Institutional Entitlement Offer opens	21 February 2011
Institutional Entitlement Offer closes	22 February 2011
WAN Shares recommence trading on ASX on an ex-entitlement basis	23 February 2011
Entitlement Offer Record Date	4.00pm Perth time 7.00pm Sydney time on 24 February 2011
Settlement of the Institutional Entitlement Offer	2 March 2011
Issue of CULS under the Institutional Entitlement Offer and commencement of trading on a normal settlement basis	3 March 2011
Opening of Retail Entitlement Offer and Public Offer application period and despatch of this Prospectus	3 March 2011
Despatch of WAN Explanatory Memorandum	11 March 2011
Retail Entitlement Offer closes	2.00pm Perth time 5.00pm Sydney time on 18 March 2011
Settlement of the Retail Entitlement Offer	28 March 2011
Issue of CULS under the Retail Entitlement Offer and despatch of Retail Entitlement Offer holding statements	29 March 2011
CULS issued under the Retail Entitlement Offer commence trading on a normal settlement basis	30 March 2011
EGM of WAN Shareholders to be held in relation to the Proposed Transaction	11 April 2011

If the Proposed Transaction is approved by WAN Shareholders on 11 April 2011 and all other conditions precedent to the Share Sale Agreement are satisfied or waived by that date, the following timetable is expected to apply.

Event	Date and time
Public Offer application period for cheque, bank draft or money order payments closes	3.00pm Perth time 5.00pm Sydney time on 11 April 2011
Public offer opens	12 April 2011
T+3 trading in CULS suspended (after close of trading Sydney time)	12 April 2011
Public Offer and Public Offer application period for BPAY ¹ payments closes	3.00pm Perth time 5.00pm Sydney time on 13 April 2011
WAN Shares to be issued on conversion of CULS commence trading on a deferred settlement basis	13 April 2011
Issue of New Shares under the Public Offer and despatch of holding statements	15 April 2011
New Shares issued under the Public Offer commence trading on a normal settlement basis	18 April 2011
Record date for CULS conversion	5.00pm Perth time 7.00pm Sydney time on 19 April 2011
CULS Conversion Date, issue of WAN Shares on conversion of CULS and despatch of holding statements	20 April 2011
WAN Shares issued on conversion of CULS commence trading on a normal settlement basis	21 April 2011

If the Proposed Transaction is not approved by WAN Shareholders (or any other condition precedent to the Share Sale Agreement is not satisfied or waived in accordance with that agreement), then:

- Settlement of the Public Offer will not occur, no New Shares will be issued pursuant to that offer and Application Monies in respect of that offer will be refunded;
- WAN will announce to ASX the redemption of the CULS and the CULS Redemption Date (to be no later than 10 Business Days after the date of that announcement); and
- CULS will be redeemed on or before the CULS Maturity Date (30 June 2011).

\$692.7 million,
fully underwritten

**Total amount
of the Offers**

\$652.7 million
CULS

**Total amount
of Entitlement Offer**

\$40.0 million
New Shares

**Total amount
of Public Offer**

¹ ® Registered to BPAY Pty Ltd (ABN 69 079 137 518).

Value created by the Proposed Transaction for WAN Shareholders

The Proposed Transaction will transform WAN into one of Australia's leading media companies. The acquisition of SMG is expected to deliver value for WAN Shareholders.

Investment

Creation of a leading national multi-platform media group providing advertisers with access to most of the Australian population

Market leading positions in a diverse range of core media categories, including FTA television and print media and exposure to the high growth online category

Diversified and integrated media model with cross-selling and synergistic benefits

Forecast EPS accretion of 6.8% based on FY11PF¹

¹ Based on diluted EPS calculated assuming the Combined Group was together for the full year FY11F (with SMG's pro forma net debt of \$1,654 million remaining constant) and forecast synergies as set out in Section 6.10 but excludes any one-off costs associated with the synergies, any additional amortisation resulting from the final purchase price allocation or transaction costs. WAN expects identified synergies to be implemented in full during the remainder of FY11 and FY12. WAN's standalone FY11F diluted EPS is before transaction costs. Refer calculation set out in Section 6.10. Basic EPS accretion of 13.1% on the same basis.



Highlights

Dividend yield of approximately 8.7%² for FY11F based on the Issue Price and WAN's dividend guidance for FY11PF and a FY11PF P/E of 11.1x³ based on the Issue Price of \$5.20. New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend

Increased market capitalisation, which is expected to improve index weighting, liquidity and investor interest

Furthermore, the Independent Expert's Report provided by Ernst & Young Transaction Advisory Services Limited to the Independent Board Committee has concluded that the acquisition of SMG and issue of WAN Shares and CPS to SGH is fair and reasonable to WAN Shareholders (other than SGH and any WAN Shareholders associated with SGH). The Independent Expert's Report will be included in the Notice of EGM and Explanatory Memorandum which are expected to be despatched to all Shareholders following ASIC review on or around 11 March 2011. The Independent Expert's Report may need to be updated to reflect any material changes in market conditions and circumstances prior to the date of issue of the Notice of EGM and Explanatory Memorandum.

The Independent Expert's Report has been prepared for the sole use by WAN Shareholders with respect to their decision whether or not to approve the resolutions required by ASX Listing Rule 10.1 and item 7 of section 611 of the Corporations Act. A copy of the Independent Expert's Report has been lodged by WAN with ASX.

² Based on the 1H11 dividend of 19.0 cents per share, WAN dividend guidance of 26.0 cents per share for 2H11F and an Issue Price of \$5.20 per share.

³ Based on fully diluted EPS of 47.0 cents.

Creation of a leading national multi-platform media group

The Proposed Transaction represents an attractive opportunity to transform WAN into a highly diversified, leading national multi-platform media group, providing advertisers with access to most of the Australian population.

Leading media portfolio

Following Completion of the Proposed Transaction, WAN will own a portfolio of leading FTA television, newspaper, magazine, online and other media assets forecast to generate FY11PF EBITDA of \$645 million¹ on revenues of \$1,967 million.

¹ Including share of net profits from associates.

National footprint

On Completion, WAN will continue to provide its shareholders with exposure to WAN's leading metropolitan and regional newspaper market position in Western Australia, the fastest growing state economy in Australia. In addition, the Proposed Transaction will provide WAN with access to SMG's national audience from commercial FTA television licences in the five major capital cities in Australia, as well as one regional licence for Sunshine Television in Queensland. When combined with its key affiliate regional stations (Prime Media Group and Southern Cross Television), the acquisition will extend WAN's geographic footprint into regional Australia.

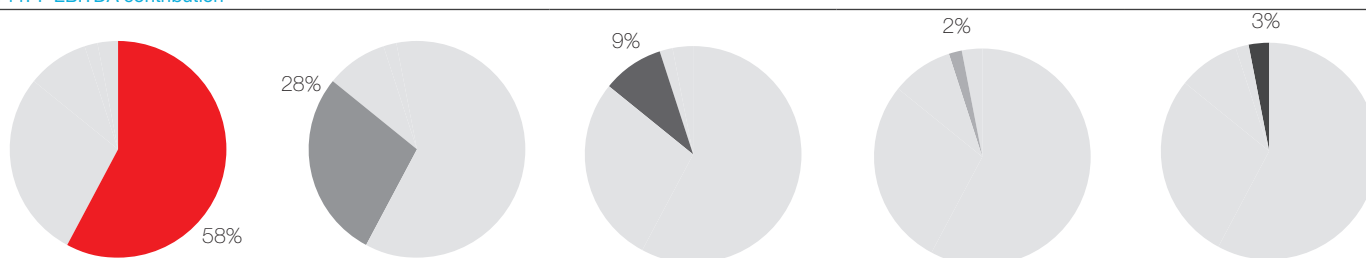


DIAGRAM 1: THE COMBINED GROUP²

FTA Television	Newspapers	Magazines	Online	Other
<ul style="list-style-type: none"> Australia's leading FTA television network 	<ul style="list-style-type: none"> #1 newspaper in WA 21 regional publications across WA #1 classified newspaper in WA (Quokka) Community Newspaper Group (49.9%) with 17 titles across Perth 	<ul style="list-style-type: none"> Second largest magazine publisher with a portfolio of leading titles 	<ul style="list-style-type: none"> One of Australia and New Zealand's leading online platforms Leading websites in Western Australia 	<ul style="list-style-type: none"> Nine radio licences across regional WA Other media related investments e.g. 33.3% of Sky News



FY11PF EBITDA contribution



² FY11PF EBITDA includes share of net profits from associates and forecast pro forma synergies of \$15 million (included as part of "other" contribution to Combined Group EBITDA), but excludes one off costs associated with synergies. WAN expects synergies to be implemented in full during the remainder of FY11 and FY12.

Market leading positions in a diverse range of core media categories

The Proposed Transaction will extend WAN's exposure to market leading positions in a diverse range of core media categories including FTA television and print media and exposure to the high growth online category.

FTA television represents SMG's most significant operating segment. SMG's FTA television business is forecast to contribute FY11PF EBITDA of \$376 million on FY11PF revenue of \$1,234 million. This is expected to represent 58% of FY11PF EBITDA for the Combined Group.

Australia's leading FTA television network in a highly attractive segment

The FTA television industry is considered one of the most significant and influential media platforms in Australia. On average, Australians watch between three to five hours of television per day, making it the most consumed media source, and in turn one of the most attractive formats for advertisers. Due to this mass-market appeal, the FTA television industry has remained stable at 84% of the peak time viewing audience over the past three years, with the balance attributable to pay television³.

The successful launch of new digital multi-channels, including SMG's 7TWO and 7mate, combined with recovering Australian advertising revenues in 2010, is forecast to result in total FTA television advertising market growth of 16.6% in 2010 (compared to a market contraction in 2009 of 7.6%).

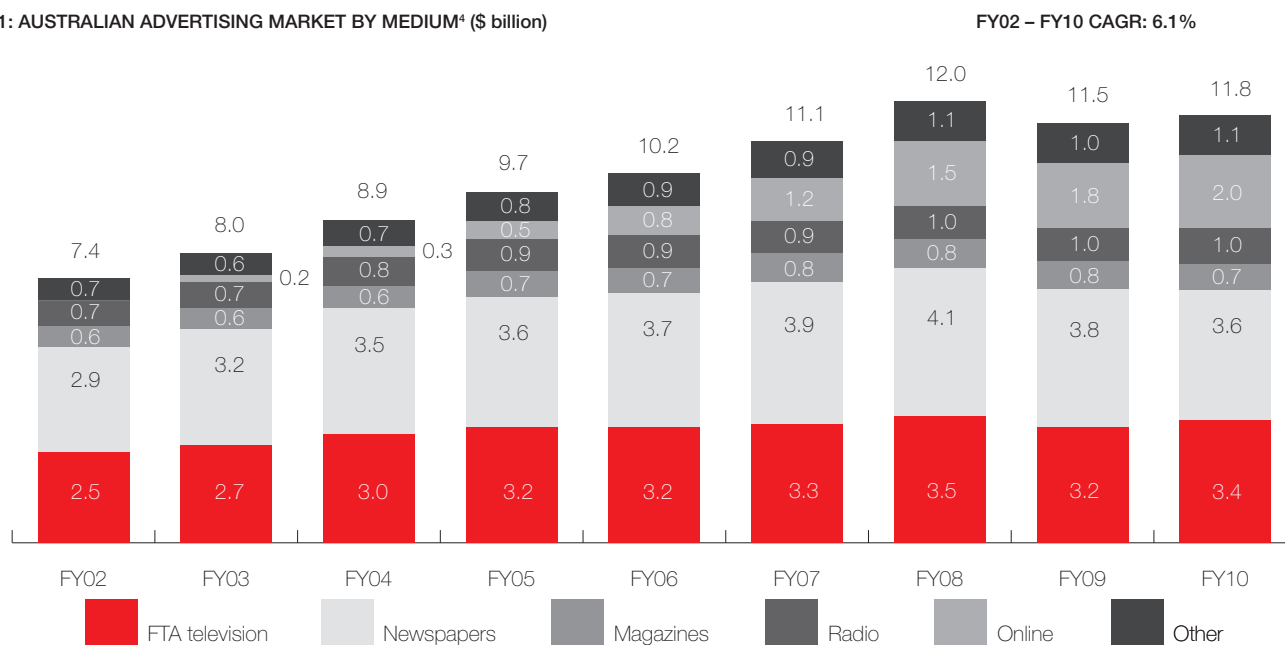
The FTA television advertising market is the second fastest growing media platform in Australia after online.

³ Total TV share of all viewing (all homes) (6pm to 12am).

84% peak time
viewing audience

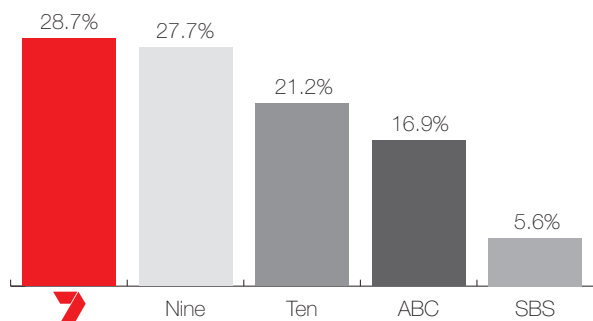
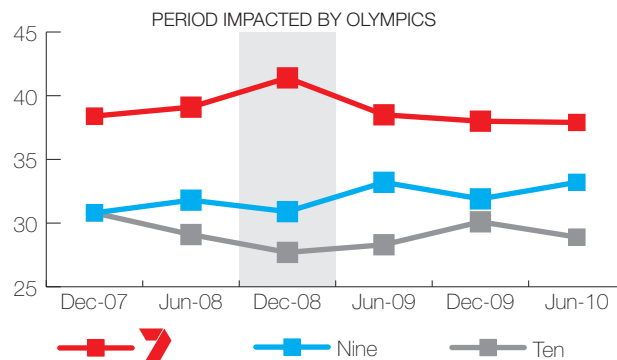
FTA television

FIGURE 1: AUSTRALIAN ADVERTISING MARKET BY MEDIUM* (\$ billion)



Seven, SMG's primary FTA television channel, maintained its leading audience share during the key peak time viewing period amongst the FTA television broadcasters in Australia during 2010. This leading market position enabled Seven to again capture the highest level of advertising revenue amongst the commercial metropolitan FTA television networks in FY10.

Importantly, Seven has been able to achieve this leading audience share position consistently since 2006, as well as across a range of FTA television market demographics.

FIGURE 2: PEAK TIME FTA TELEVISION AUDIENCE SHARE (2010)⁵FIGURE 3: COMMERCIAL METROPOLITAN FTA TELEVISION NETWORK SHARE OF ADVERTISING REVENUE (%)⁶

4 Commercial Economic Advisory Service of Australia (CEASA). "Advertising Expenditure in Main Media" (years to 30 June).

5 Based on five-city metropolitan survey year period for 6pm-12am, total individuals FTA share including multi-channels viewing period (7 February 2010 to 25 December 2010).

6 Market share of gross advertising revenue for the three Australian commercial FTA television networks in all capital cities (1 July 2007 to 30 June 2010).

Market leading positions in a diverse range of core media categories

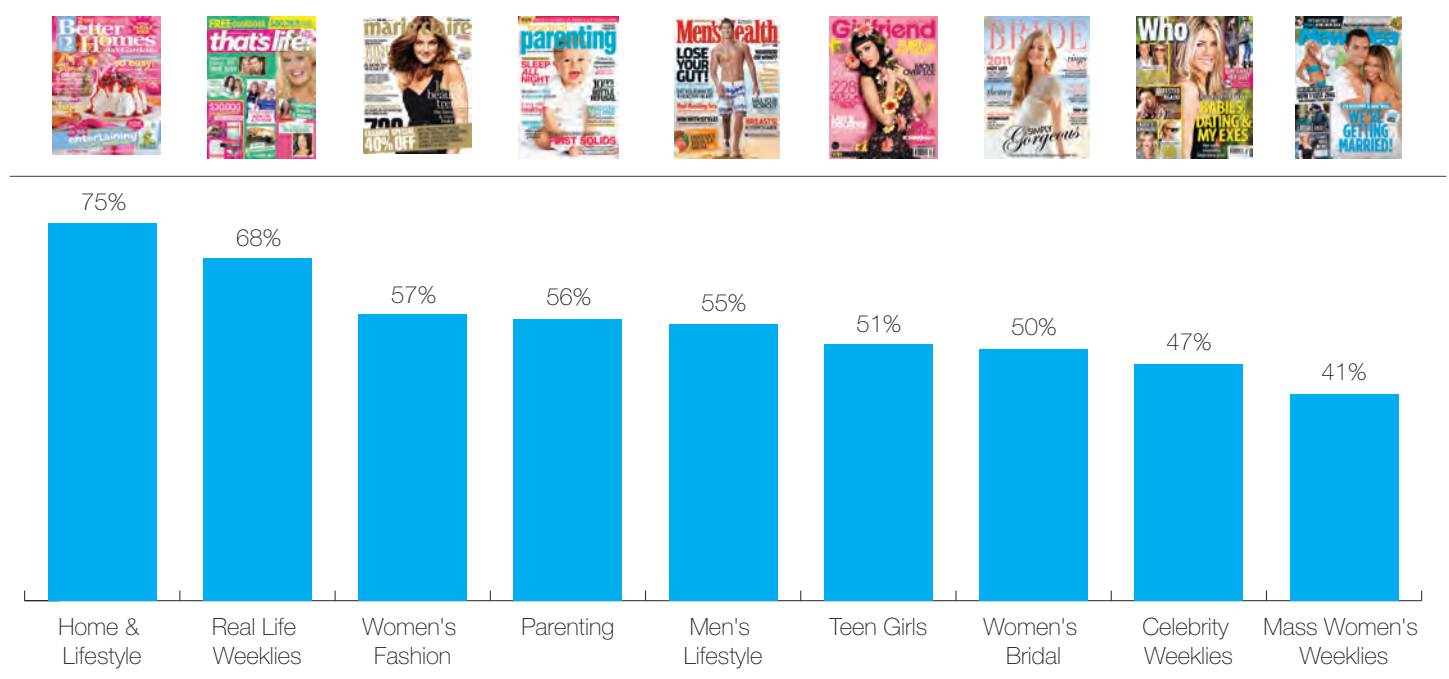
Substantial magazine publishing business with a portfolio of leading titles

Pacific Magazines is Australia's second largest domestic magazine publisher with a portfolio of leading titles, including best-selling titles in the key categories of home & lifestyle ("Better Homes and Gardens"), fashion ("Marie Claire") and men's lifestyle ("Men's Health").

Pacific Magazines publishes two of Australia's three best selling weekly magazines ("New Idea" and "That's Life!"). During FY10, Pacific Magazines outperformed the overall magazine industry, building readership and delivering the largest market share increase of any Australian major magazine publisher. It is also the only major magazine publisher to improve its advertising performance in the 12 months to December 2010.

Pacific Magazine's portfolio includes over 25 titles which together amounted to approximately 29% market share of overall gross domestic readership, and 27% market share of total magazine advertising revenue in the 12 months to December 2010.

FIGURE 4: MAGAZINE ADVERTISING REVENUE – PACIFIC MAGAZINES % OF TOTAL MARKET BY CATEGORY



Exposure to high growth new media

Yahoo!7 is a 50:50 joint venture between SMG and Yahoo! Inc that was established in December 2005. Yahoo!7 combines the FTA television and magazine content and marketing capabilities of SMG with the online capabilities of Yahoo!.

Yahoo!7 is currently Australia's fourth most viewed domestic website (by unique browser) as well as the number one television website. Approximately one in every two online Australians visit Yahoo!7 every month and it is the most popular website by unique browser visits within the sport, finance and lifestyle online viewership segments.

The Proposed Transaction is expected to provide further opportunities for WAN to accelerate its online media strategy, and will position the business to take advantage of growth opportunities in the online media segment through its exposure to one of the Australia's fastest growing internet platforms.



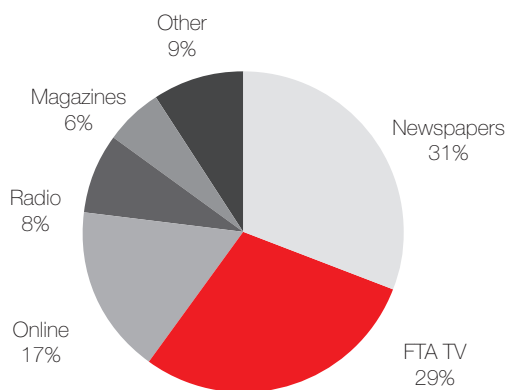
29% market share

Pacific Magazines' overall gross domestic readership

Diversified and integrated media model with cross-selling and synergistic benefits

Following the Proposed Transaction, the Combined Group's portfolio of FTA television, newspaper, magazine, online and other media assets will provide it with exposure to approximately 91% of the total advertising expenditure market in Australia.

FIGURE 5: MAJOR MEDIA COMPONENTS OF ADVERTISING EXPENDITURE IN AUSTRALIA⁷



The ownership of such a broad range of media assets addressing a wider national audience is forecast to provide WAN with the opportunity to generate synergies across the group. These synergies are forecast to be driven by cross-selling across an enlarged portfolio of FTA television, newspaper, magazine and online media assets, as well as offering advertising packages to customers across multiple advertising channels, particularly in the Perth market.

See Sections 6.2 and 6.10 for a more detailed analysis of the synergies forecast to be generated from the Proposed Transaction.

Additionally, the diversification of WAN's assets across media platforms is expected to assist in mitigating the impact of a downturn in one media platform, while also introducing multiple avenues for future growth in media channels that WAN Shareholders previously did not have exposure to.

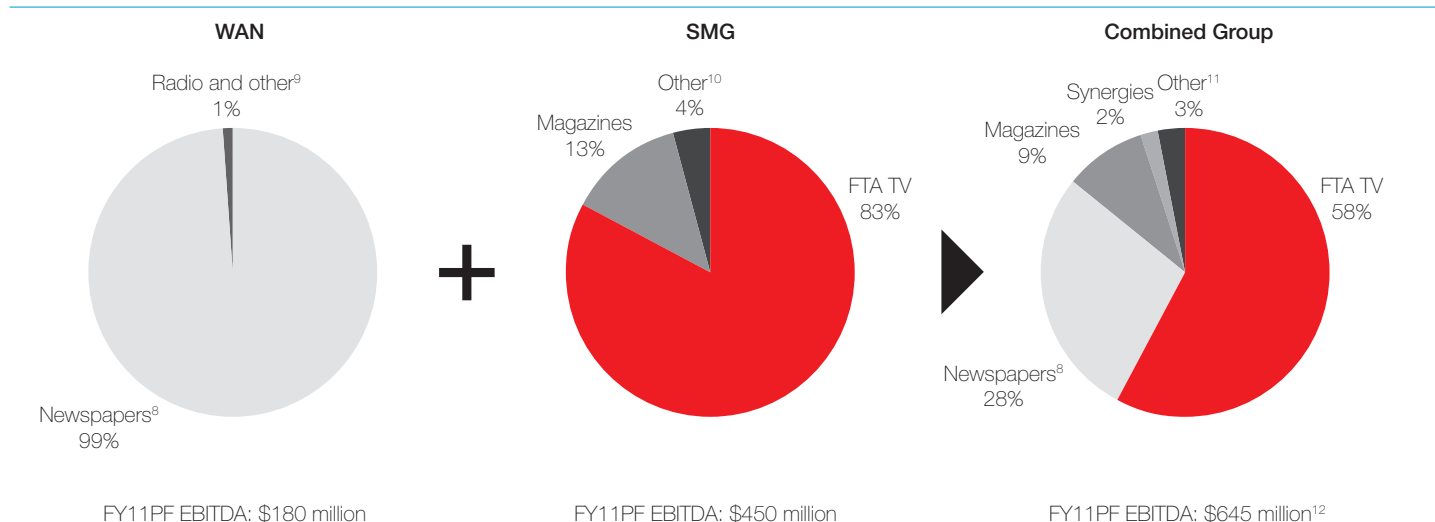
Exposure to 91% of total approximated advertising expenditure

\$645 million FY11PF EBITDA



⁷ CEASA, "Advertising Expenditure in Main Media" (years to 30 June).

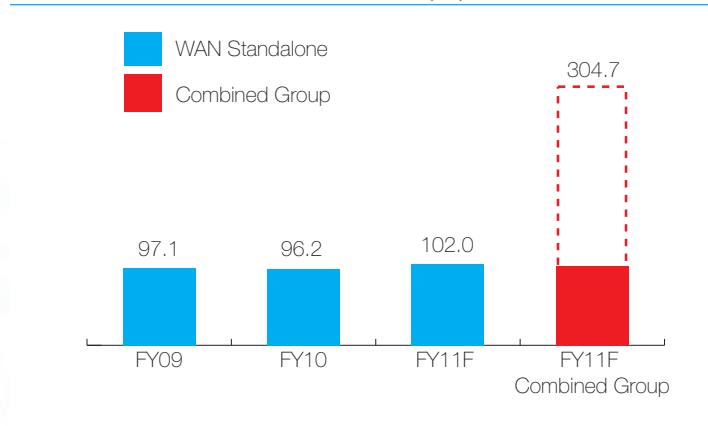
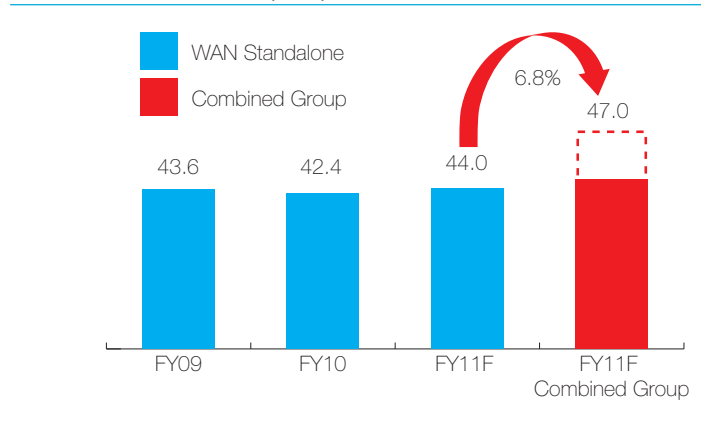
FIGURE 6: FY11PF EBITDA



EPS accretion to shareholders

Based on the Board's expectations of the financial performance of the existing WAN business and the forecast earnings for SMG together with pro forma synergies, the Proposed Transaction would, on a FY11PF basis, result in EPS accretion of 6.8%.

Further details on pro forma results and underlying assumptions are set out in Section 6.10, including those pertaining to EPS calculations.

FIGURE 7: PRO FORMA OPERATIONAL NPAT¹³ (\$m)FIGURE 8: ADJUSTED EPS¹⁴ (cents)

⁸ Includes The West, Regionals, Quokka and WAN's share of NPAT of its Associate (Community Newspaper Group).

⁹ Includes Radio, Online, Colour Press and other.

¹⁰ Includes SMG's share of NPAT of Associates (predominately Yahoo!7).

¹¹ Includes Radio, Online, Colour Press, SMG's share of NPAT of Associates (predominately Yahoo!7) and other.

¹² FY11PF EBITDA includes expected forecast pro forma synergies of \$15 million but excludes any one-off costs associated with the synergies. WAN expects identified synergies to be implemented in full during the remainder of FY11 and FY12.

¹³ Refer to Pro Forma financials detailed in Section 4.5, 5.7 and 6.10.

¹⁴ Based on diluted EPS calculated assuming the Combined Group was together for the full year FY11F (with SMG's pro forma net debt of \$1,654 million remaining constant) and forecast synergies as set out in Section 6.10 but excludes any one-off costs associated with the synergies, any additional amortisation resulting from the final purchase price allocation or transaction costs. WAN expects identified synergies to be implemented in full during the remainder of FY11 and FY12. WAN's standalone FY11F diluted EPS is before transaction costs. Refer to the calculation set out in Section 6.10. Basic EPS accretion of 13.1% on the same basis.



Attractive dividend yield and
P/E multiple



If the Proposed Transaction is completed, WAN has provided guidance that it expects to deliver a full year dividend for FY11PF of 45 cents per share, having declared today a dividend of 19 cents per share for the six months ended 31 December 2010. The second half dividend is ordinarily declared upon the release of the financial year results in late August and paid in late September. New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend.

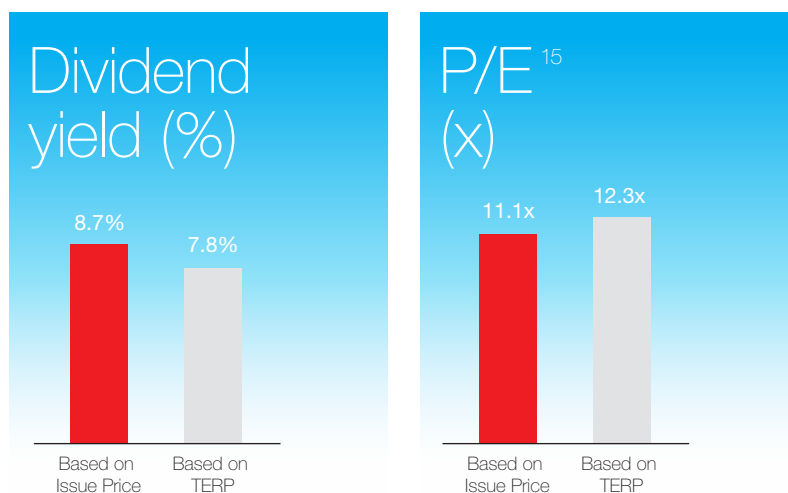
Based on WAN's dividend guidance for a FY11PF dividend of 45 cents per WAN Share, the Offers represent a dividend yield of 8.7% based on the Issue Price, and 7.8% based on the TERP¹⁵.

Based on the FY11PF NPAT of \$304.7 million, the Offers imply a FY11PF P/E of 11.1x¹⁶.

Benefits from enhanced market capitalisation

Following Completion, the Combined Group is likely to become the largest listed Australia-domiciled media company with a pro forma market capitalisation of \$3,543 million and the second largest media company on a pro forma free float basis¹⁷.

Furthermore, the value of the free float is expected to improve WAN's index position from around 126 to around 81¹⁸. Should WAN be included in the S&P/ASX 100 index, this is likely to enhance WAN's liquidity and index profile.



¹⁵ On a fully diluted basis.

¹⁶ Based on an Issue Price of \$5.20 and FY11PF EPS (diluted) of 47.0 cents.

¹⁷ Float-adjusted market capitalisation excludes strategic shareholdings of SGH and KKR and is calculated as total shares outstanding multiplied by the share price and percentage of shares available as free float.

¹⁸ Based on the constituents of the S&P/ASX 200 Index ranked by free float-adjusted market capitalisation as at 18 February 2011. Analysis excludes foreign-domiciled companies listed on ASX due to insufficient see-through on free float.

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Key Risks

In addition to normal risks affecting any listed equity or hybrid investment, an investment in CULS or New Shares is subject to specific risks associated with CULS, the Proposed Transaction and the Combined Group. These risks should be considered before applying for CULS or New Shares.

Further details regarding the risks associated with the Proposed Transaction and an investment in WAN are set out in Section 9.

Key risks include the following:

1. Risks associated with the Combined Group

- **Advertising market** – The price at which advertising can be sold by the Combined Group is dictated by the overall demand for advertising, which is inherently cyclical.
- **FTA television content** – The revenue and profitability of the Combined Group's FTA television business will depend upon its ability to produce and purchase superior television programming and maintain strong audience ratings vis-à-vis its competitors.
- **Competition** – The Combined Group will compete for audience share and advertising revenues with all forms of media. The introduction and development of new and innovative forms of media has the capacity to fragment audiences and reduce advertising spend directed to existing media. Alternative forms of media could become more attractive for advertisers, as a result of cost reductions, improvement in ease of production or improvement in ability to target audiences.
- **Regulatory** – The Combined Group may be adversely affected by changes in Government policy, regulation or legislation applying to companies in the media industry or to Australian companies in general.
- **Increased leverage** – If Completion of the Proposed Transaction occurs, there will be a significant increase in the Combined Group's ratio of net debt to EBITDA, as compared to WAN as a standalone entity. Shares in the Combined Group will therefore represent an investment in an entity which carries significantly more debt on relative terms than WAN on a standalone basis.
- **Synergies** – Certain synergies are expected to be realised as a result of combining the existing businesses of WAN and SMG (see Section 6.10.3). Those synergies are expected to be implemented in full by the end of FY12. It may not be possible for the Combined Group to realise the full synergies, whether in the expected time frame or at all. This could have an adverse effect on the Combined Group's business results of operations or financial condition and performance.
- **Refinancing risk** – There is a risk that the Combined Group may be required to refinance current WAN senior debt of \$241 million at 31 December 2010 if waivers to certain provisions of relevant finance facility agreements are not obtained (see Section 9.3.15). The Combined Group is also exposed to more general risks relating to any refinancing of its debt facilities (see Combined Group debt maturity commentary in Section 6.4.1). It may be difficult for the Combined Group to refinance all or some of these debt facilities and an inability to secure new debt facilities at a similar quantum and cost to existing debt facilities may adversely affect the financial performance of the Combined Group.
- **Risks associated with SGH's holding in the Combined Group** – SGH's holding of WAN Shares and CPS following Completion of the Proposed Transaction, together with any future utilisation of the "creep rule" exception under the Corporations Act, may give SGH a greater degree of control over WAN, including greater influence over the Combined Group's financial and operating policies, and the composition of the Combined Group's Board, than is currently the case. This may result in a change of control of WAN without payment of a control premium to WAN Shareholders. SGH may also exert that influence in ways that are not consistent with the interests of other WAN Shareholders.
- **Risks associated with the KKR Investment** – Following Completion of the Proposed Transaction, KKR, mezzanine investors and members of management relating to SMG will hold approximately 13% of the total WAN Shares on issue. There may be an expectation in the market that KKR will sell all or a substantial part of its WAN Shareholding, which may have a negative effect on the price of WAN Shares.

Key Risks

2. Risks associated with CULS

An investment in CULS is subject to a number of specific risks in addition to the normal risks affecting an investment in ordinary WAN Shares:

- **CULS market price and liquidity risk** – CULS may trade on ASX at a price below their Issue Price and the market price of CULS may fluctuate and fall due to various factors. The market for CULS may also be less liquid than the market on ASX for WAN Shares and CULS Holders who wish to sell their CULS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the CULS market.
- **WAN Share price at conversion** – The value of WAN Shares issued on conversion of CULS may be more or less than the Issue Price.
- **Redemption risk** – if Completion of the Proposed Transaction does not occur or is delayed beyond the Maturity Date, CULS will not convert into WAN Shares, but rather will be redeemed for their Issue Price plus the CULS Redemption Premium. The amount received by a CULS Holder on redemption may not represent an appropriate return to CULS Holders, in light of the period of time for which the CULS were on issue and comparable returns in the market.

3. General risks

There are general risks associated with any listed equity or hybrid investment. The trading price of CULS or WAN Shares in the Combined Group may fluctuate with movements in equity, hybrid and financial markets in Australia and internationally. This may result in CULS Holders or WAN Shareholders receiving a market price for their CULS or WAN Shares that is less or more than the price paid.

Questions and Answers

Answers to key questions about the Offers:

PART A. THE OFFERS

What are the Offers?	<p>The Offers comprise:</p> <ul style="list-style-type: none">• The Entitlement Offer, which is being made to Eligible Shareholders; and• The Public Offer, which is being made to Eligible Investors.	Section 2
What is the Issue Price under the Offers?	<p>\$5.20 per security. The Issue Price is the same for both the Entitlement Offer and the Public Offer.</p>	Sections 2.3.1 and 2.4.1
How much will WAN raise through the Offers?	<p>WAN will raise approximately \$693 million under the Offers before costs, comprising:</p> <ul style="list-style-type: none">• Approximately \$653 million under the Entitlement Offer; and• Approximately \$40 million under the Public Offer.	Section 2.1
Are the Offers underwritten?	<p>Both the Entitlement Offer and the Public Offer are fully underwritten by the Joint Lead Managers pursuant to the Underwriting Agreement.</p> <p>The fees payable to the Joint Lead Managers and a summary of the terms of the Underwriting Agreement are set out in Section 10.4.4.</p>	Section 2.5
What is the purpose of the Offers?	<p>The Offers are being conducted in conjunction with the Proposed Transaction (see below).</p> <p>The proceeds of the Offers, together with funds raised through the KKR Investment of approximately \$461 million, will be used to fund:</p> <ul style="list-style-type: none">• Debt reduction of approximately \$450 million;• \$650 million repayment of SGH loan owed by SMG;• The payment of transaction costs of approximately \$45 million; and• Other corporate purposes. <p>Refer to the next question and Part D for further information about the Proposed Transaction, including the KKR Investment.</p>	Section 2.1
What is the Proposed Transaction?	<p>The Proposed Transaction includes the following components:</p> <ul style="list-style-type: none">• WAN has contracted to acquire 100% of SMG from SGH for an enterprise value of \$4,085 million comprising:<ul style="list-style-type: none">— \$1,081 million in WAN Shares issued to SGH at a price of \$5.99 per WAN Share;— \$250 million of new WAN Convertible Preference Shares (CPS) issued to SGH;— \$650 million repayment of SGH loan owed by SMG; and— \$2,104 million of external net debt assumed¹ (before debt reduction of approximately \$450 million to \$1,654 million) on a pro forma basis.	

¹ At 25 December 2010 pursuant to the Share Sale Agreement.

Questions and Answers (continued)

What is the Proposed Transaction? (continued)	<ul style="list-style-type: none"> • WAN will also conduct a placement of approximately \$461 million WAN Shares to KKR, mezzanine investors and members of management relating to SMG at a price of \$5.99 per WAN Share. <p>A number of conditions must be satisfied before the Proposed Transaction may proceed, including obtaining WAN Shareholder and ACCC approvals. Refer to Part D for further information about the Proposed Transaction.</p>	
What is SMG?	<p>SMG is an abbreviation for Seven Media Group, one of Australia's leading media organisations and comprises a portfolio of FTA television, magazine and online media assets. The Proposed Transaction represents an attractive opportunity to transform WAN into a diversified, national multi-platform media group.</p>	Section 5
How can I participate in the Offers?	<p>If you are an Eligible Retail Shareholder and wish to participate in the Offers, the following options are available:</p> <ul style="list-style-type: none"> • Option 1 – subscribe for CULS under the Entitlement Offer. Refer to Part B; or • Option 2 – subscribe for both CULS under the Entitlement Offer and New Shares under the Public Offer. Refer to Parts B and C. <p>If you are an Eligible Investor who is not an existing WAN Shareholder you may not participate in the Entitlement Offer. However, you may apply for New Shares under the Public Offer. Refer to Part C for further details.</p>	Section 2.2
PART B. THE ENTITLEMENT OFFER		
(a) Overview of the Entitlement Offer		
What is the Entitlement Offer?	<p>The Entitlement Offer is an accelerated non-renounceable pro rata entitlement offer to Eligible Shareholders to subscribe for 4 CULS for every 7 WAN Shares they held as at the Entitlement Offer Record Date (being 4.00pm Perth time / 7.00pm Sydney time on 24 February 2011). Further details on CULS are set out in Part B(b) below.</p> <p>The Entitlement Offer comprises:</p> <ul style="list-style-type: none"> • The Institutional Entitlement Offer; and • The Retail Entitlement Offer. 	Section 2.3
What is the size of the Entitlement Offer?	<p>The Entitlement Offer is expected to raise approximately \$653 million.</p> <p>WAN expects to raise approximately \$326 million through the Institutional Entitlement Offer and approximately \$326 million through the Retail Entitlement Offer.</p>	Section 2.1
What is the Entitlement Offer Issue Price?	<p>\$5.20 per CULS. The Issue Price represents a discount of:</p> <ul style="list-style-type: none"> • 15.4% to \$6.15, being the dividend-adjusted closing price of WAN Shares on the last day of ASX trading before WAN announced the Offers²; and • 10.4% to the dividend-adjusted Theoretical Ex-Rights Price (TERP)³ of \$5.80. 	Section 2.3.1

² Last close as at 18 February 2011, adjusted for 1H11 interim dividend of 19 cents per share. New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend.

³ Equates to the theoretical WAN share price (adjusted for the 1H11 dividend) after allowing for the impact of the pro rata Entitlement Offer. Refer to Section 6.10.8 for further details.

Am I entitled to participate in the Entitlement Offer?

The Institutional Entitlement Offer is open to Eligible Institutional Shareholders.

Section 2.3.4

The Retail Entitlement Offer is open to Eligible Retail Shareholders.

Eligible Retail Shareholders are those persons who:

- Are registered as WAN Shareholders as at the Entitlement Offer Record Date (being 4.00pm Perth time / 7.00pm Sydney time on 24 February 2011);
- Have a registered address in Australia and New Zealand;
- Are not in the United States and are not or acting for the account or benefit of a person in the United States (to that extent);
- Are not an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder and do not hold WAN Shares on behalf of an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder; and
- Are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

How do I apply?

Eligible Retail Shareholders will be sent a personalised Application Form setting out their Entitlement.

Section 3

If you are an Eligible Retail Shareholder and you did not receive your personalised Application Form you should:

- Call the WAN Offer Information Line on 1300 133 562 (within Australia) or +61 3 9415 4603 (outside Australia) between 6.00am to 5.00pm Perth time (9.00am to 8.00pm Sydney time⁴) Monday to Friday during the Entitlement Offer Period to find out your Entitlement and be sent your personalised Application Form; or
- Visit www.sevenwestproposal.com.au and enter your HIN or SRN to receive your Entitlement details and B_{PAY} instructions.

If you decide to take up all or part of your Entitlement, and/or apply for New Shares under the Public Offer, you should:

- Pay your Application Monies via B_{PAY}; or
- Complete and return your personalised Application Form in accordance with the instructions set out on the form, along with the requisite Application Monies by cheque, bank draft or money order,

by no later than 2.00pm Perth time / 5.00pm Sydney time on 18 March 2011.

If you wish to apply in the Public Offer after the Entitlement Offer Closing Date, you must apply as an Eligible Investor.

Refer to Section 3 of this Prospectus for detailed instructions on how to apply.

⁴ From 4 April 2011 the WAN Offer Information Line will be open 7.00am to 5.00pm Perth time (9.00am to 7.00pm Sydney time) to reflect the end of Australian Eastern Daylight Time.

Questions and Answers (continued)

Can I apply for more than my Entitlement?	<p>You may not apply for more CULS than your Entitlement.</p> <p>You may, however, apply for New Shares under the Public Offer.</p> <p>You will be deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.</p> <p>See Part C for further details on the Public Offer and Section 3 for detailed instructions on how to apply.</p>	Section 2.3.5
Is there a cooling off period?	<p>There is no cooling off period for investors.</p>	
Can the Entitlement Offer be withdrawn?	<p>Yes. WAN reserves the right to withdraw the Entitlement Offer and this Prospectus at any time, subject to the Corporations Act, the Listing Rules and other applicable laws.</p> <p>If the Entitlement Offer is withdrawn, CULS will not convert into WAN Shares, but rather will be redeemed for their Issue Price plus the CULS Redemption Premium.</p>	Section 2.6
What if I do not wish to participate?	<p>If you do not wish to participate in the Entitlement Offer, you should do nothing. If you do nothing, then the CULS which would have been offered to you in accordance with your Entitlement are expected to be issued pursuant to the Underwriting Agreement.</p> <p>As the Entitlement Offer is non-renounceable, if you do not take up your full Entitlement, those Entitlements that you do not take up will lapse and you will not receive any payment or value for them.</p> <p>Your Entitlement to CULS cannot be traded on ASX or any other exchange, nor can it be otherwise transferred.</p> <p>If:</p> <ul style="list-style-type: none">• You choose to do nothing, or do not take up your full Entitlement; and• CULS are converted into WAN Shares, <p>your percentage shareholding in WAN will be reduced following the issue of new WAN Shares on conversion.</p>	Section 2.2.1
What happens if I am an Ineligible Retail Shareholder?	<p>If you are an Ineligible Retail Shareholder you will be sent a letter notifying you that you are an Ineligible Retail Shareholder. The CULS which would have been offered to you in accordance with your Entitlement are expected to be issued pursuant to the Underwriting Agreement.</p> <p>As the Entitlement Offer is non-renounceable, you will not receive any payment or value for CULS that would have been offered to you had you been an Eligible Retail Shareholder.</p> <p>If the CULS are converted into WAN Shares, your percentage shareholding in WAN will be reduced following the issue of new WAN Shares on conversion.</p>	Section 2.3.4

What are my payment options?

Section 3.2.1

If you are an Eligible Retail Shareholder and wish to take up all or part of your Entitlement and apply for New Shares in the Public Offer, you have two options:

- **Option 1** – If paying by cheque, bank draft or money order, complete the personalised Application Form in accordance with the instructions on that form, and then return that form to the Registry together with the full Application Monies in respect of the CULS you wish to take up, and any New Shares you wish to apply for in the Public Offer. The completed personalised Application Form and cheque, bank draft or money order must be received by the Registry by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011 in the envelope enclosed with this Prospectus; or
- **Option 2** – If paying by BPAY, transfer the full Application Monies in respect of the CULS you wish to take up, and any New Shares you wish to apply for in the Public Offer, in accordance with the instructions on the personalised Application Form accompanying this Prospectus. Payment by BPAY must be received by the Registry by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.

When you submit your Application Monies, you will be deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.

Note: If you are paying by BPAY:

- You do not need to submit the personalised Application Form but are taken to make the representations on that form; and
- You must check the processing cut off time for BPAY transactions with your financial institution, and take that into consideration when making payment, as that cut off time may be before the end of the Entitlement Offer Closing Date.

If you wish to apply in the Public Offer after the Entitlement Offer Closing Date, you must apply as an Eligible Investor.

(b) Overview of CULS

What are CULS?

Section 1

- CULS are convertible unsecured loan note securities issued under the CULS Trust Deed.
- CULS are convertible into WAN Shares in certain circumstances or redeemed at their Issue Price for cash plus a Redemption Premium.

Why is WAN issuing CULS and not ordinary WAN shares?

CULS have been specifically designed to meet WAN's funding requirements in relation to the Proposed Transaction. Issuing CULS provides:

- **Certainty** – Issuing CULS delivers equity funding certainty to WAN by providing it with funds necessary to complete the Proposed Transaction; and
 - **Flexibility** – if the Proposed Transaction is not successfully completed, the CULS will be redeemed, enabling WAN to maintain a more optimal capital structure in those circumstances.
-

Questions and Answers (continued)

How will I know if my CULS are to be converted or redeemed?	WAN will make an announcement to ASX as soon as reasonably practicable after the occurrence of a conversion or redemption trigger (as applicable) under the CULS Terms of Issue (set out in Appendix A).	Appendix A, Clauses 3.1 and 4.1
What return will I receive on my CULS?	<p>The potential value of CULS will depend, among other things, on whether they are converted or redeemed.</p> <p>No interest will be payable on CULS (other than the Redemption Premium payable on redemption and payment of default interest in limited circumstances if WAN defaults on certain obligations in relation to the CULS).</p>	Appendix A
Under what circumstances are CULS converted?	The conversion trigger for the CULS is WAN Shareholder approval of the Proposed Transaction at the EGM, along with the satisfaction or waiver of all other conditions precedent in the Share Sale Agreement (under which WAN has agreed to acquire SMG). WAN will announce the occurrence of a conversion trigger to ASX, and will specify a CULS Conversion Date to occur no later than 10 Business Days after the announcement. If the steps to occur under Completion prior to that date have not occurred, the CULS will not convert on that date and WAN may announce a new CULS Conversion Date, to occur within five Business Days. Otherwise CULS will be redeemed.	Appendix A, Clause 3
What is the expected CULS Conversion Date?	The expected timetable in relation to the Proposed Transaction is set out in Key Dates on Pages 6 and 7. The EGM to approve the Proposed Transaction is scheduled to occur on 11 April 2011. If the Proposed Transaction is approved by WAN Shareholders and effected in accordance with the expected timetable, the CULS Conversion Date for CULS will be 20 April 2011.	Appendix A
What is the Conversion ratio?	One WAN Share for each CULS converted. If at any time while CULS are on issue WAN Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, or there is a bonus issue or rights issue in relation to the WAN Shares (other than certain permitted issues associated with the Proposed Transaction), WAN must reconstruct the conversion ratio taking into account such event as if the CULS were shares in WAN and in accordance with the Listing Rules.	Appendix A, Clause 3.3
Can I request the Issuer to convert the CULS?	CULS Holders have no rights to request conversion.	Appendix A
Under what circumstances are CULS redeemable?	<p>Each of the following is a redemption trigger for the CULS:</p> <ul style="list-style-type: none"> • The Share Sale Agreement being terminated in accordance with its terms; • WAN forming the view that the Proposed Transaction will not become effective by the Maturity Date; • WAN Shareholders not approving the Proposed Transaction; or • CULS remaining on issue immediately prior to the Maturity Date. 	Appendix A
What is the CULS Maturity Date?	<p>30 June 2011.</p> <p>If CULS have not been converted or redeemed before the Maturity Date, they will be redeemed on the Maturity Date.</p>	Appendix A

What is the CULS redemption price?	Any CULS redeemed will be redeemed at their Issue Price plus a Redemption Premium. If there is no delay in the proposed timetable, the Redemption Premium payable will be an amount of \$0.13, equal to 2.5% of the Issue Price. In the event of a delay in the timetable, the Redemption Premium will increase at a rate of 1.0% a month so that the Redemption Premium where the Redemption Date occurs in May 2011 will be 3.5% of the Issue Price and where the Redemption Date occurs in June 2011 it will be 4.5% of the Issue Price.	Appendix A, Clause 4.2
When will I be paid if the CULS are redeemed?	The CULS will be redeemed, and amounts payable on redemption will be paid, on the CULS Redemption Date. WAN will announce the occurrence of a redemption trigger and the CULS Redemption Date will be a date no later than 10 Business Days after that announcement.	Appendix A, Clause 4.2
What happens if CULS are not redeemed?	Failure to redeem CULS when required under the CULS Terms of Issue will be an event of default by WAN under the CULS Terms of Issue. While such event continues, interest will accrue from the date of such breach on the sum of the Issue Price plus any applicable Redemption Premium at a default rate of BBSW (bank bill swap reference rate) plus 2% per annum.	Appendix A, Clause 5.2
Can I request the Issuer to redeem CULS?	CULS Holders have no rights to request redemption.	Appendix A
Do CULS have voting rights?	No. CULS Holders do not have voting rights at any general meeting of WAN unless provided for by the Listing Rules or Corporations Act. However, CULS Holders may attend general meetings of WAN. If CULS are converted, CULS Holders will receive WAN Shares and will have voting rights attached to those shares in accordance with the WAN Constitution.	Appendix A, Clause 7.3
Will CULS be traded on ASX?	WAN will apply for CULS to be quoted on ASX. CULS issued under the Institutional Entitlement Offer and the Retail Entitlement Offer are expected to commence trading on ASX on or around 3 March 2011 and 30 March 2011 respectively under ASX code "WANG". If quoted, CULS can be purchased or sold through any stockbroker. Quotation on ASX is not guaranteed or automatic. WAN will refund Application Monies if quotation of CULS is not granted prior to the issue of CULS.	Key dates Appendix A Section 7.1
What are the significant risks associated with an investment in CULS?	The key risks associated with an investment in CULS are described in Section 9.4. If the CULS are converted, CULS Holders will receive new WAN Shares. The key risks associated with holding WAN Shares are described in Sections 9.4.3 and 9.6.	Key risks Section 9.4
What are the taxation implications of investing in CULS?	A summary of the general Australian taxation implications of investing in CULS is set out in Section 8.2. The discussion is in general terms only and is not intended to provide specific advice in relation to the circumstances of any particular WAN Shareholder. Eligible Retail Shareholders should seek their own taxation advice before deciding whether to invest in CULS.	Section 8.2
Where will CULS rank on a winding up of WAN?	CULS are unsecured obligations of WAN and rank equally without any preference. On a winding up of WAN, the rights of each CULS Holder shall rank pari passu with all other unsecured creditors of WAN.	Appendix A, Clause 1.3

Questions and Answers (continued)

PART C. THE PUBLIC OFFER

What is the Public Offer?	The Public Offer is an offer of new fully paid ordinary shares in WAN (New Shares).	Section 2.4
What is the size of the Public Offer?	7.7 million New Shares are being offered under the Public Offer. The Public Offer is expected to raise approximately \$40 million before costs.	Section 2.4.1
What is the Public Offer Issue Price?	<p>\$5.20 per New Share. The Issue Price represents a discount of:</p> <ul style="list-style-type: none"> 15.4% to \$6.15, being the dividend-adjusted closing price of WAN Shares on the last day of ASX trading before WAN announced the Offers⁵; and 10.4% to the dividend-adjusted TERP⁶ of \$5.80. 	Section 2.4.1
May I participate in the Public Offer?	<p>The Public Offer is open to Eligible Investors and Eligible Retail Shareholders.</p> <p>Eligible Investors are those persons who:</p> <ul style="list-style-type: none"> Are investors resident in Australia or New Zealand; Are not in the United States and are not or acting for the account or benefit of a person in the United States (to that extent); and Are eligible under all applicable securities laws to receive an offer under the Public Offer. <p>Eligible Retail Shareholders are those persons who:</p> <ul style="list-style-type: none"> Are registered as a WAN Shareholder as at 4.00pm Perth time / 7.00pm Sydney time on 24 February 2011 (the Entitlement Offer Record Date); Have a registered address in Australia or New Zealand; Are not in the United States and are not or acting for the account or benefit of a person in the United States; Are not an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder and does not hold WAN Shares on behalf of an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder (to that extent); and Are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer. 	Section 2.4.2
Is the Offer conditional? What happens if the conditions precedent to the Share Sale Agreement are not satisfied or waived?	<p>Settlement of the Public Offer will only occur if the Proposed Transaction proceeds, which is conditional upon:</p> <ul style="list-style-type: none"> WAN Shareholders approving the Proposed Transaction; and All other conditions precedent under the Share Sale Agreement being satisfied or waived, <p>and prior Completion steps being completed.</p>	Section 2.4.1

⁵ Last close as at 18 February 2011, adjusted for 1H11 interim dividend of 19 cents per share. New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend.

