ANNUAL REPORT 2012

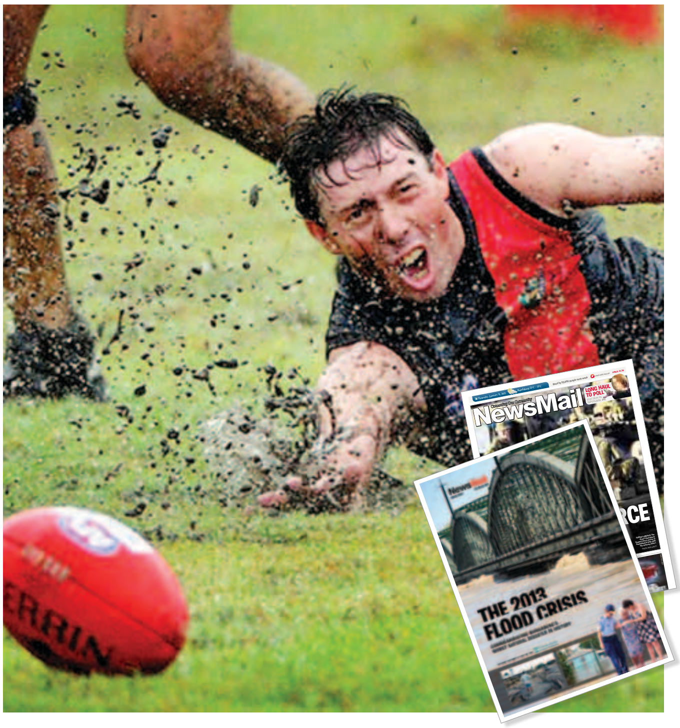
APN NEWS & MEDIA LIMITED
ABN 95 008 637 643

APN
NEWS & MEDIA

APN AT A GLANCE

Contents

Australian Regional Media



APN IS A KEY PUBLISHER IN REGIONAL QUEENSLAND AND NORTHERN NSW.

APN's Australian Regional Media (ARM) portfolio includes 12 daily newspapers, more than 56 non-daily newspapers and over 30 websites.

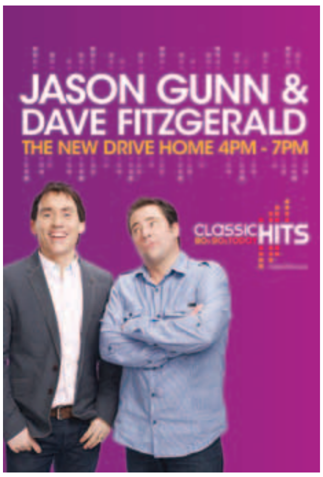
With a publishing footprint from Coffs Harbour to Airlie Beach, ARM connects with over 1.1m consumers every week, providing advertisers with a highly targeted media platform to engage with large regional audiences.

Radio

APN OPERATES TWO SUCCESSFUL RADIO BUSINESSES IN A JOINT VENTURE WITH CLEAR CHANNEL.

Australian Radio Network operates the Mix and Classic Hits networks across Sydney, Melbourne, Adelaide and Brisbane. It also broadcasts The Edge 96.One in Sydney and owns a 50% interest in both 93.7 FM in Perth and Canberra FM Radio.

The Radio Network in New Zealand operates the #1 national network, Newstalk ZB and has three of the top five national networks, Newstalk ZB, Classic Hits and Coast. Its other networks are ZM, Hauraki, Flava and Radio Sport.



New Zealand Media

APN IS NEW ZEALAND'S LEADING PUBLISHER WITH A PORTFOLIO OF NEWSPAPER, DIGITAL AND MAGAZINE TITLES THAT ENGAGE WITH 2.7M PEOPLE EVERY WEEK.

The New Zealand Herald is the country's best selling newspaper, with a brand audience across print and online that has shown double digit growth over the past five years.

APN publishes seven daily regional newspapers and their companion websites and more than 35 community newspapers. The magazine stable includes the New Zealand Woman's Weekly and the New Zealand Listener among its eight titles.

Digital

APN'S DIGITAL PORTFOLIO HAS THREE KEY VENTURES.

GrabOne, the number one group buying business in New Zealand, online shopping club brandsExclusive and digital retail advertising network CC Media.

Digital is also an integral component of APN's publishing, radio and outdoor brands, including digital billboards and the nzherald.co.nz website and iPad app.

Outdoor

APN'S OUTDOOR GROUP CONSISTS OF APN OUTDOOR, ADSHEL AND HONG KONG OUTDOOR.

APN Outdoor offers extensive billboard, transit and airport advertising across Australia and billboard advertising in New Zealand. APN Outdoor is a joint venture with Quadrant Private Equity.

Adshel specialises in street furniture advertising and infrastructure in Australia and New Zealand, delivering high impact campaigns including the use of digital technologies to enable consumers to interact with brands.

In Hong Kong Outdoor, Cody provides premium billboard advertising, and Buspak offers exterior and multimedia bus advertising.

Both Adshel and Hong Kong Outdoor are joint ventures with Clear Channel.

KEY RESULTS

Australian Radio Network, Adshel and GrabOne all achieved record results and won market share in 2012. Australian Regional Media and New Zealand Media made extensive changes to rejuvenate products and reduce costs, however weak advertising markets meant that results for publishing were down overall.

Revenue

$929m

DOWN 13%

EBITDA[1]

$156m[2]

DOWN 25%

The formation of the APN Outdoor joint venture had a major impact on results. Continuing operations delivered revenue of $857m, up 2% and EBITDA of $149m, down 14%.

Adjusted net profit after tax

$54m[2]

IN LINE WITH GUIDANCE

Statutory net loss after tax

($456m)

Statutory net loss after tax includes non-cash impairments of $638m associated with publishing assets.

Net debt reduced by

$180m

- Net debt was reduced by $180m primarily via the formation of the APN Outdoor joint venture
- APN did not pay a final dividend for 2012
- Reducing APN's debt level is an onging objective

1 Earnings before interest, taxes, depreciation and amortisation.
2 Before exceptional items based on segment reporting.

DIVISIONAL HIGHLIGHTS

Publishing

$25m + $25m COST OUT

- Cost initiatives deliver $25m with another $25m expected in 2013
- Relaunch of the weekday New Zealand Herald as a compact
- Transformation of sales and editorial approach in Australia
- Digital first sites deliver $2m EBITDA improvement

Radio

20 ARN OUTPERFORMS THE MARKET FOR 20 CONSECUTIVE MONTHS[3]

- Australian Radio Network (ARN) revenue up 5% while market down 1%. ARN EBITDA up 7%
- ARN achieves highest ratings in target audience in 5 years
- Newstalk ZB remains #1 national station in New Zealand and Coast moves to #1 national music station
- New CEO of The Radio Network driving a program of change with early wins

Outdoor

2% AUS MARKET **17% ADSHEL**

- Australian market up 2%, Adshel revenue up 17% and EBITDA up 29%
- Strategic wins and renewals drive results for Adshel and APN Outdoor
- APN Outdoor at the forefront of rolling out premium digital billboards

Digital

+93% GRABONE REVENUE

- APN increases equity in GrabOne to 100% and acquires 82% of brandsExclusive
- GrabOne revenue up 93% and EBITDA up 7 times
- GrabOne leads New Zealand with approximately 75% market share

2012 Segment result

AUD million (year on year growth %)	Revenue FY 2012	Local currency	As reported	EBITDA FY 2012	Local currency	As reported
Australian Regional Media	248.8	(10%)	(10%)	38.7	(30%)	(30%)
New Zealand Media	287.4	(7%)	(5%)	47.8	(24%)	(23%)
Australian Radio Network	140.0	5%	5%	50.8	7%	7%
The Radio Network (NZ)	86.7	(2%)	(0%)	15.1	(12%)	(11%)
Outdoor group	110.5	(58%)	(58%)	19.6	(57%)	(57%)
Digital group[4]	55.3	367%	374%	(0.8)	82%	82%
Corporate	–	–	–	(15.2)	(7%)	(7%)
Total	**928.6**	**(14%)**	**(13%)**	**156.0**	**(26%)**	**(25%)**

3 At February 2013.
4 Includes businesses acquired during the year.

CHAIRMAN'S REPORT

Dear Shareholder
It is my pleasure to write to you as the Chairman of APN News & Media. I was appointed Chairman on 19 February 2013 and have served on the Board of APN since 2003.

Although it has been an eventful year at APN, particularly over the last couple of months, I wish to assure you that despite the changes in the Board, your Company, supported by a suite of strong media assets with capable executive teams working across the businesses, remains confident of its future.

Despite a difficult and disappointing trading environment in 2012 created by weak advertising markets, our strategy remains to reposition APN for growth.

Worldwide the media industry continues to confront the challenges to newspaper publications. APN is facing similar challenges to its publishing assets in both New Zealand and Australia.

The publishing divisions are pushing through extensive change agendas to re-engineer their business models, revitalise products and drive efficiencies. Cost reduction programs delivered $25m of savings in 2012 with another $25m reduction expected in 2013. Initiatives in the year ahead include the consolidation of print operations and outsourcing.

To some extent the decline in publishing revenue is being offset by strong performances by Australian Radio Network, Adshel and GrabOne. These operations all outperformed the market with gains in revenue, EBITDA and market share. The formation of APN Outdoor as a joint venture leveraged APN's expertise into a well capitalised vehicle. It also improved the balance sheet and created some flexibility to pursue our strategy.

APN strengthened its digital capabilities through the acquisition of 82% of online shopping club brandsExclusive and increasing equity in GrabOne to 100%. The focus now is to drive the performance of the ventures and link them to each other and to APN's publishing, radio and outdoor assets.

The Company reduced net debt by $180m in 2012. Our intention is to reduce debt again this year by $40-$50m through organic cash generation, active management of the cost base and some asset sales. As part of the debt reduction program the Board decided not to pay a final dividend for 2012.

Revenue for the year was $929m and EBITDA[1] was $156m. Net profit after tax and before exceptional items was $54m. Impairment charges of $638m against publishing assets in Australia and New Zealand were recognised during the year. After taking these into account, together with the gain arising on the disposal of APN Outdoor and other exceptional items, the statutory net loss for the year was $456m.

Board renewal
There have been a number of changes to the Board over the past year.

Gavin O'Reilly resigned as Chairman in April 2012 when he stepped down as CEO and Managing Director of Independent News & Media plc (INM). Peter Hunt was appointed Chairman in July 2012. Paul Connolly was appointed as a Non-Executive Director in October 2012.

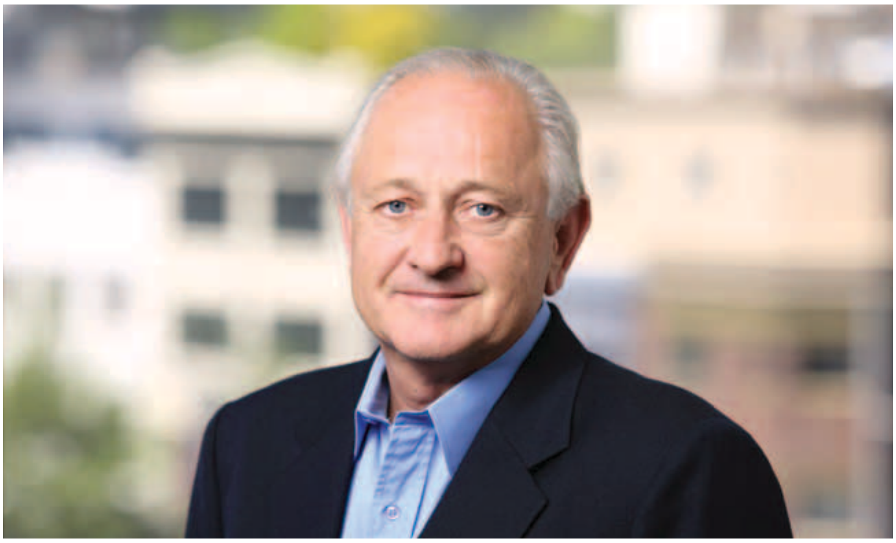
On 18 February 2013, the Company announced the resignation of Peter Hunt along with that of CEO and Managing Director, Brett Chenoweth and three independent directors, Melinda Conrad, John Harvey and John Maasland.

The recent Board resignations were triggered by a difference of opinion on how APN should reduce its debt levels.

On behalf of the Board I would like to thank Peter Hunt, Melinda Conrad, John Harvey and John Maasland for their contribution to APN.

I would also like to acknowledge the contribution of CEO Brett Chenoweth, who was at the helm of APN during two of the most challenging years the Company has experienced. Brett approached his role with determination and clarity, providing leadership when it was most needed. We thank Brett for his service and wish him well for the future.

1 Before exceptional items.



It is important to emphasise the strength and diversity of APN's businesses. We have valuable brands that generate significant cash flows and profits for shareholders.

APN has commenced a search for a new CEO and additional Board members. We are committed to increasing the number of independent Directors.

Pending these appointments the Company is currently being overseen by a leadership team comprised of myself, Deputy Chairman Ted Harris and Chief Financial Officer Jeff Howard.

It is important to emphasise the strength and diversity of APN's businesses. We have valuable brands that generate significant cash flows and profits for shareholders. While there is much discussion about the structural changes to newspapers, it is worth reminding shareholders of the strong market positions of our regional newspapers and the critical role they play in providing local relevant news and information for their communities. The New Zealand Herald continues to be New Zealand's leading publication.

While the challenges the Company faces are ongoing, they are in no way insurmountable. You have the assurance of the Board and senior management that every effort will be made to maximise performance.

I would like to thank all APN employees for their dedication and commitment to their roles. It is a difficult but exciting time to be involved in the media industry, and many have chosen a career in media because of the unique challenges it presents.

I would also like to thank you, our shareholders, for your ongoing support and belief in the Company. I look forward to updating you at the Annual General Meeting on 2 May 2013.

PETER COSGROVE
Chairman
14 March 2013

AUSTRALIAN REGIONAL MEDIA

Essential, Local, Evolving

APN IS A KEY PUBLISHER IN REGIONAL QUEENSLAND AND NORTHERN NSW with a portfolio of 12 daily newspapers, more than 56 non-daily newspapers and over 30 websites.

Australian Regional Media (ARM) titles represent over half of all regional daily newspapers sold in Queensland. Every week ARM engages with almost 1.1m people via print, online and mobile with 21% engaging with two or more platforms. Its newspaper brands have played an integral role in regional communities, some for more than 150 years. ARM's vision is to be an essential part of people's daily lives.

ARM also operates five commercial printing sites and APN Educational Media.

ARM is pursuing a strong change agenda to ensure success in a digital era and in response to the challenging trading environment. The aim is to develop a simpler, more profitable business.

In late 2012, ARM overhauled the management structure of 20 geographically distinct sites and now manages them as five key regional areas. This removes duplication, creates headroom for investment and improves overall capabilities.

ARM's ongoing sales transformation program continued to increase effectiveness and better serve its clients. Investments in technology, mobility solutions and self-service solutions are being introduced to drive greater efficiencies.

Digital capabilities were improved with the relaunch of 30 websites, transforming them from basic news sites to vibrant community hubs brimming with local news, information and conversation. The design reflects extensive research to ensure the sites meet the needs of local audiences and businesses.

ARM restructured its editorial teams with an emphasis on publishing news as it happens on the digital sites and then developing it for use on different platforms. The team also created new content verticals such as business, mining and food. The result is a more streamlined operation producing more relevant content for each platform and audience segment.

The digital first sites in Coffs Harbour and Tweed Heads delivered an EBITDA improvement of $2m on a lower revenue base.

Deteriorating advertising markets had a substantial effect on ARM's revenue. 2012 revenue was $249m, down 10% and EBITDA was $39m, down 30%.

The greatest impacts were the slowdown in Queensland's mining sector which reduced employment advertising and the decline in Federal and State government advertising. Excluding these factors, the decrease in advertising revenue was 4%.

ARM reduced its cost base and delivered a range of product initiatives, but it was not able to offset the advertising decline.

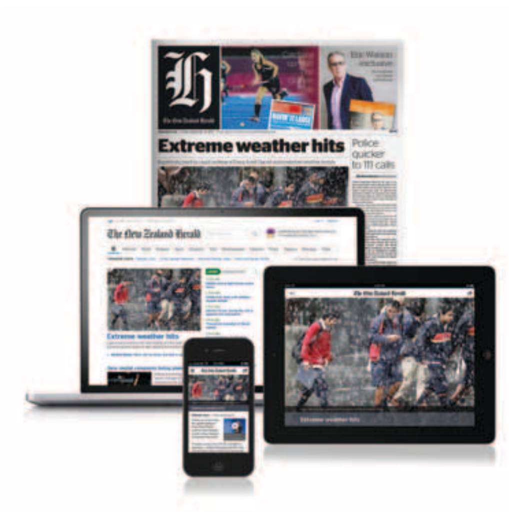
The cost reduction program is ongoing. In the year ahead, ARM will continue to streamline its operations and further centralise and outsource back office services. Opportunities to consolidate the commercial print operations will also be pursued.

Investments will be made in select products including local digital solutions as well as technology and training to improve performance.

The floods in January and February 2013 have caused significant disruption across much of the region. The full financial impact for ARM is still being assessed.

NEW ZEALAND MEDIA

The more you know, the better



APN IS NEW ZEALAND'S LEADING PUBLISHER with a portfolio of newspaper, digital and magazine titles that engage with almost 2.7m people every week. It has the country's most influential and engaging brands including The New Zealand Herald, nzherald.co.nz, the New Zealand Woman's Weekly and the New Zealand Listener.

A total 1.4m New Zealanders connect with The New Zealand Herald brand across print and online every week and this audience has shown double digit growth over the last five years. Recognised for its comprehensive, in-depth coverage of international, national and local events, readership of the Herald print product is more than double any other daily newspaper in New Zealand.

New Zealand Media (NZM) titles have won Newspaper of the Year at the Canon Media Awards for the last five years and the Herald's website continues to win numerous awards in New Zealand and internationally.

In the last 12 months, NZM has successfully delivered a major rejuvenation program to help counter the structural changes occurring in media and the prolonged, weak advertising markets.

At the heart of the program was the relaunch of the weekday New Zealand Herald as a compact, with a new design and approach to content and deeper digital integration. Representing one of the most significant changes in the Herald's 150 years, the compact Herald has been embraced by readers and advertisers. nzherald.co.nz was also refreshed which has driven increased revenues.

Regional titles have been progressively converted to compact format and morning delivery which has increased readership.

NZM has restructured the sales team with a multimedia approach which has strengthened advertising relationships with key clients. It has also launched Food Hub, a digital vertical with content from across APN's portfolio.

However, these positive initiatives have not been enough on their own.

NZM felt the full force of the advertising downturn during the year. Advertising revenues declined 8% with the majority of the shortfall in the display and employment categories. Total revenue was $287m, down 7% and EBITDA was $48m, down 24% on a local currency basis.

NZM continued to deliver substantial cost savings during 2012. This included restructures to drive efficiencies in senior management, editorial, online and marketing. Further cost reductions will be made in the year ahead.

NZM has made a strategic decision to focus on its publishing business in the North Island, where more than 80% of New Zealand's population growth will occur over the next decade. A process to sell regional publishing assets in Christchurch and Oamaru is well underway, and the sale of a small chain of Wellington community titles was announced in February 2013.

There is a proposal to outsource most print requirements and retain only one print centre under APN ownership at Ellerslie in Auckland. Other initiatives include consolidating circulation and logistics management, streamlining IT infrastructure and outsourcing the majority of advertising production.

There will also be further product rejuvenation in the year ahead.