⁶ Equates to the theoretical WAN share price (adjusted for the 1H11 dividend) after allowing for the impact of the pro rata Entitlement Offer. Refer to Section 6.10.8 for further details.

Is the Offer conditional? What happens if the conditions precedent to the Share Sale Agreement are not satisfied or waived? (continued)

If Completion does not occur, WAN will refund Application Monies received in respect of Public Offer Applications in accordance with the Corporations Act and without interest.

WAN Shareholders will separately be sent a notice of meeting and Explanatory Memorandum in respect of the EGM for the Proposed Transaction.

Section 2.4.1

How do I apply for New Shares?

For Eligible Investors:

Section 3.3

You may apply for New Shares by submitting a valid Public Offer Application Form. The Public Offer Application Form is included at the back of this Prospectus. You may also apply online via an online Public Offer Application Form at www.sevenwestproposal.com.au.

If you choose to pay by cheque, bank draft or money order, your completed Public Offer Application Form and Application Monies must be received by no later than 3.00pm Perth time/5.00pm Sydney time on 11 April 2011.

Note that the closing date for cheque, bank draft, or money order Applications is earlier than for B_{PAY} payments.

If you choose to pay by B_{PAY}, you must complete and submit an online Public Offer Application Form at www.sevenwestproposal.com.au and submit your Application Monies by B_{PAY} to the Registry by no later than 3.00pm Perth time/5.00pm Sydney time on 13 April 2011, in accordance with the instructions set out on the form.

If you are paying by B_{PAY}, you must check the processing cut off time for B_{PAY} transactions with your financial institution, and take that into consideration when making payment, as that cut off time may be before the Public Offer Closing Date.

If you are an Eligible Retail Shareholder and you wish to apply under the Public Offer for New Shares above your CULS Entitlement (in conjunction with your application for CULS), you have two options:

- **Option 1** – If paying by cheque, bank draft or money order, complete the personalised Application Form in accordance with the instructions on that form, and then return that form to the Registry together with the full Application Monies in respect of the CULS you wish to take up, and any New Shares you wish to apply for in the Public Offer. The completed personalised Application Form and cheque, bank draft or money order must be received by the Registry during by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011 in the envelope enclosed with this Prospectus or otherwise at the address set out in Section 3.3; or
 - **Option 2** – If paying by B_{PAY}, transfer the full Application Monies in respect of the CULS you wish to take up, and any New Shares you wish to apply for in the Public Offer, in accordance with the instructions on the personalised Application Form accompanying this Prospectus. Payment by B_{PAY} must be received by the Registry by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.
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Questions and Answers (continued)

How do I apply for New Shares? (continued)	<p>When you submit your Application Monies, you will be deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.</p> <p>If you are paying by BPAY:</p> <ul style="list-style-type: none"> You do not need to submit the personalised Application Form but are taken to make the representations on that form; and You must check the processing cut off time for BPAY transactions with your financial institution, and take that into consideration when making payment, as that cut off time may be before the end of the Entitlement Offer Closing Date. <p>If you wish to apply in the Public Offer after the Entitlement Offer Closing Date, you must apply as an Eligible Investor.</p>	Section 3.3
Are there minimum and maximum application amounts?	<p>The minimum application for Eligible Investors is \$2,000. Applications over \$2,000 should be multiples of \$500.</p> <p>WAN and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of New Shares than that applied for.</p>	Section 2.4.4
Is there a cooling off period?	<p>There is no cooling off period for investors.</p>	
What are my payment options?	<p>For Eligible Investors</p> <p>If you wish to make an Application for New Shares you have two options:</p> <ul style="list-style-type: none"> Option 1 – If paying by cheque, bank draft or money order, complete the Public Offer Application Form included at the back of this Prospectus, in accordance with the instructions on that form, and then return that form to the Registry together with payment of the full Application Monies in respect of the New Shares you wish to apply for. The completed Public Offer Application Form and cheque, bank draft or money order must be received by the Registry by no later than 3.00pm Perth time/ 5.00pm Sydney time on 11 April 2011 at the address set out in Section 3.3; or Option 2 – If paying by BPAY, complete an online Public Offer Application Form at www.sevenwestproposal.com.au and submit your Application Monies by BPAY by no later than 3.00pm Perth time/5.00pm Sydney time on 13 April 2011. On submission of the online Public Offer Application Form, you will be taken to make the representations on that form. You must check the processing cut off time for BPAY transactions with your financial institution and take that into consideration when making payment, as that cut-off time may be before the Public Offer Closing Date. <p>Note that the closing date for cheque, bank draft or money order Applications is earlier than for BPAY payments.</p>	Section 3.3.1

What are my payment options?

(continued)

For Eligible Retail Shareholders**Section 3.3.1**

If you wish to make an Application for New Shares you have two options:

- **Option 1** – If paying by cheque, bank draft or money order, complete the personalised Application Form in accordance with the instructions on that form, and then return that form to the Registry together with the full Application Monies in respect of the CULS you wish to take up, and any New Shares you wish to apply for in the Public Offer. The completed personalised Application Form and cheque, bank draft or money order must be received by the Registry during by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011 in the envelope enclosed with this Prospectus or otherwise at the address set out in Section 3.3; or
- **Option 2** – If paying by BPAY, transfer the full Application Monies in respect of the CULS you wish to take up, and any New Shares you wish to apply for in the Public Offer, in accordance with the instructions on the personalised Application Form accompanying this Prospectus. Payment by BPAY must be received by the Registry by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.

When you submit your Application Monies, you will be deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.

If you are paying by BPAY:

- You do not need to submit the personalised Application Form but are taken to make the representations on that form; and
- You must check the processing cut off time for BPAY transactions with your financial institution, and take that into consideration when making payment, as that cut off time may be before the end of the Entitlement Offer Closing Date.

If you wish to apply in the Public Offer after the Entitlement Offer Closing Date, you must apply as an Eligible Investor.

When will I receive confirmation that my Application has been successful?

It is expected that holding statements will be despatched to successful Applicants by standard post on or around 15 April 2011.

Section 2.4.5

Can the Public Offer be withdrawn?

Yes. WAN reserves the right to withdraw the Public Offer and this Prospectus at any time, subject to the Corporations Act, the Listing Rules and other applicable laws.

Section 2.6

If the Public Offer is withdrawn, WAN will refund Application Monies for the Public Offer in accordance with the Corporations Act and without interest.

What are the taxation implications of the Public Offer?

A summary of the general Australian taxation implications for applicants under the Public Offer is set out in Section 8.4. The discussion is in general terms only and is not intended to provide specific advice in relation to the circumstances of any particular person.

Section 8.4

Questions and Answers (continued)

PART D. INFORMATION ABOUT THE PROPOSED TRANSACTION AND THE FINANCIAL EFFECT OF THE PROPOSED TRANSACTION AND THE OFFERS

What is the Share Sale Agreement?	The share sale agreement is an agreement entered into between SGH and WAN to give effect to the Acquisition.	Section 10.4.1
What are CPS?	<p>CPS are convertible preference shares which may be converted into WAN Shares in certain circumstances. Approximately \$250 million of CPS will be issued to SGH in consideration for the acquisition of SMG on or around 18 April 2011 if all conditions precedent under the Share Sale Agreement (including WAN Shareholder approval at the EGM) are satisfied or waived and prior Completion steps are completed by that date.</p> <p>A summary of the terms of the CPS is set out in Section 10.5.</p>	Section 10.5
Who is KKR?	Kohlberg Kravis Roberts & Co. L.P. is a global alternative asset manager. KKR holds an approximate 45% ⁷ interest in SMG.	
What is the KKR Investment?	<p>Under the KKR Subscription Agreement, KKR, mezzanine investors and members of management relating to SMG will be issued 77.0 million WAN Shares for cash consideration at a price of \$5.99 per WAN Share.</p> <p>The WAN Shares to be issued under the KKR Subscription Agreement will not be entitled to any interim dividend declared by WAN for the half year ending 31 December 2010.</p> <p>Under the KKR Subscription Agreement, KKR may nominate a Board member while it and the mezzanine investors' aggregate shareholding in WAN remains above 10%.</p>	Section 10.4.2
What is the SGH Sell Down?	<p>In conjunction with the Proposed Transaction, SGH will sell its existing 24.3% interest in WAN and not take up its entitlement under the Entitlement Offer, such sale being conditional upon the Proposed Transaction being effected.</p> <p>SGH will subsequently receive approximately \$1,081 million in WAN Shares as partial consideration for selling SMG to WAN, resulting in an anticipated SGH shareholding immediately following Completion in WAN of 29.6% consistent with the maximum allowable holding under the Proposed Transaction. In addition, as described above, SGH will also receive \$250 million of CPS resulting in a total investment in WAN of approximately \$1,331 million before accounting adjustments.</p> <p>The WAN Shares issued to SGH will not be entitled to any interim dividend declared by WAN for the half year ending 31 December 2010.</p>	

⁷ SGH's and KKR's respective interests in SMG would be 45% each if fully diluted for future vesting of the SMG Management Equity Plan, however each of SGH's and KKR's respective interests in SMG are each presently approximately 46.5%.

What will the Combined Group look like?	If the Proposed Transaction proceeds, WAN will be transformed into a national multi-platform media business with earnings contributed by Australia's leading FTA television network, the leading metropolitan newspaper in Western Australia, the second largest magazine group and one of Australia and New Zealand's leading online platforms.	Section 6
What are the Control implications of the Proposed Transaction?	<p>SGH currently holds 24.3% of the WAN Shares on issue. Immediately following Completion of the Proposed Transaction, SGH will hold 29.6% of the total WAN Shares on issue. That shareholding and SGH's two nominees on the WAN Board may or may not give SGH practical control of WAN following completion of the Proposed Transaction.</p> <p>SGH may potentially further increase its WAN shareholding in a number of ways, including through:</p> <ul style="list-style-type: none"> • The conversion of the CPS issued to SGH as part of the consideration for the acquisition of SMG; and/or • Utilising the "creep rule" exception in the Corporations Act to acquire up to an additional 3% of WAN Shares in each 6 month period. 	Section 6.5
How will the Proposed Transaction affect WAN Shareholders?	<p>If the Proposed Transaction is approved, the number of WAN Shares held by a WAN Shareholder will not change, other than to the extent they are issued WAN Shares pursuant to the Offers (including on the conversion of CULS). However, a WAN Shareholder's percentage shareholding will be diluted by the issue of WAN Shares to SGH and KKR, mezzanine investors and members of management relating to SMG and depending on the extent of their participation, the issue of WAN Shares to other persons pursuant to the Offers.</p> <p>The percentage of WAN Shares held by existing WAN Shareholders other than SGH will be reduced from approximately 75.7% to 54.5% (on a fully diluted basis)⁸.</p> <p>If CPS convert in the future, the percentage of WAN Shares held by WAN Shareholders other than SGH at that time will be reduced. See Section 6.5.</p>	Sections 6.10 and 6.4
What is the financial impact of the Proposed Transaction and the Offer on WAN?	The financial impact of the Proposed Transaction and Offer on WAN is detailed in Section 6.10.	Section 6.10

⁸ Assuming 100% participation by all Eligible Shareholders for their Entitlement under the Entitlement Offer and no participation in the Public Offer.

Questions and Answers (continued)

What is WAN's current dividend policy and how will it change following the Proposed Transaction?	<p>Having declared an Interim Dividend of 19.0 cents per share (fully franked) for 1H11 on 21 February 2011, the Board of WAN provides guidance of 26.0 cents per share (fully franked) for 2H11F, taking the full year dividend to an expected 45.0 cents per share, which will represent an attractive dividend yield of 8.7%⁹. Dividends are expected to be fully franked and are subject to financial forecasts being achieved and other relevant considerations.</p> <p>Those WAN Shares issued to SGH as consideration for the Proposed Transaction as well as those issued as part of the Offers will not be entitled to participate in the interim dividend of 19.0 cents per share declared on 21 February 2011, but will be entitled to all subsequent dividends, including the 2H11F dividend. WAN's dividend reinvestment plan is suspended at this time.</p> <p>WAN has a track record of paying meaningful dividends to shareholders and going forward the Board intends to pay a high proportion of the Combined Group's normalised net profit after tax in dividends after having regard to all relevant factors, including working capital requirements and new growth initiatives.</p>	Section 6.6
PART E. OTHER INFORMATION ABOUT THE OFFERS		
What are the rights attaching to New Shares issued under the Public Offer and new WAN Shares issued on conversion of CULS?	<p>New Shares issued under the Public Offer and new WAN Shares issued on conversion of CULS will rank equally in all respects with WAN's existing Shares, except that holders of those WAN Shares will not be entitled to the interim dividend declared by the Issuer for the half year ending 31 December 2010 in respect of those WAN Shares.</p>	Section 10.6
What are the risks associated with an investment in WAN Shares?	<p>Risks associated with holding WAN Shares are detailed in Section 9.4.</p>	Section 9.4
How can further information be obtained?	<p>You should read this Prospectus carefully, including the key risks set out in Section 9. You can obtain more information by:</p> <ul style="list-style-type: none"> • Contacting your stockbroker, accountant or other professional adviser; or • By calling the WAN Offer Information Line on 1300 133 562 (within Australia) or +61 3 9415 4603 (outside Australia) between 6.00am to 5.00pm Perth time (9.00am to 8.00pm Sydney time¹⁰) Monday to Friday during the Entitlement Offer Period or the Public Offer application period (as applicable). 	Section 9

⁹ Based on the 1H11 dividend of 19 cents per Share, WAN dividend guidance of 26 cents per Share for 2H11F and an Issue Price of \$5.20 per share. New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend.

¹⁰ From 4 April 2011 the WAN Offer Information Line will be open 7.00am to 5.00pm Perth time (9.00am to 7.00pm Sydney time) to reflect the end of Australian Eastern Daylight Time.

Overview of CULS

The following is a summary of CULS and should be read in conjunction with the CULS Terms of Issue in Appendix A of this Prospectus.

GENERAL

Maturity Date	30 June 2011.
Interest	<p>No interest will be paid on CULS, other than:</p> <ul style="list-style-type: none"> • The Redemption Premium payable on redemption of CULS; or • On the occurrence of an event of default which continues, in which instance interest will accrue on the sum of the Issue Price plus any applicable Redemption Premium at the Default Rate from the date of the breach until the date upon which CULS Holders receive payment of all amounts outstanding in relation to the CULS.
CULS Trust Deed	<ul style="list-style-type: none"> • CULS Holders are entitled to the benefit of, and are bound by, the provisions of the Trust Deed. • Australian Executor Trustees Limited was appointed as CULS Trustee pursuant to the CULS Trust Deed dated 21 February 2011. The CULS Trust Deed provides for the obligations of WAN and the Trustee to CULS Holders in relation to CULS. • All rights in relation to CULS may be enforced by the Trustee in accordance with the CULS Trust Deed.
Type of Security	<ul style="list-style-type: none"> • Convertible, unsecured, loan note securities issued by WAN. • CULS will either be converted into WAN Shares or redeemed at the Issue Price plus a Redemption Premium.
Issue Price	\$5.20 per CULS to be paid for in full on application.
ASX quotation	WAN will apply for CULS, and new WAN Shares issued on conversion of CULS, to be quoted on ASX. WAN will refund Application Monies, and CULS will not be issued, if quotation of CULS is not granted by ASX prior to their issue.

CONVERSION

Conversion trigger	Following the satisfaction or waiver of all conditions precedent in the Share Sale Agreement (under which WAN has agreed to acquire SMG) WAN must convert all of the CULS on the CULS conversion Date, unless the prior Completion steps have not been completed in accordance with the terms of that agreement.
Instrument into which CULS convert	New WAN Shares.
Conversion Ratio	<ul style="list-style-type: none"> • One new WAN Share for each CULS converted. • If at any time while CULS are on issue, WAN Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, or there is a bonus issue or rights issue in relation to the WAN Shares (other than certain permitted issues associated with the Proposed Transaction), WAN must reconstruct the Conversion Ratio taking into account such event as if the CULS were shares in WAN and in accordance with the Listing Rules.
Timing of conversion	<p>As soon as practicable following satisfaction or waiver of all the conditions precedent to the Share Sale Agreement, WAN must make an announcement to ASX specifying the CULS Conversion Date (expected to be 20 April 2011 under the current timetable (see above)).</p> <ul style="list-style-type: none"> • All CULS will mandatorily convert into new WAN Shares on the CULS Conversion Date. • The CULS Conversion Date will be the earlier of: <ul style="list-style-type: none"> — 10 Business Days after the date on which WAN announces that all conditions precedent under the Share Sale Agreement have been satisfied or waived and prior Completion steps have being completed; and — 15 Business Days after the date on which all conditions precedent under the Share Sale Agreement have been satisfied or waived. <p>If the Completion steps scheduled to have occurred prior to the Conversion Date have not occurred by that date, then conversion will not occur on that date. WAN will announce this to ASX and may announce a new CULS Conversion Date to occur within five Business days. Otherwise the CULS will be redeemed.</p>

Overview of CULS (continued)

CONVERSION (CONTINUED)

Who may elect to convert	CULS Holders may not require WAN to convert CULS. CULS will convert automatically following the occurrence of the conversion trigger in accordance with the CULS Terms of Issue.
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REDEMPTION

Redemption trigger	<p>WAN must announce the occurrence of any of the following CULS redemption triggers:</p> <ul style="list-style-type: none"> • The Share Sale Agreement being terminated in accordance with its terms; • WAN forming the view that the Proposed Transaction will not become effective by the Maturity Date; • WAN Shareholders failing to approve the Proposed Transaction; or • CULS remaining on issue immediately prior to the Maturity Date.
Timing of redemption	If WAN announces the occurrence of a redemption trigger, it must also specify the CULS Redemption Date on which redemption of CULS will occur. The CULS Redemption Date must be no later than 10 Business Days after the date on which WAN makes the announcement. CULS must be redeemed on the Maturity Date if they remain on issue immediately prior to the Maturity Date.
Redemption price	CULS will be redeemed at their Issue Price plus a Redemption Premium. If there is no delay in the proposed timetable, the Redemption Premium payable will be an amount of \$0.13, equal to 2.5% of the Issue Price. In the event of a delay in the timetable, the Redemption Premium will increase at a rate of 1.0% per month so that the Redemption Premium where the Redemption Date occurs in May 2011 will be 3.5% of the Issue Price and where the Redemption Date occurs in June 2011 it will be 4.5% of the Issue Price.
Who may elect to redeem	CULS Holders may not require WAN to redeem CULS. CULS will be redeemed automatically following the occurrence of a redemption trigger or on the Maturity Date, in accordance with the CULS Terms of Issue.
Default Rate	BBSW (bank bill swap reference rate) plus a margin of 2% per annum.

RANKING

CULS ranking	<ul style="list-style-type: none"> • CULS are unsecured obligations of WAN and rank equally without any preference among themselves. • On the winding up of WAN the rights of the CULS Holders all rank pari passu with all other unsecured creditors of WAN.
Ranking of new WAN Shares	Each new WAN Share issued on conversion of CULS will, as from the CULS Conversion Date, rank equally in all respects with the WAN Shares, except that they will not be entitled to any dividend or any other distribution or entitlement that has been declared or determined but not paid as at the CULS Conversion Date.

RISKS

- There are a number of risks that attach to CULS, set out in Section 9.4.
- Prior to applying for CULS, Eligible Retail Shareholders should carefully consider these risks in light of their particular investment needs, objectives and circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Details of the Offers

2.1 Purpose and use of proceeds

WAN will raise approximately \$693 million through the Offers comprising:

- Approximately \$653 million under the Entitlement Offer (approximately \$326 million under the Institutional Entitlement Offer and approximately \$326 million under the Retail Entitlement Offer); and
- Approximately \$40 million under the Public Offer.

WAN will use the proceeds from the Offers, together with funds raised through the KKR Investment of approximately \$461 million, to fund:

- Debt reduction of approximately \$450 million;
- \$650 million repayment of SGH loan owed by SMG;
- The payment of transaction costs of approximately \$45 million; and
- Other corporate purposes.

2.2 Who may participate?

2.2.1 Existing WAN Shareholders

If you are an Eligible Retail Shareholder, the following options are available:

- **Option 1** – subscribe for CULS under the Entitlement Offer;
- **Option 2** – subscribe for CULS under the Entitlement Offer and/or New Shares under the Public Offer; or
- **Option 3** – do nothing. If you choose to do nothing, or do not take up your full Entitlement and the CULS are converted into WAN Shares, your percentage shareholding in WAN will be reduced following the issue of new WAN Shares on conversion.

If you are not an Eligible Retail Shareholder (or Eligible Institutional Shareholder), you cannot participate in the Entitlement Offer, however you may be able to subscribe for New Shares under the Public Offer as an Eligible Investor.

2.2.2 NOT existing WAN Shareholders

If you are an Eligible Investor who is not an existing WAN Shareholder you may apply for New Shares under the Public Offer, however you may not participate in the Entitlement Offer.

2.3 Entitlement Offer

2.3.1 Structure of the Entitlement Offer

Approximately 125.5 million CULS are being offered at an Issue Price of \$5.20. Each Eligible Shareholder is invited to apply for 4 CULS for every 7 existing WAN Shares held by the Eligible Shareholder as at the Entitlement Offer Record Date.

The Entitlement Offer comprises two parts:

- 1) **Institutional Entitlement Offer** – Eligible Institutional Shareholders have been invited by WAN or the Joint Lead Managers to apply for CULS under a bookbuild process; and
- 2) **Retail Entitlement Offer** – Eligible Retail Shareholders are being sent this Prospectus together with a personalised Application Form and are invited to apply for CULS. The Retail Entitlement Offer opens at 6.00am Perth time / 9.00am Sydney time on 3 March 2011 and closes at 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.

2.3.2 Institutional Entitlement Offer

Approximately 62.8 million CULS are expected to be allocated to Eligible Institutional Shareholders and certain Institutional Investors under the Institutional Entitlement Offer to raise approximately \$326 million.

An Eligible Institutional Shareholder is a WAN Shareholder as at the Entitlement Offer Record Date to whom WAN or the Joint Lead Managers will extend an offer to subscribe for CULS under the Institutional Entitlement Offer (either directly or through a nominee) on the belief that they are an Institutional Investor.

Settlement of the Institutional Entitlement Offer is expected to occur on 2 March 2011. The Institutional Entitlement Offer is fully underwritten by the Joint Lead Managers. Normal settlement trading of the CULS issued under the Institutional Entitlement Offer is expected to commence on 3 March 2011.

2.3.3 Retail Entitlement Offer

The Retail Entitlement Offer is an offer to Eligible Retail Shareholders of approximately 62.8 million CULS at the Issue Price of \$5.20 per CULS.

The Retail Entitlement Offer is fully underwritten by the Joint Lead Managers. Normal settlement trading of the CULS issued under the Retail Entitlement Offer is expected to commence on 30 March 2011.

2.3.4 Who are Eligible Retail Shareholders?

Eligible Retail Shareholders are those WAN Shareholders who:

- Are registered as WAN Shareholders as at the Entitlement Offer Record Date being 4.00pm Perth time/7.00pm Sydney time on 24 February 2011 (the Entitlement Offer Record Date);
- Have a registered address in Australia or New Zealand;
- Are not in the United States and are not acting for the account or benefit of a person in the United States (to that extent);
- Are not an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder and do not hold WAN Shares on behalf of an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder (to that extent); and
- Are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Details of the Offers (continued)

By returning the completed personalised Application Form along with the Application Monies, or transferring the Application Monies by BPAY, persons claiming to be Eligible Retail Shareholders will be taken to have represented and warranted that they satisfy each of the above criteria.

It is the responsibility of each Applicant to ensure compliance with the laws of any country relevant to their Application.

The foreign selling restrictions under the Retail Entitlement Offer summarised in Section 3.3.2 apply to the underlying beneficial holder. Nominees, trustees and custodians must not apply on behalf of any beneficial holder that would not itself be an Eligible Retail Shareholder. WAN Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. WAN Shareholders who hold WAN Shares on behalf of persons whose registered address is not in Australia or New Zealand are responsible for ensuring that accepting the Retail Entitlement Offer does not breach securities laws in the relevant overseas jurisdictions.

WAN reserves the right to determine whether a WAN Shareholder is an Eligible Retail Shareholder and therefore able to participate in the Retail Entitlement Offer, or an Ineligible Retail Shareholder and therefore unable to participate in the Retail Entitlement Offer. WAN disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a WAN Shareholder is an Eligible Retail Shareholder.

WAN reserves the right to reject any Application which it believes comes from a person who is not an Eligible Retail Shareholder.

2.3.5 Applications under the Retail Entitlement Offer

Each Eligible Retail Shareholder is entitled to apply for 4 CULS for every 7 existing WAN Shares held by the Eligible Retail Shareholder as at the Entitlement Offer Record Date. The amount of their Entitlement is shown on the personalised Application Form accompanying this Prospectus. In calculating Entitlements, fractional Entitlements have been rounded up to the nearest whole number.

The Issue Price is \$5.20 per CULS for Eligible Retail Shareholders. This is the same price paid for CULS by Eligible Institutional Shareholders under the Institutional Entitlement Offer.

Eligible Retail Shareholders may apply for all of their Entitlement, part of their Entitlement or none of their Entitlement. Eligible Retail Shareholders may not apply for CULS in excess of their Entitlement but may instead if they wish, apply for New Shares under the Public Offer. The Entitlements are personal and cannot be traded, transferred, assigned or otherwise dealt with. As the Entitlement Offer is non-renounceable, if you do not take up your full Entitlement, those Entitlements that you do not take up will lapse and you will not receive any payment or value for them. CULS not taken up by other Eligible Retail Shareholders and CULS which would have been offered to Ineligible Retail Shareholders if they had been eligible to participate in the Retail Entitlement Offer are expected to be issued pursuant to the underwriting arrangements.

Eligible Retail Shareholders may accept the Retail Entitlement Offer in full or in part by returning their personalised Application Form accompanying this Prospectus along with the Application Monies to the Registry (by cheque, bank draft or money order). Alternatively, you pay using BPAY payment instruction (in which case you need not submit your personalised paper Application Form). Applications must be received by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.

Eligible Retail Shareholders who misplace their personalised Application Form should call the WAN Offer Information Line to request a replacement personalised Application Form. Alternatively, you may visit www.sevenwestproposal.com.au and enter your HIN or SRN to receive your Entitlement details and BPAY instructions.

WAN reserves the right to extend the Entitlement Offer Closing Date without notice, subject to the Corporations Act, the Listing Rules and other applicable laws. For Eligible Retail Shareholders who do not accept their Entitlement in full under the Retail Entitlement Offer by the Entitlement Offer Close Date, their Entitlement in respect of those CULS which they did not apply for will lapse. If CULS are converted, those persons' proportion of ownership of WAN will be diluted.

2.3.6 Allotment of CULS under the Retail Entitlement Offer

CULS under the Retail Entitlement Offer will be allotted on the Retail Entitlement Allotment Date (expected to be 29 March 2011).

No certificates will be issued in respect of CULS. Following allotment, WAN Shareholders will be sent a statement confirming allotment which sets out the number of CULS allotted to them.

Applicants may call the Registry after the Retail Entitlement Allotment Date on 1300 133 562 (within Australia) or + 61 3 9413 4603 (outside Australia) or online at www.sevenwestproposal.com.au to seek confirmation of their allocation.

2.3.7 ASX quotation and trading of CULS

Application for quotation of CULS on ASX will be made no later than seven days after the date of this Prospectus. Subject to approval being granted, trading of CULS issued under the Institutional Entitlement Offer are expected to commence trading on a normal settlement basis on 3 March 2011 and CULS issued under the Retail Entitlement Offer are expected to commence trading on a normal settlement basis on 30 March 2011.

If ASX does not grant permission for official quotation of CULS within three months after the date of this Prospectus, no CULS offered under the Entitlement Offer will be issued, unless ASIC grants WAN an exemption permitting the issue.

Statements confirming allotment (**Holding Statements**) are expected to be despatched to successful Applicants on 29 March 2011.

It is the responsibility of each successful Applicant to confirm their holding before trading in CULS. Any Applicant who sells CULS before receiving confirmation of their holding in the form of their Holding Statement will do so at their own risk. WAN and the Joint Lead Managers disclaim all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade

CULS before receiving their Holding Statement, whether on the basis of confirmation of the allocation provided by WAN, the Registry or the Joint Lead Managers.

2.3.8 CHESS and Issuer Sponsored Holdings

CULS will participate from the date of commencement of quotation in CHESS. CULS must be held in uncertificated form (i.e. no security certificate will be issued) on the CHESS subregister normally under sponsorship of a participant (usually a broker) or on the issuer-sponsored subregister. Arrangements can be made at any subsequent time, through your controlling participant, to convert your holding from the issuer-sponsored subregister to the CHESS subregister or vice versa.

2.3.9 Entitlement Offer Application Monies and interest

Application Monies received from an Applicant will, until CULS in respect of the Application Monies are issued, be held by WAN in a trust account. If you submit Application Monies in excess of the amount required to pay for your Entitlement of CULS, you will be deemed to have applied for such whole number of New Shares under the Public Offer as the relevant amount of Application Monies (without interest) not applied towards the issue of CULS or New Shares will pay for.

WAN reserves the right to withdraw the Entitlement Offer at any time, in which case all Application Monies will be refunded without interest. To the fullest extent permitted by law, each Applicant agrees that such Application Monies shall not bear or earn interest for the Applicant, irrespective of whether or not all or any CULS or New Shares applied for by the Applicant are issued to the Applicant, and that any interest earned on Application Monies held by WAN shall be the property of WAN.

2.3.10 Entitlement Offer allocation policy

All Eligible Retail Shareholders will be allocated CULS that they apply and pay for, up to their Entitlement. CULS not taken up by Eligible Retail Shareholders or which would have been offered to Ineligible Retail Shareholders if they had been permitted to participate will be allocated at the discretion of WAN in consultation with the Joint Lead Managers and are expected to be issued pursuant to the underwriting arrangements.

Under the Institutional Entitlement Offer, CULS not taken up by Eligible Institutional Shareholders will be issued to or at the direction of the Joint Lead Managers pursuant to the underwriting arrangements.

WAN reserves the right to reject any Application under the Entitlement Offer.

WAN reserves the right to issue any CULS not taken up under the Entitlement Offer to other investors.

2.3.11 Reconciliation, Top-Up CULS and the rights of WAN and the Joint Lead Managers

The Entitlement Offer is a complex process and in some instances investors may believe that they will own more or less WAN Shares than they ultimately did as at the Entitlement Offer Record Date. This results in reconciliation issues. If reconciliation issues occur, it is possible that WAN may need to issue a small quantity of additional CULS (**Top-Up CULS**) to ensure all Eligible Shareholders receive their full Entitlement. These Top-Up CULS would be issued at the Issue Price.

Any Top-Up CULS will be issued under this Prospectus and accordingly (without limiting other provisions of this Prospectus permitting variation of dates or acceptance of late applications under the Entitlement Offer) the offers in this Prospectus remain open for acceptance in respect of such CULS until the date of issue of any Top-Up CULS.

WAN reserves the right to reduce the number of CULS allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or if they or their nominees fail to provide information requested to substantiate their claims.

Without limiting the foregoing, if any Eligible Institutional Shareholder (or person claiming to be an Eligible Institutional Shareholder) under the Institutional Entitlement Offer subscribes for a greater number of CULS than their Entitlement at the Entitlement Offer Record Date then, at the absolute discretion of WAN and the Joint Lead Managers, the relevant person may be required to transfer to the Joint Lead Managers the number of CULS oversubscribed at the Issue Price. If necessary, the relevant person will be required to remit existing CULS held by them or to purchase CULS on market to meet this obligation. The relevant person will bear any and all losses caused by the overstatement of their holding and any actions they are required to take with respect to this overstatement.

By applying under the Entitlement Offer, those applying irrevocably acknowledge and agree to do the above as required by WAN or the Joint Lead Managers in their absolute discretion. Those applying acknowledge that there is no time limit on the ability of WAN or the Joint Lead Managers to require any of the actions set out above.

WAN reserves the right to determine whether a WAN Shareholder is an Eligible Retail Shareholder, an Eligible Institutional Shareholder, an Ineligible Retail Shareholder or an Ineligible Institutional Shareholder. WAN and the Joint Lead Managers disclaim all liability (to the maximum extent permitted by law) in respect of the determination as to whether a WAN Shareholder is an Eligible Retail Shareholder, an Eligible Institutional Shareholder, an Ineligible Retail Shareholder or an Ineligible Institutional Shareholder.

Details of the Offers (continued)

2.4 Public Offer

2.4.1 Structure

Under the Public Offer, 7.7 million New Shares will be offered at an Issue Price of \$5.20. Eligible Investors are invited to apply for New Shares under this Prospectus, on an Application Form that accompanies this Prospectus. The Public Offer application period is expected to open on 3 March 2011 and close on 11 April 2011 or 13 April 2011, depending on the method of payment by applicants.

The Public Offer is fully underwritten by the Joint Lead Managers. Normal settlement trading of the New Shares issued under the Public Offer is expected to commence on 18 April 2011.

Settlement of the Public Offer will only occur if the Proposed Transaction proceeds, i.e. WAN obtains the approval by WAN Shareholders of resolutions in relation to the Proposed Transaction all other conditions precedent under the Share Sale Agreement are satisfied or waived in accordance with that agreement and prior Completion steps are completed. If Completion of the Proposed Transaction does not occur, WAN will refund Application Monies in respect of Applications for New Shares under the Public Offer in accordance with the Corporations Act and without interest.

2.4.2 Who are Eligible Investors?

The Public Offer is open to Eligible Investors.

Eligible Investors are those persons who:

- Are investors resident in Australia or New Zealand;
- Are not in the United States and are not acting for the account or benefit of a person in the United States (to that extent); and
- Are eligible under all applicable securities laws to receive an offer under the Public Offer.

2.4.3 Applications under the Public Offer

Eligible Retail Shareholders

If you are an Eligible Retail Shareholder, you may apply into the Public Offer by either:

- Completing the personalised Application Form and returning additional Application Monies by cheque, bank draft or money order in respect of your full Entitlement and New Shares you wish to apply for in the Public Offer; or
- Transferring the full Application Monies in respect of the CULS you wish to take up, and New Shares you wish to apply for in the Public Offer, in accordance with the instructions on the personalised Application Form.

When you submit your Application Monies, you will be deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.

Applications by Eligible Retail Shareholders should be made by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011. See Section 3 for further details on how to apply.

If you wish to apply in the Public Offer after the Entitlement Offer Closing Date, you must apply as an Eligible Investor.

Eligible Investors

If you are an Eligible Investor, you may apply by completing and returning a Public Offer Application Form along with your Application Monies to the Registry (cheque, bank draft or money order) by no later than 3.00pm Perth time/5.00pm Sydney time on 11 April 2011 or by completing an online Public Offer Application Form by following the instructions on www.sevenwestproposal.com.au and paying by BPAY payment instruction by no later than 3.00pm Perth time/5.00pm Sydney time on 13 April 2011. See Section 3 for further details on how to apply.

WAN reserves the right to extend the Public Offer Closing Date without notice, subject to the Corporations Act, the Listing Rules and other applicable laws.

2.4.4 Minimum and maximum application amounts

The minimum application for Eligible Investors is \$2,000. Applications over \$2,000 should be multiples of \$500. WAN and the Joint Lead Managers reserve the right to reject any Application or to allocate a lesser number of New Shares than were applied. In the event that an amount of Application Monies equates to a fractional number of CULS or New Shares, the number of CULS or New Shares issued will be rounded to the nearest whole number of CULS or New Shares and any excess Application Monies will become an asset of WAN.

2.4.5 Allotment of New Shares

New Shares under the Public Offer will be allotted on the Public Offer Allotment Date (expected to be 15 April 2011).

No certificates will be issued in respect of New Shares. Following allotment, WAN Shareholders will be sent a holding statement which sets out the number of New Shares allotted to them.

Applicants may call the Registry after the Public Offer Allotment Date on 1300 133 562 (within Australia) or + 61 3 9413 4603 (outside Australia) or online at www.sevenwestproposal.com.au to seek confirmation of their allocation.

2.4.6 Ranking of New Shares

Each New Share will be issued fully paid and from the date of issue will rank equally with existing WAN Shares, except that holders of those New Shares will not be entitled to the interim dividend declared by the Issuer for the half year ending 31 December 2010 in respect of those WAN Shares.

2.4.7 ASX quotation and trading of New Shares

Application for quotation of New Shares on ASX will be made no later than seven days after the date of this Prospectus. Subject to approval being granted, trading of New Shares issued under the Public Offer is expected to commence on a normal basis on 18 April 2011.

If ASX does not grant permission for official quotation of New Shares within three months after the date of this Prospectus, no New Shares offered under the Public Offer will be issued, unless ASIC grants WAN an exemption permitting the issue.

Holding Statements are expected to be despatched to successful Applicants on 15 April 2011. It is the responsibility of each successful Applicant to confirm their holding before trading in New Shares. Any Applicant who sells New Shares before receiving confirmation of their holding in the form of their Holding Statement will do so at their own risk. WAN and the Joint Lead Managers disclaim all liability whether in negligence or otherwise (and to the maximum extent permitted by law) to persons who trade New Shares before receiving their Holding Statement, whether on the basis of confirmation of the allocation provided by WAN, the Registry or the Joint Lead Managers.

2.4.8 CHESS and issuer sponsored holdings

New Shares will participate from the date of commencement of quotation in CHESS. New Shares must be held in uncertificated form (i.e. no share certificate will be issued) on the CHESS subregister normally under sponsorship of a participant (usually a broker) or on the issuer-sponsored subregister. Arrangements can be made at any subsequent time, through your controlling participant, to convert your holding from the issuer-sponsored subregister to the CHESS subregister or vice versa.

2.4.9 Public Offer Application Monies and interest

Application Monies received from an Applicant will, until New Shares in respect of the Application Monies are issued, be held by WAN in a trust account. If you are allotted less than the number of New Shares you applied for, you will be sent a refund cheque for the relevant amount of Application Monies (without interest) not applied towards the issue of New Shares, as soon as practicable after the Public Offer Closing Date.

WAN reserves the right to not make, or withdraw, the Public Offer at any time (as applicable). In those circumstances, all Application Monies will be refunded without interest. To the fullest extent permitted by law, each Applicant agrees that such Application Monies shall not bear or earn interest for the Applicant, irrespective of whether or not all or any New Shares applied for by the Applicant are issued to the Applicant, and that any interest earned on Application Monies held by WAN shall be the property of WAN.

2.4.10 Public Offer allocation policy

The allocation of New Shares under the Public Offer will be subject to WAN's discretion. WAN reserves the right to reject any Application under the Public Offer.

2.5 Underwriting of the Offers

The Offers are fully underwritten by the Joint Lead Managers. This means that the Joint Lead Managers will subscribe for, or procure subscribers for, at the Issue Price, any CULS or New Shares that are not applied for by investors under the Offers.

A summary of the terms and conditions of the Underwriting Agreement is set out in Section 10.4.4.

2.6 Discretions in relation to the Offers

WAN reserves the right not to proceed with the Offers or to withdraw the Offers and this Prospectus at any time, in which case WAN will refund any Application Monies in accordance with the Corporations Act and without interest. WAN reserves the right to close an Offer or any part of an Offer early, extend an Offer or any part of an Offer, accept late Applications or bids either generally or in particular cases, reject any Application or bid, waive or correct any errors made by any Applicant in completing an Application Form.

2.7 Taxation implications in relation to the Offers

Taxation implications in relation to the Offers will vary depending upon the specific circumstances of individual investors. Investors should obtain their own professional advice in order to determine the particular taxation treatment which will apply to them.

Section 8 contains a summary of the Australian taxation implications for potential participants in the Offers.

How to apply

3.1 General

Before taking any action in relation to the Offers, potential Applicants should read this Prospectus in its entirety, particularly noting the key risks set out in Section 9 and the Australian taxation implications, set out in Section 8.

3.2 Applications under the Entitlement Offer

The Retail Entitlement Offer Period will close at 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.

3.2.1 How to accept your Entitlement and apply for CULS

If you are an Eligible Retail Shareholder and you wish to apply for CULS, you have two options:

- **Option 1** – Submit your completed personalised Application Form along with Application Monies via cheque, bank draft or money order; or
- **Option 2** – Pay via BPAY payment using the biller code and customer reference number provided on your personalised Application Form or available online at www.sevenwestproposal.com.au by entering your HIN or SRIN.

a) Option 1 – Submitting your completed personalised Application Form together with cheque, bank draft or money order

To follow this option, you should:

- Complete the personalised Application Form accompanying this Prospectus in accordance with the instructions set out on the form, and indicate the number of CULS (and, if applicable, any New Shares under the Public Offer) you wish to apply for; and
- Return the personalised Application Form to the Registry (address shown below) together with a cheque, bank draft or money order which must be:
 - In respect of the full Application Monies (being \$5.20 multiplied by the number of CULS and if applicable New Shares you wish to apply for);
 - In Australian currency drawn on the Australian branch of a financial institution; and
 - Made payable to “Seven West Proposal Account” and crossed “Not Negotiable”.

You are deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies is insufficient to pay in full for the number of whole CULS, and if applicable, New Shares, you have applied for in your personalised Application Form, you will be taken to have applied on your form for such lower number of CULS or New Shares as your cleared Application Monies will pay for. Alternatively, your Application will be rejected. If your cheque does not clear due to insufficient funds in your account, your Application will be rejected.

Cash payments will not be accepted. Receipts for payment will not be issued.

You need to ensure that your completed personalised Application Form and cheque, bank draft or money order reaches the Registry at the following address by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 8060

For the convenience of Eligible Retail Shareholders in Australia, a reply paid envelope addressed to the Registry has been enclosed with this Prospectus. If mailed in New Zealand, or any other country outside of Australia, correct postage must be affixed.

b) Option 2 – Paying via BPAY

To follow this option, you should transfer the full Application Monies (being \$5.20 multiplied by the number of CULS and, if applicable, New Shares you wish to apply for) via BPAY payment in accordance with the instructions set out on the personalised Application Form (which includes the biller code and your unique customer reference number). You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

Using the provided BPAY details, you need to:

- Access your participating BPAY financial institution either through telephone banking or internet banking;
- Select BPAY and follow the prompts; and
- Record your BPAY receipt number and date paid. Retain these details for your records.

Please note that should you choose to pay by BPAY payment:

- You do not need to submit the personalised Application Form but are taken to make the representations on that form; and
- You are deemed to have applied for such whole number of CULS as your Application Monies will pay for and any whole number of additional New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.

You need to ensure that your BPAY payment is received by the Registry by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.

Applicants should be aware that their own financial institution may implement earlier cut off times with respect to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through B_{PAY} are received by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011, making sure you use the specific biller code and your unique customer reference number on your personalised Application Form.

Eligible Retail Shareholders who misplace their personalised Application Form should call the WAN Offer Information Line to request a replacement personalised Application Form. Alternatively, you may visit www.sevenwestproposal.com.au and enter your HIN or SRN to receive your Entitlement details and B_{PAY} instructions.

3.2.2 Treatment of foreign WAN Shareholders

a) General

This Prospectus and the accompanying Application Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. By submitting the Application Form and/or paying or transferring Application Monies you represent and warrant that there has been no breach of such laws.

The distribution of this Prospectus outside of Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. WAN disclaims all liabilities to such persons. Persons who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Prospectus, CULS or the Entitlement Offer, or otherwise to permit a public offering of CULS, in any jurisdiction outside Australia and New Zealand.

b) New Zealand

The offers to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Offerings – Australia) Regulations 2008. The Offers and the content of the offer documents are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offers must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offers. If you need to make a complaint about an Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not

the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offers may involve a currency exchange risk. The currency for both of the securities is not New Zealand dollars. The value of both of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

c) Ineligible Retail Shareholders

WAN is of the view that it is unreasonable to extend the Retail Entitlement Offer to Ineligible Retail Shareholders, having regard to:

- The number of Ineligible Retail Shareholders;
- The number and value of New Shares which would be offered to Ineligible Retail Shareholders if they were Eligible Retail Shareholders; and
- The cost of complying with the legal requirements, and requirements of the regulatory authorities, in the respective overseas jurisdictions.

Accordingly, the Retail Entitlement Offer is not being extended to any WAN Shareholders with a registered address outside of Australia and New Zealand, or to any WAN Shareholder who is in the United States, or is acting for the account or benefit of a person in the United States (to that extent). WAN will send all Ineligible Retail Shareholders details of the Retail Entitlement Offer and advise that WAN is not extending the Retail Entitlement Offer to Ineligible Retail Shareholders.

3.3 Applications under the Public Offer

The Public Offer application period will open on 3 March 2011 and close at 3.00pm Perth time/5.00pm Sydney time on 11 April 2011 (for payments by cheque, bank draft or money order) and at 3.00pm Perth time/5.00pm Sydney time on 13 April 2011 for B_{PAY} payments.

How to apply (continued)

3.3.1 How to apply for New Shares under the Public Offer

a) Eligible Retail Shareholders

Eligible Retail Shareholders (in respect of the Entitlement Offer) who wish to apply for New Shares under the Public Offer have two options:

- **Option 1** – Submit your completed personalised Application Form together with cheque, bank draft or money order; or
- **Option 2** – Submit your Application Monies by BPAY payment using the biller code and customer reference number provided on your personalised Application Form or available online at www.sevenwestproposal.com.au by entering your HIN or SRN

i) Option 1 – Submitting your completed personalised Application Form together with cheque, bank draft or money order. To follow this option, you should:

- Complete the personalised Application Form accompanying this Prospectus in accordance with the instructions set out on the form, and indicate the number of CULS and New Shares you wish to apply for; and
- Return the personalised Application Form to the Registry (address shown below) together with a cheque, bank draft or money order which must be:
 - In respect of the full Application Monies (being \$5.20) multiplied by the number of CULS and New Shares you wish to apply for;
 - In Australian currency drawn on the Australian branch of a financial institution; and
 - Made payable to “Seven West Proposal Account” and crossed “Not Negotiable”.

You are deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies is insufficient to pay in full for the number of whole CULS and New Shares you have applied for in your personalised Application Form, you will be taken to have applied on your form for such lower number of CULS or New Shares as your cleared Application Monies will pay for. Alternatively, your Application will be rejected. If your cheque does not clear due to insufficient funds in your account, your Application will be rejected.

Cash payments will not be accepted. Receipts for payment will not be issued.

You need to ensure that your completed personalised Application Form and cheque, bank draft or money order reaches the Registry at the following address by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011:

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 8060

For the convenience of Eligible Retail Shareholders in Australia, a reply paid envelope addressed to the Registry has been enclosed with this Prospectus. If mailed in New Zealand, or any other country outside of Australia, correct postage must be affixed.

If you wish to apply in the Public Offer after the Entitlement Offer Closing Date, you must apply as an Eligible Investor.

ii) Option 2 – Paying via BPAY

To follow this option, you should pay the full Application Monies (being \$5.20 multiplied by the number of CULS and New Shares you wish to apply for) via BPAY payment in accordance with the instructions set out on the personalised Application Form (which includes the biller code and your unique customer reference number). You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

Using the provided BPAY details, you need to:

- Access your participating BPAY financial institution either through telephone banking or internet banking;
- Select BPAY and follow the prompts; and
- Record your BPAY receipt number and date paid. Retain these details for your records.

Please note that should you choose to pay by BPAY payment:

- You do not need to submit the personalised Application Form but are taken to make the representations on that form; and
- You are deemed to have applied for such whole number of CULS as your Application Monies will pay for, up to your Entitlement, and any whole number of New Shares under the Public Offer as your Application Monies in excess of your Entitlement will pay for.

You need to ensure that your BPAY payment is received by the Registry by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011.

Applicants should be aware that their own financial institution may implement earlier cut off times with respect to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPAY are received by no later than 2.00pm Perth time/5.00pm Sydney time on 18 March 2011, making sure you use the specific biller code and your unique customer reference number on your personalised Application Form.

Eligible Retail Shareholders who misplace their personalised Application Form should call the WAN Offer Information Line to request a replacement personalised Application Form. Alternatively, you may visit www.sevenwestproposal.com.au and enter your HIN or SRN to receive your Entitlement details and BPAY instructions.

If you wish to apply in the Public Offer after the Entitlement Offer Closing Date, you must apply as an Eligible Investor.

The specific biller code and unique customer reference number on your personalised Application Form will only be valid during the Entitlement Offer Period (i.e. until 2.00pm Perth time/5.00pm Sydney time on 18 March 2011). After the close of the Entitlement Offer Period, Eligible Retail Shareholders who wish to apply for New Shares through the Public Offer and pay by BPAY will need to apply online at www.sevenwestproposal.com.au to obtain a new BPAY biller code and customer reference number.

b) Other Eligible Investors (applicants to become a new WAN Shareholder)

Eligible Investors who wish to become a new WAN Shareholder by applying for New Shares under the Public Offer have two payment options:

- **Option 1:** Submit your completed Public Offer Application Form together with cheque, bank draft or money order; or
- **Option 2** – Submit your completed online Public Offer Application Form and pay your Application Monies by BPAY payment instructions provided online.

i) Option 1 – Submitting your completed Public Offer Application Form together with cheque, bank draft or money order

To follow this option, you should:

- Complete the Public Offer Application Form accompanying this Prospectus in accordance with the instructions set out on the form, and indicate the number of New Shares you wish to apply for; and
- Return the form to the Registry (address shown below) together with a cheque, bank draft or money order which must be:
 - In respect of the full Application Monies (being \$5.20) multiplied by the number of New Shares you wish to apply for;
 - In Australian currency drawn on the Australian branch of a financial institution; and
 - Made payable to “Seven West Proposal Account” and crossed “Not Negotiable”.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies is insufficient to pay in full for the number of whole New Shares you have applied for in your Public Offer Application Form, you will be taken to have applied on your Public Offer Application Form for such lower number of New Shares as your cleared Application Monies will pay for. Alternatively, your Application will be rejected. If your cheque does not clear due to insufficient funds in your account, your Application will be rejected.

Cash payments will not be accepted. Receipts for payment will not be issued.

You need to ensure that your completed Public Offer Application Form and cheque, bank draft or money order reaches the Registry at the following address by no later than 3.00pm Perth time/5.00pm Sydney time on 11 April 2011:

Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 8060

Note that the closing date for cheque, bank draft or money order Applications is earlier than for BPAY payments.

ii) Option 2 – Completing the online Public Offer Application Form and paying via BPAY

To follow this option, you can access an online Public Offer Application Form at www.sevenwestproposal.com.au. Once you have completed your online Public Offer Application Form, you will be given a BPAY biller code and customer reference number. You should transfer the full Application Monies (being \$5.20 multiplied by the number of New Shares you wish to apply for) via BPAY payment. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution. Follow the BPAY instructions below to complete your Application. If you do not make a BPAY payment your Application will be incomplete and will not be accepted. Using the provided BPAY details, you need to:

- Access your participating BPAY financial institution either through telephone banking or internet banking;
- Select BPAY and follow the prompts; and
- Record your BPAY receipt number and date paid. Retain these details for your records.

Please note that by making the BPAY payment you are deemed to have applied for such whole number of New Shares as your Application Monies will pay for.

You need to ensure that your BPAY payment is received by the Registry by no later than 3.00pm Perth time/5.00pm Sydney time on 13 April 2011.

How to apply (continued)

Applicants should be aware that their own financial institution may implement earlier cut off times with respect to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPAY are received by no later than 3.00pm Perth time/5.00pm Sydney time on 13 April 2011, making sure you use the specific biller code and your unique customer reference number provided to you online.

3.3.2 Foreign persons

a) General

This Prospectus and the accompanying Application Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. By submitting the Application Form and/or paying or transferring Application Monies you represent and warrant that there has been no breach of such laws.

The distribution of this Prospectus outside of Australia and New Zealand may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. WAN disclaims all liabilities to such persons. Persons who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. No action has been taken to register or qualify this Prospectus, New Shares or the Public Offer, or otherwise to permit a public offering of New Shares, in any jurisdiction outside Australia and New Zealand.

b) New Zealand

The offers to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Offerings – Australia) Regulations 2008. The Offers and the content of the offer documents are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offers must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offers. If you need to make a complaint about an Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offers may involve a currency exchange risk. The currency for both of the securities is not New Zealand dollars. The value of both of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

3.4 Declarations by Applicants

By submitting an Application Form for CULS and/ or New Shares along with your Application Monies or making a payment by BPAY you:

- Agree to be bound by the terms of the Prospectus and the provisions of WAN's Constitution;
- Agree to be bound by the terms and conditions of issue of the CULS and New Shares in accordance with this Prospectus;
- Authorise us to register you as the holder(s) of the CULS and New Shares (if any) allotted to you;
- Declare that all details and statements in the Application Form are complete and accurate;
- Declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Application Form;
- Acknowledge that once your Application Form is received or payment by BPAY is made, you may not withdraw it;
- Agree to apply for, and be issued with, the number of CULS and New Shares (if any) you apply for at the Issue Price;
- Authorise WAN and its officers or agents to do anything on your behalf necessary for the CULS and New Shares (if any) to be issued to you, including to act on instructions of Computershare Investor Services Pty Limited upon using the contact details set out in the Application Form;
- If you are applying for CULS, declare that you are the current registered holder(s) of the WAN Shares in your name at the Entitlement Offer Record Date and are an Australian or New Zealand resident at the Entitlement Offer Record Date;
- Acknowledge that the information contained in this Prospectus is not investment advice or a recommendation that CULS or New Shares are suitable for you, given your investment objectives, financial situation or particular needs;

- Represent and warrant that the law of any other place does not prohibit you from being given this Prospectus or making an application on the Application Form;
- Represent, warrant and agree (for the benefit of WAN), in relation to any CULS that you are applying for, that you are not in the United States and you are not acting for the account or benefit of, a person in the United States;
- Acknowledge that the CULS and New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, or in any other jurisdiction outside Australia or New Zealand and accordingly, the CULS and may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws;
- Agree not to send the Application Form, this Prospectus or any other material relating to the Offers to any person in the United States or that is acting for the account or benefit of a person in the United States; and
- Agree that if in the future you decide to sell or otherwise transfer your CULS or New Shares, you will only do so in transactions on the ASX where neither you nor any person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is or is acting for the account or benefit of, a person in the United States.













Information on WAN's existing business

4.1 Background

WAN is Australia's third largest newspaper publisher and maintains a leading position in the West Australian market. WAN's cornerstone masthead, The West Australian newspaper (**The West**) was first published in 1833 and is the leading weekday and weekend newspaper in the state. In addition, WAN's portfolio also includes a range of regional publications, radio assets, online media and specialised classified and publishing businesses.

4.2 Overview of the business

DIAGRAM 2: BUSINESS SEGMENTS

Metro newspapers	Regional newspapers	Radio	Online	Specialist and Other ¹
The West Community Newspaper Group (49.9%) – with 17 titles across Perth	21 regional titles	9 radio licenses	Leading websites in Western Australia	Classifieds
 	  	  	  	

FY10 Financial Results

\$322.9m revenue	\$45.8m revenue	\$8.6m revenue	\$1.3m revenue	\$30.6m revenue
\$135.7m EBIT	\$11.8m EBIT	\$2.7m EBIT	\$1.8m EBIT loss	\$2.4m EBIT

The West is WAN's principal operating segment accounting for approximately 87% of EBIT in FY10². The West is the leading weekday and weekend newspaper in Western Australia with an average Monday to Friday readership of mainstream newspapers of 88% and an average weekend readership of 49%.

The balance of WAN's revenue and EBIT is primarily derived from regional West Australian markets.

4.3 Strategic priorities for WAN's existing businesses

4.3.1 Diversification

While WAN is the leading newspaper publisher in Western Australia, it has also identified the benefits of diversifying its earnings and geographic footprint beyond its traditional home market. In addition to publishing the leading metropolitan newspaper in the Perth market, WAN has over the years made investments and acquisitions of regional newspapers, radio broadcasting licenses and, most recently, online platforms.

In addition to diversifying its revenue channels, WAN has also expanded geographically with operations extending from Perth throughout regional Western Australia.

4.3.2 Strategic alliances in online media

Developing a market leading online media presence is a priority for WAN. Accordingly, WAN has begun expanding its online media offerings to complement existing publishing operations. As part of this process WAN has formed strategic alliances with Yahoo!7 (thewest.com.au) and Melbourne based jobsjobsjobs (wjobs.com.au). In July 2010, WAN also acquired a 25% equity holding in bloo.com.au, Western Australia's number one business directory.

¹ Specialist and Other includes Quokka, Colour Press, other specialist publications and corporate costs.

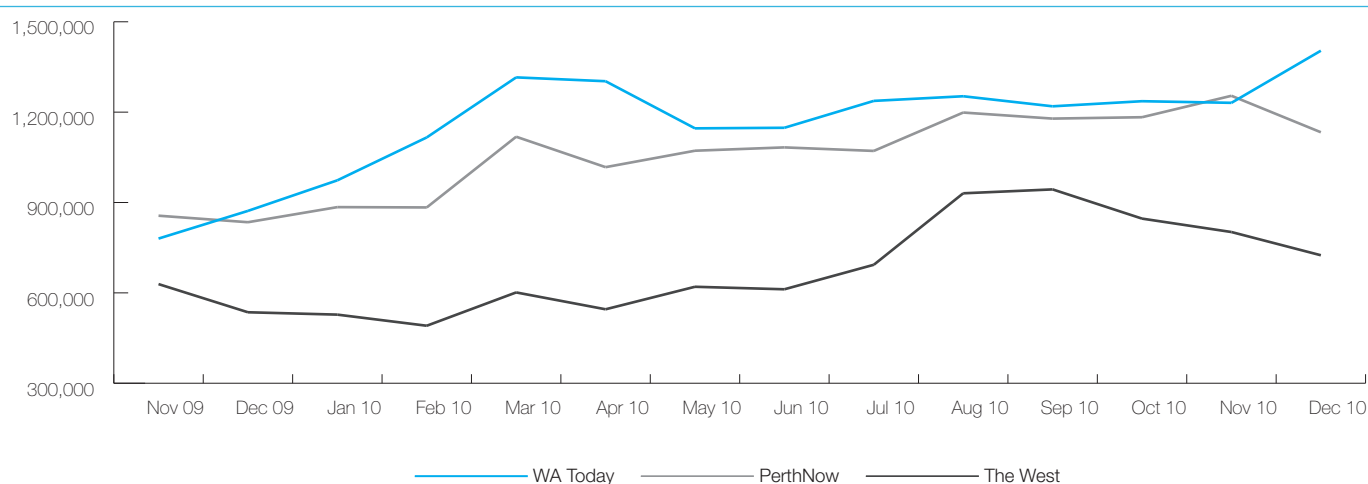
² Excludes corporate charges and proceeds from sale of radio assets.

WAN's typical approach to its online alliances involves a 50:50 share of revenues, with WAN's partners providing website technology and being responsible for the website's operating costs, while WAN provides the content and branding.

Both of WAN's strategic alliance websites have enjoyed strong performances, with:

- thewest.com.au growing its number of unique browsers by approximately 60% over the 12 months to December 2010; and
- wjobs.com.au growing its unique browser numbers by over 280% between March and November 2010.

FIGURE 9: UNIQUE BROWSERS (NOV 2009 TO DEC 2010)



4.3.3 Continued investment in quality content and product

WAN is committed to the quality of its content, products, people and processes. Significant investments have already been made in a number of areas across the organisation, including:

- An award-winning team of journalists and photographers that includes three Walkley Award winners;
- Creation of a world-class printing facility following a \$210 million upgrade commissioned in 2008 and recognised internationally in 2010 by IFRA, the World Association of Newspapers and News Publishers; and
- Expansion of North West distribution, through an alliance with Skywest.

Further infrastructure upgrades to finance and circulation management systems have also been approved for the coming year.

4.4 WAN Board of Directors and key management

WAN's current Board of Directors will remain intact following Completion. Further details on Directors are set out in Section 6.7 as part of the overview of WAN's proposed new Board composition.

WAN is led by Chris Wharton (Chief Executive Officer) and Peter Bryant (Chief Financial Officer). Further details for Chris Wharton and Peter Bryant are set out in Section 6.8 as part of the overview of WAN's proposed key management following Completion.

4.5 WAN Financial Information

4.5.1 Introduction

This section contains a summary of the historical and forecast financial information relating to WAN as a business excluding the impact of the Proposed Transaction, as well as sensitivity analysis on the key forecast assumptions.

The WAN Financial Information comprises:

- Consolidated summary pro forma income statement and summary forecast cash flow information for the financial year ended 30 June 2009 (FY09), financial year ended 30 June 2010 (FY10) and the half year ended 31 December 2010 (1H11);
- Consolidated balance sheet as at 31 December 2010 (together with the consolidated summary pro forma income statements and summary cash flow information, the **WAN Standalone Pro Forma Historical Financial Information**);
- Summary consolidated pro forma forecast income statement and summary cash flow information for FY11F (**WAN Standalone Pro Forma Forecast Financial Information**); and
- Accounting policies, assumptions and notes relevant to the above.

No consolidated pro forma historical or forecast statement of comprehensive income is provided.

Information on WAN's existing business (continued)

The information in this Section should be read in conjunction with other information set out elsewhere in this Prospectus, including information on the risk factors set out in Section 9 and the sensitivity of the forecasts to changes in key assumptions, set out in Section 4.5.7 of this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million.

4.5.2 Basis of preparation

WAN Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The WAN Financial Information contains certain pro forma adjustments detailed later in this Section and does not include the impact of the estimated transaction costs WAN will incur in connection with the Proposed Transaction. Refer to Section 4.5.3 of this Prospectus for a reconciliation of the audited / reviewed financial statements of WAN to the WAN Standalone Pro Forma Historical Financial Information.

WAN is forecast to incur transaction costs before tax of approximately \$28.0 million if the Proposed Transaction is not completed.

These costs relate to legal, accounting, advisory, underwriting and other expenses in conjunction with the Proposed Transaction, which have not been included in forecast results, and will reduce reported profits in FY11F. Should the Proposed Transaction not proceed by 30 April 2011, the CULS would be redeemed subject to a 2.5% Redemption Premium of \$16.3 million, which would also be expensed in FY11.

The WAN Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd, whose Investigating Accountant's Report relating to this information is included in Section 7 of this Prospectus.

a) Preparation of the WAN Standalone Pro Forma Historical Financial Information

The WAN Standalone Pro Forma Historical Financial Information for FY09 and FY10 has been extracted from the audited statutory financial accounts of WAN. The income statement for 1H11 and balance sheet at 31 December 2010 has been extracted from the consolidated financial statements for 1H11.

b) Preparation of the WAN Standalone Pro Forma Forecast Financial Information

The Board believes the WAN Standalone Pro Forma Forecast Financial Information has been prepared with due care and attention, and considers all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this information.

The WAN Standalone Pro Forma Forecast Financial Information for FY11F has been prepared on the basis of certain assumptions outlined in Section 4.5.6 of this Prospectus. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The WAN Standalone Forecast Income Statement for FY11F comprises the actual results for 1H11 and forecast results for 2H11F.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the WAN Standalone Pro Forma Forecast Financial Information, and that this may have a materially positive or negative effect on the WAN Standalone actual financial performance. Accordingly, the Board cannot give any assurance that the forecasts will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on the WAN Standalone Pro Forma Forecast Financial Information. Investors are advised to review the key best estimate assumptions set out in Section 4.5.6, in conjunction with the sensitivity analysis set out in Section 4.5.7 and the risk factors set out in Section 9 of this Prospectus, together with the other information set out elsewhere in this Prospectus.

4.5.3 WAN Standalone Pro Forma Income Statement

Set out below are WAN's summary consolidated pro forma historical income statements for FY09, FY10 and 1H11, and the consolidated forecast income statement for FY11F.

TABLE 1: WAN STANDALONE SUMMARY INCOME STATEMENTS³

	Pro forma historical			Pro forma forecast
\$m	FY09	FY10	1H11	FY11F
Revenue	418.0	408.7	208.6	415.6
Other income	0.0	0.4	0.1	0.1
Operating expenses	(246.9)	(241.3)	(122.6)	(240.7)
EBITDA⁴	171.1	167.8	86.1	175.0
Depreciation and amortisation	(20.5)	(20.9)	(11.1)	(22.6)
EBIT	150.6	146.9	75.0	152.5
Share of net profits of associate	4.3	3.9	2.6	4.8
EBIT (including associate)	154.9	150.8	77.6	157.3
Net interest expense	(18.7)	(16.7)	(6.9)	(13.1)
Profit before income tax expense	136.2	134.1	70.7	144.1
Income tax expense	(39.1)	(37.9)	(20.6)	(42.2)
NPAT	97.1	96.2	50.1	102.0
Basic EPS⁵	44.2	42.9		44.3
Diluted EPS⁵	43.6	42.4		44.0

a) Pro forma adjustments

The following pro forma adjustments have been made to the NPAT reported in the audited / reviewed accounts of WAN to calculate the pro forma NPAT for FY09, FY10, 1H11 and FY11F.

TABLE 2: WAN STANDALONE ADJUSTMENTS

	Pro forma historical			Pro forma forecast
\$m	FY09	FY10	1H11	FY11F
NPAT per statutory reporting	87.2	96.2	50.1	71.7
Add: Restructuring expenses	9.8	—	—	—
Add: Transaction costs	—	—	—	30.3
Pro forma NPAT	97.1	96.2	50.1	102.0

A pro forma adjustment of \$9.8 million has been made to statutory FY09 NPAT, to exclude the after-tax impact of a restructuring program included in FY09 operating expenses. The pro forma adjustment principally relates to employee redundancy payments.

Should the Proposed Transaction not complete, WAN would incur tax-adjusted transaction costs of \$18.9 million and would be required to pay a tax-adjusted premium of \$11.4 million to redeem the CULS. These items would be expensed in the statutory FY11F NPAT.

³ Interest income of \$0.6 million in FY09, \$0.5 million in FY10, \$0.7 million in 1H11 and \$1.1 million in FY11F has been reclassified from Revenue to Net interest expense.

⁴ EBITDA is stated after the expensing of facility fees of \$1.7 million in FY09, \$2.8 million in FY10 and \$1.1 million in 1H11.

⁵ In accordance with Australian Accounting Standards, historical basic and diluted EPS have been restated based on an Adjustment Factor of 1.06 to take into account the bonus element of the Entitlement Offer. Further details of the calculation of the Adjustment Factor are set out in Section 6.10.8.

Information on WAN's existing business (continued)

4.5.4 WAN Standalone pro forma cash flow

The table below sets out a reconciliation of the WAN Standalone EBITDA to summary pro forma cash flows for FY09, FY10, 1H11 and FY11F.

TABLE 3: WAN STANDALONE CASH FLOWS

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
EBITDA⁶	171.1	167.8	86.1	175.0
Working capital and other movements	24.4	(19.6)	(5.3)	(4.1)
Dividends received from associate	4.6	4.3	3.0	3.9
Operating cash flows before interest and tax	200.1	152.5	83.8	174.8
Income tax paid	(37.9)	(32.2)	(14.8)	(35.5)
Interest received	0.6	0.5	0.7	1.1
Interest paid	(19.5)	(17.4)	(8.6)	(14.9)
Proceeds from sale of assets	7.6	0.4	0.2	0.2
Payment for property, plant and equipment	(10.6)	(13.9)	(7.4)	(19.1)
Net repayment of borrowings	(24.0)	(57.0)	(20.0)	(35.4)
Dividends paid	(101.3)	(36.9)	(31.7)	(73.1)
Proceeds relating to shares issued	0.4	1.1	0.2	0.2
Net cash flows used in other activities	(184.7)	(155.4)	(81.3)	(176.5)
Total net cash flows	15.4	(2.9)	2.5	(1.7)

4.5.5 Management discussion and analysis of historical financial information

The operating results for WAN Standalone largely depend on the performance of The West, which contributed approximately 80% of WAN Standalone FY10 revenue, and approximately 87% of its FY10 EBIT. The remainder of the WAN Standalone revenue and EBIT are generated from wholly-owned Regional Newspapers; Radio and Speciality Publication businesses and a 49.9% non-controlling interest in the Community Newspaper Group (reported as a share of net profits of associates).

a) FY10 results compared to FY09

WAN Standalone revenue decreased 2.2% to \$408.7 million in FY10, primarily due to an \$8.2 million decline in advertising revenue. Advertising revenues are strongly influenced by consumer confidence, in particular within the retail sector. The global financial crisis had a negative impact on this sector in FY10.

The West's FY10 advertising revenues primarily consisted of approximately 50% display advertising and 40% classified advertising. Advertising revenues showed early signs of recovery in the latter stages of FY10, in particular display advertising revenues which had increased by 0.5% when compared to FY09. However, classified advertising revenues fell 8.4% year-on-year in light of the weaker economic conditions, before stabilising during the final quarter of FY10.

WAN focused heavily on cost control throughout FY10 and was able to reduce its operating expenses to \$241.3 million, a decrease of \$5.6 million on FY09. These savings were most evident in personnel costs which account for just under half of WAN's operating expense base. Personnel expenses declined \$3.3 million year-on-year following a restructuring program undertaken in FY09. Also in FY10, WAN renegotiated its newsprint supplier arrangements at significantly lower rates per tonne. The full year effect of these savings is reflected in the FY11F forecasts.

The WAN Standalone pro forma FY10 NPAT decreased by 0.9% to \$96.2 million compared to FY09. The result demonstrated a solid year for WAN given 1H09 included higher, pre-global financial crisis trading and advertising levels.

b) 1H11 results

WAN announced its first half financial results on 21 February 2011, reporting an NPAT increase of 1.2% to \$50.1 million for 1H11 compared to 1H10. The result reflected overall growth in classified revenue of 6.8%, which was offset by soft retail advertising in the lead up to Christmas 2010, delivering overall growth in advertising revenue of 3.8% against 1H10.

⁶ EBITDA is stated after the expensing of facility fees of \$1.7 million in FY09, \$2.8 million in FY10 and \$1.1 million in 1H11.

Circulation revenue (after deducting home delivery and newsagent fees) was down 1.8% to \$37.3 million compared to 1H10, reflecting increased fees paid to distributors and an increased focus on promotional activities.

WAN's operating costs increased 3.2% to \$122.6 million, with reduced newsprint expenses more than offset by higher personnel, distribution and other expenses.

4.5.6 Material best estimate assumptions for WAN Standalone Pro Forma Forecast Financial Information

WAN Standalone Pro Forma Forecast Financial Information for FY11F has been prepared on the basis of the actual results for 1H11 and the forecast results for 2H11F.

The following best estimate assumptions have been used to derive the forecasts for 2H11F, and should be read in conjunction with the risk factors set out in Section 9 of this Prospectus.

a) General assumptions

The following general assumptions are relevant to the WAN Standalone Pro Forma Forecast Financial Information:

- No significant deviation from current market expectations of economic conditions;
- No material new investments, business acquisitions or disposals;
- No material industrial strikes or other disturbances, environmental costs or legal claims;
- Retention of key personnel;
- No significant change in the legislative regimes and regulatory environments in the jurisdictions in which WAN operates;
- No material change in inflation;
- No change in the applicable Australian Accounting Standards or other mandatory Australian professional reporting requirements which would have a material effect on WAN's financial performance, cash flows, balance sheet, accounting policies, financial reporting or disclosure; and
- No change in WAN Standalone capital structure other than as set out in, or contemplated by, this Prospectus.

b) Specific assumptions

i) Revenue assumptions

WAN's revenue is principally driven by The West which is impacted by developments in the advertising sector and circulation.

Advertising revenues are forecast to increase by 3.0% in FY11F compared to FY10, as advertising revenues continue to recover from the low in the advertising cycle experienced in FY09. In determining FY11F advertising revenues, the Board has taken into consideration 1H11 actual year-on-year growth of 3.8% and 2H11F forecast year-on-year growth of 2.3%. The second half growth is mainly due to an increase in display advertising of 4% relative to the same period last year. Classified revenues in 2H11F are forecast to remain broadly unchanged year-on-year.

A decrease in circulation revenue of 0.8% is forecast for FY11F.

ii) Operating expense assumptions

The FY11F operating expenses are based on the following key assumptions:

- An increase in personnel costs of 3.2% relative to FY10, reflecting a small increase in the expected personnel requirements of WAN and increases in annual salary costs in line with enterprise bargaining agreements and management expectations;
- Newsprint costs are principally driven by consumed tonnes and price per tonne. FY11F tonnage is expected to increase relative to FY10, in line with paging increases, with this increase forecast to be offset by lower prices per tonne, based on the rates renegotiated in FY10;
- Distribution costs are forecast to increase by 2.5% relative to FY10, with the forecast increase based on an assessment of WAN's regional distribution requirements throughout Western Australia and assuming no material changes in WAN's distributor arrangements; and
- Other operating costs are forecast to increase by approximately 4.9% based on historic trends.

iii) Share of profits from associate

WAN's share of profits from associate relates solely to WAN's shareholding in Community Newspaper Group, whose results are primarily driven by trends in small business advertising. This segment has responded relatively quickly to improving economic conditions with WAN's share of profits \$0.6 million higher (to \$2.6 million) compared to 1H10. Share of profits of the associate is forecast to increase \$0.9 million (to \$4.8 million) in FY11F compared to FY10.

iv) Depreciation

The forecast depreciation is based on WAN's existing fixed asset base and historical depreciation rates, factoring in additional capital expenditure needs over the forecast period.

4.5.7 WAN Standalone Pro Forma Forecast Financial Information sensitivity analysis

WAN Standalone Pro Forma Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of WAN, its directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of certain assumptions to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

While the period of the forecast is 2H11F, sensitivities are calculated and applied on an annualised FY11F basis.

Information on WAN's existing business (continued)

TABLE 4: FY11F WAN STANDALONE SENSITIVITY ANALYSIS

Assumption	Change (%)	NPAT \$m	Free Cash Flow \$m
Market size sensitivity – WA metropolitan newspapers	+/- 1.0%	2.1	2.9
Market share sensitivity – WA metropolitan newspapers	+/- 1.0%	2.0	2.7

- **Market size:** This illustrates the impact of a +/- 1.0% change in the West Australian metropolitan newspaper market which is forecast to be approximately \$360 million, assuming WAN's market share remains constant.
- **Market share:** This illustrates the impact of a +/- 1.0% change in WAN's forecast market share of the West Australian metropolitan newspaper market of approximately 70%, assuming the market size remains constant.

4.5.8 WAN Standalone Balance Sheet

Set out below is the WAN Standalone consolidated balance sheet as at 31 December 2010.

TABLE 5: WAN STANDALONE PRO FORMA BALANCE SHEET

\$m	Actual 31 Dec 10
Current assets	
Cash and cash equivalents	14.6
Trade and other receivables	54.5
Inventories	17.2
Derivative financial instruments	0.1
Total current assets	86.4
Non-current assets	
Investment accounted using the equity method	12.1
Available for sale financial assets	0.8
Derivative financial instruments	0.2
Property, plant and equipment	209.4
Intangible assets	133.2
Total non-current assets	355.7
Total assets	442.1
Current liabilities	
Trade and other payables	31.5
Provisions	4.9
Other liabilities	2.6
Total current liabilities	39.0
Non-current liabilities	
Interest bearing liabilities	241.0
Deferred tax liabilities	11.2
Provisions and other	0.9
Total non-current liabilities	253.1
Total liabilities	292.1
Net assets	150.0
Equity	
Contributed equity	150.9
Reserves	0.3
Retained profits/(accumulated losses)	(1.2)
Total equity	150.0

Information on SMG

5.1 Overview

SMG is one of Australia's largest leading media groups and operates three key divisions:

- **Seven Network:** Australia's leading FTA television network;
- **Pacific Magazines:** Australia's second largest magazine publisher; and
- **Yahoo!7:** 50% equity interest in one of Australia and New Zealand's leading online platforms with global and local content.

SMG was formed in December 2006 as a joint venture between Seven Network Limited (a subsidiary of SGH) and KKR to acquire the FTA television, magazine and online businesses previously wholly held by Seven Network Limited, and to pursue media opportunities in Australia and New Zealand.

5.1.1 Seven Network

Seven Network is Australia's leading FTA television broadcaster with FTA audience share of 29% in 2010. Seven Network owns metropolitan television stations in Sydney, Melbourne, Brisbane, Perth and Adelaide. It also owns and operates a commercial regional television station located in regional Queensland and broadcasts via independently owned and locally branded affiliate networks. The Seven Network signal reaches nearly all of the Australian population through SMG owned and affiliated stations.

Seven is Seven Network's primary channel and is broadcast through both analogue and digital (after analogue switch off, forecast to be in 2013, it will be broadcast in digital only). Additionally, Seven Network has recently launched two new digital multi-channels, 7TWO in standard definition (SD) and 7mate in high definition (HD).

5.1.2 Pacific Magazines

Pacific Magazines is Australia's second largest magazine publishing business, with over 25 titles of varying publication frequencies. Pacific Magazines holds leading positions in substantial advertising magazine categories, including home and garden, fashion and men's lifestyle.

Pacific Magazines' titles reach approximately 7.2 million Australians aged 14 years and over every month, with one in four magazines sold in Australia being published by Pacific Magazines.

5.1.3 Yahoo!7

Yahoo!7 is a joint venture between SMG and Yahoo! Inc. established in December 2005. Yahoo!7 brings together the television and magazine content and marketing capabilities of Seven Network and Pacific Magazines, with the online search and communications capabilities of Yahoo!, providing SMG with exposure to the rapidly growing online advertising market. The business was recently expanded through the acquisition in January 2011 of Spreets, a leading Australian online group buying site.

5.1.4 Other interests

SMG Red is a dedicated cross group sales division of SMG, delivering integrated solutions to advertising clients across multiple platforms. SMG Red offers value added services and new products across FTA television, magazines and online media and so targets incremental revenue for the group.

SMG has a 33% interest in Australian News Channel Pty Ltd (**Sky News**), which is a three-way joint venture between SMG, Nine Entertainment Co Pty Limited and British Sky Broadcasting Group, and owns and operates Sky News Australia, a leading 24-hour news channel in Australia and New Zealand.

SMG's other non-controlled investments include:

- 33% of OzTAM, a rating services provider;
- 33% of TX Australia Pty Limited, a transmitter facilities provider;
- 50% of Coventary Street Properties, a facilities management company; and
- 33% of Perth Translator Facility, a transmitter facilities provider.

5.2 SMG's ownership and structure

SMG is a joint venture between SGH and KKR. SGH is an ASX listed company in which entities associated with Mr Kerry Stokes AC hold 68%.

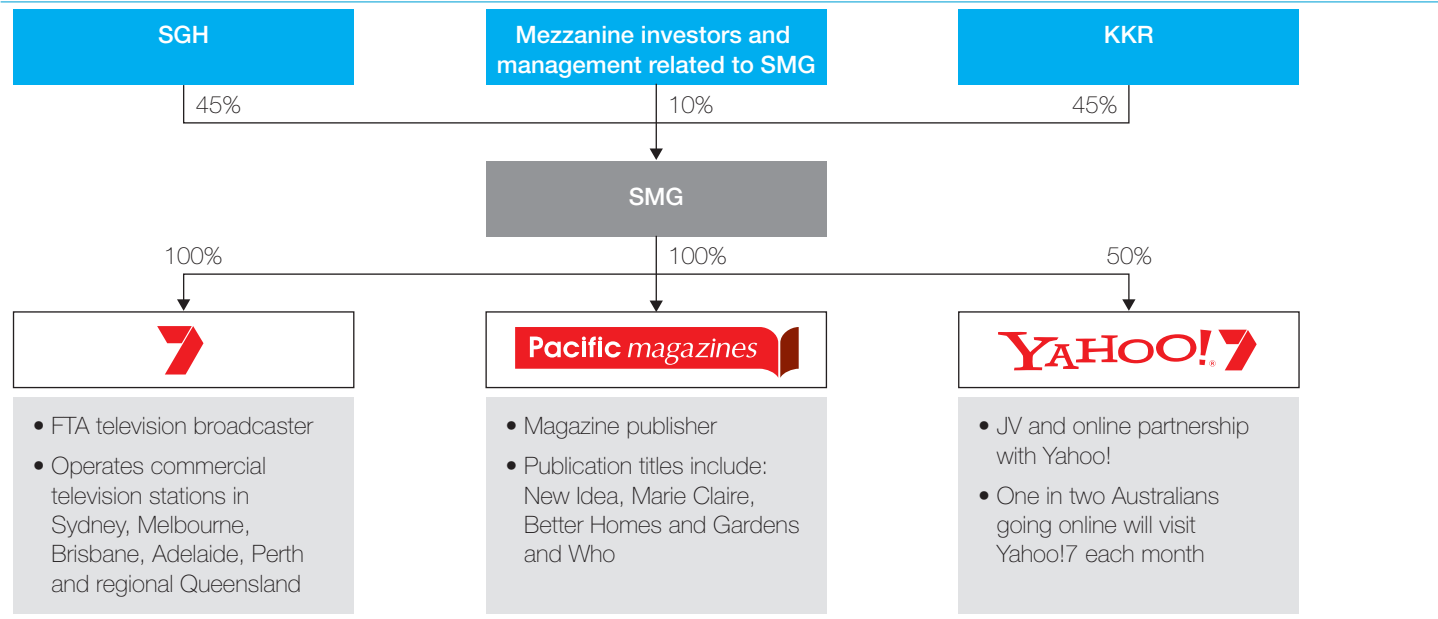
SGH and KKR each have an approximate 45% interest in SMG, with the remaining 10% stake held by other mezzanine investors and management related to SMG¹.

Both Seven Network and Pacific Magazines are 100% owned and controlled by SMG, while Yahoo!7's operations are run as a joint venture with Yahoo! Inc.

¹ SGH's and KKR's respective interests in SMG are each presently approximately 46.5%. However, each would be 45% if fully diluted for future vesting of SMG's Management Equity Plan.

Information on SMG (continued)

DIAGRAM 3: SEVEN MEDIA GROUP



5.3 SMG debt profile

SMG's existing debt facilities include interest bearing loans from external parties and intercompany loans. Interest bearing loans as at 25 December 2010 include:

- A syndicated senior secured debt facility of \$1,841 million maturing in December 2012;
- Secured notes of \$315 million maturing in December 2013. A fixed rate of interest is paid increasing incrementally from 10.2% to 12.3% and secured by a second ranking charge over all of SMG's assets; and
- Zero coupon notes of \$119 million². These notes mature in December 2013, are unsecured and pay a fixed coupon of 12% per annum.

The total undrawn amount under these facilities as at 25 December 2010 was \$354 million. In addition, there is an intercompany loan of \$650 million relating to a loan from SGH to SMG as included in the pro forma balance sheet set out in Section 5.7.9.

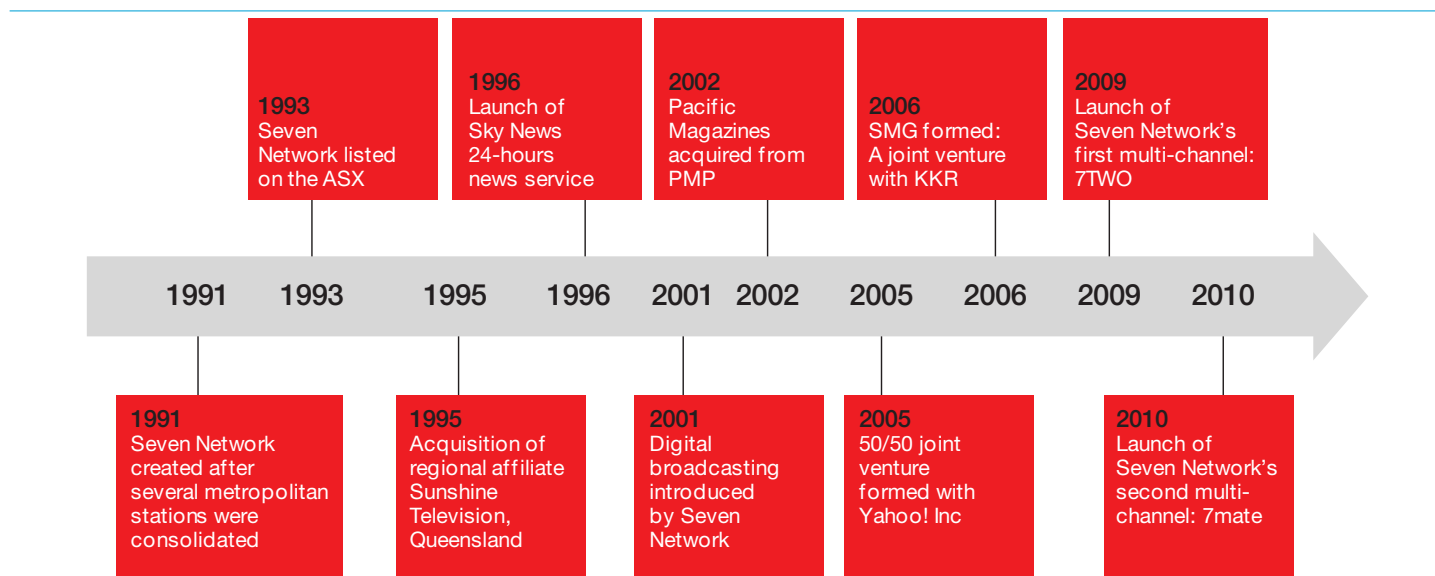
5.4 History of SMG

The Seven Network started as a group of independently operating broadcasters in each major city that operated on the VHF 7 frequency. The first television stations were established in Sydney and Melbourne in 1956, however it was not until 1991 that the stations were consolidated to form the Seven Network.

SMG has grown to become one of the largest media producers and distributors in Australia through the successful strategic acquisitions of Sunshine TV Queensland, Pacific Magazines, Time Australia and Murdoch Magazines, the formation of an online partnership with Yahoo! and the underlying growth of its core FTA television business.

² Excluding \$14.3 million of accrued interest that was capitalised on 29 December 2010.

DIAGRAM 4: SMG HISTORY



5.5 Media industry overview in Australia

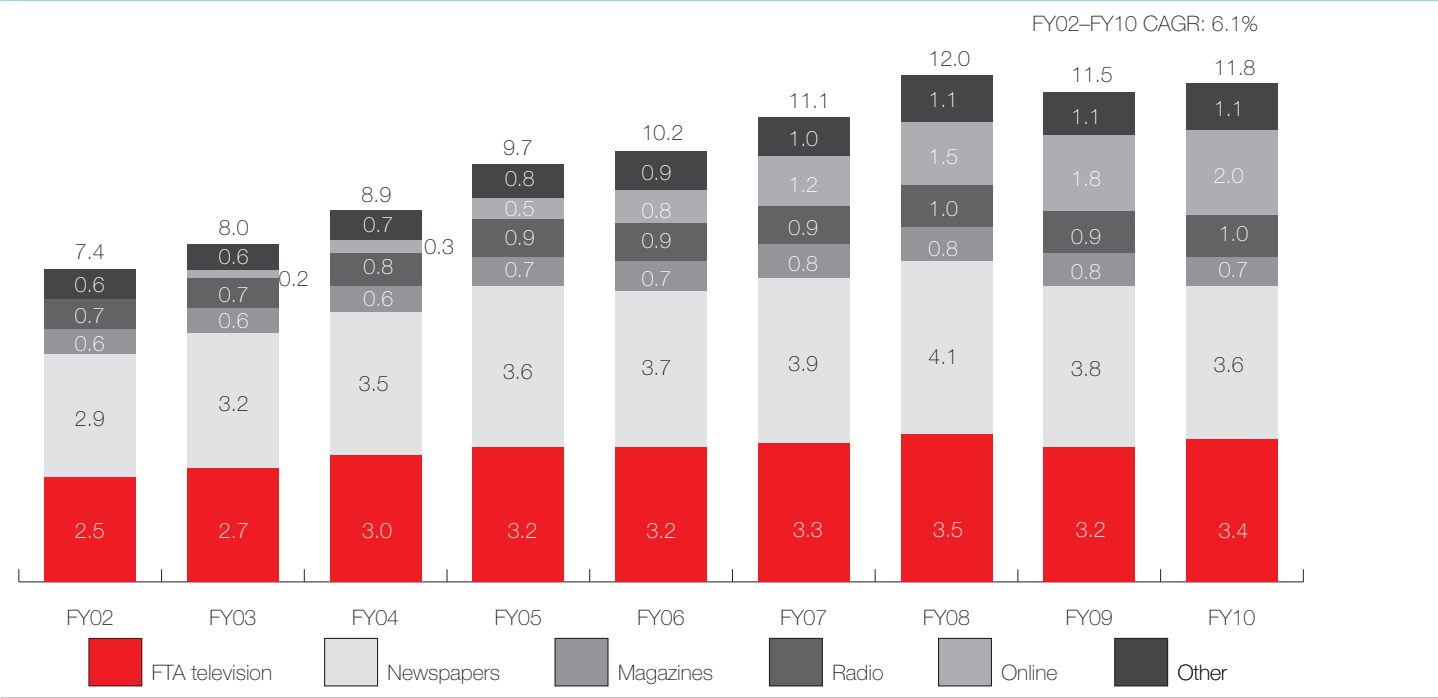
5.5.1 The Australian advertising market

The Australian advertising market comprises five primary mediums: FTA television, radio, newspapers, magazines and online. Total media advertising spend in Australia has grown from \$7.4 billion in FY02 to \$11.8 billion in FY10 at a CAGR of 6.1%. In FY09, total advertising spend declined by 4.1%, largely due to weaker economic conditions experienced during the global financial crisis, but has since stabilised with 2.0% growth recorded in FY10.

Since FY02, FTA television advertising spend has increased by 35.7% to \$3.4 billion in FY10. Over the same period, magazine advertising revenues remained relatively stable, growing from \$0.6 billion to \$0.7 billion while online has increased rapidly, growing nearly \$2.0 billion over the corresponding period.

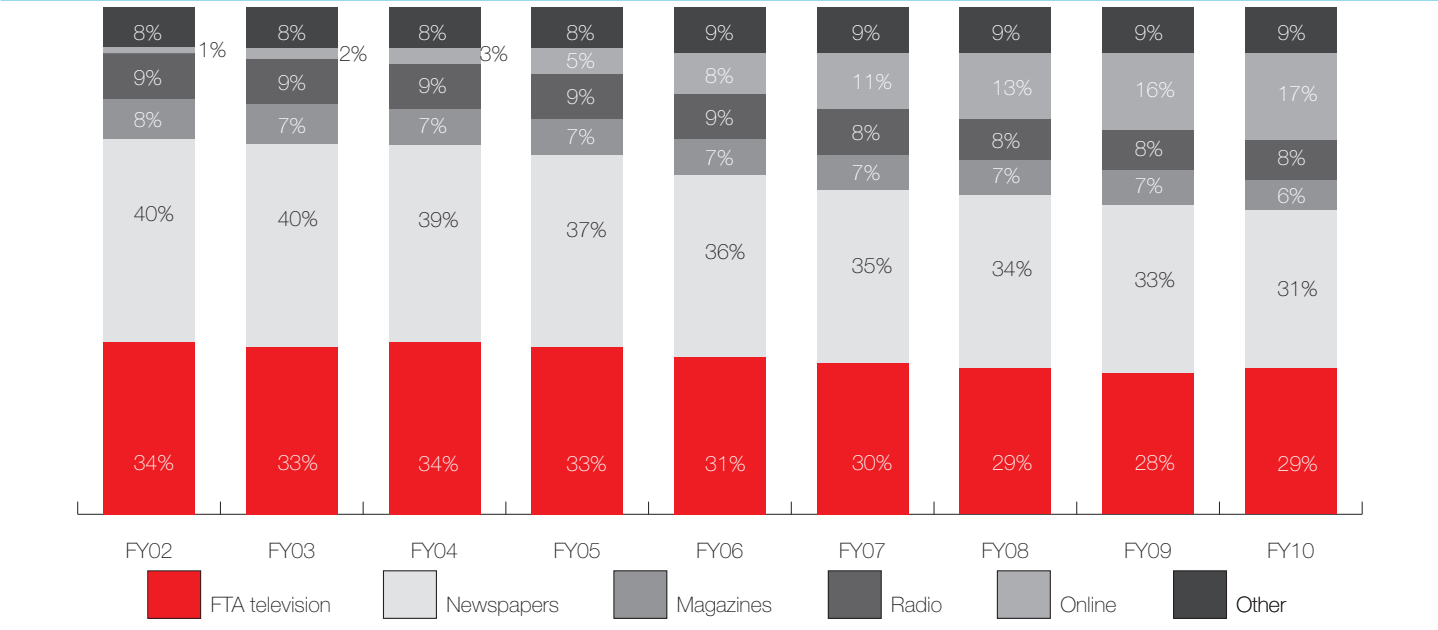
Information on SMG (continued)

FIGURE 10: AUSTRALIAN ADVERTISING MARKET BY MEDIUM (\$ BILLION)³



The largest segments of the Australian advertising market are newspapers and television, accounting for 60% of advertising spend. Online advertising is expected to remain the fastest growing advertising medium, having grown from 5% of total advertising in FY05 to 17% in FY10.

FIGURE 11: AUSTRALIAN ADVERTISING MARKET BY MEDIUM³



³ CEASA, "Advertising Expenditure in Main Media" (years to 30 June).

5.5.2 FTA television broadcasting in Australia

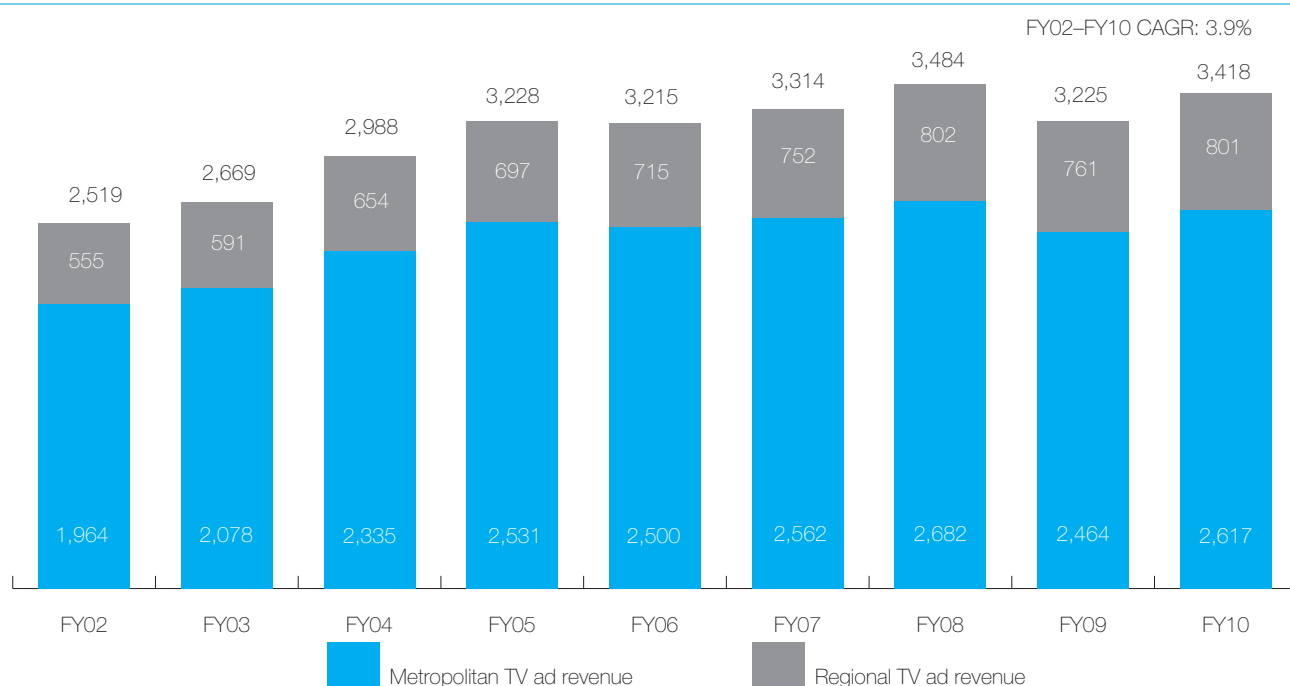
a) Introduction

The FTA television industry is one of the most significant and influential media platforms in Australia. On average, Australians spend 23 hours, 20 minutes per week watching FTA television and own 2.4 televisions per household. In Australia the FTA television market comprises commercial and public broadcasting networks. The industry derives approximately 90% of total revenues from advertising, with audience ratings a key driver of advertising revenues between networks. The Australian FTA television market is advantaged compared to most other countries due to relatively lower penetration rates of subscription television in this market. Australia's subscription television penetration was estimated to be 32% in Q4 2010 compared to 87% in the United States.

b) Recent performance

Between FY02 and FY08 (trough to peak), FTA television revenue grew by 38.3% to \$3.5 billion at a CAGR of 5.6%, driven by a 36.6% increase in five city metropolitan advertising and a 44.5% increase in regional advertising revenue. The market recovered in FY10, following the weak economic conditions of FY09, with growth of 6.0% to \$3.4 billion.

FIGURE 12: AUSTRALIAN FTA TELEVISION ADVERTISING REVENUE (\$ MILLION)⁴



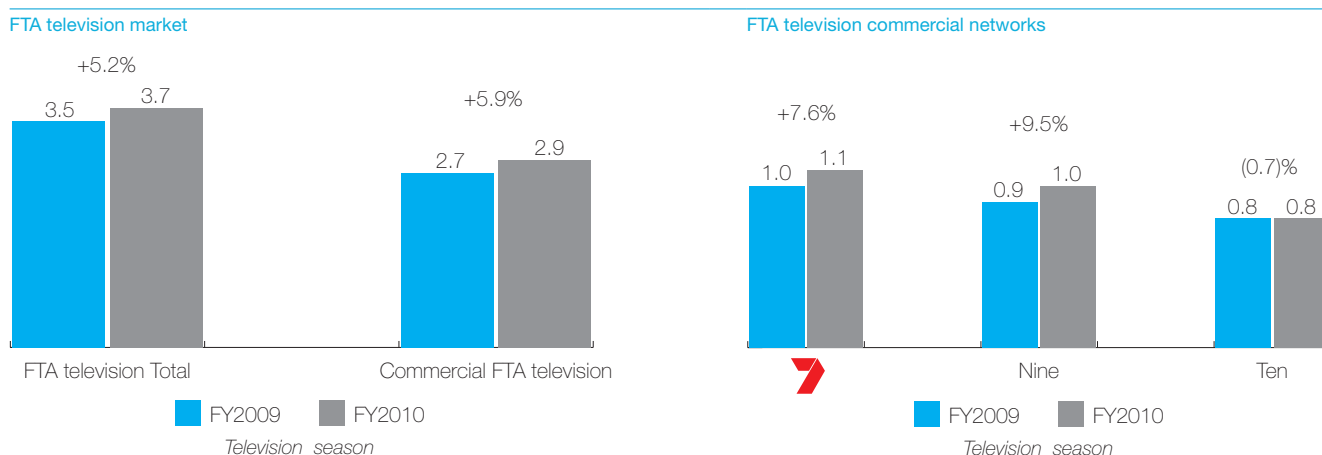
In FY09, FTA commercial television networks in Australia launched a number of new digital multi-channels as a means to broaden audience reach, appeal to advertisers and offer an alternative advertising platform to subscription television, radio, newspaper and online content. Seven Network launched 7TWO, Nine launched GO! and Ten Network launched ONE. In FY10, further digital multi-channels were launched including 7mate (Seven Network) and Gem (Nine), with Ten Network subsequently launching Eleven in January 2011. The introduction of digital multi-channels is expected to develop and grow the FTA television platform going forward through a greater number of FTA television channels.

The strength of the FTA television platform is demonstrated by growing audience numbers, especially across the commercial networks.

⁴ CEASA, "Advertising Expenditure in Main Media" (years to 30 June).

Information on SMG (continued)

FIGURE 13: AUSTRALIAN FTA TELEVISION PEAK TIME AVERAGE AUDIENCE (MILLIONS)⁵



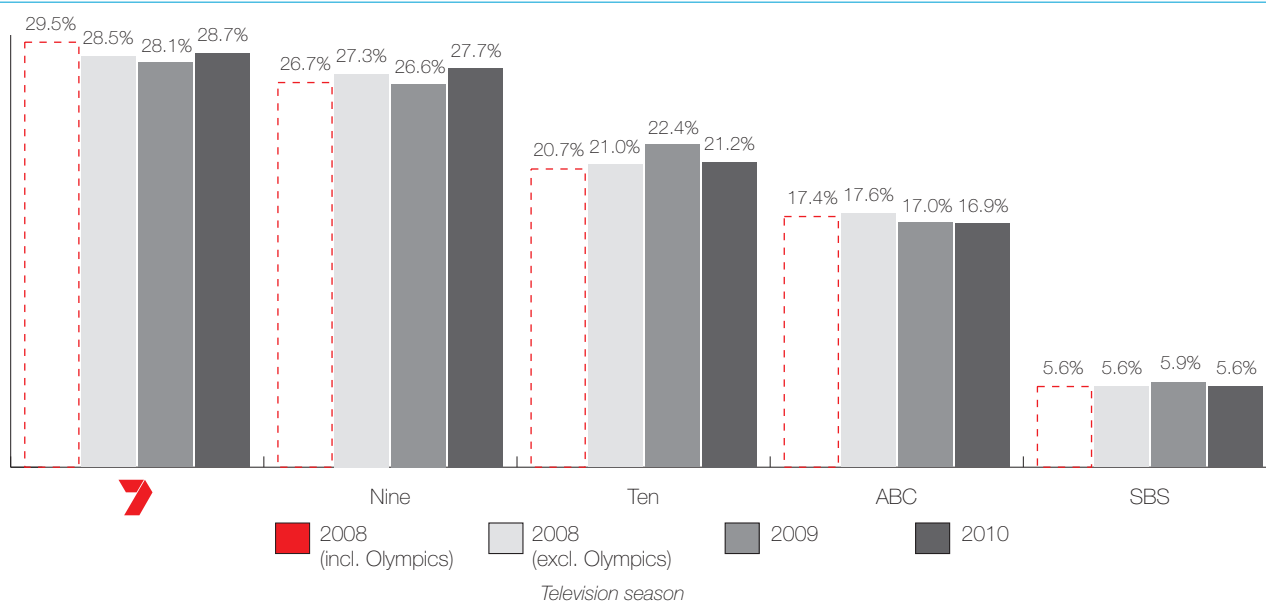
c) Key participants

In most areas of Australia there are three FTA television commercial networks' signal (Seven Network, Nine and Ten) and two national public broadcast networks' signal (ABC and SBS). The commercial networks all operate in capital cities, while in regional areas they broadcast through a mix of network owned and independently owned and operated affiliate stations. Seven Network and Ten own each of their metropolitan stations, while Nine only owns its capital city stations in Sydney, Melbourne and Brisbane, as well as its Newcastle affiliate.

Regional FTA television stations are each affiliated with one of the major metropolitan networks, and generally pay an affiliation fee (based on gross revenues) for broadcasting rights of content (with the exception of Sunshine Television which operates in regional Queensland and is owned directly by Seven Network and NBN which is owned by Nine). The largest independently operated regional networks include Prime Media (a Seven Network affiliate), Southern Cross Television (predominantly a Ten affiliate) and WIN (predominantly a Nine affiliate).

Since 2007, Seven Network has been the leading network in audience share and the most viewed FTA television network based on average audience.

FIGURE 14: AUSTRALIA TELEVISION RATINGS OVER TIME (%) (TOTAL AUDIENCE)⁶



⁵ Based on five-city metropolitan survey year, excluding Easter period for 6pm-12am, total individuals. Average audience includes multi-channels. 2010 consolidated, 2009 live only.

⁶ Based on five-city metropolitan survey year, excluding Easter period for 6pm-12am, total individuals, includes multi-channels. 2010 consolidated, 2008-9 live only.

d) Regulatory environment

The key regulatory body for the Australian FTA television industry is the Australian Communications and Media Authority (ACMA).

i) Convergence Review

The Government announced its intention to conduct a Convergence Review in December 2010. The review will assess Australia's communications and media legislation and advise the Government on potential amendments as a response to ongoing technological trends reshaping the media landscape. The review is expected to conclude in the first quarter of 2012.

ii) Audience reach limitations

Under current regulations, a company is prevented from owning broadcasters (deemed control is based on a 15% threshold) that reach more than 75% of the Australian population (commonly referred to as "the audience reach rule"). The impact of these regulations on FTA television commercial broadcasters is that they are largely prevented from owning broadcasting operators in both the metropolitan and regional markets of Australia. The Government has announced that, as part of its Convergence Review (see above), it will be reviewing the audience reach rule, and that the review may lead to a relaxation or removal of audience reach regulations.

iii) Anti-siphoning legislation

Under the anti-siphoning provisions⁷, subscription television licensees are prevented from acquiring exclusive rights to televise a listed event until a right is offered first to the Australian Broadcasting Corporation (ABC) or the Special Broadcasting Service Corporation (SBS) or to commercial FTA television broadcasters reaching more than 50% of the Australian population.

In December 2010, the Australian Government announced changes to the anti-siphoning list with the creation of a new two-tiered regulation. The Tier A list includes 'premium' events such as the Melbourne Cup, AFL and NRL Grand Finals, and Australian Open singles finals which are required to be broadcast live and in full by the rights holder, and cannot be broadcast on any of the digital multi-channels. The Tier B list covers items such as the regular "home and away" rounds of the NRL and AFL seasons, the Olympic Games, and Australian Open non singles-finals matches which may be broadcast on the digital multi-channels within a four hour period. Prior to these changes, events listed on the anti-siphoning list were unable to be shown on multi-channels.