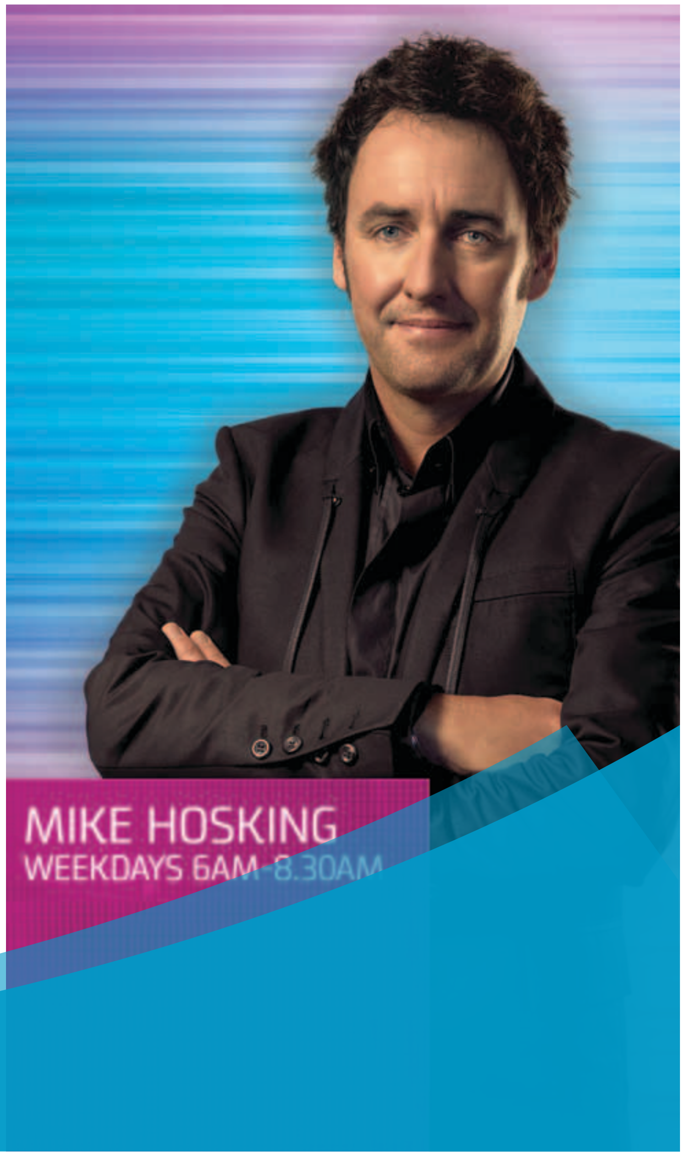
A refreshed Herald on Sunday was launched in February 2013. Conversion of the regional titles in Hawke's Bay, Bay of Plenty and Rotoura occurred in March 2013. All of APN's daily newspapers in New Zealand are now compact in format and morning delivery.

The team is accelerating its integrated advertising solutions across print, radio and outdoor and is already achieving good wins from this approach. It is enhancing digital capabilities and building digital transaction revenue. Data analytics capability is being extended to deliver best in class consumer insights to maximise advertiser campaigns.

RADIO

Talent, Successful, Growing

APN OPERATES TWO SUCCESSFUL RADIO BUSINESSES in a joint venture with Clear Channel. Australian Radio Network (ARN) and The Radio Network (TRN) in New Zealand delivered total revenues of $227m, up 2% and EBITDA of $65.9m, up 2% on a local currency basis.



Australian Radio Network

ARN is one of the leading broadcasters in the commercially important 25-54 demographic reaching over 4.8m listeners. It operates the Mix and Classic Hits networks across Sydney, Melbourne, Adelaide and Brisbane. ARN also broadcasts The Edge 96.One in Sydney and owns a 50% interest in 93.7FM in Perth as well as a 50% interest in Canberra FM Radio.

ARN performed strongly in 2012, increasing market share by 7%. While the Australian radio market was down 1%, ARN revenue was up 5% to $140m and EBITDA up 7% to $51m. As at February 2013, ARN has exceeded market revenue growth for 20 consecutive months.

During 2012, ARN achieved the highest ratings for its target audience, aged 25-54, in five years.

Mix 102.3 in Adelaide remained #1 for every survey and 97.3 in Brisbane regained #1. Melbourne's Mix 101.1 breakfast show, with new hosts Chrissie Swan & Jane Hall, achieved its best ratings since 2004. Sydney's WSFM breakfast duo Jonesy & Amanda achieved the highest ratings in their seven year partnership[1]. Jonesy & Amanda also won the Australian Commercial Radio Award for Best On Air Team.

ARN continued its success in digital broadcasting. It launched 'Be Active' radio, a dedicated DAB+ station for SA Health, pop up iHeartRadio 2 Festival station and DAB+ station Mix 90's. Chemist Warehouse Remix, created by ARN and Quattro Group, won the Australian Commercial Radio Award for Best Sales Promotion. ARN won the Australian Commercial Radio Award for Best Digital Radio Format – Short Term for Christmas pop up station Elf Radio.

In October, ARN and TRN announced they will launch iHeartRadio in Australia and New Zealand.

iHeartRadio is the fastest growing digital radio platform in the United States with 48m users since launch in 2008[2]. It delivers instant access to over 1,000 FM, AM and digital only radio stations, plus user created custom stations inspired by favourite songs and artists.

In January 2013, Mix launched Sydney's only all female breakfast show with Sami Lukis & Yumi Stynes as well as new drive show Rosso on Mix in Sydney and Melbourne.

The Radio Network

TRN operates the #1 national network, Newstalk ZB, and has three of the top five national networks, Newstalk ZB, Classic Hits and Coast. TRN's other networks are ZM, Hauraki, Flava and Radio Sport. 1.34m New Zealanders tune in to TRN's stations each week, with a steadily increasing audience engaging with the brands online.

In 2012, the New Zealand radio market was flat. TRN's revenue was $87m, down 2% and EBITDA was $15m, down 12% on a local currency basis. The results reflect, in part, costs associated with restructuring the management team, a weaker direct sales performance plus investment in content, marketing and digital capabilities.

New CEO Jane Hastings started in September and is driving a program of change to rebuild TRN. A business review has resulted in a restructure of the management team, including a number of new senior appointments. The sales team has been reorganised and new strategies are driving improvements in performance.

Increasing TRN's digital capabilities was a strong focus for the year. This included further developing mobile, video and social products, hosting exclusive video content from the radio brands and creating apps to monetise social media. Digital revenue grew 26% and a record 50% of the sales force sold digital campaigns.

TRN invested in proven talent during the year with Martin Devlin joining the Hauraki rock network and Jason Gunn joining the Classic Hits drive show. Newstalk ZB also refreshed its weekend line up.

Newstalk ZB won a gold medal for its coverage of the Christchurch earthquake at the New York Festivals International Radio Program and Promotion Awards, and Newstalk ZB breakfast host Mike Hosking was named Best Talk and Current Affairs Host at the 2012 New Zealand Radio Awards.

In terms of ratings, Newstalk ZB remains #1 station nationally and Newstalk ZB host Mike Hosking continued to lead the breakfast ratings. Coast moved to #1 music station nationally with a record audience share. However, TRN's share of 10+ listeners dropped from 44.9% to 43.3%[3].

The focus for 2013 is to rebuild TRN into a leading media business with enhanced content, sales and iHeartRadio as high priorities to deliver an improved profit performance.

In January 2013, TRN relaunched Radio Hauraki with a new brand, music and talent line up. High profile talent Jack Tame has joined Newstalk ZB and Andrew Mulligan will join Radio Sport mid-year.

1 Nielsen Radio Ratings 2012.

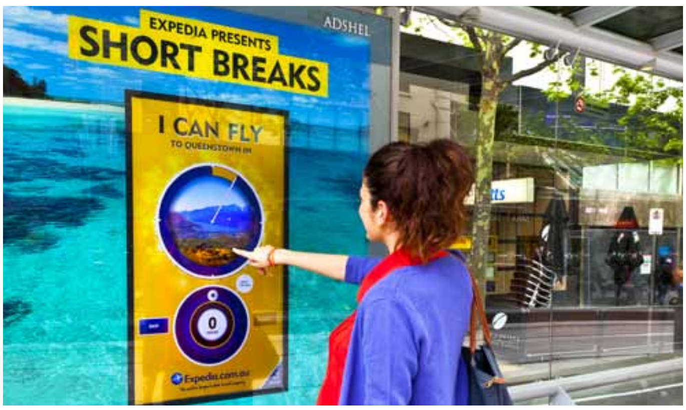
2 http://mashable.com/2013/02/13/music-services-compared-2/

3 Research International Radio Audience Measurement Surveys 2-2012, October 2012.

OUTDOOR

Digital, Strategic wins, Interactive

APN'S OUTDOOR GROUP CONSISTS OF APN OUTDOOR, ADSHEL AND HONG KONG OUTDOOR which are all joint ventures. In 2012, these businesses generated total revenues of $389m, up 5% and EBITDA of $69m which is consistent with last year.



In Australia, the outdoor market was up 2% demonstrating its resilience in challenging economic conditions. However, in New Zealand, the outdoor market was down 19% accentuated by Rugby World Cup comparisons for billboards in particular.

APN Outdoor
APN Outdoor offers creative outdoor advertising on an extensive network of large format billboard, transit (bus, tram, rail) and airport assets. APN Outdoor was established as a joint venture with Quadrant Private Equity in May. Full year revenue was $208m, down 3% and EBITDA was $30m, down 19%.

During 2012, APN Outdoor reinforced its position as the leader in transit advertising in Australia, renewing exclusive advertising contracts for bus fleets with the NSW State Transit Authority, the South Australian Government and the Brisbane City Council. Marking a new milestone in its relationship with CityRail, APN Outdoor sold 'on train' advertising for the first time on CityRail trains.

It also secured advertising rights to Virgin Australia's Brisbane terminal, becoming APN's fifth airport contract in addition to Sydney, Perth, Canberra and Christchurch airports.

APN Outdoor remains at the forefront of rolling out large format digital billboards in Australia with billboards already at a number of landmark sites. During the year it established Brisbane's first premium digital billboard and received approval for another two. APN Outdoor has recently created a specialist digital team and will continue to expand its portfolio in the new year. APN Outdoor also strengthened its senior management team during the year and refreshed its brand.

Adshel
Adshel specialises in advertiser funded street furniture solutions and has over 16,000 advertising panels across bus and tram shelters and railway networks in Australia and New Zealand.

Adshel works with agencies and advertisers to deliver high impact campaigns. These range from successive or synchronised panels that dominate an area, to digital panels using technology like touch screens or QR codes that enable consumers to interact with brands.

2012 was a record year for Adshel with revenue of $143m, up 17% and EBITDA of $35m, up 29%. It also made strong gains in market share. This success was driven by a number of factors including strategic contract wins in 2011, improved sales strategy and a stronger market proposition. It also offered greater flexibility in its advertising cycles which created opportunities for tactical campaigns and increased its success in a short market.

A video ethnography on 'a day in the life' of nine consumers across key audience segments gave Adshel the opportunity to showcase its insights on consumer behaviour with agencies. Other research allowed Adshel to capture the uplift in sales created by one of its advertising campaigns.

Highlights during the year included winning Media Sales Team of the Year at the Mumbrella Awards and the Adshel Creative Challenge, which saw the best creative talents in Melbourne gather to come up with an effective outdoor advertising campaign to help not for profit organisation, Step Back Think.

In February 2013, Adshel reignited its brand 'look and feel' to better reflect its culture and products.

Hong Kong Outdoor
In APN's Hong Kong Outdoor division, Cody offers premium billboard advertising and Buspak provides exterior and multimedia bus advertising. Revenue for Hong Kong Outdoor was A$39m, up 17% and EBITDA was A$4m, down 16%.

The billboard business performed well with revenue up 20% year on year. Hong Kong's tunnels remain the key focus while also diversifying the billboard portfolio downtown.

Exterior bus advertising improved throughout the year after a slow start. Webus (wifi on buses), was expanded to 300 buses during the year. Usage increased 64% and members increased 45%. The focus is now monetising the product via advertising and transaction platforms.

In July 2012, Buspak won a contract to provide Buzplay (onboard TV), for buses in Hong Kong. This has delivered incremental revenues but negatively impacted EBITDA due to product development.

Integrated campaigns across wifi, onboard TV and bus exterior are a key priority for the coming year.

DIGITAL

Agile, Entrepreneurial, Focused

APN STRENGTHENED ITS DIGITAL VENTURES PORTFOLIO during 2012 increasing equity in GrabOne from 75% to 100% and acquiring 82% of brandsExclusive.

The key digital ventures, GrabOne, brandsExclusive and CC Media, provide APN with the core transactional platforms and capabilities it needs in Australia and New Zealand.

The focus now is to create value by driving organic growth in the key ventures and linking them with each other and with APN's other media assets.

The digital ventures generated strong revenue growth in 2012 and are expected to make a material contribution to APN's revenue and earnings in 2013.

GrabOne
GrabOne continues to lead the group buying market in New Zealand with approximately 75% market share. GrabOne achieved excellent results with revenue of $14.8m, up 93% and EBITDA of $4.4m, up 7 times.

Membership grew 40% over the last year to more than 1m members. GrabOne sold 3.1m coupons, an increase of 46%, and featured more than 15,000 merchants. Gross coupon sales exceeded $74m.

GrabOne has now become an integral part of everyday life for a significant number of New Zealanders, with one purchase taking place every 15 seconds, 24 hours a day, 7 days a week. GrabOne has saved its members more than $300m to date and counting. It has also responded to the changing habits of consumers with up to a third of all purchases now taking place on a mobile device, making it one of the leading mobile commerce businesses in New Zealand.

In the 2.5 years since launch, GrabOne has transitioned from start up to a successful profitable business with a strong management team and strategy. In February 2013, Vaughan Magnusson was appointed CEO following a decision by founding CEO Shane Bradley to step down. Vaughan had been CFO and a key member of GrabOne's leadership team since launch.

Initiatives for 2013 include launching new product verticals and new platform features.

brandsExclusive
brandsExclusive is an online shopping club which partners directly with premium brands to offer exclusive sales to members with heavy discounts off recommended retail prices. It is one of the leading eCommerce businesses in Australasia. Full year revenue was $57.0m, up 13%, and EBITDA was a $4.2m loss, which includes $3m investment in growth initiatives.

Growth initiatives since acquisition by APN in June include acquiring 500,000 new members below target cost, bringing total membership to 2.4m, and launching in New Zealand with significant membership growth from GrabOne.

In addition, brandsExclusive introduced the operational capability for customers to buy from multiple sales in a single transaction. This was a first in Australia and has increased average spend by 15%. APN's radio, outdoor, print and digital assets have contributed to building brand and driving sales conversion.

brandsExclusive has been recognised as one of the fastest growing businesses in Australia, ranking number five in the BRW Fast Starters list for 2012 and receiving the Online Retail Industry Award for Best Mobile Commerce 2012. It also won the 2012 Deloitte Technology Fast 50 Award for the fastest annual revenue growth of a private or public company in Australia over the last three years.

In recent months, there has been a focus on increasing the conversion of membership to sales and stronger revenue and earnings growth is expected in 2013 as a result.

For 2013, the key priorities are member retention and conversion. Continuing member acquisition remains important.

CC Media
CC Media enables retailers to engage with consumers by distributing digital retail catalogues via its powerful iNC network that reaches over 3.8m consumers every month.

In 2012, CC Media produced solid results with revenue of $5.2m, up 7% and EBITDA of $1.5m, up 52%. It acquired key new customers including David Jones, Ikea and The Good Guys and launched in New Zealand.

CC Media expanded its mobile offerings and mobile campaigns, which now account for 40% of volume. The business strengthened its senior team, bringing in new capabilities and laying the foundations for succession planning.

In 2013, CC Media plans to diversify its product range and enhance its distribution network with a focus on mobile devices. It will drive growth in New Zealand in partnership with the New Zealand Media sales force and pursue deeper integration with APN businesses, particularly in relation to sales force opportunities and data synergies.

CORPORATE SOCIAL RESPONSIBILITY

APN AND ITS BUSINESSES SUPPORTED MANY CHARITY AND COMMUNITY INITIATIVES IN 2012.

Making a meaningful contribution: Charity
APN was a major sponsor of the Australian Children's Music Foundation, which provides music lessons and instruments to disadvantaged children in schools and juvenile detention centres.

Adshel, APN Outdoor and Australian Radio Network (ARN) were sponsors of the Sydney Children's Hospital Gold Week Telethon. A highlight was the involvement of WSFM's Sydney breakfast team, Jonesy & Amanda, who raised funds for a music therapist for the hospital.

Adshel and APN Outdoor took part in the national 'Wall of Hands' campaign for the Australian Literacy and Numeracy Foundation. Their donation of outdoor advertising helped to raise money for the development of life-changing programs for children in remote areas of the Northern Territory.

Adshel donated street furniture advertising to the charities R U OK?, Open Families Australia and the Royal Institute for Deaf and Blind Children during its Christmas promotion. These campaigns will take place during 2013.

The Radio Network (TRN) supported more than 25 different charities with sponsorships and advertising including the Fred Hollows Foundation and Canteen. During National Breast Cancer Awareness Month, ARN partnered with Warner Music to run a month of music dedicated to women. Album sales of female singers featured by ARN at this time included a donation to the National Breast Cancer Foundation.

The New Zealand Herald provided advertising to many local and national charities. A highlight was its partnership with the Starship Children's Hospital to promote its 2012 Christmas Album fundraiser. nzherald.co.nz promoted the appeals of a range of charities at no cost, such as the Auckland City Mission and Daffodil Day.

The Herald also donated cash to the Auckland Ronald McDonald House, which creates and supports programs to help children live happier, healthier lives.

GrabOne supported telephone counselling service Kidsline and brandsExclusive provided clothing donations to OzHarvest to assist in their efforts to feed and now clothe the homeless.

Getting the message out there: Community
APN's radio businesses play an important role in their communities through the broadcast of community service announcements. In 2012, the benefit of ARN's contribution went to over 170 community, local and national organisations.

The Herald provided 1.4 million newspapers to families with secondary school children in low decile schools in Auckland as part of its 'At Home with the Herald' literacy program.

The Herald sponsored the Auckland Santa Parade, a free community event attended by 200,000 people annually, as well as several community fundraising events with key advertisers, such as the Countdown Charity Golf Day.

Australian Regional Media (ARM) supports a large number of local community events and charities across its regions by providing significant sponsorship and advertising throughout the year. As an example, ARM conducted a multi-newspaper campaign for the RACQ Capricorn Helicopter Service, which raised awareness of their vital work in the Rockhampton area.

ARM continued its Adopt-A-Family Christmas initiative, which provides gifts and food to hundreds of local families, while TRN hosted its annual Special Children's Christmas Party, providing entertainment and gifts for over 5,000 sick or underprivileged children across New Zealand.

Creating unique spaces: Culture

New Zealand Media sponsored various cultural organisations and events in 2012. It was the main sponsor of the Auckland Philharmonic Orchestra, which delivers an annual orchestral program and conducts outreach activities to local schools. The Herald also supports the Auckland Writers and Readers Festival and NZ Sculpture OnShore.

APN Outdoor continued to sponsor unique events through its long-standing partnerships with the Sydney Opera House, Sydney Festival and St George Open Air Cinema, while brandsExclusive became a principal sponsor of the Opel Moonlight Cinema.

Keeping it clean: Broadcast standards and sustainability

The importance of the broadcast integrity of radio stations was highlighted during the year. All ARN and TRN staff are trained each year in accordance with the relevant broadcast standards and codes in place at the time. In 2012, TRN tightened its policy on certain content, including prank calls, and implemented a strict approval protocol before such content is broadcast on air or on any digital platform.

APN's publishing businesses invest in the continual improvement of the environmental impact of their businesses. In Australia, APN is a member of the Publishers National Environment Bureau, which has assisted the country to recycle approximately 78% of available newspapers – one of the best records in the world. In New Zealand, APN's print sites belong to the environmental certification program 'Enviro-Mark', which helps participants to identify and reduce their environmental impact and save money. Further, APN's newspapers are printed on paper that is either fully recycled or made from the waste of milled logs and APN's print sites recycle all unused paper.

Adshel and APN Outdoor both recycle the majority of their advertising posters and are constantly looking for sustainable alternatives such as solar powered bus shelters and water-saving cleaning methods.

PEOPLE AND CULTURE

APN HAS ACHIEVED A SIGNIFICANT RISE in employee engagement through investing in initiatives such as leadership development, reward and recognition systems and workplace improvement ideas.

A note on the recent floods
APN would like to acknowledge and thank the teams at Australian Regional Media (ARM) for the their efforts to keep local communities informed during the recent floods in Queensland and northern NSW. The teams overcame some remarkable challenges to ensure that newspapers were printed and delivered, while ARM's digital and social media became a critical source of information as phone and email coverage faltered. The commitment and upbeat spirit of the teams in such adverse conditions is inspirational.

Learn, Lead, Perform
APN conducted its second Executive Leadership Development Program in collaboration with the Queensland University of Technology. This program aims to strengthen the capabilities of current and potential leaders across APN through a combination of residential sessions, ongoing team projects and personalised coaching.

APN's Fast Track Program continued in 2012, with the second cohort successfully completing a full year of projects across the Company. The two year program is designed to give participants experience in a variety of APN's businesses while providing a meaningful contribution to the teams that they work with.

Australian Radio Network (ARN) rolled out its Future Leaders Program for high performers and continued its study assistance program. The Radio Network also conducted a comprehensive leadership training program. Sales transformation and training remained a key focus across APN in 2012.

Values, Recognition, Reward
Emphasising team values and using innovative ways to recognise and reward people was a theme across many of the businesses.

ARM refreshed its vision and values and launched PeoplePLUS, an online rewards system linked to these values. In its first three months, PeoplePLUS was accessed by over 50% of employees who made over 500 nominations.

Adshel continued its Core Value project, which featured one core value every two months and rewarded a 'Core Value Champion' nominated by staff. Similar initiatives in other divisions included ARN's 'Radar' Awards, APN Outdoor's 'Spirit' Awards, brandsExclusive's 'WOW' Awards and GrabOne's 'GrabStars'.