The proposed changes are largely neutral for the Seven Network as the majority of key sporting events which Seven Network holds (Melbourne Cup, AFL, V8 Supercars and Australian Open) continue to be included on the anti-siphoning list, and can now be shown on the multi-channels, increasing scheduling flexibility. The delisting largely recognises the events which are already contracted to pay television.

iv) Licence fee rebate

In Australia, FTA television operators are required to pay an annual fee to the Government to retain their commercial broadcasting licence. Historically, this licence fee has been 9% of advertising revenues (being gross revenues less agency commission) for metropolitan operators. In February 2010, the Australian Government announced its intention to reduce the FTA television licence fees by 33% on revenue earned in CY10 and 50% on revenue earned in CY11⁸. The aim of the rebate is to enable the FTA television industry to have capacity to continue with current levels of local content production, and to recognise the substantial investment required to switch to digital and relinquish the existing analogue spectrum. In addition, new media platforms such as pay television and Internet do not have to pay such licence fees.

5.5.3 Magazine publishing

a) Introduction

The magazine publishing industry derives revenues from the sale of magazines to consumers (circulation revenue) and advertising. Magazines are an attractive form of advertising as they allow advertisers to focus on specific customer demographics in a "high involvement" medium.

According to Magazine Publishers of Australia⁹, approximately 90% of magazine sales are made at retail outlets, with the residual from subscriptions. This retail contribution is high by world standards, with subscription revenues in markets such as the United States and Canada making up a greater proportion of total circulation revenue. The higher retail revenue, and related unit prices have meant that Australian magazine publishers are less reliant on advertising revenues.

b) Recent performance

The Australian magazine publishing industry generated \$1.6 billion in FY10 with circulation revenue accounting for \$976 million (59.8%) with magazine advertising making up the balance¹⁰.

Circulation revenue has steadily decreased since FY06, at an average rate of 4.3% over the last four years. Whilst FY06 represents the peak of circulation revenue since FY02, FY05 and FY06 were favourably impacted by a large number of magazine launches and market activity in the industry surrounding these launches.

In contrast, advertising revenue grew from \$555 million in FY02 to \$792 million in FY08. Thereafter revenue has declined due to weaker economic conditions as a result of the global financial crisis.

⁸ Note that the final legislative amendment effected a rebate of 16.5% in the 12 months to June 2010, 41.5% in the 12 months to June 2011 and 25% in the 12 months to June 2012 in order to reconcile with the fiscal year end of each network.

⁹ The Magazine Publishers of Australia is an industry body representing Australian publishers of consumer, cover priced and nationally distributed magazines.

¹⁰ Note that these magazine revenue figures are based on two different sources. Due to differences in the number of magazine titles captured by each measure, the actual aggregate figures may differ from those shown above.

⁷ Section 115 of the Broadcasting Services Act.

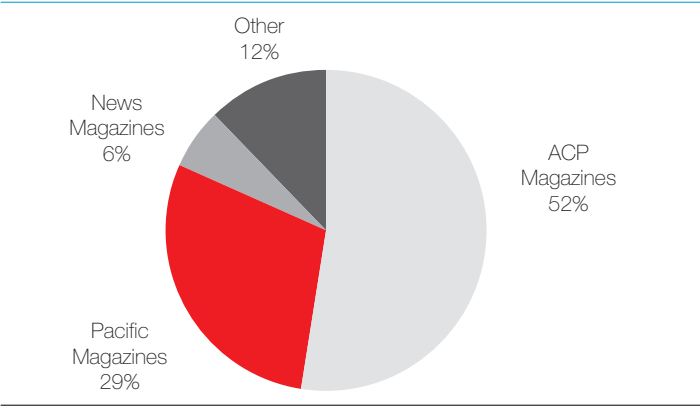
Information on SMG (continued)

The largest magazine categories are women's magazines and special interest magazines, accounting for a combined 63% of total magazine advertising revenue in FY10. The remaining categories are fragmented across a broad range of alternative segments.

c) Key participants

The Australian magazine industry is highly concentrated with the top three publishers accounting for approximately 87% of total gross copies sold in FY10. ACP Magazines is the largest magazine publisher with 52% market share, while Pacific Magazines is the second largest publisher with a market share of 29%.

FIGURE 15: AUSTRALIAN MAGAZINE INDUSTRY MARKET SHARE BASED ON ANNUAL GROSS CIRCULATION (FY10)¹¹



5.5.4 Online media

a) Introduction

Revenue for online media companies is predominantly generated from access fees to services such as sponsored search and online display and classified advertising. User activity is a key driver of advertising revenue for this segment.

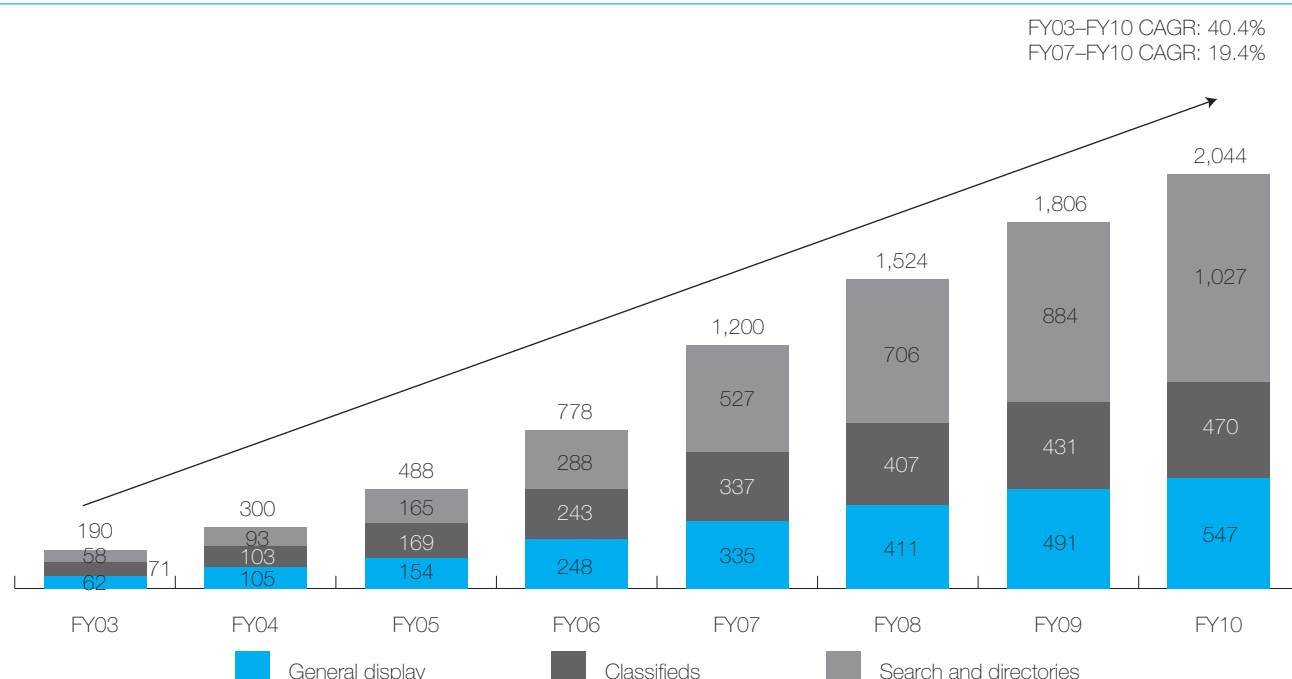
Sponsored search advertising promotes particular businesses ahead of others in response to key words in a search query. Display advertising provides banner advertising on relevant websites and charges clients using an audited service which determines how many people look at the relevant internet sites as well as those that proceed to purchase. In addition to advertising revenue, digital media portals continue to develop new revenue streams offering substantial growth prospects to the industry, one of which in Australia, has been online group buying services (e.g. Spreets).

b) Recent performance

Australian online advertising generated revenues in excess of \$2.0 billion in FY10. Online advertising has remained resilient to the economic downturn having grown at a CAGR of 40.4% over the last seven years and 19.4% over the last three years.

¹¹ Based on audited magazine titles only (12 months to December 2010).

FIGURE 16: AUSTRALIAN ONLINE ADVERTISING EXPENDITURES (\$ MILLION)¹²



c) Key participants

Market share is not easily measured in the online media industry due to difficulties in categorising sites and providing a consistent and appropriate recording mechanism. However, industry research indicates Google attracts the most unique browsers, while Yahoo!7 is the fourth most sought after site.

TABLE 6: TOP WEBSITES IN NOVEMBER 2010 (BY UNIQUE AUDIENCE AND REACH)

Rank	Site	Unique audience ('000)	Active reach (%)
1	Google (incl. YouTube)	12,805	86.89
2	NineMSN / MSN	9,618	65.26
3	Facebook	9,378	63.64
4	Yahoo!7	6,937	47.41
5	Fairfax Digital Media Network	6,052	41.06
6	eBay	5,941	40.32
7	News Digital Media	5,908	40.09
8	Sensis	4,041	27.42
9	Fox Interactive Media	2,115	14.35

5.6 SMG's operations and business description

5.6.1 Seven Network

Seven Network is Australia's leading FTA television network and owns metropolitan television stations in the capital cities of Sydney, Melbourne, Brisbane, Perth and Adelaide, and a regional television station in Queensland. Seven Network wholly owns commercial television licences in each of these jurisdictions. In addition, Seven Network is broadcast via locally branded affiliate networks.

a) Broadcast Content and Programming

Seven Network broadcasts a wide variety of content that includes in-house produced and externally purchased programmes from Australia and overseas, catering to a number of different demographics.

The current programming schedule includes a mix of both produced and purchased inventory. Out of the three Australian commercial FTA television networks, Seven Network produces the most in-house content and has had significant success with this in recent years, with programmes such as "Packed to the Rafters", which was Australia's highest rating regular programme in 2010. Its success at developing an effective programming schedule has contributed to Seven Network's leading FTA television network position by audience share over the last four years. It has been the number one broadcaster of news and current affairs for the last five years, with Seven's news

¹² CEASA, "Advertising Expenditure in Main Media" (years to 30 June).

Information on SMG (continued)

and current affairs programming having a 14.5% higher average audience than Nine in 2010. The success of Australian produced content is extremely important for FTA television networks, as regulations require 55% of all broadcast programmes (6.00am to 12.00am) to be locally produced.

DIAGRAM 5: EXAMPLES OF SEVEN NETWORK PROGRAMMING



Seven Network currently holds the broadcasting rights to a number of significant sporting events, including the Australian Open (up to 2014) and the AFL (up to December 2011). Recent changes to anti-siphoning legislation are discussed in Section 5.5.2(d)(iii) of this Prospectus. The changes should not adversely affect Seven Network’s programming schedule, especially when considering the scheduling flexibility provided by being permitted to play sports programming on its multi-channels.

The other important source of content is internationally produced programmes, for which the Australian FTA television broadcasting rights are generally purchased under ‘output’ agreements with many of the major US studios. Seven Network has long-standing relationships with studios such as Disney and NBC Universal, which each have provided a number of successful programmes such as “Desperate Housewives” and “Lost”. Output agreements are generally valid for a number of years and involve obligations to purchase content, which helps provide Seven Network with certainty of supply of major prime time programmes.

b) Audience market share

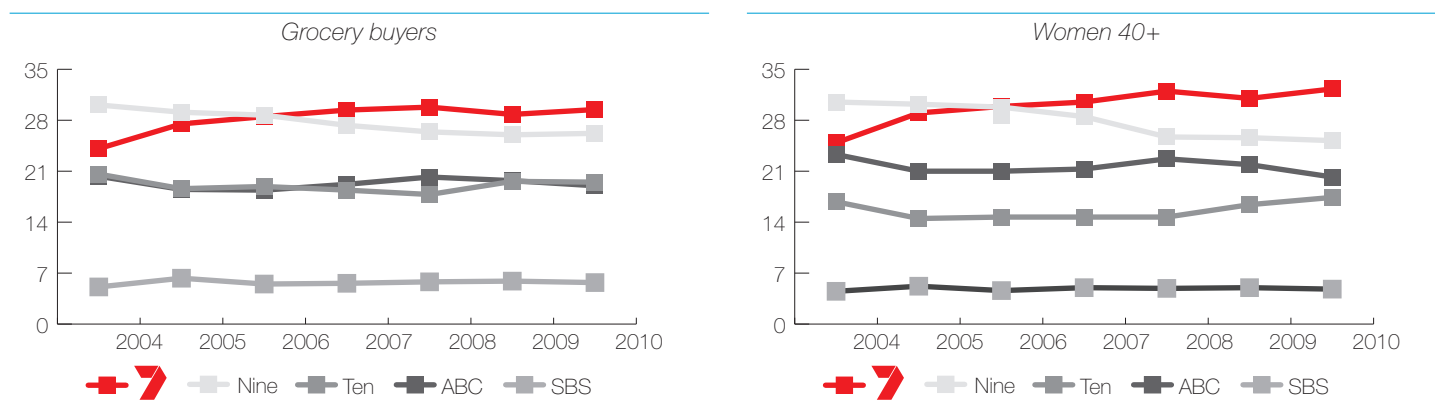
The success of a FTA television network’s programming strategy is reflected in its relative share of the viewing audience, which is measured by ratings data. Ratings are measured using data collated by OzTAM, recognised by the FTA television industry as the official source of ratings information.

Ratings data is gathered for each metropolitan and regional market, and split between different timeslots and viewer demographic categories. In particular, the peak time viewing period (6.00pm to 12.00am) is seen as the most important audience share measure, as this timeslot is when the largest number of people are watching television. Over the 2010 television season, the average peak audience for commercial networks grew by 5.9%, with Seven Network up by 7.6%.

During the 2010 television viewing period, Seven Network led with a market share in peak time of 28.7%, followed by Nine at 27.7% and Ten at 21.2%. Seven Network has been the best performing FTA television station by audience share during the peak time period for the past four years.

Seven Network’s leading position in audience share extends across a wide range of market segments in addition to the peak time period and across key demographic groups. It has held the highest ratings share for breakfast television for the past seven years, morning television for the past four years, overall 6am to midnight broadcast day for the past five years, and news and current affairs for the past five years. It has also held the highest ratings share for the last four years in the key advertising demographic groups of grocery buyers and women over 40.

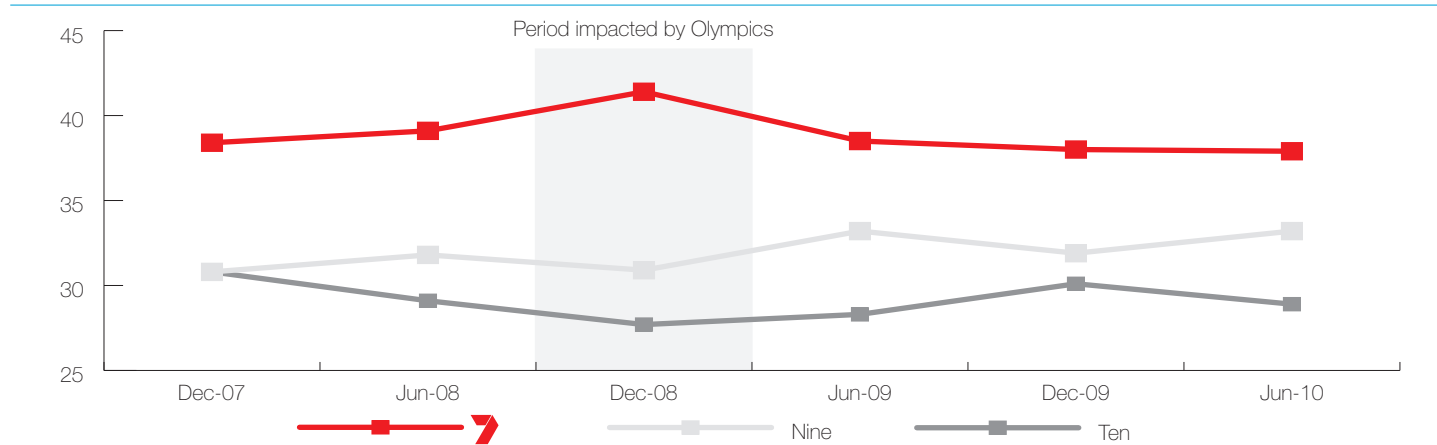
FIGURE 17: AUDIENCE SHARE BY KEY DEMOGRAPHIC GROUPS FOR ADVERTISERS (%)¹³



c) Advertising

Advertising airtime on FTA television is predominately sold on the basis of ratings. As such, Seven Network's number one audience share position has translated into a higher share of total advertising revenues compared with the other two major commercial stations. Seven Network has held the greatest market share of total metropolitan advertising revenue from December 2007 to June 2010.

FIGURE 18: SHARE OF ADVERTISING REVENUE (%)



d) New digital multi-channels: 7TWO and 7mate

Seven Network has launched two additional digital multi-channels, 7TWO in November 2009 and 7mate in September 2010.

Both digital multi-channels target specific demographic groups that differ from the primary channel's predominantly female audience skew, with 7TWO targeting an over 25 adult audience and 7mate targeting a male audience aged 16-54. Following the launch of the new channels, Seven Network has a platform of channels targeting specific audience demographics designed to limit audience fragmentation.

Since its inception, 7TWO's audience has grown rapidly and is now the number one most-watched digital multi-channel for people over 25 during peak time. Across the 2010 television season, 7TWO televised 15 of the top 20 regular programmes on the broadcast television digital multi-channels (people over 25). For the last month of the 2010 television season, 7TWO more than doubled its peak time audience delivery compared to the channel's first month on-air in 2009.

Since its launch, 7mate has similarly enjoyed rating and advertising success, having televised nine of the top 20 regular programmes for men aged 16-54 on the broadcast television digital multi-channels (in the period since launch to the end of the 2010 television season). 7mate's audience in peak time for the last week of the 2010 television season was over 20% higher than the channel's first week on-air.

¹³ Based on five-city metropolitan television survey year excluding Easter period for peak time (6.00pm to 12.00am), ratings adjusted to exclude Olympics. 2010 consolidated, 2004-9 live only.

Information on SMG (continued)

e) Arrangement with affiliates

Seven Network has arrangements to deliver its broadcast signal to its regional affiliates, including Prime Media and Southern Cross Television.

Prime Media broadcasts in regional locations in New South Wales, Australian Capital Territory, Victoria and Western Australia and the Gold Coast area of eastern Queensland. Southern Cross Television broadcasts in Darwin and throughout the Northern Territory, rural Queensland and parts of New South Wales, Victoria, South Australia and Tasmania.

Fees received by Seven Network under each of these arrangements are generally linked to gross airtime advertising revenue in the respective markets. Seven Network’s affiliate agreements with Prime Media and Southern Cross Television expire in 2017 and 2013 respectively.

5.6.2 Pacific Magazines

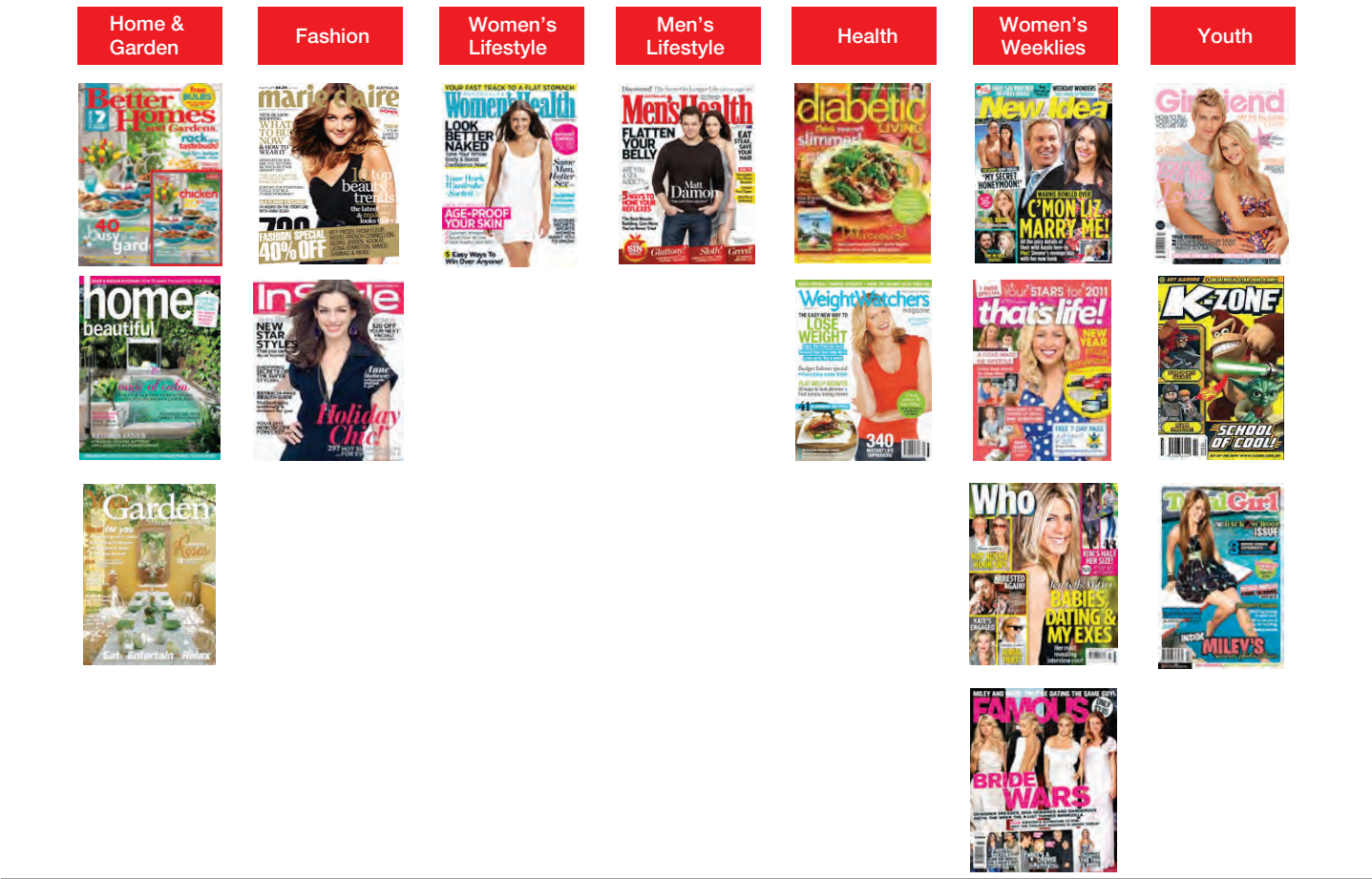
Pacific Magazines comprises SMG’s:

- Magazine publishing business; and
- Custom publishing business Pacific+ (launched in 1991 and formerly known as Text Media).

Pacific Magazines forms a key element in driving the development of SMG’s brands and content beyond broadcast television as the group develops a broad-based media and entertainment company spanning television, magazines, online and new communications platforms.

Pacific Magazines outperformed the overall magazine industry, delivering the largest circulation share increase of any magazine publishing company over the 12 months to December 2010. Its magazine portfolio occupies the largest per title readership share of all major magazine publishers. Nineteen of Pacific Magazines surveyed titles (representing 14% of all surveyed titles) delivered 29% share of gross readership over the twelve month period ending December 2010. The main portfolio of titles is split into seven publishing categories as described below.

DIAGRAM 6: TITLE SEGMENTATION



In addition, Pacific+ publishes magazines for a number of major clients including Virgin Blue, Lexus and Weight Watchers.

a) Circulation and readership

Pacific Magazines continues to grow market share, with circulation share increasing by 1 percentage point in the 12 months to December 2010 to 29.4%, driven by the strong brand equity in the Pacific Magazines' portfolio. Pacific Magazines is the number one publisher by circulation in Australia in various key categories including Home & Garden, Fashion, Men's Lifestyle, Health and Youth.

Pacific Magazines has a readership market share of nearly 40% out of the top ten magazines.

TABLE 7: TOP 5 MAGAZINES PUBLISHED IN AUSTRALIA BY READERSHIP¹⁴

Rank	Title	Readership ('000)		Readership (% of population)	
		Dec 09	Dec 10	Dec 09	Dec 10
1	Australian Women's Weekly	2,184	2,228	12.3	12.2
2	Woman's Day	2,056	1,999	11.6	10.9
3	Better Homes and Gardens	1,783	1,950	10.0	10.7
4	New Idea	1,608	1,443	9.0	7.9
5	That's Life!	1,142	1,081	6.4	5.9

The largest magazine category, Women's Weeklies, accounts for almost half (47%) of total magazine unit sales and over one third (37%) of total magazine circulation revenue. Pacific Magazines holds a significant share in this category, with "New Idea", "Who", "FAMOUS" and "That's Life!" combining to deliver a 48% share of circulation volume and 45% share of circulation revenue in this category.

Pacific Magazines' number one title by readership is "Better Homes and Gardens", one of the country's leading integrated media brands. "Better Homes and Gardens" is one of the fastest growing monthly magazines in Australia, with readership of nearly 2 million, and ranks as the second most read monthly magazine in Australia.

Pacific Magazines continues to invest in launching new titles in response to changing demand. Examples of recent launches include "Women's Health" which was launched in October 2007 and has a readership of almost half a million and "FAMOUS" which was launched in February 2006 and has attracted a readership of over 300,000.

b) Advertising

Given Pacific Magazines' wide spread of titles across various categories, the portfolio has significant reach within key advertising categories. Pacific Magazines titles reach the following groups every month:

- 40% of all people;
- 56% of women;
- 23% of men; and
- 45% of main grocery buyers.

Pacific Magazines was the only major Australian magazine publishing company to improve its advertising performance in the twelve months to December 2010, achieving growth of 7%. Pacific Magazines is well positioned relative to the market, with a strong share of advertising revenue in the magazine categories which generate the greatest share of total advertising revenue.

TABLE 8: TOP 10 CATEGORIES BY ADVERTISING REVENUE (2010)

Rank	Title	Share of advertising revenue (2010)	Pacific Magazines share of category advertising revenue (2010)
1	Mass Women's Weeklies	17%	41%
2	Women's Fashion	13%	57%
3	Mass Monthlies	12%	6%
4	Celebrity Weeklies	11%	47%
5	Home & Garden	11%	72%
6	Food & Entertaining	8%	–
7	Women's Lifestyle	7%	21%
8	Real Life Weeklies	3%	68%
9	Airline	3%	21%
10	Men's Lifestyle	2%	55%

c) Distribution and print

Pacific Magazines uses a number of channels to distribute its magazines, including over 8,000 retail outlets such as supermarkets and newsagents and mail-delivered subscription services. Pacific Magazines currently utilises the services of Gordon and Gotch, a long standing publications distributor and a subsidiary of PMP Limited, to distribute its magazines.

5.6.3 Yahoo!7

SMG's exposure to the fast-growing online advertising market in Australia is delivered through Yahoo!7, a joint venture with Yahoo!. Approximately one in two online Australians visit Yahoo!7 every month. Yahoo!7 also holds a 51% equity interest in Yahoo! Xtra, a joint venture with Telecom New Zealand Limited established in December 2006. Yahoo! Xtra delivers online content and applications services in New Zealand. Yahoo! Xtra remains a leading online portal in New Zealand.

Yahoo!7 is continuing to invest in its business to deliver ongoing audience growth. In sports, the recent acquisition of one of Australia's largest online sports tipping websites, Oztips, delivered an engaged fan base. Yahoo!7 also launched a new men's lifestyle destination in July 2010, BANZAI, targeting men aged 25-45 and focusing on fitness, adventure and boardsport lifestyles.

The PLUS7 catch-up TV online destination continues to grow audience. Building on this success, Yahoo!7 has undertaken a platform-agnostic approach to enabling premium television programming content to be delivered via IPTV. Recent partnerships with Sony, Panasonic and LG secure Yahoo!7 distribution on IP enabled television devices in the lounge room.

¹⁴ Periods show year to December.

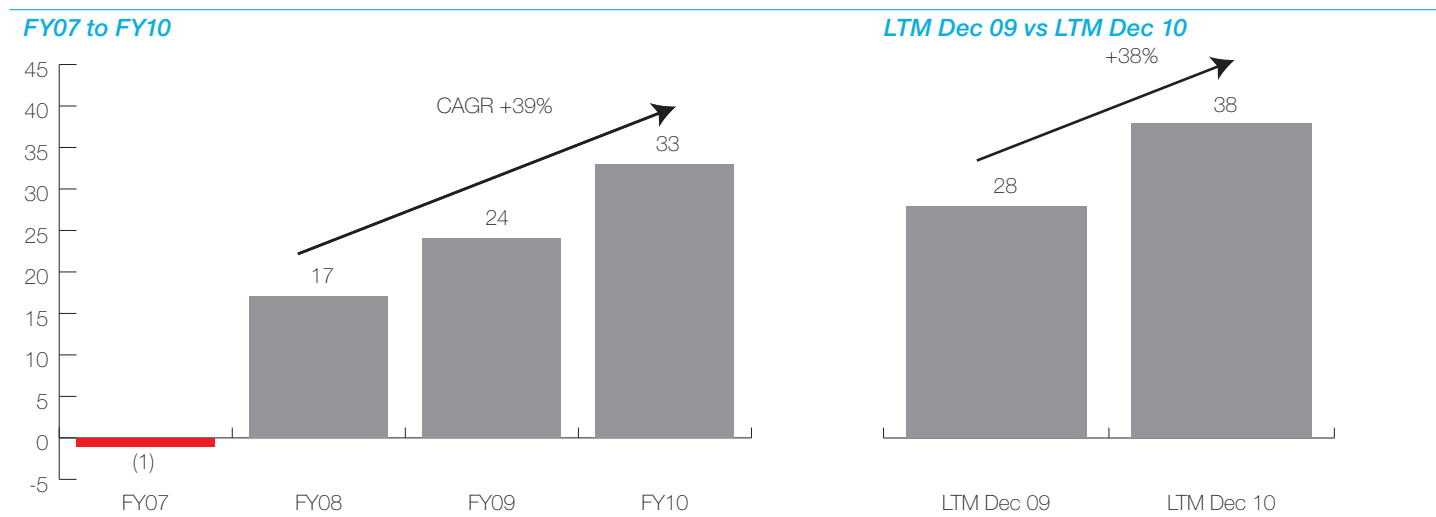
Information on SMG (continued)

Yahoo!7 announced the acquisition of Spreets in January 2011. Spreets is a leading Australian online group buying site with over 500,000 members and more than 274,000 vouchers purchased since inception. The group buying model has rapidly evolved over the past year delivering cost-effective marketing to small businesses and addressing an unmet and growing demand from consumers for online coupon deals.

Yahoo!7 has continued to grow advertising share by driving innovation through its focus on delivering targeted audiences within premium environments. More than 35% of Yahoo!7's display advertising campaigns now include a targeting component with this growth expected to continue in 2011.

Yahoo!7 is delivering strong momentum, achieving 38% growth in EBITDA in the twelve months to December 2010.

FIGURE 19: YAHOO!7 EBITDA MOMENTUM (\$ MILLION)¹⁵



5.6.4 Other interests

a) SMG Red

SMG's cross group sales division, SMG Red, has been well received by advertisers since its launch in November 2008. By leveraging the synergistic benefits of FTA television, magazines and online media, SMG Red is able to provide tailored solutions for advertising clients across multiple platforms. The division accounted for over 10% of group advertising revenue in FY10.

b) Sky News

Sky News owns and operates Sky News Australia, a leading 24-hour news channel in Australia and New Zealand. Sky News Australia commenced its 24-hour news service in 1996, establishing itself as the first Australian produced television news channel. In addition to its flagship news service, Sky News Australia also produces a variety of weekly half hour programmes, including Agenda and Sportline. Sky News Australia is available in more than 2.5 million homes and locations across Australia and New Zealand on the FOXTEL, AUSTAR, Optus and Neighbourhood Cable pay television networks and on the Sky subscription television network in New Zealand. Sky News also delivers content across other digital media platforms, including 3G mobile, podcasts, SMS and online.

c) OzTAM

OzTAM manages and markets television ratings data covering all channels for the five city metropolitan areas and nationally for subscription television. A range of organisations including television networks, advertisers, advertising agencies, media buyers and programme suppliers refer to OzTAM data to assist them in assessing programme and network performance and to understand viewer behaviour. OzTAM is responsible for the management of the Television Audience Measurement contract, held by research service provider, Nielsen Television Audience Measurement.

OzTAM is jointly owned by the three commercial FTA television operators, SMG, Nine and Ten.

5.7 SMG Financial Information

5.7.1 Introduction

This section contains a summary of the following historical and forecast financial information of SMG (**SMG Standalone Financial Information**) and sensitivity analysis on the key forecast assumptions.

¹⁵ Company financials representing 100% of Yahoo!7.

The **SMG Standalone Pro Forma Historical Financial Information** comprises the:

- Consolidated summary pro forma income statements of SMG for the 52 weeks ended 27 June 2009 (FY09) and 26 June 2010 (FY10), and the half year ended 25 December 2010 (1H11);
- Consolidated pro forma summary abridged cash flow of SMG for FY09, FY10 and 1H11; and
- Consolidated pro forma historical balance sheet of SMG as at 25 December 2010.

No consolidated pro forma historical statement of comprehensive income is provided.

The **SMG Standalone Pro Forma Forecast Financial Information** comprises the:

- Consolidated summary pro forma forecast income statements of SMG for the year ending 25 June 2011 (FY11F); and
- Consolidated pro forma forecast abridged cash flow statements of SMG for FY11F.

No consolidated pro forma forecast statement of comprehensive income is provided.

The information in this section should be read in conjunction with the information set out elsewhere in this Prospectus including information on the risk factors set out in Section 9 and the sensitivity of the forecasts to changes in key assumptions, set out in Section 5.7.8 of this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million.

5.7.2 Basis of preparation

The SMG Standalone Financial Information has been prepared in accordance with recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The SMG Standalone Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd, whose Investigating Accountant's Report relating to this information is included in Section 7 of this Prospectus.

a) Preparation of SMG Pro Forma Historical Financial Information

The SMG Standalone Pro Forma Historical Financial Information for FY09 and FY10 is based on the consolidated audited financial statements of SMGL for those periods. The historical financial information for 1H11 has been extracted from SMG's reviewed financial statements for this period. Historical information for each period has been adjusted to remove expenses which relate to SMG's existing ownership structure and will no longer be incurred following the implementation of the Proposed Transaction.

Refer to Section 5.7.3 of this Prospectus for a reconciliation between the financial statements of SMGL or SMG as the case may be and the SMG Standalone Pro Forma Historical Financial Information.

b) Preparation of SMG Pro Forma Forecast Financial Information

The Board believes that the SMG Pro Forma Forecast Financial Information has been prepared with due care and attention, and considers all best estimate assumptions when taken as a whole to be reasonable at the time this information was prepared.

The SMG Standalone Pro Forma Forecast Financial Information has been prepared on the basis of certain assumptions set out in Section 5.7.7 of this Prospectus. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

SMG's pro forma consolidated income statement for FY11F comprises the pro forma actual results for the six months ended 25 December 2010 and a consolidated pro forma forecast income statement for the six months ending 25 June 2011.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the SMG Standalone Pro Forma Forecast Financial Information, and that this may have a materially positive or negative effect on SMG Standalone's actual financial performance. Accordingly, the Board cannot give any assurance that the forecasts will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on SMG standalone Pro Forma Forecast Financial Information. Investors are advised to review the key best estimate assumptions set out in Section 5.7.7, in conjunction with the sensitivity analysis set out in Section 5.7.8 and the risk factors set out in Section 9 of this Prospectus, together with the other information set out elsewhere in this Prospectus.

5.7.3 SMG Standalone Pro Forma Income Statement

Set out below is a summary of SMG's pro forma consolidated historical income statements for FY09, FY10 and 1H11, as well as the pro forma consolidated forecast income statement for FY11F.

Information on SMG (continued)

TABLE 9: SMG SUMMARY INCOME STATEMENT

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
Television revenue	1,155.9	1,134.2	664.8	1,233.8
Magazines revenue	317.5	319.0	159.8	317.6
Other revenue	10.4	0.0	0.0	0.0
Total income	1,483.8	1,453.2	824.6	1,551.4
Television EBITDA	237.4	306.4	238.9	376.1
Magazines EBITDA	55.5	53.1	27.2	58.2
Other EBITDA	(4.5)	1.7	(0.1)	(0.4)
Total EBITDA	288.4	361.2	266.0	433.9
Television EBIT	196.4	270.3	220.0	339.9
Magazines EBIT	46.8	43.7	22.3	48.5
Other EBIT	(13.1)	1.7	(0.1)	(0.4)
EBIT	230.1	315.7	242.2	388.0
Share of net profits from associates	9.0	13.4	8.7	16.5
EBIT (including associates)	239.1	329.1	250.9	404.5

a) Pro forma adjustments

The following pro forma adjustments have been made to statutory historical earnings before interest and tax to calculate pro forma earnings before interest and tax:

TABLE 10: PRO FORMA ADJUSTMENTS

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
EBIT as per statutory accounts	(1,738.4)	282.2	244.8	394.3
Less significant other income	–	(17.5)	–	–
Add significant operating expenses	1,969.1	54.9	–	–
Add monitoring expenses	5.0	5.0	4.3	6.7
Add options expense	3.4	4.5	1.8	3.5
Pro Forma EBIT (including associates)	239.1	329.1	250.9	404.5

Pro forma adjustments to statutory EBIT have been applied to exclude significant other income and significant operating expense items disclosed in the FY09 and FY10 consolidated audited financial statements for SMGL and the reviewed special purpose accounts of SMG for 1H11 that relate to amounts relating to the previous ownership structure. Explanations for the statutory pro forma adjustments are as follows:

- FY09:
 - Impairment loss of \$1,825.4 million relating to FTA television licences and goodwill;
 - Onerous contracts relating to FTA television programme rights of \$129.0 million; and
 - Impairment loss relating to other assets of \$14.6 million.

- FY10:
 - Reversal of FY09 FTA television licences impairment loss of \$17.5 million; and
 - Impairment loss relating to the magazines mastheads of \$54.9 million.

In addition, monitoring expenses and option expenses have been added back to EBIT as they are specific to the current ownership structure of SMG. As such, these will discontinue following the implementation of the Proposed Transaction and have been excluded from pro forma EBIT.

5.7.4 Segment information

SMG's wholly-owned operations consist of two key operating segments, Television and Magazines. Yahoo!7 and Sky News are non-controlled businesses, and are reported in SMG's audited financial statements as share of net profits from associates and as such, pro forma segment information has not been provided on these businesses.

Set out below is a summary of Television's pro forma historical income statements for FY09, FY10 and 1H11, as well as the pro forma forecast income statement for FY11F.

TABLE 11: TELEVISION

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
Advertising revenue	1,024.6	1,010.6	595.0	
Other revenue	131.3	123.6	69.8	
Total income	1,155.9	1,134.2	664.8	1,233.8
Programming	(605.7)	(530.5)	(279.1)	
Other	(312.8)	(297.3)	(146.8)	
Total expenses	(918.5)	(827.8)	(425.9)	(857.7)
EBITDA	237.4	306.4	238.9	376.1
Depreciation & amortisation	(41.0)	(36.1)	(18.9)	(36.2)
EBIT	196.4	270.3	220.0	339.9
Share of net profits from associates	–	–	–	–
EBIT (including associates)	196.4	270.3	220.0	339.9

Set out below is a summary of Magazines' pro forma historical income statements for FY09, FY10 and 1H11, and the pro forma forecast income statement for FY11F.

TABLE 12: MAGAZINES

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
Advertising revenue	108.4	110.2	60.7	
Other revenue	209.1	208.8	99.1	
Total income	317.5	319.0	159.8	317.6
Operating expenses	(262.0)	(265.9)	(132.6)	(259.4)
EBITDA	55.5	53.1	27.2	58.2
Depreciation and amortisation	(8.7)	(9.4)	(4.9)	(9.7)
EBIT	46.8	43.7	22.3	48.5
Share of net profits from associates	–	–	–	–
EBIT (including associates)	46.8	43.7	22.3	48.5

5.7.5 SMG Pro Forma Cash Flows

The table below sets out a reconciliation of SMG's EBITDA to summary cash flows for FY09, FY10, 1H11 and FY11F.

TABLE 13: SMG PRO FORMA CASH FLOWS¹⁶

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
EBITDA	288.4	361.2	266.0	433.9
Working capital movements	(21.4)	(125.7)	45.4	(57.9)
Dividends received from associates	1.8	4.0	2.7	3.3
Operating cash flows before interest and tax	268.8	239.5	314.1	379.3
Proceeds from sale of assets			0.1	0.1
Payment for assets			(14.9)	(32.2)
Operating cash flows available for debt & equity service			299.3	347.2

5.7.6 Management discussion and analysis of historical financial information

The operating results for SMG comprise the wholly owned operations of Television and Magazines and the non-controlled businesses Yahoo!7 and Sky News (reported as share of net profits from associates).

a) FY10 results compared to FY09

i) Television

Television revenue is derived primarily from advertising, with approximately 80% of total Television revenue generated from

the metropolitan advertising market. The balance of Television revenue comprises regional advertising revenue relating to regional Queensland markets, fees received from affiliate networks, programme sales and other sundry revenue. The amount of advertising revenue generated is a function of both market size and market share.

Television costs, excluding depreciation, consist largely of programming costs, which represent approximately 65% of total costs, with the balance consisting of administrative and operating costs. Programming costs comprise locally produced content, purchased programme amortisation (primarily sourced from overseas under output agreements with international suppliers), and production and rights costs for news and current affairs and sports events.

In FY09 the size of the metropolitan television advertising market declined by 8.7%, mainly as a result of the global financial crisis, which resulted in a reduction in advertising revenue. However, in this period Seven Network's overall share of advertising increased to 40.1%, with this strong performance driven by high quality programming and the one-off impact of the Beijing Olympics.

Television EBITDA increased by 29.1% to \$306.4 million in FY10 from FY09, driven by a rebound in the advertising market, which grew at 5.4%. Seven Network retained the number one position with a revenue share of 38.0%. Television expenses in FY10 were reduced year-on-year, due mainly to the one off rights and production costs associated with the Beijing Olympics in the prior year, supported by the positive impact of the licence fee rebate.

ii) Magazines

Magazines revenue in FY10 consisted of: circulation revenue 61.1%; advertising revenue 34.5%; and other revenue 4.4%. In FY10, circulation revenue increased 2.4% year-on-year, with growth subdued by soft retail conditions and the impact on discretionary consumer expenditure, which was affected throughout the year by increases in interest rates, petrol prices and cigarette prices. Advertising revenue increased 1.6% in FY10, primarily due to the increase in Pacific Magazines' advertising revenue market share, which increased from 26.5% to 29.4% in the FY10 period. Whilst Pacific Magazines' advertising performance in FY10 was well above the market, it continued to be impacted by reduced marketing budgets (flow on from the global financial crisis) and strong competition. Publishing revenue from the Pacific+ operations (representing approximately 4.9% of total Magazines revenue in FY09) declined by 33.6% due to the impact of the global financial crisis on corporate activity.

Operating expenses remained tightly controlled in FY10, increasing 1.6% overall from FY09. Included in the expenses increases were \$1.6 million of one-off expenses associated with the re-signing of a long term distribution contract, provisions for the transition of the New Zealand operations to a licence arrangement, and costs associated with the relocation of premises in Sydney.

EBITDA decreased 4.4% to \$53.1 million from FY09.

¹⁶ The historical periods have not been presented below cash flows from operating activities due to the proposed change in the capital structure of SMG under the Proposed Transaction.

Information on SMG (continued)

iii) Other

Yahoo!7 primarily derives its revenue from online display advertising in Australia and New Zealand. In New Zealand, the business operates through a joint venture arrangement with Telecom New Zealand (Yahoo!Xtra). Yahoo!7's FY10 revenue grew 22.9%, with EBITDA and NPAT growth of 35.4% and 22.6% respectively. 1H10 was a challenging period, due to the slowdown in the online display advertising market, however Yahoo!7 outperformed the market in this period to gain share. The online display advertising market showed signs of recovery from October 2009. In October 2009, Yahoo!7 acquired Total Travel (an online travel business) which contributed to diversifying its revenue into listings and fees. In January 2010, Yahoo!7 launched a catch up television service (Plus7) as a supplement to its mainstream broadcasting activities, as a loyalty device and to capitalise on the demand for video advertising.

b) 1H11 results

i) Television

SMG's gross metropolitan advertising revenue grew 14.8% year-on-year in 1H11, reflecting a combination of strong advertising market conditions and continued high quality programming. Key events over the period included the launch of the network's second digital multi-channel 7mate, primarily catering for a 16-54 male demographic, which coincided with the broadcast of the AFL grand final, and the launch of new locally produced programmes including "The X Factor" and "Iron Chef".

EBITDA in 1H11 was \$238.9 million. EBITDA grew 27.6%¹⁷ year-on-year, driven by the growth in advertising revenue, supported by the positive impact of the licence fee rebate. Total expenses grew 7.5% year-on-year, primarily as a result of greater investment in local programming content.

ii) Magazines

In October 2010 Pacific Magazines entered into a licence deal with APN News & Media for Pacific Magazines' New Zealand operations. The licence fee payable to Pacific Magazines is based on a percentage of revenue. The commentary below (and in the Magazines Revenue assumptions, see Section 5.7.7b)i) is based on comparisons which reflect this change in operations in all historical periods.

Magazines revenue for 1H11 consisted of: circulation revenue 57.0%; advertising revenue 38.0%; and other revenue 5.0%. Circulation revenue in 1H11 decreased 7.3% year-on-year (4.9% like-for-like¹⁸), due to the continued soft retail conditions and cautious consumer environment. Advertising revenue in 1H11 increased 2.4% year-on-year (4.0% like-for-like¹⁸). The magazine advertising market remains competitive, however yields are growing and forward bookings are strong. Market data indicates that Pacific Magazines continued to grow market share during the half year period.

Operating costs remained tightly controlled during the half year, decreasing 1.1% overall year-on-year (but increasing 1.8% like-for-like¹⁸). Included in this cost increase were contractual increases on distribution costs (3.1%) and printing costs (2.1%).

EBITDA for 1H11 was \$27.2 million.

iii) Other

Yahoo!7 revenues grew 25.4% year-on-year in 1H11, with EBITDA and NPAT growth of 32.0% and 38.0% respectively. The continued recovery of the advertising market over the period contributed to this growth, however the business also continued to outperform the market.

Yahoo!7 acquired Oztips (one of the market leading online tipping businesses) in July 2010. In October 2010, Yahoo!7 also entered into an agreement with Yellow Pages Group Limited in New Zealand to provide its online and mobile offering.

5.7.7 Material best estimate assumptions for SMG Pro Forma Forecast Financial Information

SMG's Standalone Pro Forma Forecast Financial Information for FY11F has been prepared on the basis of the actual results for 1H11 and the forecast results for 2H11F.

The following best estimate assumptions have been used to derive forecasts for 2H11F, and should be read in conjunction with the risk factors set out in Section 9 of this Prospectus.

a) General assumptions

The following general assumptions are relevant to the forecast financial information:

- No material change in the competitive operating environment;
- No significant deviation from current market expectations of global economic conditions;
- No material new investments, business acquisitions or disposals, other than the Proposed Transaction;
- No material industrial strikes or other disturbances, environmental costs or legal claims;
- Retention of key rights;
- No significant change in the legislative regimes and regulatory environments in the jurisdictions in which SMG operates;
- Retention of key personnel;
- No change in the applicable Australian Accounting Standards or other mandatory Australian professional reporting requirements which would have a material effect on SMG's financial performance, cash flows, balance sheet, accounting policies, financial reporting or disclosure;
- No change in SMG's capital structure other than as set out in, or contemplated by, this Prospectus;
- No material change in CPI and other assumptions underlying the SMG Standalone Pro Forma Forecast Financial Information; and
- No material amendment to any material agreement or arrangement relating to SMG's businesses and investments.

¹⁷ Based on pro forma EBITDA and includes an adjustment for 1H10 relating to the licence fee rebate recognised in June 2010 for FY10.

¹⁸ Includes an adjustment for the licence transaction entered into in October 2010 with APN News & Media for Pacific Magazines' New Zealand business.

b) Specific assumptions

i) Revenue assumptions

Television

Television revenue is derived primarily from advertising, which is a function of market size and market share. For the pro forma forecast period of FY11F, the metropolitan television advertising market size is assumed to grow at 10.1% to \$3,109 million. The forecast growth in the metropolitan television advertising market is consistent with market expectations and actual year to date growth to December 2010.

SMG has held the number one position in market share for seven consecutive six month periods since the period ended 30 June 2007, with a 38.9% average market share of metropolitan advertising revenue up to the period ended FY10. It is assumed that SMG's FY10 market share of 38.0% will be maintained in the forecast period.

Magazines

The forecast for Magazines revenue is based on the following key assumptions:

- Circulation is assumed to decline by 4.9% in FY11F (1.2% on a like-for-like basis¹⁹) with soft retail conditions prevailing. However, circulation revenue in the second half of FY11F is expected to benefit by \$1.0 million year-on-year from cover price increases.
- Advertising display revenue is forecast to increase by 3.4% in FY11F (5.4% on a like-for-like basis¹⁹), building on first half momentum, with display revenue for 1H11 up 2.4% year-on-year (4.0% on a like-for-like basis¹⁹). Forward bookings for the second half of FY11F show growth year-on-year.

ii) Operating expense assumptions

Television

The forecast for Television operating expenses is based on the following key assumptions:

- SMG's estimated programme cost base for the forecast period is primarily derived from contracted studio output deals, sporting rights and locally produced content. SMG's main output contracts are with Disney and NBC Universal. Programme purchases in FY11F relating to these suppliers are known and quantifiable. Local programme content is based on the current estimated programme schedule to June 2011. Permanent employee expenses are forecast to move largely in line with wage inflation of 4.0%.
- Back office expenses are forecast to increase at approximately the rate of inflation in the forecast period of 3.1%.

Magazines

The forecast for Magazines operating expenses is based on the following key assumptions:

- All contractual cost increases have been incorporated for print, distribution and employee expenses; and
- All volume-driven costs have been incorporated based on forecast circulation/advertising levels.

Overall Magazines expenses for FY11F are forecast to decline 2.5% year-on-year (increasing 1.2% on a like-for-like basis¹⁹). This decline is in part due to the nature of the \$1.6 million one-off expenses incurred in the second half of FY10, as previously detailed.

iii) Share of net profits from associates

SMG's share of results from associates primarily relates to the Yahoo!7 joint venture and is assumed to grow at 33.8% in FY11F. This growth forecast is mainly attributable to the overall online display market in which Yahoo!7 operates, which is estimated to grow at 14.7% in FY11F (management estimate based on market expectations). In addition, market share gains of 1% are expected to contribute to the growth in contribution from Yahoo!7. These market share gains are forecast to come primarily from video advertising, due to the growth of TV video streams (catch up TV and independent studio content), and further growth in direct response and targeting.

iv) Depreciation assumptions

The forecast for depreciation is based on the historic level of depreciation and includes forecast capital expenditure depreciated on a straight line basis over the economic useful life of the assets. Depreciation in FY11F is forecast to increase by \$0.4 million.

5.7.8 Sensitivity analysis

SMG's Standalone Pro Forma Forecast Financial Information is based on a number of estimates and assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of SMG, its directors and management, and upon assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of certain assumptions to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

While the period of the forecast is to 2H11F, sensitivities are calculated and applied on an annualised FY11F basis.

TABLE 14: SENSITIVITY ANALYSIS – YEAR ENDED 25 JUNE 2011

Assumption	Change (%)	Revenue (\$m)	EBITDA (\$m)
1. Change in metro television advertising market size	+/- 1.0%	10.7	9.1
2. Change in metro television market share	+/- 1.0%	31.1	26.4
3. Change in Pacific Magazines' retail circulation revenue	+/- 1.0%	1.6	0.9

¹⁹ Includes an adjustment for the licence transaction entered into in October 2010 with APN News & Media for Pacific Magazines' New Zealand business.

Information on SMG (continued)

- **Market size:** This illustrates the impact of a +/- 1.0% change in SMG's metropolitan television market size forecast of \$3,109 million, presuming SMG's market share remains constant.
- **Market share:** This illustrates the impact of a +/- 1.0% change in SMG's metropolitan television market forecast share of 38.0%, assuming the market size remains constant.
- **Circulation:** This illustrates the impact of a +/- 1.0% change in Pacific Magazines' level of retail circulation revenue, presuming current retail return rates are maintained.

5.7.9 SMG Balance Sheet

Set out below is SMG's pro forma consolidated balance sheet as at 25 December 2010.

TABLE 15: SMG SUMMARY PRO FORMA BALANCE SHEET AS AT 25 DECEMBER 2010

\$m	SMGL ²⁰ consolidated 25 December 2010	Adjustments			SMG Pro forma 25 December 2010
		Yahoo!7 transfers	Tax Exit Payment ²¹	Recapitalisation	
Current assets					
Cash and cash equivalents	185.8	–	–	–	185.8
Trade and other receivables	263.0	–	–	–	263.0
Program rights and inventories	103.4	–	–	–	103.4
Other	4.0	–	–	–	4.0
Total current assets	556.2	–	–	–	556.2
Non-current assets					
Receivables/Financial asset	216.0	(216.0)	–	–	–
Investments in associates	2.9	216.0	–	–	218.9
Program rights and inventories	5.6	–	–	–	5.6
Property, plant and equipment	76.9	–	–	–	76.9
Intangible assets	2,191.5	–	–	–	2,191.5
Goodwill	191.6	–	–	–	191.6
Total non-current assets	2,684.5	–	–	–	2,684.5
Total assets	3,240.7	–	–	–	3,240.7
Current liabilities					
Trade and other payables	380.3	–	–	–	380.3
Provisions	47.3	–	–	–	47.3
Deferred income	34.8	–	–	–	34.8
Income tax liability	–	–	22.0	(22.0)	–
Total current liabilities	462.4	–	22.0	(22.0)	462.4
Non-current liabilities					
Trade and other payables	145.3	–	–	–	145.3
Interest bearing loans and liabilities	2,275.5	216.0	–	(216.0)	2,275.5
Intercompany loans	2,106.7	(121.3)	–	(1,335.4)	650.0
Deferred tax liabilities	32.3	–	–	–	32.3
Provisions	14.2	–	–	–	14.2
Deferred income	5.9	–	–	–	5.9
Total non-current liabilities	4,579.9	94.7		(1,551.4)	3,123.2
Total liabilities	5,042.3	94.7	22.0	(1,573.4)	3,585.6
Net assets	(1,801.6)	(94.7)	(22.0)	1,573.4	(344.9)
Equity					
Share capital	–	–	–	1,573.4	1,573.4
Reserves	5.3	–	–	–	5.3
Accumulated losses	(1,806.9)	(94.7)	(22.0)	–	(1,923.6)
Total equity	(1,801.6)	(94.7)	(22.0)	1,573.4	(344.9)

²⁰ Seven Media Group Pty Limited.

²¹ Payment by SMGL for exit from tax consolidated group.

The following adjustments have been made to reflect the steps which will occur prior to SMG entering into the Proposed Transaction:

- Transfer of Yahoo!7 into the SMG acquisition structure;
- Clear exit payment in accordance with the Tax Sharing Deed; and
- Recapitalisation and repayment of intercompany loans.

The SMG Consolidated balance sheet information in the above table has been extracted from SMG's reviewed financial statements. The adjustments and SMG pro forma balance sheet at 25 December 2010 have been prepared in accordance with the basis set out in Section 5.7.2.

a) Intangible assets

Set out below is a breakdown of SMG's pro forma intangible assets as at 25 December 2010.

TABLE 16: SUMMARY OF INTANGIBLE ASSETS AS AT 25 DECEMBER 2010

\$m	Pro forma 25 December 2010
Television licences	1,800.0
Programme copyrights	22.0
Software	5.4
Magazine mastheads	312.0
Magazine licences	51.7
Restraint of trade	0.4
Total Intangible assets	2,191.5
Goodwill	191.6
Total Intangible assets including goodwill	2,383.1

b) Loans and liabilities

Set out below is a breakdown of SMG's pro forma loans and liabilities as at 25 December 2010.

TABLE 17: SUMMARY OF PRO FORMA LOANS AND LIABILITIES AS AT 25 DECEMBER 2010

\$m	Pro forma 25 December 2010
Bank loans	1,841.1
Secured Notes	315.0
Zero Coupon Notes	119.4
Total interest bearing loans and liabilities	2,275.5
Intercompany loans	650.0
Total loans and liabilities	2,925.5

It is WAN's intention to use the proceeds of the Offers, together with funds raised through the KKR Investment, to partially pay down the Combined Group's debt post Completion, in addition to paying transaction costs.

c) Commitments

Set out below is a breakdown of SMG's financial commitments as at 26 June 2010.

TABLE 18: SUMMARY OF FINANCIAL COMMITMENTS AS AT 26 JUNE 2010

\$m	Payable not later than one year	Payable later than one year but not later than five years	Payable later than five years
Capital expenditure commitments	1.6	–	–
Operating lease commitments ²²	17.6	66.4	151.1
Contracts for purchase of television programmes and sporting broadcast rights	307.9	265.3	–
Contracts for employee services	59.4	35.5	–
Contracts for other services	32.5	59.8	7.5
Other financing commitments ²³	102.3	–	–

²² SMG leases property and equipment under non-cancellable operating leases expiring from one year to 20 years. Leases generally provide SMG a right of renewal at which all terms are renegotiated.

²³ Other financing commitments relate to commitments to purchase term loan debt issued by SMG H5 Pty Ltd., a wholly-owned subsidiary, from the secondary market contracted for at the reporting date but not recognised as liabilities. This was subsequently settled in July 2010.

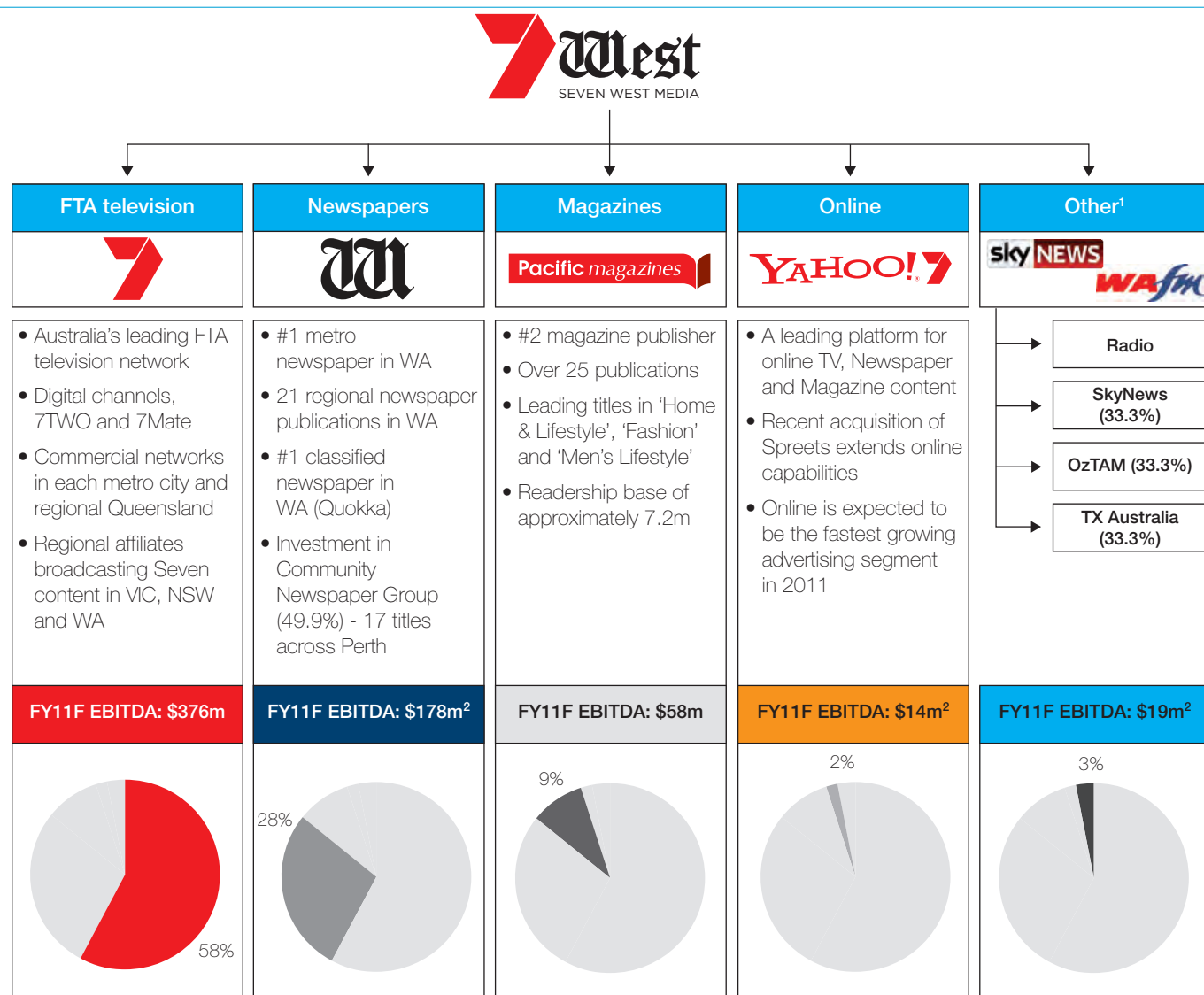
Information on the Combined Group

6.1 Overview of the Combined Group

The Proposed Transaction will create one of Australia's leading media groups which is intended to be renamed Seven West Media following Completion.

Following the Proposed Transaction, the Combined Group will have a portfolio of FTA television, newspapers, magazine, online and other media assets with exposure to approximately 91% of the total advertising expenditure market in Australia, and an estimated audience reach of most of the Australian population.

DIAGRAM 7: OVERVIEW OF THE COMBINED GROUP^{1,2}



¹ Other includes forecast pro forma synergies of \$15 million but excludes one off costs associated with the synergies. WAN expects synergies to be implemented in full during the remainder of FY11 and FY12.

² Including share of net profits from associates.

6.2 Business integration opportunities

The Board considers that the combined ownership of FTA television, newspapers, magazines, online and other media assets with a wider national audience will provide the Combined Group with considerable opportunities to generate synergies through cross-selling and developing advertising packages for customers across multiple advertising channels.

Additionally, the Board also considers that the Proposed Transaction will provide the Combined Group with the opportunity to generate synergies across the expanded operating cost base, including administrative and support functions.

Synergies of \$15 million have been identified and included in the Combined Group Pro Forma Forecast Financial Information set out in Section 6.10.3 of this Prospectus.

6.3 Rationale for the Acquisition

6.3.1 Diversification of media channels and geographic regions

The Proposed Transaction provides WAN Shareholders with the opportunity to diversify beyond traditional newspaper and radio investments in Western Australia to a broader range of media segments nationally. The Combined Group will hold leading positions across each of the main media categories: FTA television, newspapers, magazines, and online media.

In addition to diversifying the Combined Group's dependency on a particular media platform, it will be able to offer its advertising customers with access to increased content across a greater number of media platforms.

6.3.2 Established positions in FTA television and online media formats

Consumer trends and the regulatory environment are enhancing the potential value in FTA television and online media formats.

In addition, the Proposed Transaction provides further opportunities to consolidate WAN's current online media onto the Yahoo!7 platform and take advantage of continued growth in the online media segment.

6.3.3 Enhanced balance sheet and market capitalisation

The Combined Group is expected to generate strong earnings and operating cash flows. A summary of pro forma cash flows is set out in Section 6.10.4. The enhanced liquidity and balance sheet allows the Combined Group to target opportunities that maximise shareholder value.

6.4 Capital structure of the Combined Group

6.4.1 Borrowings

WAN intends to use the proceeds of the Offers, together with funds raised through the KKR Investment to fund:

- Interest bearing debt reduction of approximately \$450 million;
- \$650 million repayment of SGH loan owed by SMG;
- The payment of transaction costs of approximately \$45 million; and
- The balance for corporate purposes.

This proposed reduction of the Combined Group's debt is considered to be an appropriate use of the Combined Group's cash resources given the net financial benefit from interest cost savings that will accrue and the Board's desire for a more optimal and sustainable capital structure.

The terms of WAN's current senior debt agreements require consent from financiers following the implementation of the Proposed Transaction. WAN intends to seek such consent to maintain the existing facilities which were drawn to \$241 million at 31 December 2010. Following release of this Prospectus, WAN intends to seek suitable waivers from its existing financiers. The Board is confident that the existing credit facilities will not be materially altered as a result of the Proposed Transaction.

The Acquisition does not trigger a change of control under the existing SMG credit facilities while SGH's and KKR's (and their respective affiliates) combined shareholding in WAN (on a diluted basis) exceeds 30% and no third party has a greater shareholding in WAN (on a diluted basis) than SGH and KKR (and their affiliates). Accordingly, the Proposed Transaction does not require the repayment of SMG's existing debt.

Following the completion of the Offers and KKR Investment, the Combined Group will have total leverage (based on the Combined Group Pro Forma Net Debt / FY11PF EBITDA) of 3.1x. The Combined Group proposes to undertake a debt reduction of approximately \$450 million, expected to be against the existing SMG debt. The Combined Group will begin preparation to refinance the existing SMG credit facilities in the second half of 2011. Given the Combined Group's robust credit ratios and substantial capitalisation, the Combined Group should be well placed to secure financing on attractive terms as to price and tenor.

6.4.2 Ownership Structure

WAN's issued securities consist of the 219.7 million ordinary shares³. As at 21 February 2011, SGH held 24.3% of WAN's register with Institutional Shareholders accounting for approximately 50% and Retail Shareholders for approximately 50% of the balance of the register.

³ Includes 1.6 million shares relating to outstanding loans pursuant to the executive and employee share plans.

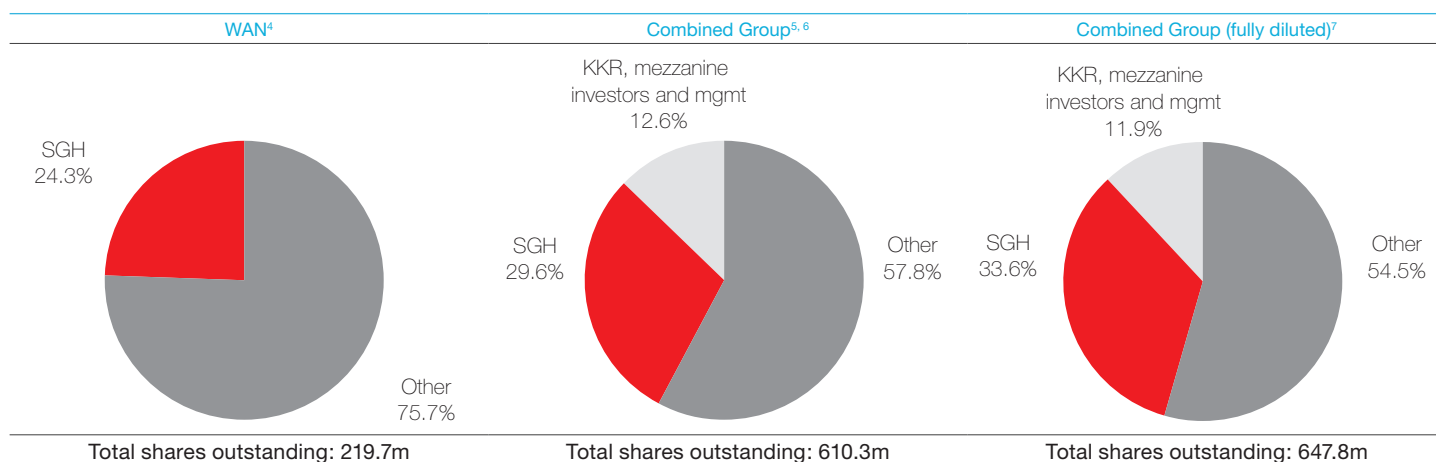
Information on the Combined Group (continued)

As part of the Proposed Transaction, SGH will sell its existing 24.3% interest in WAN and not take up its entitlement under the Entitlement Offer, such sale being conditional upon the Proposed Transaction being completed. SGH will subsequently receive \$1,081 million in shares as partial consideration for SMG resulting in an increased shareholding of approximately 29.6% in WAN. In addition, as described above, SGH will also receive \$250 million of WAN CPS, resulting in a total investment in WAN of \$1,331 million.

The terms of the CPS are summarised in Section 10.5.

The Combined Group will have a share capital of 610.3 million as a consequence of WAN Shares issued to SGH, KKR, mezzanine investors and members of management relating to SMG, in addition to the Offers. Following Completion, SGH ownership interest will increase to 29.6%, KKR, mezzanine investors and members of management relating to SMG will have a 12.6% shareholding with the remaining 57.8% of the issued shares will be held by institutional and retail investors.

FIGURE 20: OWNERSHIP STRUCTURE



6.5 Potential increase in SGH shareholding

SGH currently holds 24.3% of the WAN Shares on issue. Following Completion of the Proposed Transaction, SGH will hold 29.6% of the total WAN Shares on issue. That shareholding and SGH's two nominees on the WAN Board may or may not give SGH practical control of WAN following completion of the Proposed Transaction. WAN Shareholders (other than SGH and its associates) will be asked to vote on a resolution under Section 611 Item 7 to approve any such change of control as a result of the issue of those shares.

In addition, SGH will hold the WAN CPS which convert into WAN Shares. Those CPS cannot be converted into ordinary shares until after release of the 1H14 financial statements of the Combined Group (likely to be in February 2014), except in limited circumstances⁸. However, if SGH's shareholding and the WAN Shares on issue immediately post completion of the Proposed Transaction remained unchanged at the time of conversion, conversion of the CPS would increase SGH's shareholding in WAN from 29.6% to 33.6%. The section 611 item 7 resolution referred to above will also authorise SGH to increase its shareholding up to 33.6% through the conversion or redemption of CPS.

Following Completion of the Proposed Transaction, SGH will also be able to increase its holding of WAN Shares by acquiring up to an additional 3% of WAN Shares in each six month period, as permitted under the "creep rule" exception in the Corporations Act. Any such acquisitions and/or conversions of CPS may result in a change of control of WAN (to the extent it has not already occurred at that time) without payment of a control premium to WAN shareholders.

6.6 Dividend policy of the Combined Group

Having declared an interim dividend of 19.0 cents per share (fully franked) for 1H11 on 21 February 2011, the Board of WAN provided guidance of 26.0 cents per share (fully franked) for 2H11F, taking the full year dividend to an expected 45.0 cents per share, which will represent an

⁴ Based on shareholding at 18 February 2011.

⁵ Reflects shareholdings post SGH sell down of its 24.3% WAN shareholding and subsequent issue of 180.5 million WAN Shares.

⁶ Reflects issue of 77.0 million WAN Shares to KKR, mezzanine investors and members of management related to SMG.

⁷ Reflects conversion of CPS into 37.5 million ordinary WAN Shares.

⁸ If SGH's shareholding in the Combined Group is diluted below 29.6% (but only to the extent required to bring their holding back up to that level); if a takeover bid is made by a person (other than SGH) for all of the shares in WAN and that bid is unanimously recommended by the WAN Board; or if consented to in writing by the Board.

attractive dividend yield of 8.7%⁹. Dividends are expected to be fully franked and are subject to financial forecasts being achieved and other relevant considerations. No guarantee can be given about payment of future dividends, or the level of franking or imputation of such dividends, as these matters will depend upon future events, as well as the risks set out in Section 9.

Those WAN Shares issued to SGH as consideration for the Proposed Transaction, as well as those issued as part of the Offers, will not be entitled to participate in the interim dividend of 19 cents per share declared on 21 February 2011, but will be entitled to all subsequent dividends, including the 2H11F dividend. WAN's dividend reinvestment plan is suspended at this time.

WAN has a track record of paying meaningful dividends to shareholders and going forward the Board intends to pay a high proportion of the Combined Group's normalised net profit after tax in dividends after having regard to all relevant factors, including working capital requirements and new growth initiatives.

6.7 Combined Group Board of Directors

As part of the Proposed Transaction, WAN's existing Board membership would remain intact. One further director will be appointed, namely, David Leckie, the new CEO and Managing Director of the Combined Group.

Further details in relation to remuneration of Directors and Executives are set out later in this section.

BOARD OF DIRECTORS



Kerry Stokes AC
Chairman

Mr Stokes, 70, is the Executive Chairman of Seven Group Holdings Limited. Mr Stokes' Chairmanship caps four decades of his active involvement in the ownership and management of media companies in Australia. Seven Group comprising of WestTrac Holdings, Seven Media Group, and diverse investments – delivering a company with a market-leading presence in media in Australia and the resources services sector in Australia and China through WestTrac & Caterpillar.

In addition, he is Chairman of Australian Capital Equity Pty Limited, which has significant interests in media, entertainment, research and technology development as well as property and industrial activities.

Mr Stokes' many board memberships include him being Founder, Council Member and Chairman of the National Gallery of Australia, a Member of the International Council for Museum & Television, Council Member for the Australian War Memorial, and Trustee for the Special Air Service Trust which provides relief to current and former members of the Special Air Service Regiment and their dependents. Professional recognitions include an Honorary Fellow from Murdoch University and an Honorary Doctorate in Commerce at Edith Cowan University.

Mr Stokes was awarded Australia's highest honour, the Companion in the General Division in the Order of Australia (AC) in 2008. In 1995, he was recognised as Officer in the General Division of the Order of Australia (AO).



Doug Flynn
Non-Executive Director

Mr Flynn, 61, graduated in chemical engineering from the University of Newcastle, New South Wales. He received an MBA with distinction from Melbourne University in 1979.

Mr Flynn was appointed Chief Executive of newspaper publisher Davies Brothers Limited in 1987. The company was acquired by News Corporation in 1989.

During his career at News Limited Group, Mr Flynn held positions as Deputy Managing Director of News International Newspapers Ltd, Director of News International Plc, and Managing Director of News International Plc.

Mr Flynn then held Chief Executive positions with Aegis Group Plc and Rentokil Initial Plc in London, before returning to Australia in 2008.

In April 2008 he became a consultant to, and a Director of, Qin Jia Yuan Media Services Ltd, the leading private television company in China.



Peter Gammell
Non-Executive Director

Mr Gammell, 54, is the Deputy Chairman of Australian Capital Equity Pty Ltd, the holding company associated with Mr Kerry Stokes AC. He was the Managing Director for the last 20 years. Mr Gammell was recently appointed Chief Executive Officer of Seven Group Holdings Limited, a public company listed on ASX which was formed as a result of the merger of Seven Network Limited and WestTrac Holdings Pty Ltd.

Mr Gammell served as a Director of Seven Network Limited for the last 14 years. He was Chairman of the Seven Network Limited Finance Committee and was a member of the Audit Committee. He is the Chairman of Coates Hire, Australia's largest equipment hire company.

Mr Gammell is a former Director of Federal Capital Press Pty Ltd, the publisher of the Canberra Times (1989 to 1998) and is a former Director of the Community Newspaper Group (1996 to 1998).

Mr Gammell is a member of the Institute of Chartered Accountants of Scotland and holds a Bachelor of Science degree from the University of Edinburgh.

⁹ Based on the 1H11 dividend of 19 cents per share, WAN dividend guidance of 26 cents per Share for 2H11F and an Issue Price of \$5.20 per share. New Shares issued under the Public Offer and WAN Shares issued on any conversion of CULS will not be entitled to the 1H11 dividend.

Information on the Combined Group (continued)

BOARD OF DIRECTORS



Graeme John AO
Non-Executive Director

Mr John, 67, was Managing Director of Australia Post from 1993 to 2009. He is a Fellow of the Chartered Institute of Transport and a Member of the Australian Institute of Company Directors. He is a Board member of QR National, Racing Victoria and an AFL Commissioner.

He is a former Chairman of the Board of the Kahala Posts Group, Board member of the International Post Corporation (Netherlands), and Vice-Chairman of Sai Cheng Logistics International (China), a joint venture with China Post. Mr John was awarded the Officer of the Order of Australia (AO) in 2003, for service to business and to the community. He is also a recipient of the Centennial Medal and the Australian Sports Medal.



Don Voelte
Non-Executive Director

Mr Voelte, 58, has significant experience in the global oil and gas industry, and has been Managing Director and Chief Executive Officer of Woodside Petroleum Limited since joining the company in 2004.

Prior to joining Woodside Petroleum Limited, Mr Voelte held a number of Senior Executive positions in the oil and gas sector. Mr Voelte is a member of the Board of Woodside Petroleum Limited and the University of Western Australia Business School, and is a member of the Society of Petroleum Engineers, the American Society of Civil Engineers, the Chi Epsilon Honor Society, a Foreign Fellow to ATSE (FTSE) and a Fellow of the Australian Institute of Company Directors (AICD). He is a trustee of the University of Nebraska Foundation and was awarded the University of Nebraska Engineering Alumni of Year in 2002. He has a degree in Civil Engineering, from the University of Nebraska.



Sam Walsh AO
Non-Executive Director

Mr Walsh, 61, was appointed Chief Executive of Rio Tinto Iron Ore in December 2004, with responsibilities including Rio Tinto's iron ore operations in Australia, Canada, Guinea and India.

In June 2009, Mr Walsh was appointed as an executive director to the Boards of Rio Tinto Plc and Rio Tinto Limited, and in November 2009 he was appointed Chief Executive of Rio Tinto Australia. He is also the Rio Tinto Executive Committee sponsor for Australia, India and West Africa. Prior to joining Rio Tinto, Mr Walsh worked in the automotive industry for more than 20 years in Australia and the USA.

He has a Bachelor of Commerce from Melbourne University and has completed a Fellowship Program at Kettering University in Michigan. He was awarded Honorary Doctor of Commerce in January 2010 by Edith Cowan University.

Mr Walsh is a Fellow of the Australian Institute of Management, the Australian Institute of Mining & Metallurgy, the Chartered Institute of Purchasing & Supply and the Australian Institute of Company Directors, a Vice president of the Australia-Japan Business Co-operation Committee, Chair of the WA Chapter of the Australia Business Arts Foundation, and the Chairman of the Rio Tinto Western Australia Future Fund, patron of the State Library of Western Australia Foundation, a patron of the UWA Hackett Foundation and President of Scouts Australia (WA Branch).

In 2007, Mr Walsh was awarded an Australian Export Hero and Western Australian Citizen of the Year - Industry & Commerce. Mr Walsh was awarded an Order of Australia (AO) in 2010 for his work in the mining industry and establishing employment programs for Indigenous Australians.



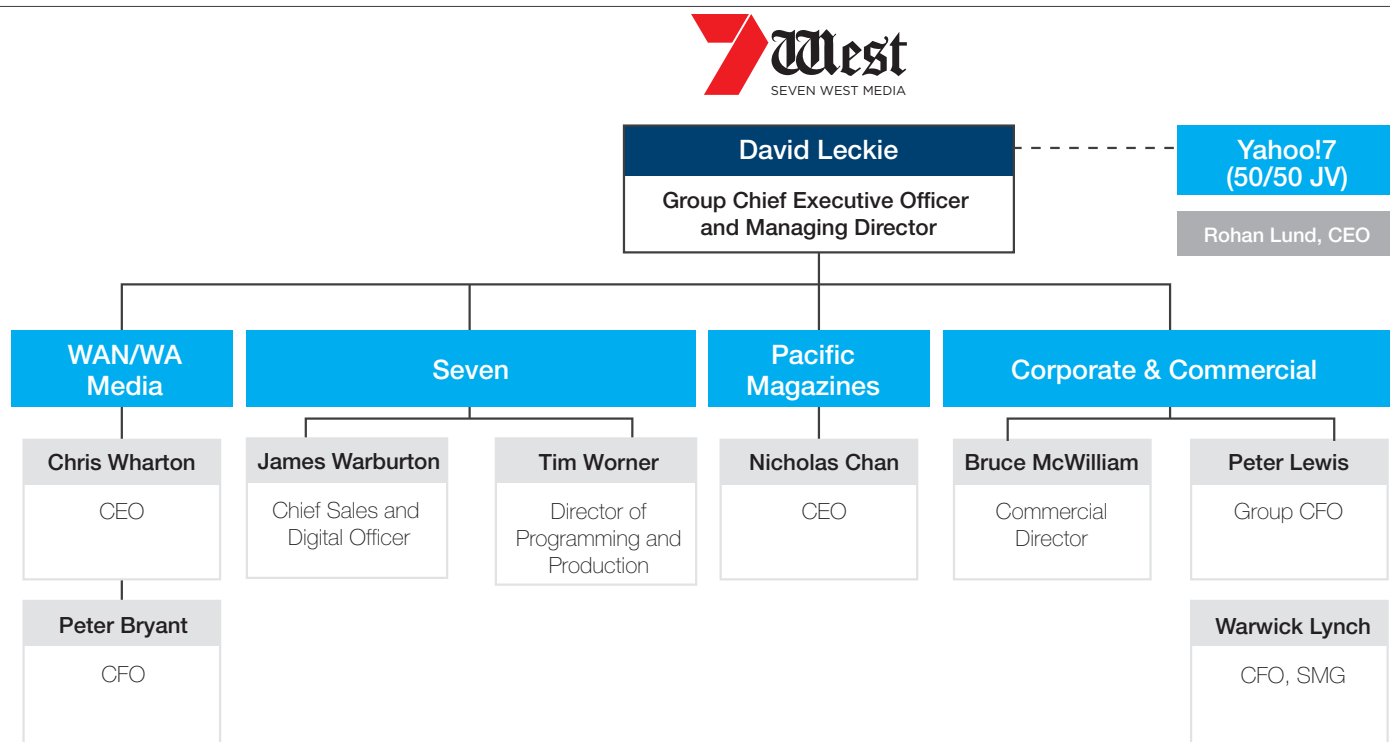
David Leckie
Group Chief Executive Officer and Managing Director

Mr Leckie, 59, was appointed Chief Executive Officer of Seven Media Group in December 2006; he also joined the Board of Directors of Seven Media Group at that time. Mr Leckie joined the Board of Seven Group Holdings Limited in April 2010; he is also a Director of Seven Network (appointed in April 2003) and was Seven Network's Chief Executive Officer, Broadcast Television for over seven years. He holds a Bachelor of Arts (Macquarie University), majoring in Economic and Financial Studies and has over 31 years experience in the media and television industries. Former board positions include Chairman of Pacific Magazines and a Director of Free TV Australia Limited. Mr Leckie is a former Chief Executive Officer of the Nine Network.

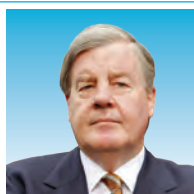
Pursuant to the KKR Investment and subject to KKR and the mezzanine investors' aggregate shareholding in WAN remaining above 10%, KKR may also nominate a director following Completion of the Proposed Transaction.

WAN's existing policy is that a majority of the Board must be independent non-executive directors. Following the Proposed Transaction, if KKR nominates a director then there would be four directors out of eight who are independent non-executive directors, with the result that WAN's existing policy will not be complied with. WAN however believes that having half of the Board as independent non-executive directors is appropriate following the Proposed Transaction.

6.8 Combined Group Management Team



MANAGEMENT TEAM



David Leckie
Group Chief Executive
Officer and Managing
Director

Mr Leckie was appointed Chief Executive Officer of Seven Media Group in December 2006; he also joined the Board of Directors of Seven Media Group at that time. Mr Leckie joined the Board of Seven Group Holdings Limited in April 2010; he is also a Director of Seven Network (appointed in April 2003) and was Seven Network's Chief Executive Officer, Broadcast Television for over seven years. He holds a Bachelor of Arts (Macquarie University), majoring in Economic and Financial Studies and has over 31 years experience in the media and television industries. Former board positions include Chairman of Pacific Magazines and a Director of Free TV Australia Limited. Mr Leckie is a former Chief Executive Officer of the Nine Network.



Bruce McWilliam
Commercial Director

Mr McWilliam was appointed Commercial Director of Seven Network Limited in May 2003 and has been a Director of Seven Network since September 2003, and a Director of SMG since December 2006. Mr McWilliam was a former Director of BSKyB, Executive Director News International Television and General Counsel, News International plc. Previously, Mr McWilliam was a partner of law firms Gilbert & Tobin, Turnbull McWilliam and Allen Allen & Hemsley specialising in media and commercial law.

Information on the Combined Group (continued)

MANAGEMENT TEAM



Peter Lewis
*Group Chief
Financial Officer*

Mr Lewis joined SMG as Chief Financial Officer in May 1998. In December 2008 he was also appointed Chief Operating Officer of SMG. His previous position was Head of Business Affairs for the Sydney Olympic Broadcasting Organization. He has extensive experience in financial management for media companies including Network Ten and Galaxy Media. Mr Lewis holds a Bachelor of Commerce degree and Master of Commerce degree from the University of New South Wales. He is President of Group of 100 Inc, an Associate Member of the Institute of Chartered Accountants in Australia, a Member of the Australian Society of Certified Practicing Accountants and a Fellow of the Institute of Corporate Secretaries and Administrators.



James Warburton
*Chief Sales & Digital
Officer, Seven*

Mr Warburton joined Seven Network in 2003. Mr Warburton is responsible for revenue across the SMG companies; Seven Network, Pacific Magazines and Yahoo!7, as well as driving and shaping the direction of the group's digital strategy in Australia. In addition to his revenue and digital responsibilities, Mr Warburton represents Seven's interests on industry boards as a board member of Yahoo!7, Free TV, Freeview and OzTam.

Previous to joining SMG, Mr Warburton spent much of his career in the advertising industry, having been Managing Director of Universal McCann as well as a General Manager of Marketing in the automotive industry.



Tim Worner
*Director of Programming
& Production, Seven*

Mr Worner, who has worked at Seven since 1995, took up his current role at the start of the 2003 ratings season. Mr Worner's previous roles with the Network include Head of Program Development, Head of Sport Melbourne and Head of Infotainment. Mr Worner is responsible for programming all three of Seven's channels as well as their production. He is also in charge of Seven Network's on air promotions, marketing, publicity and design departments. More recently, Mr Worner created, developed and launched SMG's multi-channels, 7TWO and 7mate.



Chris Wharton
*Chief Executive Officer,
WAN / WA Media*

Mr Wharton joined WAN in December 2008 after nine years as the Managing Director of Channel Seven Perth. During his tenure, Channel Seven Perth became the highest rating metropolitan television station in Australia and not only maintained its position but also increased its revenue and ratings performance.

Mr Wharton began his newspaper career as a journalist over 30 years ago and has worked in every area of newspaper management in Sydney before being appointed as the Chief Executive Officer of Perth's Community Newspaper Group in 1995.



Nick Chan
CEO, Pacific Magazines

Mr Chan joined Pacific Magazines in March 2004, having previously held the position of Chief Executive Officer at Text Media Group.

Prior to joining Text Media Group, Nick held a series of senior management positions at Australian Consolidated Press – including Group Publisher – Major Market & Lifestyle Group and Chief Operating Officer. Nick has a total of 25 years publishing experience.

MANAGEMENT TEAM



Peter Bryant

*Chief Financial Officer,
WAN / WA Media*

Mr Bryant joined WAN in April 2008 as Company Secretary, and in November 2009 his role was expanded to encompass the position of Chief Financial Officer. Prior to joining WAN he was the Company Secretary and CFO of GRD Limited, where he had been employed for eight years. His commercial experience also includes several financial and management roles within a significant private, Perth based, entrepreneurial group. Peter commenced his career with Ernst & Young working for their offices in Australia, the UK and the US.

Mr Bryant is a Fellow of the Institute of Chartered Accountants in Australia.



Warwick Lynch

*Chief Financial Officer,
SMG*

Mr Lynch was appointed Chief Financial Officer of SMG in March 2010. His previous role was Group Financial Controller for SMG. He joined the Seven Network fourteen years ago. Prior to joining Seven Network he was with the United Kingdom based media company, Chrysalis, and prior to that with Ernst & Young for four years.

He holds a Bachelor of Business degree, majoring in Accounting from Charles Sturt University. He is a member of the Institute of Chartered Accountants in Australia.



Rohan Lund

CEO Yahoo!7

Mr Lund is the CEO of Yahoo!7 and Chairman of Yahoo!Xtra in New Zealand. He is a Director of Yahoo!7, Wireless Broadband Australia (Australia's first 4G network) and the former Chairman of the Internet Advertising Board.

Prior to joining Yahoo!7 in 2004, Mr Lund was Strategy Director with SingTel Optus.

He holds a Master of Laws from Queensland University of Technology

Information on the Combined Group (continued)

6.9 Combined Group Management Team remuneration and compensation

6.9.1 Employment contracts

Existing WAN and SMG employees who will be members of the Combined Group's Management Team are employed under individual contracts of employment. The contracts generally establish:

- The individual's total fixed compensation, which includes fixed cash remuneration and WAN's superannuation contribution;
- Eligibility to participate in an employee incentive scheme;
- Notice and termination provisions; and
- Leave entitlements and other employment related matters.

Details of the employment contract of the proposed CEO of the Combined Group are set out in Section 10.10.

WAN makes contributions with respect to its employees to complying superannuation funds, in accordance with relevant superannuation legislation. WAN contributes at a rate for its employees with regard to its obligations under:

- Relevant superannuation legislation (i.e. at least 9% of ordinary time earnings); and
- Individual contracts of employment for the relevant employee.

6.9.2 Combined Group Management Team incentive plans

It is proposed that a new Short Term Incentive (STI) plan and new Long Term Incentive (LTI) plan appropriate for the Combined Group Management Team will be agreed by the WAN Board Remuneration Committee after Completion of the Proposed Transaction. Further details of these plans will be disclosed following Completion of the Proposed Transaction and will be subject to any necessary Combined Group shareholder approvals at the next annual general meeting for the Combined Group.

6.10 Combined Group Financial Information

6.10.1 Introduction

This section contains a summary of the historical and forecast financial information of Combined Group, assuming the Proposed Transaction is completed.

The **Combined Group Pro Forma Historical Financial Information** comprises:

- Consolidated pro forma summary income statements of Combined Group for FY09, FY10 and 1H11 consisting of:
 - WAN Standalone pro forma historical income statements for the corresponding periods;

- SMG pro forma historical income statement for the corresponding periods; and
- Relevant pro forma adjustments to present Combined Group post acquisition.
- Consolidated pro forma summary cash flows of Combined Group for FY10 consisting of:
 - WAN Standalone pro forma summary cash flow information for the corresponding periods; and
 - SMG pro forma summary cash flow information for the corresponding periods.
- Consolidated pro forma balance sheet of Combined Group as at 31 December 2010 consisting of:
 - WAN Standalone balance sheet as at 31 December 2010;
 - SMG pro forma balance sheet as at 25 December 2010;
 - Pro forma adjustments to SMG's balance sheet for the six days to 31 December 2010; and
 - Relevant consolidation and pro forma adjustments to present Combined Group post acquisition.

The **Combined Group Pro Forma Forecast Financial Information** comprises:

- Consolidated pro forma forecast income statement of Combined Group for FY11F consisting of:
 - WAN Standalone Pro Forma Forecast Financial Information for the corresponding period;
 - SMG Pro Forma Forecast Financial information for the corresponding period; and
 - Relevant pro forma adjustments to present Combined Group post acquisition.
- Consolidated pro forma forecast summary cash flows of Combined Group for FY11F consisting of:
 - WAN Standalone pro forma summary forecast cash flow information for the corresponding period;
 - SMG pro forma summary forecast cash flow information for the corresponding period; and
 - Relevant pro forma adjustments to present Combined Group post acquisition.

No consolidated pro forma historical or forecast statements of comprehensive income are provided.

The information contained in this section should be read in conjunction with the information set out elsewhere in this Prospectus, including risk factors set out in Section 9 and financial information of WAN Standalone and SMG set out respectively in Sections 4.5 and 5.7.

Important notes

Combined Group Pro Forma Historical Financial Information and Combined Group Pro Forma Forecast Financial Information (collectively the **Combined Group Financial Information**) has been reviewed by PricewaterhouseCoopers Securities Ltd whose Investigating Accountant's Report relating to this information is included in Section 7.

6.10.2 Basis of preparation

The Combined Group Financial Information has been prepared in abbreviated form. It does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million.

Preparation of Combined Group Pro Forma Historical Financial Information

Combined Group Pro Forma Historical Financial Information has been prepared for illustrative purposes only on the assumption that the Proposed Transaction and proposed funding and management structure was in place from 1 July 2008. This is not intended to reflect the financial performance or the financial position that would have actually resulted had the Proposed Transaction been implemented on this date, or the results that may be obtained in the future. If the Proposed Transaction had occurred in the past, the Combined Group financial position and financial performance would likely have been different from that presented in the Combined Group Pro Forma Historical Financial Information. Due to the nature of pro forma information, it may not give a true picture of Combined Group actual financial position and financial performance.

Preparation of Combined Group Forecast Financial Information

The Board believe they have prepared the WAN Standalone Pro Forma Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this information.

The Board believes that the SMG Pro Forma Forecast Financial Information has been prepared with due care and attention, and considers all best estimate assumptions when taken as a whole to be reasonable at the time this information was prepared.

The Combined Group Pro Forma Forecast Financial Information has been prepared on the basis of certain assumptions, including the key best estimate assumptions applying to the WAN Standalone Pro Forma Forecast Financial Information and the key best estimate assumptions applying to the SMG Pro Forma Forecast Financial Information, in combination (outlined in Sections 4.5 and 5.7 respectively) with specific adjustments to the Combined Group Pro Forma Forecast Financial Information set out later in this section. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Community Newspaper Group, Yahoo!7 and SkyNews are non-controlled businesses of Combined Group. Whilst the Board have prepared forecast information by reference to their knowledge of these businesses, the forecasts are those of Combined Group and not the underlying businesses.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Combined Group Pro Forma Forecast Financial Information, and that this may have a materially positive or negative effect on Combined Group pro forma's actual financial performance. Accordingly, the Board cannot give any assurance that the forecasts will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on the Combined Group Pro Forma Forecast Financial Information. Investors are advised to review the key best estimate assumptions, in conjunction with the sensitivity analysis set out in Section 6.10.6, and the risk factors set out in Section 9, together with the other information set out elsewhere in this Prospectus.

6.10.3 Combined Group Pro forma Income Statements

The table below outlines the Combined Group pro forma consolidated historical and forecast income statements for the years FY09, FY10, 1H11 and FY11PF. The financial information for FY09, FY10 and 1H11 has not been shown below EBIT (including associates) due to the change in the capital structure of the Combined Group post Completion.

Information on the Combined Group (continued)

TABLE 19: COMBINED GROUP PRO FORMA INCOME STATEMENT

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
Revenue ¹⁰	1,891.4	1,861.8	1,033.2	1,967.0
Other income	10.4	0.5	0.1	0.1
Operating expenses	(1,442.3)	(1,333.3)	(681.2)	(1,358.2)
Synergies	–	–	–	15.0
EBITDA	459.5	529.0	352.1	623.9
Depreciation and amortisation	(78.8)	(66.4)	(34.9)	(68.5)
EBIT	380.7	462.6	317.2	555.5
Share of net profits of associates	13.3	17.3	11.3	21.3
EBIT (including associates)	394.0	479.9	328.5	576.8
Net interest expense				(152.3)
Profit before income tax				424.5
Income tax expense				(119.9)
NPAT				304.7

a) Pro forma adjustments

In addition to the pro forma adjustments made to WAN Standalone and SMG results (outlined in Sections 4.5 and 5.7 respectively), the following adjustments have been made to Combined Group:

TABLE 20: COMBINED GROUP ADJUSTMENTS

\$m	Pro forma historical			Pro forma forecast
	FY09	FY10	1H11	FY11F
Pro forma EBIT – WAN	154.9	150.8	77.6	157.3
Pro forma EBIT – SMG	239.1	329.1	250.9	404.5
Aggregated Group pro forma EBIT	394.0	479.9	328.5	561.8
Combined Group pro forma adjustments				
Add forecast synergies	–	–	–	15.0
Pro forma Combined Group EBIT	394.0	479.9	328.5	576.8

Operational synergies

The Board forecast revenue and cost synergies as a result of combining the existing businesses of WAN and SMG. Identified synergies of \$15.0 million principally comprise:

- Incremental advertising opportunities from leveraging the Combined Group's broader range of media assets and enlarged sales force. SMG Red, the dedicated cross sales group, will be integral to delivering these synergies, targeting integrated solutions to advertising clients across multiple platforms;
- Purchasing benefits, for example paper savings through utilising The Combined Group's buying capacity and existing supplier arrangements to reduce paper costs;
- Operational efficiencies from consolidating resources and reviewing organisation structures for example news resources and the publishing of speciality publications and magazines; and
- Centralising certain overhead functions across the Combined Group.

For the purposes of the pro forma results, the synergies are assumed to be in place from 1 July 2010. The realisation and timing of these synergy benefits are subject to certain key risks, which are further described in Section 9.3.

None of the synergies require significant capital expenditure but there will be one-off costs associated with the implementation including redundancies, training and managing the integration process. Management estimates these costs to be \$3 million split evenly across FY11 and FY12. Identified synergies are expected to be implemented in full by the end of the financial year ending 30 June 2012.

¹⁰ Interest income of \$0.6 million in FY09, \$0.5 million in FY10, \$0.7 million in 1H11 and \$1.1 million in FY11F has been reclassified to net interest expense.

b) Forecast results for FY11PF

The above results are pro forma assuming the acquisition took place on 1 July 2010. The actual result for the Combined Group will need to be adjusted for the following items:

- The results for the period in FY11F that WAN did not own SMG, assuming the Acquisition takes place on 30 April 2011;
- Transaction costs totalling \$45.0 million relating to the Proposed Transaction, of which \$27.0 million is expensed in FY11F. These costs are not tax deductible assuming the transaction proceeds; and
- \$10.5 million of synergies (after tax) reflected in Combined Group results.

TABLE 21: RECONCILIATION OF COMBINED GROUP FY11PF NPAT TO FY11F NPAT

	\$m
Combined Group pro forma NPAT (FY11PF)	304.7
SMG NPAT 10 month period not owned	(160.5)
Assumed synergies ¹¹	(10.5)
Tax adjustment on underwriting fees	(0.9)
Transaction costs	(27.0)
WAN Statutory Forecast NPAT (FY11F)	105.8

These adjustments have not been reflected in the Combined Group pro forma forecast income statement for FY11PF.

6.10.4 Summary pro forma cash flows and pro forma forecast cash flows for FY10, 1H11 and FY11PF

The table below sets out a reconciliation of WAN pro forma EBITDA to summary cash flows and forecast cash flows for FY09, FY10 and FY11PF.

TABLE 22: COMBINED GROUP CASH FLOW

	Pro forma historical		Pro forma forecast
\$m	FY09	FY10	FY11F
EBITDA	459.6	529.0	623.9
Working capital and other movements	2.9	(145.2)	(62.0)
Dividends received from associates	6.4	8.3	7.2
Operating cash flows before interest and tax	468.9	392.1	569.1
Cash flows from other activities			
Income tax paid			(94.8)
Net interest paid			(152.3)
Proceeds from sale of assets			0.2
Payment for property, plant and equipment			(51.3)
Net repayment of borrowings			(35.4)
Net cash flows used in other activities			(333.6)
Free cash flow after debt service			235.5

Important notes

In relation to FY09 and FY10, cash flows below operating cash flows have not been included due to the change in the capital structure of the Combined Group. In relation to FY11F, cash flows associated with dividend payments and proceeds received from equity issued in conjunction with the Proposed Transaction have been excluded from pro forma cash flows on the basis that these cash flows are not illustrative of the Combined Group going forward.

¹¹ Assumes no synergies are realised.

Information on the Combined Group (continued)

6.10.5 Material Best Estimate Assumptions for Forecast Financial Information

The Combined Group Pro Forma Forecast Financial Information has been prepared on the basis of the material best estimate assumptions set out below. This information is intended to assist WAN Shareholders in assessing the reasonableness and likelihood of the assumptions occurring and is not a representation that the assumptions will occur. WAN Shareholders should be aware that the timing of actual events and the magnitude of the impact might differ from that assumed in preparing the forecast financial information, and that this may have a positive or negative effect on WAN's actual financial performance or distributable cash. WAN Shareholders are advised to review the key assumptions in this section in conjunction with the sensitivity analysis in Section 6.10.6 and the key risks set out in Section 9.

In addition to the general and specific material best estimate assumptions used in preparing WAN Standalone (see Section 4.5.6) and SMG forecast financial information (see Section 5.7.7), the following specific assumptions have been made in preparing Combined Group Pro Forma Forecast Financial Information:

- Interest expense for FY11PF has been calculated as the sum of the interest on assumed Net Debt of \$1,654 million from SMG at 25 December 2010 (after assuming a Combined Group debt reduction of approximately \$450.0 million) pursuant to the Share Sale Agreement, assumed to be held constant for the entire year from 1 July 2010, plus the interest expense of WAN Standalone, as set out in Section 4.5.3. The effective average interest rate of 7.8% on all these credit facilities is based on current credit facility rates, including those notes in Sections 6.4.1 and 9.3.15. WAN intends to seek financier change of control consent to maintain the existing WAN facilities which were drawn to \$241.0 million as at 31 December 2010. It is assumed that WAN will obtain consent from financiers to continue its facilities at broadly consistent terms and that SMG's debt will remain under the current financing agreements.
- No costs have been assumed for the participation of SMG employees in any LTI Plan.
- No material impact has been forecast for the 52 week reporting period used by SMG on FY11F.
- An effective tax rate of 30% has been assumed.
- The Combined Group has not forecast mark-to-market movements in any hedge or derivative instruments. To the extent there are future movements in FY11, these will be reflected either in equity or the income statement but will not impact cash.

6.10.6 Sensitivity analysis

The Combined Group Pro Forma Forecast Financial Information is sensitive to key assumptions used in preparing the forecast, as discussed above. The sensitivity analysis below demonstrates the potential impact of possible changes in these key assumptions on the Combined Group NPAT and free cash flow. The impact is shown as a positive / (negative) adjustment to the NPAT or free cash flow in the year ending 30 June 2011.

The sensitivity table below should be considered in conjunction with the preceding discussion on the key assumptions. Care should be taken in interpreting this sensitivity analysis. The analysis treats each change in the specific assumption in isolation to the others, whereas in many cases changes may be inter-dependent, with associate changes having cumulative or mitigating impacts. The sensitivity also does not take into account any potential mitigating action which may be taken by management. Proportional variations of the changes presented may not result in a proportional change to the forecast impact.

TABLE 23: COMBINED GROUP SENSITIVITY ANALYSIS

Assumption	Change (%)	NPAT \$m	Free Cash Flow \$m
1. Market size sensitivity – WA metropolitan newspapers ¹²	+/- 1.0%	2.1	2.9
2. Market share sensitivity – WA metropolitan newspapers ¹²	+/- 1.0%	2.0	2.7
3. Change in metro TV advertising market size ¹³	+/- 1.0%	6.4	9.1
4. Change in metro TV advertising market share ¹³	+/- 1.0%	18.4	26.4
5. Change in Pacific Magazines' retail circulation revenue	+/- 1.0%	0.6	0.9

¹² For the purposes of metro newspapers market size and market share sensitivities, EBITDA impact (adjusted for related working capital movements) has been used as a basis for the impact on the estimated free cash flows for the Combined Group. It has been assumed that no significant capital impact expenditure is associated with changes in these sensitivities.

¹³ For the purposes of the TV advertising market size and market share sensitivities, EBITDA has been used as a basis for the impact on the estimated free cash flows for Combined Group. It has been assumed that there is no significant working capital or capital expenditure associated with changes in these sensitivities.

- **Change in WA metropolitan newspaper market size:** This illustrates the impact of a +/- 1.0% change in the West Australian metropolitan newspaper market forecast to be approximately \$360 million, presuming WAN's market share remains constant.
- **Change in WA metropolitan newspaper market share:** This illustrates the impacts of a +/- 1.0% change in WAN's forecast market share of the West Australian metropolitan newspaper market of approximately 70%, assuming the market size remains constant.
- **Change in metro TV advertising market size:** This demonstrates the impact of a +/- 1.0% change in market size of the forecast annual Television Advertising market of \$3,109 million, assuming market share remains constant at 38%.
- **Change in metro TV advertising market share:** This demonstrates the impact of a +/- 1.0% change in the forecast market share of 38%, assuming market size remains constant at \$3,109 million.
- **Change in Pacific Magazine circulation:** This illustrates the impact of a +/- 1.0% change in Pacific Magazines' level of retail circulation revenue, presuming current retail return rates are maintained.
- No interest rate sensitivity has been included on the basis that the majority of debt is hedged for FY11F.

6.10.7 Full Year Effect on Earnings Per Share

This section sets out the calculation of the Combined Group's pro forma of earnings per share (EPS).

TABLE 24: COMBINED GROUP EARNINGS PER SHARE

	FY11PF	FY11PF
	Basic	Diluted
WAN Standalone FY11F NPAT (\$m)	102.0	102.0
WANOS ¹⁴ (millions)	217.1	218.8
WAN Standalone FY11F EPS (cents)	47.0	46.6
Adjustment Factor	1.06	1.06
Restated WAN Standalone FY11F EPS (cents)	44.3	44.0
Combined Group FY11F NPAT (\$m)	304.7	304.7
WANOS (millions)	607.7	648.2
WAN pro forma EPS (cents)	50.1	47.0
WAN pro forma EPS accretion (%)	13.1%	6.8%

The above accretion statement has been made on the basis of the following:

- The inclusion of forecast synergies as set out in Section 6.10.3 assuming the full year effect in FY11PF¹⁵;
- The exclusion of any one-off costs associated with the achievement of those synergies, which, as noted in Section 6.10.3, are estimated at \$3.0 million;
- The exclusion of approximately \$27.0 million of transaction costs;
- WAN has not yet conducted its acquisition accounting as at the date of this Prospectus and consequently the depreciation and amortisation expenses used in determining pro forma EPS do not reflect any changes that may result from fair value accounting for the identifiable assets, liabilities and contingent liabilities of the acquisition of SMG; and
- No expense has been reflected in FY11F for any additional expense related to the long term incentive arrangements for SMG employees.

In making the above EPS accretion statement, WAN has taken into account earnings assumptions noted earlier in this section. Weighted average number of shares (WANOS) has been adjusted to reflect:

¹⁴ Weighted average number of shares.

¹⁵ Based on diluted EPS calculated assuming the Combined Group was together for the full year FY11F (with SMG's pro forma net debt of \$1,654 million remaining constant) and forecast synergies as set out in Section 6.10 but excludes any one-off costs associated with the synergies, any additional amortisation resulting from the final purchase price allocation or transaction costs. WAN expects identified synergies to be implemented in full during the remainder of FY11 and FY12. WAN's standalone FY11F diluted EPS is before transaction costs. Refer calculation set out in Section 6.10. Basic EPS accretion of 13.1% on the same basis.