In addition, ARN distributed 'Big Red Toolkits' to managers to recognise and reward their teams.

Assistance and Engagement
ARM and New Zealand Media continued their Employee Assistance Program in 2012, which provides staff with continuous access to a confidential counselling service.

Adshel offered its Good Health – Good Futures Program to all staff for the fifth year. Under this program, participants are provided with a comprehensive health check and full evaluation report by Health Futures.

The results of APN's third annual engagement survey found APN was in the top 25% of organisations for improved engagement over a three year period, reflecting the importance of the people and culture initiatives.

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Corporate Governance

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

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

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

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

BOARD OF DIRECTORS

Board responsibilities

The Board is responsible for overseeing the long-term profitable growth of the Company. This is achieved through a process of regular reviews of strategy, operations and areas of risk.

The Board sets overall corporate policy and provides guidance for senior management and oversight of policy execution.

The responsibilities of the Board are to:

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

Responsibility for the day-to-day operations of the Company is usually conferred on the Chief Executive Officer who reports to the Board and provides the Board with information in relation to the conduct of the business of the Company. The Chief Executive Officer exercises this responsibility in accordance with Board-approved annual operating budgets and reports to the Board at regular Board meetings. Due to the recent resignation of the Chief Executive Officer on 19 February 2013, the responsibility for the day-to-day operations of the Company is currently conferred on a leadership team comprised of the Chairman, Deputy Chairman and Chief Financial Officer. In addition, the Company's Senior Executive team meets regularly to examine the performance of the Company compared to Board-approved operating budgets and policies.

Term of office

The Constitution of the Company currently specifies that there shall be a minimum of three Directors and a maximum of nine or such other number as is determined by the Board from time to time by ordinary resolution.

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

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

Composition and qualifications

The Board currently consists of five non-executive Directors. During the reporting period, the Board consisted of up to 10 members at any one time: nine non-executive Directors and one Managing Director (who was the Chief Executive Officer). After the reporting period, four non-executive Directors including the then Chairman, and the Managing Director resigned from the Board on 19 February 2013. Peter Cosgrove was appointed Chairman on 19 February 2013.

Details of the names, qualifications, tenure, skills, experience and Board Committee memberships of the Directors and the meeting attendances of Directors during the reporting period appear on pages 27 to 32 of this Annual Report.

Board procedure

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

Meeting agendas

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

Corporate Governance

Independent advice

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

Independence of Directors

The Company complies with Recommendation 2.1 due to the majority of the Board comprising independent Directors. However, during part of the reporting period (until 20 April 2012), the Company did not comply with Recommendation 2.2 due to the Chairman having an association with a significant shareholder, Independent News & Media PLC (INM).

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

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

- Peter Hunt (Chairman) (appointed as a Director and Chairman on 3 September 2012)
- Ted Harris (Deputy Chairman) (appointed Acting Chairman on 20 April 2012)
- Melinda Conrad
- Peter Cosgrove
- John Harvey
- Kevin Luscombe
- John Maasland
- Pierce Cody (resigned as a Director on 22 February 2012).

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

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

- Gavin O'Reilly (resigned as a Director and Chairman on 20 April 2012)
- Vincent Crowley
- Paul Connolly (appointed as a Director on 18 October 2012).

Brett Chenoweth was not considered independent from management for the purposes of the Recommendations due to his executive role as Chief Executive Officer.

Since the end of the reporting period, Brett Chenoweth resigned as a Director and Chief Executive Officer and Peter Hunt, Melinda Conrad, John Harvey and John Maasland resigned as Directors, on 19 February 2013.

Performance evaluation

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

Board Committees

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

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

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

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

Nomination Committee

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

- Melinda Conrad (Chair) (appointed as Chair and a Committee member on 27 February 2012)
- Gavin O'Reilly (resigned as Chairman and a Committee member on 27 February 2012)
- John Maasland
- Peter Cosgrove
- Pierce Cody (resigned as a Director on 22 February 2012).

Since the end of the reporting period, Melinda Conrad and John Maasland resigned as Directors on 19 February 2013.

The main role of the Nomination Committee is to:

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

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

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

Corporate Governance

Remuneration Committee

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

- Ted Harris (Chairman)
- Kevin Luscombe
- Vincent Crowley (resigned as a Committee member on 9 March 2012)
- Gavin O'Reilly (resigned as a Director on 20 April 2012).

Vincent Crowley resigned from the Remuneration Committee to ensure that it consisted of a majority of independent Directors in accordance with Recommendation 8.2. During part of the reporting period (after 20 April 2012), the Company did not comply with Recommendation 8.2 due to the Remuneration Committee not having three members.

The main role of the Remuneration Committee is to:

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

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

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*.

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

Audit Committee

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

- John Maasland (Chairman)
- Ted Harris
- Kevin Luscombe
- John Harvey.

Since the end of the reporting period, John Maasland and John Harvey resigned as Directors on 19 February 2013. Ted Harris was appointed Chairman of the Audit Committee on 19 February 2013 and Vincent Crowley was appointed as a member of the Audit Committee on 14 March 2013.

The main role of the Audit Committee is to:

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

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

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

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

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

ENVIRONMENT

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

HEALTH AND SAFETY

The Company's operations are conducted in a wide range of work environments which present a wide variety of potential hazards and risks. The Company recognises this and is committed to ensuring the health, safety and wellbeing of its employees and those within the broader communities in which it operates.

During 2012, the Company commenced a program of work aimed at improving the levels of safety reporting cooperation between the respective APN divisions. This included further strengthening of the safety governance and consultation arrangements and ongoing work to ensure compliance in an evolving legislative environment. This is supported through the progressive introduction of technology solutions to support managers and employees.

RISK MANAGEMENT

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

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

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

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

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

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

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

Corporate Governance

SHAREHOLDER COMMUNICATION AND CONTINUOUS DISCLOSURE

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

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

The Market Disclosure Policy also provides that:

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

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

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

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

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

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

SECURITIES TRADING

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

In addition to these requirements and obligations, the Company has a Securities Trading Policy and Guidelines.

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

Corporate Governance

ETHICAL STANDARDS

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

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

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

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

DIVERSITY

Approach to diversity

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

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

Specific steps were taken at Board level to enhance gender diversity and the Company continues to further refine its diversity objectives.

Principles

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

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

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

Oversight and sponsorship

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

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

Programs and initiatives

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

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

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

During the reporting period, the Company took a number of steps to achieve its diversity objectives and satisfy the Recommendations on diversity, including:

- successful identification of a female Director, Melinda Conrad;
- the appointment of a female Chief Executive Officer of The Radio Network;
- establishment of a workstream, under the sponsorship of the Chief Executive Officer, to further develop, embed and distil a Diversity Policy which was formally adopted by the Board on 4 December 2012, and programs in support of the Diversity Policy;
- enhancement of systems for tracking gender proportions in the Group's workforce; and
- analysis of employee diversity profiles across the Group's businesses, including formal consultation with managers and employees to ascertain attitudes to key Group employment activities and opportunities for enhancement.

Since the end of the reporting period, Melinda Conrad resigned as a Director on 19 February 2013.

Gender balance

- Women constitute approximately 54% of the Group's workforce in Australia and New Zealand;
- Women constitute approximately 22% of senior management within the Group; and
- The Board had one female member during the reporting period.

Objectives for gender diversity

The Company has an aspirational objective of increasing diversity within the Group's workforce and has identified specific measurable objectives as follows:

- increase the ratio of women in management level roles in the organisation by 10% by 2015;
- conduct specific focused reviews in key work groups to identify and correct any potential barriers to the promotion of women;
- increase the number of women each year participating in any company Executive Leadership Development Program and other leadership programs, with the target of reaching 50% of women being sponsored by 2015; and
- develop effective policies and procedures to facilitate effective and flexible return to work arrangements for employees returning from parental leave. Specific actions to promote this will be implemented throughout 2013.

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

Directors' Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

Your Directors present their report on the consolidated entity consisting of APN News & Media Limited (Company or parent entity) and the entities it controlled at the end of, or during, the year ended 31 December 2012.

1. DIRECTORS

The Directors of APN News & Media Limited during the financial year and up to the date of this report are as follows. The Directors held office for the entire period unless otherwise stated.

Peter Cosgrove	(appointed Chairman on 19 February 2013)
Peter Hunt	(appointed to the Board and appointed Chairman on 3 September 2012, resigned from the Board on 19 February 2013)
Ted Harris	(Deputy Chairman, Acting Chairman from 20 April 2012 to 3 September 2012)
Brett Chenoweth	(Chief Executive Officer, resigned from the Board on 19 February 2013)
Paul Connolly	(appointed to the Board on 18 October 2012)
Melinda Conrad	(resigned from the Board on 19 February 2013)
Vincent Crowley	
John Harvey	(resigned from the Board on 19 February 2013)
Kevin Luscombe	
John Maasland	(resigned from the Board on 19 February 2013)

Directors who held office for part of the year

Gavin O'Reilly	(Chairman, resigned from the Board on 20 April 2012)
Pierce Cody	(resigned from the Board on 22 February 2012)

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

Director	Qualifications and experience	Responsibilities
Peter Cosgrove	Mr Cosgrove has been a Board Member since December 2003. Founder of the Buspak group of companies in Australia, New Zealand and Hong Kong, he has more than 20 years' experience in the publishing, broadcasting and outdoor advertising industries. He is non-executive Chairman of Buspak Hong Kong (since June 2003), as well as non-executive Deputy Chairman of Clear Media Limited (Director since April 2001), which is listed on the Stock Exchange of Hong Kong. He is Chairman of GlobeCast Australia Pty Limited (since June 2002), a broadcasting company.	Chairman of the Board of Directors (from 19 February 2013), Member of Nomination Committee
Peter Hunt	Mr Hunt is non-executive Chairman and a founder of Greenhill Australia (previously Caliburn), a leading corporate advisory firm which is now part of the global Greenhill & Co advisory group. He was Joint Chief Executive and then Executive Chairman of Caliburn from its establishment in May 1999 through to its sale to Greenhill in April 2010. Mr Hunt spent nearly 30 years advising local and multi-national companies as well as governments in Australia at the highest levels. Mr Hunt's other roles include Chairman of Cambooya Services Pty Ltd, Grameen Foundation Australia and So They Can and a Director of the St James Ethics Centre and Women's Community Shelters. He is also a trustee of the Anindilyakwa Indigenous Mining Trust and a member of the Advisory Councils for Mission Australia and the Centre for Social Impact. Previous roles have included Chairman of AMP Foundation and the Australian String Quartet, Trustee of St Vincent's Clinic Foundation and a Director of Odyssey House. Mr Hunt was made a member of the General Division of the Order of Australia in 2010 for services in the philanthropic sector.	Chairman of the Board of Directors, Chairman of Allotment Committee, Chairman of Options Committee

Directors' Report

1. DIRECTORS (CONTINUED)

Director	Qualifications and experience	Responsibilities
Ted Harris AC	F.INST.D, FAIM, FAICD. Mr Harris has been a Board Member since March 1992 and Deputy Chairman since December 1994. He was Managing Director and Chief Executive Officer of the Ampol Group from 1977 to 1987. Mr. Harris was previously Chairman of Australian Airlines, British Aerospace Australia, Australian National Industries, Thakral Holdings and Gazal Corporation and Deputy Chairman of Metcash Limited. He is Chairman of Australian Radio Network and President of St Vincent's Clinic Foundation. He is Life Governor of the Melanoma Foundation and a Life Member of the Australian Sports Commission. He was Chairman of the Zoological Parks Board of NSW from 1973 to 1990 and Chairman of the Australian Sports Commission from 1984 to 1994. Mr Harris started his career as a broadcaster and journalist with the Macquarie Broadcasting Service and he is a former Commissioner of the ABC. He was Trustee for the Walkley Awards from 1976 to 1980.	Non-Executive Director, Deputy Chairman, Chairman of Remuneration Committee, Member of Audit Committee (Chairman of Audit Committee from 19 February 2013)
Brett Chenoweth	Mr Chenoweth has more than 18 years of professional experience working exclusively in the areas of media, technology, telecommunications and online businesses, having held senior executive roles at Telecom New Zealand (2001 to 2005: including Head of Group Strategy and Mergers & Acquisitions; Head of Australian Consumer Group; Director on a number of TCNZ group company Boards), the PBL group of companies (ecorp Ltd and ninemsn Pty Ltd 1997 to 2001: Head of Business Development) and Village Roadshow Pictures Pty Ltd (1991 to 1997: General Manager and Vice President). Mr Chenoweth was recently the Managing Director and Head of Asia Pacific for The Silverfern Group, a New York based specialist merchant bank and was previously a Director of Living and Leisure Ltd (December 2008 to October 2010). He holds a Bachelor of Laws and a Bachelor of Economics degree from The University of Queensland and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia.	Chief Executive Officer, Member of Allotment and Options Committees
Paul Connolly	B.Comm, FCA. Mr Connolly was appointed to the Board in October 2012 and brings extensive experience in media and communications. Since 1991, Mr Connolly has been Chairman of Connolly Capital Limited, a Dublin based corporate finance advisory firm focused on the telecom, media and technology sectors. He was a Director of Esat Telecommunications Limited (Esat Telecom), an Irish telecommunications company, from 1997 to 2000, and then a Director of Digicel Limited, a Caribbean-based telecommunications company. From 1987 through 1991, Mr Connolly held a position of Financial Controller of Hibernia Meats Limited and prior to that he worked with KPMG as an accountant. Currently, Mr Connolly serves on Boards of Independent News & Media PLC, Communicorp Group and Melita Cable PLC. He holds a Bachelor of Commerce degree from University College Dublin, Ireland; he is a Fellow of Chartered Accountants Ireland and a member of Executive Summit at Stanford Graduate School of Business.	Non-Executive Director
Melinda Conrad	Ms Conrad is the former founder and CEO of a retail chain of stores and was previously an executive at Colgate Palmolive. Ms Conrad has extensive expertise in retail, strategy and marketing to consumer facing organisations. Ms Conrad is a Director of The Reject Shop Limited (since August 2011), a Director of the NSW Government's Clinical Excellence Commission and Agency for Clinical Innovation, a Director of the Garvan Medical Research Institute Foundation and also a Director of the Australian Brandenburg Orchestra. Ms Conrad holds an MBA from Harvard Business School and is a member of the Australian Institute of Company Directors.	Non-Executive Director, Chair of Nomination Committee

Directors' Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

Director	Qualifications and experience	Responsibilities
Vincent Crowley	BA, FCA. Mr Crowley was appointed to the Board in March 2009. He was Chief Executive of APN from 2000 to 2002, having previously held the position of Finance Director from 1996 to 2000. A chartered accountant, he joined Independent News & Media PLC (INM) in 1990, became a Director in 1997 and was appointed Chief Executive of Independent News & Media – Ireland in August 2002. In June 2009, he retired from the Board of INM, and in January 2010, he was appointed Group Chief Operating Officer of INM. In April 2012, he was appointed Group Chief Executive Officer of INM and rejoined the INM Board. Mr Crowley was previously an audit manager with an international accountancy firm. He is also a director of a number of INM subsidiaries and associated companies.	Non-Executive Director (Member of Audit Committee from 14 March 2013)
John Harvey	Mr Harvey has over 39 years' professional experience as a chartered accountant and a company director. He was a Partner of PricewaterhouseCoopers for 23 years and held a number of management and governance responsibilities for PricewaterhouseCoopers in New Zealand. He retired from PricewaterhouseCoopers in June 2009. Mr Harvey is currently a Director of DNZ Property Fund Limited (since September 2009), Kathmandu Holdings Limited (since October 2009), Heartland Bank Limited (since March 2010), Port Otago Limited (since December 2008), Ballance Agri-Nutrients Limited (since February 2012) and New Zealand Opera Limited (since January 2002) and is an Advisor to the Board of Resource Coordination Partnership Limited (since July 2010). He holds a Bachelor of Commerce degree from the University of Canterbury and is a member of the Institute of Directors of New Zealand.	Non-Executive Director, Member of Audit Committee
Kevin Luscombe AM	FAICD, FAIM, CPM. Mr Luscombe has been a Board Member since October 1997. Following a successful corporate career in Australia and USA, and Board roles in several South East Asian companies, he founded a marketing and research consultancy in 1976. In 1980, he started the advertising agency Luscombe & Partners, sold it to Clemenger BBDO in 1998, and joined their Board. He is Chairman of the management consultancy Growth Solutions Group. He is Deputy Chairman of Melbourne Food and Wine and a Board member of the John Truscott Design Foundation. In 1998, he was appointed Adjunct Professor at the Graduate School of Management, Swinburne University. He was the recipient of the 2001 Sir Charles McGrath Award for marketing excellence.	Non-Executive Director, Member of Audit and Remuneration Committees
John Maasland	MA (Cantab). Mr Maasland has extensive business experience in the media industry and in New Zealand, and serves on a number of private and public company boards. He is Chairman of Hellaby Holdings Ltd (Director since April 2008) and a Director of Waterman Capital (since 2005). He is the Chancellor of the Auckland University of Technology (AUT University) and was also a Director of Delegat's Group Ltd (October 2004 to December 2012). He was Chairman and a Trustee of the Royal New Zealand Ballet (October 1998 to October 2007) and of the South Auckland Health Foundation (November 1999 to November 2012).	Non-Executive Director, Chairman of Audit Committee, Member of Nomination Committee

Directors' Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

1. DIRECTORS (CONTINUED)

Directors who held office for part of the year

Director	Qualifications and experience
Gavin O'Reilly	BScBA (Hons). Mr O'Reilly was a Board Member since 2004 and had served as Chairman since 2008, re-elected to the Board in May 2011. He was formerly Group Chief Executive Officer of Independent News & Media PLC (INM) from 2009 to 2012, having joined INM in 1993 and held various senior management roles. He is Chairman of Dromoland Castle Hotel, Director of Jagran Prakashan Limited (India) (since 2005), and Director of TVC PLC (since 2007). He is an honorary member (and former President, 2005 to 2011) of WAN-IFRA, the World Association of Newspapers and News Publishers.
Pierce Cody	Mr Cody had been a Board Member since 2003. Mr Cody has more than 27 years' experience in the advertising industry and founded Cody Outdoor Australasia. Mr Cody was formerly the Chief Executive of APN Outdoor, after selling Cody Outdoor to APN in 2001. Mr Cody founded Macro Wholefoods Market, Australia's largest organic and natural food retailer. In 2009, Mr Cody sold Macro to Woolworths Australia. Mr Cody is a Life Governor and Director of The Australian Ireland Fund. From 1999 to 2007, Mr Cody was non–executive Director of Adcorp Australia Ltd. Prior to that, he was a Trustee of the Art Gallery of New South Wales.

2. QUALIFICATIONS AND EXPERIENCE OF COMPANY SECRETARY

Yvette Lamont - Group General Counsel and Company Secretary

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

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

She is a Committee Member of the Media and Communications Committee of the Law Council of Australia, is a Graduate of the Australian Institute of Company Directors and has attended courses at the Chartered Secretaries Institute. Ms Lamont is a Director of Theatre of Image, a not for profit company involved in theatre for families.

3. PRINCIPAL ACTIVITIES

APN News & Media has a diverse portfolio of media assets in Australia and New Zealand.

APN is New Zealand's leading publisher with a portfolio that includes The New Zealand Herald and a stable of eight magazines. It has seven daily regional newspapers plus more than 35 community titles. In Australia, APN is a key publisher in regional Queensland and northern NSW. Its portfolio includes 12 daily newspapers, more than 56 non-daily newspapers and over 30 web sites. APN also has commercial printing businesses in Australia and New Zealand.

APN operates two radio businesses, Australian Radio Network and The Radio Network in New Zealand, in a joint venture with Clear Channel.

APN's outdoor group consists of APN Outdoor, Adshel and Hong Kong Outdoor.

- APN Outdoor provides billboard, transit and airport advertising. It operates in Australia and New Zealand and is a joint venture with Quadrant Private Equity.
- Adshel provides street furniture advertising and infrastructure in Australia and New Zealand.
- Hong Kong Outdoor is comprised of Cody, offering premium billboard advertising and Buspak, providing exterior and multimedia advertising.

  Adshel and Hong Kong Outdoor are joint ventures with Clear Channel.

APN's digital portfolio includes group buying venture GrabOne, online shopping club brandsExclusive, and digital retail advertising network CC Media.

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

Directors’ Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

4. DIVIDENDS

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

	2012 $’000	2011 $’000
Final dividend for the year ended 31 December 2011 of 5.0 cents per share, franked to 1.5 cents paid on 30 March 2012 (2010: 7.0 cents per share franked to 2.0 cents paid on 31 March 2011)	**31,511**	42,426
Interim dividend for the year ended 31 December 2012 of 1.5 cents per share franked to 0.5 cents paid on 26 September 2012. (2011: 3.5 cents per share fully franked, paid on 28 September 2011)	**9.735**	21,650
	41,246	64,076

The Directors have determined that no final dividend will be payable in respect of the year ended 31 December 2012.

5. CONSOLIDATED RESULT AND REVIEW OF OPERATIONS

The consolidated loss attributable to owners of the parent entity for the financial year (after exceptional items and discontinued operations) was $455,769,000 (2011: loss of $45,070,000). A review of operations of the consolidated entity for the year ended 31 December 2012 is set out on pages 2 to 15.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year, there have been a number of significant events that have resulted in changes to the composition of the APN Board. Please refer to the announcements released to the ASX between 15 February and 20 February 2013.

In January and February 2013, Cyclone Oswald and subsequent floods caused significant disruption to the regions in which Australian Regional Media (ARM) operates. The immediate impact on ARM’s operations has been less significant than the floods in 2011. The full financial impact is still being assessed.

Please refer to note 5 of the financial statements for the latest developments in relation to the tax dispute with the New Zealand Inland Revenue Department.

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

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Overall strategic direction is discussed in the Chairman’s Report on pages 4 and 5 and the operational reviews on pages 6 to 15.

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

9. ENVIRONMENTAL REGULATION

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

10. REMUNERATION REPORT

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

Directors' Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

11. DIRECTORS' MEETINGS

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

Director	Board of Directors		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Hunt	3	3						
Ted Harris	14	14	6	5	6	6		
Brett Chenoweth	14	14						
Pierce Cody	3	3						
Paul Connolly	3	3						
Melinda Conrad	14	14					3	3
Peter Cosgrove	14	14					3	2
Vincent Crowley	14	13			1	1		
John Harvey	14	14	6	6				
Kevin Luscombe	14	14	6	6	6	6		
John Maasland	14	11	6	6			3	2
Gavin O'Reilly	5	5			4	4		

Two meetings of the Allotment Committee were held and were attended by Peter Hunt (1), Gavin O'Reilly (1) and Brett Chenoweth (2). Four meetings of a Board Committee formed for purposes including reviewing and approving the half-year and annual financial statements, dividend payments, 2011 Annual Report and Shareholder Review, and Notice of Meeting were held and were attended by Ted Harris (4) and Brett Chenoweth (4).

12. DIRECTORS' INTERESTS

Note 26 to the financial statements contains details of shareholdings of the Directors and Senior Executives as at 31 December 2012.

13. SHARES UNDER OPTION

Note 18 to the financial statements contains details of the number of unissued shares of APN News & Media Limited under option at 31 December 2012 and shares issued during the financial year as a result of the exercise of options. No options have been granted since the end of the financial year.

14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

15. INSURANCE OF DIRECTORS AND OFFICERS

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

16. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

Directors' Report

17. NON-AUDIT SERVICES

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

During the financial year, the Company's auditor, PricewaterhouseCoopers, received or is due to receive $822,000 for the provision of non-audit services. In addition, KPMG (auditors of a controlled entity) received or is due to receive $333,000 for the provision of non-audit services.

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

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

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

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

18. AUDITOR'S INDEPENDENCE DECLARATION

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

19. ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

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

Peter Cosgrove
Chairman
14 March 2013

Remuneration Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

CONTENTS AND SCOPE OF THIS REMUNERATION REPORT

Contents

The Remuneration Report is set out under the following headings:

Scope

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

Directors

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

Senior Executives of APN News & Media Limited

The following Senior Executives, together with the Directors, were the key management personnel (KMP) having authority and responsibility for planning, directing and controlling the activities of the parent entity and consolidated entity during 2012:

Name	Position
Brett Chenoweth	Chief Executive Officer
Peter Myers	Chief Financial Officer (until 19 September 2012)
Jeff Howard	Chief Financial Officer (from 12 November 2012)
Matthew Crockett	Chief Development Officer
Martin Simons	Chief Executive, New Zealand Media
Warren Bright	Chief Executive, Australian Regional Media
Richard Herring	Group Radio and Outdoor Chief Executive (until 30 April 2012)

Remuneration Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

A: REMUNERATION SNAPSHOT

A summary of remuneration arrangements for 2012 are outlined in the table below.

Senior Executive remuneration	
Fixed remuneration	Fixed remuneration includes base salary, other fixed remuneration including fully costed salary packaged benefits such as motor vehicles (including fringe benefits tax as applicable) and superannuation. Senior Executive fixed remuneration is set with reference to market data, the individual's experience and performance. There are no guaranteed fixed remuneration increases for Senior Executives.
Short-term incentive (STI)	STIs are paid in cash subject to achieving specific performance objectives, both financial (75%) and individual (25%). 50% of the financial award is payable for on-target performance and 100% at 10% over-target, except as disclosed in section C of this report. Financial targets include Group NPAT for Group executives and a mix of business unit specific EBIT and Group EBIT for business unit Chief Executives and the Chief Development Officer.
Long-term incentive (LTI)	The LTI plan awards Performance Rights subject to performance over a three year performance period. Awards are subject to two performance conditions: 1) Seventy-five percent (75%) of the award will be subject to an EPS target set by the Board; and 2) Twenty-five percent (25%) of the award will be subject to a relative TSR performance condition, compared against companies in the GICS Consumer Discretionary Index.
Employment contracts	Senior Executives, including the Chief Executive Officer, are entitled to receive fixed remuneration inclusive of superannuation and benefits and are eligible to participate in the Company's STI and LTI plans. All Senior Executive contracts, except for that of the Chief Executive Officer are continuing contracts which require 6 to 12 months' notice in order to terminate the contract. The Chief Executive Officer was employed on a three year contract which commenced on 1 January 2011.
Non-executive Directors	
Directors' fees	APN aims to provide remuneration commensurate with the expected time commitment, level of expertise and experience and considers fees paid to directors in similar companies. Directors are paid a base fee for services to the Board, and a fee for each Board Committee on which they sit.

B: EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

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

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

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

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

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

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

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

Other remuneration related costs

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

Retirement benefits

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

Approach to setting executive remuneration levels

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

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

Securities Trading Policy

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

Voting and comments made at the Company's 2012 Annual General Meeting

The Company received more than 99% of "yes" votes on its remuneration report for the 2011 financial year.

C: EXECUTIVE REMUNERATION – DETAIL

Short-term incentive (STI) plan

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

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

Remuneration Report

C: EXECUTIVE REMUNERATION – DETAIL (CONTINUED)

Long-term incentive (LTI) plan

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

		EPS tranche (75% of total annual award)	TSR tranche (25% of total annual award)
Form of award		Awards under the LTI plan are structured as rights to acquire fully paid ordinary shares in the Company for nil consideration (i.e. Performance Rights). The number of Performance Rights (Rights) to be issued to Senior Executives is based on the individual's LTI opportunity, expressed as a percentage of fixed remuneration. Rights were chosen as an appropriate vehicle as they are in line with market practice, provide alignment to the interests of shareholders and have simpler tax treatment than share options. Subject to the satisfaction of the performance hurdles, vested Rights will convert to fully paid ordinary shares on the date APN announces its annual results to the Australian Securities Exchange (ASX), immediately following the performance period of three years. Vested Rights will automatically convert into shares without the requirement for the participant to exercise their Rights.	
Eligibility		The Chief Executive Officer, and other Senior Executives (at the discretion of the Board), are eligible to participate in the LTI plan.	
Frequency of grants		It is envisaged that awards under the LTI plan will be made on an annual basis.	
Performance conditions	Performance period	The number of Rights that vest is dependent on performance over a three year period. Any awards which do not vest when performance is tested (at the end of the three year performance period) will lapse.	
	Performance measures	EPS has been chosen as it focuses participants on earnings growth. EPS is the base earnings per share (as disclosed in the Company's Income Statement) adjusted for any non-recurring or non-trading items as determined by the Board. EPS growth will be measured as the annual compound percentage increase in EPS over three consecutive financial years beginning the year in which the Rights are granted.	Relative TSR has been chosen as a performance hurdle because it aligns executive interests with those of shareholders by measuring the change in the Company's share price and the payment of dividends. The Company's TSR performance will be measured relative to constituents of the Global Industry Classification Standard (GICS) Consumer Discretionary Index at the date of grant. The GICS Consumer Discretionary Index was chosen as the companies in the peer group operate in similar industries to the Company and face similar challenges, opportunities and market conditions. Therefore, the Company must outperform companies with similar opportunities to receive any benefit in relation to the TSR-based tranche of awards. In order for any of the TSR-based portion of the award to vest, APN's TSR must be at or above the 51st percentile of the comparator group's companies' TSRs over the three year performance period.
	Vesting schedule	For awards granted in 2011 the EPS targets are:	The TSR vesting schedule is as follows:

Compound annual EPS growth	Proportion of EPS grant vesting
Less than 7% per annum	0%
At least equal to 7% per annum	50%
Between 7% and 10% per annum	Pro-rata straight line
At least 10% per annum	100%
EPS tranche (75% of total annual award)	

Relative TSR percentile ranking	Proportion of Rights that will vest if the TSR hurdle is met
Less than the 51st percentile	0%
51st percentile	50%
Between the 51st and 75th percentile	Straight line vesting between the 51st and 75th percentile
75th percentile	100%
TSR tranche (25% of total annual award)	

Remuneration Report

Treatment of awards on cessation of employment	The plan rules will allow flexibility for participants to remain in the plan post cessation of employment or for awards to be pro-rated for time and performance up to the date of cessation. For the initial grants where participants leave in certain "good leaver" circumstances, awards will be pro-rated for time and may vest to the extent performance hurdles are met as at the date of termination. For the CEO, annual awards that have been granted may vest on termination, to the extent that the performance hurdles are met, other than in certain "bad leaver" circumstances.
Treatment of awards on change of control	The Board will have discretion to pro-rate outstanding awards for time and performance in an event which the Board considers to be a change of control event. A change of control event is defined in the LTI plan rules.

D: REMUNERATION OUTCOMES FOR SENIOR EXECUTIVES

Overview of the link between remuneration and 2012 performance

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

Summary of five year performance

	2012	2011	2010	2009	2008
Net profit after tax (NPAT)(i)	**$54.4m**	$78.2m	$103.1m	$94.2m	$143.1m
Annual change in NPAT	**(30.5%)**	(24.2%)	9.5%	(34.2%)	(15.5%)
Dividends per share	**1.5c**	8.5c	12.0c	4.0c	22.5c
Diluted EPS(i) (ii)	**8.4c**	12.6c	17.2c	17.0c	28.3c
Annual change in diluted EPS	**(33.6%)**	(26.4%)	1.2%	(39.9%)	(14.0%)
Share price at 31 December	**$0.25**	$0.71	$1.94	$2.32	$2.48

(i) Pre exceptional items and discontinued operations

(ii) Adjusted for bonus element of 2009 rights issue

Short-term incentives

The following table outlines, for 2012, the proportion of the STI payable under the STI plan as determined by the Remuneration Committee. The performance of the Group in 2012 was not uniform across the divisions, and as a consequence Group financial targets were not met and were insufficient to meet STI targets.

	STI payable	STI forfeited
Brett Chenoweth	0%	100%
Peter Myers	0%	100%
Jeff Howard	0%	100%
Matthew Crockett	0%	100%
Martin Simons	0%	100%
Warren Bright	0%	100%
Richard Herring	0%	100%

Long-term incentives

No Performance Rights were issued to Senior Executives during 2012. No awards issued under existing long-term incentive plans vested to Senior Executives during 2012.

D: REMUNERATION OUTCOMES FOR SENIOR EXECUTIVES (CONTINUED)

Details of remuneration of Senior Executives (and comparatives)

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

	Short-term benefits			Post employment benefits		Total
	Cash salary and fees $	Short-term incentive $	Non-monetary benefits $	Superannuation $	Termination benefits $	$
Brett Chenoweth						
2012	**1,483,877**	**–**	**95,404**	**16,123**	**–**	**1,595,404**
2011	1,484,513	–	81,350	15,487	–	1,581,350
Peter Myers (to 19 September 2012)						
2012	**578,783**	**–**	**–**	**27,442**	**–**	**606,225**
2011	664,002	–	–	42,385	–	706,387
Jeff Howard (from 12 November 2012)						
2012	**64,640**	**–**	**–**	**3,416**	**–**	**68,056**
2011	–	–	–	–	–	–
Matthew Crockett						
2012	**568,193**	**–**	**61,406**	**16,122**	**–**	**645,721**
2011	449,475	56,250	88,035	12,213	–	605,973
Martin Simons						
2012	**758,954**	**–**	**129,976**	**–**	**–**	**888,930**
2011	747,270	–	126,881	–	–	874,151
Warren Bright						
2012	**533,878**	**–**	**–**	**16,122**	**–**	**550,000**
2011	336,363	40,000	–	9,855	–	386,218
Richard Herring (to 30 April 2012)						
2012	**221,742**	**–**	**–**	**16,667**	**–**	**238,409**
2011	651,229	320,000	22,475	29,771	–	1,023,475
Rob Lourey (to 31 December 2011)						
2012	**–**	**–**	**–**	**–**	**–**	**–**
2011	440,000	–	–	60,000	258,198	758,198
Warren Lee (to 5 April 2011)						
2012	**–**	**–**	**–**	**–**	**–**	**–**
2011	161,816	–	4,580	7,600	736,737	910,733
Total 2012	**4,210,067**	**–**	**286,786**	**95,892**	**–**	**4,592,745**
Total 2011	4,934,667	416,250	323,321	177,311	994,935	6,846,484

In relation to share options held by Senior Executives, no cost has been recognised in profit or loss during the year as it is considered unlikely that the awards will vest.

In relation to the Performance Rights held by the Chief Executive Officer during 2012, a charge of $80,625 (2011: $80,625) has been recognised in profit or loss in relation to the TSR tranche. No cost has been recognised in relation to the EPS tranche as it is considered unlikely that the awards will vest.

Including this charge, Mr Chenoweth's total cost to the Company is $1,676,029 (2011: $1,661,975) and the total cost to the Company of all Senior Executives is $4,673,370 (2011: $6,927,109).

Remuneration Report

E: EXECUTIVE EMPLOYMENT CONTRACTS

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

Fixed-term contracts

Brett Chenoweth, Chief Executive Officer (commenced 1 January 2011, resigned on 19 February 2013)

Mr Chenoweth was employed on a three year contract. Key details of Mr Chenoweth's contract are as outlined below:

- **Fixed remuneration:** Mr Chenoweth received fixed remuneration, inclusive of superannuation and other benefits, of $1.5 million per annum.
- **STI:** For achievement of target performance under the STI plan, Mr Chenoweth was entitled to an award of $600,000. For each 1% increase up to 5% above target, Mr Chenoweth was eligible for an additional $75,000. In addition, for each 1% increase above 6%, up to 10% above target, Mr Chenoweth was eligible for an additional $100,000.
- **LTI:** Mr Chenoweth was eligible for an annual award of Performance Rights under the LTI plan as follows:
  - 750,000 Performance Rights for the year ended 31 December 2011;
  - Performance Rights to the value of 100% of fixed remuneration for each of the years ending 31 December 2012 and 2013 to be granted in 2012 and 2013; and
  - Vesting is subject to meeting TSR and EPS performance hurdles for the three year period from 1 January 2011 to 31 December 2013 as outlined in Section C of this report.
- **Notice period:** Employment may be terminated by either party giving 12 months' notice or, where employment is terminated by the Company, payment may be made in lieu of notice.
- **Termination:** If Mr Chenoweth is considered a "good leaver" (i.e. leaves by reason of death, total disablement, redundancy or certain other circumstances defined in Mr Chenoweth's employment contract), and subject to any required shareholder approval, Mr Chenoweth will be entitled to all remuneration and statutory leave entitlements up to and including the date of termination, payment of STI for the relevant calendar year, pro-rated to the date of termination and payment of the unvested LTI awards to the extent that performance hurdles are met.

Rolling contracts

Other Senior Executives

Peter Myers	Chief Financial Officer (until 19 September 2012)
Jeff Howard	Chief Financial Officer (from 12 November 2012)
Matthew Crockett	Chief Development Officer
Martin Simons	Chief Executive, New Zealand Media
Warren Bright	Chief Executive, Australian Regional Media
Richard Herring	Group Radio and Outdoor Chief Executive (until 30 April 2012)

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

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

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

Remuneration Report

F: NON-EXECUTIVE DIRECTOR REMUNERATION

Approach to determining non-executive Director fees

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

Approved fee pool

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

Retirement benefits

Non-executive Directors may receive retirement benefits in accordance with the *Corporations Act 2001*.

Fees paid to non-executive Directors of APN News & Media Limited during 2012 (and comparatives)

	Cash salary and fees $	Superannuation $	Total $
Amounts paid by APN News & Media Limited			
Peter Hunt (from 3 September 2012)			
2012	**68,975**	**6,207**	**75,182**
2011	–	–	–
Ted Harris			
2012	**150,000**	**–**	**150,000**
2011	150,000	–	150,000
Melinda Conrad			
2012	**71,972**	**6,477**	**78,449**
2011	–	–	–
Peter Cosgrove			
2012	**28,601**	**38,399**	**67,000**
2011	17,234	49,766	67,000
John Harvey			
2012	**73,396**	**6,604**	**80,000**
2011	70,337	6,330	76,667
Kevin Luscombe			
2012	**90,000**	**–**	**90,000**
2011	90,000	–	90,000
John Maasland			
2012	**87,156**	**7,844**	**95,000**
2011	87,156	7,844	95,000
Pierce Cody (until 22 February 2012)			
2012	**9,968**	**897**	**10,865**
2011	68,808	6,192	75,000
Total 2012	**580,068**	**66,428**	**646,496**
Total 2011	483,535	70,132	553,667
Amounts paid by subsidiaries of APN News & Media Limited			
Peter Cosgrove – Chairman's fee Buspak Hong Kong			
2012	**7,465**	**–**	**7,465**
2011	7,462	–	7,462
Total 2012	**587,533**	**66,428**	**653,961**
Total 2011	490,997	70,132	561,129

Directors not specified in the above table received no remuneration. Consistent with previous years, certain Directors affiliated with Independent News & Media PLC do not receive Directors' fees from the Company.

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

G: ADDITIONAL STATUTORY DISCLOSURES

Equity instrument disclosures relating to Directors and Senior Executives

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

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

The minimum performance hurdles for the above options have not been satisfied as at 31 December 2012 and will not be met in the remaining life of the options. The options will expire in June 2013.

Option holdings

Options held by Senior Executives during the year ended 31 December 2012 are shown in the table below.

	Balance at start of the year	Lapsed	Exercised	Balance at end of the year	Options vested during the year	Vested and exercisable at end of the year
Peter Myers	500,000	(500,000)	–	–	–	–
Martin Simons	400,000	–	–	400,000	–	–
Richard Herring	400,000	–	–	400,000	–	–
Total	**1,300,000**	**(500,000)**	**–**	**800,000**	**–**	**–**

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

Performance Right Holdings

Brett Chenoweth held 750,000 Performance Rights issued under the LTI plan at 31 December 2012.

Value of options exercised and shares issued

No ordinary shares in the Company were issued as a result of the exercise of options by any Director or Senior Executive during the year.