Information on the Combined Group (continued)

TABLE 25: CALCULATION OF WANOS

	Time weighting	Basic WANOS (million)	Diluted WANOS (million)
WAN Standalone total shares outstanding – 1 July 2010	100%	214.2	216.0
WAN Entitlement Offer	100%	125.5	125.5
Public Offer	100%	7.7	7.7
Placement to KKR, mezzanine investors and members of management relating to SMG	100%	77.0	77.0
Scrip consideration to SGH	100%	180.5	180.5
CPS issued to SGH – 1 July 2010	100%	–	37.5
2H10 dividend reinvestment plan – 30 Sep 2010	75%	3.7	3.7
Shares transferred under the employee share purchase plan – 30 September 2010	75%	0.2	–
Increase in CPS notional value – 30 June 2011	50%	–	2.7
Combined Group WANOS		607.7	648.2

6.10.8 EPS adjustment factor

On completion of the Entitlement Offer, EPS calculations for all prior periods will be adjusted to reflect the bonus element of the Entitlement Offer, as required by AASB 133 “Earnings per Share”. The EPS calculations will be based on the WAN Share price and WAN Shares outstanding as at the date of this Prospectus.

The calculation of the adjustment factor is set out in the table below:

TABLE 26: CALCULATION OF ADJUSTMENT FACTOR FOR EPS

Closing Share price at 18 February 2011	\$	6.34
1H11 Dividend	\$	0.19
Adjusted price	\$	6.15
Shares outstanding prior to the Entitlement Offer	m	219.7
Market capitalisation of WAN before the Entitlement Offer	\$m	1,351.0
Entitlement Offer Issue Price	\$	5.20
Number of shares issued under Entitlement Offer (million)	m	125.5
Gross proceeds raised from Entitlement Offer	\$m	652.7
Current shares outstanding + shares issued in Entitlement Offer	m	345.2
Theoretical adjusted market capitalisation after the Entitlement Offer	\$m	2,003.7
Theoretical Ex-Rights Price (TERP)	\$	5.80
Adjustment Factor (adjusted price / TERP)		1.06

6.11 Combined Group Pro Forma Balance Sheet as at 31 December 2010

The table below sets out the pro forma balance sheet of Combined Group as at 31 December 2010. Refer to Section 6.10.2 for the basis of preparation.

TABLE 27: COMBINED PRO FORMA BALANCE SHEET

\$m	WAN 31-Dec-10	Adjustment for Acquisition of SMG	Adjustment SMG Year-End	Adjustment for Capital Raising	Pro Forma Transaction Adjustments	Combined Group Pro Forma 31-Dec-10
Current assets						
Cash and cash equivalents	14.6	185.8	(119.8)	1,154.0	(1,145.0)	89.6
Trade and other receivables	54.5	263.0	(16.6)	–	–	300.9
Program rights and inventories	17.2	103.4	–	–	–	120.6
Other assets	0.1	4.0	–	–	–	4.1
Total current assets	86.4	556.2	(136.4)	1,154.0	(1,145.0)	515.2
Non-current assets						
Program rights and inventories	–	5.6	16.3	–	–	21.9
Property, plant and equipment	209.4	76.9	–	–	–	286.3
Intangible assets	133.2	2,383.1	–	–	1,670.5	4,186.8
Investments accounted for using the equity method	12.1	218.9	–	–	–	231.0
Other assets	0.9	–	–	1,331.0	(1,331.0)	0.9
Total non-current assets	355.7	2,684.5	16.3	1,331.0	339.7	4,727.0
Total assets	442.1	3,240.7	(120.1)	2,485.0	(805.5)	5,242.2
Current liabilities						
Trade and other payables	31.5	380.3	(134.4)	–	–	277.4
Provisions	4.9	47.3	–	–	–	52.2
Other liabilities	2.6	–	–	–	–	2.6
Deferred revenue	–	34.8	–	–	–	34.8
Total current liabilities	39.0	462.4	(134.4)	–	–	367.0
Non-current liabilities						
Interest bearing liabilities	241.0	2,275.5	14.3	–	(450.0)	2,080.8
Intercompany loans	–	650.0	–	–	(650.0)	–
Trade and other payables	–	145.3	–	–	–	145.3
Deferred income	–	5.9	–	–	–	5.9
Deferred tax liabilities	11.2	32.3	–	–	(5.4)	38.1
Provisions	0.9	14.2	–	–	–	15.1
Total non-current liabilities	253.1	3,123.2	14.3	–	(1,105.4)	2,285.2
Total liabilities	292.1	3,585.6	(120.1)	–	(1,105.4)	2,652.2
Net assets	150.0	(344.9)	–	2,485.0	299.9	2,589.9
Equity						
Contributed equity	150.9	1,573.4	–	2,485.0	(1,591.4)	2,617.9
Reserves	0.3	5.3	–	–	(5.3)	0.3
Retained profits/(accumulated losses)	(1.2)	(1,923.6)	–	–	1,896.6	(28.2)
Total equity	150.0	(344.9)	–	2,485.0	299.9	2,589.9

Information on the Combined Group (continued)

The pro forma adjustments required to reflect the Combined Group pro forma balance sheet as at 31 December 2010 represent:

6.11.1 Pro forma adjustments

a) Adjustment for Acquisition of SMG

This adjustment represents the acquisition of SMG based on its balance sheet as at 25 December 2010.

b) Adjustments for SMG Year-End

These adjustments reflect:

- Adjustments to SMG's pro forma balance sheet as at 25 December 2010 for significant balance sheet movements in the six day period to 31 December 2010. These items include:
 - Collection of significant trade receivables of \$16.6 million;
 - Advance payments in relation to programming rights for the Australian Open of \$16.3 million; and
 - Payment of ACMA licence fees of \$76.5 million, accrued interest on debt facilities of \$35.2 million and other miscellaneous payables of \$8.4 million accrued at 25 December 2010.

c) Adjustments for Capital Raisings

- As part of the Proposed Transaction, WAN will issue:
 - Equity to SGH of \$1,081 million comprising an estimated 180.5 million shares at a share price of \$5.99. Post Completion, SGH will hold a 29.6% equity interest in the Combined Group;
 - Equity to KKR, mezzanine investors and members of SMG management of \$461 million comprising an estimated 77.0 million shares at a share price of \$5.99. Post completion, KKR, mezzanine investors and members of management will hold 12.6% equity interest in the Combined Group;
 - A Public Offer of \$40 million;
 - Entitlement Offer of \$653 million; and
 - CPS of \$250 million issued to SGH.

d) Pro Forma transaction adjustments

The Combined Group consolidation and pro forma adjustments used in preparing the Combined Group pro forma balance sheet include:

- WAN assuming external net debt of \$2,104 million¹⁶ (before debt reduction of approximately \$450 million to \$1,654 million) on a pro forma basis;
- WAN incurring transaction costs totalling approximately \$45 million of which \$18 million has been offset against the equity raised and \$27 million has been assumed to be expensed through the income statement; and

- A preliminary acquisition accounting adjustment to recognise approximately \$1,671 million of intangible assets upon acquisition. This adjustment is based on limited financial information made available by SMG during the due diligence undertaken by WAN, and the actual amount is likely to be different at acquisition date.

These adjustments should be read in conjunction with the significant accounting policy notes set out below.

6.11.2 Significant Accounting Policies and Notes to the financial information

a) Significant policies and notes applicable to WAN audited financial information

WAN financial information presented has been prepared in accordance with AIFRS, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act in Australia. The accounts are presented in accordance with the historical cost convention, unless otherwise stated. The accounting policies adopted in preparing WAN audited financial information are set out in WAN's 30 June 2010 financial statements.

b) Significant policies and notes applicable to Combined Group financial information

Combined Group Financial Information has been prepared on the same basis as the accounting policies disclosed in WAN's audited FY10 accounts. However, to reflect the impact of the Proposed Transaction and the operations of SMG, the following additional policies have also been used:

i) Acquisition accounting

In accordance with Australian Accounting Standards AASB 3 "Business Combinations", WAN is required to allocate consideration of the Acquisition by recognising the identifiable assets, liabilities and contingent liabilities of SMG generally at their fair value at the Completion Date. Any difference between the consideration of the Acquisition and the net fair value of the identifiable assets, liabilities and intangible assets with finite lives, such as mast heads, licenses, customer relationships and contracts, intellectual property are amortised over their estimated useful lives. The goodwill and identifiable intangible assets recognised will be subject to periodic impairment testing.

The pro forma adjustments in Section 6.11.1 include a preliminary allocation of the excess of Purchase Price over the book value of net assets acquired to non-amortisable intangibles based on limited financial information made available by SMG during the due diligence process conducted by WAN in connection with the Proposed Transaction. Australian Accounting Standards allow a period of 12 months from Completion Date to finalise the Purchase Price allocation. It is likely that the final Purchase Price allocation, together with any related deferred tax balances, will be different to the preliminary Purchase Price allocation and could be materially different.

¹⁶ At 25 December 2010 pursuant to the Share Sale Agreement.

Based on a purchase price of \$4,085.0 million and net assets of \$2,414.5 million, the excess over net assets would be approximately \$1,670.5 million. Accordingly, the Purchase Price allocation may result in a material uplift to the fair value of the amortisable assets of the Combined Group and consequently a material increase in the amortisation charge for the Combined Group in future financial reporting periods. Any amortisation will be reflected in the Combined Group consolidated income statement and there will be no impact on the forecast cash flows of Combined Group.

Refer to note iv) below for breakdown of 31 December 2010 intangibles post-acquisition.

ii) SMG Net Assets

The SMG Financial Information has been incorporated based on audited and special purpose accounts. The accounting policies note in the audited and special purposes accounts of SMGL and SMG respectively highlight SMG's existing capital and debt structure and a deficiency of net assets. The deficiency arose in year ended 27 June 2009 due to the impairment of licences and goodwill. Included in liabilities are Shareholder loans which as noted in the accounts would not be called upon in the event of insolvency. If these Shareholder loans were excluded from the calculation of net position of the balance sheet as at 25 December 2010 this would have resulted in a positive net assets position.

The Proposed Transaction replaces the capital and debt structure, resulting in no net asset deficiency in the Combined Group Pro Forma Balance Sheet.

iii) Revenue recognition

Program sales revenue is recognised upon delivery of episodes to the buyer. Affiliate revenue is recognised as it is accrued.

iv) Program rights

Television program rights are carried at the lower of cost less amortisation and net recoverable amount. Cost comprises acquisition of program rights and, for programs produced using SMG's facilities, direct labour and material and directly attributable fixed and variable overheads.

Television program assets and program liabilities are recognised from the commencement of the rights period of the contract. Contract payments made prior to commencement of the rights period are disclosed as a prepayment and included under television program rights and inventories.

The amortisation policy requires the amortisation of purchased programs on a straight line basis over a life of one year from commencement of the rights period or over the rights period of the contract (whichever is the lesser). Produced programs are expensed on telecast or in full on the twelfth month after Completion period.

v) Television licenses and other intangibles

The television licenses are renewable every five years under the provisions of the Broadcasting Services Act 1992. The Directors have no reason to believe that they will not be renewed. Television licenses are carried at cost less any impairment loss. Television licenses are considered to have an indefinite useful life and no amortisation is charged.

The breakdown of 31 December 2010 intangibles post-acquisition is as follows:

TABLE 28: WAN INTANGIBLES

\$m	WAN 31-Dec-10	Adjustment for Acquisition of SMG	Pro Forma Transaction Adjustment	Combined Group Pro Forma 31-Dec-10
Mastheads	100.6	312.0		412.6
Goodwill	2.5	191.6	1,670.5	1,864.6
Other	30.1	57.5		87.6
Television Licenses		1,800.0		1,800.0
Program Rights		22.0		22.0
Intangible assets	133.2	2,383.1	1,670.5	4,186.8

Information on the Combined Group (continued)

vi) Interest bearing liabilities

As noted in Section 6.4.1, it is assumed that WAN will obtain consent from financiers to continue its facilities at broadly consistent terms and that SMG's debt will remain under the current financing agreements. Accordingly, the WAN debt has been classified as non-current.

Bills Payable

These are drawn under various bill facilities for WAN totalling \$280 million which expire at various stages between January 2012 and June 2013.

Bank Loans

The SMG bank loans are subject to floating interest charges, on which the highest margins applicable are as follows:

- Facility A (term loan) BBR + 2.375% per annum; and
- Facility C (acquisition facility) BBR + 1.375% per annum.

These loans will mature in December 2012 and are secured by a fixed and floating charge over all the assets of certain of the SMG's entities.

Secured Notes

The secured notes are subject to a fixed rate of interest, increasing annually from the original rate of 10.16% to a final rate of 12.31% per annum and will mature in December 2013. The secured notes are secured by a second ranking fixed and floating charge over all of the assets of certain of SMG's entities.

Zero Coupon Notes

The zero coupon notes are subject to fixed interest of 12% per annum and will mature in December 2013. The zero coupon notes are unsecured.

TABLE 29: WAN PRO FORMA INTEREST BEARING LIABILITIES

\$m	WAN 31-Dec-10	Adjustment for Acquisition of SMG	Adjustment SMG Year End	Pro forma Transaction Adjustment	Combined Group Pro Forma 31-Dec-10
Bills payable	241.0				
Senior Facility A		1,841.1			
Secured Notes		315.0			
Zero Coupon Bonds		119.4	14.3		
Consolidation Adjustment				(450.0)	
Total interest bearing liabilities	241.0	2,275.5	14.3	(450.0)	2,080.8

vii) Commitments

As noted in Section 5.7.9, as part of the Acquisition of SMG, WAN will assume SMG's financial commitments, which include contracts to purchase television programmes, contracts for employee services and operating lease commitments.

Investigating Accountant's Report

7.1 Investigating Accountant's Report



The Directors
West Australian Newspapers Holdings Limited
50 Hasler Road
Osborne Park WA 6017

21 February 2010

Dear Directors

Subject: Investigating Accountant's Report on Historical and Forecast Financial Information and Financial Services Guide

We have prepared this report on certain historical and forecast financial information of West Australian Newspapers Holdings Limited and its controlled entities (**WAN** or the **Company**) and SMG H1 and its controlled entities (**SMG**) for inclusion in a prospectus dated on or about 21 February 2011 (the **Prospectus**) relating to the issue of Convertible Unsecured Loan Stock and ordinary shares in the Company (the **Issue**).

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers, holds the appropriate Australian financial services licence. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Background

West Australian Newspapers Holdings Limited has agreed to acquire SMG (the **Transaction**). The Issue is undertaken in connection with the Transaction as set out in the Prospectus.

Scope

West Australian Newspapers Holdings Limited has requested PricewaterhouseCoopers Securities Ltd to prepare this investigating accountant's report (the **Report**) covering the following information:

Historical financial information

- a) The consolidated summary pro forma income statements and cash flow information of WAN for the years ended 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 together with the consolidated balance sheet as at 31 December 2010 (together the **WAN Standalone Pro Forma Historical Financial Information**) as disclosed in Section 4.5.3 Table 1, Section 4.5.4 Table 3 and Section 4.5.8 of the Prospectus;
- b) The consolidated summary pro forma income statements and cash flow information of SMG for the 52 week periods ended 27 June 2009 and 26 June 2010 and the half year ended 25 December 2010 together with the consolidated pro forma balance sheet as at 25 December 2010 (together the **SMG Standalone Pro Forma Historical Financial Information**) as disclosed in Section 5.7.3 Table 9, Section 5.7.5 Table 13 and Section 5.7.9 Table 15 of the Prospectus;

PricewaterhouseCoopers LLP (Registration No. T09LL0001D) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A). PricewaterhouseCoopers LLP is part of the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

PricewaterhouseCoopers Securities Ltd, ACN 003 311 617 ABN 54 003 311 617
Holder of Australian Financial Services Licence No 244572
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

Investigating Accountant's Report (continued)



- c) The WAN and SMG combined pro forma consolidated income statements and cash flow information for the years ended 30 June 2009, 30 June 2010 and the half year ended 31 December 2010 together with the consolidated balance sheet of WAN which assumes completion of the Issue and the Transaction as at 31 December 2010 as set out in Section 6.11.1 a) to d) of the Prospectus (the **Pro Forma Transactions**) (together the **Combined Group Pro Forma Historical Financial Information**) as disclosed in Section 6.10.3 Table 19, Section 6.10.4 Table 22 and Section 6.11 Table 27 of the Prospectus;

(collectively the **Historical Financial Information**).

Forecast financial information

- a) The summary consolidated forecast income statement and cash flow information of WAN for the year ending 30 June 2011 (the **WAN Standalone Pro Forma Forecast Financial Information**) as disclosed in Section 4.5.3 Table 1 and Section 4.5.4 Table 3 of the Prospectus;
- b) The summary consolidated pro forma forecast income statement and cash flow information of SMG for the year ending 25 June 2011 (the **SMG Standalone Pro Forma Forecast Financial Information**) as set out in Section 5.7.3 Table 9 and Section 5.7.5 Table 13 of the Prospectus;
- c) The WAN and SMG combined pro forma forecast consolidated income statement and combined cash flow information for the year ending 30 June 2011 (the **Combined Group Pro Forma Forecast Financial Information**) as disclosed in Section 6.10.3 table 19 and Section 6.10.4 Table 22 of the Prospectus.

(collectively the **Forecasts**)

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information or the Forecasts to which this Report relates for any purposes other than the purpose for which it was prepared.

Scope of review of Historical Financial Information

The WAN Standalone Pro Forma Historical Financial Information set out in Section 4.5 of the Prospectus has been extracted from the audited statutory financial statements of the Company for the year ended 30 June 2009 and 30 June 2010 and the unaudited financial statements of the Company for the half year ended 31 December 2010. The financial statements of the Company at 30 June 2009 and 30 June 2010 were audited by PricewaterhouseCoopers who issued an unqualified audit opinion on them. The financial statements of the Company for the half year ended 31 December 2010 were reviewed by PricewaterhouseCoopers who issued an unqualified review opinion on them.

The SMG Standalone Pro Forma Historical Financial Information set out in Section 5.7 of the Prospectus has been derived from the audited statutory financial statements of Seven Media Group Pty Limited (**SMGL**) for the years ended 27 June 2009 and 26 June 2010 and special purpose financial statements prepared for the directors of SMG for the half year ended 25 December 2010. The financial statements of SMGL for the year ended 27 June 2009 and 26 June 2010 were audited, on which unqualified audit opinions were issued. The special purpose accounts of SMG for the half year ended 25 December 2010 were reviewed and an unqualified review opinion was issued on them. The accounting policies note in the audited accounts and the special purpose accounts highlight the existing capital and debt structure of SMG and a deficiency in net assets. The deficiency arose in the year ended 27 June 2009 due to the impairment of licences and goodwill. Included in liabilities are Shareholder loans which as noted in the accounts will not be called upon in the event of insolvency. If these Shareholder loans were excluded from the calculation of the net position of the balance sheet as at 25 December 2010 this would have resulted in a positive net assets position.

The Directors of WAN (**WAN Directors**) have prepared and are responsible for the preparation and presentation of the Historical Financial Information which includes the SMG Information provided to WAN by SGH. The WAN Directors are also responsible for the determination of the key assumptions and pro forma transactions as set out in Section 4.5.3 in relation to the WAN Standalone Pro Forma Historical Financial Information and Sections 6.10.3 and 6.11 in relation to the Combined Group Pro Forma Historical Financial Information. The Historical Financial Information incorporates such pro forma transactions and adjustments as the directors of WAN considered necessary to present the Historical Financial Information on a basis consistent with the Forecasts.



We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standards applicable to review engagements. We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- An analytical review of the financial performance of WAN and SMG for the relevant historical period
- A review of work papers, accounting records and other documents
- A review of the adjustments made to the Historical Financial Information
- A review of the assumptions (which include the Pro Forma Transactions as detailed in Sections 6.10.3 and 6.11) used to compile the Combined Group Pro Forma Historical Financial Information
- A comparison of consistency in application of the recognition and measurement principles under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by WAN and SMG (as the case may be) as disclosed in Sections 4.5.2, 5.7.2 and 6.11.2 of the Prospectus; and
- Enquiry of the WAN Directors and WAN and SMG management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

Limitation of scope of review of the Historical Financial Information

Refer to paragraph titled "Limitation of scope and review of the Historical Information and Forecasts" for further details.

Review statement on Historical Financial Information

Based on our review, which is not an audit, except for the limitation of scope described above, nothing has come to our attention which causes us to believe that:

- the Combined Group Pro Forma Historical Financial Information has not been properly prepared on the basis of the Pro Forma Transactions set out in Sections 6.10.3 and 6.11.
- the Pro Forma Transactions set out in Sections 6.10.3 and 6.11 do not form a reasonable basis for the Combined Group Pro Forma Historical Financial Information
- the Historical Financial Information, as set out in Sections 4.5, 5.7, 6.10 and 6.11 of the Prospectus, does not present fairly:
 - a) The WAN standalone consolidated pro forma income statements and cash flow information for the years ended 30 June 2009 and 30 June 2010 and the half year ended 31 December 2010 and the WAN consolidated balance sheet as at 31 December 2010;
 - b) The SMG standalone consolidated pro forma income statements and cash flow information for the 52 week periods ended 27 June 2009 and 26 June 2010 and the half year ended 25 December 2010 and the SMG consolidated pro forma balance sheet as at 25 December 2010; and
 - c) The WAN and SMG combined pro forma consolidated income statements and cash flow information for the years ended 30 June 2009, 30 June 2010 and the half year ended 31 December 2010 and the Combined Group pro forma consolidated balance sheet as at 31 December 2010, assuming completion of the Pro Forma Transactions.

in accordance with the recognition and measurement principles prescribed under Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by WAN and SMG (as the case may be) disclosed in Sections 4.5.2, 5.7.2 and 6.11.2 of the Prospectus.

Scope of review of Forecasts

The WAN Directors have prepared and are responsible for the preparation and presentation of the Forecasts including the best estimate assumptions (which include the Pro Forma Transactions as detailed in Sections 4.5.3, 5.7.3 and 6.10.3) on which they are based.

Investigating Accountant's Report (continued)



Our review of the best estimate assumptions underlying the Forecasts was conducted in accordance with Australian Auditing Standards applicable to review engagements. Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures as we considered necessary to form an opinion as to whether anything has come to our attention which causes us to believe that:

- a) The best estimate assumptions do not provide a reasonable basis for the Forecasts;
- b) In all material respects, the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of WAN and SMG (as the case may be) disclosed in Sections 4.5.2, 5.7.2 and 6.11.2 of the Prospectus; or
- c) The Forecasts are unreasonable.

The Combined Group Pro Forma Forecast Financial Information has been prepared by the WAN Directors to provide investors with a guide to Combined WAN's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of Forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the description of investment risks set out in Section 9 of the Prospectus.

Our review of the Forecasts and the best estimate assumptions upon which the Forecasts are based is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Prospectus.

Limitation of scope of review of the Historical Financial Information and Forecasts

In preparing the Combined Group Pro Forma Historical and Forecast Financial Information, only a preliminary purchase price allocation has been made to the fair values of acquired assets and liabilities in accordance with AASB 3 Business Combinations as described in Section 6.11.2 of the Prospectus.

Accordingly, the Combined Group Pro Forma Historical and Forecast Financial Information does not necessarily contain all of the adjustments to the reported amounts of assets and liabilities that will be required to reflect their fair values at the acquisition date. Consequently, the Combined Group Historic and Forecast income statements do not necessarily reflect the depreciation and or amortisation charges that would be required had final fair value adjustments been undertaken.

Review statement on the Forecasts

Based on our review of the Forecasts, which is not an audit, and the reasonableness of the best estimate assumptions giving rise to the Forecasts, except for the limitation of scope described above, nothing has come to our attention which causes us to believe that:

- a) The best estimate assumptions set out in Sections 4.5.6, 5.7.7 and 6.10.5 of the Prospectus do not provide a reasonable basis for the preparation of the Forecasts;
- b) In all material respects, the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of WAN and SMG (as the case may be) disclosed in Sections 4.5.2, 5.7.2 and 6.11.2 of the Prospectus; or
- c) The Forecasts are unreasonable.

The best estimate assumptions set out in Sections 4.5.6, 5.7.7 and 6.10.5 of the Prospectus are subject to significant uncertainties and contingencies often outside the control of the Company. If events do not occur as assumed, actual results and distributions achieved by WAN may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.



Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary course of business of WAN or SMG have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or disclosure of interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Liability

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this Report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Prospectus.

Financial Services Guide

We have included our Financial Services Guide as Appendix A to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'AJP'.

Andrew J Parker

Authorised Representative of
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink, appearing to read 'Clara Cutajar'.

Clara Cutajar

Authorised Representative of
PricewaterhouseCoopers Securities Ltd

Investigating Accountant's Report (continued)



Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 21 February 2011

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by West Australian Newspapers Holdings Limited to provide a report in the form of an Investigating Accountants Report in relation to the Historical and Forecast Financial Information (the "**Report**") for inclusion in the Prospectus dated on or about 21 February 2011.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to \$650,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PwC are the auditors of WAN.



7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service ("**FOS**"), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Andrew Parker or
Clara Cutajar
Authorised Representatives
Darling Park Tower 2
201 Sussex Street
SYDNEY NSW 2000
GPO Box 2650
SYDNEY NSW 1171

Australian Tax implications

This section provides a general summary of the Australian income tax, Goods & Services Tax (GST) and stamp duty implications of the Entitlement Offer and Public Offer for Eligible Shareholders and Eligible Investors who are residents of Australia for income tax purposes. This section only applies to those Eligible Shareholders and Eligible Investors that hold their existing WAN Shares (in respect of an Eligible Shareholder) and the new WAN Shares (if acquired) or New Shares on capital account.

In particular, this summary does not apply to Eligible Shareholders or Eligible Investors that:

- Hold their existing WAN Shares as trading stock or revenue assets, or will hold the new WAN Shares or New Shares as trading stock or revenue assets; or
- Hold their existing WAN Shares under an employee share scheme; or
- Are banks, insurance companies or tax exempt entities which are subject to special tax rules; or
- Are required to apply Division 230 of the *Income Tax Assessment Act 1997* in respect of their financial arrangements; or
- Are not tax residents of Australia.

This summary does not purport to be an authoritative or comprehensive analysis of the potential tax consequences arising from the Entitlement Offer or the Public Offer. It does not consider any specific facts or circumstances that may apply to the particular Eligible Shareholder or Eligible Investor. Accordingly, Eligible Shareholders and Eligible Investors are strongly encouraged to seek their own, independent professional taxation advice specific to their own circumstances.

Neither the WAN Group nor any of its officers, nor its advisors, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences themselves.

This summary is based on the existing Australian income tax, GST and stamp duty law, and administrative practice in effect as at the date of this Prospectus.

8.1 Receipt of the Entitlement Offer

As the Entitlement Offer cannot be traded, assigned or otherwise dealt with as a commercial object in its own right by or for the Eligible Shareholder and can only be exercised by the Eligible Shareholder or allowed to lapse without compensation or consideration to the Eligible Shareholder, the value of the right issued should not be income derived when the Entitlement Offer is granted.

The Entitlement Offer itself should not be regarded as a separate capital gains tax (CGT) asset received by the Eligible Shareholders for income tax purposes. The receipt of the Entitlement Offer should also not be regarded as the payment of a dividend for income tax purposes. No amount should be included in the assessable income of the Eligible Shareholder in respect of the receipt of the Entitlement Offer.

8.2 Accepting the Entitlement Offer

Eligible Shareholders that accept the Entitlement Offer will be issued CULS in exchange for paying the Issue Price. The Issue Price paid by an Eligible Shareholder to acquire the CULS will not be deductible. However, the Eligible Shareholder's tax cost base in the CULS should be equal to the Issue Price.

Acceptance of the Entitlement Offer should not result in the Eligible Shareholder realising a capital gain or otherwise deriving assessable income.

As the CULS do not have an "eligible return", they should be regarded as "traditional securities" for income tax purposes.

8.2.1 Conversion of CULS into WAN Shares

Eligible Shareholders should not realise a capital gain or otherwise derive assessable income from the conversion of the CULS into WAN Shares.

Eligible Shareholders who convert into WAN Shares should receive a tax cost base for the WAN Shares equal to the Issue Price for the CULS which were converted. This will be relevant for the purposes of determining the capital gain or capital loss realised by the Eligible Shareholder on a future disposal of the WAN Shares.

8.2.2 Redemption of CULS

Eligible Shareholders will receive the Issue Price plus the Redemption Premium in the event that the CULS are redeemed rather than converted into WAN Shares. The amount of the Redemption Premium should be included in the assessable income of the Eligible Shareholder for the income year the redemption occurs (generally being the 30 June 2011 income year). The Redemption Premium should not be frankable on the basis that the CULS should be treated as debt interests for income tax purposes.

8.2.3 Disposal of CULS

Eligible Shareholders who dispose of their CULS on ASX should include any gain made on the disposal in their assessable income. The gain is determined as the consideration proceeds received from the sale less the Issue Price paid for the CULS. If the consideration proceeds is less than the Issue Price, a loss should be incurred equal to the difference. A deduction should be available for the loss in the income year of the disposal.

8.3 Not Accepting the Entitlement Offer

If an Eligible Shareholder does not accept the Entitlement Offer and instead allows the Entitlement to lapse or expire, no amount will be received by the Eligible Shareholder. There should be no tax implications for the Eligible Shareholder in this situation.

8.4 Issue of New Shares to Eligible Investors under the Public Offer

Acceptance of the Public Offer should not result in the Eligible Investor realising a capital gain or otherwise deriving any assessable income.

An Eligible Investor who participates in the Public Offer will receive a tax cost base in the New Shares acquired equal to the Issue Price paid for the New Shares plus any non deductible incidental costs incurred to acquire the shares. This tax cost base will be relevant in determining the CGT consequences resulting from a subsequent disposal of those shares.

8.5 Taxation Consequences of Holding WAN Shares or New Shares

Any dividends received by an Eligible Shareholder or an Eligible Investor on the WAN Shares or the New Shares should be included in the relevant Eligible Shareholder's or Eligible Investor's assessable income.

If the dividend is a franked dividend, the Eligible Shareholder or Eligible Investor should include the grossed-up dividend amount as assessable income. However, the Eligible Shareholder or Eligible Investor should be entitled to a tax offset equal to the franking credit amount if they are "qualified persons". Generally, to be a "qualified person", the Eligible Shareholder or the Eligible Investor must satisfy the "holding period rule", which requires that the WAN Shares or the New Shares must be held continuously from the day the shares were acquired to 45 days after the day on which the shares become ex-dividend.

8.5.1 Quotation of Tax File Number

The collection of an Eligible Shareholder's or an Eligible Investor's Tax File Number (**TFN**) is authorised and its use is strictly regulated by law. Where an Eligible Shareholder or Eligible Investor does not quote their TFN or claim an exemption in respect of the WAN Shares or New Shares, WAN is required to deduct tax from any dividends paid to the Eligible Shareholder or Eligible Investor at the highest marginal rate, plus the Medicare Levy (currently a total of 46.5%).

Where the withheld amount has been remitted to the Australian Taxation Office by WAN, the Eligible Shareholder or Eligible Investor can claim a credit for the amount withheld upon lodgement of their income tax return for the year in which the dividend distribution was received.

8.6 Disposal of WAN Shares or New Shares

On disposal of a WAN Share by an Eligible Shareholder or a New Share by an Eligible Investor, a net capital gain will be made if the capital proceeds received from the disposal exceeds the tax cost base of the shares disposed of. Eligible Shareholders or Eligible Investors will make a net capital loss if the capital proceeds received are less than the reduced cost base of the shares.

The capital proceeds for the disposal of the WAN Shares or the New Shares will generally be the value of cash consideration and the market value of any property received in respect of the disposal.

Eligible Shareholders or Eligible Investors that are individuals, trustees or complying superannuation entities may be entitled to reduce the capital gain on disposal of the WAN Shares or New Shares by the CGT discount factor provided they have held their WAN Shares or New Shares for at least 12 months prior to the disposal. The CGT discount factor is 50% for individuals and trustees and 33⅓% for complying superannuation entities.

For the purposes of determining whether the WAN Shares have been held for at least 12 months, the day that the WAN Shares are deemed to have been acquired by the Eligible Shareholder is the day on which the Eligible Shareholder was issued the WAN Shares on conversion of the CULS.

For the purposes of determining whether the New Shares have been held for at least 12 months, the day that the New Shares are deemed to have been acquired by the Eligible Investor is the day on which the Eligible Investor was issued the New Shares on acceptance of the Public Offer.

8.7 Goods and Services Tax

GST should not apply to the grant of the Entitlement Offer, the issue or conversion of the CULS, or the acquisition of the WAN Shares or the New Shares.

Eligible Shareholders and Eligible Investors who are registered for GST purposes and acquire the CULS, the WAN Shares or New Shares under the Entitlement Offer or Public Offer may not be entitled to full input tax credits for any GST incurred on the costs associated with acquiring the CULS, the WAN Shares or the New Shares.

An entitlement to reduced input tax credits for any GST on certain costs associated with acquiring the CULS, the WAN Shares or New Shares may arise for some Eligible Shareholders or Eligible Investors depending on their circumstances. Where an Eligible Shareholder or Eligible Investor, who is registered for GST, acquires the CULS, the WAN Shares or New Shares, the GST legislation stipulates that the Eligible Shareholder or Eligible Investor has made a "financial supply" for Australian GST purposes. Eligible Shareholders and Eligible Investors should seek their own tax advice as to the implications of this treatment.

Australian tax implications (continued)

Eligible Shareholders and Eligible Investors who are not registered for GST purposes or who acquire the CULS, the WAN Shares or New Shares other than in the course of carrying on their enterprise will have no entitlement to any input tax credits in respect of any GST on the costs associated with acquiring the CULS, the WAN Shares or New Shares.

8.8 Stamp Duty

Stamp duty should not be payable in respect of the grant of the Entitlement Offer, issue or conversion of the CULS, disposal of the CULS or the acquisition of the WAN Shares or the New Shares.

Risk factors

9.1 Overview

Investing in CULS or New Shares involves a degree of risk. Before applying for CULS or New Shares, you should consider whether they are a suitable investment for you.

You should be aware that there are risks involved with the Proposed Transaction and with participating in the Offers and holding CULS or WAN Shares. Some of these risks are specific to an investment in WAN, while others relate generally to any investment in the equity or hybrid capital markets. The occurrence of these risks may have an adverse impact on WAN's business, results of operations or financial condition and performance, or the CULS or WAN Share price.

This Section 9 discusses some of the key risks associated with an investment in CULS or WAN Shares. It should be read in conjunction with Sections 4, 5 and 6, which contain further details on WAN, SMG and the Combined Group. The risks set out below are not listed in order of importance and do not necessarily constitute an exhaustive list of all such risks and many of them are outside the control of WAN and its Board.

You should read all of this Prospectus, carefully consider your personal circumstances and consult your stockbroker, accountant or other professional adviser before making an investment decision.

9.2 Proposed Transaction risks

9.2.1 Risk of reliance on information provided to WAN by or on behalf of SGH

The information regarding SMG in this Prospectus and on which WAN has relied on in relation to the Proposed Transaction has been derived from limited audited and unaudited financial information and other information made available to WAN by or on behalf of SGH during the due diligence process conducted by WAN.

While WAN has conducted due diligence on SMG, and prepared a detailed financial analysis of SMG in order to determine the attractiveness of those businesses, WAN is unable to verify the accuracy or completeness of the information provided to it by or on behalf of SGH and there is no assurance that this due diligence was conclusive and that all material issues and risks in relation to the Proposed Transaction and SMG have been identified. To the extent that this information is incomplete, incorrect, inaccurate or misleading, or the actual results achieved by SMG are weaker than those indicated by WAN's analysis, there is a risk that the profitability and future results of the operations of the Combined Group may differ (including in a materially adverse way) from WAN's expectations as reflected in this Prospectus, or that additional liabilities may emerge.

9.2.2 Counterparty change of control risk

Some of the contracts that SMG is a party to may contain change of control clauses which enable a counterparty to terminate its contract upon Completion. In these circumstances, SGH must obtain prior approval from the counterparty to the change of control

of SMG. WAN has addressed this risk in relation to certain material contracts which contain change of control clauses through the inclusion of a condition precedent to Completion under the Share Sale Agreement that the relevant counterparties' consent is obtained. SGH may also need to obtain approvals from third parties before it is able to assign to WAN certain contracts relating to SMG.

9.2.3 Management of SMG before Completion

During the period between signing of the Share Sale Agreement and Completion, SMG will remain subject to its current corporate governance and management. While the Share Sale Agreement requires SGH to continue to manage the SMG business in the ordinary course during that period, WAN will not have any ability to direct the management of SMG during that period.

9.2.4 Assumption of SMG liabilities

On Completion, WAN will assume the liabilities of the SMG, including legal and regulatory liabilities, for which it may not be adequately indemnified. The Share Sale Agreement contains a number of representations, warranties and indemnities. However, the warranties and indemnities may not be sufficient to cover the actual liabilities incurred in connection with any known or unknown liabilities of SMG and WAN may not be able to recover sufficient funds from SGH under the indemnities. Any material unsatisfied warranty or indemnity claims could adversely affect the Combined Group's business, results of operations or financial condition and performance.

9.2.5 Impairment of goodwill and other intangible assets

The financial statements of the Combined Group will be prepared in accordance with AIFRS and consistent with the current accounting policies of WAN. Under AIFRS, intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are reviewed annually for impairment. Individual assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an individual asset may not be recoverable. Changes to the carrying amounts of intangible assets of the Combined Group could have an adverse impact on the reported financial performance of the Combined Group and, depending on the extent of the impact, could affect the amount of dividends paid by WAN.

9.2.6 Accounting revisions may be required

SMG has particular accounting policies and methods which are fundamental to how it records and reports its financial position and results of operations. The management of SMG may have exercised judgement in selecting and applying many of these accounting policies and methods. In some cases, SMG management may have selected an accounting policy or method which might have been reasonable under the circumstances yet might have resulted in reporting materially different outcomes than would have been reported under WAN's policies and methods.

While no material differences between WAN and SMG's policies and methods have been identified to date, there remains some uncertainty associated with the extent of the amount of the impact of any such differences.

Risk factors (continued)

The integration of SMG's accounting functions may lead to revisions of these accounting policies, which may impact on the Combined Group's reported results of operations or financial condition and performance.

9.2.7 Other risks associated with the Proposed Transaction

In addition to the risks described above, a number of transaction execution risks exist which could prevent WAN from realising the benefits anticipated from the Proposed Transaction, or cause WAN to suffer adverse impacts as a result of the Proposed Transaction. These could include parties such as suppliers, customers or financiers to WAN or SMG whose consent or continued business is desirable, refusing to or imposing onerous or unacceptable conditions on their consent or decreasing their levels of business with WAN or SMG following the transaction. Where these parties have contractual relationships with WAN or SMG, there is a risk that by reason of their rights, interpretation of their rights or adverse response to the Proposed Transaction, they may take action which is adverse to the interests of WAN or SMG whether or not consistent with their rights.

9.3 Combined Group risk factors

9.3.1 WAN may not realise the benefits and synergies it expects from the Proposed Transaction

WAN has undertaken financial and business analysis of SMG in order to determine the attractiveness of the SMG business and whether to pursue the Proposed Transaction. To the extent that the actual results achieved by the Combined Group are weaker than those indicated by WAN's analysis, there is a risk that the profitability and future results of the operations of the Combined Group may differ (including in a materially adverse way) from WAN's expectations as reflected in this Prospectus.

Implementation of the Proposed Transaction will involve the integration of businesses that have previously operated independently. The long term success of the Combined Group (and the ability to realise synergies) will depend, in part, on the success of integration of SMG's and WAN's current operations. The integration process will involve, among other things, coordinating geographically separated organisations, integrating complex information technology systems, integrating personnel with diverse business backgrounds and combining different corporate and workplace cultures.

The process of integrating operations could, among other things, divert management's attention, interrupt or lose momentum in the activities of one or more of the businesses and could result in the loss of key personnel.

In addition, it may not be possible to effectively integrate or otherwise realise the full synergies that WAN anticipates or in the timeframe that WAN anticipates. Any of these outcomes could have an adverse effect on the Combined Group's business, results of operations or financial condition and performance.

9.3.2 Reliance on key personnel

The Combined Group's operating and financial success will depend partly upon the performance, efforts and expertise of its personnel.

The Proposed Transaction may lead to a loss of key personnel following implementation due to various factors. The loss of key personnel could have an adverse impact on the performance of the Combined Group until any vacated positions are adequately filled.

In addition, there can be no assurance that the Combined Group will be successful in attracting and retaining key management and operating personnel in the future.

9.3.3 The Australian advertising market

The amount of advertising revenue generated by the Combined Group is dictated by advertising market conditions. Since businesses generally reduce or relocate their advertising budgets during economic recessions or downturns, the strong reliance upon advertising revenue by the Combined Group makes its operating results susceptible to prevailing economic conditions.

There can be no assurance that advertising spend in the media industries in Australia will not contract in the future. Any contraction in advertising spend in Australia could have a material adverse effect on the FTA television, radio, newspaper, magazine and online advertising markets as a whole, and in turn the operating and financial performance of the Combined Group.

9.3.4 Competition

The Australian media industry can be highly concentrated and competitive, with a number of operators competing for market share and advertising revenue through the same or alternate products. The actions of an existing competitor or the entry of new competitors in a media segment in which the Combined Group will operate, a competing media segment or generally in the media sector may have a material adverse effect on the Combined Group.

The Combined Group will compete for audience share and advertising revenues with all forms of media such as FTA television, newspapers, magazines, radio, outdoor advertising, pay television, direct mail, cinema and the internet. The introduction and development of new and innovative forms of media has the capacity to fragment audiences and reduce advertising spend directed to existing media. Alternative forms of media could become more attractive for advertisers, as a result of cost reductions, improvement in ease of production or improvement in ability to target audiences. Any of these circumstances related to the development of other forms of media could adversely impact the media advertising markets which the Combined Group operates within, and in turn the Combined Group's revenue and profitability.

9.3.5 FTA television

a) Changes in broadcasting technology

The television broadcasting industry is characterised by changing technology, evolving industry standards and the emergence of new technologies. Technology plays an increasingly important role in the delivery of media content to customers in a cost-effective manner, for example, the development of digital broadcasting which enables multi-channelling and more efficient delivery of content.

The Combined Group's ability to compete in the television broadcasting industry effectively in the future may be impacted by its ability to maintain or develop appropriate technology platforms for the efficient delivery of its television broadcasting services. No assurance can be given that the Combined Group will have the resources to acquire or the ability to develop new competitive technologies. In addition, maintaining or developing appropriate technologies may require significant capital investment by the Combined Group.

b) New broadcasting licences

ACMA is the regulatory authority overseeing the procedural allocation and regulation of commercial FTA television licences under the Broadcasting Services Act. That Act requires the relevant Minister to conduct a review, including wide public consultation before 1 January 2012, to determine whether any new licences should be issued. Any issue of new licences would increase the level of competition faced by the Combined Group in the FTA television industry, and may adversely impact on its ratings, advertising revenue and profitability.

While WAN is not aware of any breach of any conditions required under existing SMG commercial television licences, there is no guarantee that ACMA will not choose to exercise its power to suspend one or more of the Combined Group's commercial television licences in the future. In addition there is no guarantee that the Combined Group's television broadcasting licences will be renewed at expiry by ACMA. The suspension or non-renewal of one or more of the Combined Group's commercial television licences may impact adversely on the Combined Group's operating and financial performance and its standing in the Australian FTA television market.

c) Licence fee regime

Holders of commercial television broadcasting licences are required to pay an annual fee to the Government to retain their licences. Traditionally this licence fee has been 9% of total gross advertising revenues. In early 2010 the Federal Government announced that it would provide a licence fee rebate to commercial broadcasting licence holders. The aim of the rebate was to protect the quantity and quality of Australian programming as the cost of both purchasing and producing content increased, as well as to recognise the switch to digital has required substantive investment over recent years. The licence fee rebates apply to the FY10, FY11 and FY12 financial reporting periods at a rate of 16.5%, 41.5% and 25% respectively. There is a risk that the Federal Government may not continue the rebate beyond 2012.

d) Programming contracts

The Combined Group's ability to generate advertising revenues through FTA television will be a factor of its programming and audience ratings. Some of the Combined Group's programming will be sourced from external content suppliers under existing contracts. There is a risk that the Combined Group is unable to secure competitive programming, through new contracts or the renewal of existing contracts, on terms favourable to the Combined Group.

There is also a risk that programming costs may increase. Programming costs will represent a significant component of the Combined Group's overall costs, and are to a certain extent beyond the control of the Combined Group. An increase in programming costs would be likely to impact adversely on the Combined Group's profitability. The Combined Group will actively manage its programming portfolio to ensure that a significant proportion of its purchased program inventory does not need to be renewed in any given year.

e) Maintaining ratings

Ratings are the key driver of FTA television advertising pricing and revenue. The revenue and profitability of the Combined Group's FTA television business will depend upon its ability to produce and purchase superior television programming and maintain strong audience ratings vis-à-vis its competitors. The Combined Group's operating and financial performance could be adversely affected by new programming initiatives or increased promotional activities by its competitors.

9.3.6 Magazines

a) General

The Combined Group will operate in the Australian magazine industry through its subsidiary, Pacific Magazines. Pacific Magazines primarily depends upon revenue from magazine circulation and advertising spend in its publications. As such, the profitability and revenue of the Combined Group's magazine business are correlated with the popularity of magazines and the Combined Group's ability to retain market share in the Australian magazine industry.

The magazine industry has experienced declines in circulation and advertising due to the continued shift of readers to alternative media on the internet, particularly for general interest titles and due to subdued economic conditions. SMG has sought to address this through a focus on specialised magazines (which have recently outperformed general titles) and leveraging cross selling opportunities with its FTA television and online businesses.

b) Consumer preferences

Magazine circulation will be impacted by a number of factors including the evolving interests, tastes and preferences of consumers. For example, recently circulation in magazines has demonstrated a movement towards coverage of health, fitness and personal growth issues. In general, these factors will be outside the control of the Combined Group. Accordingly, the operating and financial performance of the Combined Group's will rely in part on the continued ability to meet consumer preferences through Pacific Magazines.

Risk factors (continued)

c) Magazine content licensing

Australian magazine publishers, including Pacific Magazines, licence content from overseas and domestic companies for use in their publications. For example, Pacific Magazines has a long-standing relationship with Rodale International, the owner of Men's Health and Women's Health. Pacific Magazine's ability to meet consumer preferences relies in part on the continuation of these relationships on terms which are financially viable. The loss of a content licensing agreement, inability to secure contracts on competitive terms or the renegotiation of existing contracts may impact upon the Combined Group's operating and financial performance.

9.3.7 Newspapers

The Combined Group's newspaper business will primarily depend upon revenue from circulation and advertising spend in its newspaper publications. The Combined Group's profitability and revenue will be impacted by the circulation of its newspapers and the Combined Group's ability to retain market share in those respective markets.

Circulation in the Combined Group's newspaper businesses has been negatively impacted, for example, by migration to alternative online sources, which may continue with any continued growth in such online alternatives.

9.3.8 Online

Growth in online advertising is underpinned by a range of factors including growth in internet penetration in Australia and migration from more traditional forms of media. Internet penetration in the Australian market has been growing at a steady rate, however there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of the Combined Group's online businesses. Migration has been driven by a number of factors affecting both buyers and sellers including increased Internet penetration and broadband speeds. Whilst the migration online has occurred over recent years there can be no guarantee that this will continue in the future, which may have an adverse effect on the growth of the Combined Group's online businesses (though any such adverse effect may be partly offset by a corresponding benefit to the Combined Group's traditional media businesses if consumers remain with those forms of media).

9.3.9 Litigation

As with all businesses, the Combined Group will be exposed to potential legal and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. Further, the media industry in which the Combined Group operates involves particular risks associated with defamation litigation and litigation to protect media and intellectual property rights. As with all litigation, there are risks involved. An adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of the Combined Group.

9.3.10 Changes in the nature of the media industry

The Combined Group's business may be affected by changes in the nature of the media industry, such as changes to demand for different media products and services. As the Combined Group's business includes the publication and circulation of media in different forms, these changes may, depending on their nature and the Combined Group's business model at that time, impact on the Combined Group's financial performance.

9.3.11 Technology risk

The media industry is subject to rapid and significant change in technology and the impact of this change on the Combined Group and its businesses cannot be predicted. The cost of implementing emerging and future technologies could be significant. The development or anticipated development of new technology, or use, or anticipated use, of existing technology may have a material adverse effect on the Combined Group.

9.3.12 Risks associated with SGH's holding in the Combined Group

SGH's holding of WAN Shares and CPS following Completion of the Proposed Transaction may give it a greater degree of control over WAN, including greater influence over the Combined Group's financial and operating policies, and the composition of the Combined Group's Board, than is currently the case. SGH may exert that influence in ways that are not consistent with the interests of other WAN Shareholders. In addition, further acquisitions of shares in WAN by SGH under the "creep rule" exception in the Corporations Act (which permits acquisitions of up to an additional 3% of WAN Shares in each six month period) and/or conversions of CPS may result in a change of control of WAN (to the extent it has not already occurred at that time) without payment of a control premium to WAN shareholders.

9.3.13 Risks associated with the KKR Investment

Following Completion of the Proposed Transaction, KKR, mezzanine investors and members of management relating to SMG will hold approximately 13% of the total WAN Shares on issue. There may be an expectation in the market that KKR will sell all or a substantial part of its WAN Shareholding, which may have a negative effect on the price of WAN Shares.

9.3.14 Leverage of and interest cost of the Combined Group

The Combined Group Pro Forma Net Debt of \$1,991 million is substantially more than WAN's existing net debt of \$226 million at 31 December 2010, in part reflecting the increased size of the Combined Group, relative to WAN standalone. The Combined Group's leverage ratio of 3.1x (Combined Group Pro Forma Net Debt / FY11PF EBITDA), compares to the standalone leverage ratio of 1.3x (WAN Net Debt / FY11F EBITDA) for WAN and 4.9x (SMG Net Debt / FY11F EBITDA) for SMG based on Net Debt at 31 December 2010. Accordingly, there will be a substantial increase in the financial risk inherent in WAN's capital structure potentially resulting in increased interest costs and interest margins.

9.3.15 Combined Group refinancing risk

The terms of WAN current senior debt agreements require consent from financiers to the Proposed Transaction. WAN intends to seek such consent to maintain the existing facilities which amount to \$280 million (see Section 6.10.2). As at the date of this Prospectus, discussions are not sufficiently advanced to enable WAN to form a definitive view on the outcome of these discussions. There is a risk that financier consent may not be obtained, in which case amounts owing under the existing facilities may become immediately due and payable.

The Combined Group is also exposed to more general risks relating to any refinancing of its debt facilities. The debt maturity profile for the Combined Group (assuming that WAN obtains financier consent in relation to its current senior debt facilities) is set out in Section 6.11.2. It may be difficult for the Combined Group to refinance all or some of these debt facilities. An inability to secure new debt facilities at a similar quantum and cost to existing debt facilities may adversely affect the financial performance of the Combined Group.

9.3.16 Access to capital is not guaranteed

The Combined Group might need to raise additional capital (whether debt, equity or hybrid) in order to continue growing, meet debt finance obligations and increase its profitability, however, WAN has no reason to expect that any capital raising will be required in the short to medium term.

The Combined Group's ability to increase earnings and to make interest and principal payments on its debt will depend, in part, on its ability to source sufficient capital to operate its businesses and meet its debt obligations. There can be no assurance that this capital will be available on acceptable terms, or at all.

9.3.17 Change in Government policy and regulation

The Combined Group may be adversely affected by changes in Government policy, regulation or legislation applying to companies in the media industry or to Australian companies in general. This includes:

- Government policy restricting the issue of a fourth commercial FTA television licence;
- Anti-siphoning legislation which means exclusive rights to Australia's largest sporting events are held by the FTA television networks;
- Government rebates on licence fees for 2010-2012 which encourage commercial broadcasters to invest in new Australian content;
- Legislation such as the Broadcasting Services Act that regulates ownership interests and control of Australian media organisations; and
- Applicable accounting standards.

Additionally, the media industry is subject to restrictions on intellectual property, defamation and contempt, obscene material and advertising and marketing standards. There can be no assurance that Government policy or regulation will not be changed to the detriment of Combined Group and its businesses.

On 14 December 2010, the Minister for Broadband, Communications and the Digital Economy released draft Terms of Reference for a comprehensive review of Australia's communications and media regulation in light of increasing convergence in media platforms. There is a risk that change in regulation arising from the review may adversely impact the Combined Group and its interests in traditional, internet and other media platforms.

9.3.18 Change in macroeconomic conditions

The Combined Group's revenue and profitability will be highly correlated to spending levels by Australian and overseas businesses, which in turn could be affected by changes in macroeconomic conditions in Australia and internationally. Changes in the macroeconomic environment are beyond the control of the Combined Group and include, but are not limited to:

- Changes in inflation, interest rates and foreign currency;
- Exchange rates;
- Changes in employment levels and labour costs, which will affect the cost structure of the Combined Group;
- Changes in aggregate investment and economic output; and
- Other changes in economic conditions which may affect the revenue or costs of the Combined Group.

In particular, the Combined Group will directly or indirectly generate the majority of its revenue from advertising, and will be dependent upon the strength of the overall advertising market in Australia. Advertising expenditure is closely tied to consumer confidence, the level of GDP growth and the performance of the economy as a whole. Deterioration in macroeconomic conditions in Australia could adversely impact the financial performance of the Combined Group.