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

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

Loans to Directors and Senior Executives

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

Other transactions with Directors and Senior Executives

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

Auditor's Independence Declaration

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

pwc

Auditor's Independence Declaration

As lead auditor for the audit of APN News & Media Limited for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

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

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
14 March 2013

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Consolidated Income Statement

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $'000	2011 $'000
Revenue from continuing operations	2	**857,151**	842,142
Other revenue and income	2	**10,176**	25,722
Total revenue and other income		**867,327**	867,864
Expenses from operations before finance costs	3	**(771,510)**	(744,321)
Impairment of intangible assets	12	**(638,448)**	(159,495)
Finance costs	3	**(44,416)**	(57,190)
Share of profits of associates and joint venture	10	**9,155**	5,807
Loss before income tax credit		**(577,892)**	(87,335)
Income tax credit	5	**68,392**	48,696
Loss from continuing operations		**(509,500)**	(38,639)
Profit from discontinued operations	8	**77,543**	19,703
Loss for the year		**(431,957)**	(18,936)
Loss for year is attributable to:			
Owners of the parent entity		**(455,769)**	(45,070)
Non-controlling interests		**23,812**	26,134
		(431,957)	(18,936)
Earnings per share from continuing operations			
Basic/diluted earnings per share	31	**(82.3) cents**	(10.5) cents
Earnings per share from continuing and discontinued operations			
Basic/diluted earnings per share	31	**(70.4) cents**	(7.3) cents

Consolidated Statement of Comprehensive Income

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $'000	2011 $'000
Loss for the year		**(431,957)**	(18,936)
Other comprehensive income			
Revaluation of freehold land and buildings	19	**(628)**	–
Net exchange differences on translation of foreign operations	19	**19,933**	4,758
Net gain/(loss) on hedge contracts	19	**3,243**	(3,608)
Share of joint venture's hedging reserves	19	**(632)**	–
Exchange and other differences applicable to non-controlling interests		**3,812**	(288)
Other comprehensive income, net of tax		**25,728**	862
Total comprehensive income		**(406,229)**	(18,074)
Total comprehensive income is attributable to:			
Owners of the parent entity		**(433,853)**	(43,920)
Non-controlling interests		**27,624**	25,846
		(406,229)	(18,074)
Total comprehensive income attributable to owners of the parent entity arises from:			
Continuing operations		**(512,928)**	(67,236)
Discontinued operations		**79,075**	23,316
		(433,853)	(43,920)

Consolidated Balance Sheet

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES
AS AT 31 DECEMBER 2012

	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	32	**20,338**	23,885
Receivables	6	**127,767**	169,085
Inventories	7	**10,370**	9,053
Income tax receivable		**1,506**	546
Other current assets		**49,211**	27,907
Total current assets		**209,192**	230,476
Non-current assets			
Receivables	6	**28,738**	1,516
Other financial assets	9	**22,471**	31,164
Investments accounted for using the equity method	10	**102,298**	43,331
Property, plant and equipment	11	**171,541**	233,066
Intangible assets	12	**774,765**	1,456,952
Deferred tax assets	17	**36,281**	–
Retirement benefit asset	22	**1,557**	1,471
Total non-current assets		**1,137,651**	1,767,500
Total assets		**1,346,843**	1,997,976
Current liabilities			
Payables	13	**160,184**	135,667
Derivative liabilities	14	**-**	778
Interest bearing liabilities	15	**29,797**	27,504
Current tax liabilities		**6,403**	5,925
Provisions	16	**12,653**	16,436
Total current liabilities		**209,037**	186,310
Non-current liabilities			
Payables	13	**-**	4,043
Derivative liabilities	14	**-**	3,839
Interest bearing liabilities	15	**449,320**	633,526
Deferred tax liabilities	17	**-**	47,638
Provisions	16	**47,585**	9,819
Total non-current liabilities		**496,905**	698,865
Total liabilities		**705,942**	885,175
Net assets		**640,901**	1,112,801
Equity			
Contributed equity	18	**1,093,372**	1,074,115
Reserves	19	**(76,455)**	(77,441)
Accumulated losses	19	**(611,085)**	(117,700)
Total parent entity interest		**405,832**	878,974
Non-controlling interests	19	**235,069**	233,827
Total equity		**640,901**	1,112,801

Consolidated Statement of Changes in Equity

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the parent entity					
	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	**Total $'000**	Non-controlling interests $'000	**Total equity $'000**
Balance at 1 January 2011		1,045,999	(75,796)	(8,170)	**962,033**	226,172	**1,188,205**
Total comprehensive income		–	1,150	(45,070)	**(43,920)**	25,846	**(18,074)**
Transfers between reserves	19	–	384	(384)	**-**	–	**-**
Transactions with equity holders							
Contributions of equity	18	28,116	–	–	**28,116**	–	**28,116**
Dividends paid	20	–	–	(64,076)	**(64,076)**	–	**(64,076)**
Equity transactions with non-controlling interests	19	–	(3,179)	–	**(3,179)**	(18,191)	**(21,370)**
Balance at 31 December 2011		1,074,115	(77,441)	(117,700)	**878,974**	233,827	**1,112,801**
Balance at 1 January 2012		1,074,115	(77,441)	(117,700)	**878,974**	233,827	**1,112,801**
Total comprehensive income		–	21,916	(455,769)	**(433,853)**	27,624	**(406,229)**
Transfers between reserves	19	–	(3,630)	3,630	**-**	–	**-**
Transactions with equity holders							
Contributions of equity	18	19,257	–	–	**19,257**	–	**19,257**
Dividends paid	20	–	–	(41,246)	**(41,246)**	–	**(41,246)**
Equity transactions with non-controlling interests	19	–	(17,300)	–	**(17,300)**	(26,382)	**(43,682)**
Balance at 31 December 2012		1,093,372	(76,455)	(611,085)	**405,832**	235,069	**640,901**

Consolidated Statement of Cash Flows

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers		**1,052,631**	1,212,500
Payments to suppliers and employees		**(907,862)**	(1,015,818)
Dividends received		**703**	474
Interest received		**1,085**	1,270
Interest paid		**(44,787)**	(52,729)
Income taxes paid		**(14,496)**	(22,634)
Net cash inflows from operating activities	32	**87,274**	123,063
Cash flows from investing activities			
Payments for property, plant and equipment		**(14,244)**	(31,743)
Payments for goodwill		**–**	(920)
Payments for software		**(8,984)**	(2,152)
Payments for other intangible assets		**–**	(3,492)
Acquisition of controlled entities		**(35,161)**	(9,061)
Proceeds from sale of property, plant and equipment		**22,600**	3,705
Net (payments for purchase)/proceeds from sale of investments		**5,272**	(815)
Net proceeds on formation of APN Outdoor joint venture		**174,220**	–
Proceeds from sale of associate		**–**	689
Loans repaid by other entities		**2,039**	2,775
Dividends received from associate		**3,500**	2,500
Net cash inflows/(outflows) from investing activities		**149,242**	(38,514)
Cash flows from financing activities			
Loans advanced to:			
Director related entities		**–**	(324)
Associates		**(251)**	(5)
Proceeds from borrowings		**237,119**	261,194
Repayments of borrowings		**(426,776)**	(323,156)
Payments for borrowing costs		**(149)**	(582)
Principal repayments under finance leases		**(6,606)**	(2,408)
Dividends paid to shareholders		**(21,989)**	(35,960)
Net payments to non-controlling interests		**(21,587)**	(23,074)
Net cash outflows from financing activities		**(240,239)**	(124,315)
Change in cash and cash equivalents		**(3,723)**	(39,766)
Cash and cash equivalents at beginning of the year		**23,885**	63,539
Effect of exchange rate changes		**176**	112
Cash and cash equivalents at end of the year	32	**20,338**	23,885

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of APN News & Media Limited and its subsidiaries.

(a) Basis of preparation

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

Historical cost convention

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

(b) Principles of consolidation

(i) Subsidiaries

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

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

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(h)).

Inter-entity transactions, balances and unrealised gains on transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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

(ii) Associates

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

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

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

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

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

(iii) Joint ventures

Jointly controlled assets

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

Joint venture entities

The interest in a joint venture entity is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the joint venture entity is recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to the joint venture entity are set out in note 10.

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is APN News & Media Limited's functional and presentation currency.

Notes to the Financial Statements

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(iii) Group entities

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

- assets and liabilities are translated at the closing rate at the date of the balance sheet;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

(e) Revenue recognition

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

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

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

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

(f) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leases

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

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

Leased assets are amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets held at balance date are amortised over periods ranging from one to five years.

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

(h) Business combinations

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

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

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

(l) Inventories

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

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

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

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

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

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

(n) Financial assets

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

(i) Classification and initial measurement of financial assets

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

(ii) Financial assets at amortised cost

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

(iii) Financial assets at fair value

The Group's investments in equity instruments are measured at fair value, determined in the manner described in note 34. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to recognise gains and losses on equity instruments not held for trading, in other comprehensive income. Otherwise, all gains and losses are recognised in profit or loss.

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

(o) Derivatives

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

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Property, plant and equipment

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

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

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

- buildings 50 years
- plant and equipment 3–25 years

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

(q) Intangible assets

(i) Goodwill

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

(ii) Software

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

(iii) Mastheads

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

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

(iv) Radio licences – Australia

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

(v) Radio licences – New Zealand

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

(vi) Transit and outdoor advertising systems

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

(vii) Brands

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

Notes to the Financial Statements

(viii) Lease intangibles

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

(r) Trade and other payables

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

(s) Borrowings

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

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

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

(t) Provisions

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

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

(u) Employee benefits

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

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

(ii) Long service leave

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

(iii) Short-term incentive plans

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

- there are contracted terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

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

(iv) Defined benefit superannuation plans

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Share-based payments

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

The fair value of options granted under the Executive and Director Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the options vest.

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

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

(v) Contributed equity

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

(w) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(x) Dividends

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

(y) Rounding of amounts

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

(z) Parent entity financial information

The financial information for the parent entity, APN News & Media Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

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

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

(aa) Critical accounting judgements and key sources of estimation uncertainty

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

(i) Impairment

The Group annually tests whether goodwill and other non-amortising intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer note 12 for details of these assumptions and the potential impact of changes to these assumptions.

(ii) Property valuations

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

(iii) Income taxes

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

(ab) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

2. REVENUE AND OTHER INCOME

	2012 $'000	2011 $'000
From continuing operations		
Advertising revenue	**822,964**	842,142
Revenue from sale of goods	**34,187**	–
Revenue from continuing operations	**857,151**	842,142
Dividends received	**703**	474
Rent received	**1,271**	1,285
Foreign exchange gains	**–**	5,339
Gains on insurance claims	**2,054**	4,377
Gains on disposal of properties and businesses	**1,825**	788
Fair value adjustment on acquisition of associate	**–**	8,307
Gains on equity instruments	**349**	3,652
Other	**82**	238
Other income	**6,284**	24,460
Interest from joint venture	**2,811**	–
Interest from other entities	**1,081**	1,262
Finance income	**3,892**	1,262
Total other revenue and income	**10,176**	25,722
Total revenue and other income	**867,327**	867,864
From discontinued operations (note 8)		
Total revenue and other income	**71,493**	229,069

Notes to the Financial Statements

3. EXPENSES

	2012 $'000	2011 $'000
Expenses from continuing operations before finance costs		
Employee benefits expense	**337,555**	328,417
Selling and production expense	**265,401**	238,103
Rental and occupancy expense	**63,572**	54,746
Depreciation and amortisation expense	**30,959**	29,874
Redundancies and associated costs	**8,436**	17,332
Asset write downs and business closures	**7,344**	18,298
Loss on sale of property	**2,353**	–
New Zealand Herald relaunch costs	**2,939**	–
Other	**52,951**	57,551
Total expenses from continuing operations before finance costs	**771,510**	744,321
Depreciation		
Buildings	**556**	1,017
Plant and equipment	**22,352**	21,280
Plant and equipment under finance lease	**3,002**	3,187
Total depreciation	**25,910**	25,484
Amortisation		
Software	**3,109**	2,480
Radio licences	**1,940**	1,910
Total amortisation	**5,049**	4,390
Finance costs		
Interest and finance charges	**41,993**	54,164
Borrowing costs amortisation	**2,423**	3,026
Total finance costs	**44,416**	57,190
Rental expense relating to operating leases		
Property	**26,920**	23,544
Outdoor site rentals		
Minimum lease payments	**15,788**	11,652
Contingent rentals	**3,454**	3,207
Other	**4,362**	4,448
Total rental expense relating to operating leases	**50,524**	42,851
Impairment of receivables	**2,219**	2,823
Contributions to employee superannuation plans	**15,312**	14,607
From discontinued operation (note 8)		
Total expenses	**67,227**	200,356

4. SEGMENT INFORMATION

(a) Description of segments

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

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

(b) Results by operating segment

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

The segment information provided to the Directors and senior management team for the year ended 31 December 2012 is as follows:

2012	Australian Regional Media $'000	New Zealand Media $'000	Australian Radio Network $'000	The Radio Network $'000	Outdoor group $'000	Digital group $'000	Unallocated $'000	**Total $'000**
Revenue from external customers	248,760	287,360	139,951	86,708	110,485	55,311	21	**928,596**
Segment result	38,655	47,810	50,777	15,130	19,553	(755)	(15,139)	**156,031**
Share of profits of associates and joint venture	–	–	–	–	9,062	–	–	**9,062**
Segment assets	224,358	268,393	350,645	140,967	187,275	101,276	73,929	**1,346,843**
Segment liabilities	72,007	43,091	27,413	10,324	46,683	57,758	448,666	**705,942**

Reconciliation of segment result to operating loss before income tax	
Segment result	156,031
Less:	
Depreciation and amortisation	(33,492)
Net finance costs	(40,524)
Loss on disposal of properties and businesses	(528)
Gains on insurance claims	2,054
New Zealand Herald relaunch costs	(2,939)
Profit from discontinued operations	(4,266)
Redundancies and associated costs	(8,436)
Asset write downs and business closures	(7,344)
Impairment of intangible assets (note 12)	(638,448)
Loss before tax from continuing operations	**(577,892)**

Gains on insurance claims relates to claims made against damage to property, plant and equipment and lost earnings as a result of the Christchurch earthquakes and Queensland floods during 2011.

Redundancies and associated costs relate to the ongoing restructuring of our publishing divisions and The Radio Network.

Asset write downs relates mainly to print properties and equipment.

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

2011	Australian Regional Media $'000	New Zealand Media $'000	Australian Radio Network $'000	The Radio Network $'000	Outdoor group $'000	Digital group $'000	Unallocated $'000	**Total $'000**
Revenue from external customers	276,002	301,067	133,212	86,712	263,740	11,661	–	**1,072,394**
Segment result	55,105	61,856	47,510	16,917	45,803	(4,088)	(14,162)	**208,941**
Share of profits/(losses) of associates	–	–	–	–	6,143	(336)	–	**5,807**
Segment assets	354,143	764,747	362,383	152,823	279,344	40,673	43,863	**1,997,976**
Segment liabilities	76,424	106,714	42,779	22,430	51,257	15,744	569,827	**885,175**

Reconciliation of segment result to operating loss before income tax	
Segment result	208,941
Less:	
Depreciation and amortisation	(37,543)
Net finance costs	(55,944)
Gain on disposal of properties and businesses	788
Gains on insurance claims	4,377
Fair value adjustment on acquisition of associate	8,307
Gains on equity instruments	3,652
Foreign exchange gains	3,925
Profit from discontinued operations	(28,713)
Redundancies and associated costs	(17,332)
Asset write downs and business closures	(18,298)
Impairment of intangible assets (note 12)	(159,495)
Loss before tax from continuing operations	**(87,335)**

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

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

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

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

(c) Other segment information

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

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

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

The entity is domiciled in Australia and operates predominantly in Australia, New Zealand and Asia. The amount of its revenue from external customers in Australia is $489,006,000 (2011: $604,730,000), in New Zealand is $392,951,000 (2011: $411,542,000) and in Asia is $46,639,000 (2011: $56,123,000). Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets located in Australia is $733,896,000 (2011: $819,775,000) and in other countries is $403,775,000 (2011: $947,725,000). Segment assets are allocated to countries based on where the assets are located.

Notes to the Financial Statements

5. INCOME TAX

	2012 $'000	2011 $'000
Current tax expense	**20,519**	17,203
Deferred tax credit	**(82,222)**	(57,396)
Adjustment for current tax of prior periods	**(5,737)**	507
Income tax credit	**(67,440)**	(39,686)
Income tax is attributable to:		
Loss from continuing operations	**(68,392)**	(48,696)
Profit from discontinued operations	**952**	9,010
Aggregate income tax credit	**(67,440)**	(39,686)

Income tax expense differs from the amount prima facie payable as follows:

	2012 $'000	2011 $'000
Loss before income tax expense	**(499,397)**	(58,622)
Prima facie income tax at 30%	**(149,819)**	(17,587)
Tax effects of differences:		
Difference in international tax treatments and rates	**(21,224)**	(21,528)
Non-deductible impairment charge	**127,127**	643
Accounting gain on formation of APN Outdoor joint venture	**(24,011)**	–
Assets write downs and business closures	**–**	2,304
Fair value adjustment on acquisition of associate	**–**	(2,476)
Foreign exchange gains	**54**	(1,538)
Non-deductible interest	**6,817**	–
Other	**(647)**	(11)
Prima facie tax adjusted for differences	**(61,703)**	(40,193)
Adjustment for current tax of prior periods	**(5,737)**	507
Income tax credit	**(67,440)**	(39,686)

The Company is involved in a dispute with the New Zealand Inland Revenue Department ("IRD") regarding certain financing transactions. The Company is satisfied that its treatment of the financing transactions is consistent with all relevant legislation and that no tax will become payable. The dispute involves tax of NZ$48 million for the period up to 31 December 2012. The IRD are seeking to impose penalties of between 10% and 50% of the tax in dispute and interest in addition to the tax claimed. In the event the Company is unsuccessful in the dispute the Company has tax losses available to offset any amount of tax payable to the extent of NZ$32 million.

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

6. RECEIVABLES

	2012 $'000	2011 $'000
Current		
Trade receivables	**114,393**	158,612
Provision for doubtful debts	**(3,640)**	(5,125)
	110,753	153,487
Loans to associates	**3,084**	734
Other receivables	**13,930**	14,864
Total current receivables	**127,767**	169,085
Non-current		
Loans to related parties	**28,738**	1,516
Total non-current receivables	**28,738**	1,516

Trade receivables are generally settled within 60 days. The Directors consider the carrying amount of trade receivables approximates their net fair value. Loans to associates are unsecured, interest bearing and repayable at call. Loans to related parties includes a loan of $28,000,000 to APN Outdoor Pty Limited. This loan is unsecured and interest bearing.

(a) Impaired trade receivables

As at 31 December 2012, current trade receivables of the Group with a nominal value of $6,375,000 (2011: $7,133,000) were impaired. For the purposes of AASB 7 *Financial Instruments: Disclosures*, impaired receivables are regarded as those that are more than 90 days past due together with any other balances where the credit department considers collection to be in doubt. The amount of the provision was $3,640,000 (2011: $5,125,000). It was assessed that a portion of the impaired receivables is expected to be recovered.

	2012 $'000	2011 $'000
The ageing of these receivables is as follows:		
One to three months	**2,176**	3,169
Three to six months	**1,790**	2,779
Over six months	**2,409**	1,185
Impaired receivables	**6,375**	7,133
Movements in the provision for doubtful debts are as follows:		
Balance at beginning of the year	**5,125**	7,551
Amounts (disposed on)/relating to formation of APNO joint venture	**(923)**	964
Provision for doubtful debts expensed	**2,219**	2,823
Receivables written off	**(2,781)**	(6,213)
Provision for doubtful debts	**3,640**	5,125

(b) Past due but not impaired trade receivables

As of 31 December 2012, trade receivables of $27,742,000 (2011: $37,280,000) were past due but not impaired. These receivables are 90 days or less past due.

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

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

6. RECEIVABLES (CONTINUED)

(c) Foreign exchange risk

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

	2012 $'000	2011 $'000
Australian dollars	**98,813**	109,815
New Zealand dollars	**50,048**	51,902
Hong Kong dollars	**7,644**	4,492
Indonesian rupiah	**–**	4,392
	156,505	170,601

(d) Fair value and credit risk

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

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

Loans to related parties	**28,738**	1,516

The loans to related parties have no fixed term.

The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each receivable. The Group does not hold any collateral as security. Refer note 34 for further information on the risk management policy of the Group.

7. INVENTORIES

Raw materials and stores	**7,882**	9,013
Finished goods	**2,488**	40
Total inventories	**10,370**	9,053

8. DISCONTINUED OPERATIONS

(a) Discontinued operations

On 30 April 2012 the group disposed of 52% of its interest in APN Outdoor Group Pty Limited and its subsidiaries. The remaining 48% interest has been treated as an investment in a joint venture and equity accounted from 1 May 2012. The results of the business prior to disposal are reported as a discontinued operation.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

(i) Financial performance and cash flow information

Revenue and other income	**71,493**	229,069
Expenses	**(67,227)**	(200,356)
Profit before income tax	**4,266**	28,713
Income tax credit/(expense)	**(1,677)**	(9,010)
Profit after income tax of discontinued operation	**2,589**	19,703
Gain on sale of the division before income tax	**74,229**	–
Income tax credit/(expense)	**725**	–
Gain on sale of the division after income tax	**74,954**	–
Profit from discontinued operations	**77,543**	19,703
Net cash inflow from operating activities	**16,478**	41,071
Net cash inflow/(outflow) from investing activities	**171,900**	(7,976)
Net increase in cash generated by the division	**188,378**	33,095

Notes to the Financial Statements

(ii) Carrying amount of assets and liabilities

The carrying amounts of assets and liabilities of the discontinued operations at 30 April 2012 were:

	$'000
Cash and cash equivalents	2,836
Receivables	35,548
Inventories	429
Property, plant and equipment	25,795
Intangible assets	127,608
Other assets	19,833
Total assets	**212,049**
Payables	30,957
Provisions	1,406
Deferred tax liabilities	7,834
Total liabilities	**40,197**
Net assets	**171,852**

9. OTHER FINANCIAL ASSETS

	2012 $'000	2011 $'000
Listed securities	**–**	7,636
Shares in other corporations	**22,471**	23,528
Total other financial assets	**22,471**	31,164

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Name of associate/ joint venture	Investment type	Principal activity	Country of incorporation and principal place of business	Ownership interest		Consolidated Carrying values	
				2012 %	2011 %	**2012 $'000**	2011 $'000
Adshel Street Furniture Pty Limited	Associate	Outdoor advertising	Australia	**50**	50	**42,868**	37,331
APN Outdoor Pty Limited	Joint venture	Outdoor advertising	Australia	**48**	–	**53,430**	–
Soprano Design Pty Limited	Associate	Mobile messaging	Australia	**25**	25	**6,000**	6,000
						102,298	43,331

	2012 $'000	2011 $'000
Share of profits of associates and joint venture		
Share of profits of associates	**9,037**	5,807
Share of profits of joint venture	**118**	–
	9,155	5,807

Notes to the Financial Statements

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (CONTINUED)

(a) Investment in associates

Movements in carrying amounts of investments in associates

	2012 $'000	2011 $'000
Carrying amount at beginning of the year	**43,331**	41,152
Additions	**4,996**	–
Share of profits after income tax	**9,037**	5,807
Dividends received	**(3,500)**	(2,500)
Disposals and other	**(4,996)**	(1,128)
Carrying amount at end of the year	**48,868**	43,331

Summarised financial information of associates

The Group's share of the results of its principal associates and their aggregated assets (including goodwill) and liabilities are as follows:

	Group's share of			
	Assets $'000	Liabilities $'000	Revenue $'000	Profit $'000
2012				
Adshel	**64,279**	**21,856**	**71,395**	**9,037**
2011				
Adshel	60,304	23,746	61,133	5,807

(b) Interest in joint ventures

The investment in the APNO joint venture is accounted for in the financial statements using the equity method of accounting. Information relating to the joint venture for the 8 months from formation on 1 May 2012 to 31 December 2012, is set out below.