9.3.19 Other risks

In addition to the risks described above, a number of other transaction execution risks exist which could prevent the Combined Group from realising the benefits anticipated from the Proposed Transaction, or cause the Combined Group to suffer adverse impacts as a result of the Proposed Transaction. These could include parties such as suppliers, customers or financiers whose consent or continued business is desirable refusing to, or imposing onerous or unacceptable conditions on their, consent or decreasing their levels of business with the Combined Group following the transaction, management disruption caused by the pursuit and implementation of the Proposed Transaction or an adverse response from employees of the Combined Group or subsidiaries who may not be in favour of the Proposed Transaction.

Risk factors (continued)

9.4 Risk factors that attach to CULS

There are a number of risks that attach to CULS including:

9.4.1 Market price of CULS

WAN will apply for CULS to be listed on ASX. CULS could trade on ASX at a price below their Issue Price. The market price of CULS may fluctuate and fall due to various factors including the value of the underlying WAN Shares, movements in equity, hybrid and financial markets in Australia and internationally and changes in general economic conditions such as those described in Section 9.6.2. This may result in CULS Holders receiving a market price for their CULS that is less or more than the price paid.

9.4.2 Liquidity

The market for CULS may be less liquid than the market on ASX for WAN Shares. CULS Holders who wish to sell their CULS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the CULS market.

9.4.3 WAN Shares issued on conversion of CULS

The value of WAN Shares issued on conversion of CULS may be more or less than the Issue Price. WAN Shares issued on conversion of CULS will be subject to general risks associated with any equity investment (see Section 9.6.1).

9.4.4 Deferred settlement trading

If CULS are to be converted, for a short period prior to the relevant CULS Conversion Date, trading in CULS is expected to be suspended and trading in the WAN Shares to be issued on conversion of CULS is expected to commence on a deferred settlement basis. In these circumstances, it is your responsibility to determine your allocation of WAN Shares before trading, to avoid the risk of selling shares you do not own. If you sell those shares before receiving confirmation of your allocation, you will do so at your own risk.

9.4.5 Conversion and redemption risks

The Proposed Transaction is subject to a number of conditions that are beyond WAN's direct control that may delay or prevent Completion occurring.

There is a risk conversion of the CULS will be delayed beyond that contemplated in the scheduled timetable (see Key dates) if Completion is delayed.

There is also a risk CULS will not convert into WAN Shares, but rather be redeemed for their Issue Price plus the CULS Redemption Premium. This will occur if Completion of the Proposed Transaction does not occur or in certain other circumstances (see Appendix A).

The amount received by a CULS Holder on redemption may not represent an appropriate return to CULS Holders, in light of the period of time for which the CULS were on issue, comparable returns in the market and that CULS Holder's individual circumstances.

9.4.6 Ranking, redemption and credit risk

CULS will rank equally with debts of all other unsecured creditors. WAN Shares issued on conversion will rank equally with all other WAN Shares, except that holders of those WAN Shares will not be entitled to the interim dividend declared by the Issuer for the half year ending 31 December 2010 in respect of those WAN Shares. In the event of a shortfall of funds on a winding up of WAN, there is a risk that CULS Holders will not receive a full return of the Issue Price nor the CULS Redemption Premium.

9.4.7 Taxation treatment

There is a risk that the taxation consequences on redemption of CULS may be adverse for a CULS Holder. A general outline of the taxation consequences for Australian residents of investing in CULS is set out in Section 8.2. This discussion is in general terms and is not intended to provide specific advice regarding the circumstances of any particular investor. Accordingly, Eligible Retail Shareholders should seek independent advice in relation to their own individual taxation position before deciding to invest in CULS.

9.5 Public Offer risks

Settlement of the Public Offer will only occur if the Proposed Transaction proceeds. In the period of time between investors subscribing for New Shares under the Public Offer and the issue of New Shares, it is possible that the trading price of WAN Shares will fluctuate, possibly in line with general movements in equity capital markets in Australia and internationally during this time period. This may result in WAN Shares trading on ASX at a different price to the Issue Price for New Shares under the Public Offer.

9.6 General risks

9.6.1 Investment in capital markets

There are general risks associated with any listed equity or hybrid investment. The trading price of CULS or WAN Shares in the Combined Group may fluctuate with movements in equity, hybrid and financial markets in Australia and internationally. This may mean that the value of CULS or WAN Shares is less or more than the price paid for them.

No assurances can be given that CULS or New Shares will trade at or above their Issue Price. None of WAN, its Board or any other person guarantees the market performance of CULS or New Shares.

9.6.2 General economic conditions

The Combined Group's operating performance and financial performance will be influenced by a variety of general economic and business conditions including, the level of inflation, interest rates, exchange rates and Government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, could be expected to ultimately have an adverse impact on the Combined Group's business, results of operations or financial condition and performance.

9.6.3 Other risks

The above risks are not an exhaustive list of the risks involved in an investment in CULS or New Shares. The risks outlined above and other risks may materially affect the future performance of WAN. Accordingly, no assurances or guarantees of future performance, profitability, distributions, or returns of capital are given by WAN in respect of its future performance.

10.1 Nature of prospectus

This Prospectus is a transaction specific prospectus to which the special content rules under Section 713 of the Corporations Act apply. Section 713 allows the issue of a more concise prospectus in relation to offers of securities in a class which has been continuously quoted by ASX for the three months prior to the date of the prospectus. ASIC has also given class order relief (in Class Order 00/195) to allow the use of a transaction specific prospectus when offering certain convertible securities where the underlying securities are continuously quoted securities and the prospectus:

- Is issued in compliance with Section 713 in relation to the underlying continuously quoted securities; and
- Sets out the matters mentioned in subsection 713(2) in relation to the convertible securities.

CULS and New Shares issued in WAN meet these criteria.

The information in this Prospectus contains the terms and conditions on which the Entitlement Offer and the Public Offer will be made and information necessary for investors to make an informed assessment of:

- The effect of each Offer on WAN; and
- The rights and liabilities attaching to CULS and New Shares.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offering of shares.

As an ASX listed company, WAN has provided ASX with a substantial amount of information regarding its activities and that information is publicly available. This Prospectus is intended to be read in conjunction with that publicly available information. Therefore, persons who are considering subscribing for CULS or New Shares should also have regard to that publicly available information before making any investment decision.

10.2 Reporting and disclosure obligations

WAN is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules.

These obligations require ASX to be notified periodically and on a continuous basis of information about specific events and matters as they arise for the purpose of ASX making the information available to the financial market operated by ASX. See Section 10.3 for details on how to obtain these documents.

In particular, WAN has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning WAN, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of WAN's securities. WAN is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a Directors' declaration and report, and an audit or review report.

10.3 Availability of other documents

ASX maintains detailed records of company announcements for all companies listed on ASX. WAN's announcements may be viewed on ASX website (www.asx.com.au).

ASIC also maintains records in respect of documents lodged with it by WAN, and these may be obtained from or inspected at any office of ASIC.

WAN will provide, or cause to be provided, a copy of each of the following documents, free of charge, to any person on request during the Entitlement Offer Period and the Public Offer application period (as applicable):

- WAN's half year results for the period ending 31 December 2010;
- WAN's annual reports for the periods ending 30 June 2010 and 30 June 2009; and
- Any continuous disclosure notices given by WAN to ASX after the lodgement of WAN's annual financial report for the period ending 30 June 2010 and before the lodgement of this Prospectus with ASIC.

All requests for copies of the above documents should be addressed to

The Company Secretary
West Australian Newspapers Limited
Newspaper House
50 Hasler Road
Osborne Park WA 6017
Australia

or by phoning the WAN Offer Information Line on 1300 133 562 (within Australia) or +61 3 9415 4603 (outside Australia) between 6.00am to 5.00pm Perth time (9.00am to 8.00pm Sydney time¹) Monday to Friday during the Entitlement Offer Period or the Public Offer application period (as applicable). The above information may also be obtained from ASX's website (www.asx.com.au).

¹ From 4 April 2011 the WAN Offer Information Line will be open 7.00am to 5.00pm Perth time (9.00am to 7.00pm Sydney time) to reflect the end of Australian Eastern Daylight Time.

10.4 Material contracts

10.4.1 Share Sale Agreement

On 21 February 2011, SGH and WAN entered into the Share Sale Agreement for SGH to procure the sale of SMG to WAN in consideration for the issue of WAN Shares and CPS by WAN to SGH and the repayment of a \$650 million loan owed by SMG to SGH.

A summary of the key terms of the Share Sale Agreement is set out below.

a) Conditions to the Share Sale Agreement

The Share Sale Agreement is subject to the following conditions (**Conditions Precedent**):

- i) The parties have received written advice from the ACCC that it has no objections or does not propose to take any action in respect of the Proposed Transaction;
- ii) The consents, approvals, waivers and relief necessary to implement the Proposed Transaction are issued or granted by ASIC and ASX;
- iii) ASX has granted approval for official quotation on ASX of WAN Shares to be issued as part of the consideration;
- iv) The parties have agreed any amendments or variations to the terms, timing and structure of the Offers;
- v) The application period for the SGH Sell Down has ended and all WAN Shares have been offered and applied for;
- vi) Certain conditions precedent in the KKR Subscription Agreement have been satisfied or waived in accordance with their terms;
- vii) The Independent Expert concludes that the Proposed Transaction is fair and reasonable to WAN Shareholders (other than SGH and any WAN Shareholders associated with SGH) and does not change that conclusion;
- viii) WAN Shareholders approve the Proposed Transaction at the EGM;
- ix) WAN receives the consents of the counterparty to the Yahoo!7 Joint Venture Contract; and
- x) SGH transfer its shareholding in Yahoo!7 to a designated company within the SMG group.

b) Purchase Price and Adjustments

The consideration or purchase price is comprised of the issue of 180.5 million WAN Shares and \$250 million of CPS to SGH and repayment of a \$650 million SGH shareholder loan to SMG at Completion.

c) Warranties and Indemnities

SGH provides certain representations and warranties in favour of WAN in respect of itself and the business being acquired. These include representations and warranties in relation to the following:

- Warranties in relation to SMG's accounts and management accounts and the SMG pro forma balance sheet as at 25 December 2010;
- Warranties in relation to material contracts, assets, interests in land and intellectual property rights;
- Warranties in respect of material financing agreements and guarantees;
- Warranties regarding material proceedings or threatened proceedings, standing orders and judgements; and
- Warranties regarding tax and an indemnity.

Warranties are subject to certain limitations, including for matters fairly disclosed in the due diligence process. Claims made by WAN against SGH in respect of breach of warranty are subject to certain limits, including monetary thresholds, time limits for bringing claims, and obligations to mitigate losses.

d) Termination

Each of SGH and WAN may terminate the Share Sale Agreement before Completion if:

- WAN Shareholders do not approve the Proposed Transaction; or
- Any Condition Precedent is not satisfied or waived by 30 June 2011.

WAN may terminate the Share Sale Agreement any time before Completion by written notice if:

- A SMG Prescribed Occurrence occurs;
- SGH fails to carry on the SMG business in the ordinary course in substantially the same manner as conducted prior to the date of the Share Sale Agreement; or
- One or more Proposed Transaction Agreements is terminated, amended or varied in a material respect adverse to the interest of WAN or the SGH Group, assigned or novated or otherwise ceases to have legal effect, or is or becomes wholly or partially unenforceable.

SGH may terminate the Share Sale Agreement any time before Completion by written notice if:

- A WAN Prescribed Occurrence occurs;
- One or more Proposed Transaction Agreements is terminated, amended or varied in a material respect adverse to the interest of WAN or the SGH Group, assigned or novated or otherwise ceases to have legal effect or is or becomes wholly or partially unenforceable;
- WAN does not provide consent to SGH, within two business days, to a matter which is the subject of a negative restriction on the part of SGH in relation to the conduct of SMG's business in the period between execution of the Share Sale Agreement (21 February 2011) and Completion (including consent in relation to entry into material contracts and acquiring or disposing of assets or shares where the value of the consideration is above \$10,000,000); or

Additional information (continued)

- Any time before the EGM, any of the Independent Directors changes or withdraws his recommendation that WAN Shareholders vote in favour of the Proposed Transaction or makes a public statement indicating that he no longer supports the Proposed Transaction or supports another transaction.

If the Share Sale Agreement is terminated, then the Proposed Transaction will not proceed.

10.4.2 KKR Subscription Agreement

a) Overview

On 21 February 2011, KKR and WAN entered into the KKR Subscription Agreement under which KKR (and potentially certain mezzanine investors and management relating to SMG) will subscribe for \$461 million worth of WAN Shares.

A summary of the key terms of the KKR Subscription Agreement is set out below.

b) Conditions precedent to the KKR Agreement

The KKR Subscription Agreement is subject to the following conditions precedent:

- approval is given under the *Foreign Acquisitions and Takeovers Act 1975* (Cth), on terms acceptable to KKR, for the issue of the WAN Shares the subject to the KKR Subscription Agreement;
- the Share Sale Agreement not being terminated and satisfaction or waiver of certain conditions precedent set out in the Share Sale Agreement;
- KKR has received the full value of the purchase price related to the sale of all its interests in the SMG Joint Venture to SGH; and
- ASX granting approval for official quotation on ASX of the WAN Shares the subject to the KKR Subscription Agreement.

c) Allotment/Settlement

The WAN Shares to be issued under the KKR Subscription Agreement will be allotted in two stages. The first allotment will be promptly following the satisfaction of the conditions precedent set out in the Share Sale Agreement and outlined above. The second allotment will occur on 18 April 2011 (based on the current expected Proposed Transaction timetable).

KKR may give written notice to WAN (but no later than three Business Days before the second allotment) requiring WAN to issue some of the WAN Shares to be issued to KKR under the second allotment to one or more mezzanine investors or management relating to SMG management. If the substituted subscriber is a member of SMG management, then that subscriber must enter into a 12 month escrow agreement in respect of those WAN Shares.

d) Rights attaching to the WAN Shares

The WAN Shares to be issued under the KKR Subscription Agreement will:

- Rank equally with the existing WAN Shares except that holders of those New Shares will not be entitled to the interim dividend declared by WAN for the half year ending 31 December 2010 in respect of those WAN Shares; and

- Be free from all encumbrances other than those provided for in the WAN Constitution and in relation to any WAN shares issued to existing SMG management, a 12 month escrow arrangement.

e) Board Representation

If KKR nominates a person to be appointed to the WAN Board, WAN must nominate KKR's nominee to an existing casual vacancy on its Board as soon as practicable after such nomination (provided that no such appointment will occur before the issue of the second stage of WAN Shares under the KKR Subscription Agreement). Subject to restrictions at law or under the WAN Constitution, KKR may change its Board nominee from time to time by written notice to WAN. KKR's nominee to the Board is subject to re-election as required by the Listing Rules and the WAN Constitution. KKR's right to nominate a person for appointment to the Board and WAN's obligation to support such nomination ceases if KKR and the mezzanine investors' aggregate shareholding in WAN falls below 10%.

f) Warranties and undertakings

Customary warranties are given by each party in relation to, amongst other things, their status, power to execute the agreement, and solvency.

WAN undertakes to provide cleansing notices under Section 708A of the Corporations Act to ASX upon the issue of the WAN Shares so that the WAN Shares are freely transferable without the requirement for a disclosure document.

g) Termination

Either WAN or KKR may terminate the KKR Subscription Agreement any time before the issue of the first stage WAN Shares or the second stage WAN Shares by notice to the other party if the Share Sale Agreement is terminated for any reason.

WAN may terminate any time before the issue of the first stage WAN Shares or the second stage WAN Shares by notice to KKR if:

- It is prevented by any Governmental Agency from proceeding;
- KKR becomes insolvent, or is subject to or threatened with a winding up order or is placed into administration; or
- The issue of the first stage WAN Shares or the second stage WAN Shares would breach any applicable laws or regulations.

KKR may terminate any time prior to the issue of the first stage WAN Shares or the second stage WAN Shares by notice to WAN if WAN becomes insolvent, or is subject to or threatened with a winding up order or is placed into administration.

10.4.3 CULS Trust Deed

The CULS Trust Deed and the Corporations Act govern the terms and conditions of CULS and the obligations of WAN and the CULS Trustee in respect of CULS. The benefit of the CULS Trust Deed is held on trust by the CULS Trustee for CULS Holders, including the right to any repayment or other duties of WAN under the CULS Trust Deed. All CULS Holders are bound by the terms of the CULS Trust Deed.

The CULS Trust Deed is a complex and lengthy document. It has not been reproduced in this Prospectus. A summary of some important provisions of the CULS Trust Deed is set out below and the CULS Terms of Issue which form a schedule to the CULS Trust Deed are set out in Appendix A. A copy of the CULS Trust Deed will be released to ASX and is available on request as set out in Section 10.3.

The CULS Trust Deed contains provisions dealing with, among others, the following matters:

- The power of WAN to issue CULS in accordance with the CULS Terms of Issue;
- The rights and obligations of Holders in relation to the CULS Trustee including that they will be bound by the CULS Trust Deed and the actions of the CULS Trustee properly done or not done and that they have made their own appraisal of WAN and CULS and not relied on any representation by the CULS Trustee in relation to CULS;
- The CULS Trustee must proceed against WAN to enforce any rights or remedies under the CULS Trust Deed where:
 - It is directed to do so by a special resolution of CULS Holders properly passed at a meeting of CULS Holders;
 - It is indemnified to its satisfaction against all costs, charges, liabilities and expenses which it might incur in connection with the enforcement; and
 - The CULS Trustee is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.

If the CULS Trustee fails to proceed (as set out above) against WAN within 20 Business Days and this failure is continuing, the rights of each CULS Holder to enforce the obligations of WAN under the CULS are limited to the exercise of its rights to enforce and seek due administration by the CULS Trustee;

- WAN's undertakings including relating to the payment of the principal on CULS, compliance with the CULS Trust Deed, CULS Terms of Issue, Corporations Act and ASX Listing Rules, notification of certain events (including breaches of the CULS Trust Deed and events of default) and provision of certain information (including semi-annual and annual reports and notices given to CULS Holders);
- A direction by the CULS Trustee to WAN to pay amounts in relation to CULS directly to CULS Holders other than in specified circumstances;
- The authority, powers, duties and discretions of the CULS Trustee, including:
 - Powers to carry out its duties under the CULS Trust Deed and Corporations Act; and
 - Discretion to, among other things, delegate, obtain and rely on expert advice, make determinations between the CULS Trustee and CULS Holders about questions and matters of doubt arising in relation to the CULS Trust Deed and waive breaches by WAN;

- The circumstances in which the CULS Trustee is taken to be aware of an event of default or other breach of the CULS Trust Deed;
- Representations and warranties of the CULS Trustee and WAN as to their status and power to perform obligations under the CULS Trust Deed;
- The payment of fees by WAN to the CULS Trustee and reimbursement of expenses for performance of its duties under the CULS Trust Deed;
- The limitation on the liability of the CULS Trustee in certain respects, including:
 - The CULS Trustee is not liable to any person in any capacity other than as trustee except to the extent arising from the CULS Trustee's fraud, negligence or wilful default;
 - Liabilities owed to CULS Holders arising under or in connection with the CULS Trust Deed are limited to the extent the CULS Trustee is actually indemnified out of the property held by it;
 - The CULS Trustee is not liable to any person for loss caused by its acts or omissions in accordance with the terms of the CULS Trust Deed in reliance on certain information; and
 - WAN and each CULS Holder waive their rights and release the CULS Trustee from any personal liability in respect of any loss or damage which any of them may suffer as a consequence of a failure of the CULS Trustee to perform its obligations under the relevant transaction documents, which cannot be paid for or satisfied out of any property of the CULS Trust.
- An indemnity given by WAN to the CULS Trustee in respect of costs, liabilities and expenses incurred by it in relation to the CULS Trust Deed;
- Retirement, removal and appointment of a replacement trustee, including notice requirements, the circumstances in which the CULS Trustee must retire and when WAN may remove the CULS Trustee;
- Procedures and requirements for meetings of CULS Holders;
- Establishment and maintenance of a register of CULS Holders by WAN;
- Procedures and requirements for transferring CULS; and
- Procedures and approvals required to amend the CULS Trust Deed and the CULS Terms of Issue.

10.4.4 Underwriting Agreement

WAN and the Joint Lead Managers have entered into an Underwriting Agreement dated 21 February 2011 (the **Underwriting Agreement**), pursuant to which the Joint Lead Managers have agreed to severally manage and underwrite the Offers on the terms and conditions of the Underwriting Agreement.

The following is a summary of the principal provisions of the Underwriting Agreement.

a) Fees, Costs and Expenses

The Joint Lead Managers will receive 50% each of the following fees under the Underwriting Agreement:

Additional information (continued)

- An underwriting fee of 2.0% of each of the proceeds of:
 - The Institutional Entitlement Offer;
 - The Retail Entitlement Offer; and
 - The Public Offer.
- A management and selling fee of 0.5% of each of the proceeds of the:
 - The Institutional Entitlement Offer;
 - The Retail Entitlement Offer; and
 - The Public Offer.

WAN also agrees to reimburse each Joint Lead Manager for all expenses incurred in connection with the Offers, including but not limited to the Joint Lead Managers' roadshow expenses, document production costs, capped legal costs and out of pocket expenses.

The Joint Lead Managers will be responsible for payment of any fees or commissions payable to a sub-underwriter, co-manager or broker in relation to the Offers.

b) WAN's Representations, Warranties and Undertakings

Under the Underwriting Agreement, WAN makes various customary representations and warranties in relation to the Offer documents, the Offers, its compliance with applicable laws and the information provided by WAN to the Joint Lead Managers.

Under the Underwriting Agreement, WAN also provides various customary undertakings to the Joint Lead Managers, including an undertaking that, other than in connection with the Proposed Transaction and except as disclosed in the Offer documents, it will carry on its business and procure that each WAN Group member carries on its business, from the date of this agreement to the date of redemption or conversion of the CULS in the ordinary course and not dispose (or permit any other member of the Group to dispose) of any material part of WAN or the WAN Group's business or property.

WAN also undertakes that it will not propose or activate any equity security or subordinated debt security buy-back, scheme or arrangement or allot or agree to allot, or indicate in any way that it will or might, allot or agree to allot any equity securities or subordinated debt securities or other securities (including hybrid, convertible or equity-linked securities) or grant or agree to grant any options in respect of such securities (or do anything economically equivalent to any of the foregoing), until the date that is 180 days after Completion, without first obtaining the consent of the Joint Lead Managers (this does not apply to the offer of the Offer securities, the conversion and redemption of CULS, or to issues of securities to employees or directors under employee incentive or dividend reinvestment plans (including an underwritten employee incentive or dividend reinvestment plan)).

The Joint Lead Managers' obligations to underwrite the Offers are subject to a number of conditions precedent, including satisfaction of the conditions precedent to the Proposed Transaction. In particular, the obligations of each Joint Lead Manager to subscribe for CULS

or New Shares in accordance with the terms of the Underwriting Agreement to the extent their fully diluted holding in WAN would exceed 4.99% (the specified percentage) are conditional on either:

- The Treasurer (or his delegate) providing written advice that there are no objections under Australia's Foreign Investment Policy to the proposed underwriting arrangements contemplated in the Underwriting Agreement; or
- Following notice of the proposed underwriting arrangements contemplated under the Underwriting Agreement having been given to the Joint Lead Managers to the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth), the Treasurer ceases to be empowered to make any order under Part II of that Act because of lapse of time.

Further, if the issue of CULS or New Shares to a Joint Lead Manager pursuant to the Underwriting Agreement would result in that Joint Lead Manager holding a specified interest in WAN, then where the relevant Joint Lead Manager has not received FIRB approval (in the manner and on the terms specified in the Underwriting Agreement), the relevant Joint Lead Manager shall advise WAN in accordance with dates specified in the Underwriting Agreement. In such a situation, and where the relevant Joint Lead Manager elects not to take delivery of the CULS or New Shares (as applicable) to the extent its interest in WAN would exceed the specified percentage, WAN and the Joint Lead Managers shall use their best endeavours to procure sub-underwriters to subscribe for the CULS or New Shares. If the Joint Lead Manager is not able to procure sub-underwriters, the CULS or New Shares will be issued to a trustee and the relevant Joint Lead Manager will use its best endeavours as agent of the trustee to sell the CULS or New Shares within 12 months after the applicable settlement date.

c) Termination Events

Each Joint Lead Manager may immediately terminate all further obligations under the Underwriting Agreement if any of a number of specified events occurs on or before 4.00pm Sydney time on the Public Offer settlement date:

- (Share Sale Agreement, KKR Subscription Agreement or SGH Sell Down Underwriting Agreement) The Share Sale Agreement, KKR Subscription Agreement or the SGH Sell Down Underwriting Agreement is terminated, rescinded or repudiated or amended in a material particular (without the prior written consent of the Joint Lead Managers, such consent not unreasonably withheld or delayed);
- (No Completion) WAN or a subsidiary makes a public statement that it cannot or does not intend to complete the Proposed Transaction or WAN is advised that an approval or consent required to complete the Proposed Transaction will not be provided;
- (S&P/ ASX 200 Index fall) The S&P/ASX 200 index of ASX:
 - At any time between the date of the Underwriting Agreement and 12.00pm Sydney time on the Business Day following the Institutional Entitlement Offer Closing Date falls to a level that is 10% or more below the level at market close on the trading day immediately preceding the date of this agreement (Starting Level); or

- Closes, on any three consecutive Business Days, at a level that is 15% or more below the Starting Level, during the period from the date of this agreement until the Public Offer settlement date,
- and WAN and the Joint Lead Managers do not reach agreement on a new Entitlement Offer Issue Price, Entitlement Offer ratio or Public Offer Issue Price (as applicable) for the Offers following good faith discussions and the parties acting reasonably;
- (Material adverse change) There is a material adverse change in relation to the assets and liabilities, financial position and performance, profits and losses or prospects of the WAN Group from that disclosed in this Prospectus, provided however, that the following shall not be taken into account in determining whether there has been a material adverse change:
 - Any such effect, change or circumstance relating to or resulting from, directly or indirectly, the announcement or implementation of the transactions contemplated by the Proposed Transaction;
 - Any such effects attributable to any new equity plans implemented, or to be implemented, in respect of SMG management;
 - Fees and expenses, severances and other bonus, benefit or compensation costs paid or to be paid by WAN or any WAN Group member in connection with the transactions contemplated in the Share Sale Agreement or the KKR Subscription Agreement;
 - Any action required to be taken under any law or order or any existing contract by which WAN or any WAN Group member is bound;
 - Any failure by WAN to meet any internal projections or forecasts;
 - Any such effect, change in circumstance attributable to general conditions affecting the economy, nationally or regionally which does not affect WAN materially disproportionately relative to other participants in the same industry or market; and
 - Any action taken by any competitor of WAN or SMG or any owner of any competitor of WAN or SMG, including, without limitation the sale or initial public offering of any media business in competition with WAN or SMG;
 - (Failure to lodge documents) WAN fails to lodge this Prospectus and the Explanatory Memorandum with ASIC on 21 February 2011;
 - (Supplementary Prospectus) WAN issues (without the consent of the Joint Lead Managers, not to be unreasonably withheld or delayed) or, in the reasonable opinion of the Joint Lead Managers, becomes required to issue, a supplementary prospectus under section 719 of the Corporations Act;
 - (Australian Proceedings) ASIC seeks an order under section 739 of the Corporations Act, or commences a hearing under the *Australian Securities and Investments Commission Act 2001* (Cth), in relation to the Offer documents or the Offers;
 - (New Zealand proceedings) NZSC and/or the New Zealand Registrar take(s) any action (including under the NZ Regulations) which is likely to materially adversely affect the Offers;
 - (Withdrawal) WAN withdraws this Prospectus or the Offers or indicates that it does not intend to proceed with all or any part of the Offers;
 - (Prescribed occurrence) A prescribed occurrence (being an event contemplated by Section 652C of the Corporations Act) occurs in relation to WAN;
 - (ASX waivers and ASIC modifications) WAN does not obtain ASX waivers or ASIC modifications required to complete the Offers or ASX waivers or ASIC modifications are subsequently withdrawn, revoked, qualified or amended in a materially adverse particular;
 - (Listing) WAN ceases to be admitted to the official list of ASX or its shares are suspended from official quotation on ASX (other than a voluntary suspension required by WAN or consented to by the Joint Lead Managers to facilitate the Offers);
 - (Quotation) Unconditional approval for quotation of the Offer securities is not granted by ASX or is withdrawn on or before the relevant trading date, or ASX makes an official statement to any person or indicates to WAN or the Joint Lead Managers that official quotation of the securities to be issued pursuant to the Offers will not be granted;
 - (Offer documents) A statement in the Offer documents is or becomes misleading or deceptive, or a matter required to be included Part 6D.2 of the Corporations Act is omitted;
 - (Consent) Any person (other than a Joint Lead Manager) whose consent to the issue of this Prospectus is required by Section 716 of the Corporations Act or having previously consented to the issue of this Prospectus withdraws such consent;
 - (Certificate) Any certificate which is required to be provided by WAN to the Joint Lead Managers under the Underwriting Agreement is not provided when required;
 - (Timetable) An event specified in the Offer timetable prior to the Institutional Entitlement Offer settlement date is delayed for more than four hours or between the Institutional Entitlement Offer settlement date and the Public Offer settlement date is delayed for more than three Business Days, in each case without the prior written approval of the Joint Lead Managers (such approval not having been unreasonably withheld or delayed);
 - (Insolvency) WAN or any material WAN Group member becomes insolvent, commences winding up, has a receiver or receiver and manager appointed, or is placed into voluntary administration;
 - *(Change of Law) There is any change of law, which is likely to prohibit or regulate the Offers, capital issues or stock markets or affect the taxation treatment of the Offer securities;
 - *(Director) A director or senior manager of WAN is charged with an indictable offence or any director or senior manager of the WAN is disqualified from managing a corporation;
 - *(Change in management) There is a change in the senior management of any member of the WAN Group or WAN Board;

Additional information (continued)

- **(Contravention)* WAN contravenes the Corporations Act, its constitution, any of the Listing Rules, or any other applicable law or regulation;
- **(Compliance with regulatory requirements)* The Offer documents or the public information do not comply with the Corporations Act, the Listing Rules, ASX waivers or any other applicable law or regulation;
- **(Default)* WAN defaults in the performance of any of its obligations under the Underwriting Agreement of the CULS Trust Deed;
- **(Misrepresentation)* A representation provided by WAN is not true or correct, or is misleading or deceptive;
- **(Certificate)* Any certificate given by WAN under the Underwriting Agreement is false, misleading or deceptive, or inaccurate;
- **(Hostilities)* Between the date of the Underwriting Agreement and the Public Offer settlement date, hostilities not presently existing commence or a major escalation in existing hostilities commences involving any one of Australia, the United States, the United Kingdom, or a member of the European Union, or there is a declaration of war, or a major terrorist act is perpetrated in any of those countries;
- **(Disruption in financial markets)* There is a general moratorium on commercial banking activities in Australia, the United States or the United Kingdom, or there is a material disruption in commercial banking or settlement services in any of those countries; or trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for one Business Day or substantially all of one Business Day; and
- **(Constitution)* The Constitution is amended without the prior written consent of the Joint Lead Managers (such consent not to be unreasonably withheld).

No event marked above with an asterisk (*) entitles a Joint Lead Manager to exercise its rights to terminate its obligations under the Underwriting Agreement unless that Joint Lead Manager has reasonable grounds to believe, and does reasonably believe that the event:

- Has or is likely to have a material adverse effect on the outcome, success or settlement of the Offers;
- Could give rise to a liability of that Joint Lead Manager under any law or regulation; or
- Leads (or is likely to lead) to a contravention by that Joint Lead Manager of (or the involvement of that Joint Lead Manager in a contravention of) any law or regulation.

Any rights or powers of the Joint Lead Managers to terminate may be exercised severally.

d) Indemnity

WAN unconditionally and irrevocably undertakes to indemnify and keep indemnified the Joint Lead Managers and any of their affiliates, successors or related bodies corporate, and each of their directors, officers, agents, employees or advisers (the Indemnified Parties) from and against, and to hold them harmless from and against, all losses incurred in respect of the Offers, whether directly or indirectly, by an Indemnified Party as a result of:

- (Offer Documents) the Offer documents or public information, including any false, misleading or deceptive statement (including by omission) or omission of information required to be contained in the Offer documents;
- (Breach) a breach by WAN of the Corporations Act or any other applicable laws in respect of the Offers or its obligations under this the Underwriting Agreement, the Trust Deed or any other binding obligations in respect of the Offers, including any of the representations and warranties by WAN contained in this agreement not being true and correct;
- (Making, conduct and settlement of the Offers) the distribution of the Offer documents and public information and the making, conduct and settlement of the Offers;
- (Allotment) the allotment and issue of the securities issue pursuant to the Offers or the conversion or redemption of CULS (other than any loss suffered as a result of subscribing for shortfall securities by reason of the Issue Price under an Offer being greater than the price at which CULS or WAN Shares (as applicable) can be acquired on ASX);
- (Generally) any claims that an Indemnified Party has any liability under the Corporations Act (including Sections 1308, 1309 and 1041H) or any other applicable law in relation to the Offers;
- (Regulatory) any review, inquiry or investigation undertaken by ASIC, ASX, NZSC, the New Zealand Registrar, the Australian Taxation Office, any state or territory regulatory office or any other regulatory or Government agency in relation to the Offers or the Offer documents; and
- (Reliance) reliance by any Indemnified Party on information supplied by WAN or by its authorised officers or employees (including any forward looking information or forecasts in the Offer documents).

This indemnification is not enforceable to the extent that any loss suffered by the Indemnified Party is finally and judicially determined by a court of competent jurisdiction to have resulted from:

- Any penalty or fine which that Indemnified Party is required to pay for any contravention by it of the Corporations Act or any other applicable law;
- The wilful misconduct, negligence, recklessness or fraud of that Indemnified Party or of the Joint Lead Manager associated with that Indemnified Party; or
- Any amount in respect of which this indemnity would be illegal, void or unenforceable under any law.

10.5 CPS

The following is a summary of the CPS terms of issue:

Instrument	Convertible preference shares (CPS)
Underlying Shares	WAN Shares
Issue Date	Expected to be 18 April 2011
Ranking	Preferred
Size	A\$250 million
Preferred claim on winding up	Each CPS confers a preferred right to receive A\$1,000 per CPS on a winding up of WAN
Maturity	Perpetual
Redemption Date	5 years from the Issue Date
Issue Price	A\$100,000 per CPS
Dividend	No dividend rights
Conversion Price	A\$6.68
Adjusted Issue Price	The Adjusted Issue Price will be the Issue Price adjusted by 7.143% per annum (compounded on a semi-annual basis), until the Redemption Date. Unless CPS are redeemed, repurchased or exchanged on the Redemption Date, the Adjusted Issue Price as at the Redemption Date will be adjusted by 9.143% per annum (compounded on a semi-annual basis) from the Redemption Date
Fixed Conversion Ratio	Equal to the Adjusted Issue Price divided by the Conversion Price
Holder Conversion Option	<p>The Holder may, at any time after the release of the December 2013 WAN half year accounts, convert the CPS into a fixed number of Underlying Shares, with the form of settlement to be at WAN's election.</p> <p>Earlier conversion of the CPS into Underlying Shares will be permitted to enable SGH to maintain its shareholding in WAN of no less than 29.6% (less an adjustment for any WAN Shares sold by SGH) in the event of any issue of WAN Shares, including situations where SGH has the option to participate in that share issue and chooses not to.</p> <p>Holder conversion prior to the release of the December 2013 WAN half year accounts is also permitted:</p> <ol style="list-style-type: none"> If a change of control event occurs in relation to WAN (a third party, other than SGH and its associates, makes a takeover bid for WAN that is unanimously recommended by the WAN Directors or is to acquire 100% of the ordinary shares in WAN under a scheme of arrangement that has become effective); or To the extent permitted by the WAN Board in writing. <p>The number of Underlying Shares will be calculated by multiplying the number of CPS being converted by the Fixed Conversion Ratio.</p>

Additional information (continued)

Conversion	<p>Each CPS confers all of the rights attaching to one Underlying Share.</p> <p>Upon receipt of a conversion notice, each CPS will be subdivided based on the following formula:</p> <ul style="list-style-type: none"> a) If converted under the Holder Conversion Option: the Adjusted Issue Price divided by the Conversion Price; b) If converted under WAN redemption, repurchase and exchange rights: the Adjusted Issue Price divided by the average of the 5-day VWAPs (calculated at a 5% discount). <p>Each CPS will, once converted, rank equally with all other Underlying Shares then on issue. Where the total number of Underlying Shares held by a Holder on conversion of their CPS includes a fraction, that fraction will be disregarded. Conversion does not constitute cancellation, redemption or termination of CPS or an issue, allotment or creation of a new share.</p>
WAN redemption, repurchase and exchange rights	<p>WAN has the option to redeem, repurchase or exchange the CPS at the Adjusted Issue Price on the Redemption Date or any subsequent half-year anniversary, or earlier on the occurrence of standard tax and regulatory events. In the case of the tax and regulatory events, the redemption, repurchase or exchange will be at 103% of the Adjusted Issue Price.</p>
Adjustments	<p>The Conversion Price and, therefore, the Fixed Conversion Ratio shall be adjusted in accordance with the terms of the CPS following any reconstruction, consolidation, division, reclassification, securities issues, rights offer and modifications of conversion rights attaching to other securities (subject to customary exceptions) to ensure that Holders of CPS are placed in a similar economic position prior to the occurrence of the event that gave rise to the adjustment. The Conversion Price shall be adjusted downwards for any dividends paid to holders of WAN Shares over and above the annual reference dividend yield of 6.5% (excluding franking credits), initially calculated with reference to the first full year of ordinary dividends for FY12</p>
Cash settlement	<p>WAN may, at its option, satisfy its obligation to deliver the Underlying Shares under the Holder Conversion Option, in whole or in part, by paying a cash amount equal to the average of the daily VWAPs of the Underlying Shares over the 10 trading days commencing on the date of service of the relevant Conversion notice from the Holder.</p> <p>WAN may, at its option, satisfy its obligation to deliver Underlying Shares under the WAN redemption, repurchase and exchange rights, by in whole or in part, by paying a cash amount equal to the Adjusted Issue Price.</p>
Dividend and capital stopper	<p>Unless the CPS are redeemed, repurchased or exchanged on the Redemption Date, WAN may not pay dividends, return capital or otherwise distribute value to any equal or lower ranking security holder unless all CPS have been redeemed, repurchased or exchanged (subject to certain limited exceptions)</p>
Voting	<p>Limited to voting matters required under Listing Rule 6.3, namely:</p> <ul style="list-style-type: none"> a) on a proposal to reduce the share capital of WAN; b) on a proposal that affects the rights attached to the CPS; c) on a proposal to wind up WAN; d) on a proposal for the disposal of the whole of the property, business and undertaking of WAN; e) on a resolution to approve the terms of a buyback agreement; and f) during the winding up of WAN
Restrictions on additional equity	<p>WAN may not issue any preferred securities ranking ahead of the CPS without the consent of the Holders of 75% of the CPS</p>
Sell-down	<p>The Holder may sell some or all of the CPS at any time to any person(s) after the Issue Date. All new Holders shall be bound by the same terms of the CPS including the period before which conversion is not permitted under the Holder Conversion Option</p>

10.6 Rights attaching to New Shares

New Shares issued under the Public Offer and new WAN Shares issued on conversion of CULS will be fully paid and will rank equally with existing WAN Shares in all respects, except that holders of those New Shares will not be entitled to the interim dividend declared by the Issuer for the half year ending 31 December 2010 in respect of those WAN Shares.

This Section contains a summary of the rights attaching to WAN Shares (and therefore New Shares and new WAN Shares issued on conversion of CULS) as at the date of this Prospectus. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of WAN Shareholders, which can involve complex questions of law arising from the interaction of the WAN Constitution and statutory, common law and Listing Rules requirements. To obtain a definitive assessment of the rights and liabilities which attach to WAN Shares in any specific circumstances, investors should seek their own advice.

10.6.1 Voting rights

At a general meeting, subject to a number of specified exceptions, on a show of hands each WAN Shareholder present in person or by proxy, attorney or representative (or, in the case of a corporation, present by duly appointed representative, proxy or attorney) has one vote.

On a poll, each WAN Shareholder present in person or by duly appointed representative, proxy or attorney has one vote for each fully paid WAN Share held and in respect of which the WAN Shareholder is entitled to vote.

10.6.2 Dividends

Subject to any rights or restrictions attached to any shares or class of shares, all dividends in respect of shares must be paid to the WAN Shareholders in proportion to the number of WAN Shares held by the relevant WAN Shareholder.

10.6.3 Variation or cancellation of class rights

The rights attached to any class of WAN Shares, unless otherwise provided for by the terms of issue of those shares, may only be varied or cancelled with the consent in writing of the holders of three-quarters of the issued shares in the relevant class, or with the sanction of a special resolution passed at a meeting of the holders of the shares in that class.

In either case, members of WAN with at least 10% of the votes in the class whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to have the variation or cancellation set aside.

10.6.4 Transfer of WAN Shares

WAN Shares, when listed on ASX, are transferable by:

- An instrument in writing in any usual form or in any other form the Board may approve, duly stamped (if necessary), being delivered to WAN;

- A proper transfer, which is to be in the form required or permitted by the Corporations Act or the ASX Settlement Operating Rules; or
- Any other electronic system established or recognised by the Listing Rules in which WAN participates in accordance with the rules of that system.

The Board may, subject to the requirements of the Corporations Act and the Listing Rules, refuse to register any transfer of shares in the following circumstances:

- The transfer is not in registrable form;
- If the registration would infringe any applicable laws or the Listing Rules;
- If the transfer concerns shares over which WAN has a lien; or
- If permitted to do so under the Listing Rules or the ASX Settlement Operating Rules.

10.6.5 Issue of further shares

Subject to the Listing Rules, and any special rights conferred on the holders of any shares or class of shares, all unissued shares are under the control of the Board, who may grant options on the shares, issue or otherwise dispose of the shares on the terms and conditions and for the consideration that the Board considers fit. Without affecting any special rights conferred on the holders of any shares, any share in WAN may be issued with preferred, deferred or other special rights, obligations or restrictions, whether in regard to dividends, voting, return of share capital, payment of calls or otherwise, as the Board may determine.

10.6.6 General meetings and notices

Each WAN Shareholder is entitled to receive notice of general meetings of WAN and to receive all notices, financial statements and other documents required to be sent to Shareholders under the WAN Constitution and the Corporations Act. WAN may serve a notice on a Shareholder by leaving it at the Shareholder's registered address or by sending it by prepaid post to the Shareholder's registered address or by sending it to the fax number or electronic address the WAN Shareholder has supplied to WAN for the giving of notices.

If the WAN Shareholder does not have a registered address and has not supplied another address to WAN for the giving of notices, notice may be given by WAN exhibiting it at its registered address.

10.6.7 Winding up

If WAN is wound up, the liquidator may with the sanction of a special resolution, divide among the WAN Shareholders the whole or any part of the property of WAN and determine how the division is to be carried out as between WAN Shareholders or different classes of WAN shareholders.

The division may be carried out as the liquidator thinks fit, subject to the right of any contributory prejudiced by the division to dissent. Any dissenting contributory has ancillary rights as if the determination made by the liquidator were a special resolution passed under the Corporations Act relating to the transfer of WAN's assets by a liquidator in a voluntary winding up.

Additional information (continued)

10.7 ASX waivers and confirmations

In connection with the Entitlement Offer, ASX has granted to WAN waivers from ASX Listing Rules 7.1 and 10.11 to the extent necessary to permit the Entitlement Offer to be treated as a pro-rata issue, notwithstanding the separation of the institutional and retail components of the Entitlement Offer.

ASX Listing Rule 7.1 waiver permits the Entitlement Offer to be treated as a pro-rata issue under Exceptions 1 to 3 in Listing Rule 7.2, notwithstanding the separation of the Entitlement Offer into the Institutional Entitlement Offer and the Retail Entitlement Offer. The waiver is granted to the extent necessary to permit WAN to make the Entitlement Offer in the manner described in this Prospectus without the requirement to obtain WAN Shareholder approval.

ASX Listing Rule 10.11 waiver permits the Entitlement Offer to be treated as a pro-rata issue under Exceptions 1 and 2 in Listing Rule 10.12, notwithstanding the separation of the Entitlement Offer into the Institutional Entitlement Offer and the Retail Entitlement Offer. This relief enables related parties of WAN who are Eligible Shareholders to participate in the Entitlement Offer to the extent of their pro-rata entitlements.

ASX has also confirmed that, where Eligible Institutional Shareholders who underestimate their entitlements will have any additional CULS due to them issued at the Issue Price, any such CULS issued under the reconciliation process will be treated by ASX as part of the Entitlement Offer and, therefore, that the waivers of Listing Rules 7.1 and 10.11 detailed above will apply to such CULS.

The waivers set out the arrangements for dealing with holdings registered in the name of nominees. In particular, ASX has confirmed that WAN may treat nominees as separate securityholders in respect of securities held for institutional WAN Shareholders and retail WAN Shareholders so that the nominee may receive offers under both the Institutional Entitlement Offer and the Retail Entitlement Offer. In addition, ASX has confirmed that where the Institutional Entitlement Offer is made directly to institutional WAN Shareholders for whom a nominee holds securities it will be treated as being made to the nominee.

The waivers also allow WAN to ignore, for the purposes of determining those entitled to receive Entitlements (under both the Institutional Entitlement Offer and the Retail Entitlement Offer) transactions occurring after the announcement of the trading halt in WAN Shares on 21 February 2011 (other than registrations of ITS (Integrated Trading System) transactions which were effected before the announcement (**post ex-date transactions**)). Transactions ignored under this provision are to be ignored in determining holders and registered holders, and holdings and registered holdings, of WAN Shares as at the Entitlement Offer Record Date, and references to such holders, registered holders, holdings and registered holdings are to be treated accordingly. Therefore, if you have acquired WAN Shares in a post ex-date transaction you will not be entitled to receive an entitlement in respect of those WAN Shares.

ASX has confirmed that, as WAN Shareholders are being asked to approve the Proposed Transaction, WAN does not require Listing Rule 11 approval in relation to a change in nature or scale of WAN's business.

ASX has also granted waivers of ASX Listing Rules 3.20 and 7.40 to the extent necessary to permit the Entitlement Offer to proceed on the timetable described in this Prospectus on condition that the Entitlement Offer timetable is acceptable to ASX.

WAN did not seek any Listing Rule waivers in respect of the Public Offer but did receive confirmation that ASX is satisfied with the timetable for the Public Offer as detailed in this Prospectus.

10.8 Foreign Selling Restrictions

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. CULS and New Shares may not be offered or sold in any country outside Australia and New Zealand except to the extent permitted below.

10.8.1 European Economic Area - Belgium, Denmark, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of CULS and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of CULS and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- a) To legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- b) To any legal entity that has two or more of (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) and (iii) an annual net turnover of more than €50,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- c) To fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of WAN or any underwriter for any such offer; or
- d) In any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of CULS and New Shares shall result in a requirement for the publication by WAN of a prospectus pursuant to Article 3 of the Prospectus Directive.

10.8.2 France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (AMF). The CULS and New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the CULS and New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3, D. 744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (cercle restreint d'investisseurs) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the CULS and New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

10.8.3 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the **Companies Ordinance**), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the CULS and New Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- To "professional investors" (as defined in the SFO); or
- In other circumstances that do not result in this document being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

No advertisement, invitation or document relating to the CULS and New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to CULS and New Shares that are or are

intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted CULS and New Shares may sell, or offer to sell, such CULS and New Shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such CULS and New Shares.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

10.8.4 Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the **Prospectus Regulations**). The CULS and New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) qualified investors as defined in Regulation 2(l) of the Prospectus Regulations and (ii) fewer than 100 natural or legal persons who are not qualified investors.

10.8.5 Malaysia

This document may not be distributed or made available in Malaysia. No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of CULS and New Shares. The CULS and New Shares may not be offered or made available for purchase in Malaysia except in an exemption from the prospectus and approval requirements of Securities Commission of Malaysia.

10.8.6 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The CULS and New Shares may not be offered or sold, directly or indirectly, in Norway except:

- a) To "professional investors" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876);
- b) Any natural person who is registered as a professional investor with the Norwegian Financial Supervisory Authority (No. Finanstilsynet) and who fulfils two or more of the following:
 - (i) any natural person with an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters;
 - (ii) any natural person with a portfolio of securities with a market value of at least €500,000; and
 - (iii) any natural person who works, or has worked for at least one year, within the financial markets in a position which presupposes knowledge of investing in securities;

Additional information (continued)

- c) To fewer than 100 natural or legal persons (other than "professional investors", as defined in clauses (a) and (b) above); or
- d) In any other circumstances provided that no such offer of CULS and New Shares shall result in a requirement for the registration, or the publication by WAN or an underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

10.8.7 Singapore

This document and any other materials relating to the CULS and New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of CULS and New Shares, may not be issued, circulated or distributed, nor may the CULS and New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of WAN's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined under section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the CULS and New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire CULS and New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

10.8.8 Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the CULS and New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of CULS and New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

10.8.9 Switzerland

The CULS and New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under

art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the CULS and New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering material relating to the CULS and New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of CULS and New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (**FINMA**).

This document is personal to the recipient only and not for general circulation in Switzerland.

10.8.10 United Arab Emirates

Neither this document nor the CULS and New Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates, nor has WAN received authorization or licensing from the Central Bank of the United Arab Emirates or any other governmental authority in the United Arab Emirates to market or sell the CULS and New Shares within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the CULS and New Shares, including the receipt of applications and/or the allotment or redemption of such shares, may be rendered within the United Arab Emirates by WAN.

No offer or invitation to subscribe for CULS and New Shares is valid or permitted in the Dubai International Financial Centre.

10.8.11 United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the CULS and New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the CULS and New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the CULS and New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to WAN.

In the United Kingdom, this document is being distributed only to and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together **relevant persons**). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

10.8.12 United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

10.9 Interests of directors

10.9.1 Interests

Other than as set out in this Prospectus:

- No Director or proposed Director holds at the date of this Prospectus, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - The formation or promotion of WAN;
 - Property acquired or proposed to be acquired by WAN in connection with its formation or promotion or the Offer; or
 - The Offers; and
- No one has paid or agreed to pay any amount, or given or agreed to give any benefit, whether in cash or shares or otherwise, to any Director or proposed Director, either:
 - To induce them to become, or qualify them as, a Director; or
 - In connection with services provided by them,
 in connection with the formation or promotion of WAN or in connection with the Offers.

10.9.2 Holdings of shares and options

As at the date of this Prospectus, relevant interests held by Directors in WAN Shares and options to apply for WAN Shares (which include performance rights) are as set out below:

Name	
Kerry Stokes AC	53,673,852
Doug Flynn	10,148
Peter Gammell	10,733
Graeme John AO	9,553
Don Voelte	8,996
Sam Walsh AO	26,901

In accordance with the waiver of Listing Rule 10.11 granted by ASX, each Director will be entitled to participate in the Entitlement Offer to the extent that the Director holds Ordinary Shares as at the date of this Prospectus in order to maintain their percentage holding to the extent possible. It is the current intention of each Director to participate in the Entitlement Offer.

10.9.3 Remuneration

The WAN Constitution contains several provisions as to remuneration of executive and non-executive Directors. As remuneration for services, each non-executive Director is to be paid an amount determined by the Board, subject to a maximum aggregate amount determined in general meeting. The aggregate maximum is \$1.2 million per annum, which was approved at the WAN Annual General Meeting held on 5 November 2008.

Any Director who performs services outside the ordinary duties or a Director (such as serving on committees or devoting special attention to the business of WAN) may be paid extra remuneration as determined by the Board.

In addition, every Director is entitled to be paid all reasonable travel, accommodation and other expenses incurred by the Director in attending meetings of WAN, of the Board or of any committees, or while engaged on the business of WAN.

10.9.4 Indemnity and insurance

In accordance with the WAN Constitution, WAN has entered into a Director Protection Deed with each Director. Each Director Protection Deed provides:

- An ongoing indemnity to the relevant Director against any liability incurred by the Director in connection with the Director being a director of WAN or a Related Body Corporate of WAN, the employment of the Director with WAN or a Related Body Corporate of WAN, or a breach by WAN of its obligations under the Deed of Protection;
- That WAN will maintain normal insurance policies for the benefit of that Director against liability as directors and officers of members of the WAN Group, with that Director being afforded the protection of such policies for the term of their appointment and for seven years following their retirement; and
- That Director with a right of access to Board papers relating to their period as a Director for a period of seven years following their retirement as a Director, subject to confidentiality obligations.

Additional information (continued)

10.9.5 Before Completion

The Board currently comprises:

Name	Position	Independent
Kerry Stokes AC	Non-Executive Director and Chairman	No
Doug Flynn	Non-Executive Director	Yes
Peter Gammell	Non-Executive Director	No
Graeme John AO	Non-Executive Director	Yes
Don Voelte	Non-Executive Director	Yes
Sam Walsh AO	Non-Executive Director	Yes

10.9.6 After Completion

Following Completion of the Proposed Transaction the Board will comprise:

Name	Position	Independent
Kerry Stokes AC	Non-Executive Director	No
Doug Flynn	Non-Executive Director	Yes
Peter Gammell	Non-Executive Director	No
Graeme John AO	Non-Executive Director	Yes
Don Voelte	Non-Executive Director	Yes
Sam Walsh AO	Non-Executive Director	Yes
David Leckie	Executive Director	No

Pursuant to the KKR Investment and subject to KKR and the mezzanine investors' aggregate shareholding in WAN remaining above 10%, KKR is entitled but not obligated to nominate one nominee director to WAN's Board. KKR may nominate a Director following Completion of the Proposed Transaction.