	2012 $'000
Share of joint venture assets and liabilities	
Current assets	30,344
Non-current assets	129,010
Total assets	159,354
Current liabilities	10,983
Non-current liabilities	94,941
Total liabilities	105,924
Net assets	53,430
Share of joint venture revenue, expenses and results	
Revenue	72,260
Expenses	(72,142)
Net profit after tax	118
Share of joint venture capital commitments	2,000

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Buildings $'000	Plant and equipment $'000	Plant and equipment under finance lease $'000	**Total $'000**
At 1 January 2011					
Cost or fair value	15,526	36,170	501,757	53,352	**606,805**
Accumulated depreciation	–	(2,223)	(363,057)	(5,703)	**(370,983)**
Capital works in progress	–	–	7,513	–	**7,513**
Net book amount	15,526	33,947	146,213	47,649	**243,335**
Year ended 31 December 2011					
Opening net book amount	15,526	33,947	146,213	47,649	**243,335**
Additions	–	70	32,788	–	**32,858**
Acquisition of controlled entities	–	–	28	–	**28**
Disposals	(2,032)	(1,689)	(3,897)	–	**(7,618)**
Depreciation	–	(1,017)	(27,888)	(3,186)	**(32,091)**
Impairment	–	–	–	(3,486)	**(3,486)**
Transfers and other adjustments	–	(141)	(743)	–	**(884)**
Foreign exchange differences	105	174	645	–	**924**
Closing net book amount	13,599	31,344	147,146	40,977	**233,066**
At 1 January 2012					
Cost or fair value	13,599	34,376	477,174	53,352	**578,501**
Accumulated depreciation and impairment	–	(3,032)	(346,690)	(12,375)	**(362,097)**
Capital works in progress	–	–	16,662	–	**16,662**
Net book amount	13,599	31,344	147,146	40,977	**233,066**
Year ended 31 December 2012					
Opening net book amount	13,599	31,344	147,146	40,977	**233,066**
Additions	–	171	15,505	–	**15,676**
Acquisition of controlled entities	–	–	709	–	**709**
Disposals	(7,167)	(16,050)	(27,905)	(722)	**(51,844)**
Depreciation	–	(556)	(24,681)	(3,002)	**(28,239)**
Impairment	(121)	(183)	(970)	–	**(1,274)**
Transfers and other adjustments	–	(31)	26	7	**2**
Foreign exchange differences	330	508	3,235	–	**4,073**
Revaluations	(24)	(604)	–	–	**(628)**
Closing net book amount	6,617	14,599	113,065	37,260	**171,541**
At 31 December 2012					
Cost or fair value	6,617	14,599	421,477	51,710	**494,403**
Accumulated depreciation and impairment	–	–	(313,024)	(14,450)	**(327,474)**
Capital works in progress	–	–	4,612	–	**4,612**
Net book amount	6,617	14,599	113,065	37,260	**171,541**

(i) The Directors consider that freehold land and buildings are carried at fair value. Independent valuations were carried out in 2012 and carrying values have been adjusted to reflect such valuations. Independent valuations were carried out by certified registered valuers.

Notes to the Financial Statements

12. INTANGIBLE ASSETS

	Goodwill $'000	Software $'000	Mastheads $'000	Radio licences $'000	Transit and outdoor advertising systems $'000	Brands $'000	Lease intangibles $'000	**Total $'000**
At 1 January 2011								
Cost	297,670	25,481	963,287	352,721	54,713	40,748	3,961	**1,738,581**
Accumulated amortisation and impairment	(101,418)	(20,653)	(25,082)	(14,744)	–	–	(2,686)	**(164,583)**
Net book amount	196,252	4,828	938,205	337,977	54,713	40,748	1,275	**1,573,998**
Year ended 31 December 2011								
Opening net book amount	196,252	4,828	938,205	337,977	54,713	40,748	1,275	**1,573,998**
Additions	28,864	3,611	27	57	–	3,406	3,452	**39,417**
Disposals	(775)	(3)	(4,451)	–	–	–	–	**(5,229)**
Amortisation	–	(2,541)	–	(1,910)	–	–	(581)	**(5,032)**
Impairment	(2,297)	–	(157,198)	–	–	–	–	**(159,495)**
Other adjustments	511	652	–	–	–	(638)	–	**525**
Foreign exchange differences	1,330	10	10,261	357	–	819	(9)	**12,768**
Closing net book amount	223,885	6,557	786,844	336,481	54,713	44,335	4,137	**1,456,952**
At 1 January 2012								
Cost	327,636	29,822	968,166	353,258	54,713	44,335	7,021	**1,784,951**
Accumulated amortisation and impairment	(103,751)	(23,265)	(181,322)	(16,777)	–	–	(2,884)	**(327,999)**
Net book amount	223,885	6,557	786,844	336,481	54,713	44,335	4,137	**1,456,952**
Year ended 31 December 2012								
Opening net book amount	223,885	6,557	786,844	336,481	54,713	44,335	4,137	**1,456,952**
Additions	48,586	8,984	5	–	–	4,200	–	**61,775**
Disposals	(69,269)	(740)	(19)	–	(54,043)	–	(4,079)	**(128,150)**
Amortisation	–	(3,127)	–	(1,940)	–	–	(171)	**(5,238)**
Impairment	(89,741)	–	(548,707)	–	–	–	–	**(638,448)**
Other adjustments	(27)	(6)	7	–	(670)	685	–	**(11)**
Foreign exchange differences	2,491	229	21,530	1,557	–	1,965	113	**27,885**
Closing net book amount	115,925	11,897	259,660	336,098	–	51,185	–	**774,765**
At 31 December 2012								
Cost	309,417	38,311	1,004,550	355,578	–	51,185	–	**1,759,041**
Accumulated amortisation and impairment	(193,492)	(26,414)	(744,890)	(19,480)	–	–	–	**(984,276)**
Net book amount	115,925	11,897	259,660	336,098	–	51,185	–	**774,765**

Notes to the Financial Statements

Allocation of goodwill and non-amortising intangible assets to cash generating units (CGUs)

	2012 $'000	2011 $'000
Name of CGU		
Australian Regional Media	**97,136**	205,896
New Zealand Media – Metro	**132,576**	561,889
New Zealand Media – Regional	**27,137**	107,828
Australian Radio	**300,158**	300,158
New Zealand Radio	**83,287**	79,418
Outdoor – Australia	**–**	105,472
Digital Ventures	**84,727**	27,744
Other	**2,501**	17,172
Total goodwill and non-amortising intangible assets	**727,522**	1,405,577

Impairment of CGUs including goodwill and indefinite life intangible assets

At the half year, it was determined that there were indicators of impairment of New Zealand and Australian publishing assets, arising from the subdued economic environment affecting the areas in which they operate. Therefore, in accordance with AASB 136 *impairment of assets*, management performed an impairment review of the respective CGUs.

As a result of the review, the carrying amount of mastheads allocated to the New Zealand publishing CGUs was reduced to their recoverable amounts through the recognition of an impairment charge. No impairment charge arose on the Australian publishing assets. The impairment of the New Zealand assets was a result of a number of factors including the economic weakness facing the New Zealand economy and the structural changes in the advertising market.

The impairment charge impacted the three New Zealand publishing CGUs as follows:

	Impairment charge $'000	Carrying value of intangible assets $'000
New Zealand Media – Metro	372,042	172,847
New Zealand Media – Regional	84,132	21,137
New Zealand Magazines	31,103	
	487,277	

Year-end impairment review

A comprehensive impairment review was conducted at 31 December 2012. The recoverable amount of each CGU which includes goodwill or indefinite life intangible assets was reviewed. The recoverable amount of each CGU is determined based on value in use calculations using management budgets and forecasts for a three year period after adjusting for central overheads. Cash flows beyond three years are extrapolated at growth rates not exceeding the long-term average growth rate for the business in which the CGU operates.

As a result of the review, the carrying amount of goodwill and mastheads in the New Zealand and Australian Regional publishing divisions has been reduced to their recoverable amounts through the recognition of an impairment charge. These are summarised in the table below. The impairment charges are a result of the continuing economic weakness facing both the New Zealand and Australian regional economies in which we operate as well as the structural changes continuing to impact the advertising market.

	Impairment charge $'000	Carrying value of intangible assets $'000
Australian Regional Media	111,500	97,136
New Zealand Media – Metro	39,671	132,576
	151,171	

12. INTANGIBLE ASSETS (CONTINUED)

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

- Long-term growth rates ranging from -2% per annum for publishing CGUs to 4% per annum for digital and online (2011: 2.5% to 4.0%); and
- Post-tax discount rates ranging from 10% to 15% (2011: 9.5% to 10.0%) per annum.

Value in use calculations are highly sensitive to changes in certain key assumptions. All CGUs, except for the New Zealand Media-Metro and Australian Media division CGUs, have sufficient headroom such that reasonable changes to key assumptions would not give rise to an impairment charge. For the Australian Regional Media CGU, a 1% increase in the discount rate used would result in an increase in the impairment provision recognised by $12.7 million. A 1% decrease in long-term growth rates would increase the impairment provision recognised by $10.8 million. If forecasted cash flows were to decrease by 10%, an increase in the impairment provision of $14.7 million would be required.

For the New Zealand Media-Metro CGU, a 1% increase in the discount rate used would result in an increase in the impairment provision recognised by $13.6 million. A 1% decrease in long-term growth rates would increase the impairment provision recognised by $14.7 million. If forecasted cash flows were to decrease by 10%, an increase in the impairment provision of $21.4 million would be required.

13. PAYABLES

	2012 $'000	2011 $'000
Current		
Trade and other payables	**119,477**	133,408
Amounts due to related entities	**40,707**	956
Loans from Directors and Director related entities (refer note 27)	**–**	1,303
Total current payables	**160,184**	135,667

Amounts due to related parties includes amounts payable to APN Outdoor Group Pty Limited which are non-interest bearing and repayable at call subject to certain conditions. Also included are amounts payable to Independent News & Media PLC and related companies of $314,000 (2011: $542,000).

During the year, a loan from a Director of PT Rainbow Asia Posters, F Moniaga, was disposed of on the formation of the APN Outdoor joint venture (2011: $1,303,000). The loan was unsecured, non interest bearing and repayable at call.

	2012 $'000	2011 $'000
Non-current		
Trade and other payables	**–**	4,043
Total non-current payables	**–**	4,043

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

Foreign currency risk

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

	2012 $'000	2011 $'000
Australian dollars	**97,485**	65,110
New Zealand dollars	**55,935**	53,812
Hong Kong dollars	**6,381**	4,909
Indonesian rupiah	**–**	15,879
Other	**383**	–
	160,184	139,710

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 $'000	2011 $'000
Current liabilities		
Interest rate swaps – cash flow hedge	**–**	646
Foreign currency contracts	**–**	132
Total current derivative liabilities	**–**	778
Non-current liabilities		
Interest rate swaps – cash flow hedge	**–**	3,839
Total non-current derivative liabilities	**–**	3,839

(a) Interest rate swaps

The Group's borrowings include amounts that bear variable interest rates. It is Group policy to protect part of the loans from exposure to interest rates. Following the repayment of borrowings using the proceeds from the formation of the APN Outdoor joint venture, it was determined that the Group's exposure to fixed interest rates was too high. Therefore, the Group terminated all remaining interest rate swap contracts, leaving some fixed rate debt in place.

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

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into profit or loss when the hedged interest expense is recognised. In the year ended 31 December 2012, a loss of $3.9 million was reclassified into profit or loss (2011: loss of $2.3 million) and included in finance costs. There was no hedge ineffectiveness in the current or prior year.

The swaps in place at 31 December 2011 had a mark to market loss of $4,485,000. The table below analyses these net settled interest rate swaps into relative maturity groupings based on the remaining period at the reporting date to the contractual maturity date. For interest rate swaps, the cash flows have been estimated using current interest rates applicable at the reporting date.

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

(b) Forward exchange contracts – cash flow hedges

During the year, forward exchange contracts were used to hedge future foreign capital purchase commitments. The contracts are timed to mature as payments are scheduled to be made to suppliers. There were no contracts remaining in place at the balance date.

The table below analyses the Group's derivative financial instruments at 31 December 2011 that were to be settled on a gross basis, into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2011	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
Forward foreign exchange contracts				
Cash flow hedge				
– inflow	441	–	–	–
– outflow	578	–	–	–

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

Buy British Pounds	Sell Australian dollars		Average exchange rate	
	2012 $'000	2011 $'000	2012	2011
Maturity				
Zero to 12 months	–	578	–	0.502
One to two years	–	–	–	–

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

During the year ended 31 December 2012, a loss of $0.1 million (2011: loss of $0.1 million) was reclassified from other comprehensive income and included in the initial measurement of capital purchases. As at 31 December 2012, the Group held no cash flow hedge contracts.

15. INTEREST BEARING LIABILITIES

	2012 $'000	2011 $'000
Current		
Bank loans – unsecured	**27,376**	25,057
Lease liabilities (refer note 24)	**2,421**	2,447
Total current interest bearing liabilities	**29,797**	27,504
Non-current		
Bank loans – unsecured	**337,429**	520,390
New Zealand Bond	**79,428**	76,104
Lease liabilities (refer note 24)	**38,872**	45,452
	455,729	641,946
Deduct		
Borrowing costs	**13,961**	15,550
Accumulated amortisation	**(7,552)**	(7,130)
Net borrowing costs	**6,409**	8,420
Total non-current interest bearing liabilities	**449,320**	633,526

Fair value and risk management

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

(a) Risk exposures

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

	2012 $'000	2011 $'000
Six months or less	**327,104**	190,676
Six to twelve months	**17,986**	121,648
One to five years	**140,436**	357,126
Greater than five years	**–**	–
Interest bearing liabilities	**485,526**	669,450

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

	2012 $'000	2011 $'000
Australian dollars	**291,627**	388,566
New Zealand dollars	**193,899**	280,884
Interest bearing liabilities	**485,526**	669,450

For an analysis of the sensitivity of borrowings to interest rate risk, refer note 34.

(b) Capital risk management

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

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

16. PROVISIONS

	2012 $'000	2011 $'000
Current		
Employee benefits	**6,826**	7,133
Restructuring	**2,852**	2,797
Contingent consideration	**2,975**	6,506
Total current provisions	**12,653**	16,436
Non-current		
Employee benefits	**1,827**	2,282
Restructuring	**5,125**	4,358
Contingent consideration	**39,574**	3,179
Other	**1,059**	–
Total non-current provisions	**47,585**	9,819

Movements in provisions

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

	Restructuring $'000	Contingent consideration $'000	Total $'000
2012 movements in provisions			
Carrying amount at beginning of year	7,155	9,685	**16,840**
Charged/(credited) to profit or loss – additional provisions recognised	4,104	42,495	**46,599**
Amounts used	(3,431)	(9,775)	**(13,206)**
Foreign exchange differences	149	144	**293**
Carrying amount at end of the year	7,977	42,549	**50,526**

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

The provision for contingent consideration comprises the fair value of amounts payable on business combinations should certain pre determined gross margin thresholds be met by the acquired businesses and the fair value of amounts payable should put options over remaining non-controlling interests be exercised.

	2012 $'000	2011 $'000
Aggregate employee benefit liabilities		
Current provision	**6,826**	7,133
Non-current provision	**1,827**	2,282
Included in trade and other payables	**12,325**	12,156
Total employee benefit liabilities	**20,978**	21,571

17. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax

	Balance 1 Jan 12 $'000	Recognised in income $'000	Recognised in equity $'000	Other movements $'000	Balance 31 Dec 12 $'000
Tax losses	35,741	8,195	–	–	**43,936**
Employee benefits	5,602	632	–	–	**6,234**
Doubtful debts	810	221	–	–	**1,031**
Accruals/restructuring	6,051	1,432	–	–	**7,483**
Intangible assets	(87,372)	72,655	446	1,251	**(13,020)**
Depreciation	(3,555)	(2,074)	–	–	**(5,629)**
Other	(4,915)	1,161	–	–	**(3,754)**
	(47,638)	82,222	446	1,251	**36,281**

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

There are no material unbooked tax losses as at 31 December 2012.

18. CONTRIBUTED EQUITY

	2012 $'000	2011 $'000
Issued and paid up share capital	**1,093,372**	1,074,115

(a) Movements in contributed equity during the financial year

	2012 number	2011 number	2012 $'000	2011 $'000
Balance at beginning of the year	**630,211,415**	606,084,019	**1,074,115**	1,045,999
Dividend reinvestment plan	**31,315,171**	24,127,396	**19,257**	28,116
Balance at end of the year	**661,526,586**	630,211,415	**1,093,372**	1,074,115

(b) Executive and Director Option Plan (EDOP)

Until 2008 an option plan was operated by the Company to allow selected employees and Directors to participate in the growth of the Company through the issue of options over ordinary shares in the Company.

(c) Options issued under EDOP

Grant date	Exercise price $	Balance at start of the year number	Issued number	Exercised number	Lapsed number	Balance at end of the year number
2 June 2008	3.93	5,125,000	–	–	(1,340,000)	**3,785,000**
		5,125,000	–	–	(1,340,000)	**3,785,000**

The 2008 awards were tested on 31 December 2012, and it was determined that the minimum performance hurdles had not been satisfied, and they are not likely to be achieved during the remaining life of the options. The options will lapse in June 2013.

(d) Ordinary shares

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

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

19. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	2012 $'000	2011 $'000
Asset revaluation reserve	**9,248**	13,661
Foreign currency translation reserve	**(69,821)**	(89,981)
Capital profits reserve	**104**	120
Share-based payments reserve	**5,181**	5,181
Hedging reserve	**(632)**	(3,243)
Transactions with non-controlling interests reserve	**(20,535)**	(3,179)
Total reserves	**(76,455)**	(77,441)
Asset revaluation reserve		
Balance at beginning of the year	**13,661**	14,816
Revaluation of freehold land and buildings	**(628)**	–
Transfer to foreign currency translation reserve	**(93)**	–
Transfer between reserves	**–**	(1,539)
Transfer to accumulated losses	**(3,692)**	384
Balance at end of the year	**9,248**	13,661
Foreign currency translation reserve		
Balance at beginning of the year	**(89,981)**	(94,739)
Foreign exchange transfers from other reserves and accumulated losses	**227**	–
Net exchange difference on translation of foreign operations	**19,933**	4,758
Balance at end of the year	**(69,821)**	(89,981)
Hedging reserve		
Balance at beginning of the year	**(3,243)**	(1,174)
Net gain/(loss) on hedge contracts	**3,243**	(3,608)
Share of joint venture's hedging reserves	**(632)**	–
Transfer between reserves	**–**	1,539
Balance at end of the year	**(632)**	(3,243)
Transactions with non-controlling interests reserve		
Balance at beginning of the year	**(3,179)**	–
Increase in purchase consideration for controlled business	**(5,006)**	–
Acquisition of controlled business	**(12,294)**	(3,179)
Transfer to foreign currency translation reserve	**(56)**	–
Balance at end of the year	**(20,535)**	(3,179)

(b) Accumulated losses

	2012 $'000	2011 $'000
Balance at beginning of the year	**(117,700)**	(8,170)
Loss attributable to owners of the parent entity	**(455,769)**	(45,070)
Transfer from other reserves	**3,630**	(384)
Dividends paid	**(41,246)**	(64,076)
Balance at end of the year	**(611,085)**	(117,700)

Notes to the Financial Statements

(c) Nature and purpose of reserves

(i) Asset revaluation reserve

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

(ii) Foreign currency translation reserve

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

(iii) Share-based payments reserve

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

(iv) Hedging reserve

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

(v) Transactions with non–controlling interests reserve

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

(d) Non-controlling interests

	2012 $'000	2011 $'000
Share capital	**211,635**	210,393
Reserves	**(3,709)**	(7,521)
Retained profits	**21,225**	13,485
Other	**5,918**	17,470
Non-controlling interests	**235,069**	233,827

20. DIVIDENDS

	2012 $'000	2011 $'000
Final dividend for the year ended 31 December 2011 of 5.0 cents per share, franked to 1.5 cents, paid on 30 March 2012 (2010: 7.0 cents per share franked paid on 31 March 2011)	**31,511**	42,426
Interim dividend for the year ended 31 December 2012 of 1.5 cents per share franked to 0.5 cents, paid on 26 September 2012. (2011: franked interim dividend of 3.5 cents per share paid on 28 September 2011.)	**9,735**	21,650
Total dividends	**41,246**	64,076
Franking credits available for subsequent financial years at the 30% corporate tax rate after allowing for tax payable in respect of the current year's profit and tax refunds due	**2,469**	2,644

The Directors have determined that no final dividend will be payable for the year ended 31 December 2012.