WAN's existing policy is that a majority of the Board must be independent non-executive directors. Following the Proposed Transaction, if KKR nominates a director then there would be four directors out of eight who are independent non-executive directors, with the result that WAN's existing policy will not be complied with. WAN however believes that having half of the Board as independent non-executive directors is appropriate following the Proposed Transaction.

10.9.7 New Director profiles

See Section 6.7 for Director profiles.

10.10 Key employment contracts

CEO's employment contract

Mr David Leckie, proposed Group Chief Executive Officer and Managing Director of the Combined Group, is employed pursuant to an employment contract for a fixed term ending on 30 June 2012, after which the employment can be terminated by either party by providing the other party with six month's notice. Mr Leckie's fixed annual remuneration (including base salary and superannuation) under his employment contract is \$2,500,000. If the Company terminates Mr Leckie's employment (other than for cause), Mr Leckie

will be entitled to payment of an amount equivalent to that which he would have been entitled if he had served out the remainder of his term. Mr Leckie may become entitled to participate in the STI and LTI plans referred to in Section 6.9.2.

10.11 Interests of experts and advisers

J.P. Morgan and UBS AG are acting as Joint Lead Managers and underwriters for the Offer. The Joint Lead Managers are entitled to receive the fees and commissions described in the summary of the Underwriting Agreement in Section 10.4.4. The Co-Lead Manager's and Co-Manager's fees will be paid directly by the Joint Lead Managers. Each Co-Manager will be paid a fee of 1.5% on the value of any firm allocation of New Shares made to them under the Public Offer. In addition Patersons Securities Limited will be paid a fixed fee of \$200,000 in their capacity as Co-Manager. All amounts include GST where applicable. The Co-Lead Manager is an affiliate of Kohlberg Kravis Roberts & Co. L.P. KKR will receive benefits under transactions described in this Prospectus, as an owner of SMG and under the KKR Investment.

PricewaterhouseCoopers Securities Ltd. has prepared the Investigating Accountant's Report. WAN has agreed to pay \$650,000 for such services to the date of this Prospectus. Further amounts may be paid to PricewaterhouseCoopers Securities Ltd. in accordance with its usual time-based charges.

Allens Arthur Robinson has acted as Australian Legal Adviser to WAN in connection with the Offer and has performed work in relation to the Australian due diligence enquiries on legal matters. WAN has agreed to pay \$1.2 million for such services to the date of this Prospectus. Further amounts may be paid to Allens Arthur Robinson in accordance with its usual time-based charges.

O'Sullivan Partners has acted as financial advisor to WAN in connection with the Offers. WAN has agreed to pay O'Sullivan Partners a fee of \$500,000 on completion of the Offers.

Australian Executor Trustees Limited has agreed to act as CULS Trustee in relation to the issue of the CULS. WAN has agreed to pay the CULS Trustee an establishment fee of \$5,000 and a trustee fee of \$20,000 for an initial six month period, and then \$1,500 per month thereafter if the CULS have not been converted.

Other than as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus (each, a relevant person) holds at the date of this Prospectus, or has held in the two years prior to the date of this Prospectus, any interest in:

- The formation or promotion of WAN;
- The Offer; or
- Any property acquired or proposed to be acquired by WAN in connection with its formation or promotion of the Offer.

Other than as set out in this Prospectus, no one has paid or agreed to pay any amount, or given or agreed to give any benefit, to such relevant persons for services provided in connection with the formation or promotion of WAN or the Offer.

10.12 Consents to be named

Each of the parties named as consenting parties in Table 30:

- a) Has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to be named in this Prospectus in the form and context in which it is named;
- b) Has not made, or purported to make, any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in paragraph (a) above and paragraph (e) below;
- c) Has not authorised or caused the issue of this Prospectus, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this Prospectus;
- d) To the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus or any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified in paragraph (e) below; and
- e) In the case of:
 - i) PricewaterhouseCoopers Securities Ltd has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of the Investigating Accountant's Report in Section 7;
 - ii) Ernst & Young has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of references to its conclusion in the Independent Expert's Report; and
 - iii) SGH has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its consent to the inclusion in this Prospectus of the SMG Information, for which it is responsible.

TABLE 30: CONSENTING PARTIES

Role	Consenting Party
Joint Lead Managers and Underwriters	J.P. Morgan Australia Limited UBS AG, Australia Branch
Co-Lead Manager	KKR Capital Markets LLC
Co-Managers	Bell Potter Securities Limited Ord Minnett Limited Patersons Securities Limited UBS Wealth Management Limited
Financial Adviser	O'Sullivan Partners
Australian Legal Adviser	Allens Arthur Robinson
Investigating Accountant	PricewaterhouseCoopers Securities Ltd
Auditor	PricewaterhouseCoopers
Independent Expert	Ernst & Young Transaction Advisory Services Limited
Share Registry	Computershare Investor Services Pty Limited
CULS Trustee	Australian Executor Trustees Limited Seven Group Holdings Limited

10.13 Privacy

WAN and the Registry collect personal information from you in order to process your Application, administer your investment and to provide you with services related to your investment. To do that, WAN and the Registry may disclose your personal information to our agents, contractors or third-party service providers to whom they outsource services such as mailing functions, registry and accounting. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

WAN and the Registry may also use your personal information to tell you about other products and services offered by WAN or the Registry, and in order to do that WAN and the Registry may disclose your information to other companies in their groups, or to their agents, contractors or third-party service providers to whom they outsource services such as mailing functions, registry and accounting. WAN may also disclose your personal information to your financial adviser.

Additional information (continued)

Please contact the Registry as follows if you do not consent to WAN or the Registry using or disclosing your personal information:

Computershare Investor Services Pty Limited
45 St George's Terrace
Perth WA 6000

It is important that you contact the Registry because, by investing in WAN, you will be taken to have consented to these uses and disclosures. In most cases you can gain access to the personal information that WAN and the Registry hold about you. WAN and the Registry aim to ensure that personal information retained about you is accurate, complete and up to date. To assist WAN and the Registry with this, please contact the Registry if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it.

You can obtain a copy of WAN's privacy policy electronically at www.thewest.com.au.

10.14 Governing law

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia.

10.15 Directors' consents

Each of the Directors and David Leckie, as a proposed Director, has consented to the lodgement of this Prospectus with ASIC.

CULS Terms of Issue

1. Form and Issue Price

1.1 Form

- a) CULS are convertible, unsecured, redeemable, loan notes issued by WAN under the Trust Deed.
- b) Holders are entitled to the benefit of, and are bound by the provisions of, the Trust Deed.
- c) Holders are bound by these Terms of Issue.

1.2 Issue Price

Each of the CULS to be issued to the Holders by WAN under the Trust Deed:

- a) will have an Issue Price of \$5.20; and
- b) must be paid for in full on application.

1.3 Ranking

- a) CULS are unsecured obligations of WAN, and rank equally without any preference among themselves.
- b) On the Winding Up of WAN, the rights of the Holders shall rank *pari passu* with all other unsecured creditors of WAN.
- c) Other than:
 - i) the issue of WAN Shares under the subscription agreement between KKR and WAN dated on or about the date of the Trust Deed;
 - ii) the issue of WAN Shares under the Public Offer;
 - iii) the issue of WAN Shares under the share sale agreement between Seven Group Holdings Ltd (ACN 142 003 469) (as vendor) and WAN in relation to sale of the shares in SMG H1 Pty Limited (ACN 122 708 007), dated on or about the date of the Trust Deed (**Share Sale Agreement**);
 - iv) the issue of convertible preference shares in WAN under the Share Sale Agreement;
 - v) the conversion of CULS into new WAN Shares as contemplated by these Terms of Issue; or
 - vi) the issue of WAN Shares under an employee share plan of WAN in existence at the date of the Trust Deed,

WAN may not create or issue any class of equity securities, or securities with rights of conversion into WAN equity, without the consent of the Holders given by Special Resolution.

1.4 Repayment

Subject to clause 1.3(a), CULS will be repayable only upon:

- a) the redemption of the CULS in accordance with these Terms of Issue; or
- b) the Winding Up of WAN.

2. No interest

Except as set out in clause 5.3(b), no interest is payable by WAN on each of the CULS issued under the Trust Deed.

3. Conversion

3.1 Conversion following Completion

- a) WAN must make an announcement to ASX as soon as reasonably practicable after WAN becomes aware that all conditions precedent to the Share Sale Agreement have been satisfied or waived in accordance with their terms and must specify in that announcement the Conversion Date and the Record Date in respect of conversion of CULS and any other information required by ASX.
- b) If all conditions precedent to the Share Sale Agreement have been satisfied or waived in accordance with their terms, all CULS will convert into new WAN Shares on the Conversion Date in accordance with this clause 3.
- c) If any of the steps to have occurred on completion under the Share Sale Agreement prior to the Conversion Date have not occurred by that date (the **Relevant Date**), then:
 - i) conversion of CULS will not occur on the Relevant Date;
 - ii) WAN must announce to ASX on the Relevant Date that conversion will not occur on that date, and may in that announcement specify a new Conversion Date, which must be no later than 5 Business Days after the Relevant Date.

WAN may only specify a new Conversion Date under this paragraph (c) once.

3.2 Conversion

On conversion of CULS under these Terms of Issue:

- a) WAN will redeem each CULS of all Holders as at the Record Date for an amount equal to its Issue Price and apply the whole of the redemption proceeds in respect of each Holder's CULS towards the subscription by that Holder of the number of new WAN Shares calculated in accordance with clause 3.3; and
- b) each Holder as at the Record Date irrevocably and unconditionally:
 - i) acknowledges that the application of the redemption proceeds in accordance with paragraph (a) is in full and final satisfaction of all amounts payable by WAN to that Holder in respect of the Holder's CULS;
 - ii) consents to the cancellation by WAN of the certificate (if any) for the Holder's CULS; and
 - iii) consents to be a member of WAN and agrees to be bound by the Constitution and issued the number of new WAN Shares calculated in accordance with clause 3.3.

3.3 Conversion Ratio

Subject to these Terms of Issue, each CULS will be converted on the Conversion Date into the number of new WAN Shares equal to the Conversion Ratio, which, subject to adjustment in accordance with clause 3.5, will be one new WAN Share for every CULS.

CULS Terms of Issue (continued)

3.4 Notice of Conversion

WAN will provide notice to:

- a) each relevant Holder and the Trustee that its CULS have been converted into new WAN Shares under these Terms of Issue within 5 Business Days of the Conversion Date; and
- b) each regulatory authority of the conversion of CULS under these Terms of Issue in accordance with all applicable laws.

3.5 Adjustment to Conversion Ratio for Capital Reconstruction

- a) Other than those issues of WAN Shares referred to in clause 1.3(c), if at any time WAN Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, or there is a bonus issue or rights issue in relation to the WAN Shares, WAN must adjust the Conversion Ratio taking into account such reconstruction, consolidation, division, reclassification or bonus issue or rights issue in accordance with the Listing Rules (as if the CULS were shares in WAN).
- b) Any adjustment of the Conversion Ratio under clause 3.5(a) will be taken to be an alteration to these Terms of Issue and will be binding on all Holders and effective on delivery of the instrument of amendment to the Trustee and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

4. Redemption rights

4.1 Redemption

- a) WAN must announce to ASX the occurrence of any of the following events as soon as reasonably practicable:
 - i) the Share Sale Agreement being terminated in accordance with its terms;
 - ii) WAN forming the view, acting reasonably, that conversion of the CULS will not occur prior to the Maturity Date;
 - iii) the resolutions put to WAN shareholders at an extraordinary general meeting to (among other things) approve the transactions contemplated in the Share Sale Agreement are not passed; or
 - iv) the date that is 10 Business Days before the Maturity Date, unless WAN has already made an announcement under clause 3.1(a),and must specify in the announcement the Redemption Date and the Record Date in respect of redemption of CULS and any other information required by ASX.
- b) If:
 - i) WAN makes an announcement under clause 4.1(a); or
 - ii) CULS remain on issue immediately prior to the Maturity Date, WAN must redeem all of the CULS in accordance with this clause 4 on the Redemption Date.

4.2 Payment

On the redemption of any CULS under these Terms of Issue (other than under clause 3.2), including under this clause 4, WAN must on the Redemption Date pay to each Holder as at the Record Date an amount equal to:

- a) the Redemption Premium for each CULS held by the Holder that is being redeemed; and
- b) the Issue Price for each CULS held by the Holder that is being redeemed.

5. Enforcement

5.1 Events of Default

Subject to clause 5.2, an Event of Default occurs when WAN fails to comply with any of its material obligations under the Trust Deed or these Terms of Issue and, if in the reasonable opinion of the Trustee that failure can be remedied, the failure is not remedied to the reasonable satisfaction of the Trustee within 10 Business Days (or such longer period as the Trustee may permit) after notice of the failure has been given to WAN by the Trustee.

5.2 Exception

The non-payment by WAN of any amount due and payable in respect of any of the CULS:

- a) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment; or
 - b) (subject as provided in the Trust Deed) in cases of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given by an independent counsel acceptable to the Trustee as to such validity or applicability,
- is not an Event of Default for the purposes of clause 5.1.

5.3 Consequences

- a) Upon the occurrence of an Event of Default under clause 5.1 which continues, the Trustee may institute proceedings against WAN as it may think fit on account of that Event of Default.
- b) Upon the occurrence of an Event of Default under clause 5.1 where WAN has breached its obligation under clauses 3.2 or 4.2 and such breach continues, interest will accrue from the date of such breach on the sum of the Issue Price plus the Redemption Premium payable as at the date of such breach at the Default Rate until the date upon which Holders receive payment of all amounts outstanding in relation to the CULS.

5.4 Trustee not bound to enforce

The Trustee shall not in any event be bound to take any action referred to in clause 5.3 unless:

- a) it has been so directed by a Special Resolution; and
- b) it has first been indemnified to its satisfaction by the Holders against all costs, charges, liabilities and expenses which may be incurred by it in connection with that action.

5.5 Holders' right to enforce

No Holder is entitled to proceed directly against WAN to enforce any right or remedy under or in respect of any CULS unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure is continuing, in which case any such Holder may, upon giving an indemnity satisfactory to the Trustee (unless clause 5.4 paragraph (b) has previously been satisfied), itself institute proceedings against WAN for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

6. Payments

6.1 Deductions

- a) WAN may deduct from any amount payable to a Holder the amount of any Tax required by law to be withheld or deducted in respect of such amount.
- b) WAN must pay the full amount required to be withheld or deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law and must, if required by any Holder, deliver to that Holder the relevant receipt issued by the revenue authority without unreasonable delay after it is received by WAN.
- c) If WAN is required by law to withhold or deduct from any amount payable to a Holder the amount of any Tax, WAN shall pay such additional amounts to the Holder as are necessary to ensure that the Holder receives, in total, an amount equal to the amount that it would have received if no such deduction or withholding had been required, provided that no additional amounts shall be payable for or on account of:
 - i) any Tax that would not have been required to be withheld or deducted if the Holder or beneficial owner of such CULS complied with WAN's request to provide information concerning his, her or its nationality, residence or identity or to make a declaration, claim or filing or satisfy any requirement for information or reporting that is required to establish the eligibility of the Holder or beneficial owner of such CULS to receive the relevant payment without (or at a reduced rate of) withholding or deduction for or on account of any such Tax;
 - ii) any Tax that would not have been imposed but for the Holder or beneficial owner of such CULS being an associate (as defined in section 128F of the Tax Act) of WAN; or
 - iii) any combination of the foregoing.

6.2 No set-off

A Holder has no right to set-off or withhold any amounts owing by it to WAN against claims owing by WAN to the Holder.

6.3 Payment method

Any amount payable to Holders in respect of the CULS in accordance with these Terms of Issue will, unless WAN and the Holder otherwise agree, be paid by direct credit to an account nominated by the Holder (whether for the purpose of the CULS or for the purpose of payment of dividends by WAN) at an Australian financial institution or by cheque drawn in favour of such Holder and sent by prepaid post to the address of the Holder in the Register. Where payment is made by cheque, it will be deemed to be made on the date the cheque is posted.

7. General

7.1 Quotation

WAN must use all reasonable endeavours and provide all such documents, information and undertakings as may be reasonably necessary in order to procure and maintain official quotation of:

- a) CULS; and
- b) new WAN Shares issued on conversion of CULS, on the stock market conducted by ASX.

7.2 Ranking of new WAN Shares

Each new WAN Share issued on a conversion of a CULS will, as from the Conversion Date, rank equally in all respects with the WAN Shares, except that they will not be entitled to any dividend or any other distribution or entitlement that has been declared or determined but not paid as at the Conversion Date.

7.3 Voting

Holders may attend general meetings of WAN but CULS do not carry a right to vote at a general meeting of WAN, unless provided for by the Listing Rules or the Corporations Act.

7.4 Dividends

CULS do not carry any right to dividends of WAN.

7.5 Reporting requirements

- a) WAN will observe the reporting requirements set out in the Trust Deed, including the requirement to provide reports on the financial performance of WAN.
- b) WAN will send to each Holder and the Trustee a copy of all reports, notices and announcements sent to holders of shares held in the capital of WAN at the time they are sent.

7.6 CULS redeemed

All CULS redeemed by WAN in accordance with these Terms of Issue will thereupon be cancelled and may not be reissued.

7.7 Participation in new issues

CULS confer no rights to subscribe for new securities in WAN, except as contemplated under clause 3.

CULS Terms of Issue (continued)

8. Other

8.1 Non-resident Holder

- a) Where a CULS is held by, or on behalf of, a person resident outside of Australia then, despite anything to the contrary contained in or implied by these Terms of Issue, it is a condition precedent to any right of the Holder:
- i) to receive payment of any monies in respect of the CULS held by that person; or
 - ii) to obtain WAN Shares on conversion of any of the CULS held by that person,
- that all necessary authorisations (if any) and any other statutory requirements which may then be in existence are obtained at the cost of the Holder and satisfied.
- b) For the purposes of clause 8.1(a), authorisation includes any consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority or exemption from, by or with any government or any Government Agency.

8.2 Tracing provisions

- a) WAN may direct a Holder to disclose to WAN:
- i) full details of that Holder's relevant interest in the CULS and of the circumstances that gave rise to that interest;
 - ii) the name and address of each other person who has a relevant interest in any of the CULS together with full details of:
 - A) the nature and extent of the interest; and
 - B) the circumstances that give rise to the other person's interest; and
 - iii) the name and address of each person who has given the person instructions about any matter relating to the CULS, together with full details of those instructions (including the date or dates on which they were given).
- b) A matter referred to in clause 8.2(a)(ii) or 8.2(a)(iii)(a)(iii) need only be disclosed to the extent to which it is known to the Holder who is required to make the disclosure.
- c) The disclosure must be made within 2 Business Days after the Holder is given the direction.
- d) WAN may pass the information in response to a direction to the Trustee and WAN. The Holder authorises and consents to any such disclosure.
- e) For the purposes of this clause 8.2, a 'relevant interest' has the meaning given to that term in section 608 of the Corporations Act except that a reference to the term 'securities' in that section is to CULS.

9. Indemnity to WAN and the Trustee

- a) Whenever in consequence of:
- i) the death of a Holder;
 - ii) the non-payment of any Income Tax or other Tax payable by a Holder;
 - iii) the non-payment of any stamp or other duty by the legal personal representatives of a Holder of that person's estate; or
 - iv) any other act or thing in relation to CULS or a Holder;
- any law for the time being of any country or place, in respect of CULS, imposes or purports to impose any liability of any nature whatever on WAN or the Trustee (as applicable) to make any payments to any Government Agency, WAN and the Trustee (as applicable) will in respect of that liability be indemnified by that Holder and that person's legal personal representatives and any monies paid by WAN or the Trustee (as applicable) in respect of that liability may be recovered from that Holder and/or the Holder's legal personal representative as a debt due to WAN or the Trustee (as applicable) and WAN and the Trustee (as applicable) has a lien in respect of those monies upon the CULS held by that Holder or that person's legal personal representatives and is entitled to set off those monies against any monies payable by it in respect of those CULS.
- b) Nothing in clause 9(a) prejudices or affects any right or remedy which any such law may confer or purport to confer on WAN.

10. Amendments to the Terms of Issue

10.1 Amendment without consent

Subject to complying with all applicable laws, providing the Trustee with a copy of the alteration and the alteration not altering any of the rights and obligations of the Trustee, WAN may, by an instrument in writing, alter without the authority, assent or approval of Holders, these Terms of Issue if the alteration is, in the opinion of an independent counsel appointed jointly by WAN and the Trustee (at the cost of WAN):

- a) of a formal, minor or technical nature;
- b) made to correct a manifest error;
- c) made to comply with any law, the Listing Rules or the listing or quotation requirements of any securities exchange on which WAN may propose to seek quotation of the CULS;
- d) required to facilitate the Proposed Transaction, the Public Offer or the offer of CULS taking place and is not prejudicial to the interests of the Holders, provided alterations of an inconsequential or minor nature are deemed not to be prejudicial; or
- e) will not (taken as a whole and in conjunction with all other alterations, if any, to be made contemporaneously with that alteration) be prejudicial to the interests of the Holders.

10.2 Amendment by Special Resolution

Without limiting clause 10.1, WAN may by an instrument in writing alter these Terms of Issue if:

- a) the alteration has been approved by Holders by a Special Resolution; and
- b) the alteration does not alter any of the rights and obligations of the Trustee.

10.3 Alteration

In this clause 'alter' includes modify, cancel, amend or add to.

11. Notices

11.1 Service of notices

- a) Without limiting anything else in these Terms of Issue, a notice may be given by WAN to any Holder, or in the case of joint Holders to the Holder whose name appears first in the Register, personally, by leaving it at the Holder's registered address or by sending it by prepaid post (airmail if posted to a place outside Australia) or facsimile transmission addressed to the Holder's registered address or, in any case, by other electronic means determined by the board of directors of WAN. If the notice is signed, the signature may be original or printed.
- b) A notice given by a Holder to WAN must:
 - i) be in writing; and
 - ii) be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by WAN, or sent by facsimile transmission to the fax number below or the fax number last notified by WAN:

Company Secretary
West Australian Newspapers Holdings Limited
Newspaper House
50 Hasler Road
Osborne Park WA 6017
Australia

11.2 When notice considered to be received

- a) Subject to clause 11.2(b), any notice is taken to be given:
 - i) if served personally or left at the intended recipient's address, when delivered;
 - ii) if sent by post, on the first Business Day after it is mailed in a prepaid envelope to the intended recipient's address; and
 - iii) if sent by facsimile or other electronic transmission, on production of a report by the machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error;
- b) Any notice given by a Holder to WAN will be taken to be given only on receipt by WAN of that notice.

11.3 Notice to transferor binds transferee

Every person who, by operation of law, transfer or any other means, becomes entitled to be registered as the holder of any CULS is bound by every notice which, prior to the person's name and address being entered in the Register, was properly given to the person from whom the person derived title to those CULS.

11.4 Service on deceased Holder

A notice served in accordance with this clause 11 is (despite the fact that the Holder is then dead and whether or not WAN has notice of the Holder's death) considered to have been properly served in respect of any CULS, whether held solely or jointly with other persons by the Holder, until some other person is registered in the Holder's place as the Holder or joint Holder. The service is sufficient service of the notice or document on the Holder's personal representative and any person jointly interested with the Holder in the CULS.

12. Governing law and jurisdiction

12.1 Governing law

CULS and these Terms of Issue are governed by the laws of Western Australia.

12.2 Jurisdiction

- a) WAN and each Holder submits to the non exclusive jurisdiction of the courts exercising jurisdiction in Western Australia in connection with matters concerning the CULS or these Terms of Issue.
- b) WAN and each Holder waives any right they have to an action being brought in those courts, or to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

13. Definitions and interpretation

13.1 Definitions

The following definitions apply in these Terms of Issue:

ASTC means ASX Settlement Pty Ltd (ACN 008 504 532).

ASTC Settlement Rules means the settlement rules of ASTC as amended or replaced from time to time.

ASX means ASX Limited (ACN 008 624 691).

Business Day has the same meaning as in the Listing Rules.

Constitution means the constitution of WAN.

Conversion Date means, subject to clause 3.1(c), the earlier of:

- a) the date specified in the announcement made by WAN in accordance with clause 3.1(c), which must be no more than 10 Business Days after the date of the announcement; and

CULS Terms of Issue (continued)

- b) the date which is 15 Business Days after the date on which all conditions precedent to the Share Sale Agreement are satisfied or waived in accordance with their terms,

however in all circumstances the Conversion Date must be prior to the Maturity Date.

Conversion Ratio has the meaning given to it in clause 3.3.

Corporations Act means the *Corporations Act 2001* (Cth).

CULS means the convertible unsecured redeemable loan notes issued or to be issued by WAN on these Terms of Issue.

Default Rate means the average mid rate for bills of exchange of a term of 30 days, which average rate (expressed as a percentage per annum) is displayed on the Reuters page designated BBSW (or any page which replaces that page) on the 14th day of each month (or if that is not a Business Day, the immediately preceding Business Day), or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Sydney time) on that date, the rate specified in good faith by WAN having regard, to the extent possible, to:

- the rates otherwise bid and offered for bills of that term or for funds of that tenor displayed on the page BBSW (or any page which replaces that page) at that time on that date; and
- if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time,

plus a margin of 2%.

Event of Default has the meaning given in clause 5.1.

Government Agency means a government or a governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority tribunal, agency or entity.

GST has the meaning given in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Holder in relation to CULS means a person whose name is for the time being registered in the Register as the holder of the CULS.

Income Tax means any tax which is assessed, levied, imposed or collected on net income or capital gains by or on behalf of any Government Agency and includes any interest, fine, penalty, charge, fee or other amount imposed in respect of the above.

Issue Price means, in relation to CULS, the principal amount specified in clause 1.2(a).

KKR means funds affiliated with Kohlberg Kravis Roberts & Co. L.P.

Listing Rules means the listing rules of ASX as amended or replaced from time to time.

Maturity Date means 30 June 2011.

Proposed Transaction has the meaning given in the Prospectus.

Prospectus means the prospectus issued or to be issued by WAN in relation to the offer of the CULS and the Public Offer dated on or around 21 February 2011.

Public Offer means the general public offer of WAN Shares made under the Prospectus.

Record Date means 7.00pm on the Business Day immediately prior to either the Conversion Date or Redemption Date (as applicable) or such other date as required by ASX.

Redemption Date means the earlier of:

- the date specified in the announcement given under clause 4.1(a), which must be no more than 10 Business Days after the date of the announcement; and
- the Maturity Date, or such other date required by ASX.

Redemption Premium means:

- where the Redemption Date is on or before 30 April 2011, an amount equal to 2.5% of the Issue Price for a CULS;
- where the Redemption Date occurs during May 2011, an amount equal to 3.5% of the Issue Price for a CULS; and
- where the Redemption Date occurs during June 2011, an amount equal to 4.5% of the Issue Price for a CULS.

Register has the meaning given to that term in the Trust Deed

Relevant Date has the meaning given in clause 3.1(c).

Share Sale Agreement has the meaning given in clause 1.3(c)(iii).

Special Resolution has meaning given to that term in the Trust Deed.

Tax means:

- a tax, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding;
- Income Tax;
- stamp or transaction duty, tax or charge; or
- GST,

which is assessed, levied, imposed or collected by, or payable to, a Government Agency (excluding Income Tax other than interest withholding tax) and includes, but is not limited to, interest, fines, penalties, charges, fees or other amounts imposed on or in respect of any of the above.

Tax Act means the Income Tax Assessment Act 1936 (Cth) or Income Tax Assessment Act 1997 (Cth) (as appropriate).

Terms of Issue means these terms and conditions of issue.

Trust means the trust constituted by the Trust Deed.

Trust Deed means the deed dated on or about 21 February 2011 between WAN and the Trustee.

Trustee means Australian Executor Trustees Limited (ACN 007 869 794) in its capacity as trustee of the Trust.

WAN means West Australian Newspapers Holdings Limited (ACN 053 480 845).

WAN Share means a fully paid ordinary share in the capital of WAN.

Winding Up means any of an order being made or an effective resolution being passed that WAN be wound up or the appointment or provisional liquidator of WAN (and where the appointment is made by a court, by a court of competent jurisdiction in Australia).

13.2 Interpretation

In these Terms of Issue, except where the context otherwise requires:

- a) the singular includes the plural and vice versa;
- b) another grammatical form of a defined word or expression has a corresponding meaning;
- c) a reference to a clause or paragraph is to a clause or paragraph of these Terms of Issue;
- d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- e) a reference to A\$, \$A, dollar, \$ or cent is to Australian currency;
- f) a reference to time is to Sydney, Australia time;
- g) a reference to a person includes a reference to the person's executors, administrators, successors and permitted assigns and substitutes;
- h) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- i) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re enactments or replacements of any of them;
- j) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- k) the meaning of general words is not limited by specific examples introduced by including, for example or similar expressions;
- l) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- m) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligations must be performed or the event must occur on or by the next Business Day;
- n) an Event or Default continues until it has been waived in writing by the Trustee as directed to do so by a Special Resolution; and
- o) if a calculation is required under these Terms of Issue, the calculation will be rounded to four decimal places. For the purposes of making any payment in respect of a Holder's aggregate holding of CULS, any fraction of a cent will be disregarded. For the purposes of issuing WAN Shares in respect of a Holder's aggregate holding of CULS, any fraction of a WAN Share will be disregarded.

Glossary and interpretation

Terms and abbreviations	Meaning
\$m or m	Million
1H	First half
1H09	The first half of FY09
1H10	The first half of FY10
1H11	The first half of FY11
1H14	The first half of FY14
2H	Second half
2H10	The second half of FY10
2H11	The second half of FY11F
ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
Acquisition	<p>The acquisition of SMG by WAN for the following consideration:</p> <ul style="list-style-type: none"> the issue of \$1,081 million in WAN Shares; the issue of \$250 million in CPS to SGH; the repayment of a \$650 million SGH loan owed by SMG; and the assumption by WAN of \$2,104 million of external net debt on a pro forma basis, <p>in accordance with the Share Sale Agreement</p>
Adjustment Factor	The EPS adjustment factor calculated in accordance with Section 6.10.8
AFL	Australian Football League
AIFRS	Australian equivalent to International Financial Reporting Standards
Applicant	A person who submits a valid Application in relation to the Entitlement Offer and/or the Public Offer (as applicable) pursuant to this Prospectus
Application	<p>In relation to:</p> <ul style="list-style-type: none"> the Entitlement Offer, an application to subscribe for CULS made on a personalised Application Form and accompanied by Application Monies, or by payment of Application Monies by BPAY; and/or the Public Offer, an application to subscribe for New Shares made on an Application Form and accompanied by Application Monies, or by payment of Application Monies by BPAY
Application Form	The form attached to or accompanying this Prospectus (including the electronic application form provided by an online application facility) under which Applications for CULS and/or New Shares may be made
Application Monies	Monies received from Applicants in respect of their Applications
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691), or the market operated by it, the Australian Securities Exchange, as the context requires

BBR	Bank Bill Rate
BBSW	Bank Bill Swap reference rate
Board	The board of Directors of WAN
BPAY	® Registered to BPAY Pty Limited (ABN 69 079 137 518)
Broadcasting Services Act	<i>Broadcasting Services Act 1992</i> (Cth)
Business Day	Has the meaning given in the Listing Rules
CAGR	Compounded Annual Growth Rate
CHESS	The clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited
Co-Lead Manager	KKR Capital Markets LLC
Co-Managers	Bell Potter Securities Limited; Ord Minnett Limited; Patersons Securities Limited; and UBS Wealth Management Australia Ltd
Combined Group	WAN following Completion of the Proposed Transaction
Combined Group Financial Information	Has the meaning set out in Section 6.10
Combined Group Management Team	The proposed senior management team of the Combined Group as set out in Section 6.8
Combined Group Pro Forma Forecast Financial Information	Has the meaning set out in Section 6.10
Combined Group Pro Forma Historical Financial Information	Has the meaning set out in Section 6.10
Combined Group Pro Forma Net Debt	Interest bearing liabilities less cash and cash equivalents in the Combined Group Pro Forma Balance Sheet as at 31 December 2010, as set out in Section 6.11
Community Newspaper Group	Community Newspaper Group Limited (ACN 009 128 081)
Completion	Completion of the Proposed Transaction in accordance with the Share Sale Agreement
Completion Date	The date on which Completion takes place
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CPS	Convertible Preference Shares issued by WAN as further outlined in Section 10.5
CPS Terms of Issue	The terms of issue of the CPS, a summary of which is set out in Section 10.5
CULS	Convertible unsecured loan securities issued or to be issued by WAN under the CULS Terms of Issue
CULS Conversion Date	The "Conversion Date" as defined in the CULS Terms of Issue, being the date on which CULS convert to WAN Shares if conversion of CULS occurs
CULS Holder	A holder of CULS from time to time
CULS Maturity Date	30 June 2011

Glossary and interpretation (continued)

CULS Redemption Date	The "Redemption Date" as defined in the CULS Terms of Issue, being the date on which CULS will be redeemed if conversion of CULS does not occur
CULS Terms of Issue	The CULS Terms of Issue as detailed in Appendix A
CULS Trust	The trust constituted by the CULS Trust Deed
CULS Trust Deed	The deed dated 21 February 2011 between WAN and the CULS Trustee
CULS Trustee	Australian Executor Trustees Limited (ACN 007 869 794) in its capacity as trustee of the CULS Trust
CY	Calendar Year
Director	A director of WAN
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	The Extraordinary General Meeting to be held pursuant to the Notice of Meeting
Eligible Institutional Shareholder	A WAN Shareholder as at the Entitlement Offer Record Date to whom WAN or the Joint Lead Managers have extended an offer to subscribe for CULS under the Institutional Entitlement Offer (either directly or through a nominee) on the belief that they were an Institutional Investor
Eligible Investor	<p>A person who is:</p> <ul style="list-style-type: none"> • an investor resident in Australia or New Zealand; • not in the United States and is not acting for the account or benefit of a person in the United States (to that extent); and • is eligible under all applicable securities laws to receive an offer under the Public Offer
Eligible Retail Shareholder	<p>A person who, as determined by WAN in its absolute discretion:</p> <ul style="list-style-type: none"> • is registered as a WAN Shareholder as at 4.00pm Perth time / 7.00pm Sydney time on 24 February 2011 (the Entitlement Offer Record Date); • has a registered address in Australia or New Zealand; • is not in the United States and is not acting for the account or benefit of a person in the United States; • is not an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder and does not hold WAN Shares on behalf of an Eligible Institutional Shareholder or an Ineligible Institutional Shareholder (to that extent); and • is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer
Eligible Shareholder	A person who is an Eligible Institutional Shareholder or an Eligible Retail Shareholder
Entitlement	The number of CULS for which an Eligible Shareholder is entitled to subscribe for under the Entitlement Offer, on the basis of 4 CULS for every 7 existing WAN Shares held as at the Entitlement Offer Record Date, subject to rounding up and to the terms of the Entitlement Offer
Entitlement Offer	The offers of approximately 125.5 million CULS to Eligible Shareholders detailed in this Prospectus comprising the Institutional Entitlement Offer and the Retail Entitlement Offer

Entitlement Offer Closing Date	2.00pm Perth time/5.00pm Sydney time on 18 March 2011
Entitlement Offer Period	The period from the date of this Prospectus until (and including) the Entitlement Offer Closing Date
Entitlement Offer Record Date	4.00pm Perth time/7.00pm Sydney time on 24 February 2011
EPS	Earnings per share
EV	Enterprise Value being the value of equity plus net debt
Explanatory Memorandum	The Explanatory Memorandum which is expected to be despatched to WAN Shareholders on or about 11 March 2011 issued in relation to the Proposed Transaction
FIRB	Foreign Investment Review Board
Free Cash Flow	EBITDA plus dividends received from equity accounted investees, adjusted for movements in working capital, less capital expenditure
FTA	Free-to-air
FY	Financial Year, being: <ul style="list-style-type: none"> • for WAN, the 52 week period ending on 30 June in the relevant year; • for SMG, the 52 week period ending on the last Saturday of June in the relevant year; and • for the Combined Group, the 52 week period ending on 30 June in the relevant year
FY11F	The forecast financial year: <ul style="list-style-type: none"> • for WAN, ending 30 June 2011; • for SMG, ending 25 June 2011; and • for the Combined Group, ending 30 June 2011
FY11PF	The forecast pro forma financial year ending 30 June 2011
HIN	Holder Identification Number
IFRA	World Association of Newspapers and News Publishers
Independent Board Committee	The Board committee constituted of Independent Directors
Independent Directors	Mr Doug Flynn, Mr Graeme John AO, Mr Don Voelte and Mr Sam Walsh AO
Independent Expert	Ernst & Young Transaction Advisory Services Limited (ABN 87 003 599 844) holder of Australian Financial Services Licence No. 240585
Independent Expert's Report	The report prepared by the Independent Expert to be included in the Notice of EGM and Explanatory Memorandum for the sole use by WAN Shareholders with respect to their decision whether or not to approve the resolutions required by ASX Listing Rule 10.1 and item 7 of section 611 of the Corporations Act

Glossary and interpretation (continued)

Ineligible Institutional Shareholder	<p>A WAN Shareholder as at the Entitlement Offer Record Date who is not an Eligible Institutional Shareholder and who WAN and the Joint Lead Managers determine:</p> <ul style="list-style-type: none">• although an Institutional Investor, should not receive an offer under the Institutional Entitlement Offer in accordance with Listing Rule 7.7.1(a); or• although not an Institutional Investor, is a person to whom offers and issues of CULS could lawfully be made in Australia without the need for disclosure under Chapter 6D of the Corporations Act if that WAN Shareholder had received the offer in Australia, and who should be treated as an Ineligible Institutional Shareholder for the purposes of the Entitlement Offer, <p>provided that any such WAN Shareholder that is in the United States and any WAN Shareholder who holds WAN Shares for the account or benefit of such a person in the United States to the extent that person holds WAN Shares for the account or benefit of such a person in the United States, is an Ineligible Institutional Shareholder</p>
Ineligible Retail Shareholder	<p>A WAN Shareholder as at the Entitlement Offer Record Date to the extent they are not an Eligible Shareholder or an Ineligible Institutional Shareholder, and to the extent they do not hold WAN Shares on behalf of Eligible Institutional Shareholders or Ineligible Institutional Shareholders, provided that any such holder of WAN Shares that is in the United States and any holder of WAN Shares who holds WAN Shares for the account or benefit of a person in the United States to the extent that person holds WAN Shares for the account or benefit of a person in the United States, is an Ineligible Retail Shareholder</p>
Institutional Entitlement Offer	<p>The offers of CULS to Eligible Institutional Shareholders as described in this Prospectus</p>
Institutional Investor	<p>A person:</p> <ul style="list-style-type: none">• who the Joint Lead Managers reasonably believe to be a person to whom offers of CULS may lawfully be made without issue of a prospectus under Chapter 6D of the Corporations Act, any other lodgement, registration or approval with or by a Governmental agency (other than one with which WAN is willing to comply), and subject to the foregoing, may include brokers bidding on behalf of their Australian retail clients; or• to whom an offer of CULS may be made outside Australia in a jurisdiction approved by the Company without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that particular foreign jurisdiction (except to the extent which WAN is willing to comply with such requirements), <p>provided that person is not in the United States or acting for the account or benefit of a person in the United States</p>

Institutional Shareholder	<p>A person:</p> <ul style="list-style-type: none"> • who the Joint Lead Managers reasonably believe to be a person to whom offers of CULS may lawfully be made without issue of a prospectus under Chapter 6D of the Corporations Act, any other lodgement, registration or approval with or by a governmental agency (other than one with which WAN is willing to comply), and subject to the foregoing, may include brokers bidding on behalf of their Australian retail clients; or • to whom an offer of CULS may be made outside Australia in a jurisdiction approved by the Company without registration, lodgement of a formal disclosure document or other formal filing in accordance with the laws of that particular foreign jurisdiction (except to the extent which WAN is willing to comply with such requirements), <p>provided that person is not in the United States or acting for the account or benefit of a person in the United States</p>
Investigating Accountant	PricewaterhouseCoopers Securities Ltd (ACN 003 311 617) holder of Australian Financial Services Licence No. 244572
Investigating Accountant's Report	The report prepared by the Investigating Accountant set out in this Prospectus
IPTV	Internet Protocol Television
Issue Price	\$5.20 per security. The Issue Price is the same for both the Entitlement Offer and the Public Offer
jobsjobsjobs	jobsjobsjobs Pty Ltd (ACN 120 627 385)
Joint Lead Managers	J.P. Morgan Australia Limited (ACN 002 888 011) and UBS AG, Australia Branch (ARBN 088 129 613)
KKR	Funds affiliated with Kohlberg Kravis Roberts & Co. L.P.
KKR Investment	The subscription by KKR, mezzanine investors and members of management relating to SMG for 77.0 million WAN Shares at the KKR Issue Price pursuant to the KKR Subscription Agreement
KKR Issue Price	\$5.99 per share
KKR Subscription Agreement	The subscription agreement between WAN and KKR dated 21 February 2011 as described in Section 10.4.2
Listing Rules	The listing rules of ASX
LTM	The last 12 months
Maturity Date	The CULS maturity date as defined in Section 1
Murdoch Magazines	Murdoch Magazines Pty. Ltd., now Pacific MM Pty. Ltd (ACN 007 619 767)
Net Debt	Interest bearing liabilities less cash and cash equivalents
New Shares	New WAN Shares offered under the Public Offer
Nine	The television business of Nine Entertainment Co Pty Ltd (ACN 122 205 065)
Notice of EGM	The notice of meeting set out in the Explanatory Memorandum and any notice of any adjournment of the meeting
NPAT	Net Profit After Tax

Glossary and interpretation (continued)

NRL	National Rugby League
O'Sullivan Partners	O'Sullivan Partners (Advisory) Pty Ltd (ACN 111 843 737)
Offers	The Entitlement Offer and the Public Offer
OzTips	OzTips.com produced by NextGen Sports Pty. Ltd. (ACN 091 602 229)
P/E	Price to earnings ratio
Pacific Magazines	The magazine publishing business operated by SMG
Proposed Transaction	The Acquisition and the KKR Investment
Proposed Transaction Agreements	<p>The following agreements:</p> <ul style="list-style-type: none"> a) the Share Sale Agreement; b) the KKR Subscription Agreement; c) the Underwriting Agreement; d) the SGH Sell Down Underwriting Agreement; and e) the SGH H5 Agreement which relates to ongoing rights of SGH and Kohlberg Kravis Roberts & Co. L.P. in relation to SMG H4 Pty Ltd and SMG H5 Pty Ltd
Prospectus	This prospectus prepared by WAN in relation to the Entitlement Offer and the Public Offer dated 21 February 2011
Public Offer	The public offer of WAN Shares to new and existing shareholders as described in the Prospectus
Public Offer Allotment Date	15 April 2011
Public Offer Closing Date	11 April 2011 or 13 April 2011, depending on the method of payment by applicants
Redemption Premium	An amount calculated by reference to the CULS Issue Price, as set out in the CULS Terms of Issue in Appendix A
Registry	Computershare Investor Services Pty Limited (ACN 078 279 277)
Related Body Corporate	Has the meaning given in Section 50 of the Corporations Act
Retail Entitlement Offer	The offers of CULS to Eligible Retail Shareholders as described in this Prospectus
Retail Entitlement Offer Allotment Date	29 March 2011
Seven	The primary television channel of that name within the Seven Network
Seven Network	The FTA television broadcast business of SMG
S&P	Standard & Poor's
SGH	Seven Group Holdings Limited (ACN 142 003 469)
SGH Group	SGH and its Related Bodies Corporate, but excluding all members of the SMG H1 Group
SGH Sell Down	The sale by SGH of all of the WAN Shares it held as at 21 February 2011 by way of a block trade to new and existing WAN investors
SGH Sell Down Underwriting Agreement	The underwriting agreement between SGH and the Joint Lead Managers in relation to the underwriting of the SGH Sell down

Share Sale Agreement	The share sale agreement between SGH and WAN as described in Section 10.4.1
Sky News	Australian News Channel Pty Ltd (ACN 068 954 478)
Skywest	Skywest Airlines (Australia) Pty Ltd (ACN 008 997 662)
SMG	<p>As the context requires, either:</p> <ul style="list-style-type: none"> a) business carried out by the SMG H1 Group; or b) of the shares in SMG H1; or c) SMG H1 Group
SMG Information	The factual and historical information regarding SMG contained in Section 5 of this Prospectus and relating to matters, events and circumstances in existence on or before the date on which SGH gave its consent to the form and context in which that information appears in this Prospectus. For the avoidance of doubt, the SMG Information does not include forecast financial information for the half year to 25 June 2011
SMG Management Equity Plan	<p>SMG's current MEP</p> <p>Other than:</p> <ul style="list-style-type: none"> • as required by the Share Sale Agreement or another Proposed Transaction Agreement; • pursuant to the Y Co Restructure (as defined in the Share Sale Agreement); or • as agreed to in writing by WAN, <p>the occurrence of any of the following after the date of the Share Sale Agreement:</p> <ul style="list-style-type: none"> • a material company in the SMG H1 Group converting all or any of its shares into a larger or smaller number of shares; • a material company in the SMG H1 Group resolving to reduce, or reducing, its share capital in any way; • a material company in the SMG H1 Group declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members other than in the ordinary course; • a material company in the SMG H1 Group: <ul style="list-style-type: none"> — entering into a buy-back agreement; or — resolving to approve the terms of a buy-back agreement under the Corporations Act; • a company in the SMG H1 Group issuing shares or securities convertible into shares, or granting an option over its shares or securities convertible into shares, or agreeing to make such an issue or grant such an option; • a material company in the SMG H1 Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; • SGH or a material company in the SMG H1 Group resolving that it be wound up or the making of an application or order for the winding up or dissolution of a company in the SMG H1 Group other than where the application or order (as the case may be) is set aside within 14 days; • a liquidator or provisional liquidator of SGH or a material company in the SMG H1 Group being appointed;
SMG Prescribed Occurrence	

Glossary and interpretation (continued)

SMG Prescribed Occurrence (cont...)	<ul style="list-style-type: none"> a court making an order for the winding up of SGH or a material company in the SMG H1 Group; an administrator of SGH or a material company in the SMG H1 Group being appointed under the Corporations Act; SGH or a material company in the SMG H1 Group procuring or taking any steps to implement a deed of company arrangement with its creditors or any class of them; or a receiver, or a receiver and manager, being appointed in relation to any part of the property of SGH or a material company in the SMG H1 Group.
SMG Standalone Financial Information	Has the meaning set out in Section 5.7
SMG Standalone Pro Forma Forecast Financial Information	Has the meaning set out in Sections 5.7.3, 5.7.4 and 5.7.5
SMG Standalone Pro Forma Historical Financial Information	Has the meaning set out in Sections 5.7.3, 5.7.4, 5.7.5 and 5.7.9
SMG H1	SMG H1 Pty Limited (ACN 122 708 007)
SMG H1 Group	SMG H1 and each of its subsidiaries
SMG Red	The SMG group sales division
SMGL	Seven Media Group Pty Limited
Spreets	Spreets Pty. Limited (ACN 142 688 524)
SRN	Security Reference Number
Tax Sharing Deed	The Seven Network Limited tax sharing deed dated 28 November 2003, as amended by: deed dated 29 December 2006, notice in accordance with clause 4.2(b) of the Tax Sharing Deed dated 11 August 2006, and a further amending deed dated 29 April 2010 which added Seven Group Holdings Limited as head company
Ten	The television business of Ten Network
Ten Network	Ten Network Holdings Limited (ACN 081 327 068)
The West	The West Australian newspaper
Theoretical Ex-Rights Price or TERP	The theoretical price at which WAN Shares should trade immediately after the ex-date for the Entitlement Offer. This is a theoretical calculation and the actual price at which WAN Shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may differ from the Theoretical Ex-Rights Price
Top-Up CULS	Has the meaning given in Section 2.3.11
TSO	Total Shares Outstanding. As at 18 February 2011 WAN had a total of 219,668,970 ordinary shares outstanding
Underwriting Agreement	The underwriting agreement between WAN and the Joint Lead Managers as described in Section 10.4.4
US or United States	The United States of America, its territories and possessions, each state of the United States and the District of Columbia
US Securities Act	US Securities Act of 1933, as amended

VWAP	Volume weighted average price
WAN	West Australian Newspapers Holdings Limited (ACN 053 480 845)
WAN Constitution	The constitution of WAN, as amended
WAN Financial Information	Has the meaning set out in Section 4.5
WAN Group	WAN and each of its Related Bodies Corporate
WAN Prescribed Occurrence	<p>Other than:</p> <ul style="list-style-type: none"> • as required by the Share Sale Agreement or another Transaction Agreement; or • as agreed to in writing by SGH, <p>the occurrence of any of the following after the date of the Share Sale Agreement:</p> <ul style="list-style-type: none"> • a member of the WAN Group converting all or any of its shares into a larger or smaller number of shares; • a member of the WAN Group resolving to reduce, or reducing, its share capital in any way; • a member of the WAN Group declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members other than in the ordinary course; • a member of the WAN Group: <ul style="list-style-type: none"> — entering into a buy-back agreement; or — resolving to approve the terms of a buy-back agreement under the Corporations Act; • a member of the WAN Group issuing shares or securities convertible into shares, or granting an option over its shares or securities convertible into shares, or agreeing to make such an issue or grant such an option; • a member of the WAN Group creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property other than a lien which arises by operation of law or legislation securing an obligation that is not yet due; • a member of the WAN Group (other than a company with less than \$100,000 in total assets as at the date of the Share Sale Agreement) resolving that it be wound up or the making of an application or order for the winding up or dissolution of a member of the WAN Group other than where the application or order (as the case may be) is set aside within 14 days; • a liquidator or provisional liquidator of a member of the WAN Group being appointed; • a court making an order for the winding up of a member of the WAN Group; • an administrator of a member of the WAN Group being appointed under the Corporations Act; • a member of the WAN Group procuring or taking any steps to implement a deed of company arrangement with its creditors or any class of them; or • a receiver, or a receiver and manager, being appointed in relation to any part of the property of a member of the WAN Group.
WAN Shareholder	Each person who is registered as the holder of WAN Shares
WAN Shares	Fully paid ordinary shares in WAN
WAN Standalone	WAN assuming that the Proposed Transaction is not completed

Glossary and interpretation (continued)

WAN Standalone Pro Forma Forecast Financial Information	The meaning set out in Sections 4.5.3 and 4.5.4
WAN Standalone Pro Forma Historical Financial Information	The meaning set out in Sections 4.5.3, 4.5.4 and 4.5.8
WANOS	Weighted average number of shares
WIN	WIN Corporation Pty Ltd (ACN 000 737 404)
Yahoo!	Yahoo! Inc.
Yahoo!7	Yahoo! Australian & NZ (Holdings) Pty Limited (ACN 117 505 450)

All amounts are in Australian dollars unless otherwise stated.

In this Prospectus, unless the context requires otherwise:

- The singular includes the plural, and vice versa;
- Words importing one gender include all genders;
- A reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances or by-laws issued under that statute;
- A reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- A reference to a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- A reference to a body (including an institute, association or authority), whether statutory or not:
 - That ceases to exist; or
 - The powers or function of which are transferred to another body,is a reference to the body that replaces it or substantially succeeds to its powers or functions;
- All dollar amounts are in Australian dollars unless otherwise stated;
- Other grammatical forms of a word or phrase defined in this Prospectus have a corresponding meaning;
- A reference to a Section is a reference to a Section of this Prospectus; and
- The postal acceptance rule does not apply to the Offers and Applications.



Corporate Directory

West Australian Newspapers Holdings Limited

ABN 91 053 480 845

Registered office

Newspaper House
50 Hasler Road
Osborne Park WA 6017
Telephone: (08) 9482 3111
Facsimile: (08) 9482 9080

Postal Address

GPO Box D162
Perth WA 6840

Stock Exchange Listing

Australian Securities Exchange

Financial Adviser

O'Sullivan Partners

Level 32, Deutsche Bank Place
Corner Hunter & Phillip Streets
Sydney NSW 2000

Legal Adviser

Allens Arthur Robinson

Level 28, Deutsche Bank Place
Corner Hunter & Phillip Streets
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited

45 St Georges Terrace
Perth WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Auditor

PricewaterhouseCoopers

Levels 19-21, QV1 Building
250 St Georges Terrace
Perth WA 6000

Joint Lead Managers and Underwriters

J.P. Morgan Australia Limited

Level 32, Grosvenor Place
225 George Street
Sydney NSW 2000

UBS AG, Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Co-Lead Manager

KKR Capital Markets LLC

9 West 57th Street
New York, New York 10019
United States of America

Co-Managers

Bell Potter Securities Limited

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Ord Minnett Limited

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UBS Wealth Management Australia Ltd

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CULS Trustee

Australian Executor Trustees Limited

Level 22, 207 Kent Street
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Investigating Accountant

PricewaterhouseCoopers Securities Ltd

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