21. CONTINGENT LIABILITIES

(a) Guarantees

For information about guarantees given by entities within the Group, including the parent entity, refer note 36.

(b) Claims

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

The Company is involved in a dispute with the IRD regarding certain financing transactions. Refer note 5 for further details.

22. RETIREMENT BENEFIT OBLIGATIONS

(a) Superannuation plans

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

Scheme information

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

(b) Balance sheet amounts

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

	2012 $'000	2011 $'000
Australian shares	**2,887**	2,890
International shares	**2,887**	2,890
Other	**4,917**	4,922
Fair value of defined benefit scheme assets	**10,691**	10,702
Present value of the defined benefit obligation	**(13,036)**	(12,396)
Shortfall of assets	**(2,345)**	(1,694)
Unrecognised net loss	**3,902**	3,165
Net asset	**1,557**	1,471
Reconciliation of the defined benefit obligation		
Defined benefit obligation at beginning of the year	**12,396**	15,375
Company service cost	**470**	453
Interest cost	**385**	714
Estimated member contributions	**132**	185
Estimated benefit payments and tax	**(1,732)**	(4,741)
Expected defined benefit obligation at end of the year	**11,651**	11,986
Actual defined benefit obligation at end of the year	**13,036**	12,396
Actuarial loss on defined benefit obligation	**(1,385)**	(410)
Reconciliation of the fair value of defined benefit scheme assets		
Value of assets at beginning of the year	**10,702**	14,803
Expected return on assets	**595**	897
Estimated employer contributions	**385**	522
Estimated member contributions	**132**	185
Estimated benefit payments and tax	**(1,732)**	(4,741)
Expected market value of assets at end of the year	**10,082**	11,666
Actual value of assets at end of the year	**10,691**	10,702
Actuarial gain/(loss) on assets	**609**	(964)

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

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

Key assumptions used in the latest actuarial valuation are discount rate 2.8% (2011: 3.2%); incremental salary inflation rates of 2.0% in year 1, 3.0% in year 2 and 3, and 4.0% for every year after that (2011: 4.0%); and expected return on plan assets 2.8% (2011: 5.5%). As at 31 December 2012, the plan assets have been invested in the following asset classes: Australian shares 27% (2011: 27%), international shares 27% (2011: 27%), property 9% (2011: 9%), cash and fixed interest 17% (2011: 17%) and other 20% (2011: 20%).

Amounts recognised in income statement

	2012 $'000	2011 $'000
Company service cost	**470**	453
Interest cost on defined benefit obligation	**385**	714
Actuarial loss recognised	**269**	69
Expected return on assets	**(595)**	(897)
Expense recognised in income statement	**529**	339
Actual return on plan assets	**1,204**	(67)

23. CAPITAL COMMITMENTS

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

Not later than one year	**658**	6,012
Later than one year but not later than five years	**–**	2,221
Total capital commitments	**658**	8,233

24. LEASE COMMITMENTS

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

Not later than one year	**46,260**	99,015
Later than one year but not later than five years	**111,071**	207,582
Later than five years	**51,756**	139,318
Commitments not recognised in the financial statements	**209,087**	445,915
Representing:		
Cancellable operating leases and rental commitments	**2,598**	6,708
Non-cancellable operating leases and rental commitments	**206,489**	439,165
Future finance lease charges	**–**	42
Commitments not recognised in the financial statements	**209,087**	445,915
Commitments for finance leases are payable as follows:		
Not later than one year	**5,784**	6,376
Later than one year but not later than five years	**40,495**	50,649
	46,279	57,025
Less future finance charges on finance leases	**(4,986)**	(9,126)
Total lease liabilities	**41,293**	47,899
Representing lease liabilities (refer note 15):		
Current	**2,421**	2,447
Non-current	**38,872**	45,452
Total lease liabilities	**41,293**	47,899

The weighted average interest rate implicit in the leases is 8.1% (2011: 8.1%) per annum. The rental commitments represent fixed portions of long-term rental contracts. The Directors believe that the associated future revenue streams will be sufficient to cover these commitments.

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

25. CONTROLLED ENTITIES

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

		Equity holding	
Name of entity	Country of incorporation	2012 %	2011 %
A.C.N 160 613 589 Pty Ltd	Australia	79.5	–
Actraint No. 116 Pty Limited [1, 4]	Australia	50	50
Adhoc Pty Ltd	Australia	75	75
Adhub Limited [1]	New Zealand	100	78
Adspace Pty Ltd [10]	Australia	48	100
Airplay Media Services Pty Limited [1, 4]	Australia	50	50
APN AP National Sales Pty Ltd [2]	Australia	100	100
APN Braeside Pty Ltd	Australia	100	100
APN Broadcasting Investments Pty Limited [2, 3]	Australia	100	100
APN Broadcasting (Regionals) Pty [1, 4]	Australia	50	50
APN Business Information Group Pty Ltd [2]	Australia	100	100
APN Business Magazines Pty Ltd [2]	Australia	100	100
APN Computing Group Pty Ltd [2]	Australia	100	100
APN Digital Pty Ltd [2]	Australia	100	100
APN Digital NZ Limited	New Zealand	100	100
APN Educational Media Pty Limited [2]	Australia	100	100
APN Educational Media (NZ) Limited	New Zealand	100	100
APN Finance Pty Limited [2]	Australia	100	100
APN Holdings NZ Limited	New Zealand	100	100
APN Media (NZ) Limited	New Zealand	100	100
APN Milperra Pty Ltd	Australia	100	100
APN New Zealand Limited	New Zealand	100	100
APN Newspapers Pty Ltd [2, 3]	Australia	100	100
APN NZ Investments Limited	New Zealand	100	100
APN Online (Australia) Pty Limited	Australia	100	100
APN Online (New Zealand) Limited	New Zealand	100	100
APN Outdoor Limited [10]	New Zealand	48	100
APN Outdoor Pty Limited [10, 11]	Australia	48	100
APN Outdoor (Trading) Pty Ltd [10, 11]	Australia	48	100
APN Print NZ Limited	New Zealand	100	100
APN Printing Services Pty Ltd [2, 3]	Australia	100	100
APN Specialist Publications NZ Limited	New Zealand	100	100
ARN Adelaide Pty Ltd [1, 4]	Australia	50	50
ARN Brisbane Pty Ltd [1, 4]	Australia	50	50
ARN Broadcasting Pty Ltd [1, 4]	Australia	50	50
ARN Communications Pty Ltd [1, 4]	Australia	50	50
ARN New Zealand Pty Limited [1, 4]	Australia	50	50
ARN NZ Investments Limited [1, 4]	New Zealand	50	50
ARN Overseas Pty Limited [1, 4]	Australia	50	50
ARN Perth Pty Ltd [1, 4]	Australia	50	50
ARN South Australia Pty Ltd [1, 4]	Australia	50	50

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

Name of entity	Country of incorporation	Equity holding 2012 %	2011 %
ARN Superannuation Pty Ltd [1, 4]	Australia	50	50
ARNSAT Pty Limited [1, 4]	Australia	50	50
ARN Limited Partnership [1,4]	Australia	50	50
Asia Posters Pte Ltd	Singapore	100	100
Asia Posters Sdn Bhd	Malaysia	100	100
The Australasian Advertising Company Pty Limited [10, 11]	Australia	48	100
Australian Posters Pty Ltd [10, 11]	Australia	48	100
Australian Provincial Newspapers International Pty Limited [2, 3]	Australia	100	100
Australian Provincial Newspapers Ltd [2, 3]	Australia	100	100
Australian Radio Network Pty Limited [1, 4]	Australia	50	50
Australian Radio Network Sales Pty Ltd [1, 4]	Australia	50	50
Biffin Pty Limited [2, 3]	Australia	100	100
Blue Mountains Broadcasters Pty Limited [1, 4]	Australia	50	50
Border Newspapers Pty Ltd [2]	Australia	100	100
brandsExclusive (Australia) Pty Limited	Australia	82	–
brandsExclusive (New Zealand) Pty Limited	Australia	82	–
Brisbane FM Radio Pty Ltd [1, 5]	Australia	25	25
The Brisbane Publishing Company Pty Ltd [2]	Australia	100	100
The Bundaberg Newspaper Company Pty Limited [2, 3]	Australia	100	100
Buspak Advertising (China) Limited	Hong Kong	100	100
Buspak Advertising Group Pty Ltd [10, 11]	Australia	48	100
Buspak Advertising (Hong Kong) Limited [6]	Hong Kong	50	50
Byron Shire News Pty Ltd [2]	Australia	100	100
Campus Review Pty Ltd [2]	Australia	100	100
Capital City Broadcasters Pty Limited [1, 4]	Australia	50	50
Capricornia Newspapers Pty Ltd [2, 3]	Australia	100	100
Cardcorp (Manufacturing) Pty Limited	Australia	100	100
Catalogue Central Pty Limited	Australia	79.5	79.5
Central Coast Broadcasting Pty [1, 4]	Australia	50	50
Central Queensland News Publishing Company Pty Ltd [2]	Australia	100	100
Central Telegraph Pty Ltd [2]	Australia	100	100
Chinchilla Newspapers Pty Ltd [2]	Australia	100	100
Cody Link Pty Ltd [10, 11]	Australia	48	100
Cody Outdoor International (HK) Limited [7]	Hong Kong	50	50
Coffs Coast RE Marketing Pty Ltd	Australia	70	70
Commonwealth Broadcasting Corporation Pty Ltd [1, 4]	Australia	50	50
Covette Investments Pty Limited [2, 3]	Australia	100	100
Daily Commercial News Pty Ltd [2]	Australia	100	100
The Daily Examiner Pty Ltd [2]	Australia	100	100
Dalby Herald Pty Ltd [2]	Australia	100	100
DCN (Electronic Services) Pty Ltd [2]	Australia	100	100
Double T Radio Pty Ltd [1, 4]	Australia	50	50
Eastcott Investments Pty Ltd [10, 11]	Australia	48	100

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

25. CONTROLLED ENTITIES (CONTINUED)

Name of entity	Country of incorporation	Equity holding 2012 %	Equity holding 2011 %
Esky Limited	New Zealand	100	100
Everfact Pty Limited [10, 11]	Australia	48	100
Everfact Unit Trust [10]	Australia	48	100
5AD Broadcasting Company Pty Ltd [1, 4]	Australia	50	50
Gatton Star Pty Ltd [2]	Australia	100	100
Gergdaam Capital Pty Limited [2, 3]	Australia	100	100
Gladstone Newspaper Company Pty Ltd [2]	Australia	100	100
The Gold Coast Press Pty Limited [2]	Australia	100	100
Grab One Australia Pty Limited	Australia	100	75
GrabOne Investments Limited	UK	75	75
GrabOne Limited [1]	New Zealand	100	75
GSP Print Pty Ltd [10, 11]	Australia	48	100
Gulgong Pty Limited [2, 3]	Australia	100	100
Gympie Times Pty Ltd [2]	Australia	100	100
Haswell Pty Limited [2, 3]	Australia	100	100
The Hive Online Limited	New Zealand	100	100
Idea HQ Limited [1]	New Zealand	100	75
The Internet Amusements Group Pty Limited [1, 4]	Australia	50	50
KAFM Broadcasters Proprietary Limited [1, 4]	Australia	50	50
Kelly Publications Pty Ltd [2]	Australia	100	100
Level 4 Investments Pty Limited [2]	Australia	100	100
The Level 4 Partnership	Australia	100	100
Longbeach Publications Pty Ltd [2]	Australia	100	100
Longbeach Publications Unit Trust	Australia	100	100
Lunchbox Investments Pty Ltd	Australia	100	–
The Mackay Printing and Publishing Company Pty Limited [2, 3]	Australia	100	100
The Maryborough Hervey Bay Newspaper Company Pty Ltd [2, 3]	Australia	100	100
Marnin Limited [9]	Ireland	–	–
Media Tek Pty Limited [2, 3]	Australia	100	100
Melbourne Independent Newspapers Pty Ltd [2]	Australia	100	100
Mt Maunganui Publishing Co Limited	New Zealand	100	100
Nathco Holdings Pty Ltd [2, 3]	Australia	100	100
National Outdoor Advertising Pty Limited [10, 11]	Australia	48	100
Nettlefold Advertising Pty Ltd [10, 11]	Australia	48	100
Nettlefold Outdoor Advertising Trust [10]	Australia	48	100
New Hobsons Press Pty Limited	Australia	–	100
New Zealand Radio Network Limited [1, 4]	New Zealand	50	50
North Coast News Pty Ltd [2]	Australia	100	100
Northern Star Ltd [2, 3]	Australia	100	100
Observer Times (Hervey Bay) Pty Ltd [2]	Australia	100	100
Outdoor Network Co Ltd	Thailand	–	100
Peterhouse Proprietary Limited [2]	Australia	100	100
Provincial Investments Pty Ltd [2, 3]	Australia	100	100

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

Name of entity	Country of incorporation	Equity holding 2012 %	Equity holding 2011 %
PT Rainbow Asia Posters [8]	Indonesia	–	50
The Queensland Times Pty Limited [2,3]	Australia	100	100
The Radio Bureau Limited [1,4]	New Zealand	50	50
The Radio Network Limited [1,4]	New Zealand	50	50
RadioWise Pty Ltd [1,4]	Australia	50	50
Regional Publishers Limited	New Zealand	100	100
Regmax Pty Limited [1,4]	Australia	50	50
Sabawin Pty Limited [2]	Australia	100	100
Sella Limited [1]	New Zealand	100	75
Sell Me Free Limited	New Zealand	100	100
SOL Australia Pty Ltd [10,11]	Australia	48	100
The South Burnett Times Pty Ltd [2]	Australia	100	100
Southern State Broadcasters Pty Limited [1,4]	Australia	50	50
Speedlink Services Pty Ltd [1,4]	Australia	50	50
Stanley Newcomb & Co Limited	New Zealand	100	100
Stanthorpe Newspapers Services Unit Trust	Australia	100	100
SunCoastal FM Radio Pty Ltd [1,4]	Australia	50	50
Sunshine Coast Newspaper Company Pty Ltd [2,3]	Australia	100	100
Taximedia Pty Ltd [10,11]	Australia	48	100
TMS Outdoor Advertising Pty Limited [10,11]	Australia	48	100
Toowoomba Newspapers Ltd [2,3]	Australia	100	100
Total Cab Media Pty Ltd [10]	Australia	48	100
Trade Debts Collecting Co Limited	New Zealand	100	100
The Tweed Newspaper Co Pty Ltd [2]	Australia	100	100
Universal Outdoor Pty Limited [10,11]	Australia	48	100
Universal Radio Pty Ltd [1,4]	Australia	50	50
Valtoff Pty Limited [10,11]	Australia	48	100
The Warwick Newspaper Pty Limited [2,3]	Australia	100	100
Web Metrics Limited [1]	New Zealand	100	75
Wesgo [1,4]	Australia	50	50
West Sydney Radio Pty Ltd [1,4]	Australia	50	50
Westat Research Pty Ltd [1,4]	Australia	50	50
Western Star Pty Ltd [2]	Australia	100	100
Whitsunday Times Unit Trust	Australia	75	75
Wilson & Horton Australia Pty Ltd	Australia	100	100
Wilson & Horton Finance Pty Ltd [2,3]	Australia	100	100
Wilson & Horton Limited	New Zealand	100	100
W&H Interactive Limited	New Zealand	100	100
Zodiac Australia Pty Ltd [2]	Australia	100	100

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

25. CONTROLLED ENTITIES (CONTINUED)

1 Denotes controlled entities audited by auditors other than PricewaterhouseCoopers.

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

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

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

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

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

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

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

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

10 This is no longer a controlled entity following the formation of the APN Outdoor joint venture with Quadrant Private Equity announced on the Australian Securities Exchange on 1 May 2012.

11 This entity was removed from the Deed of Cross Guarantee following the formation of the APN Outdoor joint venture with Quadrant Private Equity announced on the Australian Securities Exchange on 1 May 2012.

Deed of Cross Guarantee

Set out below is the consolidated income statement for the year ended 31 December 2012 for the Closed Group:

	2012 $'000	2011 $'000
Revenue from continuing operations	**240,766**	274,540
Other revenue and income	**70,621**	204,452
Expenses from operations before finance costs	**(238,567)**	(289,113)
Impairment of intangible assets	**(380,748)**	(9,243)
Finance costs	**(41,460)**	(89,556)
Share of profits of associates	**9,037**	6,143
(Loss)/profit before income tax credit	**(340,351)**	97,223
Income tax credit	**3,182**	15,458
(Loss)/profit from continuing operations	**(337,169)**	112,681
Gain from discontinued operations	**122,464**	21,644
Profit/(loss) attributable to non-controlling interests	**–**	(193)
(Loss)/profit attributable to owners of the parent entity	**(214,705)**	134,132
Accumulated losses		
Balance at beginning of the year	**(514,708)**	(584,764)
Profit attributable to owners of the parent entity	**(214,705)**	134,132
Dividends paid	**(41,246)**	(64,076)
Transfer to reserves	**(162)**	–
Balance at end of the year	**(770,821)**	(514,708)

Notes to the Financial Statements

Set out below is a consolidated balance sheet as at 31 December 2012 of the Closed Group:

	2012 $'000	2011 $'000
Current assets		
Cash and cash equivalents	2,132	2,875
Receivables	323,601	198,406
Inventories	5,172	6,107
Tax assets	1,507	–
Other current assets	2,304	7,124
Total current assets	334,716	214,512
Non-current assets		
Receivables	107,139	102,696
Other financial assets	260,336	296,347
Investment accounted for using equity method	48,868	43,331
Property, plant and equipment	74,399	114,206
Intangible assets	263,232	720,612
Retirement benefit asset	1,557	1,471
Other non-current assets	30,851	22,501
Total non-current assets	786,382	1,301,164
Total assets	1,121,098	1,515,676
Current liabilities		
Payables	498,296	563,340
Derivative liabilities	–	778
Interest bearing liabilities	2,421	2,433
Current tax liabilities	9,637	14,928
Provisions	2,067	8,646
Total current liabilities	512,421	590,125
Non-current liabilities		
Payables	–	4,043
Interest bearing liabilities	281,530	372,140
Derivative liabilities	–	3,839
Provisions	2,061	4,395
Total non-current liabilities	283,591	384,417
Total liabilities	796,012	974,542
Net assets	325,086	541,134
Equity		
Contributed equity	1,093,372	1,074,115
Reserves	2,535	(18,273)
Accumulated losses	(770,821)	(514,708)
Total parent entity interest	325,086	541,134
Total equity	325,086	541,134

Notes to the Financial Statements

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

Total remuneration for Directors and other key management personnel

	2012 $	2011 $
Short-term employee benefits	**5,084,386**	6,165,236
Post employment benefits	**162,320**	247,442
Termination benefits	**–**	994,935
Share-based payments	**80,625**	80,625
	5,327,331	7,488,238

Detailed remuneration disclosures will be provided in the Remuneration Report, which will be contained within the 2012 Annual Report.

Shareholding information

The number of ordinary shares in the Company held by each Director of APN News & Media Limited and each of the other key management personnel for the year ended 31 December 2012, including their related parties, is set out below:

	Balance at start of the year	Net changes	Balance at end of the year
Directors of APN News & Media Limited			
Gavin O'Reilly* (until 20 April 2012)	20,000	–	**20,000**
Ted Harris	724,792[1]	–	**724,792**
Pierce Cody* (until 22 February 2012)	105,186	–	**105,186**
Peter Cosgrove	150,000	3,425	**153,425**
Vincent Crowley	760,404	–	**760,404**
Kevin Luscombe	67,052	67,500	**134,552**
Other key management personnel			
Brett Chenoweth	–	306,000	**306,000**
Peter Myers* (until 19 September 2012)	252,000	–	**252,000**
Jeff Howard* (from 12 November 2012)	–	15,000	**15,000**
Matt Crockett	79,000	–	**79,000**
Martin Simons	55,000	–	**55,000**
Richard Herring* (until 30 April 2012)	24,000	–	**24,000**

* In the case of retired directors, the closing balance represents the number of shares at the date the director retired from the Board. For other key management personnel who have resigned in the period the closing balance represents the balance at resignation. In the case of Jeff Howard, who became a KMP in the year, the opening balance represents his holding at appointment as a KMP.

1 In addition, Ted Harris is a Director of a trustee company which holds 427,078 shares (2011: 427,078) for the benefit of other parties.

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

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

Loans to Directors and other key management personnel

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

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

27. RELATED PARTY INFORMATION

Unsecured and interest bearing loans

	2012 $'000	2011 $'000
Loans from Directors of entities in the consolidated entity and their Director related entities, are disclosed in note 13.		
Loan repayments – F Moniaga	–	331

Transactions with other related parties

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

Transaction type	Class of other related party	2012	2011
Loan interest	Joint venture (i)	2,811	–
Consulting services received	Key management personnel (ii)	55	55
Dividends paid	Other related parties (iii)	12,450	20,112
Independent News & Media fees	Other related party (iv)	615	1,115
Management fees receivable	Associates (v)	190	150
Associate company fee	Associates (vi)	50	50

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

(i) Interest on loans with APN Outdoor joint venture.

(ii) Consultancy fees paid to a company associated with Peter Cosgrove for marketing services rendered.

(iii) Dividends paid to Independent News & Media (Australia) Limited and News & Media NZ Limited.

(iv) Payments to Independent News & Media PLC include reimbursements for services provided including travel and ancillary expenses, provision of unlimited live editorial copy, services of directors and for advisory services on a range of matters including global media and advertising trends and product development.

(v) Management fees received/receivable from associates.

(vi) Chairman's fee paid to Peter Cosgrove by Adshel Street Furniture Pty Limited.

Notes to the Financial Statements

28. REMUNERATION OF AUDITORS

	2012 $'000	2011 $'000
Remuneration for audit or review of the financial reports		
PricewaterhouseCoopers – Australian firm	**576**	717
PricewaterhouseCoopers – overseas firm	**460**	534
Other firms	**297**	310
Remuneration for other assurance services		
PricewaterhouseCoopers – Australian firm	**15**	17
PricewaterhouseCoopers – overseas firm	**19**	26
Other firms	**71**	54
Total audit and other assurance services	**1,438**	1,658
Remuneration for other services		
PricewaterhouseCoopers – Australian firm		
Tax services		
– Transactional advice	**179**	269
– Compliance	**118**	88
Other advisory services*	**14**	496
PricewaterhouseCoopers – overseas firm		
Tax services		
– Transactional advice	**332**	274
– Compliance	**152**	122
Other advisory services	**27**	74
Other firms		
Tax services		
– Transactional advice	**46**	24
– Compliance	**80**	88
Other advisory services	**207**	73
Total non-audit services	**1,155**	1,508

* 2011 includes $470,000 for due diligence services in relation to APN Outdoor joint venture.

29. BUSINESS COMBINATIONS

On 21 June 2012, the Group acquired 82% of brandsExclusive (Australia) Pty Limited, a leading eCommerce business based in Australia. The purchase agreement includes put and call options over the remaining shares.

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

	$'000
Purchase consideration	
Cash paid	36,124
Contingent consideration	19,882
Total purchase consideration	**56,006**
Net assets acquired	
Cash and cash equivalents	9,684
Receivables	405
Inventories	1,589
Property, plant and equipment	709
Intangible assets	4,200
Other assets	761
Total assets	17,348
Payables	4,314
Other liabilities	4,630
Total liabilities	8,944
Value of net identifiable net assets	8,404
Less: Non-controlling interests	(984)
Add: Goodwill	48,586
Net assets acquired	**56,006**

The cash paid includes $6,300,000 invested in the company for newly issued capital, which will be used to fund growth enabling initiatives. The goodwill recognised is attributable to the fast rate of growth in sales and resulting profitability expected from the business over the short term. The goodwill is not deductible for tax purposes.

(i) Contingent consideration

In the event that certain pre-determined earnings thresholds are achieved by brandsExclusive, contingent consideration up to a maximum of $29,823,600 may be payable in cash. The amount provided of $19,882,000 is based on the forecast earnings outcome over the earn out period.

(ii) Non-controlling interests

The non-controlling interest has been recognised at fair value.

(iii) Revenue and profit contribution

The acquired business contributed revenue of $34,187,000 and a net profit after tax of $89,000 to the Group for the period from 21 June 2012 to 31 December 2012.

If the acquisition had occurred on 1 January 2012, consolidated revenue and loss for the year ended 31 December 2012 would have been $890,160,000 and ($433,874,000) respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2012.

30. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of final 25% of IdeaHQ Limited

In May 2012, the Group acquired the final 25% of Idea HQ Limited and subsidiaries, including GrabOne Limited. This transaction was treated as a transaction with a non-controlling interest as the Group previously controlled and consolidated Idea HQ. The purchase consideration was $3,200,000 with a further $6,173,000 payable should the businesses achieve certain predetermined performance targets.

The carrying amount of the non-controlling interests in Idea HQ Limited on the date of acquisition was $4,367,000. The Group recognised a decrease in equity attributable to owners of the parent of $5,006,000.

Notes to the Financial Statements

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

31. EARNINGS PER SHARE

(a) Reconciliation of earnings used in calculating earnings per share

	2012 $'000	2011 $'000
Loss from continuing operations attributable to owners of the parent entity	**(533,312)**	(64,773)
Profit from discontinued operations attributable to owners of the parent entity	**77,543**	19,703
Loss attributable to owners of the parent entity used in calculating basic/diluted earnings per share	**(455,769)**	(45,070)

(b) Weighted average number of shares

	Number	Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	**647,718,642**	618,522,559
Adjusted for calculation of diluted earnings per share	**-**	-
Weighted average number of shares used as the denominator in calculating diluted earnings per share	**647,718,642**	618,522,559

32. CASH FLOW INFORMATION

Reconciliation of cash

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

	2012 $'000	2011 $'000
Cash and cash equivalents	**20,338**	23,885
Reconciliation of net cash inflows from operating activities to loss for the year:		
Loss for the year	**(431,957)**	(18,936)
Depreciation and amortisation expense	**35,915**	40,148
Net loss/(gain) on sale of non-current assets	**966**	(900)
Profit on formation of APN Outdoor joint venture	**(78,148)**	-
Share of profits of associates and joint ventures	**(9,062)**	(5,807)
Fair value gains on financial assets	**(1,493)**	(2,400)
Impairment of intangible assets	**638,448**	159,495
Change in current/deferred tax	**(81,937)**	(62,320)
Fair value gains on acquisition of associate	**-**	(8,307)
Foreign exchange gains	**-**	(3,926)
Fair value gains on equity instruments	**-**	(3,652)
Asset write offs and business closures	**1,856**	16,594
Other non-cash items	**(3,339)**	(730)
Changes in assets and liabilities net of effect of acquisitions:		
Trade and other receivables	**13,179**	9,449
Inventories	**(29)**	3,408
Prepayments	**(411)**	(1,727)
Trade and other payables and employee benefits	**3,286**	2,674
Net cash inflows from operating activities	**87,274**	123,063

Non-cash financing and investing activities

Share issue

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

Finance facilities

Details of credit standby arrangements and loan facilities are included in note 33.

Restricted cash

Restricted cash included in cash and cash equivalents totalled $2.9 million at 31 December 2012 and $4.7 million at 31 December 2011.

33. STANDBY ARRANGEMENTS AND CREDIT FACILITIES

Entities in the consolidated entity have access to:

	2012 $'000	2011 $'000
Overdraft facilities		
Unsecured bank overdraft facility totalling	**7,806**	11,659
Amount of credit utilised	**(503)**	(714)
Amount of available credit	**7,303**	10,945
Loan facilities		
Unsecured bank loan facility totalling	**564,400**	920,234
New Zealand Bond	**79,428**	76,104
Amount of facility utilised	**(492,975)**	(621,550)
Amount of available facility	**150,853**	374,788

Loan facilities utilised as at 31 December 2012 includes $47,151,000 for letters of credit.

34. FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Cash flow and fair value interest rate risk

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

Based on the outstanding net floating debt at 31 December 2012, a change in interest rates of +/–1% per annum with all other variables being constant would impact post-tax profit by $3.3 million lower/higher (2011: $2.5 million lower/higher). The parent entity has no significant exposure to a change in interest rates.

(ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. Individual transactions are assessed and forward exchange contracts are used to hedge the risk where deemed appropriate.

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

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

(iii) Price risk

The Group is not exposed to significant price risk.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

Credit risk further arises in relation to financial guarantees given to certain parties (refer note 21 for details).

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date, no amount was receivable (Australian dollar equivalents) for the Group from forward exchange contracts (2011: $nil). The Group undertakes 100% of its transactions in foreign exchange contracts with financial institutions.

(c) Liquidity risk

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

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

	Less than one year $'000	Between one and two years $'000	Between two and five years $'000	Over five years $'000
31 December 2012				
Trade and other payables	**119,477**	**–**	**–**	**–**
Bank loans (including interest to maturity)	**53,582**	**142,634**	**263,932**	**–**
New Zealand Bond	**6,243**	**6,243**	**87,232**	**–**
Other loans	**40,707**	**–**	**–**	**–**
Gross liability	**220,009**	**148,877**	**351,164**	**–**
Less interest	**(30,029)**	**(25,850)**	**(18,462)**	**–**
Principal	**189,980**	**123,027**	**332,702**	**–**
31 December 2011				
Trade and other payables	133,408	1,348	2,696	–
Bank loans (including interest to maturity)	272,344	53,292	357,497	–
New Zealand Bond	5,982	5,982	89,562	–
Other loans	2,331	–	–	–
Gross liability	414,065	60,622	449,755	–
Less interest	(39,598)	(30,065)	(45,635)	–
Principal	374,467	30,557	404,120	–

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Group's financial assets and liabilities measured and recognised at fair value at 31 December 2012 and 31 December 2011:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	**Total $'000**
31 December 2012				
Assets				
Financial assets at fair value through profit or loss				
Listed securities	–	–	–	**–**
Shares in other corporations	–	–	22,471	**22,471**
Short-term financial instrument at fair value	–	–	40,000	**40,000**
Total assets	–	–	62,471	**62,471**
Liabilities				
Financial liabilities at fair value through equity				
Short-term financial instrument at fair value	–	–	40,000	**40,000**
Total liabilities	–	–	40,000	**40,000**
31 December 2011				
Assets				
Financial assets at fair value through profit or loss				
Listed securities	7,636	–	–	**7,636**
Shares in other corporations	–	–	23,528	**23,528**
Total assets	7,636	–	23,528	**31,164**
Liabilities				
Financial liabilities at fair value through equity				
Derivatives used for hedging	–	(4,617)	–	**(4,617)**
Total liabilities	–	(4,617)	–	**(4,617)**

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

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

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

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

35. SUBSEQUENT EVENTS

Since the end of the financial year, there have been a number of significant events that have resulted in changes to the composition of the APN Board. Please refer to the announcements released on the ASX between 15 February and 20 February 2013.

In January and February 2013, Cyclone Oswald and subsequent floods caused significant disruption to the regions in which Australian Regional Media (ARM) operates. The immediate impact on ARM's operations has been less significant than the floods of 2011. The full financial impact is still being assessed.

Please refer to note 5 of the financial statements for the latest developments in relation to the tax dispute with the New Zealand Inland Revenue Department.

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

36. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2012 $'000	2011 $'000
Balance sheet		
Current assets	**1,567**	558
Total assets	**902,633**	1,346,250
Current liabilities	**–**	–
Total liabilities	**261,732**	214,337
Shareholders equity		
Issued capital	**1,093,371**	1,074,115
Reserves		
Share based payments reserve	**5,181**	5,181
Retained profits		
Opening profit reserve	**52,617**	65,173
Dividends paid during the year	**(41,246)**	(64,076)
Brought forward profit reserve	**11,371**	1,097
(Loss)/profit for the year	**(469,022)**	51,520
Closing profit reserve	**11,371**	52,617
Closing loss reserve	**(469,022)**	–
	640,901	1,131,913
(Loss)/profit for the year	**(469,022)**	51,520
Total comprehensive income	**(469,022)**	51,520

(b) Guarantees entered into by the parent entity

The parent entity and all wholly-owned controlled entities have provided guarantees in respect of banking facilities. As at 31 December 2012, the facilities had been drawn to the extent of $483,140,000 (2011: $594,911,000).

The parent entity and some wholly-owned controlled entities have given guarantees in respect of certain banking facilities to a maximum of $45,000,000 (2011: $45,000,000).

(c) Contingent liabilities and contractual commitments

The parent entity did not have any contingent liabilities or contractual commitments as at 31 December 2012 or 31 December 2011.

Directors' Declaration

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

In the Directors' opinion:

(a) the financial statements and notes set out on pages 45 to 94 are in accordance with the *Corporations Act 2001*, including:

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

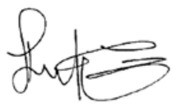
  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial year ended on that date, and

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

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

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

This declaration is made in accordance with a resolution of the Directors, after receiving the declarations required to be made by the persons performing the chief executive function and the chief financial officer function in accordance with section 295A of the *Corporations Act 2001*.



Peter Cosgrove
Chairman
Sydney
14 March 2013

Independent Auditor's Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

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

Report on the financial report

We have audited the accompanying financial report of APN News & Media Limited (the company), which comprises the balance sheet as at 31 December 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the APN News & Media Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
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Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

pwc

Auditor's opinion

In our opinion

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 34 to 43 of the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of APN News & Media Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of APN News & Media Limited (the company) for the year ended 31 December 2012 included on APN News & Media Limited's web site. The company's directors are responsible for the integrity of the APN News & Media Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

DS Wiadrowski

DS Wiadrowski
Partner

Sydney
14 March 2013

Shareholder Information

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

1. SHARES

(a) Substantial shareholders

The following information is extracted from substantial shareholder notices received by the Company as at 4 March 2013:

Name	Number of shares
Independent News & Media PLC	191,541,073
Baycliffe Limited	199,783,031*
Allan Gray Australia Pty Ltd	131,273,212
Maple-Brown Abbott Limited	36,565,371

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

(b) Top 20 holders of fully paid ordinary shares at 4 March 2013

Name	Number of shares	% of total shares
Independent News & Media (Australia) Limited	116,541,073	17.62
National Nominees Limited	92,449,174	13.98
JP Morgan Nominees Australia Limited	90,484,365	13.68
News & Media NZ Limited	75,000,000	11.34
Citicorp Nominees Pty Limited	42,807,725	6.47
HSBC Custody Nominees (Australia) Limited	38,859,173	5.87
RBC Investor Services Australia Nominees Pty Limited (MBA a/c)	25,550,845	3.86
Custodial Services Limited (Beneficiaries Holding a/c)	12,521,320	1.89
CS Fourth Nominees Pty Ltd	10,613,393	1.60
BNP Paribas Noms Pty Ltd (DRP)	7,453,848	1.13
QIC Limited	3,435,609	0.52
BNP Paribas Nominees Pty Ltd ACF Pengana (DRP a/c)	2,900,000	0.44
Accumulation Chess Entrepot	2,263,981	0.34
Sydney Equities Pty Ltd (Superannuation Fund a/c)	1,959,558	0.30
Mr Michael David Jeffreys (M & J Jeffreys Super a/c)	1,600,000	0.24
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	1,595,346	0.24
S M & R W Brown Pty Ltd (Robert & Sally Brown SF a/c)	1,500,000	0.23
Comsec Nominees Pty Limited	1,349,875	0.20
Milton Corporation Limited	1,309,855	0.20
JP Morgan Nominees Australia Limited (Cash Income a/c)	1,216,602	0.18
Total	**531,411,742**	**80.33**

(c) Analysis of individual ordinary shareholdings as at 4 March 2013

Holding	Number of shareholders	% of total	Number of shares	% of issued capital
1-1,000	2,329	24.36	948,177	0.14
1,001-5,000	3,691	38.60	10,090,486	1.53
5,001-10,000	1,500	15.69	11,135,604	1.68
10,001-100,000	1,830	19.14	51,974,646	7.86
100,001 and over	211	2.21	587,377,673	88.79
Total holdings	**9,561**	**100.00**	**661,526,586**	**100.00**

There were 3,100 holders of less than a marketable parcel.

(d) Voting rights of shareholders

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

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

Shareholder Information

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

2. OPTIONS

Analysis of individual option holdings as at 4 March 2013:

Holding	Number of optionholders	% of total	Number of options	% of total options
1-1,000	–	–	–	–
1,001-5,000	–	–	–	–
5,001-10,000	1	2.04	10,000	0.26
10,001-100,000	44	89.80	2,465,000	65.13
100,001 and over	4	8.16	1,310,000	34.61
Total holdings	**49**	**100.00**	**3,785,000**	**100.00**

3. DIRECTORS' INTERESTS

The relevant interest of each Director in the securities of the parent entity as at 4 March 2013 is:

Director	Number of shares	Number of options
Peter Cosgrove	153,425	–
Ted Harris	724,792	–
Vincent Crowley	760,404	–
Kevin Luscombe	134,552	–
Paul Connolly	–	–

4. OTHER INFORMATION

Stock exchange listing

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

Enquiries

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

Dividend payments

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

Tax file number (TFN)

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

Register your email address

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

Consolidation of holdings

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

Change of name or address

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

Dividend reinvestment plan (DRP)

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

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

Investor information

The Annual Report is the most comprehensive publication with information for investors. Copies of the 2012 Annual Report and Shareholder Review may be obtained by contacting the Share Registry or on the corporate website, www.apn.com.au. Other financial and relevant information, including press releases on financial results and Chairman's addresses, are available from the corporate office in Sydney, or at the corporate website.

Five Year Financial History

APN NEWS & MEDIA LIMITED AND CONTROLLED ENTITIES

	2012 $'m	2011 $'m	2010 $'m	2009 $'m	2008 $'m
Income Statement					
Total revenue	**929**	1,072	1,059	1,031	1,226
EBITDA[1]	**156**	209	244	230	320
EBIT[2]	**123**	171	205	189	279
Adjusted net profit[3]	**54**	78	103	94	143
Statutory net (loss)/profit	**(456)**	(45)	94	93	(24)
Balance Sheet					
Equity excluding non-controlling interests	**406**	879	962	933	816
Total assets	**1,347**	1,998	2,163	2,203	2,323
Total bank borrowings	**486**	669	720	783	968
Statistical Analysis					
EBITDA/total revenue	**16.8%**	19.5%	23.1%	22.3%	26.1%
Total bank borrowings/EBITDA	**3.1**	3.2	3.0	3.4	3.0
Earnings per share – basic (cents)[4]	**8.4**	12.6	17.2	17.0	28.3
– diluted (cents)[4]	**8.4**	12.6	17.2	17.0	28.3
Dividends per share (cents)	**1.5**	8.5	12.0	4.0	22.5
Dividend payout ratio[5]	**18%**	67%	70%	25%	79%
Interest cover based on EBITDA (times)	**3.9**	3.7	4.9	4.5	4.2
No. of shares on issue ('000)	**661,527**	630,211	606,084	595,312	490,413
No. of shareholders	**9,546**	9,419	9,891	11,138	11,593
Market capitalisation ($'m)	**165**	447	1,176	1,381	1,216
Market price per share at 31 December	**$0.25**	$0.71	$1.94	$2.32	$2.48

1 Profit before exceptional items, interest, tax, depreciation and amortisation.

2 Profit before exceptional items, interest and tax.

3 Net profit after tax before exceptional items.

4 Earnings per share are before exceptional items and have been restated for prior years for the bonus element of the pro-rata entitlement offer in 2009.

5 Before exceptional items.

Corporate Directory

APN NEWS & MEDIA LIMITED
ACN 008 637 643

DIRECTORS
Peter Cosgrove (Chairman)
Ted Harris (Deputy Chairman)
Paul Connolly
Vincent Crowley
Kevin Luscombe

SECRETARY
Yvette Lamont

REGISTERED OFFICE
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Sydney South NSW 1235

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Email:
registrars@linkmarketservices.com.au

Website:
www.linkmarketservices.com.au

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

PRINCIPAL BANKERS
ANZ
Commonwealth Bank
HSBC
National Australia Bank
RBS
Westpac Banking Corporation

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF MEMBERS OF APN NEWS & MEDIA LIMITED WILL BE HELD AT THE FOUR SEASONS HOTEL, 199 GEORGE STREET, SYDNEY NSW 2000 ON THURSDAY, 2 MAY 2013 AT 11AM.

www.apn.com.au